

UTE GNA II Geração de Energia S.A.

**Interim Financial Statements
on June 30th, 2020**

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UTE GNA II Geração de Energia S.A.

Balance sheets

On June 30th, 2020 and December 31st, 2019

(In thousands of Reais)

	Note	<u>06/30/2020</u> <u>(not reviewed)</u>	<u>12/31/2019</u>
Current			
Assets			
Cash and cash equivalents	4	3,929	145
Accounts receivable	5	21	27
Other advances		-	66
Prepaid expenses	6	12,182	3,175
Recoverable taxes		13	1
Total current assets		<u>16,145</u>	<u>3,414</u>
Non-current			
Prepaid expenses	6	5,200	6,503
Recoverable taxes		1	-
Property, plant, and equipment	7	17,511	8,704
Total of non-current assets		<u>22,712</u>	<u>15,207</u>
Total assets		<u><u>38,857</u></u>	<u><u>18,621</u></u>

The notes are an integral part of these interim financial information.

UTE GNA II Geração de Energia S.A.

Balance sheet

On June 30th, 2020 and December 31st, 2019

(In thousands of Reais)

	Note	06/30/2020 (not reviewed)	12/31/2019
Current			
Liabilities			
Suppliers	8	3,605	1,698
Accounts payable	5	53,739	24,417
Taxes and contributions payable	9	44	1
Total current liabilities		57,388	26,116
Non-current			
Accounts payable	5	1,545	-
Total non-current liabilities		1,545	-
Shareholders' equity	10		
Share capital		2	2
Advance for future capital increase		13,677	13,677
Accumulated losses		(33,755)	(21,174)
Total shareholders' equity		(20,076)	(7,495)
Total liabilities and shareholders' equity		38,857	18,621

The notes are an integral part of these interim financial information.

UTE GNA II Geração de Energia S.A.

Statements of operations

Six-month period ending on June 30th, 2020 and 2019

(In thousands of Reais)

	Note	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
Operating expenses					
General and administrative expenses	11	(12,628)	(4,988)	(7,782)	(2,039)
Impairment and other losses	4	(2)	-	(1)	-
Net (loss) before financial result (expenses)		(12,630)	(4,988)	(7,783)	(2,039)
Net financial result	12				
Financial income		53	-	43	-
Financial expenses		(4)	(1)	(3)	(1)
Loss of the period		(12,581)	(4,989)	(7,743)	(2,040)

The notes are an integral part of these interim financial information.

UTE GNA II Geração de Energia S.A.

Statements of comprehensive income (loss)

Six-month period ending on June 30th, 2020 and 2019

(In thousands of Reais)

	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
Loss of the period	(12,581)	(4,989)	(7,743)	(2,040)
Other comprehensive incomes	-	-	-	-
Total other comprehensive loss of the period	(12,581)	(4,989)	(7,743)	(2,040)

The notes are an integral part of these interim financial information.

UTE GNA II Geração de Energia S.A.

Statements of changes in shareholders' equity

Six-month period ending on June 30th, 2020 and 2019

(In thousands of Reais)

	Capital Reserve			
	Share capital	Advance for future capital increase	Accumulated losses	Shareholders' equity
Balance on January 1st, 2019	2	13,677	(1,301)	12,378
Loss of the period	-	-	(4,989)	(4,989)
Balance on June 30th, 2019 (not reviewed)	2	13,677	(6,290)	7,389
Loss of the period	-	-	(14,884)	(14,884)
Balance on December 31st, 2019	2	13,677	(21,174)	(7,495)
Loss of the period	-	-	(12,581)	(12,581)
Balance on June 30th, 2020 (not reviewed)	2	13,677	(33,755)	(20,076)

The notes are an integral part of these interim financial information.

UTE GNA II Geração de Energia S.A.

Statements of cash flows

Six-month period ending on June 30th, 2020 and 2019

(In thousands of Reais)

	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)
Cash flow from operating activities		
Loss of the period	(12,581)	(4,989)
Adjustments of items without cash effect:		
Depreciation and amortization	-	3,873
Adjusted net losses	(12,581)	(1,115)
(Increase) decrease in assets and increase (decrease) in liabilities:		
Recoverable taxes	(13)	-
Prepaid expenses	(7,704)	497
Other advances	66	-
Accounts receivable	6	-
Suppliers	1,907	2,886
Accounts payable	30,867	131
Taxes and contributions payable	43	3
Net cash provided by (used in) operational activities	12,591	2,402
Cash flows from investment activities		
Acquisition of goods of PPE	(8,807)	(2,412)
Net cash used in investing activities	(8,807)	(2,412)
Increase (decrease) in cash and cash equivalent	3,784	(10)
At the beginning of the period	145	20
At the end of the period	3,929	10
Increase (decrease) in cash and cash equivalent	3,784	(10)

The notes are an integral part of these interim financial information.

