

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved.]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

This section is intended to be a summary of more detailed discussions contained elsewhere in this annual report. The risks described below are not the only ones we face. Our business, results of operations or financial condition could be harmed if any of these risks materialize.

Risks Relating to our Company

- Following the consummation of our Privatization, we are subject to continuing obligations that expose us to certain ongoing risks.
- Our Privatization is being challenged in court and certain politicians, including the President and his party, may formally propose to reverse the Privatization. These challenges may make it more difficult for us to raise capital, maintain our investments and current market share, as well as negatively affect our long-term debt ratings, price of our shares and ADS, and our ability to finance our operations at favorable rates.
- Transactions with related parties may not be properly identified and managed, which could expose us to lawsuits and affect our financial results.
- We may not receive all debt owed to us and our subsidiary, Eletronorte, by Amazonas Energia.
- We are exposed to claims for our historic management of certain sectoral funds and governmental programs.

Risks Relating to our Management

- The success of our operations and implementation of our strategy partly depends on the technical qualifications of the members of our management and certain key employees, who we may not be able to maintain or replace with suitable individuals.
- We may face substantial challenges in the implementation of our strategic plan and necessary high-performance culture, which will demand efficiency and excellence in problem solving.

Risks Relating to our Operations

- Our increasing reliance on the commercialization on the Free Market exposes us to certain risks that may have an adverse effect on our revenues, results of operations and financial condition.
 - If we do not remedy the material weakness in our internal controls, the reliability of our financial statements may be materially affected.
 - Our results are dependent on the results of our subsidiaries, affiliates and SPEs in which we invest and for whom we act as guarantor in respect of certain project-related loans.
 - Failures in our information technology systems, information security systems, and telecommunications systems may adversely impact us due to cyber security incidents or other reasons.
 - Our business may be impacted by political events, war, terrorism, and other geopolitical uncertainties.
 - We may not be able to prevent, detect, and timely implement corrective measures in relation to unlawful conduct in our operations by our management, employees, SPEs in which we hold interests and third-party contractors.
 - Our insurance policies may be insufficient to cover potential losses.
 - Strikes, work stoppages or labor unrest by our employees or by the employees of our suppliers or contractors could adversely affect our business.
 - Our financial and operating performance may be adversely affected by epidemics, pandemics, natural disasters, and catastrophes.
 - We do not have alternative supply sources for natural gas for our thermal plants.

Risks Relating to our Financial Condition

- We have substantial financial liabilities and may be exposed to liquidity constraints, which could make it difficult to obtain financing for our planned investments.
- We may incur substantial financial liabilities as well as unexpected expenses until we complete the construction of the Angra 3 nuclear power plant.
- We are subject to certain covenants, which in case of non-compliance may allow the lenders under the relevant facilities to accelerate our obligations to them.
- We are no longer entitled to indemnification payments for investments in concessions renewed pursuant to Law No. 12,783/2013, which were not yet amortized.
- We and our subsidiaries may be required to make substantial contributions to the pension plans of our current and former employees which we sponsor.
- We may be indirectly liable for damages related to accidents involving Eletronuclear.

Risks Relating to Compliance, Legal and Regulatory Framework

- We may incur losses and spend time and money defending pending litigation and administrative proceedings.
- We may incur losses in legal proceedings relating to compulsory loans made in the period between 1962 and 1993.

- We are, have been, and may again be party to U.S. proceedings relating to disclosures surrounding our compulsory loan credits and bearer bonds.
- Every five years the assured energy of our hydroelectric plants can be adjusted, and we may incur additional costs to purchase energy to comply with existing agreements.
- Under the current rules for tariff reviews for generation and transmission concessions, we might not receive full compensation for costs incurred in the operation and maintenance of these concessions and any expenses in relation to these assets.
- Our subsidiaries entered into a Transmission Infrastructure Usage Agreement with Eletronet. Adverse decisions made by the relevant regulatory body in respect of this agreement may have adverse effects on our transmission revenues.
- We are subject to risks associated with failure to comply with the applicable data protection laws, and we may be adversely affected by the imposition of fines and other types of sanctions.
- Our generation and transmission activities are regulated and supervised by ANEEL. Our business could be adversely affected by regulatory changes, and we may be subject to penalties, administrative intervention or loss of our concessions for public service if we provide our services in an inadequate manner or violate contractual obligations.
- Certain of our subsidiaries adhered to instalments programs for tax debts and must comply with special rules, otherwise, these installments programs may be terminated, and the benefits may be cancelled.
- Following our Privatization, we are now subject to the Brazilian Bankruptcy Law. However, if any of our assets are deemed assets dedicated to providing an essential public service, they will not be available for liquidation and will not be subject to attachment to secure a judgement.
- Our failure to protect our intellectual property may adversely impact us.
- If we fail to address issues related to the health and safety of our employees at work and the facilities where we conduct our activities, we may be adversely affected.

Risks Relating to Brazil

- Brazil's economy is vulnerable to external and internal shocks, which may have an adverse effect on Brazil's economic growth and on the trading markets for securities.
- Political uncertainty may lead to an economic slowdown and volatility in securities issued by Brazilian companies.
- The volatility of the Brazilian real and of the inflation rate may impact our operations and cashflows.
- Changes in tax or accounting laws, tax incentives, and benefits or differing interpretations of tax or accounting laws may adversely affect us.
- Any downgrading of Brazil's credit rating could adversely affect the price of our shares and ADS and our cost of funding.

Risks Relating to Environmental, Climate and Social Impacts

- Construction, expansion and operation of our electricity generation and transmission facilities and equipment involve significant risks that may result in loss of revenue or increase in expenses.
- We are exposed to risks relating to the inadequate management of socioenvironmental aspects of our enterprises and projects.
- We are subject to impacts related to hydrological conditions that may result in lower generation of hydroelectric power and adversely affect our business.

- Climate change can have significant impacts on our business in respect of our generation and transmission activities and the costs involved in complying with changing environmental requirements can be substantial.
- We could be held responsible for the social and environmental impacts of accidents involving the dams at our hydroelectric plants.
- Given the nature of our generation and transmission activities, we are subject to risks related to human rights violations.

Risks Relating to our Shares and ADS

- If you hold our preferred shares, you will have limited voting rights.
- Our bylaws include certain provisions that limit shareholders' voting rights and that may discourage takeovers or prevent or delay the approval of certain matters, which could negatively affect the price of our shares and ADS.
- Exercise of voting rights with respect to ADS involves additional procedural steps.
- The Brazilian Government has a golden share that grants it a veto power in corporate resolutions aimed at modifying our bylaws with the purpose of removing or modifying the limitation on the exercise of voting rights and entering into a shareholders' agreement. The interests of the Brazilian Government may conflict with the interests of other holders of shares and ADS issued by us.
- We do not have a controlling shareholder, which may leave us susceptible to alliances between shareholders, conflicts between shareholders and other events arising from the absence of a controlling shareholder or a controlling group.
- If we issue new shares or our shareholders sell shares in the future, the market price of your ADS may be reduced.
- Political, economic and social events as well as the perception of risk in Brazil and in other countries, including the United States, European Union and emerging countries, may affect the market prices for securities in Brazil, including our shares.
- Exchange controls and restrictions on remittances abroad may adversely affect holders of ADS.
- Exchanging ADS for the underlying shares may have unfavorable consequences.
- You may not receive dividend payments if we incur net losses, or our net income does not reach certain levels.
- You may not be able to exercise preemptive rights with respect to the preferred or common shares.
- We may need to raise additional funds in the future and may issue additional common shares, which may result in a dilution of your interest in our common shares underlying the ADS. In addition, a dilution of your interest in our common shares underlying the ADS may occur in the event of our merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.
- International judgments may not be enforceable when considering our directors or officers' status of residency.
- Judgments of Brazilian courts with respect to our common shares may be payable only in *reais*.
- Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares or ADS.

Risks Relating to our Company

Following the consummation of our Privatization, we are subject to continuing obligations that expose us to certain ongoing risks.

The Eletrobras Privatization Law and related regulations included certain obligations that we and our subsidiaries must satisfy as part of our Privatization process and the related renewal of certain of our generation concessions' contracts for a 30-year term. As of the date of this annual report, we are continuing to implement the following obligations:

- **CDE Account:** our subsidiaries must pay a remaining R\$32.8 billion to the CDE Account over the next 25 years;
- **Eletronuclear Investment Agreement:** we must maintain the existing guarantees provided under certain financings of Eletronuclear prior to our Privatization and raise funds and provide guarantees in proportion to our participation in the voting capital of Eletronuclear for the completion of the Angra 3 project. See "– We may incur substantial financial liabilities as well as unexpected expenses until we complete the construction of the Angra 3 nuclear power plant" and "Item 10. Additional Information – C. Material Contracts" for further details;
- **Optimum use of the plants:** under the new concession contracts, our subsidiaries must carry out studies for the modernization and repowering of these plants; and
- **Regional funds:** our subsidiaries Chesf, Furnas and Eletronorte must contribute a remaining R\$6.7 billion to projects for the revitalization of certain hydrographic basins and a reduction of generation costs in the Legal Amazon region.

See "Item 4. Information on the Company – A. History and Development – Privatization – Conditions for the Privatization" for further details on the current progress on the implementation of these conditions.

The studies on the optimal utilization of our plants must be carried out within 36 months of the new concession contracts being signed, i.e. by June 2025. Any projects that are economically feasible must be implemented within 132 months from the date of the new concession contracts. If we do not comply, the respective agreement may be terminated.

In respect of the regional funds, the applicable regulation established that the concessionaires will be responsible for: (i) proposing measures; (ii) implementing the measures approved by the funds' management committees; (iii) presenting the results of these measures; (iv) contracting an independent auditor to supervise disbursements; and (v) presenting accounting statements of the results of the measures. Our subsidiaries will be subject to inspection by the funds' committees and, indirectly, by the TCU and the CGU. If they fail to comply with these obligations, they will be subject to sanctions by ANEEL. Pursuant to the Eletrobras Privatization Law, we are subsidiarily liable for the obligations of our concessionaires.

Our compliance with these obligations subsequent requires significant investments, which may have an adverse effect on our future cash flows. Further, certain assumptions used as part of the calculation of the added value of the new concessions may not materialize, which could negatively impact projected revenues and costs for these concessions. If we do not generate sufficient cash or our credit lines are insufficient, we may not be able to meet all these obligations, which could adversely affect our results from operations, financial condition, and the price of our shares and ADRs and result in the early termination of certain concessions.

Our Privatization is being challenged in court and certain politicians, including the President and his party, may formally propose to reverse the Privatization. These challenges may make it more difficult for us to raise capital, maintain our investments and current market share, as well as negatively affect our long-term debt ratings, price of our shares and ADS, and our ability to finance our operations at favorable rates.

Our Privatization, as well as the legislative proceeding that resulted in the enactment of Law No 14,182/2021, may be challenged by public or private entities, regulatory bodies, consumer groups, or others, or be suspended by Brazilian courts, which could have adverse legal and reputational effects on us. In addition, the corporate restructuring, especially the change of control of Eletronuclear, may also be challenged in court. As of the date of this annual report, there are 25 ongoing lawsuits challenging our Privatization, including lawsuits relating to the process, preparatory acts and law approving our Privatization, in addition to direct challenges to the Privatization itself. We consider the risk of loss to be possible in respect of these lawsuits. It is possible that other parties may file further lawsuits challenging our Privatization. See "Item 4. Information on the Company–A. History and Development–Privatization" as well as "Item 8A. Consolidated Financial Statements and Other Information–Litigation–Legal Proceedings Relating to Our Privatization Process" for further information about legal proceedings related to our Privatization.

In addition, certain aspects of our Privatization may still be challenged. This has already occurred in respect of the provisions of our bylaws limiting the exercise of shareholders' voting rights to up to 10% of our capital stock regardless of the number of common shares held by such shareholder, which was included to ensure we are a "true corporation." In May 2023, the President of Brazil filed a direct action of unconstitutionality with the Supreme Federal Court of Brazil challenging this model. On December 19, 2023, a justice of the Supreme Federal Court suspended the proceedings for 90 days for the parties to come to an amicable resolution. The suspension was extended for a further 90 days. As of the date of this annual report, the negotiations are still in progress and no settlement has been reached. If the President is successful in contesting these provisions, the Brazilian Government may try to regain control over us, which may cause us to reverse the Privatization and once again become a state-controlled company.

If our Privatization continues to be challenged, it may negatively affect our ability to finance our operations at favorable rates and maintain our investments and current market share. In addition, such a challenge could have negative effects on our ratings and the price of our shares and ADS.

Transactions with related parties may not be properly identified and managed, which could expose us to lawsuits and affect our financial results.

Transactions with related parties must follow market standards and generate mutual benefit. Decision processes surrounding such transactions must be objective and documented. Further, we must comply with the rules of competition and adequate disclosure of information, in accordance with the applicable legislation and as determined by the CVM and the SEC.

