



4Q20 RESULTS PRESENTATION



Disclaimer

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agenda



2020 highlights



contingencies



energy market



financial performance



ESG framework



key initiatives

2020 HIGHLIGHTS



COVID-19

- ✓ There was **no material impact** of COVID-19 at CESP
- ✓ **82% of CESP employees are still working from home**, considering plants and headquarters
- ✓ Adoption of contingency protocols in order to guarantee the **operations of the plants**



OPERATIONAL EFFICIENCY

- ✓ **1,032 Avg. MW** energy generation, **~9%** above the physical guarantee
- ✓ **Availability Index of 95,7%**, consistently higher than the reference values defined by ANEEL, reflecting the adequate maintenance management and the good performance of the operational generation assets



FINANCIAL PERFORMANCE

- ✓ **Adjusted EBITDA¹ of BRL1 billion** in 2020 (margin of 53%), BRL 262 million above 2019
- ✓ **Reduction by BRL 2.9 billion² of total contingent liabilities in 2020, BRL348 million in probable**
- ✓ **BRL743 million of operating cash flow generation** after debt service, with a **cash conversion³ of 73%** in 2020
- ✓ **Net income of BRL1.7 billion** in 2020, growth of 49% compared to 2019
- ✓ Proposal to **distribute BRL850 million of dividends, BRL150 million of interest on equity (JCP) and BRL700 million of dividends** (BRL2.59/share), with a total **dividend yield of ~ 9%**



ENERGY TRADING

- ✓ **2020 energy balance equalized**, at an **average price 17% below 2019**
- ✓ **Acquisition of ~90% of the energy** needed to cover the 2021 energy deficit
- ✓ **New energy sales contracts** for the period beginning in 2023

(1) Excludes, VDP, provision for litigation, impairment, contingent asset adjustment and write-off of judicial deposits | (2) Before monetary adjustment and interest | (3) Cash conversion = OCF after Debt Service/Adjusted EBITDA.

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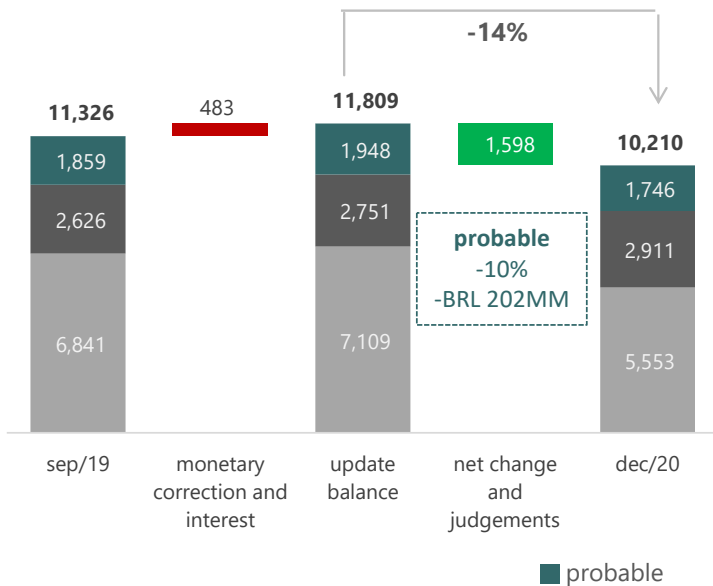


