



# 3Q21 RESULTS PRESENTATION

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# Agenda



**3Q21 HIGHLIGHTS**

**CONTINGENCIES**

**ENERGY MARKET &  
COMMERCIAL STRATEGY**

**PENSION PLAN: VIVEST**

**FINANCIAL PERFORMANCE**

**REORGANIZATION PROPOSAL**

**CLOSING REMARKS**



# 3Q21 Highlights

## HYDROLOGY

- GSF worsening: 66% in 3Q20 vs. 51% in 3Q21
- Signs of inflow improvement in the beginning of the 4Q21
- Concession extension for Porto Primavera (7 years) and Paraibuna (15 months)

## COMMERCIAL STRATEGY

- 2021 energy balance exposure equalized with an average price of contracts of BRL 243/MWh and current 2022 exposure also equalized
- CESP advanced in the contracted level of the portfolio and customer base diversification, with energy sales in the free market between 2024 and 2026, with an average price of BRL 172/MWh

## FINANCIAL PERFORMANCE

- Adjusted EBITDA<sup>(1)</sup> of BRL143 million in 3Q21
- Operational cash generation, after debt services, of BRL152 million, with a cash conversion ratio<sup>(2)</sup> of 106% in 3Q21
- Total contingent liability reductions of BRL1.5 billion<sup>(3)</sup> in 2Q21 compared to previous quarter, notably with the settlement of the potters of the city of Panorama

## VIVEST

- Approval of the migration proposal by PREVIC in August 2022
- Start of the roadshow with beneficiaries
- Expected migration completion in February 2022



Notes: (1) Adjusted EBITDA excludes allowance for litigation, write-offs of judicial deposits and the GSF renegotiation net of impairment.; (2) Cash conversion ratio = Operational cash flow after debt service / Adjusted EBITDA; (3) After monetary adjustment



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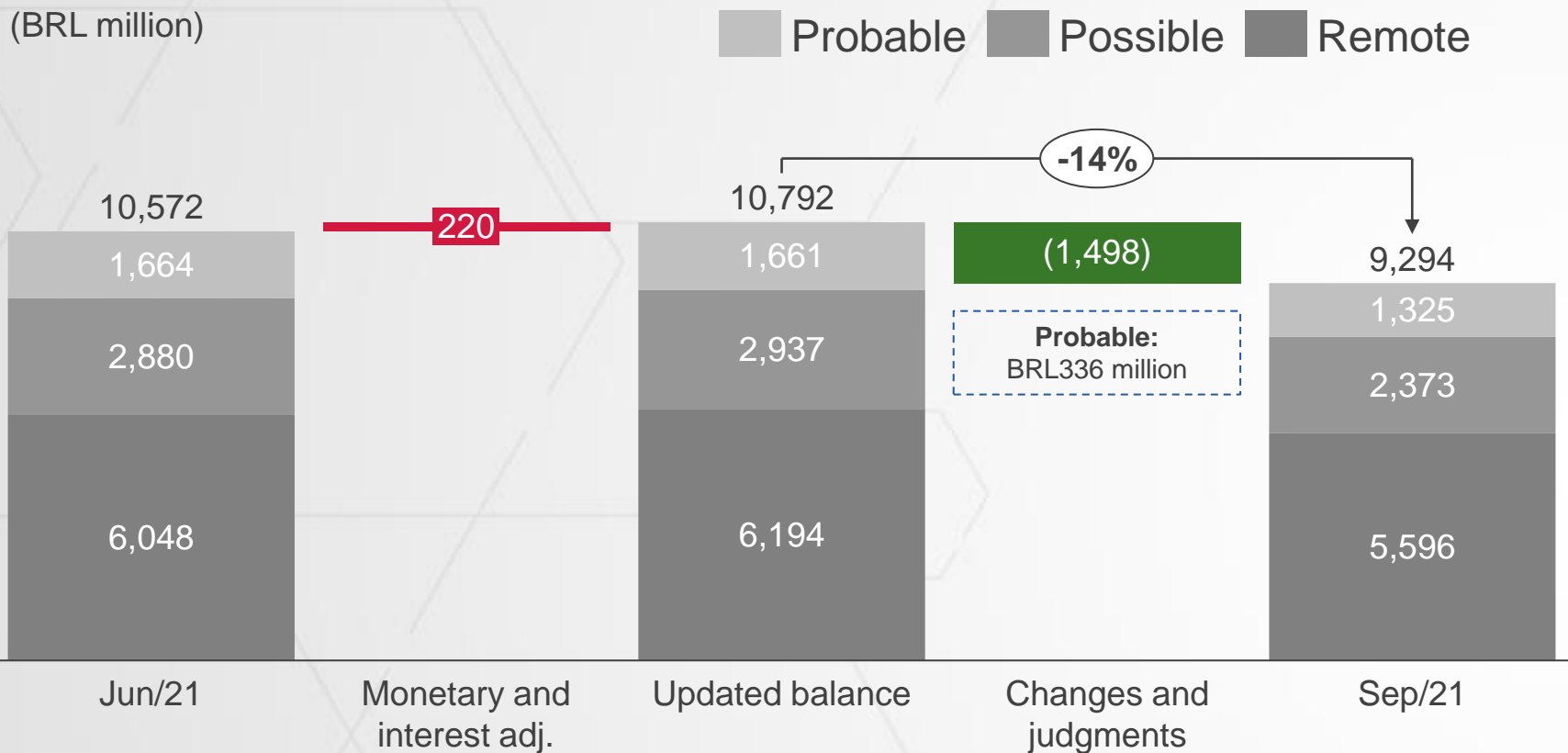
**CLOSING REMARKS**

# Contingent Liability



Reduction of BRL 1.5 billion <sup>(1)</sup> in the total contingent liability and BRL 336 in the probable in 3Q21

## Contingent Liability: Lawsuit's variation



**Reduction of BRL 1.5 billion<sup>(1)</sup>** in the total contingent liability due to judicial settlements, revision of estimates and favorable decisions, notably with a **reduction of BRL 336 million in the probable**

## Settlement with the Panorama city potters

Launch of a digital platform<sup>2</sup> in June/21 in order to close the relevant process

**25%** of total counterparties signed the settlement

### Terms

- Deadline for adhesion: Sep 30, 2021
- Proof of legitimacy of the counterparty
- Proposal of BRL10,000 / counterparty
- Payment only after approval of the agreement by the judge



In partnership with: FGV

### Proceedings

Dec 14<sup>th</sup>, 2005

### Total Contingency<sup>3</sup>

BRL 2.7 billion

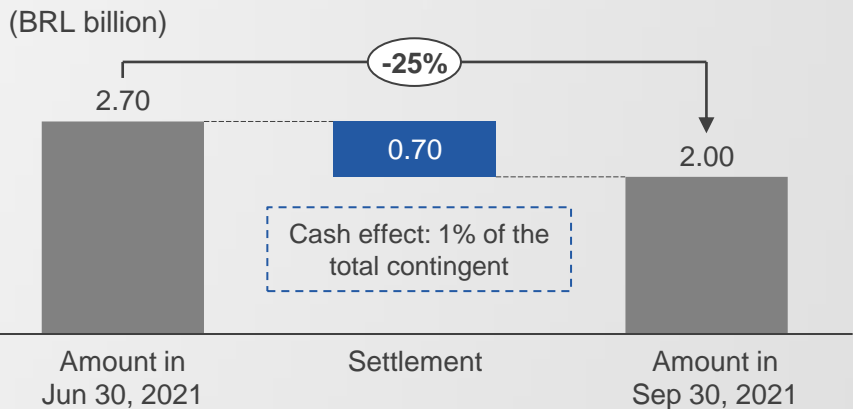
### Number of counterparties

+ 2,100

### Court

Trial court (Civil Court of Panorama)

## Lawsuit Variation – Panorama City Potters



(1) After monetary adjustment | (2) Platform developed by FGV, with auditable data; | (3) Total amount requested in the action on March 31<sup>st</sup>, 2021, considering all the classifications. Details of the process available in item 4.3 of the Reference Form.