We cannot guarantee that our related party transaction policy is or will be effective to avoid potential conflicts of interest between us and any related parties, or that any such party has complied or will strictly comply with good governance practices and rules to deal with conflicts of interest. A possible failure to comply with such requirements or policies may adversely affect our business, financial condition, as well as lead to regulatory assessments by agencies.

We may not receive all debt owed to us and our subsidiary, Eletronorte, by Amazonas Energia.

In 2019, we completed the transfer of control of our former subsidiary Amazonas D. At that time, Amazonas D owed us R\$3.9 billion and R\$0.4 billion, totaling approximately R\$4.3 billion of exposure to us.

As of December 31, 2023, we are a party to debt confirmation agreements between: (i) Eletrobras and Amazonas Energia, for which we have provisioned R\$4.6 billion, and (ii) Eletronorte and Amazonas Energia, for which we have provisioned R\$2.6 billion.

In recent months, the risk of default by Amazonas Energia has been aggravated as a result of certain legal issues and a deterioration in its financial and operational condition. Between December 2021 and December 2023, Amazonas Energia partially defaulted in respect of its obligations related to certain energy trading agreements entered into with Eletronorte. As of December 31, 2023, the amount in default is R\$1.1 billion, for which we have provisioned R\$927.8 million. Given the worsening financial condition of Amazonas Energia, we may need to increase our provisions in the future to account for potential further defaults.

As a result of its repeated defaults, in November 2023, Eletronorte registered Amazonas Energia in ANEEL's register of defaulters, pursuant to ANEEL Normative Resolution No. 917/2021. ANEEL recommended that the MME terminate Amazonas Energia's electricity concession, despite Amazonas Energia requesting a transfer of corporate control as an alternative to termination. As of the date of this annual report, there have been no further developments in respect of ANEEL's recommendation.

In July 2023, a working group on the Distribution of Concessions of the States of Amazonas and Rio de Janeiro ("GT CDAR") reviewed the proposals of Amazonas Energia, Light Serviços de Eletricidade S.A. and Enel Distribuição Rio, which assessed the viability of their concessions. The GT CDAR presented the report on February 22, 2024, addressing the current economic and financial situation of the distribution of concessions in the State of Amazonas and recommended a number of regulatory measures for the viability of the concession and the feasibility of the change in corporate control. This report is now under review by the MME, which will make a determination on which proposals to adopt. As of the date of this annual report, we cannot assure if or when the MME will make its determination.

Considering Amazonas Energia's defaults, we are exposed to the risk of Amazonas Energia not being able to honor all its debt obligations to us if their current financial and operating conditions persist. As of December 31, 2023, we provisioned R\$7.2 billion for both debt confirmation agreements, but we may need to increase these provisions to the extent that Amazonas Energia continues to default on its obligations set out in such agreements.

We are exposed to claims for our historic management of certain sectoral funds and governmental programs.

We managed the RGR Fund and sectoral funds such as the CDE Account and CCC Account until April 30, 2017 when the CCEE assumed management responsibilities. We also previously managed the Proinfa and Procel government programs until their management was transferred to ENBPar in June 2023 as part of our Privatization process. We continue to manage the *Luz para Todos* and *Mais Luz para a Amazônia* government programs, but we expect that they will be transferred to ENBPar by June 17, 2024. Following the transfers to ENBPar, we continue to be liable for a five-year period for any actions taken by us during our period of management pursuant to the statute of limitations set out in TCU Ordinance No. 344/2022. A proceeding filed under this Ordinance may remain inactive for up to three years. Both statutes of limitation are subject to hindrance, suspension, and interruption rules.

We received capital resources associated with the contracts executed to cover the administrative costs incurred in operating the *Luz para Todos* and *Mais Luz para a Amazônia* programs. In respect of the expenses under the Procel program, we were reimbursed via the revenues obtained from this program in accordance with Law No. 13,280/2016 and its annual investment plan (PAR Procel). For the Proinfa program, our administrative costs were covered by revenues obtained from the Proinfa account (*Conta Proinfa*), the budget for which is annually approved by ANEEL, in accordance with Decree No. 5,025/2004.

In the event that the Brazilian authorities conclude that we mismanaged any funds under these government programs, they may impose fines as well as criminal and civil liability. In July 2019, ANEEL imposed a fine of R\$51.7 million for our non-compliance in respect of the management of the CCC Account. We appealed this decision and, as of December 31, 2023, we are awaiting a ruling on our appeal.

Risks Relating to Our Management

The success of our operations and implementation of our strategy partly depends on the technical qualifications of the members of our management and certain key employees, who we may not be able to maintain or replace with suitable individuals.

Part of the success of our operations and the implementation of our strategy depends on the knowledge, skills, and effort of the members of our management team and certain key employees. If key members of our management team or key employees leave our company, we may not be able to find equally qualified professionals to replace them in a timely manner. We also depend on the ability of our senior management and key personnel to work effectively as a team.

Our future success depends on our ability to identify, attract, hire, train, retain and motivate highly skilled technical, managerial, sales, IT and administrative personnel. Competition for such personnel is intense, and we cannot guarantee that we will successfully attract or retain a sufficient number of qualified personnel, as this is largely affected by perceptions of our culture, profile in the markets in which we operate and the professional opportunities we offer. In addition, the industry continues to experience more stringent regulation of employee compensation, which would adversely affect our ability to hire and retain the most qualified employees.

Failure to retain and attract the necessary technical, managerial, sales, IT and administrative personnel could adversely affect our business, financial condition and results of operations.

We may face substantial challenges in the implementation of our strategic plan and necessary high-performance culture, which will demand efficiency and excellence in problem solving.

In line with our goal to be an innovative clean energy company, recognized for excellence and sustainability, our strategy aims to develop a high-performance culture comprising lean and agile management, increased competitiveness and reduced costs coupled with active risk management and increased digitalization.

Our ambitious strategy requires us to implement key performance indicators at all levels of our organization, which include lower financial leverage, higher operational efficiency, improved health and safety conditions, among other things. In order to achieve these, we will need to undertake significant operational and managerial changes in all of our group companies. We are also dependent on our ability to train our new and existing hires and develop our systems to align with a culture focused on performance and results, which may take time and we cannot guarantee that all employees will assimilate into such culture.

If we are not able to foster a culture of efficiency and excellence in addressing our current and future challenges, we may face difficulties in reaching our full potential. As a result, this may adversely impact our future growth, profitability and price of our shares and ADS.

Risks Relating to our Operations

Our increasing reliance on the commercialization on the Free Market exposes us to certain risks that may have an adverse effect on our revenues, results of operations and financial condition.

We currently commercialize the energy generated at our plants on both the Regulated and Free Markets. However, pursuant to the New Concession Agreements, the commercialization of the energy generated at 17 of our hydroelectric plants on the Regulated Market are being phased out at a 20% rate per annum since January 1, 2023. Consequently, within five years all the energy generated at those 17 plants will be commercialized on the Free Market. As the portion of our energy sales on the Free Market increases, energy commercialization becomes gradually more significant, representing a larger portion of revenues each year.

As opposed to the Regulated Market where tariffs are fixed and revenues tend to be relatively stable, the commercialization of energy on the Free Market is much more dynamic and complex and depends on our analysis of, and assumptions about, several factors, including hydrological trends, expectations about supply and demand, historical behavior of prices and market variables.

Accordingly, the gradual increase in our commercialization of energy on the Free Market exposes us to various risks such as:

- projections of future energy price curves which do not materialize;
- the introduction or extension of legal and fiscal incentives for the development of other energy sources (such as thermal plants powered by gas, wind or solar projects) that can displace the need for the supply of energy generated by hydroelectric plants;
- market risks;
- liquidity risks;
- counterparty risks; and
- hydrological conditions (GSF and short-term price fluctuations).

Since 2022, favorable hydrological conditions and the increase in the installed capacity in Brazil reduced energy prices on the Free Market in the short and medium terms. At the time of our Privatization we expected a certain energy price for the coming years which did not yet materialize due to impact of the favorable hydrological conditions in 2022 on the price of energy on the Free Market. However, by the end of 2023, the price of energy on the Free Market was predicted to rise for the coming years. Nevertheless, future conditions like those experienced in 2022 might again reduce the price of energy on the Free Market to below the levels we expected at the time of our Privatization, which could have adverse effects on our results of operations.

Our commercialization planning considers the main conditions applicable to the market and our portfolio, outlining a wider commercialization strategy, aiming to mitigate market and liquidity risks through a level of controlled contracting over the years, whilst also maximizing the value of energy sales so that exposures to market risk in the periods closest to supply are residual. However, if our assumptions do not hold true or if our strategy is otherwise not successful, we may suffer a materially adverse effect on our revenues, results of operations and financial condition.

If we do not remedy the material weakness in our internal controls, the reliability of our financial statements may be materially affected.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for evaluating and reporting on the effectiveness of our system of internal control. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS Accounting Standards. As a public company, we are required to comply with the Sarbanes-Oxley Act and other rules that govern public companies. In particular, we are required to certify our compliance with Section 404 of the Sarbanes-Oxley Act, which requires us to furnish annually a report by management on the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm is required to report on the effectiveness of our internal control over financial reporting.

We determined that we did not maintain effective internal control over financial reporting as of December 31, 2023, because a material weakness that was identified as of December 31, 2022 was not remediated.

A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements would not be prevented or detected on a timely basis. In the course of completing our assessment of internal control over financial reporting as of December 31, 2023, we did not design nor maintain effective internal control over our financial reporting because a material weakness in internal control over financial reporting existed as of that date. Specifically, we had not properly designed and maintained effective risk assessment control activities in response to risks of material misstatement related to period end financial reporting controls including the completeness and accuracy of the judicial deposits and legal lawsuits, their periodic reviews and updates, and the assessment of expected losses for accrual purposes; and the review and approval of impairment calculations.

Our internal controls department is responsible for overseeing the implementation of action plans and reports periodically to the Board of Directors and the Audit and Risk Committee. If our future efforts are not sufficient to remedy all the inconsistencies identified, we could continue to experience material weaknesses in our internal controls in the future. Any such material weaknesses could adversely affect our ability to accurately prepare our financial statements, which may result in a restatement of our historical financial statements or in misstatements in our future financial statements and, consequently, adversely affect our business and financial condition. See "Item 15—Controls and Procedures" for further details.

Our results are dependent on the results of our subsidiaries, affiliates and SPEs in which we invest and for whom we act as guarantor in respect of certain project-related loans.

We conduct our business mainly through our generation and transmission operating subsidiaries. In addition, we and our subsidiaries conduct some of our business, including several of our projects, through SPEs, which are created specifically to participate in public auctions for new enterprises in the generation and transmission segments. Our SPEs are typically structured in partnership with other companies to exploit new energy sources and transmission lines. As of December 31, 2023, we had an equity interest in 19 affiliates and 69 SPEs, grouped into 35 clusters, which explore generation, transmission, and distribution activities.

Therefore, our revenues and ability to meet our financial obligations is related, in part, to the cash flows generated by, and earnings of, our subsidiaries, affiliates and SPEs, and the distribution or other transfers of earnings to us in the form of dividends, loans or other advances and payments.

We are also subject to certain risks in relation to our SPEs by virtue of the financing guarantees we provide in respect of our shares in several projects conducted through such SPEs including Norte Energia, Sinop, São Manoel, and Jirau. As of December 31, 2023, the aggregate value of these guarantees was R\$17.9 billion compared to R\$28.8 billion as of December 31, 2022.

Following our recent corporate restructuring, which resulted in us assuming control of SAESA and Teles Pires, we started to consolidate their financial statements. As a result, the off-balance guarantees we provided to them now are part of our consolidated indebtedness, which increased by R\$8.3 billion and represents 46.2% of our total consolidated guarantees. In addition, our Privatization was conditional upon maintaining the Brazilian Government's direct or indirect control of Eletronuclear through the transfer of its control to ENBPar, thereby becoming an affiliate. Part of this arrangement required us to remain a guarantor under any financings entered into prior to our Privatization. As a result, the guarantees we provided in respect of the Angra 1 and Angra 3 plants were reclassified in the aggregate amount of R\$6.0 billion as of December 31, 2023, resulting in a total amount of unconsolidated guarantees of R\$25.8 billion.

If any of our SPEs or affiliates default on their obligations, the guarantees we provided may be called upon. Even if a default occurs with only one lender, such default may trigger cross default clauses in other financing contracts, which could lead to other creditors requesting the acceleration of their loans. Any such cross acceleration would impact the enforcement of the guarantees provided by us and could adversely affect our financial condition.

Failures in our information technology systems, information security systems, and telecommunications systems may adversely impact us due to cyber security incidents or other reasons.

Our operations are heavily dependent on information technology and telecommunication systems and services. We also use information technology to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal, and tax requirements. In addition, we depend on information technology for electronic communications between our facilities, personnel, customers, and suppliers. We also process personal data of our employees and customers (business-to-business).

