KNPS & Associates
Chartered Accountants

Agreed-Upon Procedures

To,
The Board of Directors,
Sterlite Power Transmission Limited,
F-1 Mira Corporate Suits,
Ishwar Nagar, New Delhi 110065

Report on the audited standalone financial statements of SE Vineyards Transmissão de Energia S.A. ('the Company') for the years ended December 31, 2020 and December 31, 2019

We have verified the translated version of standalone financial statements of the Company, which comprise the balance sheets as at December 31, 2020 and December 31, 2019, the statement of profit and loss, the statement of changes in equity for the period ended December 31, 2020 and December 31, 2019 and a summary of the significant accounting policies and other explanatory information.

These financial statements have been translated by the Company from Brazilian Reais to Indian Rupees in accordance with Indian Accounting Standard (Ind AS) 21- The Effect of Changes in Foreign Currency Rates. The work carried out by us is in accordance with the Standard on Related Services ('SRS') 4400, 'Engagement to Perform Agreed-upon Procedures Regarding Financial Information', issued by the Institute of Chartered Accountants of India. Further, these financial statements have been translated by the Company from Portuguese to English.

As required under Schedule VI, Part A, Paragraph (11)(I)(A)(ii)(b) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018, as amended, we have verified the translated financial information contained in the annexures attached to this certificate which is proposed to be uploaded on the website of Sterlite Power Transmission Limited in connection with its proposed initial public offering of equity shares bearing face value of INR 2/- each (the "Offer").

We did not audit the standalone financial statements of the Company. These financial statements have been audited by another audit firm, whose signed financial statements and audit reports have been furnished to us by the Company. These translated financial statements should not in any way be construed as reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited standalone financial statements referred to herein.

Our report is solely for the purpose of uploading on the website of Sterlite Power Transmission Limited in connection with the offer and is not to be used for any other purpose or to be distributed to any other parties. Our certificate should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For KNPS & Associates
Chartered Accountants
Firm Registration Number: 024073N
KUMAR NAGMANI
Digitally signed by KUMAR NAGMANI
Date: 2021.08.09 16:49:23 +05'30'
per Kumar Nagmani
Partner
Membership Number: 506310
UDIN: 21506310AAAAGC6006
Place: Gurgaon
Date: August 09, 2021

São Paulo Corporate Towers
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Report of the Independent Auditor on the Financial Statements

To
To the Directors and Shareholders of
SE Vineyards Transmissão de Energia S.A.
Sao Paulo-SP

Opinion

We have examined the financial statements of SE Vineyards Transmissão de Energia SA ("Company"), which comprise the balance sheet as of December 31, 2020 and the related statements of income, comprehensive income, changes in equity and cash flows for the year ended on that date, as well as the corresponding explanatory notes, including the summary of the main accounting policies.

In our opinion, the aforementioned financial statements fairly present, in all material respects, the equity and financial position of the company as of December 31, 2020, the performance of its operations and its respective cash flows for the year ended on that date, in accordance with accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities in accordance with these standards are described in the following section entitled “Responsibilities of the Auditor for the Audit of Financial Statements”. We are independent from the Company, in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

Emphasis

Restatement of corresponding values

We draw attention to Explanatory Note No. 2.5 to the financial statements, which mentions that due to the effects of the review of the discount rates of the financial flows of the concession contracts and the respective effect on construction margins, the amounts corresponding to the year ended December 31, 2019, presented for comparison purposes, have been adjusted and are being restated as provided for in NBC TG 23 (R2) - Accounting Policies, Change in Estimate and Error Correction and in NBC TG 26 (R5) - Presentation of Financial Statements. Our opinion contains no modification related to this matter.

Management and governance responsibilities for financial statements

Management is responsible for the preparation and proper presentation of the financial statements in accordance with accounting practices adopted in Brazil and for the internal controls it has determined as necessary to allow the preparation of financial statements free from material misstatement, regardless of whether caused by fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue operating, disclosing, when applicable, matters related to its going concern and the use of this accounting basis in the preparation of the financial statements, unless the management intends to liquidate the Company or cease its operations, or does not have any realistic alternative to avoid the closure of operations.

Those responsible for the governance of the Company are those responsible for supervising the process of preparing the financial statements.

Responsibilities of the Auditor for Auditing Financial Statements

Our objectives are to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit performed in accordance with Brazilian and international auditing standards will always detect any material misstatements that may exist. Misstatements can arise from fraud or error and are considered material when, individually or in the aggregate, they can reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of the audit performed in accordance with Brazilian and international auditing standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the financial statements, regardless of whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient appropriate audit evidence to support our opinion. The risk of non-detection of material misstatement resulting from fraud is greater than that arising from error, as fraud may involve the act of circumventing internal controls, collusion, falsification, omission or intentional misrepresentation.
- We obtain an understanding of internal controls relevant to the audit in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company.
- We assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the adequacy of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty regarding events or conditions that may raise significant doubts regarding the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we must draw attention in our audit report to the related disclosures in the financial statements or include a modification in our opinion if the disclosures are inadequate. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may lead the Company to no longer continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the related transactions and events in a manner consistent with the objective of fair presentation.

We communicate with those charged with governance regarding, among other things, the scope and timing of planned audit engagements and significant audit findings, including any significant weaknesses in internal controls that may have been identified during our engagements.

São Paulo, March 31, 2021.
ERNST & YOUNG
Independent Auditors S.S.
CRC-2SP034519/O-6

Adilvo França Junior
Accountant CRC-1BA021419/O-4-T-SP

Translated version of Audited Statement of Financial Position as at December 31, 2020 and 2019

(In thousand of reais and INR, unless otherwise stated)

	Note	2020		2019 (represented)	
		(BRL)	(INR)	(BRL)	(INR)
Current assets					
Cash and cash equivalents	5	80,007	11,24,922	1,13,809	20,19,973
Concessionaires and permissionaires	6	2,981	41,914	-	-
Taxes and contributions to be offset		1,448	20,359	863	15,317
Insurance premium		275	3,867	328	5,822
Advances to suppliers and employees		1	14	178	3,159
Concession asset	7	38,016	5,34,516	26,948	4,78,295
Total of the current assets		**1,22,728**	**17,25,592**	**1,42,126**	**25,22,566**
Non-current Long-term assets					
Concession assets	7	3,55,807	50,02,753	2,83,347	50,29,069
Insurance premium		366	5,146	565	10,028
Advance to suppliers	8	1,439	20,233	3,345	59,370
Total of the non current assets		**3,57,612**	**50,28,132**	**2,87,257**	**50,98,467**
Total assets		**4,80,340**	**67,53,725**	**4,29,383**	**76,21,033**
Current liabilities					
Suppliers	9	11,857	1,66,713	19,509	3,46,261
Salaries and social charges		1,429	20,092	303	5,378
Taxes and social contributions		174	2,446	1,371	24,334
Sector Charges		129	1,814	-	-
Dividends payable		507	7,129	355	6,301
Deferred PIS and COFINS	11	3,516	49,436	2,493	44,248
Total current liabilities		**17,612**	**2,47,630**	**24,031**	**4,26,521**
Non-Current					
Debentures	10	2,74,355	38,57,514	2,49,459	44,27,598
Deferred income tax and social contribution	11	29,381	4,13,106	21,795	3,86,835
Deferred PIS and COFINS	11	35,359	4,97,158	26,243	4,65,782
Total of the non current liabilities		**3,39,095**	**47,67,778**	**2,97,497**	**52,80,215**
Equity Share capital	13a	65,011	11,96,158	65,011	11,96,158
Profit Reserves		58,622	8,34,015	42,844	7,66,452
Accumulates Profit/ (Losses)	13b	-	(2,91,857)	-	(48,313)
Total shareholders ' equity		**1,23,633**	**17,38,315**	**1,07,855**	**19,14,297**
Total of the liabilities and equity		**4,80,340**	**67,53,725**	**4,29,383**	**76,21,033**

The accompanying notes are an integral part of these financial statements.