# Três Irmãos Lawsuit

Lawsuit that discusses the compensation due to the non-renewal of the Três Irmãos HPP concession

**BRL 4.7 bi**

Reference date: June 2012

Plant: BRL 1.9 bi

Floodgate / Canal: BRL 1.0 bi

Land: BRL 1.8 bi

**BRL 1.7 bi**

Undisputed amount with  
reference date: June 2012





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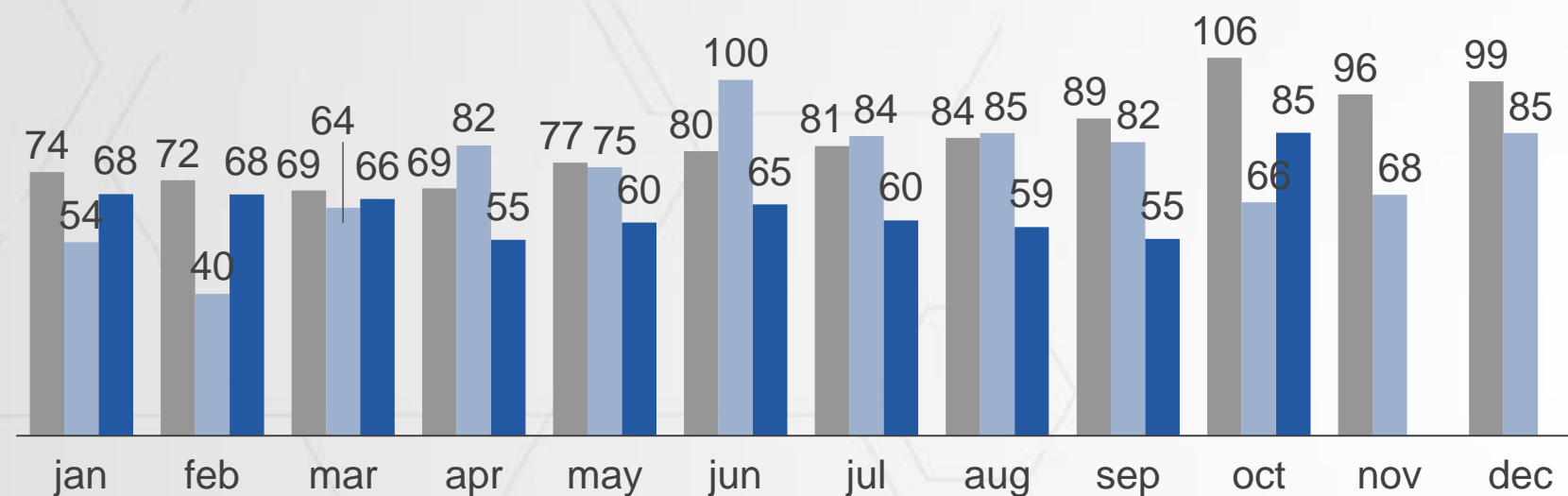
# Energy Market

The hydro-energy situation is still sensitive, but the beginning of the wet period shows signs of recovery

## Inflows in comparison to historical average

(Southeast monthly inflows - %LTA)

2001 2014 2021



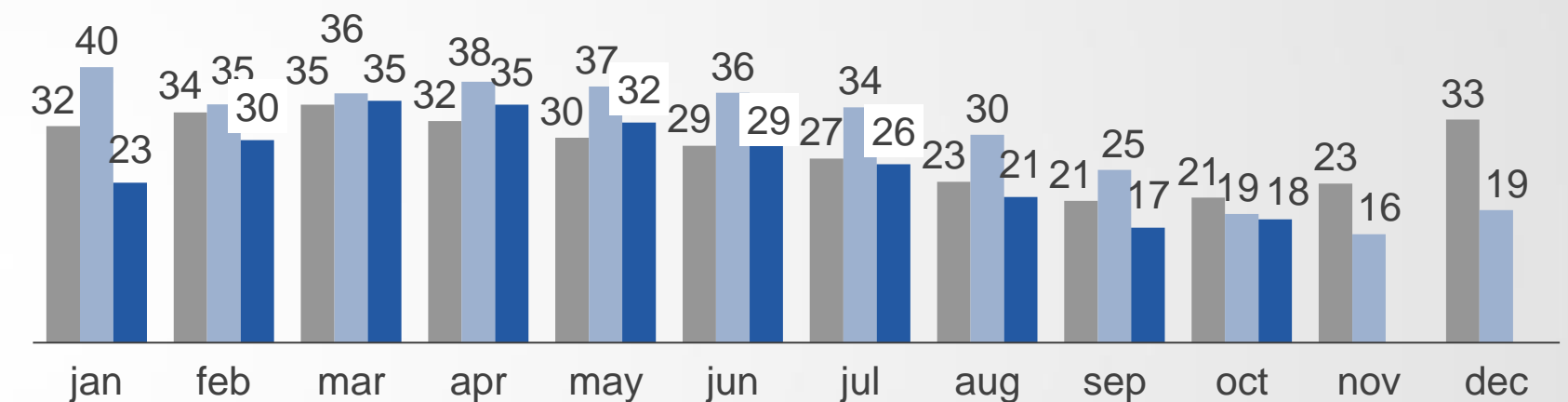
The **2021 dry period** (April to September) had the **lowest level of inflows** in the last 91 years

**Beginning of the wet season** in October, **within regular time** and above expectations, but there is still uncertainty for the coming months

## Stored Energy

(Southeast monthly reservoir levels - % total)

2001 2014 2021



**Reservoirs at 18%** in October 2021, **showing signs of recovery**

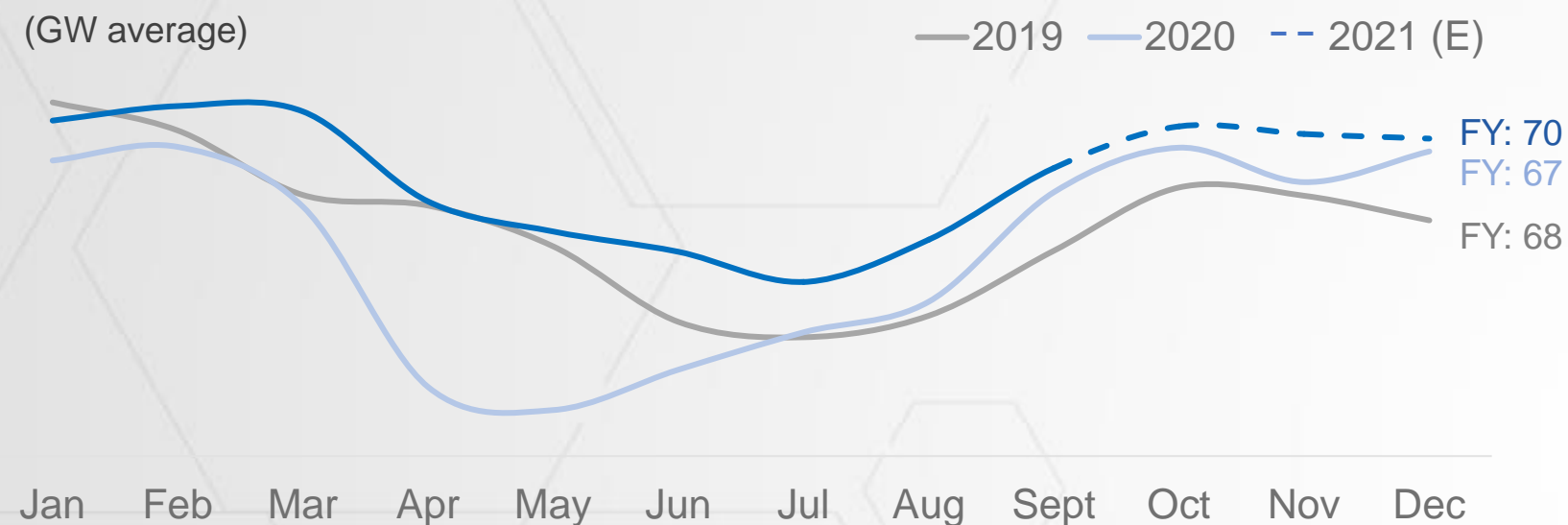
**In addition to the measures to manage the level of reservoirs**, the system operator has **maximized the supply of generation from other sources**