Interruptions in these systems, caused by obsolescence, technical failures, intentional acts or discontinuity in the implementation, maintenance, and evolution of technological solutions, can disrupt or even paralyze our business and adversely affect our operations and our reputation. In addition, security failures related to sensitive information could occur due to intentional or unintentional actions, such as cyberterrorism, or internal actions, including negligence or misconduct of our employees.

Cybersecurity attacks have increased worldwide in recent years, and we cannot assure that we will be able to address future attacks successfully. Also, the remote working arrangements implemented have increased our dependence on information technology systems and infrastructure, and they may further expand our vulnerability to this risk. In the event of such actions, we, our customers, and other third parties may be exposed to potential liability, litigation, and regulatory or other government action, damage to brand and reputation and other financial loss. In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, or suppliers. The cost and operational consequences of responding to cybersecurity incidents and implementing remediation measures may be significant and may not be covered by insurance.

Our business may be impacted by political events, war, terrorism, and other geopolitical uncertainties.

War, terrorism, and other geopolitical uncertainties have caused and could cause damage or disruption to the economy and commerce on a global or regional basis, which could have a material adverse effect on our business, our customers, and the companies with which we do business.

For instance, in 2023 the global markets were operating in a period of economic uncertainty, and significant volatility, following Russia's full-scale invasion of Ukraine on February 24, 2022. Although the length and impact of the ongoing military conflict are still unpredictable, the conflict in Ukraine and any other geopolitical tensions could have an adverse effect on the economy and business activity globally and lead to:

- credit and capital market disruptions;
- significant volatility in commodity prices;
- increased costs of resources (such as energy and natural gas) for our operations;
- potential further appreciation of the U.S. dollar;
- increase in interest rates and inflation; and
- lower or negative global growth.

Russian military actions, the resulting and potential sanctions and Russian counter measures or retaliatory actions could adversely affect the global economy and financial markets and lead to further instability and lack of liquidity in capital markets. Therefore, the current and future measures could adversely affect our business, financial condition, and results of operations. In addition, on October 7, 2023, Hamas launched an attack on Israel killing hundreds of Israeli civilians. In response, Israel declared war against Hamas, targeting the Gaza Strip. This could lead to an escalation of the conflict in the region, rise in oil and gas prices, more inflationary pressures and market volatility, among others.

Although we are not currently directly affected by such conflicts, it still exposes us to the macroeconomic risks set out above, which could lead to an increase in our operating costs and adversely affect our business.

Certain geopolitical and economic risks have increased over the past few years as a result of trade tensions between the United States and China, Brexit and other geopolitical issues. Any further escalation of tensions may lead, among other things, to further disruption in the global economy and in international trade flows and increased market pricing volatility.

We may not be able to prevent, detect, and timely implement corrective measures in relation to unlawful conduct in our operations by our management, employees, SPEs in which we hold interests and third-party contractors.

We are subject to the risk that our management, employees, contractors, the SPEs in which we hold interests or any person doing business with us may engage in fraudulent activity, corruption, or bribery, circumvent, or override our internal controls and procedures or misappropriate or manipulate our assets for their personal benefit or that of third parties. Further, such parties may, against our interests, misuse insider information or act in situations of conflicts of interests, where their personal interests conflict with our legitimate interests. This risk is heightened by the fact that we have many complex, high value contracts, as well as the geographic distribution of our operations and the wide variety of counterparties involved in our business. We cannot guarantee that all our employees and contractors will comply with our principles and rules of ethical behavior and professional conduct aimed at guiding our management, employees, and service providers. Any failure, whether actual or perceived, to abide by our ethical principles or to comply with applicable governance or regulatory obligations could harm our reputation, limit our ability to obtain financing and have a material adverse effect on our results and financial condition, if not detected in a timely manner.

Our insurance policies may be insufficient to cover potential losses.

Our business is generally subject to several risks, including operational accidents, cybersecurity related risks, occupational accidents, unexpected geological and hydrological conditions, environmental hazards and weather, and other natural phenomena. Additionally, we and our subsidiaries are liable to third parties for losses and damages caused by any failure to provide generation and transmission services.

Our insurance policies cover only part of the losses that we may incur. If we are unable to eventually renew our insurance policies from time to time or losses or other liabilities occur that are not covered by insurance or that exceed our insurance limits, we could be subject to significant unexpected expenses, which may adversely impact our results of operations and financial condition. For further information see "Item 5.C. Operating and Financial Review and Prospects—Research and Development, Patents and Licenses—Insurance."

Strikes, work stoppages or labor unrest by our employees or by the employees of our suppliers or contractors could adversely affect our business.

Strikes, work stoppages, or other forms of labor unrest at our company, our subsidiaries or SPEs and any of our major suppliers and contractors could impair our ability to operate our business, complete major projects and may adversely impact the results of our operations, financial condition, and ability to achieve our long-term objectives.

As of the date of this annual report, all of our employees are represented by labor unions, as determined by law. We face strikes and work stoppages from time to time. Disagreements on issues involving collective bargaining agreements, divestments, changes in our business strategy, reductions in our workforce, and other matters could lead to further labor unrest.

For further information regarding strikes and work stoppages, see "Item 4. Information on the Company—B. Business Overview—Operating Process—Types of Plants—Shutdowns and strikes in the last three fiscal years."

Our financial and operating performance may be adversely affected by epidemics, pandemics, natural disasters, and catastrophes.

Our operations may be negatively impacted by epidemics, pandemics, natural disasters, or other catastrophes, such as COVID-19.

Our revenues from power generation are derived from sales on (i) the Regulated Market, including plants that operate under the quota regime, (ii) the Free Market, and (iii) the spot market. In case an outbreak of an epidemic, a natural disaster or a catastrophe, we cannot guarantee that the demand for energy will remain stable or grow. In particular, there can be no assurance that the price of energy we sell in the Free Market will not decrease below the price at which we obtain energy (as a result of a decrease in demand or otherwise). In such a situation, due to epidemics, natural disasters, and catastrophes, our margins and results of operations may be adversely affected.

Epidemics, pandemics, natural disasters and other catastrophes may impact the availability of our transmission assets and construction of our generation plants, the latter of which could lead to a default by our generation plants in their obligations under their respective power purchase agreements. We also cannot assure that distribution companies will not experience an increase in consumer defaults, which could negatively impact the financial condition of the distribution companies and lead to them defaulting on their obligations to generation companies. As a result, any of these factors could affect our revenues.

Furthermore, if a significant portion of our workforce or our suppliers or vendors are unable to work effectively due to prolonged illness, quarantines, shelter-in-place arrangements, government actions, facility closures or other reasons in connection with pandemics or other public health emergencies, our operations and ability to serve our clients could be materially impacted.

We do not have alternative supply sources for natural gas for our thermal plants.

Our thermal plants operate on natural gas and/or oil, representing 3% of our installed capacity as of December 31, 2023. As of the date of this annual report, we depend on a single supplier for the natural gas we use to fuel our thermal plants. If supplies of natural gas or oil become unavailable or they may not be purchased on reasonable terms for any reason, such as significant increases in price due to inflation, we do not have alternative supply sources and, therefore, the ability of our thermal plants to generate electricity would be adversely affected, which may impact our results of operations and financial condition. As of the date of this annual report, our supply has not been affected by the current conflict between Russia and Ukraine.

Risks Relating to our Financial Condition

We have substantial financial liabilities and may be exposed to liquidity constraints, which could make it difficult to obtain financing for our planned investments.

Our main sources of funding are capital markets issuances and loans from multilaterals, commercial banks and development banks and similar agencies in both the local and/or international markets. As there may be liquidity restrictions in the local or international capital markets, we may experience difficulties to finance our planned investments and to repay principal and interest under the terms of our existing credit facilities. Any difficulty in raising significant amounts of debt capital in the future may adversely affect our results of operations and our ability to fulfill our strategy and planned or future investments.

Any lowering of our credit ratings, as well as Brazil's sovereign ratings, or adverse macroeconomic factors, could also have negative consequences on our ability to obtain financing in the market through debt or equity securities, or may impact our cost of financing, also making it more difficult or costly to refinance maturing obligations. The impact on our ability to obtain financing and the cost of financing may adversely affect our results of operations and financial condition.

We may incur substantial financial liabilities as well as unexpected expenses until we complete the construction of the Angra 3 nuclear power plant.

In 2009, Eletronuclear started the construction of the Angra 3 nuclear plant. The construction of the plant was suspended during 2015, as Eletronuclear faced difficulties making the capital contributions required by the financing with BNDES. Additionally, in 2015, several investigations commenced to assess potential illegal activities by companies that provided engineering services to Eletronuclear in relation to the Angra 3 project and, as a result, the TCU suspended construction. The termination of the agreements and/or the suspension of payments to these engineering companies, led to civil lawsuits against Eletronuclear.

In 2020, we approved a plan to resume the construction of Angra 3, however, no assurance can be made regarding the timely completion of construction on budget. In addition, Eletronuclear is still involved in the lawsuits mentioned above.

Even though we are no longer the controlling shareholder of Eletronuclear, the Eletrobras Privatization Law provided that we must continue to guarantee all existing obligations of Eletronuclear with respect to the development of the Angra 3 nuclear plant. In addition, we entered into various agreements with ENBPar, including an investment agreement for the continued development of the Angra 3 project. Under this agreement, we committed to raise funds and grant guarantees in proportion to our participation in the voting capital of Eletronuclear, with any remaining funds and guarantees being provided by ENBPar. We cannot assure that we will be able to obtain the funds necessary to meet our investment obligations or that ENBPar will be able to obtain all the necessary funds and guarantees, which could adversely affect the completion of the project as well as our ability to leverage and guarantee new projects.

The project also assumes a certain tariff to be charged for energy to be produced by the Angra 3 plant upon its completion. We cannot assure you that this tariff, which we expect to be approved by the government later this year, will guarantee the economic-financial balance (considering a present value of the project equal to zero) nor be considered a reasonable tariff. If the actual tariff is lower than the one required to reach break-even, the viability of the project could be severely jeopardized, which in turn could have an adverse effect on Eletronuclear's results and, to a lesser extent, our results.

As of December 31, 2023, Eletronuclear has completed approximately 68.7% of the original Angra 3 project. The total projected cost of completion is approximately R\$20.0 billion, according to BNDES. As of the date of this annual report, it is estimated that Angra 3 will commence operations in June 2029, instead of November 2026 as previously assumed. As of December 31, 2023, Eletronuclear maintained total accumulated impairments of R\$4.5 billion on its balance sheet. We no longer recognize any impairments related to Angra 3 on our balance sheet as we no longer consolidate Eletronuclear on a line-by-line basis. However, any impacts on Eletronuclear's income statement continue to affect us, as we recognize their results using the equity method of accounting.

Works on the Angra 3 plant have been suspended since September 2023. If there are further delays to the start of commercial operations, we may be required to prepay the financing granted by BNDES to Eletronuclear (of which R\$3.1 billion was outstanding as of December 31, 2023) as we are the guarantor of this debt. We may also have difficulties repaying a loan granted by Caixa Econômica Federal (under which R\$2.8 billion was outstanding as of December 31, 2023) which may lead Eletronuclear to record new provisions for impairments, in addition to other liabilities that we may have to record. The total costs of abandoning or interrupting the Angra 3 project and demobilizing the plant (to be divided between the shareholders) were estimated at R\$13.6 billion as of March 2022 by Tractebel, who was hired by BNDES. The occurrence of any of these events could materially affect our financial condition.

We are subject to certain covenants, which in case of non-compliance may allow the lenders under the relevant facilities to accelerate our obligations to them.

We are party to several international and local financing facilities as borrower or guarantor.

The bonds we issued in the international capital markets, the debentures and commercial papers issued in the local market, as well as our existing credit facilities, require that we comply with several non-financial covenants, including the pledging of assets, provision of financial statements and audit reports, and compliance with environmental laws and licenses, among others. In other instances, we must obtain waivers from applicable creditors for certain acts, such as actions that result in a change of control or the sale of relevant assets.

We, our subsidiaries and SPEs are also subject, in certain local financings, to financial covenants requiring compliance with the following indexes: (i) net debt over EBITDA, with a maximum level dependent on the contracts executed by us and each subsidiary, however generally fewer than four; and (ii) debt service coverage ratios, generally higher than 1.2.

In terms of negative covenants, we are limited in certain international and local financings from making certain sales of assets, subject to various carve-outs and exemptions. In addition, certain of the financing agreements for the development of our plants, some of which are guaranteed by us, contain acceleration clauses which could be triggered upon default. Any defaults or the acceleration of any financing agreements may also give other lenders the right to accelerate indebtedness owed to them pursuant to cross-default provisions. The acceleration of any financing agreements could adversely affect our results of operations and financial condition.

See "Item 4. Information on the Company—B. Business Overview—Lending and Financing Activities" for further information about our financing agreements.

We are no longer entitled to indemnification payments for investments in concessions renewed pursuant to Law No. 12,783/2013, which were not yet amortized.