SE Vineyards Transmissão de Energia S.A.

Translated version of Income Statement for the period ended December 31, 2020 and 2019

(In thousand of reais and INR, unless otherwise stated)

	Note	2020		2019(represented)	
		(BRL)	(INR)	(BRL)	(INR)
Infrastructure implementation revenue		45,675	6,49,823	1,54,522	27,55,508
Infrastructure implementation margin		19,348	2,75,266	52,567	9,37,399
Concession asset remuneration		35,314	5,02,416	17,183	3,06,415
Operation and maintenance revenue		1,184	16,845	-	-
Net operating revenue	14	**1,01,521**	**14,44,349**	**2,24,272**	**39,99,323**
Infrastructure implementation cost	15	(45,630)	(6,49,183)	(1,53,645)	(27,39,869)
Operation and maintenance cost	16	(2,158)	(30,702)	-	-
Gross profit		**53,733**	**7,64,465**	**70,627**	**12,59,454**
General and administrative operating expenses	17	(2,080)	(29,592)	(4,819)	(85,935)
Profit before financial result		**51,653**	**7,34,872**	**65,808**	**11,73,519**
Financial income		2,500	35,568	3,238	57,742
Financial expenses		(30,639)	(4,35,904)	(12,810)	(2,28,434)
Financial result	18	**(28,139)**	**(4,00,336)**	**(9,572)**	**(1,70,692)**
Income before income tax and social contribution		**23,514**	**3,34,536**	**56,236**	**10,02,827**
Income tax and differed social contribution	11	(7,585)	(1,07,909)	(18,795)	(3,35,165)
Net income for the financial year		**15,929**	**2,26,627**	**37,441**	**6,67,661**
<u>**Other Comprehensive Income**</u>					
Gain/(Loss) on Foreign Currency Translation			(1,60,667)		(4,139)
Total comprehensive Profit/Loss for the year		**15,929**	**65,960**	**37,441**	**6,63,522**

The accompanying notes are an integral part of these financial statements.

SE Vineyards Transmissão de Energia S.A.

Translated version of Statement of Changes in Equity for the period December 31, 2020 and 2019

(In thousand of reais and INR, unless otherwise stated)

	Subscribed share capital		**(-) Capital to be paid**		**Legal reserve**		**Profit retention reserve**		**Accumulated profit(losses)**		**Total**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**
Balances as of December 31, 2018	32,460	5,81,622	(1)	(24)	723	13,498	5,036	93,949	-	(4,189)	38,218	6,84,855
Capital increase according to the Extraordinary General Meeting of February 28, 2019	32,551	6,14,537	-	-	-	-	-	-	-	-	32,551	6,14,537
Capital payment	-	-	1	24	-	-	-	-	-	-	1	24
Net income for the financial year	-	-	-	-	-	-	-	-	26,559	4,73,612	26,559	4,73,612
Foreign Currency Translation Reserve	-	(42,297)	-	-	-	(290)	-	(2,022)	-	(1,827)	-	(46,436)
Adjustment of adequacy of accounting assumptions	-	-	-	-	-	-	-	-	10,881	1,94,035	10,881	1,94,035
Mandatory minimum dividend	-	-	-	-	-	-	-	-	(355)	(6,331)	(355)	(6,331)
Constitution of legal reserve	-	-	-	-	1,872	33,382	-	-	(1,872)	(33,382)	-	-
Constitution of the profit retention reserve	-	-	-	-	-	-	35,213	6,27,935	(35,213)	(6,27,935)	-	-
Balances as of December 31, 2019 (represented)	**65,011**	**11,53,861**	**(0)**	**(0)**	**2,595**	**46,590**	**40,249**	**7,19,862**	**-**	**(6,016)**	**1,07,855**	**19,14,297**
Net income for the financial year	-	-	-	-	-	-	-	-	15,929	2,26,627	15,929	2,26,627
Foreign Currency Translation Reserve	-	(2,39,792)	-	-	-	(9,675)	-	(1,47,237)	-	(3,754)	-	(4,00,459)
Mandatory minimum dividend	-	-	-	-	-	-	-	-	(151)	(2,148)	(151)	(2,148)
Constitution of legal reserve	-	-	-	-	797	11,339	-	-	(797)	(11,339)	-	-
Constitution of the profit retention reserve	-	-	-	-	-	-	14,981	2,13,136	(14,981)	(2,13,136)	-	-
Balances as on December 31, 2020	**65,011**	**9,14,069**	**(0)**	**(0)**	**3,392**	**48,254**	**55,230**	**7,85,761**	**-**	**(9,767)**	**1,23,633**	**17,38,316**

The accompanying notes are an integral part of these financial statements.

SE Vineyards Transmissão de Energia S.A.

Translated version of Statement of Cash Flow for the period ended December 31, 2020 and 2019

(In thousand of reais and INR, unless otherwise stated)

	2020		2019(represented)	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Profit before income tax and social contribution	23,514	3,34,536	56,236	10,02,827
Adjustments to reconcile profit before tax to cash generated by (used in) operating activities				
Deferred PIS and COFINS	10,139	1,44,249	21,892	3,90,388
Retirement of fixed assets and intangibles	-	-	65	1,159
Interest and monetary variations on loans and debentures	24,896	3,54,198	12,677	2,26,062
(Increase) decrease in operating assets				
Concession asset	(83,528)	(16,03,979)	(2,46,164)	(44,13,568)
Advances to suppliers and employees	2,084	29,302	18,462	3,27,678
Concessionaires and permissionaires	(2,981)	(41,914)	-	-
Taxes and contributions to be compensated	(585)	(8,225)	(856)	(15,193)
Insurance premium	252	3,543	249	4,419
Other credits	-	-	1,703	30,226
Increase (decrease) in operating liabilities				
Suppliers	(7,652)	(1,07,589)	8,014	1,42,239
Taxes and social contributions	(1,197)	(16,830)	463	8,218
Salaries and social charges	1,126	15,832	(805)	(14,288)
Sector Charges	129	1,814	-	-
Cash flow applied to operating activities	**(33,803)**	**(8,95,065)**	**(1,28,064)**	**(23,09,832)**
Financing activities				
Capital increase	-	-	32,551	6,14,537
Raising debentures net of issue costs	-	-	3,64,420	64,68,018
Amortization of principal on loans and debentures	-	-	(1,46,746)	(26,04,565)
Payment of interest on loans and debentures	-	-	(8,671)	(1,53,900)
Cash flow generated by financing activities	-	-	**2,41,554**	**43,24,089**
Change in the balance of cash and cash equivalents	**(33,803)**	**(8,95,065)**	**1,13,490**	**20,14,257**
Cash and cash equivalents at the beginning of the financial year	**1,13,809**	**20,19,973**	**319**	**5,716**
Cash and cash equivalents at the end of the financial year	**80,007**	**11,24,922**	**1,13,809**	**20,19,973**
Change in the balance of cash and cash equivalents	**(33,802)**	**(8,95,051)**	**1,13,490**	**20,14,257**

The accompanying notes are an integral part of these financial statements.