Notes: Affluent Natural Energy ("Inflows") Source: ONS / LTA : Long Term Average (since 1931); update on October 25, 2021/ Stored Energy: Source: ONS; update on October 25, 2021

# Energy Market

Load projection within expectations considering economic recovery and milder temperatures

## Load - National Interconnected System<sup>(1)</sup>



Load Evolution -  
2021 (E)

vs. 2019

+2.7%

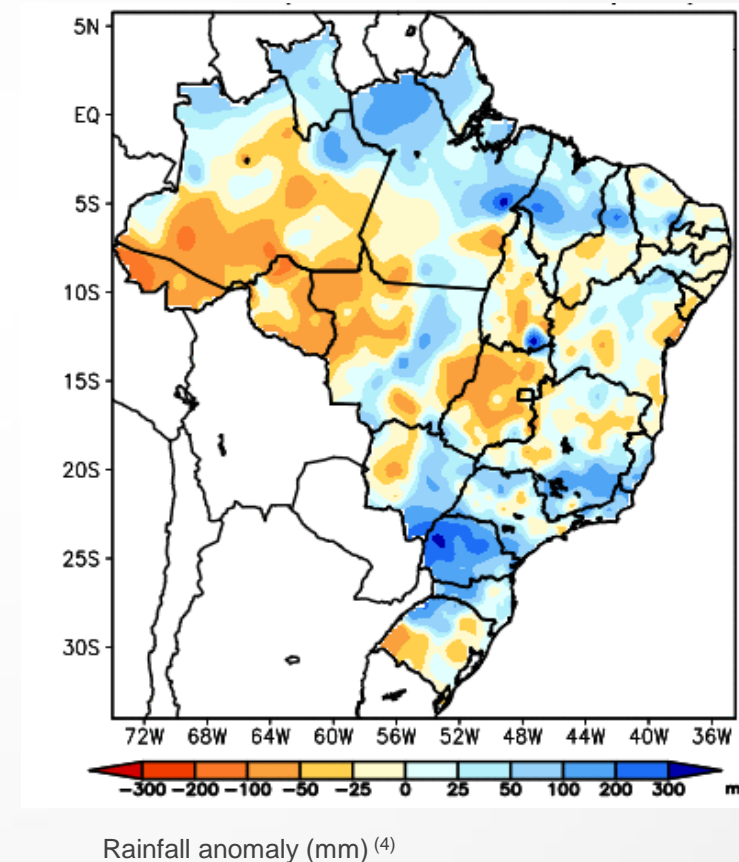
vs. 2020

+4.2%

As a form of **risk mitigation**, the regulator instituted **programs for voluntary reduction of energy demand** both in the free market and in the regulated market.

## Climatological Analysis and Forecasting

### Observed Rainfall Anomaly - Oct/21 <sup>(2)</sup>



**Observed rainfall above average** in October, with emphasis on the **Paraná basin** region, which had been showing below average values since February 2021.

According to meteorological institutes<sup>(3)</sup>, there is **87% probability of occurrence of a moderate “La Niña”** for Dec/21. Still, weather forecast models maintain the expectation of rainfall within or above the average in the Southeast/Midwest subsystem until Jan/22.

(1) Source: ONS; 2021 data considers ONS estimate on October 25, 2021. (2) CPTEC/INPE on October 5, 2021 / (3) Climate Prediction Center/NCEP/NWS on October 14, 2021 / (4) Anomaly comparing the observed rainfall until October 25, 2021 with the average for the same period between 1961 and 1990.



# 2021 Energy Balance

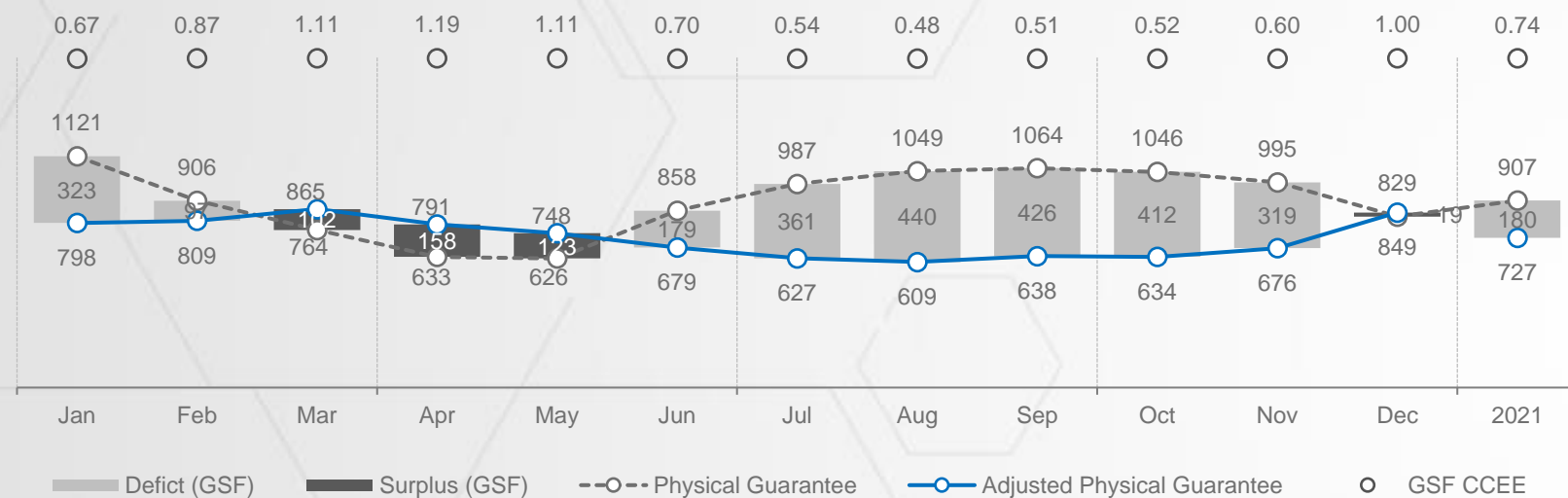
Despite the unfavorable hydro scenario, 2021 exposure was equalized