Pursuant to Law No. 12,783/2013, by agreeing to the renewal of our generation and transmission concessions which were due to expire between 2015 and 2017, we agreed to receive certain payments as compensation for the unamortized, undepreciated portion of our assets that relate to the renewed concessions.

In respect of our generation concessions, we are no longer entitled to receive indemnification payments for these plants as we agreed to forego these payments as part of our Privatization.

Regarding our transmission concessions, we have filed claims with ANEEL for our renewed transmission concessions, the RBSE assets and the RBNI assets. The indemnification relating to the RBNI assets was paid in installments between 2013 and 2015, at a book value of approximately R\$8.1 billion, as of December 31, 2012. Between 2015 and 2016, ANEEL approved the indemnity payment in respect of the RBSE's assets at a book value of approximately R\$17.6 billion, as of December 31, 2012. The RBSE amounts were included in the transmission tariff as of July 2017. This amount has been challenged in court, which has delayed the timing of payment to us. As a result, in 2017, part of the compensation was excluded by ANEEL due to judicial injunctions. However, these injunctions were subsequently revoked, and the compensation was included in the revenue of our transmission companies in 2020.

On April 22, 2021, ANEEL's executive board approved a proposal for the re-profiling of the financial component of the RBSE. This decision caused a reduction in the payment curve of these amounts between July 2021 and June 2023, and an increase in the flow of payments after July 2023, extending these installments until July 2028.

As a response to this decision, users of the transmission system submitted requests for reconsideration alleging that they identified inconsistencies in the amounts approved by ANEEL. So far, ANEEL's technical teams have carried out some studies, but ANEEL's Board of Directors has not made a final decision. If ANEEL decides to uphold these requests, it may negatively impact our transmission revenues. The payment for the RBSE is also subject to analysis by the TCU in TCU proceeding No. 012.715/2017-4. As of the date of this annual report, neither the TCU nor ANEEL has issued any decisions on these matters. We cannot assure that ANEEL will not make any subsequent changes to the payment flows.

As of December 31, 2023, we recorded R\$61.2 billion to be received from RBSE and RBNI payments. However, we cannot guarantee that we will receive the full amount or that payments will be made in a timely manner.

We and our subsidiaries may be required to make substantial contributions to the pension plans of our current and former employees which we sponsor.

We and our subsidiaries may be required to make contributions to the pension plans of our current and former employees. If there is a mismatch in the reserves of the pension plans and the amount of resources available to the plans, in case these plans are defined benefit plans, we (as sponsors) and the pension plan beneficiaries may be required to contribute to the pension plan to top-up the balance to reach the required amount, as provided by the specific regulations established by the regulatory body National Superintendency of Complementary Pensions (*Superintendência Nacional de Previdência Complementar*).

Additionally, we may need to recognize material actuarial liabilities if the equity in the pension funds that we and our subsidiaries sponsor fluctuates because of a decrease in economic activity and its impact on the financial and capital markets.

As of December 31, 2023, we recorded a deficit of R\$5.6 billion in our and our subsidiaries' pension plans compared to a deficit of R\$5.2 billion in 2022. In the same period, we and our subsidiaries made contributions of R\$414.4 million to our respective pension plans. The implementation of a remediation plan may result in the payment of extraordinary contributions by us and/or our subsidiaries to restore the balance of the plan. These amounts could be subject to litigation by the participants, due to a possible disagreement regarding the amounts. Such payments could have a material adverse effect on our cash flows and financial condition.

We may be indirectly liable for damages related to accidents involving Eletronuclear.

We currently hold a 67.95% interest in Eletronuclear, which is an operator of nuclear power plants. Eletronuclear is subject to strict liability under Brazilian law for damages in the event of a nuclear accident caused by the operations of nuclear plants Angra 1 and Angra 2, pursuant to the Vienna Convention on Civil Liability for Nuclear Accidents.

The Angra 1 and Angra 2 plants operate under the supervision of the CNEN, and are subject to periodic inspections by international agencies, such as the International Atomic Energy Agency (IAEA) and the World Association of Nuclear Operators (WANO).

Since nuclear accidents are usually catastrophic, any accident could materially affect our financial condition and reputation, including result in criminal liability. If an accident occurs, we can provide no assurance regarding its impact on us, or if the insurance coverage will be sufficient to cover all associated costs. Additionally, Eletronuclear may fail to receive sufficient amounts, or any amount at all, under insurance policies it has obtained for Angra 1 and Angra 2 to pay for eventual damages.

For instance, on September 16, 2022, a non-programmed release of approximately 90 liters of water containing substances of low radioactive levels occurred at Angra 1. As the levels were well below the legal limits for the occurrence of a radioactive accident, Eletronuclear treated this event as an internal operational incident and informed the matter in the regular reports sent to the competent authorities. However, a press outlet reported this occurrence as a “radioactive accident,” which Eletronuclear disputes. Nonetheless, any events related to possible errors in the maintenance or operation of the nuclear facilities of Eletronuclear, could have negative effects on our reputation even though Eletronuclear is no longer our subsidiary.

As a result of our current stake in Eletronuclear, we may still be required to contribute amounts to cover any shortfalls in any indemnification due or may be found liable for any such shortfalls or damages arising from nuclear accidents under Brazilian law.

A recent decision from a Brazilian Court has allowed for the inclusion of shareholders as defendants without piercing the corporate veil in claims seeking compensation for environmental damages. The shareholders were included as defendants along with the company in the claims without the need for the plaintiffs to prove the lack of resources of the company. This precedent could be used against us in the event our subsidiaries or affiliates are accused of environmental damages.

Risks Relating to Compliance, Legal and Regulatory Framework

We may incur losses and spend time and money defending pending litigation and administrative proceedings.

We are currently a party to, and will likely in the future become party to, numerous legal proceedings relating to civil, criminal, administrative, environmental, labor (including claims filed by outsourced workers), tax, and corporate claims filed against us. Members of our Board of Directors are also, and may become in the future, party to legal proceedings. These claims involve substantial amounts of money and other remedies, under judicial and arbitration proceedings. As of December 31, 2023, we provisioned R\$26.5 billion in respect of our probable legal proceedings, of which R\$0.8 billion were related to tax claims, R\$22.8 billion were related to civil claims and R\$2.3 billion were related to labor claims. Our possible legal proceedings totaled R\$47.0 billion, of which R\$11.2 billion were related to tax claims, R\$29.5 billion were related to civil claims and R\$2.3 billion were related to labor claims. We do not provision for our possible and remote legal proceedings.

Any provisions we have recorded in respect of our legal proceedings may be insufficient to mitigate any losses resulting from adverse decisions. Unfavorable outcomes in legal proceedings and criminal investigations could have a material adverse effect on our consolidated financial position, results of operations and cash flows in the future. We cannot guarantee that new material proceedings or investigations will not arise against us, our affiliates, officers, employees, or members of our Board of Directors. See “Item 8.A. Financial Information–Consolidated Financial Statements and Other Information–Litigation” and note 34 to our Consolidated Financial Statements for further information about claims against us.

For example, we are currently party to a labor public civil action filed by the workers unions representing the employees of our former distribution subsidiaries Amazonas D, Ceron, Eletroacre, Ceal, Cepisa, and Boa Vista Energia against such companies and us seeking the annulment of our 170th Extraordinary General Shareholders’ Meeting, which approved the privatization of our former distribution companies. Both the trial and the appellate Labor Court ruled the case in favor of the unions and annulled the 170th Extraordinary General Shareholders’ Meeting and all the acts carried out as a result of this extraordinary general shareholders meeting, including the privatization of our former distribution subsidiaries. The appeals filed by us and our former subsidiaries against the appellate Labor Court opinion are pending judgment before the Superior Labor Court. In case the ruling in favor of the unions becomes final and unappealable, the claim may result in a material adverse effect on our financial condition. For further information, see “Item 8.A. Financial Information–Consolidated Financial Statements and Other Information–Litigation.”

In addition, unfavorable decisions in lawsuits and administrative proceedings filed against our directors and officers may affect our reputation and business, as well as prevent them from continuing to exercise their functions as our directors or officers.

Moreover, we cannot assure that new material proceedings against its directors and officers, its managers or other senior employees, will not arise or that existing proceedings will not directly affect its business model and expansion plan, which may adversely affect our business and results of operations.

In the event that claims involving a material amount for which we have no provisions were to be decided against us, or in the event that actual losses are significantly greater than the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on our financial condition. Our ability to estimate judicial losses was considered a material weakness as further described in "Item 8—Financial Information—Litigation." In addition, our management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on our core business. Depending on their outcome, certain litigation could restrict our operations and have a material adverse effect on certain of our businesses. Members of our management have in the past been and may in the future become parties to legal proceedings and may also be prevented from serving in their positions as a result of any civil or criminal proceedings brought against them.

We and our subsidiaries are also parties to administrative and judicial proceedings involving environmental matters. If any of these proceedings are decided against us or them, we may, directly or indirectly, be subject to financial penalties, as well as the suspension or revocation of the relevant environmental license or the suspension of our operations, which could materially adversely affect our operations and financial condition.

Furthermore, we and our subsidiaries can also be held criminally responsible for acts committed by previously controlled companies involving environmental matters. As a result, we can be subject to potential fines and sanctions imposed under the Environmental Crimes Law, together with reputational damage.

We may incur losses in legal proceedings relating to compulsory loans made in the period between 1962 and 1993.

In 1962, Law No. 4,156/1962 established the compulsory loan program for electricity consumption to finance the expansion of the Brazilian electricity sector. The first phase of the compulsory loan program took place from 1964 to 1976 and the second phase took place from 1977 to 1993.

We are party to numerous lawsuits concerning a variety of compulsory loan-related issues. These lawsuits span numerous different jurisdictions within Brazil, and many have been ongoing for several years. The litigation is enormously complex, and plaintiffs together seek significant total damages. Although we believe that the compulsory loan leading cases, decided by the STJ according to Brazil's repetitive appeal regime, are supposed to have binding effect on judges and Courts, it is not possible to predict with the necessary certainty how this litigation will progress or resolve, as courts have in practice reached, and may continue to reach, different or even conflicting conclusions on a number of key issues. Our financial condition and results of operations could be materially adversely impacted in the event of unfavorable judicial decisions.

The provisions we record in respect of compulsory loan litigation require significant judgment, as well as monitoring and analysis of numerous individual lawsuits. These provisions may not be sufficient to cover future losses, including in the event that the future course of the lawsuits differs from our expectations. In addition, we assess our exposure to this litigation on an ongoing basis in light of available judicial authority, and we adjust our provisions from time to time, including, among other things, in response to new judicial decisions. We have in the past modified, and may again in the future modify, our provisions significantly. As of December 31, 2023, our provisions with respect to compulsory loan litigation amounted to R\$17.3 billion. Our financial condition and results of operations could be materially adversely impacted in the event that we are required to record additional provisions in respect of compulsory loan litigation.

We also cannot assure that new lawsuits will not be filed or that new judicial decisions (including by higher courts) on compulsory loan-related issues will not be adverse to us. The aggregate cost of unfavorable lawsuits or decisions may have a material adverse effect on our financial condition and operating results. For a detailed description of our compulsory loan related litigation, see "Item 8—Financial Information—Litigation—Compulsory Loans."

We are, have been, and may again be party to U.S. proceedings relating to disclosures surrounding our compulsory loan credits and bearer bonds.

Our disclosures surrounding compulsory loan book-entry credits and bearer bonds have been, and in some instances remain, the subject of litigation and investigation in the United States. For example, we were subject to a collective action filed by certain funds in the United States challenging our disclosures related to compulsory loans, which was dismissed in 2021.

There is considerable uncertainty inherent in any ongoing litigation and especially in proceedings relating to bearer bonds and book-entry compulsory loan claims, which together comprise a complex topic. Several of these lawsuits have been ongoing in Brazil for several years, and the status and provisions/liabilities with respect to such proceedings have evolved considerably, and often unpredictably, over time, due to an ever-evolving judicial landscape that has included, among other developments, the issuance of new contradicting court decisions. Our disclosures are subject to change over time as new information becomes available. Thus, we cannot predict with certainty the results of the processes, and we cannot give any guarantee on the course of ongoing and future actions.

Additionally, on April 20, 2021, we received a request for information from the SEC (Division of Enforcement) regarding an investigation by the SEC related to the compulsory loan program and related litigation made on our Forms 20-F. We are cooperating with the investigation, have provided documents in response to the SEC's information request, and may provide additional documents or other information in the future. We are also continually assessing whether, based on the investigation and ongoing developments in legal proceedings in Brazil, any changes to our disclosures or provisions are appropriate.

Every five years the assured energy of our hydroelectric plants can be adjusted, and we may incur additional costs to purchase energy to comply with existing agreements.

Decree No. 2,655/1998 provides that the assured energy of our hydroelectric plants must be reviewed every five years. Any potential reduction in the physical guarantee is limited to 10% of the original amount of the concession agreement. Any reduction in the assured energy during any given review may not exceed 5% compared to the prior review period.