key initiatives

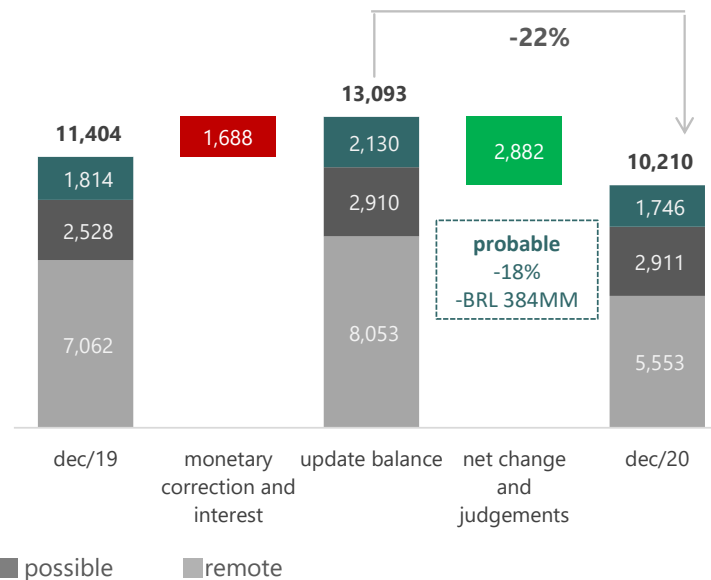
CONTINGENT liability

CONTINGENT LIABILITY REDUCED BY **BRL2.9 BILLION¹** AND **BRL 384 MILLION¹** IN PROBABLE IN 2020

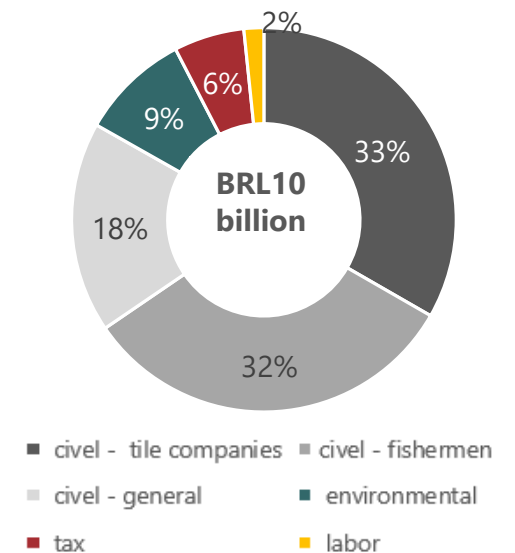
Contingent Liability Variation – 4Q20
(BRL million)



Contingent Liability Variation – 2020
(BRL million)



Total Contingent Liability Breakdown



Reduction of BRL 1.6 billion¹, in 4Q20, and BRL 2.9 billion¹ in 2020 due to judicial settlements, favorable decisions and revision of estimates according to the procedural evolution of the cases

Proactive management of contingent liability resulted in a **cash disbursement of BRL 63 million in 4Q20 and BRL 115 million in 2020**

The **increase** in the monetary correction of contingent liability is the **result of the increase in the IGP-M index** in 2020

(1) After monetary correction and interest

CONTINGENT asset

TRÊS IRMÃOS LAWSUIT

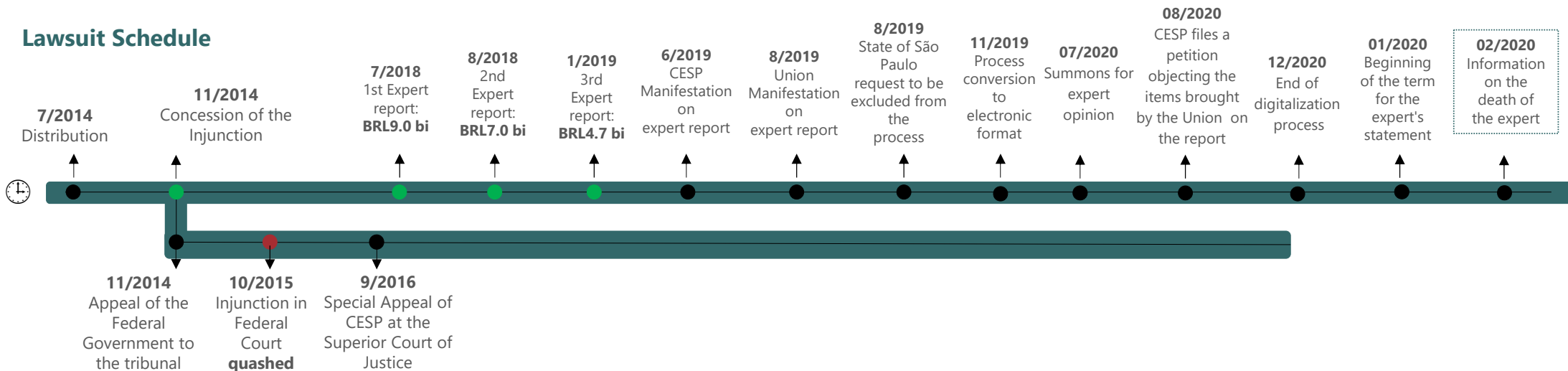
LAWSUIT THAT DISCUSSES THE COMPENSATION DUE TO THE NON-RENEWAL OF THE TRÊS IRMÃOS HPP CONCESSION

Revaluation **BRL4.7 bi**
(basis of jun/2012)

The value is composed of⁽¹⁾:

Plant:	Floodgate/Canal:	Land:
BRL1.9 bi	BRL1 bi	BRL1.8 bi

Lawsuit Schedule



Last Step: First Instance Lawsuit

- Completion of the digitalization of the Três Irmãos proceeding was certified
- Beginning of the term for the **expert to provide clarification** about the report (deadline for the statement of 15 working days from 01/28/21 to 02/19/21)
- Was attached to the case on **2/10/21** information on the **expert's death**

Special Appeal to Release Undisputed Amount

- CESP requests the payment by the Union of the undisputed amount of BRL 1.7 billion (basis Jun/12)
- In the first instance, CESP obtained a favorable decision, later revoked by the court
- CESP then appealed to the Supreme Court, with the respective appeal pending judgment