Notes of the financial information

(In thousands of Reais, unless stated otherwise)

1 Operations

UTE GNA II Geração de Energia S.A. (“GNA II” or “Company”) was incorporated on October 21st, 2015, and on April 8th, 2019, the legal type of the Company was changed from a limited liability company to a privately held company, changing its corporate name from UTE GNA II Geração de Energia Ltda. to UTE GNA II Geração de Energia S.A. Its controlled companies are Prumo Logística S.A (“Prumo”) and Gás Natural Açú S.A. (“GNA HoldCo”).

In December 2017, "GNA II" won the A-6 auction, a project for a thermal plant with a capacity of 1,672.6 MW that will demand investments of R\$ 5.6 billion, with an estimated start of operations on January 1st, 2023.

a. COVID-19

On March 11th, 2020, the World Health Organization declared that the corona virus outbreak is characterized as a pandemic. The consequences of the pandemic have increased the degree of uncertainty for economic agents and may have an impact on the amounts recognized in the financial statements.

A decrease in the number of coronavirus cases in Brazil is expected soon, with loosening of the distance measures. At the federal level, Decrees 10,282/20, 10,292/20 and 10,329/20 treated the activities of electric power generation (including the respective engineering works), oil and gas and cargo logistics as essential activities that must continue operating during a state of exception.

All companies in the GNA Group have implemented special operating regimes to minimize the chances of total stops of their activities, in addition to other measures to minimize the contagion of their employees.

A Crisis Management Committee was implemented involving all the companies of the GNA Group to identify risks to operations and business continuity, assess different scenarios and outline action plans to mitigate the risks raised. In this committee, 5 working groups were created to focus on specific topics:

- Safety, Environment, and Emergency Response.
- People, Health, and Internal Communication.
- Market and Customers.
- Finance, Controllership, and Treasury; and
- Operations and Supplies.

Since then, there has been daily monitoring of the main risks raised by each of these groups, including, among others, impacts related to:

- supply chain and demand for products or services.
- ability to honor the payment commitments.
- credit risk: default or requests for contractual renegotiation.
- the company's ability to keep operations in good working order; and
- reduction in the productivity of employees and stakeholders related to health and safety issues.

Several preventive measures have been and continue to be adopted in each of the Group's companies.

GNA II has been negotiating with financing agents, in a scenario of continuing the project without changes in business continuity.

2 Base of preparation and presentation of the interim financial statements and main accounting policies

a. Statement of compliance

The interim financial information has been prepared in accordance with CPC 21 (R1) - Interim Statement issued by the Accounting Pronouncements Committee (CPC) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB.

The interim financial information should be read in conjunction with the financial statements of December 31st, 2019, approved on March 26th, 2020, which were prepared in accordance with accounting practices adopted in Brazil and with international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Authorization for the conclusion of the preparation of this financial information was given by Management on August 7th, 2020.

b. Preparation base

The interim financial information has been prepared based on historical cost, except for certain financial instruments which have been measured at fair value through profit and loss.

c. Functional currency and presentation currency

This interim financial information is report in Reais, which is the Company's functional currency. All balances were rounded to the nearest thousand, unless otherwise noted.

3 Use of estimates and judgments

Judgments, estimates, and assumptions are used to measure and recognize certain assets and liabilities in the Company's the interim financial information. These estimates considered experience form past and current events, assumptions about future events and other objective and subjective factors.

Significant items subject to estimates include the evaluation of the useful lives of property, plant and equipment, the analysis of the recovery of fixes assets, intangible assets, the evaluation of the recoverable amount of deferred income tax and social contribution, financial instruments, among others. The future settlement of transactions involving these estimates may result in values that are different from those recorded in the interim financial information due to the inaccuracies inherent in the determination process. The company review its estimates and assumptions at least annually.

4 Cash and cash equivalents

	06/30/2020 (not reviewed)	12/31/2019
Cash and banks	10	10
Financial investments		
Financial investments (a)	3,921	135
	3,921	135
	3,931	145
Provision for expected loss (b)	(2)	-
Total	3,929	145

- (a) The balance of cash and cash equivalents as of June 30th, 2020 consists of current accounts at Itaú, Santander, Bradesco and a committed investment at Santander, which are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.
- (b) Estimated financial losses were calculated based on the loss rates of a Corporate Default study published by S&P on April 7th, 2020, referring to 15 years of data collected by it on the default risk of companies at each rating level.