MME Ordinance No. 178/2017 amended the amounts of the physical guarantee in force since 2018. As a result, the physical guarantees of our plants were reduced by 4% on average. This included our plants which had their concessions renewed under Law No. 12,783/2013, and some of our SPEs.

As part of our Privatization, new concessions were granted for a period of 30 years beginning on June 17, 2023, for the plants which had their concessions originally renewed under Law No. 12,783/2013, the plants Itumbiara and Sobradinho and the plants Tucuruí, Mascarenhas de Moraes and Curuá-Una. The physical guarantees of these plants were defined by Ordinances GM/MME No. 544/2021 and GM/MME No. 570/2021 and represented a total reduction of 7% in their physical guarantees.

In 2022, the MME conducted a new ordinary review of the physical guarantees to be applied from 2023. The physical guarantees of our plants (including some of our SPEs) which were reviewed were reduced on average by 4%. Given that physical guarantees are reviewed periodically, the value attributed to our plants could be further reduced in the future. The next review is programmed for 2027 and any new values determined as part of this review will become effective in 2028.

Any further reduction in the assured energy could negatively impact our revenues and lead us to incur expenses due to the need to purchase energy to comply with sale and purchase agreements already in effect.

Under the current rules for tariff reviews for generation and transmission concessions, we might not receive full compensation for costs incurred in the operation and maintenance of these concessions and any expenses in relation to these assets.

In Brazil, the regulatory model for transmission companies is based on the revenue cap model. Under this model, ANEEL establishes the tariffs to be charged by the companies which must consider the reasonable costs of capital, operation, and maintenance. These tariffs are adjusted annually by inflation and may also undergo a periodic tariff review process, depending on the relevant contractual provisions. At the time of the tariff review, ANEEL sets new benchmarks for the cost of capital and for the cost of the efficient operation and maintenance of the system managed by the transmission company. In addition to defining the regulatory costs for operation and maintenance, ANEEL reviews efficiency gains (the so-called X Factor) which could result in a decrease in revenues from transmission services. In respect of the compensation capital costs, most of the investments in the transmission sector are assessed by benchmarking them to pre-determined regulatory prices for equipment and services. Transmission services provided under contracts that are awarded at auctions currently do not have a remuneration forecast for investments in small improvements, which are investments in the upgrade of small equipment to maintain the provision of adequate services.

ANEEL is also responsible for determining the tariffs to be charged by generation companies with concession agreements renewed pursuant to Law No. 12,783/2013. The RAG is the amount that generation companies are entitled to receive as consideration for supplying energy produced at hydroelectric plants. As part of our Privatization, a transitional rule applies for the gradual phasing out of legacy contracts, pursuant to CNPE Resolution No. 15/2021, amended by CNPE Resolution No. 30/2021 (where 20% per year are discounted during the next five years).

Depending on ANEEL's review of the tariffs to be charged by our transmission companies, we may not be adequately compensated for the costs and expenses of our investments in our transmission assets, which could negatively impact our financial condition and results of operations.

Our subsidiaries entered into a Transmission Infrastructure Usage Agreement with Eletronet. Adverse decisions made by the relevant regulatory body in respect of this agreement may have adverse effects on our transmission revenues.

In 1999, our subsidiaries CGT Eletrosul, Chesf, Eletronorte, and Furnas entered into Transmission Infrastructure Usage Agreement No. ECE-1.166/1999 with Lightpar (now Eletronet). Concession contracts require that a portion of the additional revenues obtained from the use of the transmission infrastructure subject to the concession be allocated to reducing tariffs for users of the transmission system.

An administrative proceeding is currently underway by ANEEL to determine the amounts resulting from the execution of Contract No. ECE-1.166/1999 which must be reallocated to reducing tariffs for users of the transmission system. ANEEL may also extend the scope of this administrative proceeding to investigate other aspects of the Transmission Infrastructure Usage Agreement. A potential adverse decision resulting from this ongoing administrative proceeding could have a material adverse effect on the revenues we derive from the transmission segment.

We are subject to risks associated with failure to comply with the applicable data protection laws, and we may be adversely affected by the imposition of fines and other types of sanctions.

Although we always seek to comply with and adapt to data protection laws (such as Law No. 12,965/2014 ("Brazilian Internet Act") and the Brazilian General Law for Personal Data Protection (Law No. 13,709/2018) ("LGPD") and their related regulations), we cannot guarantee that our personal data processing activities will always be secure and will not be subject to fines and other types of sanctions.

The LGPD provides comprehensive regulation for the processing of personal data in Brazil. It established detailed rules for the collection, use, processing, storage, and disposal of personal data and applies to all economic sectors and the relationships between customers and companies, employees and employers and others where personal data is processed, both in the digital and physical environment.

The LGPD requires a comprehensive data protection governance to be implemented, comprising policies, data mappings, documentation of risk and decisions made, processes for fulfilling rights and dealing with data protection incidents, procedures to secure third-party compliance, and the appointment of a data protection officer.

Failure to comply with the LGPD, especially in ensuring data subjects' rights, providing clear information about our personal data processing activities, adhering to the original purpose of data collection, observing legal data storage periods, and implementing required security standards, could subject us to certain administrative sanctions. These sanctions, which may be applied individually or cumulatively, include warnings, mandatory incident disclosure, temporary blocking or deletion of personal data, suspension or prohibition of data processing activities, and fines of up to 2% of the company's, group's, or conglomerate's revenue in Brazil for the last fiscal year, excluding taxes, with a maximum of R\$50.0 million per violation.

Moreover, non-compliance with LGPD and other data protection laws may expose us to liability for material, moral, individual, or collective damages, being subject to risks, such as (i) the filing of lawsuits claiming damages resulting from violations, based not only on LGPD, but also on other sectorial legislation; and (ii) the application of penalties provided for in the Consumer Defense Code and the Brazilian Internet Act by relevant consumer protection agencies, such as any Federal or State Prosecutors' Office and the National Consumer Secretariat (*Secretaria Nacional do Consumidor*). Failure by us to adhere to the LGPD or any privacy laws or regulations also carries the risk of individual or collective lawsuits and claim for compensation for damages, especially in cases of information security incidents that result in unauthorized access to personal data.

The application of penalties, publicizing of infractions or obligations to compensate for failures in the protection of personal data or LGPD compliance could adversely impact our reputation, and our results and, consequently, the value of our shares and ADS.

Our generation and transmission activities are regulated and supervised by ANEEL. Our business could be adversely affected by regulatory changes, and we may be subject to penalties, administrative intervention or loss of our concessions for public service if we provide our services in an inadequate manner or violate contractual obligations.

Pursuant to Brazilian law, ANEEL has the authority to regulate and supervise the generation and transmission activities of energy concessionaires, including investments, additional expenses, tariffs, and the passing of costs to customers, among other matters. Regulatory changes in the energy sector are hard to predict and may have an adverse impact on our business. The applicable legislation authorizes ANEEL to intervene in electric power concessions and to penalize concessionaires that do not provide adequate levels of service or fail to comply with the terms and conditions under the concession contract, regulations, and other relevant legal obligations. If ANEEL were ever to intervene in our concessions, we and our subsidiaries may be subject to an internal reorganization in accordance with a recovery plan, which may adversely affect us. In addition, our request for new licenses and our participation in public biddings may be subject to more stringent scrutiny by ANEEL.

If we fail to adequately remedy violations and failures, our concessions may be terminated early through expropriation, forfeiture, or mandatory transfer of control by the concessionaire. Granting authorities may expropriate concessions in the interest of the public as expressly provided for by law, in which case they carry out the service during the concession period. Law No. 13,360/2016 sets forth that the concessionaire can submit a change of control plan as an alternative to the termination of the concession.

It is important to note that a significant portion of the equipment currently in operation is approaching the end of its regulatory lifespan, which may pose a challenge in terms of maintenance and replacement of these assets and which might impact the results of our operations and financial results.

We cannot assure that we will not be penalized by ANEEL for a future violation of our concession agreements or that our concession agreements will not be terminated in the future, which could have an adverse impact on our financial condition and the results of our operations. Also, ANEEL may introduce regulatory changes that may be applicable to our transmission and generation assets. Our business could be adversely affected by such regulatory changes.

Certain of our subsidiaries adhered to instalments programs for tax debts and must comply with special rules, otherwise, these installments programs may be terminated, and the benefits may be cancelled.

Our subsidiaries Furnas and Eletronorte and our indirect subsidiary, SAESA, are subject to instalments programs promoted by tax authorities in respect of certain debts. If they or any of our subsidiaries that may adhere to similar programs from time to time, do not comply with these programs, the installments programs may be terminated and, therefore, the benefits may be cancelled. If any of these companies do not comply with the rules, the installments programs may be terminated. In this situation, the tax debts could be charged by the tax authorities, with legal increases pursuant to the legislation applicable at the time of the triggering events. This could have an adverse impact on our results and financial condition.

Following our Privatization, we are now subject to the Brazilian Bankruptcy Law. However, if any of our assets are deemed assets dedicated to providing an essential public service, they will not be available for liquidation and will not be subject to attachment to secure a judgement.

As a private company, we are subject to the Brazilian Bankruptcy Law.

However, we understand that a substantial portion of our assets, including our generation assets and our transmission network, would be deemed by Brazilian courts to be related to providing an essential public service. Accordingly, even if unrelated to concession agreements, these assets would not be available for liquidation or attachment to secure a judgment involving us or our subsidiaries, as Law No. 12,767/2012 provides that judicial and extrajudicial recovery do not apply to electric power concessionaires until the termination of their concession agreements. Eletronuclear, of which we own 35.90% of the voting capital and 67.95% of the total share capital, would also not be subject to Brazilian Bankruptcy Law.

In the event of bankruptcy, these assets would revert to the Brazilian Government pursuant to Brazilian law and our concession agreements would terminate. We cannot assure that any compensation we receive for such assets would be equal to the market value of the assets and, accordingly, our financial condition may be affected.

Our failure to protect our intellectual property may adversely impact us.

We rely on a combination of trademark, patent, copyright, software, and trade secret laws in Brazil, as well as license agreements, to protect our intellectual property assets. We also rely on several registered and unregistered trademarks to protect our brands. On the date of this annual report, we held several registered trademarks and trademark applications in Brazil. See “Item 5C. Research and Development, Patents and Licenses -Trademarks, Patents and Licenses” for further information about our intellectual property.

Unauthorized parties may copy or otherwise obtain and use our assets. In addition, if we intend to maintain international operations, copyright, trademark, software, patent, and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could adversely affect our business or our ability to compete. Furthermore, competitor companies may own large numbers of patents, software, copyrights, and trademarks and may frequently threaten our rights, which could require us to expend substantial amounts in legal costs to protect our intellectual property rights.

If we fail to address issues related to the health and safety of our employees at work and the facilities where we conduct our activities, we may be adversely affected.

Our operations are subject to comprehensive federal, state, and local health and safety legislation, the implementation of which is supervised by Brazilian Government agencies. The failure to comply with these laws and regulations can result in administrative and criminal penalties, irrespective of the recovery of damages or indemnification payments for irreversible damages in the context of civil and labor proceedings.

Considering the risks inherent in power generation and transmission in a system that uses high voltage lines and equipment, which makes any accident by direct contact or proximity to energized systems possibly fatal or capable of serious injury, there is a real possibility of accidents if the technical and legal recommendations are not properly adopted by us, our employees and outsourced service providers.

Specifically, we are also required to meet a quota for people with disabilities, which ranges from 2% to 5% depending on the total number of employees, as well as to adapt our facilities to offer accessibility and reasonable accommodations for these employees. If we fail to fulfill the quota, fines may be applied by the competent authority, as per the Brazilian Law on the Inclusion of Persons with Disabilities (Law No. 13,146/2015).

Risks Relating to Brazil

Brazil’s economy is vulnerable to external and internal shocks, which may have an adverse effect on Brazil’s economic growth and on the trading markets for securities.

Brazil’s economy is vulnerable to external shocks, including adverse economic and financial developments in other countries. For example, an increase in interest rates in the international financial markets may adversely affect the trading markets for securities of Brazilian issuers. In addition, a drop in the price of commodities produced in Brazil or a decline in the demand for exports of any of Brazil’s major trading partners could also have a negative impact on Brazil’s exports and adversely affect Brazil’s economic growth.

In addition, because investors’ reactions to the events occurring in one emerging country may produce a “contagion” effect, Brazil could be adversely affected by negative economic or financial developments in other countries. Brazil has been affected by such effects on several occasions, including the debt crises in emerging countries during the 1990s and the 2008 global economic crisis. We cannot assure that any situations like those described above will not negatively affect investors’ confidence in emerging markets, including Brazil.