2021 and 2022 energy balance **equalized**

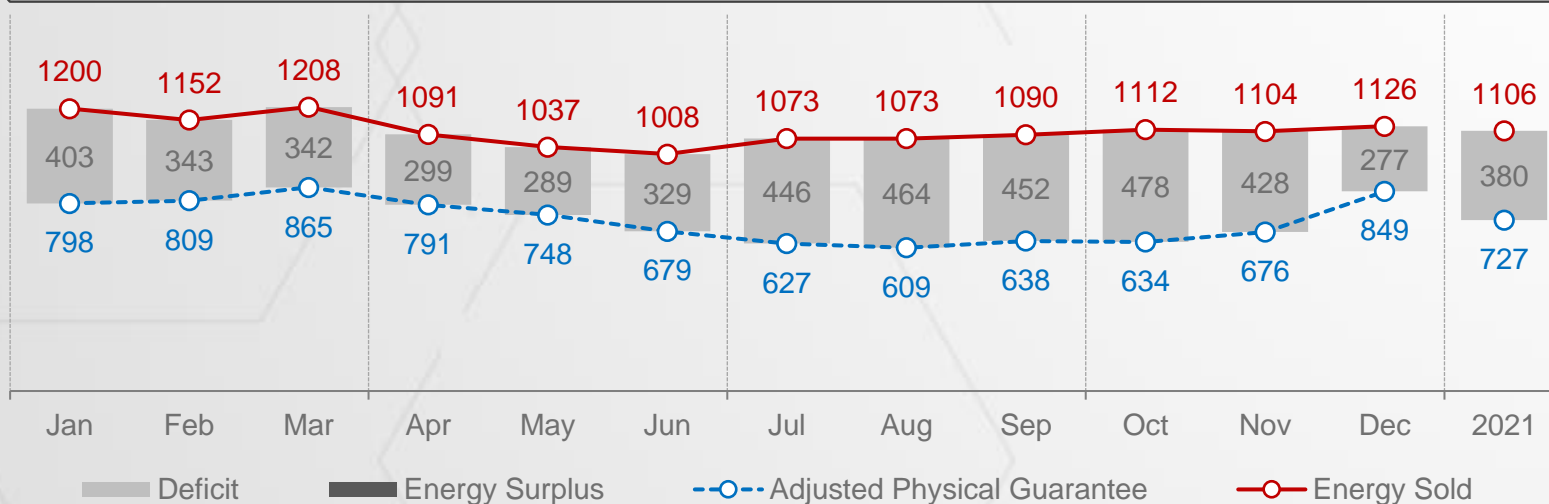
**Long position** in Dec/21 based on CCEE estimates (GSF at 73.5% for 2021) that differ from the company estimates

Considering the effects of **GFOM** <sup>(1)</sup>, **sale of surplus** and **renegotiation premium** until Sep/21, the adjusted price of energy purchase for 2021 is R\$206/MWh