Cash and cash equivalents are held with bank and financial counterparties, which have been grouped into 5 levels, separated between AAA and BB according to their rating on Fitch Ratings, Moody's, and Standard & Poor's. As shown in the table below, the counterparties in which the Company has outstanding balances on June 30th, 2020 are classified as AAA, based on the average of their ratings at the rating companies listed above.

The estimated loss position in cash and cash equivalents was calculated based on the expected loss rate of 12 months and reflects the maturity periods of the risk exposures

In thousands of Reais

Risk Level	Rating	Gross Balance	Loss rate (1)	Provision for Loss
Level 1	AAA	3,931	0,01%	(2)

Loss Rate considers the Global Corporate Average Default Rate for 1 year released by S&P on 04/09/19.

5 Related parties

The Company adopts the Corporate Governance practices recommended and/or required by law. The Company's Corporate Governance Policy determines that the members of the Board of Directors must monitor and manage potential conflicts of interest of the executives, members of the Board and the Partners, in order to avoid the inappropriate use of the Company's assets and, especially, abuses in transactions between related parties.

In accordance with the Brazilian Corporation Law, the members of the Company's Board of Directors are prohibited from voting at any Board Meeting or acting in any operations or businesses in which they have conflicting interests with those of the Company.

The main balances of assets and liabilities on June 30th, 2020 and December 31st, 2019, regarding transactions with related parties, as well as the transactions that influenced the result for the period arise out of the Company's transactions with subsidiaries, members of the Management and other related parties, as follows:

	06/30/2020 (not reviewed)	12/31/2019
Asset:		
Accounts receivable		
GNA Infra (a)	21	27
Total assets	21	27
Liability:		
Accounts payable		
GNA HoldCo (a) and (c)	7,236	5,977
GNA Infra (a) and (c)	21,194	1,545
UTE GNA 1 (a)	24,095	14,227
Prumo Logística S.A (b) and (d)	1,541	1,540
Porto do Açú Operações S.A. (b)	5	5
Lakeshore (e)	1,213	1,123
Total	55,284	24,417
Accounts receivable		
Current	21	27
Non-current	-	-
Total	21	27
Accounts payable		
Current	53,739	24,417
Non-current	1,545	-
Total	55,284	24,417

Shared costs	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
GNA HoldCo (a)	(1,257)	(818)	(603)	-
GNA Infra (a)	(325)	(109)	117	-
UTE GNA 1 (a)	(9,863)	(7)	(6,182)	-
Prumo Logística S.A. (b)	-	-	-	-
Porto do Açú Operações S.A. (b)	-	(57)	-	-
Total	(11,445)	(991)	(6,668)	-

- (a) Agreement for sharing personnel expenses and other expenses between the GNA group companies.
- (b) Acknowledgement of personnel expenses and other general expenses incurred between UTE GNA II x Porto do Açú x Prumo.
- (c) Loan of R\$ 1,588 with GNA HoldCo, and loan of R\$ 19,178 with GNA Infra.
- (d) Operating license purchased by Prumo relative to Eneva through debits notes.
- (e) Financial advice for auction and financing.

The amounts related to the remuneration of the Management members are shown below:

	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
Officers				
Cost transfer between companies (a)	(838)	(129)	(549)	(1)
Total	(838)	(129)	(549)	(1)

(a) Amounts related to expenses with management at the companies GNA HoldCo, GNA Infra and UTE GNA I and which were transferred to the Company.

6 Prepaid expenses

	06/30/2020 (not reviewed)	12/31/2019
Insurance premium (a)	7,800	9,102
Transaction cost (b)	9,582	576
Total	17,382	9,678
Current	12,182	3,175
Non-current	5,200	6,503
Total	17,382	9,678

- (a) Insurance premiums: Performance guarantee requirement of CCEE.
- (b) Transaction cost to obtain financing from the thermal power plant. The amounts are presented in current and non-current assets until the effective raising of financing resources, where they will be reclassified to liabilities, as accounts reducing the liabilities balance of loans.