Further, the military action by Russian forces in Ukraine has escalated tensions between Russia and the United States, the North Atlantic Treaty Organization, the European Union, and the UK. The United States and other countries have imposed, and are likely to impose, financial and economic sanctions and export controls against certain Russian organizations and/or individuals, with similar actions either implemented or planned to be administered by the EU, the UK, and other jurisdictions. See “Our business may be impacted by political events, war, terrorism and other geopolitical uncertainties” for further details about the impacts of the military conflict between Russia and Ukraine.

The Brazilian Government frequently intervenes in the country's economy and occasionally makes significant changes to monetary, credit, fiscal, regulatory, and other policies to influence the country's economy, which could adversely impact our business and financial condition. Brazil's economy is also subject to risks arising from several domestic macroeconomic factors. These include general economic and business conditions of the country, consumer demand, exchange rates, the level of domestic debt, inflation, interest rates, and the level of foreign direct and portfolio investments.

Our operating conditions have been, and will continue to be, affected by the growth rate of GDP in Brazil, because of the correlation between GDP growth and energy demand. Therefore, any change in the level of economic activity may adversely impact our operations. This could also affect the liquidity of, and the market for, our securities and consequently impact our financial condition.

Political uncertainty may lead to an economic slowdown and volatility in securities issued by Brazilian companies.

Brazil's political environment influences the performance of the country's economy. Political crises and unrest may affect the confidence of investors and the general public, which may lead to economic deceleration and heightened volatility in the securities issued by Brazilian companies.

Brazil has experienced amplified economic and political instability as a result of various ongoing investigations by the Brazilian Federal Prosecutors' Office, Brazilian Federal Police, CVM, and other public entities responsible for corruption and cartel investigations. These investigations have negatively impacted the Brazilian political environment and economy, contributing to a decline in market confidence in Brazil.

Numerous elected officials, public servants and executives and other personnel of major companies have been subject to investigation, arrest, criminal charges and other proceedings for accepting bribes through kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. There can be no assurance that further federal or state officials or senior management of Brazilian industry will not be charged with corruption-related crimes or other investigations into corruption, which may lead to a decline in confidence by consumers and foreign direct investors in the stability and transparency of the Brazilian government and Brazilian companies and may have a material adverse effect on Brazil's economic growth, demand for securities issued by Brazilian companies, and access to the international financial markets by Brazilian companies.

Furthermore, the President has the power to impose policies and issue governmental acts regarding the Brazilian economy that may affect our operations and financial performance. We cannot predict what policies the President will impose, much less whether such new policies or changes in current policies will have an adverse effect on our business or the Brazilian economy. In addition, the uncertainties regarding the Brazilian government's ability to implement changes related to monetary, fiscal and social security policies, especially given that the government and its allies do not command a majority in the federal legislative branch, which may result in a standoff in the National Congress, as well as political distress and demonstrations and/or strikes, which could adversely affect our operations. These uncertainties and any new measures that may be implemented may increase the volatility of the Brazilian securities market.

Historically, political crisis have affected investor confidence as well as public opinion, and any of the above factors may create additional political uncertainty, which could harm the Brazilian economy and, consequently, our business, results of operations, financial condition and the trading price of our bonds, shares and ADS.

The volatility of the Brazilian real and of the inflation rate may impact our operations and cashflows.

In past years, the Brazilian real has appreciated against the U.S. dollar. In 2022, the U.S. dollar depreciated by 5.32%, closing at R\$5.27, and in 2023, the U.S. dollar depreciated by 8.06%, ending the year at an exchange rate of R\$4.85 per U.S.\$1.00.

In 2023, the *real* appreciated against the U.S. dollar, due to factors such as reduced commodity prices, decreasing interest rates, and the maintenance of relatively high U.S. interest rates along with their uncertain fiscal policy. We cannot guarantee that the *real* will not depreciate again against the U.S. dollar in the future. In 2024, the market anticipates that adverse weather conditions and commodity prices linked to the global economic slowdown will continue to negatively impact trade.

A depreciation of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil and cause the Brazilian government to, among other measures, increase interest rates. Any depreciation of the *real* may generally restrict access to the international capital markets and reduce the U.S. dollar value of our results of operations. We contract services from foreign suppliers, and thus changes in the value of the U.S. dollar compared to other currencies may affect the cost of these services. Restrictive macroeconomic policies could also harm our results of operations and profitability. In addition, domestic and international reactions to restrictive economic policies could have a negative impact on the Brazilian economy. This may harm us by curtailing access to foreign financial markets and prompting further government intervention.

The uncertainty of the factors that impact the exchange rate makes it difficult to predict its future movements. In addition, the Brazilian Government may change its foreign currency policy. Any governmental interference, or the implementation of exchange control mechanisms or remittance of debt, could influence the exchange rate and the investments in the country. The different exchange rate scenarios may have adverse effects on us as they may affect (i) any of our indebtedness denominated in U.S. dollars; (ii) the development of the Angra 3 nuclear plant, whose equipment is largely acquired abroad and was purchased under contracts denominated in Euros; and (iii) certain sales of energy by Eletronorte which are tagged to dollar-denominated commodities.

As of December 31, 2023, 11.4% of our total consolidated financing, loans, and debentures of R\$60.8 billion was denominated in foreign currencies and our total consolidated indebtedness denominated in foreign currencies was R\$6.9 billion. Comparatively, as of December 31, 2022, 12.8% of our total consolidated financing, loans, and debentures of R\$59.1 billion was denominated in foreign currencies and our total consolidated indebtedness denominated in foreign currencies was R\$7.5 billion.

Changes in tax or accounting laws, tax incentives, and benefits or differing interpretations of tax or accounting laws may adversely affect us.

Brazilian tax authorities have frequently implemented changes to tax regimes which may affect us and ultimately the demand of our customers for the products we sell. There can be no assurance that we will be able to maintain our projected cash flow and profitability following any increases in Brazilian taxes that apply to us and our operations. If we lose our existing tax incentives, due to our noncompliance with current obligations and future requirements or if the current tax programs and agreements from which we benefit are modified, suspended, cancelled, or not renewed, we could be materially and adversely affected and there can be no assurance that the tax benefits we receive will not be judicially challenged as unconstitutional. If we are unable to renew our tax benefits, those benefits may be modified, limited, suspended, or revoked, which may adversely affect us.

The Brazilian tax system is complex and can be affected by legal changes or restrictive interpretations of laws by tax authorities, which may increase our tax burden. Legal changes may include adjustments to the applicable tax rate and the levy of temporary taxes, the proceeds of which are allocated to certain purposes by the Brazilian government. The effects of tax reform cannot be quantified and are unpredictable but may increase our total tax obligations and adversely affect us. We also may be required to pay more tax as a result of potential administrative proceedings brought by various tax authorities following inspections, which may concern topics such as inventory control, goodwill amortization, among others. We cannot provide assurances that our provisions for any such proceedings will be appropriate, nor that there will not be additional tax exposure requiring additional tax reserves.

Recently, the Brazilian Congress passed Constitutional Amendment No. 132/23, a broad tax reform which included a complete change in the consumption tax system, unifying the tax on industrialized goods (*Imposto sobre Produtos Industrializados*), social integration program (*Programa de Integração Social*), and financing of social security (*Contribuição para o Financiamento da Seguridade Social*), which are federal taxes, ICMS, a state tax, and ISS, a municipal tax, into a single new tax on transactions for goods and services known as IBS (*Imposto sobre Operações com Bens e Serviços*), charged on consumption. The reform also led to the creation of a social contribution on transactions with goods and services known as CBS (*Contribuição Social sobre Operações com Bens e Serviços*), which replaces the social integration program and the financing of social security. This tax reform requires the issuance of several additional complementary and ordinary laws to be fully effective and there is a transitional period of three years before the first changes to tax laws come into force. Additionally, there are other changes relating to income tax and social contribution laws currently under discussion in the National Congress. Such tax reforms and potential additional changes in the applicable laws and regulations may adversely affect us.

As of December 31, 2023, we benefit from certain tax benefits, namely the REPETRO-SPED special regime and a tax incentive from the Superintendency for the Development of the Northeast (*Superintendência de Desenvolvimento do Nordeste or SUDENE*). In the event that (i) these or other tax incentives are not maintained or are limited, suspended or terminated for any reason, (ii) we fail to meet the requirements and conditions to maintain such incentives, or (iii) the laws providing for these tax incentives change, we may be adversely affected by an increased tax burden.

Any downgrading of Brazil's credit rating could adversely affect the price of our shares and ADS and our cost of funding.

Credit ratings affect investor perception of risk and, as a result, the trading value of securities and yields required on future issuances in the capital markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, which are based on several factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness metrics and the prospect of changes in any of these factors. In 2015 Brazil lost its investment grade rating by the three main rating agencies, which adversely affected the trading prices of debt and equity securities issued by Brazilian issuers. As of the date of this annual report, Brazil's sovereign rating was BB-/B (having been revised as stable in June 2022), Ba2 (stable) and BB- (negative) by Standard & Poor's, Moody's and Fitch, respectively. Now that we are no longer owned by the Brazilian government, we have been rated below the sovereign rating.

Political instability, along with a further economic slowdown, could lead to further ratings downgrades. Any further downgrade of Brazil's sovereign credit ratings could heighten investors' perception of risk and, as a result, negatively affect the ratings of Brazilian companies, such as us. This may increase our future cost of issuances in the capital markets and adversely affect the price of our shares and ADS.

Risks Relating to Environmental, Climate and Social Impacts

Construction, expansion and operation of our electricity generation and transmission facilities and equipment involve significant risks that may result in loss of revenue or increase in expenses.

The construction, expansion, and operation of facilities for the generation and transmission of electricity are exposed to many unmanageable risks, including:

- difficulty in obtaining appropriate government permits and approvals;
- regulatory changes that may hinder the connection of generation projects to the national grid and/or alter the tariffs for the use of transmission and distribution systems;
- difficulty in obtaining the necessary licenses may cause a direct impact in revenues;
- difficulty in disconnecting the power grid by the national operator causing delays in works;
- issues with the performance of contractors, supply of equipment and/or materials leading to delays in operations;
- work stoppages;
- robberies and thefts at our facilities and/or construction sites of contractors;
- interruptions due to weather and hydrological conditions, especially due to recent increases in extreme weather events;
- unpredictable engineering and environmental problems, as well as hidden flaws and defects in the construction of a project;
- construction delays, or unanticipated cost overruns;
- unavailability of adequate funding;
- fire, climatic factors, vandalism, sabotage, cybersecurity attacks, terrorism or extreme socio-environmental tensions in our plants or transmission lines that lead to the interruption in the supply of energy;
- closures or temporary stoppages of facilities due to the control of epidemics or pandemics or any other health emergency or public calamity;
- impacts resulting from conflicts with traditional communities during project implementation phase;

- macroeconomic conditions that may financially jeopardize generation projects;
- compromised production capacity of specific equipment factories, reducing competitiveness or making partnerships unfeasible; and
- energy oversupply.

For example, in January 2023 amid a wave of protests and acts of vandalism against power facilities across the country, some incidents involved our facilities (transmission towers were tumbled). At that time there was no interruption to services to consumers and the towers were quickly rebuilt, however, we cannot assure the same will happen if there are future attacks.

However, if we suffer any of these unforeseen risks, we may not be able to implement construction works in a timely manner and at planned cost, as well as generate and transmit electricity in amounts consistent with our projections. In addition, we may be subject to fines or other regulatory penalties, which could have a material adverse effect on our financial condition and results of operations.

We are exposed to risks relating to the inadequate management of socioenvironmental aspects of our enterprises and projects.

Our activities expose us to significant socioenvironmental risks, especially during the construction of our generation plants and transmission lines. As a result, the management of socioenvironmental aspects is crucial to our business.

Our two most pertinent socioenvironmental risks concern (i) collection of precise data for any studies in respect of the development of new projects; and (ii) correct identification of, and compliance with, the environmental requirements for the establishment and operation of a project. Any errors or imprecision with respect to these two activities may lead to substantial errors in the design, operational and financial condition of our projects. If the necessary licenses are not obtained, we would be at risk of incurring costs arising from delays, potential revenues not being realized and, in a worst-case scenario, criminal sanctions and a suspension of our activities, all of which may materially affect us.

Another relevant aspect is the environmental management of our operational processes, which if not managed properly may cause substantial socioenvironmental impacts. Mismanagement may occur as a result of deficiencies in our control systems and operational processes or a lack of human and financial resources necessary to satisfy the legal and operational requirements imposed on us. These failures may cause environmental impacts such as the inadequate treatment of residues and the consequent soil and water contamination of areas surrounding the relevant project, loss of local biodiversity, increase in toxic gases emissions, costs resulting from the need to implement corrective and compensatory measures, as well as adverse impacts on our reputation.