(1) Before the impacts of monetary correction

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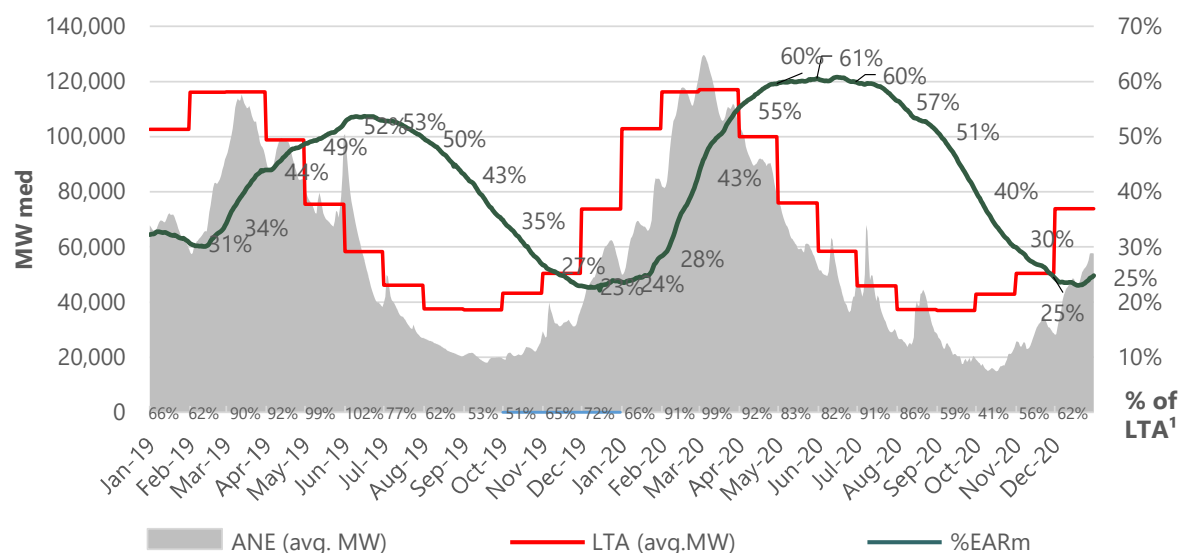
ESG framework



key initiatives

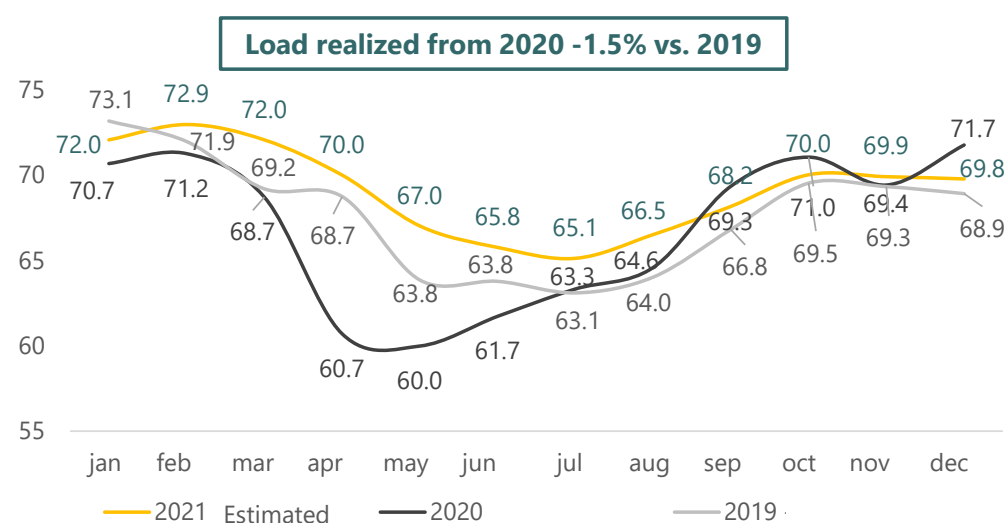
THE RESUME OF **ECONOMIC ACTIVITY**, **HIGH TEMPERATURES** AND **LOW WATER INFLOW**, RAISED THE ENERGY PRICE IN THE 4Q20

Daily ANE-SIN (Avg. MW and %) & Storage Level Evolution - SIN (%)¹



The increase in demand and water inflow below the historical average, contributed to the reduction of the **reservoirs in the 4Q20**

Demand Evolution and Projections of ONS/EPE¹ (Avg. GW)



The 2021 **demand forecast** for the interconnected system is **69 average GW**, according to the ONS, 3.4% higher than the 2020