Translated version of notes to the financial statements for the period ended December 31, 2020 and 2019

(In thousand of reais and INR, unless otherwise stated)

1. Operational context

1.1 Corporate purpose

SE Vineyards Transmissão de Energia S.A. ("Company" or "Vineyards"), was incorporated on May 26, 2017 and is a privately-held corporation, with the specific and sole purpose of exploring concessions for public transmission services, provided through the implementation, construction, operation and maintenance of transmission facilities, including support and administrative services, provision of equipment and reserve materials, schedules, measurements and other complementary services necessary for the transmission of electricity. These activities are regulated by ANEEL - National Electric Energy Agency.

The Company is headquartered at Avenida Doutor Cardoso de Melo, nº 1,308 - 8th floor, in the City of São Paulo, State of São Paulo and is controlled by Sterlite Brazil Participações SA ("Company" or "Sterlite Group"), whose shareholders they are: Sterlite Power Grid Ventures Limited ("SPGVL") and Sterlite Grid 5 Limited ("Grid 5") both headquartered in India.‘

1.2 The concession

On April 24, 2017, the Sterlite Group won the ANEEL Auction No. 005/2016 held by the National Electric Energy Agency. The concession contract No. 31/2017 was signed on August 11, 2017, and is valid for 30 years from the date of signature with the Granting Authority, and ensures Permitted Annual Revenue - RAP after the entry into commercial operation.

The Company's project consists of the implementation and operation of the project comprising the following energy transmission facilities in the states of Rio Grande do and Sul:

i. Lajeado 2 - Lajeado 3 Transmission, in 230 kV, single circuit, with an approximate length of 16.4 km, originating from the Lajeado 2 Substation and ending at the Lajeado 3 Substation;

ii. Lajeado 3 - Garibaldi Transmission Line, in 230 kV, single circuit, with an approximate length of 47 km, originating from the Lajeado 3 Substation and ending at the Garibaldi Substation;

iii. Candiota 2 - Bagé 2 Transmission Line, single circuit, with an approximate length of 49 km, originating at the Candiota 2 Substation and ending at the Bagé 2 Substation, by Substation Lajeado 3 230/69-13.8 kV, 2 x 83 MVA;

iv. Substation Vinhedos 230/69-13,8 kV, 2 x 165 MVA;

v. Transformer Unit Connections, Line Inputs, Bus Interconnections.

1.3 RAP – Permitted Annual Revenue

The Allowed Annual Revenue (RAP) of the concessionaire is defined by the Granting Authority and adjusted annually, for periods defined as cycles, comprising the months of July to June of the following year, through Homologating Resolutions issued by the National Electric Energy Agency (ANEEL). The informed RAP is in accordance with ANEEL Ratifying Resolution No. 2725 of 07/14/2020. Plus PIS and COFINS, as contractually defined, the amount will be R$38,692.

ANEEL will review the RAP at periodic intervals of 5 years, starting from the first month of July following the date of signature of the concession contract.

Additionally, the Company presents the information in the table below:

Concession contract

Number	Term (years)	Duration Until	RAP (contract of concession)	Index of Correction	Inflation	RAP (REH 2,725) Cycle 20/21	Portion of Adjustment	Date of entry into operation of commercial Element 1
						(BRL)		
031/2017	30	2047	34,532	IPCA	2%	38,692	333	13-01-2020

1.4 Regulatory charges

As established by art.13 of Law 9,427/96, concessionaires, licensees and authorized companies must pay directly to ANEEL the annual inspection fee, which is equivalent to 0.4% of the value of the annual benefit earned as a result of the activities developed.

The Company will invest annually in research and development, the amount of at least 1% of the net operating revenue established in the Electric Sector Accounting Manual, pursuant to Law No. 9.991/00, and in the form in which specific regulations on school subjects.

1.5 Impacts of COVID 19 (Corona virus) on the Company's business

The Company's Management is monitoring the possible impacts of COVID 19 on its business. Additionally, the possible impacts on the balances were evaluated, disclosed below: The Company mitigates the risks of financial market volatility by investing in investments that have a fixed remuneration, in view of its conservative profile.

Currently, there is no forecast of impact on revenue since the first stretch is already in operation and the revenue linked to this stretch is flowing normally.

There was an interruption in the works of the second stretch for approximately 3 weeks, and the works were resumed after this period, not impacting the final schedule of the work, as the project is scheduled for delivery on June 30, 2021 before the schedule established by ANEEL. Thus, there is no impact that could affect the infrastructure revenues contained in their estimates for recoverability of deferred income tax.

Therefore, with regard to accounting information, Management assessed the effects of COVID-19 and its impacts on: (i) use of the going concern assumption; (ii) liquidity management; (iii) the Company's exposure to impacts on the electricity sector and concluded that there are no impacts to be recognized in this accounting information as a result of this matter.

2. Presentation of financial statements

2.1 Preparation and presentation bases

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, which cover the provisions contained in the Brazilian Corporate Law, pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee ("CPC") and approved by the Federal Accounting Council (CFC), and disclose all relevant information specific to the financial statements, and only to them, which are consistent with those used by the administration in its management.

The Company does not have other comprehensive income, therefore, the only item of total comprehensive income is the income for the financial year.

The financial statements were prepared based on historical cost, unless otherwise indicated, as described in the accounting practices below.

The financial statements were approved by the Management on March 30, 2021.

Based on the facts and circumstances existing on this date, Management assessed the Company's ability to continue operating normally and is convinced that its operations have sufficient cash flow generation capacity to honor its short-term commitments, and thus continue to your business in the future.

Additionally, Management is not aware of any material uncertainty that could generate significant doubts about its ability to continue operating. Thus, these financial statements were prepared based on the going concern assumption.

2.2 Functional and presentation currency

Items included in the financial statements are measured by the Company's functional currency, which is the Real, the currency of the main economic environment in which it operates.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires that Management make judgments, using estimates and assumptions based on objective and subjective factors and on the opinion of legal advisors, to determine the appropriate amounts for recording certain transactions that affect assets, liabilities, income and expenses. Actual results of these transactions could differ from these estimates.

These judgments, estimates and assumptions are reviewed at least annually and any adjustments are recognized in the period in which the estimates are reviewed.

Judgments, estimates and assumptions considered critical are related to the following aspects:

· Recognition of deferred tax assets or liabilities (note 11)

· Accounting for concession contracts

In accounting for concession contracts, the Company performs analyzes involving the Management's judgment, substantially, with regard to the applicability of the interpretation of concession contracts, determination and classification of revenue from infrastructure implementation, expansion, reinforcements and improvements as an asset contractual.

<u>Contract asset recognition moment</u>

The Management of the Company assesses the timing of recognition of concession assets based on the economic characteristics of each concession contract. The contractual asset originates insofar as the concessionaire satisfies the obligation to build and implement the transmission infrastructure, with revenue being recognized over the time of the project. The contractual asset is recorded as a contra entry to infrastructure implementation revenue, which is recognized according to the expenses incurred. The portion of the indemnifiable contractual asset is identified when the infrastructure implementation is completed.