We refer to the incidents at our Pedra plant in respect of our subsidiary Chesf and our Furnas plant in respect of our subsidiary, Furnas, as examples. Due to heavy rains, Chesf activated the reservoir operation procedure, which led to flooding in Jequié and Ipiaú. As a result, two Public Civil Claims were brought by the State of Bahia and the Municipality of Jequié demanding the introduction of safety, contingency and recovery plans for the affected areas and the creation of a compensation fund of no less than R\$280.0 million. As for our Furnas plant, a lack of maintenance at the Piumhi river reflux channel led to the city of Capitólio being flooded in January 2022. The Environmental Secretary of the State of Minas Gerais imposed a R\$289.5 million on Furnas. Both incidents are pending decisions in respect of our appeals. We cannot assure that further legal action in respect of these two incidents will not be brought.

Any non-compliance with environmental laws and regulations and/or failures related to the use of materials and disposal of solid waste, contamination, our usage of water resources, possible impacts caused on protected areas, the suppression of vegetation without previous authorization, the breach of any requirement set forth in environmental licenses, may lead to the imposition of significant penalties, such as the shutdown of a plant and its consequent unavailability to the system, fines, reputational damage and, in certain cases, criminal liability.

We may also be subject to material reputational risks related to our approach to traditional communities' rights and resettlements. Generally, these matters are addressed through mitigation and compensation measures as part of the environmental licensing process. However, since several of our projects predate the environmental licensing legislation, there are ongoing discussions as to the need for additional measures, as well as the adequacy of our mitigation and compensation measures and the Free, Prior and Informed Consent ("FPIC") of the traditional communities. The concept of FPIC is enshrined within the Brazilian Constitution but is yet to be thoroughly regulated, thus posing procedural uncertainty, potential risks and controversies to recent and future projects involving indigenous and traditional communities. Non-compliance with any existing or future regulations may result in financial and operational losses.

The failure to comply with these environmental laws and regulations can result in administrative and criminal penalties, including fines, summons, bans and shutdowns, irrespective of the recovery of damages or indemnification payments for irreversible damages in the context of civil proceedings. Criminal sanctions including custodial sentences and temporary interdiction of rights may also apply to both individual transgressors and legal entities. In addition, the failure to comply with environmental laws and regulations can also cause damage to our reputation and image. See "Item 8.A. Consolidated Financial Statements and Other Information-Litigation" for further details about the environmental proceedings we are a party to. Any unfavorable decision in such proceedings may lead to financial penalties, as well as suspension or revocation of environmental licenses and/or activities which may have material adverse effects on us.

We are subject to impacts related to hydrological conditions that may result in lower generation of hydroelectric power and adversely affect our business.

The main source of electric power generation in Brazil is hydroelectric plants, which are a renewable resource and avoid substantial expenditures on fuel needed for thermal generation plants. However, as hydroelectric plants depend on the flow of water, we are subject to substantial seasonal variations in monthly and annual flows, which depend fundamentally on the volume of rainfall during the rainy season. In 2021 and prior years, especially in 2014/2015, adverse hydrological conditions caused several droughts and water scarcity across several Brazilian states, negatively affecting the operations of our hydroelectric plants. The operation of the Brazilian electricity system is coordinated by the ONS, whose primary function is to achieve optimal operation of the resources available, minimizing operational cost, and the risks of shortage of electricity. However, these mechanisms are not able to absorb all the adverse consequences of a prolonged hydrological shortage, which means we are exposed to hydrological risks. When the total energy generated by the entire hydroelectric system is below the aggregate supply (assured energy) of all the hydroelectric plants, the MRE is triggered and a GSF is applied to all the plants in the system. In this event, energy companies must liquidate the negative balance of their contractual positions in the spot market at the current PLD at the CCEE. The PLD is considered a short-term market price, which can be highly volatile even during the day, varying mainly depending on changes in demand and supply, hydrological conditions and the levels of reservoirs of the hydroelectric plants of the Interconnected Power System.

In certain past years, adverse hydrological conditions at hydroelectric plants have resulted in a material reduction of the GSF, affecting agents with allocated energy lower than their sales contracts, exposing them to the volatility of the PLD. In 2015, to reduce exposures, ANEEL reduced the PLD threshold by more than 50%. This reduction was insufficient to balance the deficiencies, creating a significant increase in defaults at the CCEE.

This led to judicial claims by the affected parties, including our subsidiaries, to minimize the losses with GSF degradation, which led to the publication of Law No. 13,203/2015, establishing the conditions for renegotiation of the hydrological risk. The conditions are different for assured energy installments granted for contracts on the Regulated Market and those negotiated on the Free Market.

For the instalments contracted on the Regulated Market, the renegotiation of the hydrological risk was permitted to be passed through to consumers in exchange for the payment of a risk premium by generation companies who adhered to the renegotiations. For the Free Market, there is the possibility of renegotiation in consideration for contracting a hedge. Our subsidiaries have adhered to the renegotiation of hydrological risk on the Regulated Market, except for Chesf due to certain characteristics of its Sobradinho plant. We opted not to renegotiate the risk on the Free Market.

In respect of the plants that had their concessions renewed under Law No. 12,783/2013, the hydrologic risks are assumed by the distribution companies and passed on to the consumers. As part of our Privatization, new concessions were granted for these plants for a period of 30 years as of 2023, while the electricity contracted under Law No. 12,783/2013 will be phased out at a 20% rate per annum, beginning on January 1, 2023. The hydrologic risks related to the phased out portion will be assumed by us.

However, if we are not able to adequately manage this risk, our results from operations and financial conditions may be adversely affected.

Climate change can have significant impacts on our business in respect of our generation and transmission activities and the costs involved in complying with changing environmental requirements can be substantial.

Climate change - in terms of its effects and the measures which we are required to adopt to prevent such effects - may lead to financial impacts, loss of competitiveness, risk of divestment and reputational damage.

The main risks to our business with respect to the effects of climate change relate to our generation and transmission activities. The changes in rainfall, which may affect the water flow, could adversely affect our costs and results of operations, including by raising the price of electricity as a result of long periods of drought. We may fail to effectively implement programs or have proper environmental, or sustainability certifications related to reducing our exposure to climate change, which may adversely affect our business and results of operations in the future. Further, we do not have insurance coverage for some of the risks related to certain weather conditions or manmade or natural disasters. In addition to rainfall, we are also exposed to changes in wind patterns and temperature. Extreme weather events, such as violent storms and heatwaves, may lead to the collapse of transmission towers, flooding in power substations and equipment failures, causing interruptions in power supply and, as a result, to the services we provide to customers. If we fail to adapt or experience delays in adapting to this new global scenario, our operations and financial results may be adversely affected.

On the other hand, steps towards preventing the effects of climate change may also pose a risk to us. Our operations are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to the protection of the environment. As a result, we may have to incur additional expenses and reallocate provisions towards compliance with such environmental rules and regulations, which may adversely affect our available resources for capital expenditures and other purposes, increase our costs and expenses, and, as a result, reduce our profit.

Notably, in March 2024, the SEC established certain rules to enhance and standardize climate-related disclosures, including evaluation and disclosure of material climate-related risks and opportunities, climate-related metrics and greenhouse gas emissions data and inventory, information about climate-related targets and goals, climate-related risks, attestation requirements and financial impacts of physical and transition risks (the "SEC Climate Rules"). A large number of petitions that seek judicial review of the SEC Climate Rules have been filed. On April 4, 2024, the SEC voluntarily stayed implementation of these new rules pending completion of judicial review of consolidated legal challenges by the Court of Appeals for the Eight Circuit. Assuming that the SEC Climate Rules are ultimately upheld in their present form, we may also be exposed to legal or regulatory action or claims as a result of these new regulations. Although we are still in the process of assessing the scope and impact of these rules given how recently they were adopted and the subsequent legal challenges, some of these risks could have a material adverse effect on our business, financial condition, results of operations and the prices of our securities.

We could be held responsible for the social and environmental impacts of accidents involving the dams at our hydroelectric plants.

Our generation plants have large structures such as dams and floodgates that are used for water storage and reservoir level control. Such structures contain complex engineering works that must comply with several technical and safety standards. Specific laws and regulations provide safety guidelines for these structures, such as Law No. 12,334/2010, which established the National Dams Safety Policy (*Política Nacional de Segurança de Barragens*), and ANEEL Resolution No. 1,064/2023, which establishes certain criteria and safety requirements for dams associated with hydroelectric plants supervised by ANEEL.

In addition, Law No. 12,334/2010 was updated by Law No. 14,066/2020, which, among other things, increased obligations related to dam security, including provisions for new financial obligations. In addition, Law No. 14,755/2023 was enacted, establishing the National Policy on the Rights of Populations Affected by Dams (PNAB) and setting out certain rights for those affected by dams and social responsibilities to be undertaken by businesses.

Any accident with respect to our subsidiaries' dams or related structures could lead to consequences for the surrounding environment, including the population living near or around dams. Any accident could materially affect our results of operations, as well as our financial condition and reputation. It could also lead to the acceleration of financings to which we are a party as borrower or guarantor. Furthermore, a court could find a parent entity, such as us, liable for environmental damages without needing to demonstrate a lack of resources at the subsidiary level, which could also materially affect our results of operations and financial condition.

Given the nature of our generation and transmission activities, we are subject to risks related to human rights violations.

In performing our core activities, whether in the construction or operational phase, as well as in our administrative activities and partnerships with suppliers and other agents, we may be directly or indirectly connected to human rights violations due to factors such as: (i) logistical challenges involved in the monitoring and conduct of due diligence of our wide range of suppliers and partners; (ii) direct and indirect operations taking place in areas of political instability, socioeconomic vulnerability and lack of robust public policies for social security and human rights protections; (iii) projects (such as large hydroelectric dams) that may involve the delicate process of relocating local communities; (iv) interactions with vulnerable groups around our operations; and (v) corporate demographic profile and organizational culture that do not emphasize diversity and equality.

Moreover, our projects may directly and indirectly impact local communities, such as, for example, through housing displacement. They may also affect the economic outputs of the local and indigenous communities, lead to the loss of cultural identity or increase demand for government services. For further details see "Item 8-Financial Information-Litigation-Environmental Proceedings."

Our exposure to this risk is evidenced by human rights-related issues frequently raised by our stakeholders, the media and market research analysts, which we strive to properly address in our actions and reports.

We may not be able to avoid certain financial and reputational impacts derived from indirect human rights violations. Acts or perceived violations of human rights could materially negatively impact our results of operations and financial condition.

Risks Relating to our Shares and ADS

If you hold our preferred shares, you will have limited voting rights.

In accordance with the Brazilian Corporate Law and our bylaws, holders of the preferred shares and holders of the ADS representing such preferred shares, are not entitled to vote at our shareholders' meetings, except in very limited circumstances. This means, among other things, that a preferred shareholder is not entitled to vote on corporate transactions, including mergers or consolidations with other companies. Although our bylaws generally restrict shareholders on voting individually or in concert in respect of more than 10% of their shares, if a majority of holders of common shares are aligned on an issue, they may be able to effect certain corporate decisions at our shareholders' meetings, contrary to the wishes and without the approval of holders of our preferred shares, which as a result could materially adversely affect the trading price of such shares. Accordingly, an investment in our preferred shares is not suitable for you if voting rights are an important consideration in your investment decision.

Our bylaws include certain provisions that limit shareholders' voting rights and that may discourage takeovers or prevent or delay the approval of certain matters, which could negatively affect the price of our shares and ADS.

Our bylaws contain provisions intended to avoid the concentration of more than 10% of our voting rights in a single or group of shareholders. Accordingly, the exercise of voting rights by any shareholder or group of shareholders is limited to 10% of the total number of shares representing our voting shares regardless of whether the shareholder or the group of shareholders hold any common shares in excess of this 10% threshold.

Additionally, certain provisions contained in our bylaws, often referred to as a "poison pill," subject any shareholder who acquires more than 30% or 50% of our shares to a takeover obligation and to the payment of a 100% or 200% premium, respectively, on the purchase price of the shares. Such provisions may have the effect of discouraging or preventing takeovers, stakebuilding, the acquisition of control and/or the formation of a group of controlling shareholders, which in turn could negatively affect the price of our shares and ADS.

The absence of a single controlling shareholder or group of controlling shareholders may also create difficulties for our shareholders to approve certain matters or transactions as the voting thresholds required by law for the approval of certain matters may not be reached. Additionally, the protections provided for under the Brazilian Corporate Law are not available to us and our shareholders, such as the ability of minority shareholders to elect members of the Board of Directors and Fiscal Council or the right of minority shareholders to seek reparation for damages caused by the controlling shareholders, as provided for in Articles 117 and 246 of the Brazilian Corporate Law.

Furthermore, beyond the uncertainty regarding corporate approvals, the absence of controlling shareholders increases the risk of a sudden and unexpected change in management, in corporate policies or in strategic direction.

Within this context, the absence of a single controlling shareholder or group of controlling shareholders could adversely affect our business and results.

Exercise of voting rights with respect to ADS involves additional procedural steps.

When holders of common shares (and preferred shares, in limited circumstances) are entitled to vote, they may only exercise voting rights with respect to the shares represented by ADS in accordance with the provisions of the deposit agreements. Certain practical limitations, including additional procedural steps, must be observed when ADS holders exercise their voting rights.