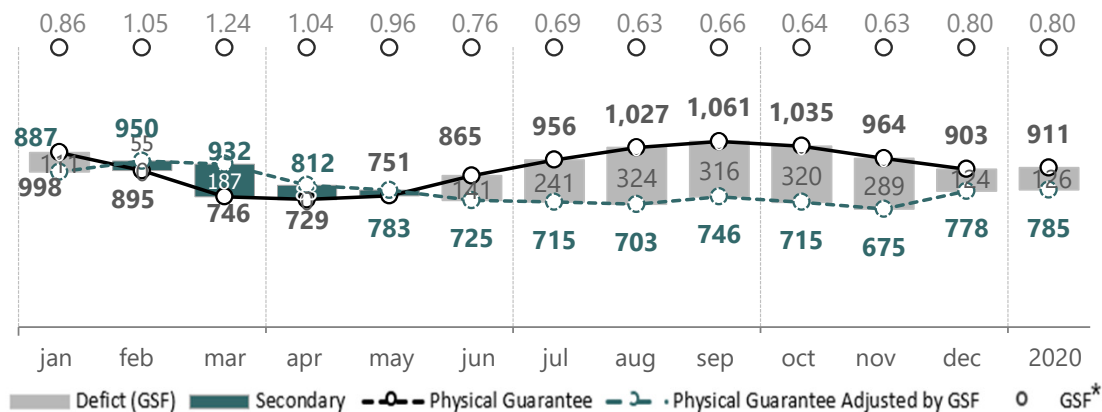
ENERGY balance 2020

2020 GSF performed at 80% and the CCEE projection for 2021 is 83%

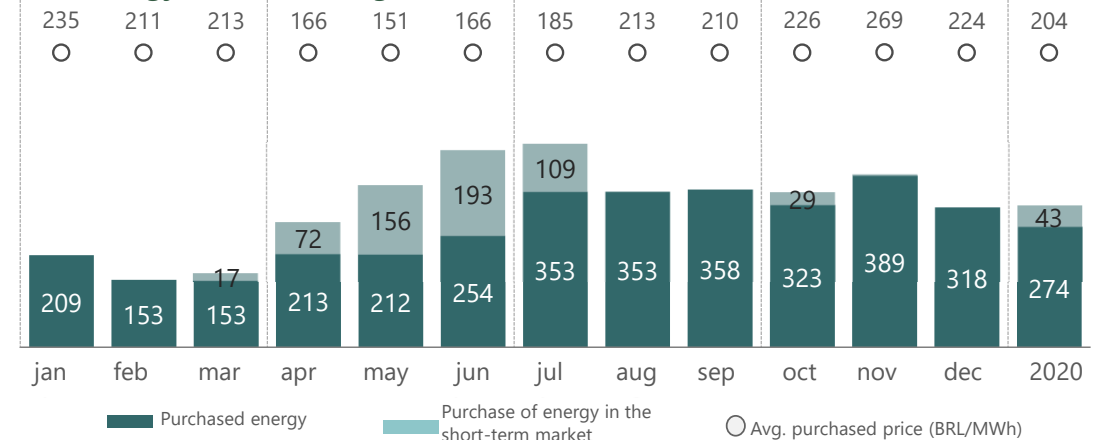
2020 exposure mitigated with average price 17% lower than the average price in 2019

Acquisition of ~ 90% of the 2021 energy exposure

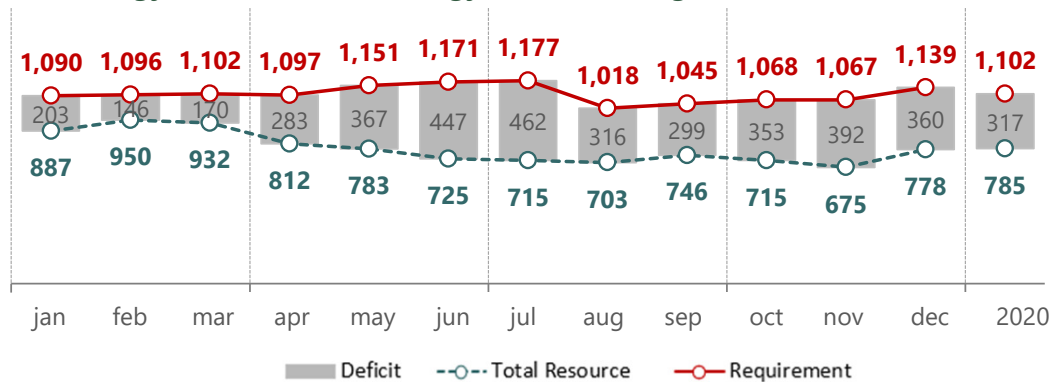
1. Gross Physical Guarantee and Adjusted Physical Guarantee (Avg. MW)



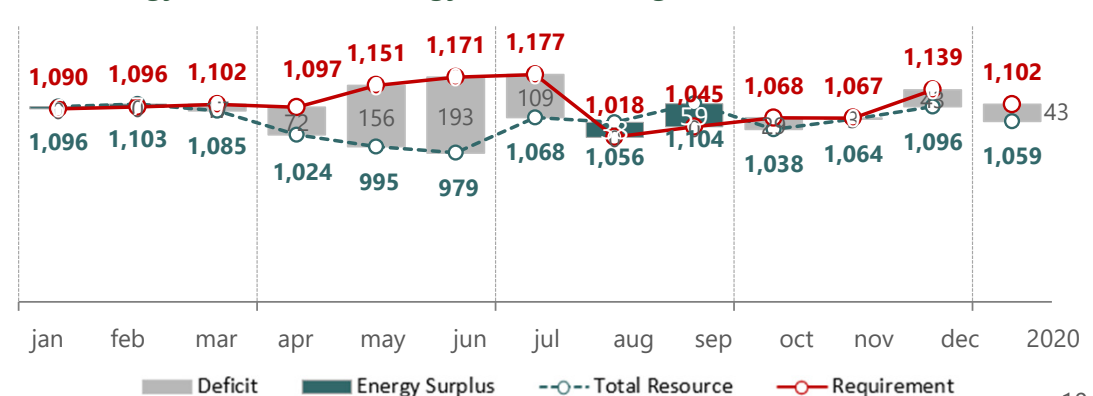
3. Energy Purchased (Avg. MW)