## 1 Gross and Adjusted Physical Guarantee (MWavg)

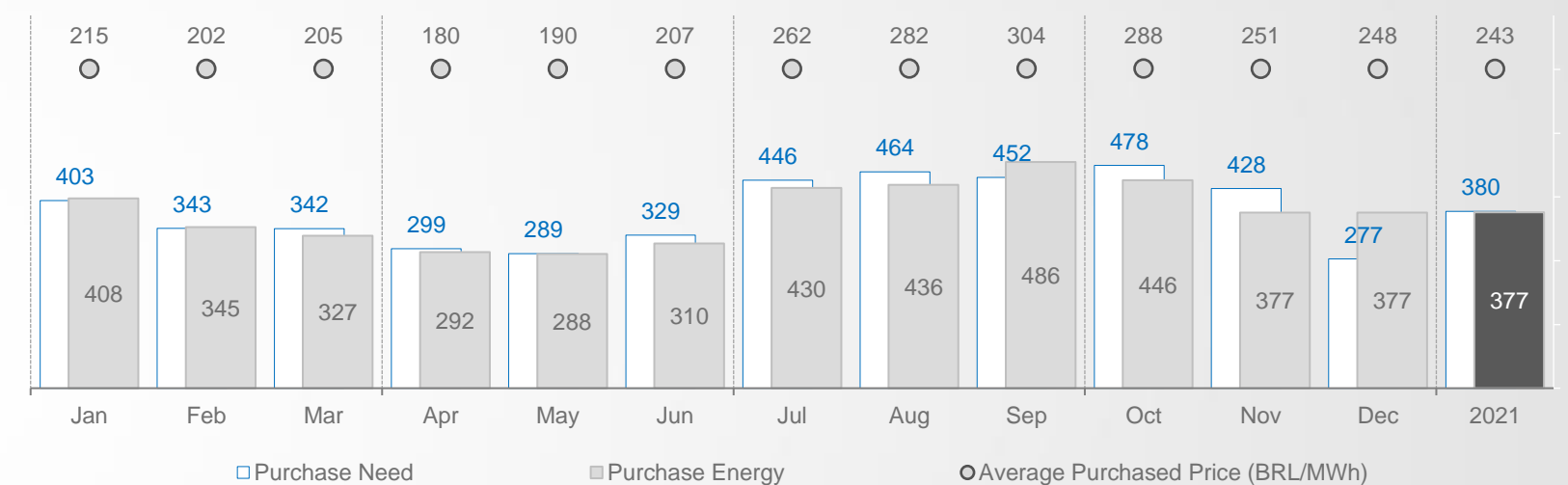


## 2 Energy Balance – Prior to Energy Purchases (MWavg)

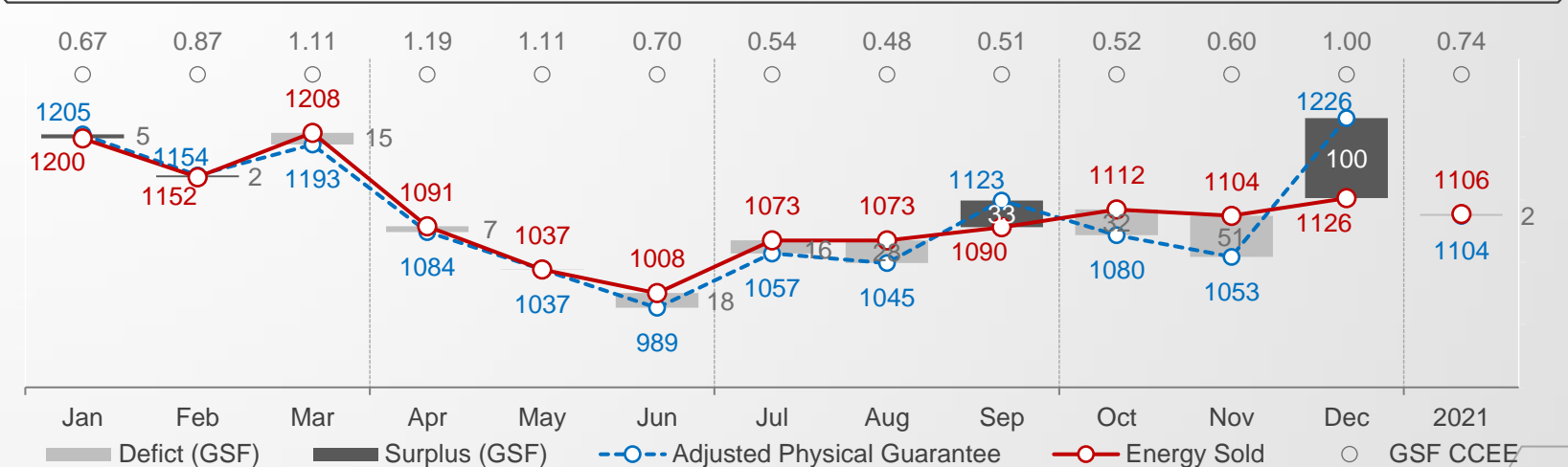


## 3 Energy Purchase (MWavg)

Price excluding GFOM, sale of surplus and renegotiation premium



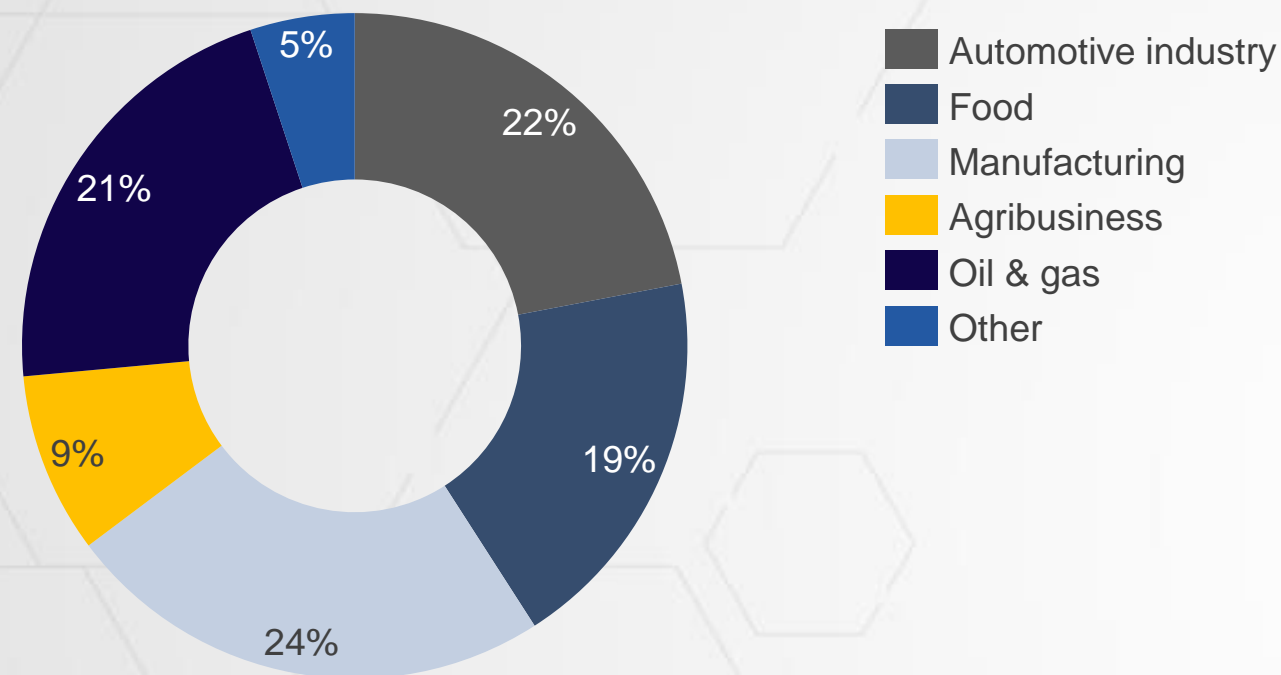
## 4 Energy Balance – After Energy Purchases (MWavg)



# Commercial Strategy

CESP advanced in the portfolio's contracting level in a strategic way to take advantage of the best price windows

## Profile of the New Consumer Customers Portfolio 2021



**Go-to-Market:** development of new markets and opportunities to **expand and diversify the client portfolio** aiming to reduce risks and maximize results



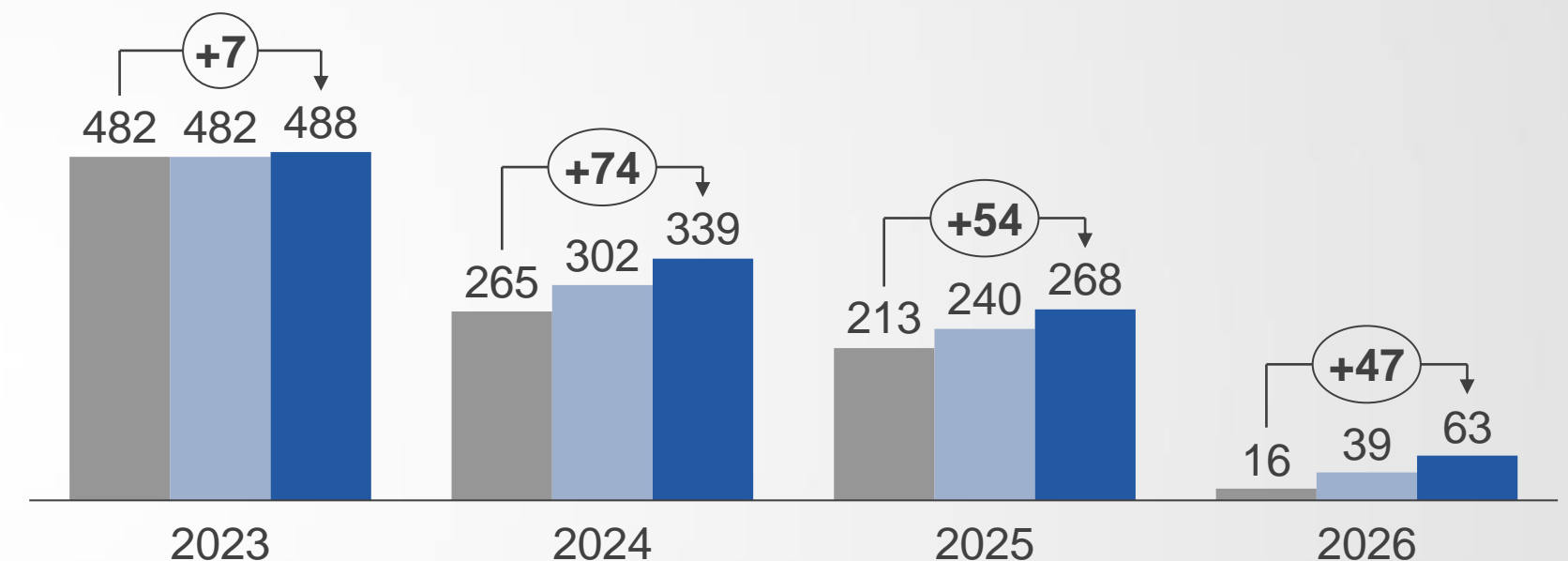
1.4

million I-RECs (renewable energy certificates) sold for the period between 2019 and 2027

## Evolution of Energy Sold – Free Market

(MW average)

4Q20 1Q21 2Q21



Average price of new free market contracts closed in 3Q21 for the years 2024-26:

**BRL 172/MWh**



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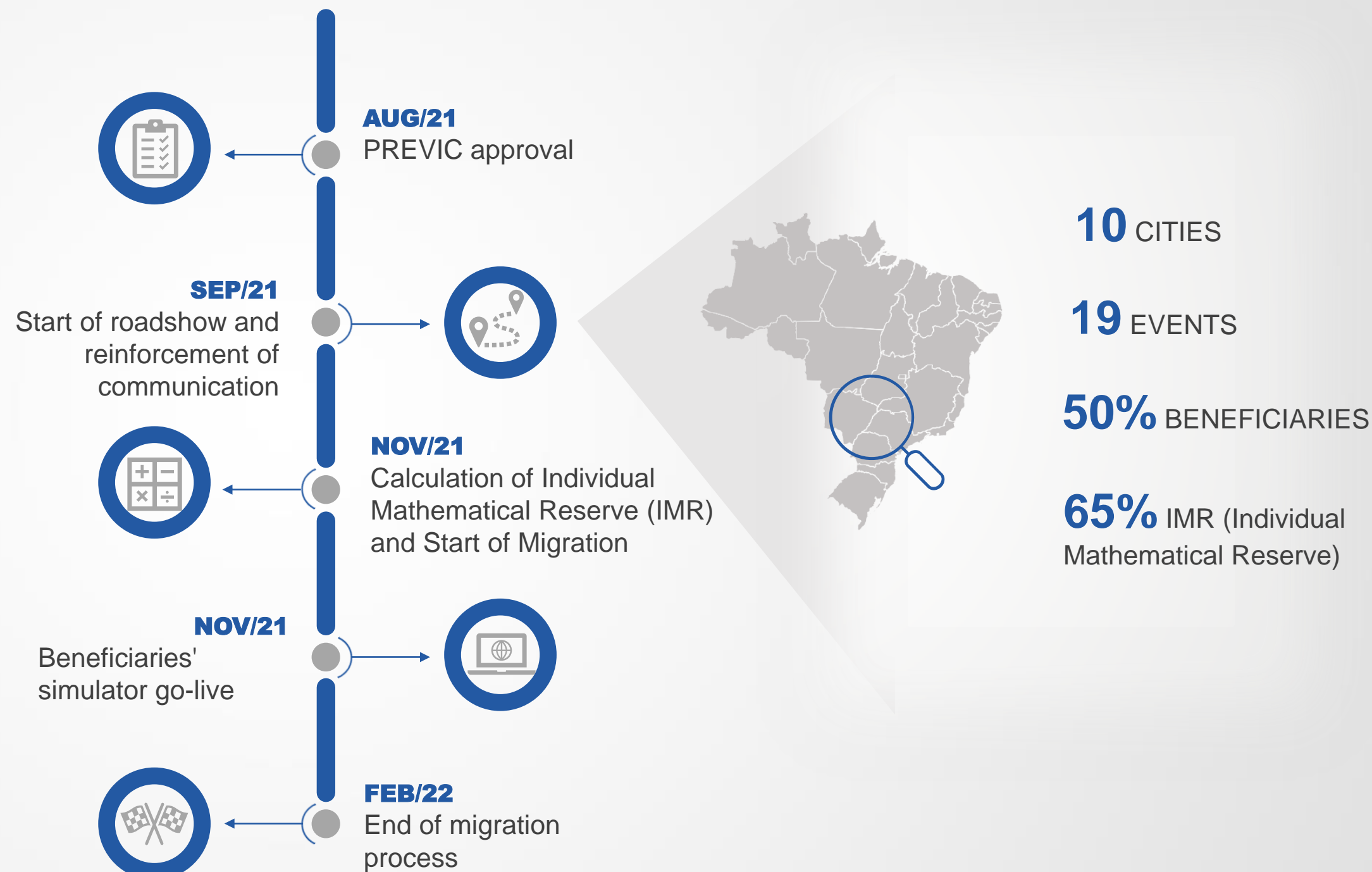
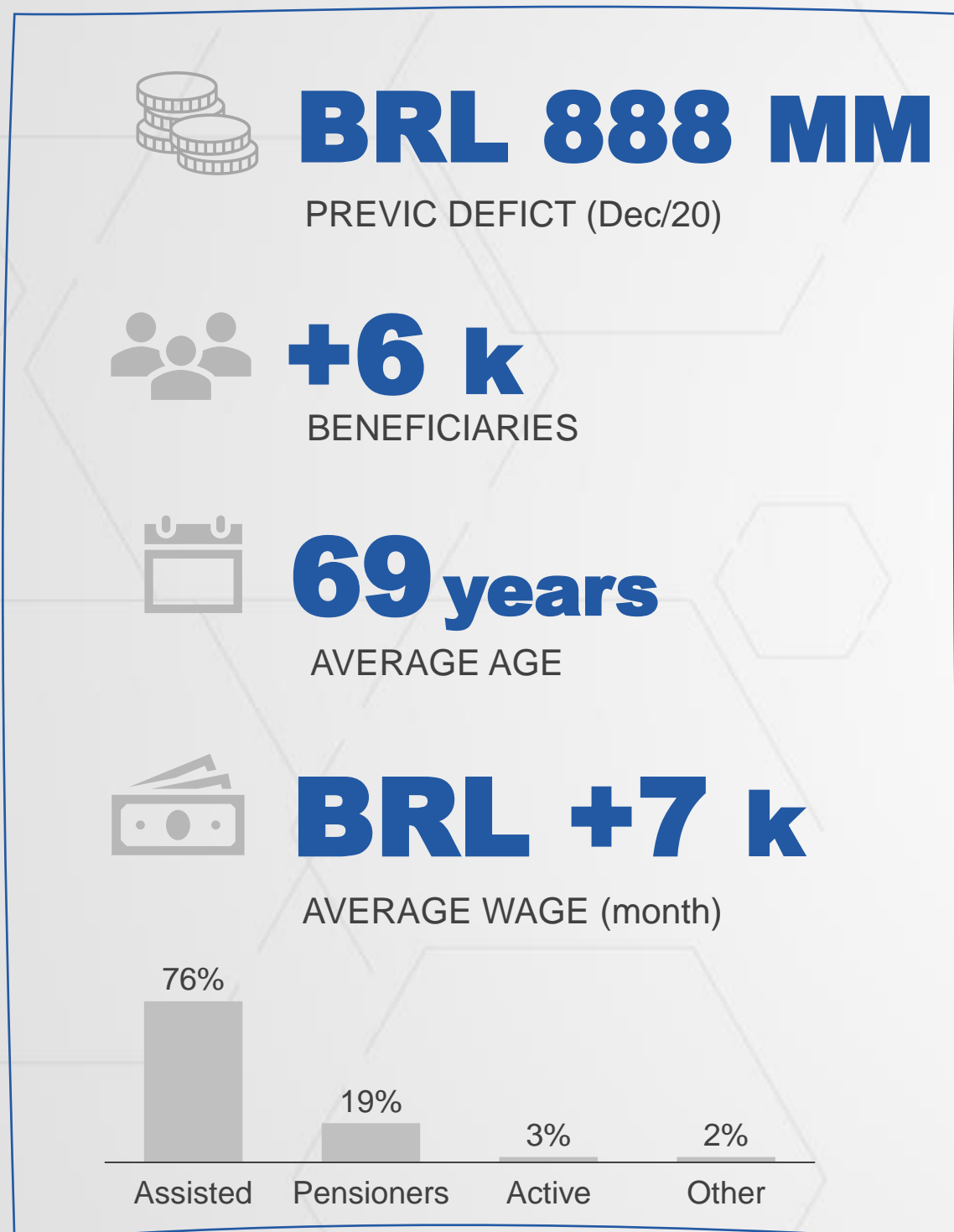
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# VIVEST Migration Plan

Approval of the migration plan in August by PREVIC starts the communication process with beneficiaries