<u>Determination of the contractual asset discount rate</u>

The rate applied to the contractual asset is the discount rate that would be reflected in a separate financing transaction between the entity and its customer at the inception of the contract 12.34% This rate would reflect the credit characteristics of the party receiving financing under the contract, as well as any collateral or guarantee provided by the customer or entity, including the assets transferred under the contract. The rate for pricing the financial component of the contractual asset is established on the start date of each concession contract. When the Granting Authority reviews or updates the revenue that the Company is entitled to receive, the carrying amount of the contractual asset is adjusted to reflect the revised flows, and the adjustment is recognized as revenue or expense in profit or loss.

<u>Determining Infrastructure Implementation Revenues</u>

When the concessionaire provides infrastructure implementation services, the infrastructure implementation revenue is recognized at fair value and the related costs related to the infrastructure implementation services provided, resulting in a profit margin from the infrastructure implementation when compared to the fair value of the consideration of services via Permitted Annual Revenue (RAP). Positive or negative variations in relation to the estimated margin are allocated to the result when incurred

<u>Determination of operating and maintenance revenues</u>

After entry into operation, when the concessionaire provides operation and maintenance services, revenue is recognized at fair value, having as one of the parameters the amounts estimated by the Granting Authority and the respective costs, according to the consideration for the services.

As provided for in the concession contract, the concessionaire acts as a service provider. The concessionaire implements, expands, reinforces or improves the infrastructure (infrastructure implementation services) used to provide a public service in addition to operating and maintaining this infrastructure (operation and maintenance services) for a certain period of time. The energy transmission company is remunerated for the availability of the infrastructure during the concession period.

The concession contract does not transfer to the concessionaire the right to control the use of public services infrastructure. Only the assignment of possession of these assets for the performance of public services is foreseen, with the assets reverting to the Granter after the termination of the respective contract. The concessionaire has the right to operate the infrastructure for the provision of public services on behalf of the Granter, under the conditions provided for in the concession contract.

The concessionaire must record and measure the revenue from the services it provides in accordance with Technical Pronouncements CPC 47 – Revenue from Customer Contracts and CPC 48 – Financial Instruments and ICPC 01 (R1) – Concession Contracts. If the concessionaire performs more than one service governed by a single contract, the remuneration received or receivable must be allocated to each performance obligation based on the values related to the services provided if the values are separately identifiable.

The concession asset records amounts receivable referring to the implementation of the infrastructure and revenue from the remuneration of the concession assets.

2.4 Regulatory Financial Statements

In accordance with the Electric Sector Accounting Manual, the Company is required to disclose the Regulatory Financial Statements ("DCR") which presents the complete set of financial statements for regulatory purposes and will be presented independently of these corporate financial statements.

These DCRs, as determined in the Electric Sector Accounting Manual (MCSE) and Dispatch No. 4,356, of December 22, 2017 issued by ANEEL and must be made available on the website of that Agency and the Company by April 30, 2021.

2.5 Restatement of Financial Statements

i. On December 20, 2020, CVM published Official Letter/CVM/SNC/SEP/nº 04/2020 ("CVM Official Letter") which provides guidance on relevant aspects of CPC 47 (IFRS 15) and CPC 48 (IFRS 9) for electricity transmission companies, covering several topics, and those applicable to the Entity were: (i) determination and allocation of infrastructure implementation margin over the period of the works; and (ii) application of an implicit discount rate to concession contract assets.

ii. For greater adherence to the energy transmission market, the Company chose to adjust its accounting assumptions, and on December 31, 2020, compared to certain previous assumptions, an increase in the result due to the revision of the margin of R$10,567 and an increase in income (remuneration) due to the revision of the implicit rate of R$314, net of taxes.

iii. Additionally, the Company reclassified R$7,901 from contract assets to non-current, due to the effects of the discount rate on the amounts to be realized in the next fiscal year.

Continuing the analysis of the Official Letter and in accordance with CPC 23/IAS 8 - Accounting Policies, Change in Estimate and Error Correction, the Company's management applied the corrections, with the impacts on the amounts as of December 31, 2019, presented in the financial statements for comparison purposes as shown below. No material effect was noticed in the opening balances as of December 31, 2019.

2.5 Restatement of Financial Statements

	2019 Published		**Impacts of changing assumptions and accounting policy**		**2019 (Rpresented)**	
Balance sheet	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**
Asset						
Current concession assets	34,849	6,18,537	(7,901)	(1,40,242)	26,948	4,78,295
Non-current concession assets	2,58,743	45,92,371	24,604	4,36,698	2,83,347	50,29,069
Assets not impacted	1,19,088	21,13,674	-	(5)	1,19,088	21,13,669
Total assets	**4,12,680**	**73,24,582**	**16,703**	**2,96,451**	**4,29,383**	**76,21,033**
Liability						
Liabilities not impacted	2,70,642	48,03,561	-	10	2,70,642	48,03,571
Dividends payable	252	4,478	103	1,823	355	6,301
Deferred current taxes	3,223	57,215	(730)	(12,967)	2,493	44,248
Non-current deferred taxes	41,486	7,36,328	6,552	1,16,289	48,038	8,52,617
Total liabilities	**3,15,603**	**56,01,582**	**5,925**	**1,05,154**	**3,21,528**	**57,06,736**
Net worth						
Profit Reserves	32,066	5,71,821	10,778	1,94,631	42,844	7,66,452
Items not impacted	65,011	12,25,313	-	(29,155)	65,011	11,96,158
Accumulated Profit/ (Loss)	-	(74,135)	-	25,822	-	(48,313)
Total shareholders ' equity	**97,077**	**17,22,999**	**10,778**	**1,91,298**	**1,07,855**	**19,14,297**
Total of the liabilities and equity	**4,12,680**	**73,24,581**	**16,703**	**2,96,452**	**4,29,383**	**76,21,033**

	2019 Published		**Impacts of changing assumptions and accounting policy**		**2019 (Rpresented)**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**	**(BRL)**	**(INR)**
Income statement						
Net operating revenue	2,08,237	37,13,379	16,035	2,85,944	2,24,272	39,99,323
Operation cost	(1,53,645)	(27,39,869)	-	-	(1,53,645)	(27,39,869)
General and Administrative Expenses	(4,818)	(85,917)	(1)	(18)	(4,819)	(85,935)
Financial result	(9,572)	(1,70,692)	-	-	(9,572)	(1,70,692)
IR and CS	(13,642)	(2,43,271)	(5,153)	(91,891)	(18,795)	(3,35,161)
Net income for the financial year	**26,559**	**4,73,630**	**10,881**	**1,94,035**	**37,441**	**6,67,661**

	Total	
Statement of changes in equity	**(BRL)**	**(INR)**
Shareholders' equity as of December 31, 2019 (published)	97,077	17,22,999
Effects of restatement on net income for the year	10,778	1,91,298
Shareholders' equity as of December 31, 2019 (represented)	**1,07,855**	**19,14,297**

2.5 Restatement of Financial Statements

Statement of cash flow

	2019 Published		Impacts of changing assumptions and accounting policy		2019 (Represented)	
	(BRL)	(INR)	(BRL)	(INR)	(BRL)	(INR)
Operating activities						
Profit before income tax and social contribution	40,201	7,16,883	16,035	2,85,944	56,236	10,02,827
Adjustments to reconcile net income to cash generated by (used in) operating activities						
Deferred PIS and COFINS	21,225	3,78,494	667	11,894	21,892	3,90,388
Increase (decrease) in operating assets			-	-		
Concession asset	(2,29,462)	(40,72,675)	(16,702)	(3,40,908)	(2,46,164)	(44,13,568)
Items not impacted	39,972	7,10,521	-	-	39,972	7,10,521
Net cash flow consumed by operating activities	**(1,28,064)**	**(22,66,777)**	**-**	**(43,070)**	**(1,28,064)**	**(23,09,832)**
Net cash flow from financing activities	**2,41,555**	**43,24,118**	**-**		**2,41,555**	**43,24,089**
Change in the balance of cash and cash equivalents	**1,13,490**	**20,57,341**	**-**	**(43,070)**	**1,13,490**	**20,14,257**
Cash and cash equivalents at the beginning of the financial year	319	5,716	-	-	319	5,716
Cash and cash equivalents at the end of the financial year	**1,13,809**	**20,63,057**	**-**	**(43,070)**	**1,13,809**	**20,19,973**

3. Main accounting practices

3.1 Financial instruments

a) Financial assets

i) Classification and measurement

According to CPC 48, financial instruments are classified into three categories: measured at amortized cost; at fair value through other comprehensive income (“VJORA”) and at fair value through income (“VJR”).