7 Property, plant, and equipment

	Works in Progress and equipment under construction (*)	Total
Balance on December 31st, 2018	4,190	4,190
Additions	4,514	4,514
Balance on December 31st, 2019	8,704	8,704
Cost	8,704	8,704
Balance on December 31st, 2019	8,704	8,704
Additions	8,807	8,807
Balance on June 30th, 2020 (not reviewed)	17,511	17,511
Cost	17,511	17,511
Balance on June 30th, 2020 (not reviewed)	17,511	17,511

(*) Works in progress and equipment under construction: The balance for works in progress as of June 30th, 2020 is comprised of amounts of operating licenses for UTE GNA II, insurance capitalization and consultancies.

8 Suppliers

	06/30/2020 (not reviewed)	12/31/2019
National suppliers	3,589	1,698
Foreign suppliers	16	-
Total	3,605	1,698

9 Taxes and contributions payable

	06/30/2020 (not reviewed)	12/31/2019
Service tax ("ISS")	4	-
Income tax withheld at source ("IRRF")	2	1
PIS/COFINS payable	2	-
PIS/COFINS/CSLL - Withheld	36	-
Total	44	1
Total	44	1
Current	44	1
Non-current	-	-
Total	44	1

10 Shareholders' equity

Shareholders	06/30/2020 (not reviewed)		12/31/2019	
	Number of common shares (thousand)	Participation %	Number of common shares (thousand)	Participation %
Prumo Logística	1	50.50%	1	50.50%
GNA HoldCo	1	49.50%	1	49.50%
Total	2	100.00%	2	100.00%

a. Share Capital

As of June 30th, 2020, the Company's capital stock is R\$ 2, represented by 2 nominative common shares with no par value (R\$ 2, represented by 2 nominative common shares with no par value on December 31st, 2019).

Initial Balance	Shareholder		Share Capital
	Prumo Logística	GNA HoldCo	
01/01/2020	1	1	2
Total	1	1	2

b. Advance for future capital increase

As of June 30th, 2020, the shareholders Prumo and GNA HoldCo have invested in UTE GNA II, through a private instrument of advance payment for future capital increase ("AFAC"), the amount of R\$ 6,907 and R\$ 6,770, respectively. Such an instrument is irrevocable and irreversible, and convertible into a few shares, respecting its par value.

c. Dividends

The Company's shares participate on equal terms in the distribution of dividends, interest on equity and other benefits to shareholders. The bylaws provide for the distribution of a minimum mandatory dividend of 25% of net income for the year, adjusted in accordance with article 202 of Law no. 6,404/76. In the six-month period ended June 30th, 2020, the Company posted a loss with no dividend distribution.

11 General and administrative expenses

	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
Personnel	(9,738)	(645)	(5,508)	-
Legal expenses	(137)	(103)	(141)	6
Consulting and auditing	(1,038)	-	(914)	-
Taxes, fines, and fees	(43)	(12)	5	-
IT and telecom.	(847)	(14)	(464)	(13)
Communication and institutional affairs	(282)	-	(191)	-
Environmental and land expenses	52	(6)	(6)	(6)
Travels	(380)	(6)	(205)	-
Administrative services	68	(270)	(158)	-
Operational services	(26)	-	(16)	-
Insurances	(174)	-	(30)	-
Depreciation and amortization	-	(3,896)	-	(2,025)
General and maintenance expenses	201	(36)	-	(1)
Other third-party services	(284)	(2)	(154)	-
Other expenses	-	2	-	-
Total	(12,628)	(4,988)	(7,782)	(2,039)

12 Net financial result

On June 30th, 2020, the net financial result was R\$ 49, as follows:

	06/30/2020 (not reviewed)	06/30/2019 (not reviewed)	Three-month period ending on 06/30/2020 (not reviewed)	Three-month period ending on 06/30/2019 (not reviewed)
Financial expenses				
Bank expenses	(1)	(1)	-	-
Interest and fines	(3)	-	(3)	-
	(4)	(1)	(3)	-
Financial incomes				
Interest on investments	53	-	43	-
	53	-	43	-
Net financial result	49	(1)	40	-

13 Insurance coverage

The company adopts the policy of contracting insurance coverage for assets subject to risks, for amounts considered by Management to be sufficient to cover possible claims, considering the nature of its activity.

The policies are in effect and the premiums have been duly paid. The Company considers that its insurance coverage is consistent with that of other companies of similar size operating in the sector.

As of June 30th, 2020, and December 31st, 2019, insurance coverage is as follows:

	<u>06/30/2020</u> (not reviewed)	<u>12/31/2019</u>
Performance Guarantee	207,499	207,499

14 Commitments made

On June 30th, 2020, the Company presented commitments for future purchases in the amount of R\$ 33,081 (R\$ 4,968 on December 31st, 2019), which must be fulfilled during the construction of the thermoelectric plant.