2. Energy Balance Prior to Energy Purchases (Avg. MW)



4. Energy Balance After Energy Purchases (Avg. MW)



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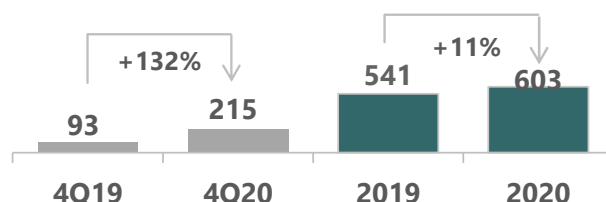
key initiatives

FOCUS on cost discipline

FOCUS ON **EFFICIENCY AND FINANCIAL DISCIPLINE** ALLOWS REDUCTION IN COSTS AND EXPENSES ON STAFF, SERVICES, MATERIALS AND RENTALS



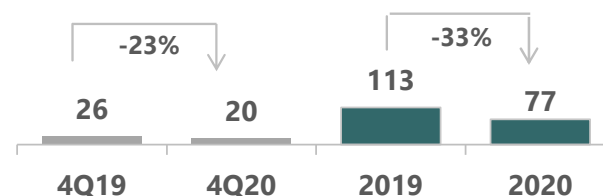
Energy purchases¹



The 4Q20 variation reflected: (i) purchases from **trading operations**; (ii) **seasonalization strategy** with less allocation of physical guarantee in 4Q20 vs. 4Q19 and, consequently, **343 average MW were acquired, 40% above the 4Q19**, 2% higher than the price for 4Q19



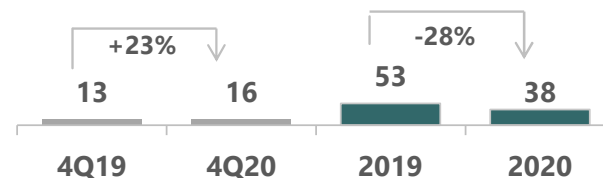
Personnel and Administrators²



The **2020** variation is mainly due to **purchases for trading operations**. Excluding these purchases, the cost decreased by 4%, demonstrating the **assertive energy balance management**, with a volume 29% above and the **average purchase price 17% lower** than 2019



Third Party Services, Materials and Rents

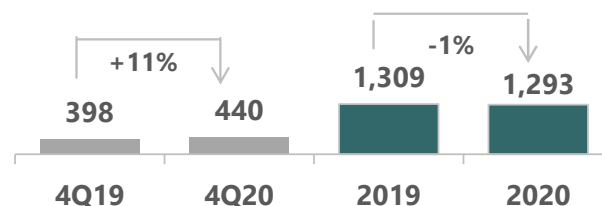


Review of the organizational structure and reformulation of the management model with a reduction in the number of employees

Increase in 4Q20, mainly in third-party services, by hiring specialized consultants to advance the **digital transformation** and **ESG agenda**. In 2020 a **reduction**, due to **renegotiation of contracts and review of processes, enabling efficiency gains in costs and operations**.



Total Costs and Expenses³



The **reduction** in costs and expenses in **2020**, reflect **company's focus on cost discipline**

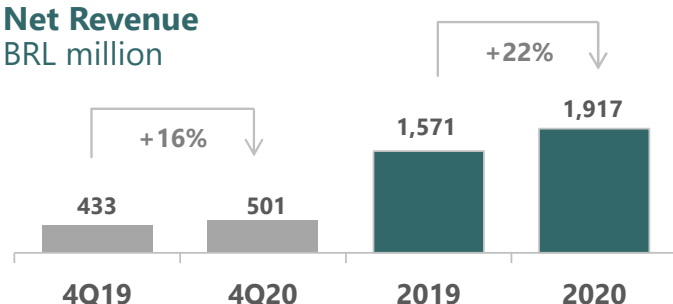
(1) Excludes energy purchases for trading operations(2) Excludes VDP | (3) Excludes, VDP, provision for litigation, write-off of judicial deposits and purchases energy for trading operations

FINANCIAL performance

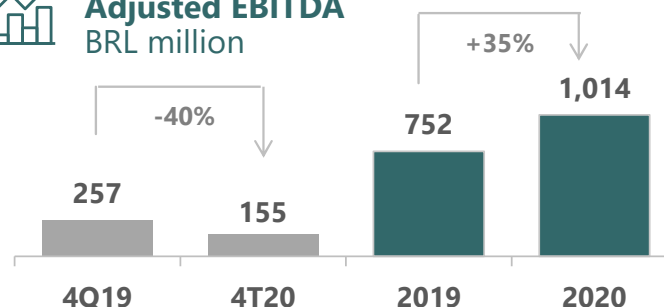
ENERGY BALANCE MANAGEMENT AND COST DISCIPLINE ALLOW A **STRONG CASH GENERATION**