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows and the business model for managing these financial assets. The Company presents financial instruments according to the aforementioned categories:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held for trading, financial assets designated on initial recognition at fair value through profit or loss or financial assets to be mandatorily measured at fair value. Financial assets with cash flows other than payments of principal and interest are classified and measured at fair value through profit or loss. The net changes in fair value are recognized in profit or loss.

Amortized cost

A financial asset is classified and measured at amortized cost, when its purpose is to receive contractual cash flows and generate cash flows that are “exclusively principal and interest payments” on the principal amount outstanding. This assessment is performed at the instrument level. Assets measured at amortized cost value use the effective interest method, less any impairment loss. Interest income is recognized by applying the effective interest rate, except for short-term credits when the recognition of interest would be immaterial.

As on December 31, 2020 and 2019, the financial assets classified in this category are related to cash and banks (notes 5, 9 and 10).

ii) Reduction to the recoverable amount of financial assets (impairment)

According to CPC 48, the “expected loss” model applies to financial assets measured at amortized cost or at fair value through other comprehensive income, with the exception of investments in equity instruments.

iii) Write-off of financial assets

Derecognition of a financial asset occurs when contractual rights to the asset's cash flows expire, or when the rights to receive contractual cash flows on a financial asset are transferred to a third party in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as a separate asset or liability.

b) Financial liabilities

Financial liabilities are classified at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss. Other financial liabilities (including loans) are measured at amortized cost using the effective interest method.

3.2 Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment or other purposes. Financial investments that are readily convertible into a known amount of cash and subject to an insignificant risk of change in value are considered cash equivalents. Therefore, an investment typically qualifies as a cash equivalent when it matures in three months or less from the contract date.

3.3 Concession asset - contractual

As provided for in the concession contract, the concessionaire acts as a service provider. The concessionaire implements, expands, reinforces or improves the infrastructure (infrastructure implementation services) used to provide a public service in addition to operating and maintaining this infrastructure (operation and maintenance services) for a certain period of time. The energy transmission company is remunerated for the availability of the infrastructure during the concession period (note 7).

The concession contract does not transfer to the concessionaire the right to control the use of public services infrastructure. Only the assignment of possession of these assets for the performance of public services is foreseen, with the assets reverting to the Granter after the termination of the respective contract. The concessionaire has the right to operate the infrastructure for the provision of public services on behalf of the Granter, under the conditions provided for in the concession contract.

The concessionaire must record and measure the revenue from the services it provides in accordance with Technical Pronouncements CPC 47 – Revenue from Customer Contracts and CPC 48 – Financial Instruments and ICPC 01 (R1) – Concession Contracts. If the concessionaire performs more than one service governed by a single contract, the remuneration received or receivable must be allocated to each performance obligation based on the values related to the services provided if the values are separately identifiable.

The concession asset records amounts receivable referring to the implementation of the infrastructure and revenue from the remuneration of the concession assets and operation and maintenance services, classified as:

a) Concession asset - financial

The activity of operating and maintaining the transmission infrastructure starts after the end of the construction phase and its entry into operation. The recognition of accounts receivable and related income only arises after the performance obligation is completed on a monthly basis. Therefore, these receivables, recorded under "O&M services", are considered a financial asset at amortized cost.

b) Concession asset - contractual

The Company's concession was classified within the contractual asset model, as of January 1, 2018, pursuant to the adoption of CPC 47 - Revenue from Contracts with Customers. The contractual asset originates insofar as the concessionaire satisfies the obligation to build and implement the transmission infrastructure, with revenue recognized over the time of the project, but the receipt of the cash flow is conditioned to the satisfaction of the performance obligation of operation and maintenance. Monthly, as the Company operates and maintains the infrastructure, the portion of the contractual asset equivalent to that month's consideration for meeting the performance obligation to build becomes a financial asset, as nothing more than the passage of time will be required for the said amount to be received. The benefits of this asset are future cash flows (note 7)

The contractual asset value of power transmission concessionaires is formed by the present value of their future cash flows. Future cash flow is estimated at the beginning of the concession, or upon its extension, and the assumptions for its measurement are reviewed in the Periodic Tariff Review (RTP).

Cash flows are defined based on the Allowed Annual Revenue (RAP), which is the consideration that concessionaires receive for providing the public transmission service to users. These receipts amortize investments in this transmission infrastructure and any non-amortized investments (reversible assets) generate the Concession Authority's right to indemnification at the end of the concession contract.
This flow of receipts is (i) remunerated at the rate that represents the financial component of the business, established at the beginning of each project, (ii) updated by the IPCA.

The implementation of the infrastructure, an activity performed during the construction phase, is entitled to consideration linked to the performance of completion of the work and the performance obligations to operate and maintain, and not only the passage of time, being the recognition of the revenue and costs of the works, related to the formation of this asset, through the expenses incurred.

Revenues from infrastructure implementation and revenue from the remuneration of concession assets are subject to the deferral of the Social Integration Program - PIS and the cumulative Contribution for Social Security Financing - COFINS, recorded in the "Deferred Taxes" account in non-current liabilities.

3.4 Other current and non-current assets

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated and its cost or value can be reliably measured.

3.5 Current and non-current liabilities

They are stated at known or estimated amounts, plus, when applicable, the corresponding charges, monetary and/or exchange variations incurred up to the balance sheet date.

A liability is recognised in the balance sheet when the company has a legal obligation or constituted as a result of a past event, and it is probable that an economic resource is required to settle it. Provisions are recorded based on the best estimates of the risk involved.

3.6 Adjustment to present value of assets and liabilities

Non-current monetary assets and liabilities are adjusted to their present value. The adjustment to present value of current monetary assets and liabilities is calculated, and only recorded, if considered relevant in relation to the financial statements taken as a whole. For the purposes of recording and determining materiality, the adjustment to present value is calculated taking into account contractual cash flows and the implied interest rate of the respective assets and liabilities.

3.7 Dividends

The policy for recognizing dividends is in accordance with CPC 24 and ICPC 08 (R1), which determine that proposed dividends based on statutory obligations must be recorded in current liabilities. The Company's bylaws establish a minimum mandatory dividend equivalent to 1% of net income for the year, adjusted by the constitution of a legal reserve.

3.8 Provision for impairment

The Management annually reviews the net book value of financial and non-financial assets in order to assess events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value. When such evidence is identified, and the net book value exceeds the recoverable value, a provision for loss is created, adjusting the net book value to the recoverable value and the respective provisions are presented in the explanatory notes. For the year, there was no identification of assets to have adjustments to their recoverable value.