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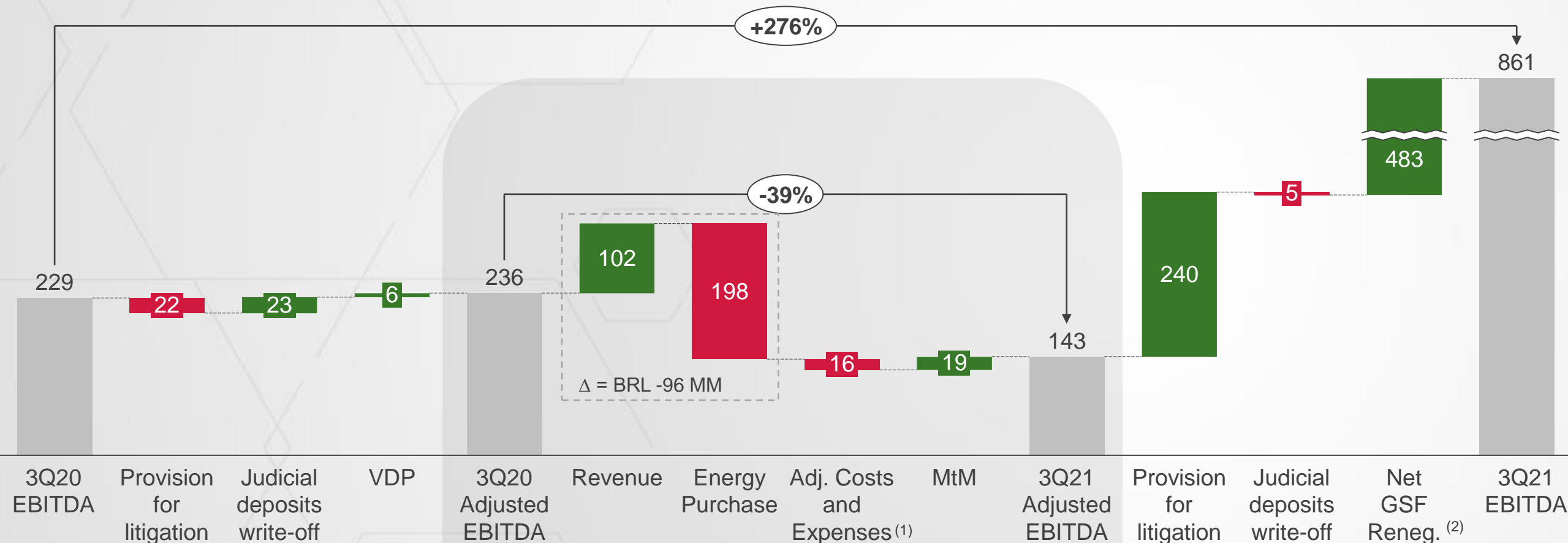
CLOSING REMARKS

# Financial Performance

Adjusted EBITDA in 3Q21 reflects the margin reduction due to the still unfavorable hydrology in the period

## ADJUSTED EBITDA

(BRL million)



**Energy margin reduction** due to **greater volume and price purchase**

BRL 16 million increase in **operating costs and expenses** explained mainly by the increase of expenses related to **strategic consulting in 2021 and postponement of expenses in 2020**

Recognition of **BRL 782 million regarding the renegotiation of the GSF** of the Company's plants, net impact of BRL 483 million in EBITDA, considering impairment

Notes: (1) Adjusted Operating Expenses considers total operating costs and expenses less provision for litigation, write-offs of judicial deposits, depreciation and amortization, energy purchase cost, Voluntary dismissal plan, GSF renegotiation, impairment and mark-to-market of energy futures contracts ("MtM"); (2) Net of GSF renegotiation considers impairment

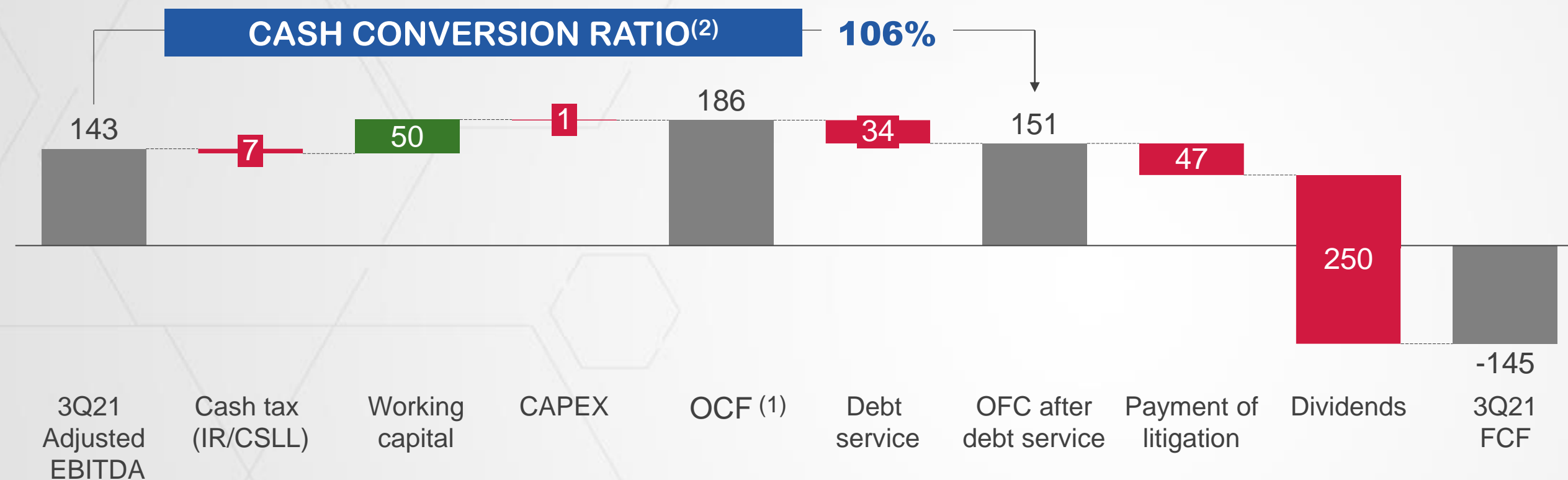


# Financial Performance

Financial leverage impacted by the hydro scenario and dividends distribution

## CASH FLOW

(BRL million)



**Positive working capital of BRL 50 million** mainly considering **the settlement of the credit balance with the CCEE**

**Payment of the second installment of dividends in September 2021** explains the impact on free cash flow for the period

### FINANCIAL LEVERAGE <sup>(3)</sup>

3Q20

1.0x

3Q21

2.0x

**Leverage reflects** the effect of the adverse hydro scenario on EBITDA and partial concentration of 2020 and 2021 dividends in the last 12 months.

### AVERAGE TERM – DEBT (years)

3Q20

8.0

3Q21

7.1

### CREDIT RATING

**Fitch: outlook upgrade in Oct 2021**

FitchRatings

BB | AAA(br)

STANDARD & POOR'S

BB- | br.AAA

Notes: (1) OCF = Operational Cash Flow; (2) Cash Conversion Ratio = OCF after debt service / Adjusted EBITDA; (3) Net Debt/Adjusted EBITDA.

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# Reorganization Proposal

The envisioned transaction aims to consolidate three levels of operational assets of CESP's controlling shareholders under a single entity and migrate CESP's shareholder base to VTRM, which will be listed in B3's Novo Mercado