Net Revenue
BRL million



Adjusted EBITDA¹
BRL million

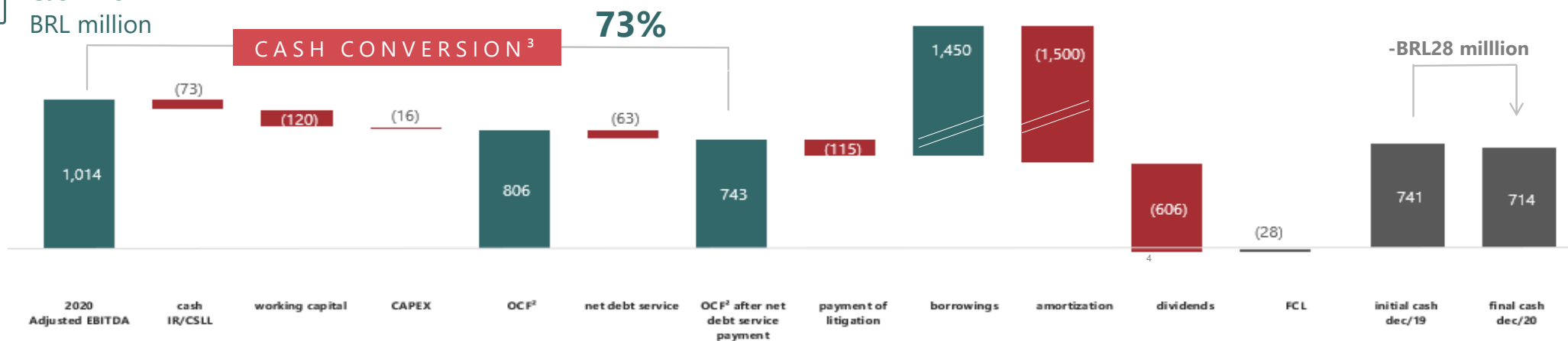


The **reduction** in **adjusted EBITDA** quarterly compared can be explained, mainly, by an **increase in energy purchases** due to the seasonalization strategy with less allocation of physical guarantee in 4Q20

The **increase in annual adjusted EBITDA**, reflected the adequate management of energy balance and cost and expenses discipline



Cash Flow
BRL million



(1) Excludes, VDP, provision for litigation, impairment and write-off of judicial deposits | (2) OCF= Operational Cash Flow (3) Cash conversion = OCF after Debt Service/Adjusted EBITDA

NET income



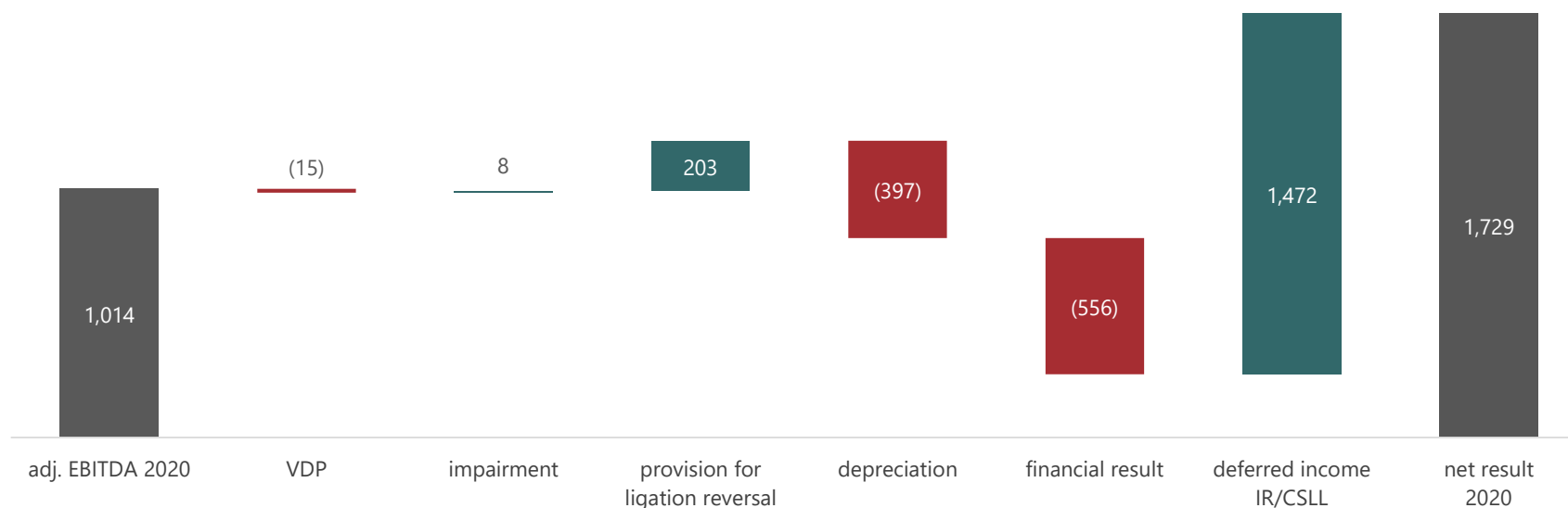
NET INCOME OF BRL1.7 BILLION IN 2020, RESULTING IN **BRL850 MILLION DIVIDENDS**,
~BRL2.59 SHARE AND **DIVIDEND YIELD OF ~9%**