3.9 Revenue recognition

Revenues are recognized when or as the entity satisfies the performance obligations assumed in the contract with the customer, and only when there is an approved contract; it is possible to identify the rights; there is commercial substance and it is likely that the entity will receive the consideration to which it is entitled. The revenues of the Company are classified into the following groups:

a) Infrastructure revenue

It refers to infrastructure implementation services, expansion, reinforcement and improvement of electricity transmission facilities. Infrastructure revenues are recognized according to the expenses incurred and calculated by adding the PIS and COFINS rates to the investment value, since the projects include sufficient margin to cover the infrastructure implementation costs and charges, considering that a good part of its facilities are implemented through outsourced contracts with unrelated parties. Positive or negative variations in relation to the estimated margin are allocated to the result at the end of each work.

The entire construction margin is recognized during construction and positive or negative variations are immediately allocated to income, when incurred. To estimate the Construction Revenue, the Company used a model that calculates the cost of financing the customer (in this case, the Granting Authority). The rate defined for the net present value of the construction (and operation) margin is defined at the beginning of the project and does not undergo subsequent changes, being calculated according to the customer's credit risk and financing term.

b) Concession asset remuneration

Refers to interest recognized under the straight-line method based on a discount rate of 12.34% which represents the remuneration of investments in transmission infrastructure, considering the specifics of the business. The rate seeks to price the financial component of the contractual asset, determined on the start date of each concession contract and does not undergo further changes.. The rate is based on the amount to be received from the future cash flow.

3.10 Operating expenses

Operating expenses are recognized and measured on an accrual basis, presented net of the respective PIS and COFINS credits, when applicable. The company classifies its operating expenses in the Income Statement by function, that is, segregating between costs and expenses according to their origin and function performed, in accordance with the requirements of article 187 of law 6,404/76. Expenses incurred for infrastructure implementation are recognized as assets as they result in future economic benefits.

3.11 Income tax and social contribution

Current

The amount of income tax is calculated on taxable income at the rate of 15%, plus an additional 10% for profits that exceed R$ 240,000 in the 12-month period, while social contribution is calculated at the rate of 9% on the taxable income recognized on the accrual basis. Therefore, the addition of temporarily non-deductible expenses to the accounting income, or the exclusion of temporarily non-taxable income, considered for the calculation of current taxable income, generate deferred tax credits or debits. The company does not present current tax balances.

Deferred

Deferred tax assets and liabilities are measured at the rates applicable in the period in which the liability is expected to be settled or the asset to be realized, based on the rates provided for in the tax legislation in force at the end of each year, or when a new legislation has been substantially approved.

Deferred tax assets and liabilities are offset only when there is a legal right to offset current tax assets against current tax liabilities and when they are related to taxes administered by the same tax authority and the Company intends to settle the net value of its assets and liabilities current tax.

a) Taxes on services

Revenues, expenses and assets are recognized net of taxes on services, except when sales taxes incurred on the purchase of goods or services are not recoverable from the tax authorities, in which case the tax on services is recognized as part of the acquisition cost of the asset or expense item, as the case may be.

5 Cash and cash equivalents	**31-12-2020**		**31-12-2019**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Banks	2,537	35,671	189	3,355
Financial investments	77,470	10,89,251	1,13,620	20,16,619
	80,007	**11,24,922**	**1,13,809**	**20,19,973**

Cash equivalents are measured at fair value through profit or loss and have daily liquidity. Financial investments are of the CDB type and repurchase agreements, remunerated by the CDI, whose return in 2020 was R$2,427 (R$3,396 on December 31, 2019).

6. Concessionaires and permissionaires

	31-12-2020		**31-12-2019**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Concessionaires and permissionaires	2,981	41,914	-	-
	2,981	**41,914**	-	-

7. Concession asset

	31-12-2020		**31-12-19(represented)**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Opening balance	3,10,295	43,62,841	64,130	11,38,231
Infrastructure implementation revenue	50,237	7,06,347	1,69,305	30,04,961
Infrastructure implementation margin	30,174	4,24,255	57,927	10,28,135
Infrastructure Implementation Margin - Adjusted Cost Projections	(8,888)	(1,24,968)	-	-
Concession asset remuneration	40,404	5,68,092	18,933	3,36,038
Concession asset remuneration - Adjusted cost projections	(1,494)	(21,006)	-	-
(-) Revenues	(26,905)	(3,78,292)	-	-
	3,93,823	**55,37,270**	**3,10,295**	**55,07,364**
Current	38,016	5,34,516	26,948	4,78,295
Not current	3,55,807	50,02,753	2,83,347	50,29,069

Management reassessed the expenditure estimates related to the implementation of the infrastructure items described in notes 1.2 (i) and 1.2 (ii) above, reflecting an increase of R$ 11,552 (INR 1,64,352) in the cost to complete the work scheduled for June 2021, which resulted in a reduction of R$10,382 (INR 1,45,974) in the balance of the contractual asset.

The Company retroactively reflected the effects of Circular Letter/CVM/SNC/SEP/ No. 04/2020, on the amounts as of December 31, 2019, implying a change in the implicit rate applied to the contractual asset. That discount rate that would be reflected in a separate financing transaction between the entity and its customer at the inception of the contract, 14.78% to 12.34%.

The Company considered losses by variable installments in its contractual flow in 2020 in the amount of R$239, due to unavailability of equipment.

8. Advances to suppliers and employees

	31-12-2020		**31-12-2019**	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Advances to employees(i)	1	14	178	3,159

Advances to suppliers (ii)	1,439	20,233	3,345	59,370
	1,440	**20,247**	**3,523**	**62,529**
Current	1	14	178	3,159
Not current	1,439	20,233	3,345	59,370

(i) As of December 31, 2020, the amounts presented in current R$1 (R$178 as of December 31, 2019) are related to travel advances to employees.

(ii) Refers mainly to funds released to suppliers related to the work and subcontractors, in accordance with contractual payment conditions agreed upon in the supply of materials and services for the construction of the transmission line. Upon delivery of goods and services, the amounts will be incorporated into the contractual asset. These advances are secured by guarantees received by the respective suppliers.

9. Suppliers

	31-12-2020		31-12-2019	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Suppliers related to infrastructure implementation	6,497	91,350	14,463	2,56,701
Contractual retentions	5,061	71,159	1,741	30,901
Unbilled materials and services	299	4,204	3,305	58,660
	11,857	**1,66,713**	**19,509**	**3,46,261**

10. Debentures

a) Loans, debentures and financing are made up as follows:

Creditor	**Charges**	**Final date**	31-12-2020		31-12-2019	
			(BRL)	**(INR)**	**(BRL)**	**(INR)**
2nd issue of debentures	IPCA + 5,2381%	15-07-2042	2,74,355	38,57,514	2,49,459	44,27,598
			2,74,355	**38,57,514**	**2,49,459**	**44,27,598**

b) Movement of loans and debentures

	31-12-2020		31-12-2019	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Opening balance	2,49,459	35,07,468	27,779	4,93,044
Issue of debentures (a) and (b)	-	-	3,70,000	65,67,056
Issuance costs	-	-	(5,580)	(99,038)
Payment of principal - debentures	-	-	(1,20,000)	(21,29,856)
Payment of interest - debentures (b)	-	-	(7,301)	(1,29,584)
Appropriation of the issue cost of debentures (a) and (b)	-	-	2,067	36,687
Payment of principal and interest (related parties)	-	-	(26,746)	(4,74,709)
Interest accrued (a) and (b)	13,826	1,94,398	10,610	1,88,315
Payment of interest (related parties)	-	-	(1,370)	(24,316)
Monetary restatement - Debentures (a)	11,070	1,55,648	-	-
Final balance	**2,74,355**	**38,57,514**	**2,49,459**	**44,27,598**