For example, in addition to the publication of notices in newspapers and on CVM's system, holders of our shares receive notice and can exercise their voting rights by either attending the meeting in person, voting by proxy or voting at distance through a voting bulletin, whereas ADS holders do not receive notice directly. Instead, we provide notice to the depository bank which, as soon as practicably possible thereafter, mails such notice to ADS holders along with a statement regarding how instructions may be given by ADS holders. To exercise their voting rights, ADS holders must instruct the depository bank in a timely manner on how to vote with their shares. Given the involvement of an intermediary, the process for exercising voting rights will take longer for ADS holders than for holders of shares.

The Brazilian Government has a golden share that grants it a veto power in corporate resolutions aimed at modifying our bylaws with the purpose of removing or modifying the limitation on the exercise of voting rights and entering into a shareholders' agreement. The interests of the Brazilian Government may conflict with the interests of other holders of shares and ADS issued by us.

As part of our Privatization, with the aim of preserving our status as a corporation with dispersed share ownership, statutory provisions were approved according to which the exercise of voting rights by any shareholder or group of shareholders, whether Brazilian or foreign, public or private, is limited to 10% of the total number of shares representing our voting shares irrespective of whether such shareholder or group of shareholders are holding shares representing more than this 10% threshold.

The Brazilian Government is the holder of a special class of preferred share (*golden share*), which grants it veto power in relation to amendments to our bylaws aimed at removing or modifying the statutory provisions that regulate the limitation on the exercise of voting rights and the prohibition on entering shareholders' agreements. Accordingly, the Brazilian Government may veto statutory amendments that may be of interest to other holders of our shares or ADS.

We do not have a controlling shareholder, which may leave us susceptible to alliances between shareholders, conflicts between shareholders and other events arising from the absence of a controlling shareholder or a controlling group.

Following our Privatization, we no longer have a specific controlling shareholder or controlling group.

The absence of a controlling shareholder or controlling group may turn the decision-making process difficult within the scope of our corporate activities, leading to the emergence of conflicts between shareholders and other events resulting from the absence of a controlling shareholder or controlling group, including relating to the approval of matters that require majority approval, either by law and/or due to the provisions of our bylaws.

In addition, we and our shareholders may have greater difficulties in identifying those responsible in relation to situations of abuse of voting rights and conflict of interests and, consequently, enjoy the protection provided for by the Brazilian Corporate Law for such situations, cases in which they may experience greater obstacles to obtain compensation for any damages potentially suffered.

In addition, the absence of a controlling shareholder or controlling group may leave us susceptible to the emergence of a group of shareholders acting together (even without entering into a formal shareholders' agreement) with the ability to exercise control and, consequently, hold the decision-making power over our activities. In such an event, we may experience instability or undergo sudden and unexpected changes in corporate and strategic policies, including through the replacement of management.

Any instability or sudden or unexpected change in our management, our business plan and strategic direction or dispute between shareholders concerning their respective rights, may adversely affect our business and operational results.

If we issue new shares or our shareholders sell shares in the future, the market price of your ADS may be reduced.

Sales of a substantial number of shares, or the belief that this may occur, could decrease the prevailing market price of our common and preferred shares and ADS by decreasing the shares' value. If we issue new shares or our existing shareholders sell their shares, the market price of our common and preferred shares, and of the ADS, may decrease significantly. Such issuances and sales also might make it more difficult for us to issue shares or ADS in the future at a time and at a price that we deem appropriate and for you to sell your securities at or above the price you paid for them.

Political, economic and social events as well as the perception of risk in Brazil and in other countries, including the United States, European Union and emerging countries, may affect the market prices for securities in Brazil, including our shares.

The Brazilian securities market is influenced by economic and market conditions in Brazil, as well as in other countries, including the United States, European Union and emerging countries, such as the conflicts between Russia and Ukraine and Israel and Hamas. Despite the significant different economic conjecture between these countries and Brazil, investors' reactions to events in these countries may have a relevant adverse effect on the market value of Brazilian securities, especially those listed on the stock exchange. Crises in the United States, European Union or emerging countries may reduce investors' interest in Brazilian companies, including us. For example, the prices of shares listed on the B3 have been historically affected by fluctuations of the American interest rate as well as the variations in the main indexes for North American shares. Events in other countries and capital markets may adversely affect the market price of our shares to the extent that, in the future, it could difficult or prevent access to capital markets and investment financing on acceptable terms.

Exchange controls and restrictions on remittances abroad may adversely affect holders of ADS.

You may be adversely affected by the imposition of restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and the conversion of *reais* into foreign currencies. The Brazilian Government imposed remittance restrictions for approximately three months in late 1989 and early 1990. Restrictions like these would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of our shares, as the case may be, from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. We cannot assure that the Brazilian Government will not take similar measures in the future, including as a result of the ongoing military conflict between Russia and Ukraine.

Exchanging ADS for the underlying shares may have unfavorable consequences.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our shares underlying the ADS in Brazil, which permits the custodian to convert dividends and other distributions with respect to the shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADS and withdraw shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the shares unless you obtain your own electronic certificate of foreign capital registration, or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration, you would not be able to remit abroad non-Brazilian currency. In addition, if you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes.

You may not receive dividend payments if we incur net losses, or our net income does not reach certain levels.

Under Brazilian Corporate Law and our bylaws, we must pay our shareholders a mandatory distribution equal to at least 25% of our adjusted net income for the preceding fiscal year, with holders of preferred shares having priority of payment. Our bylaws require us to prioritize payments to holders of our preferred shares of annual dividends equal to the lesser of 8% (in the case of our class "A" preferred shares subscribed up to June 23, 1969) and 6% (in the case of our class "B" preferred shares subscribed after June 24, 1969), calculated by reference to the capital stock portion of each type and class of stock.

If we record a net income in an amount sufficient to make dividend payments, as a rule, at least the mandatory dividend is payable to holders of our preferred and common shares. However, we may not pay mandatory dividends, even in the case of profits, if we declare an inability to pay, as occurred for the year ended December 31, 2018. In this case, mandatory dividends must be retained in a special reserve and paid as soon as our financial situation permits. Excluding the mandatory dividend, we can retain profits as statutory profit reserves for investments or capital reserves. If we incur net losses or record net income in an amount insufficient to make dividend payments, including the mandatory dividend, our management may recommend that dividend payments be made using the statutory profit reserve after accounting for the net losses for the year and any losses carried forward from previous years, although it is an option and not an obligation. In the event that we are able to declare dividends, our management may nevertheless decide to defer payment of dividends or, in limited circumstances, not to declare dividends at all. We cannot make dividend payments from our reserves in certain circumstances established by Brazilian Corporate Law.

Additionally, in accordance with the Brazilian Corporate Law, if we post net income for the year which is characterized, in whole or in part, as not having been financially unrealized, according to the parameters defined in this law, management may choose to create a reserve of unrealized profits. Any amounts remaining after absorption of losses will be distributed as a dividend when the profit which is subject to this retention is financially realized and such dividend payment will be added to any dividend payment made in the year in which such profit is realized.

You may not be able to exercise preemptive rights with respect to the preferred or common shares.

You may not be able to exercise the preemptive rights relating to the preferred or common shares underlying your ADS unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights, and we cannot assure that we will file any such registration statement. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depository or, if the preemptive rights cannot be sold, they will be allowed to lapse and accordingly your ownership position relating to the preferred or common shares will be diluted.

We may need to raise additional funds in the future and may issue additional common shares, which may result in a dilution of your interest in our common shares underlying the ADS. In addition, a dilution of your interest in our common shares underlying the ADS may occur in the event of our merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.

We may have to raise additional funds (in order to finance, for example, capital expenditures and consideration due in connection with new concessions) in the future through private or public offerings of shares or other securities convertible into shares issued by us. The funds we raise through the public distribution of shares or securities converted into shares may be obtained with the exclusion of right of first refusal of our existing shareholders, including investors in our common shares underlying the ADS, as provided by the Brazilian Corporate Law, which may dilute the interest of our then-existing investors. In addition, a dilution of your interest in our common shares underlying the ADS may occur in the event of merger, consolidation or any other corporate transaction of similar effect in relation to companies that we may acquire in the future.

International judgments may not be enforceable when considering our directors or officers' status of residency.

All our directors and officers named in this annual report reside in Brazil. We, our directors and officers and the members of our Audit and Risks Committee have not agreed to receive service in the United States. Substantially all of our director and officers' assets are located in Brazil. As a result, it may not be possible to file service within the United States or other jurisdictions outside of Brazil to such persons, pledge their assets, or enforce decisions under civil liability or securities laws of the United States or the laws of other jurisdictions against them or us in the courts of the United States, or in the courts of other jurisdictions outside of Brazil.

Judgments of Brazilian courts with respect to our common shares may be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of the common shares, we may not be required to discharge our obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the exchange rate, as determined by the Central Bank of Brazil, in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are commenced. The then prevailing exchange may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under the common shares or the common shares represented by ADRs.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of our shares or ADS.

Law No. 10,833 of December 29, 2003, provides that the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. This provision results in the imposition of withholding income tax on the gains arising from a disposition of our common or preferred shares by a non-resident of Brazil to another non-resident of Brazil. There is no judicial guidance as to the application of Law No. 10,833 and, accordingly, we are unable to predict whether Brazilian courts may decide that it applies to dispositions of our ADS between non-residents of Brazil. However, in the event that the disposition of assets is interpreted to include a disposition of our ADS, this tax law would accordingly result in the imposition of withholding taxes on the disposition of our ADS by a non-resident of Brazil to another non-resident of Brazil.

ITEM 4. INFORMATION ON THE COMPANY

Overview

Our core business is the generation, transmission and commercialization of electricity in Brazil. As of December 31, 2023, we contributed, including our subsidiaries and SPEs to approximately 22% of the installed power generating capacity within Brazil. As of December 31, 2023, we operated generation and transmission activities in Brazil through 4 regional subsidiaries, Eletropar and 69 SPEs (including 1 outside of Brazil), which are grouped in 35 clusters and non-controlling interests in 19 companies. Through our subsidiaries, we are also responsible for approximately 22% of the installed capacity and 38% of the installed transmission lines above 230 kV in Brazil.

As part of our Privatization, we had to conduct a corporate restructuring which included the transfer of control in Eletronuclear and the totality of our 50% stake in Itaipu to ENBPar, a company directly owned by the Brazilian Government to guarantee its direct or indirect control over Eletronuclear and Itaipu. Until our Privatization, we shared control of Itaipu but neither consolidated nor participated in their results.

As of December 31, 2023, our revenues derive mainly from the generation and sale of electricity to distribution companies and free consumers, and the transmission of electricity on behalf of other electricity concessionaires.

A. History and Development

General

We were established on June 11, 1962 as a mixed capital company with limited liability and unlimited duration. In 1971 we went public in Brazil, and in 2008 we listed ADRs on the NYSE. Until June 2022, the Brazilian Government owned a majority of our voting common shares. In June 2022, we were privatized, and the Brazilian Government ceased to be our controlling shareholder. Since then we no longer have a controlling shareholder as our bylaws prohibit any shareholder or group of shareholders from exercising votes over 10% of our issued and outstanding voting capital or from entering into shareholders' agreements for the exercise of voting rights in excess of 10% of our issued and outstanding voting capital. We are subject to Brazilian Corporate Law and to any and all laws and regulations that govern Brazilian private legal entities.

Our executive offices are located at Rua da Quitanda 196, Centro, CEP 20091 - 005, Rio de Janeiro, RJ, Brazil. Our telephone number is + 55 21 2514 4637. Our legal name is Centrais Elétricas Brasileiras S.A. – Eletrobras and our commercial name is Eletrobras. Our investor relations website is <https://ri.eletrobras.com/en/>, the contents of which are not incorporated by reference into this annual report.

Privatization

Our Privatization was structured as an increase in our capital stock through a public offering of common shares to be purchased by Brazilian and international investors in 2022 (the "Global Offering").

The Brazilian Government waived its rights to purchase our new shares, thereby diluting its stake. The primary offering was accompanied by a secondary public offering of shares held by BNDES Participações S.A. In addition, in accordance with our amended bylaws in connection with the Privatization, no holders of ordinary shares can vote over 10% percent of our total voting shares. Accordingly, after our Privatization, the Brazilian Government ceased to own a majority of our voting shares.

Corporate Restructuring

In July 2021, Law No. 14,182/2021 was enacted providing for our Privatization setting out the conditions which were approved in our General Shareholders' Meeting held on February 22, 2022. In September 2021, Decree 10,791 was issued for the incorporation of ENBPar, a state-owned company exclusively owned by the Brazilian Government to maintain control of Eletronuclear and hold the 50% stake in Itaipu in order to comply with the provisions of the Itaipu Treaty. The law also provided that ENBPar be responsible for the management of the Proinfa program, the Procel account, the contracts relating to the RGR Fund, the *Mais Luz para a Amazonia* and *Luz para Todos* programs, and the BUSA program.