Constitution of 100% deferred IR/CSLL due to the expectation of realization of taxable profit during the term of the Porto Primavera concession

Reduction in the provision for litigation in line with CESP's de-risking strategy

Proposed payment of BRL850 million in dividends, including BRL150 million of interest on equity (JCP), optimizing the tax payment

BRL million

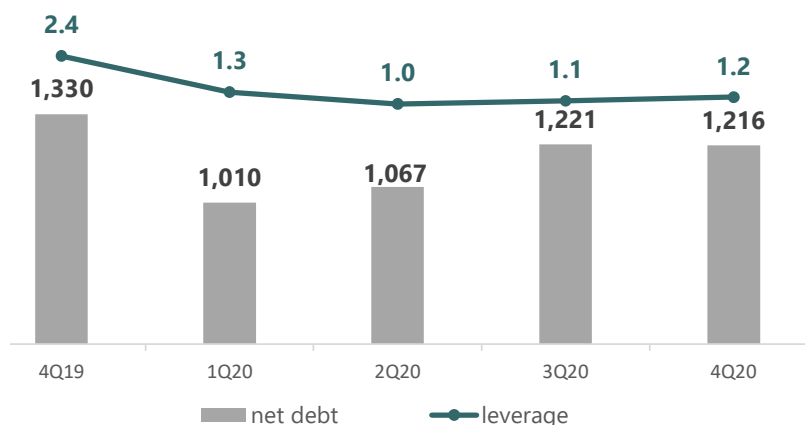


CAPITAL structure

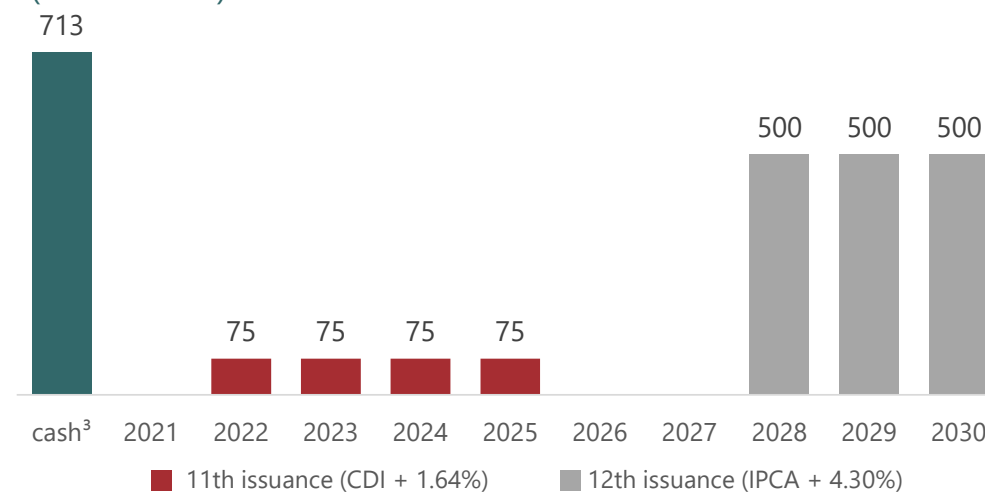


ROBUST CAPITAL STRUCTURE, PROVIDED BY STRONG CASH GENERATION AND LOW LEVERAGE

Net Debt⁽²⁾ (BRL million) and Leverage ⁽¹⁾(x)



Amortization Schedule 4T20 (BRL million)



3

Rating

FitchRatings

BB | AAA(br)