(a) The Company carried out the second issue of debentures, in December 2019, composed of principal and interest, not convertible into shares and with real guarantee and additional personal guarantee, with amortization of the updated unit face value, in 42 (forty-two) semiannual and consecutive installments, observing the grace period of 29 (twenty-nine) months, counted from the issue date, with the first installment maturing in January 2022 and the last in July 2042 remunerated at the IPCA rate +5.2381 % pa

(b) The Company carried out the first issue of debentures, on March 31, 2019, in the amount of R$120,000(INR 21,14,736), composed of principal and interest, not convertible into shares and with real guarantee and additional personal guarantee, remunerated at the CDI rate +1 .90% with maturity and settlement on February 18, 2020. The Company settled the balance of principal and interest in advance on December 6, 2019.

In November 2019, the Company signed the Contract for the Provision of Guarantees ("CPG"), with the following banks as guarantors: Itaú Unibanco, Banco Santander (Brazil) and Banco ABC Brasil. According to the CPG, surety commission payments are paid at the end of each quarterly period referring to R$5,226 (INR 74,351) on December 31, 2020, based on the updated balance of the debentures. The cost is 2.5% per year (based on 360 days), calculated simply and pro rata temporis, until the project is completed. Upon completion of the project, the cost is adjusted to 1.3% per year (360-day basis).

As of December 31, 2020, there is no event of early maturity of the debt related to restrictive clauses (covenants). The maturities of the long-term installments are distributed as follows:

	31-12-2020		31-12-2019	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
2022	7,296	1,02,584	6,614	1,17,391
2023	8,338	1,17,235	7,558	1,34,145
2024	8,686	1,22,128	7,873	1,39,736
2025	9,033	1,27,007	8,188	1,45,327
2025 to 2042	2,41,002	33,88,560	2,19,226	38,90,998
	2,74,355	**38,57,514**	**2,49,459**	**44,27,598**

11. Deferred taxes

a) Deferred taxes

	31-12-2020		31-12-2019(represented)	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Deferred income tax	21,609	3,03,829	16,062	2,85,081
Deferred social contribution	7,772	1,09,277	5,733	1,01,754
	29,381	**4,13,106**	**21,795**	**3,86,835**
Deferred PIS	6,935	97,508	5,127	90,998
Deferred COFINS	31,940	4,49,086	23,609	4,19,031
	38,875	**5,46,594**	**28,736**	**5,10,030**
Total liabilities taxes	**68,256**	**9,59,700**	**50,531**	**8,96,865**

Current	3,516	49,436	2,493	44,248
Not current	64,740	9,10,264	48,038	8,52,617

Taxes are presented in the balance net between deferred assets and liabilities.

(i) The balance of deferred PIS and COFINS presented are recognized on the revenue from infrastructure implementation and on the remuneration of the contractual asset calculated on the contractual financial asset at the rate of 9.25%, the payment will occur as the Company receives the considerations from the RAP according to IN 1700/17.

b) Reconciliation of the effective rate of deferred income tax and social contribution

	31-12-2020		31-12-2019(represented)	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Profit before income tax and social contribution	23,514	3,34,536	56,236	10,02,827
Deferred income tax and social contribution	**34%**	**34%**	**34%**	**34%**
Expected income tax and social contribution	**(7,995)**	**(1,13,742)**	**(19,120)**	**(3,40,961)**
Other permanent differences	410	5,833	325	5,796
Income tax and effective social contribution	**(7,585)**	**(1,07,909)**	**(18,795)**	**(3,35,165)**
Deferred	(7,585)	(1,07,909)	(18,795)	(3,35,165)
Effective rate	**32%**	**32%**	**33%**	**33%**

Deferred income tax and social contribution balances arise from temporary differences on pre-operating expenses and may be excluded in monthly fixed quotas within 5 (five) years from the start of operations.

The balances of income tax and social contribution presented in liabilities on revenue from contracts with customers - CPC 47, are recognized on the infrastructure implementation margin and remuneration of the contractual asset, and will be carried out in proportion to the operations, considering the revenue and costs operation as well as depreciation of fixed assets of the concession deducted from income tax and social contribution.

12. Contingencies

In the normal course of its activities, the Company is subject to tax, labor and social security, civil and environmental lawsuits. Management, supported by the opinion of its legal advisors and, when applicable, based on specific opinions issued by specialists, assesses the expected outcome of the proceedings in progress and determines the need or not to set up a provision for contingencies. As of December 31, 2020, the Company has contingent labor claims in the amount of R$166 (INR 2,334) and R$0 as of December 31, 2019, assessed as a possible probability, therefore, they were not provisioned.

13. Equity

a) Social capital

The Company was incorporated on May 26, 2017 with an authorized capital stock of R$ 1, divided into 1,000 common shares, all registered and with a par value of R$ 1.00.

The Company's subscribed and paid-in capital on December 31, 2020 and December 31, 2019 is R$65,011(INR 12,25,313), divided into 65,010,641 subscribed and paid-in common shares, with a nominal value of R$1.00 each.

As on December 31, 2020 and December 31, 2019, the Company presents profit reserves as follows:

b) Profit reserves

	31-12-2020		31-12-2019(represented)	
	(BRL)	**(INR)**	**(BRL)**	**(INR)**
Legal reserve (i)	3,392	48,254	2,595	46,590
Profit retention reserve (ii)	55,230	7,85,761	40,249	7,19,862
Total reserves	**58,622**	**8,34,015**	**42,844**	**7,66,452**

(i) Legal reserve limited to 5% of net income for the year, limited to 20% of capital stock before allocation.

(ii) Profit retention reserve corresponds to the portion of net income for the year in excess of the legal reserve and the minimum mandatory dividend. The Management proposes the constitution of a profit retention reserve pursuant to article 196 of Law 6.404/76. The General Meeting of shareholders must approve or not the maintenance of this reserve.