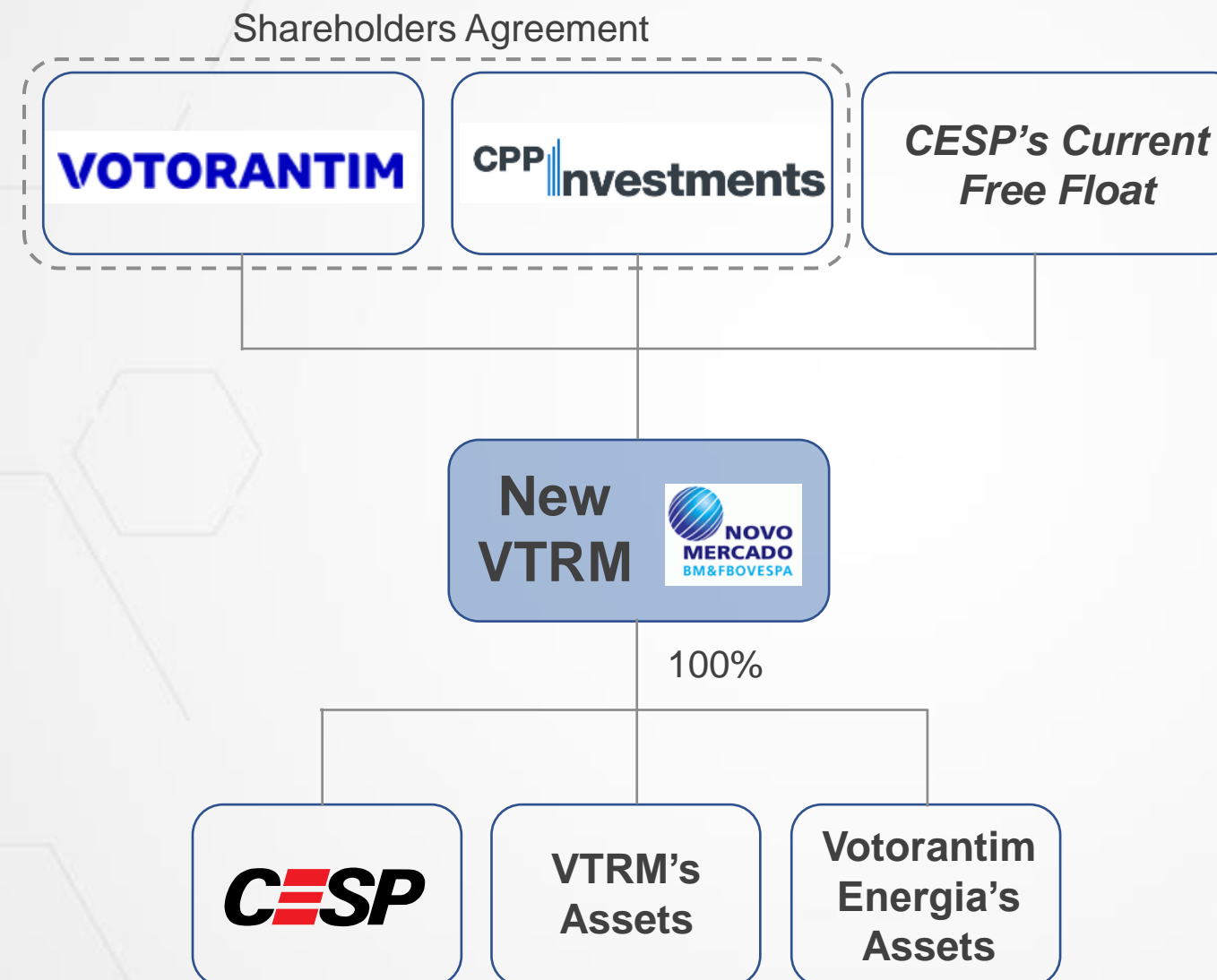
Transaction will be carried out following the procedures established by CVM's instruction (*Parecer de Orientação 35*):

## Independent Committee

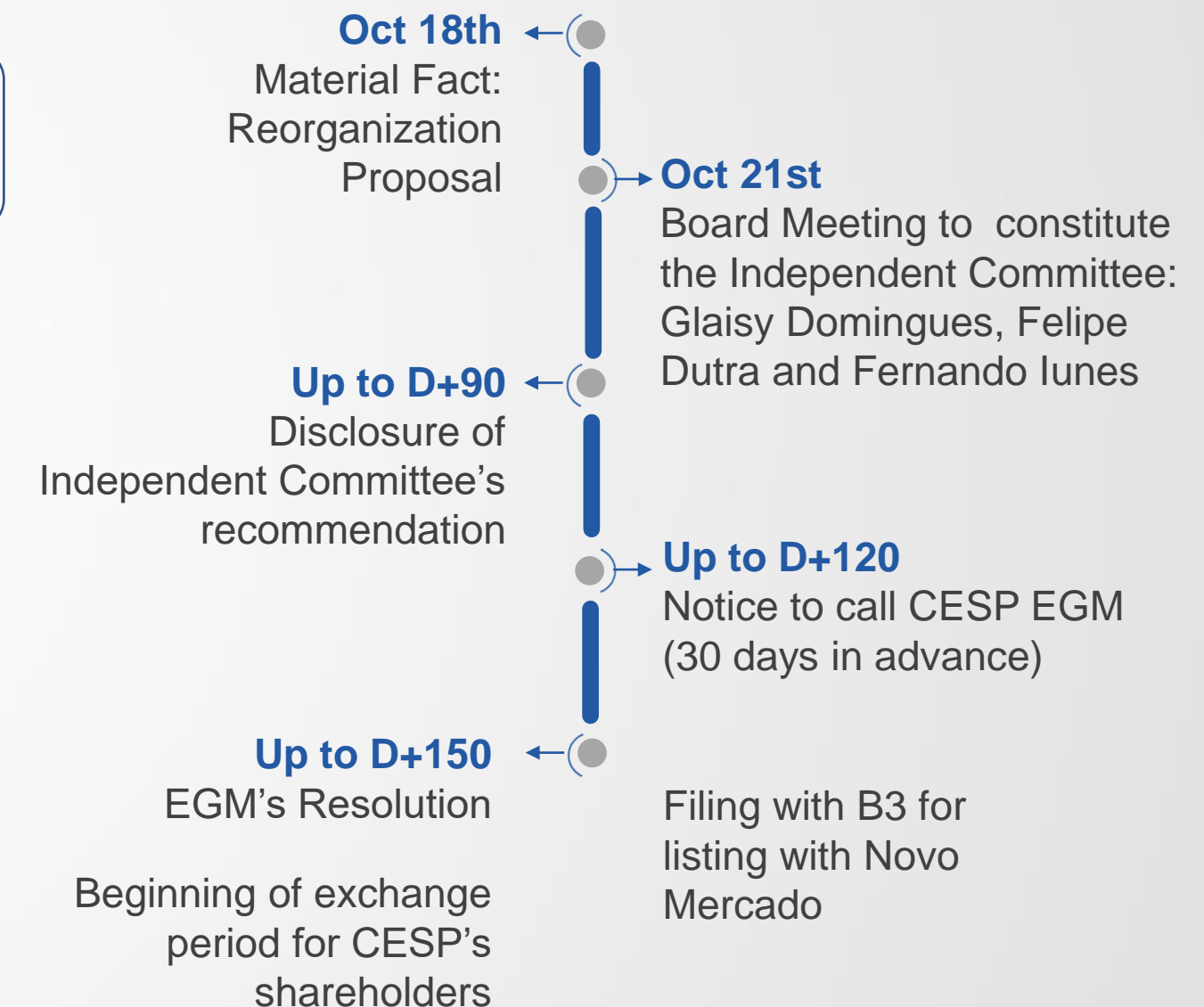
The **Independent Committee** will assess the merits and considerations of the proposed transaction vs. stand alone CESP

The **Independent Committee** will have access to all relevant information and a robust suite of diligence in support of the proposed transaction

## Post Transaction Shareholder Structure



## Timeline and Next Steps



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# Closing Remarks

## CESP 3Q21

### PORTFOLIO ACTIVE MANAGEMENT

- Positive results of the portfolio hedge strategy to mitigate the hydro crisis impact
- Growth of energy contracting from 2024-2026, with competitive prices

### CONTINGENT LIABILITY DE-RISKING

- Relevant advance in the reduction of contingent liabilities due to judicial settlements and revision of estimates based on the progress of proceedings

### REORGANIZATION PROPOSAL

- Creation of a platform in the sector with a diversified base of renewable generation assets and important growth avenues
- Proposal will be analyzed by the Independent Committee and submitted to the approval of shareholders at the highest level of governance



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## Institutional Investor

### #1 BEST IR PROGRAM

2021 LATIN AMERICA EXECUTIVE TEAM -  
ELECTRIC & OTHER UTILITIES