Outlook

Negative

Revised

Jul/2020

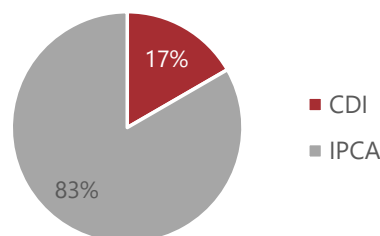
STANDARD
& POOR'S

BB- | br.AAA

Stable

Jul/2020

Gross debt by index



Gross Debt: BRL1.8 billion

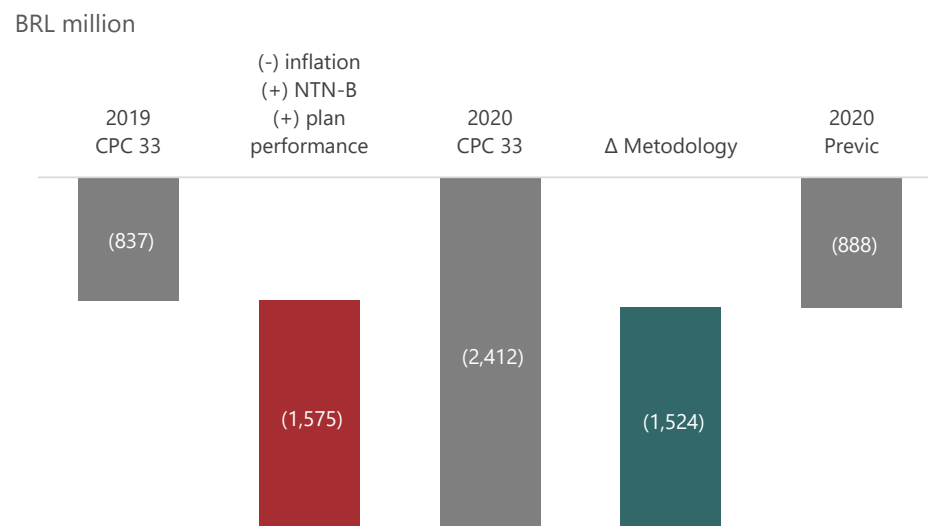
Average term: 7.8 years

(1) Leverage measured by the LTM Net Debt/Adjusted EBTDA ratio | (2) Considers the MtM adjustment of derivative instruments | (3) Cash at 12/21/20.

EFFECTS OF INFLATION ON LIABILITIES AND ACTUARIAL TARGET IMPACTED THE BOOK FAIR VALUE

- **Liability projections** already **adjusted for the effects of inflation** (IGP-DI detachment), partially offset by the positive effect due to the **increase in the discount rate** of the liability (NTN-B rate)
- The **deficit does not represent**, at this moment, **debt or cash impact**, either by **accounting methodology** (CPC 33) or the **PREVIC methodology**
- Execution of an ongoing **risk mitigation plan seeking** to adapt VIVEST plans to current market practices
- After the potential implementation of mitigation measures, the amount of **any deficit will be recalculated by the Previc methodology**, which would define the need for possible capital contributions over time

- **Expected approval of mitigation measures by Previc** in mid-2021



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ESG framework



key initiatives

FRAMEWORK ESG

ESG FRAMEWORK CREATION TO ACCELERATE RESULTS, **GENERATING VALUE** FOR THE COMPANY AND ITS STAKEHOLDERS

By carrying out a materiality exercise and identifying the Sustainable Development Goals that are priority for our business, we have defined three thematic lines:

ENVIRONMENTAL AND CLIMATE PROACTIVITY

- **100% of the energy generated from hydropower and renewable sources**
- Energy certification through **I-REC's**
- **Continuous monitoring of the main environmental risks** (water quality of reservoirs and safety of dams)
- **Active performance for the conservation of biodiversity**, through the preservation of natural areas and production and donation of seedlings of native species



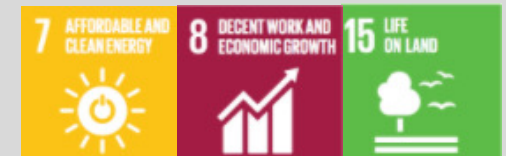
LOCAL AND HUMAN DEVELOPMENT

- **Adherence to best practices of transparency and corporate governance**
- **100% Tag Along** to CESP6 (PNB) shareholders
- **Board of Directors with 25% independent members** and **Statutory Audit Committee** with **100% independent members**
- Community engagement and **investments in human development**
- **Occupational Health and Safety**, with several initiatives to encourage best practices



INCLUSIVE GROWTH

- **Social investment, promoting inclusion and development projects**
- **Social investment** in 2020, **85% for combating the COVID-19**
- Focus on **financial efficiency and results**



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CESP Key initiatives



SUSTAINABILITY AGENDA

- ✓ **Disclosure**, for the first time, of the **Annual Report** with structure and content inspired by the IIRC¹ **Integrated Reporting** principles
- ✓ Evolution in **Corporate Governance** through the establishment of the **Sustainability Commission** and adherence to new practices recommended by the IBGC Governance Report
- ✓ Reporting CESP's **performance** in relation to **climate and water changes through CDP**
- ✓ Adherence to the **Global Compact** commitment to the UN
- ✓ Definition of **diversity guidelines**
- ✓ **Occupational Health and Safety (OHS)**, with several initiatives to **encourage best practices**



CESP TRADING COMPANY

- ✓ Execution of **CESP Trading Company** operations strategy with initiatives that prepare the Company for the **expansion of the free market**
- ✓ Evolution of the **long-term energy exposure strategy**, with a planned and sophisticated execution of the trading strategy
- ✓ **Progress in risk mitigation and exposure mitigation** in 2021 and 2022
- ✓ Advance in **diversifying the customer portfolio**



DIGITAL TRANSFORMATION

- ✓ **Modernization and simplification of current technological architecture**, seeking, in addition to risk reduction, more flexibility and agility in the adoption of new technologies
- ✓ **Automation of processes** with specialized systems and robotization, seeking **greater operational efficiency**
- ✓ Start **of the data/analytics journey**, generating a **data-driven culture of reliable information**
- ✓ **Implementation of Business Agility**, using agile practices for priority projects

(1) IIRC- International Integrated Reporting Council



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