14. Net operating revenue

	31-12-2020		31-12-2019(represented)	

	(BRL)	(INR)	(BRL)	(INR)
Gross operating revenue				
Infrastructure implementation revenue	50,237	7,14,727	1,69,305	30,19,126
Infrastructure implementation margin	21,286	3,02,838	57,926	10,32,963
Concession asset remuneration	38,910	5,53,576	18,933	3,37,622
Operation and maintenance revenue	1,804	25,666	-	-
Total of gross revenue	**1,12,237**	**15,96,807**	**2,46,164**	**43,89,711**
Revenue taxes				
Deferred PIS on infrastructure implementation	(822)	(11,695)	(3,514)	(62,663)
Deferred PIS on the remuneration of the concession asset	(641)	(9,120)	(649)	(11,573)
Deferred PIS on the infrastructure implementation margin	(346)	(4,923)	(619)	(11,038)
PIS on operation and maintenance	(41)	(583)	-	-
Deferred COFINS on infrastructure implementation revenue	(3,785)	(53,850)	(12,146)	(2,16,593)
Deferred COFINS on the remuneration of the concession asset	(2,954)	(42,027)	(2,989)	(53,301)
Deferred COFINS on the infrastructure implementation margin	(1,592)	(22,650)	(1,975)	(35,219)
COFINS on operation and maintenance	(188)	(2,675)	-	-
Sector Charges	(347)	(4,937)	-	-
	(10,716)	**(1,52,458)**	**(21,892)**	**(3,90,388)**
Net operating revenue	**1,01,521**	**14,44,349**	**2,24,272**	**39,99,323**

Infrastructure implementation cost (note 14)	45,630	6,49,183	1,53,645	27,39,869
Infrastructure implementation margin	16,679	2,37,294	43,142	7,69,328
Margin %	36.55%	36.55%	28.08%	28.08%

15. Infrastructure implementation cost

	31-12-2020		31-12-2019	
	(BRL)	(INR)	(BRL)	(INR)
Personal (a)	4,718	67,123	645	11,502
Third party services	12,066	1,71,664	81,478	14,52,954
Machines and equipment	19,143	2,72,349	58,724	10,47,194
Environmental expenses	-	-	2,280	40,658
Servitude	343	4,880	6,625	1,18,140
Buildings	8,375	1,19,152	2,141	38,179
Others	985	14,014	1,752	31,242
	45,630	**6,49,183**	**1,53,645**	**27,39,869**

(a) The variation in personnel expenses between fiscal years is related to the transfer of employees to complete elements 2 and 3.

16. Operation and maintenance cost

	31-12-2020		31-12-2019	
	(BRL)	(INR)	(BRL)	(INR)
Third party services	2,114	30,076	-	-
Materials	3	43	-	-
Taxes	11	156	-	-
Others	30	427	-	-
	2,158	**30,702**	-	-

17. General and Administrative Expenses

	31-12-2020		31-12-2019	
	(BRL)	(INR)	(BRL)	(INR)
Personnel and charges (a)	263	3,742	1,305	23,271
Third party services	981	13,957	2,177	38,821
Materials	3	43	317	5,653
Rents	-	-	275	4,904
Taxes	35	498	-	-
Insurance	798	11,353	703	12,536
Others	-	-	42	749
	2,080	**29,592**	**4,819**	**85,935**

a) The reduction in this item was due to the transfer of administrative employees to other group companies,

18, Financial income

	31-12-2020		31-12-2019	
	(BRL)	(INR)	(BRL)	(INR)
Financial income				
Income from financial investments	2,427	34,529	3,236	57,706
Other financial income	73	1,039	2	36
	2,500	**35,568**	**3,238**	**57,742**
Financial expenses				
Interest and monetary restatement on loans and debentures	(24,896)	(3,54,198)	(10,610)	(1,89,202)
Commissions and fees	(5,691)	(80,966)	(2,066)	(36,842)
Fines	(10)	(142)	-	-
IOF	(2)	(28)	(32)	(571)
Others	(40)	(569)	(102)	(1,819)
	(30,639)	**(4,35,904)**	**(12,810)**	**(2,28,434)**
	(28,139)	**(4,00,336)**	**(9,572)**	**(1,70,692)**

19. Insurance

The Company has an insurance contract guaranteeing indemnity, up to the amount fixed in the policy, for losses arising from the breach of the obligations assumed by the Company in the main contract, arising from Auction Notice No. 005/2016-ANEEL, as well as fines and indemnities due to the Public Administration.

Indemnity guarantees, in the form of construction, supply or provision of services, are up to the amount insured in the amount of R$224,675 (INR 31,58,998), effective from August 2, 2017 to May 8, 2023 with Axa Seguros.

20. Financial instruments

The management of the financial instruments of the Company is carried out through operating strategies and internal controls, aiming at safety, profitability and liquidity. The control policy of the Company is previously approved by the Executive Board.

The fair value of receivables does not differ from the book balances, as they have monetary restatement consistent with market rates and/or are adjusted by the provision for impairment, therefore, we do not present a comparative table between the book and fair values of financial instruments.

20.1 Classification of financial instruments by category

Assets measured at amortized cost	Level	2020		2019	
		(BRL)	(INR)	(BRL)	(INR)
Banks	2	2,537	35,671	189	3,355
Concessionaires and permissionaires	2	2,981	41,914	-	-

Assets measured at fair value through profit or loss	Level	2020		2019	
		(BRL)	(INR)	(BRL)	(INR)
Financial investments	2	77.47	1,089	113.62	2,017

Liabilities measured at amortized cost	Level	2020		2019	
		(BRL)	(INR)	(BRL)	(INR)
Debentures	2	2,74,355	38,57,514	2,49,458	44,27,580
Suppliers	2	11,857	1,66,713	19,509	3,46,261

The book values of financial instruments, assets and liabilities, when compared with the values that could be obtained from their trading in an active market or, in the absence thereof, and the net present value adjusted based on the current market interest rate, approximate substantially of their corresponding market values. The Company classifies financial instruments, as required by CPC 46:

Level 1 – quoted prices (unadjusted) in active, liquid and visible markets for identical assets and liabilities that are accessible at the measurement date;

Level 2 – quoted prices (which may or may not be adjusted) for similar assets or liabilities in active markets, other inputs not observable at level 1, directly or indirectly, in terms of the asset or liability; and

Level 3 – assets and liabilities whose prices do not exist or whose prices or valuation techniques are supported by a small or non-existent, unobservable or liquid market. At this level, the fair value estimate becomes highly subjective.

The fair value of receivables does not differ from the book balances, as they have monetary restatement consistent with market rates and/or are adjusted by the provision for impairment, therefore, we do not present a comparative table between the book and fair values of financial instruments.

The financial instruments of the Company, included in the balance sheet, are classified hierarchically at level 2 and are presented at their contractual value, which is close to market value.

21. Risk Management

The financial operations of the Company are carried out through the financial area in accordance with a conservative strategy, aiming at security, profitability and liquidity, and previously approved by the Executive Board of the Group. The main market risk factors that could affect the business of the Company are:

a) Interest rate risks

Interest rate risks relate to the possibility of changes in the fair value of contracts if such rates do not reflect current market conditions. Although the Company constantly monitors these indices, so far it has not identified the need to contract financial instruments to protect against interest rate risk.

b) Price risks

The Company's revenues are under the terms of the RAP concession contract, adjusted annually by ANEEL.

c) Exchange risks

The Company periodically monitors its exchange exposure and so far has not identified the need to contract financial instruments for protection.

d) Liquidity risk

The Company monitors the risk of shortage of resources through a recurring liquidity planning tool. The objective of the Company is to maintain the balance between the continuity of resources and flexibility through overdraft accounts and bank financing. The policy is that amortizations are distributed over time in a balanced way.

The cash flow forecast is performed centrally by the Management of the Company through monthly reviews. The objective is to generate enough cash to meet the operating, costing and investment needs of the Company.

22. Capital management

The Company uses its own and third-party capital to finance its activities, and the use of third-party capital aims to optimize its capital structure. Additionally, the Company monitors its capital structure and adjusts it, considering changes in economic conditions. The main objective of the Administration is to ensure sufficient funds for the continuation of the works.

23. Currency Translation

Financial statements have been translated from Brazilian Reais to Indian Rupees using average rate of 1BRL= INR 14.2271 for Income Statement and closing rate 1 BRL= INR 14.0603 for statement of Financial Position. Share Capital has been translated to INR using the currency rate applicable on the date of Capital infusion.