RESULTS

3Q21

Conference Call

October 27, 2021
(in Portuguese with simultaneous translation into English)
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São Paulo, October 26, 2021: CESP - Companhia Energética de São Paulo ("CESP"), (B3: CESP3, CESP5 and CESP6) discloses its results for the third quarter of 2021. The information was prepared in accordance with International Financial Reporting Standards ("IFRS") and accounting practices adopted in Brazil, except where stated otherwise.

CONTENTS

3Q21 RESULTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

(R$ mil)	3Q21	3Q20	Δ	9M21	9M20	Δ
Gross operating revenue	649,413	536,256	21%	1,880,027	1,622,023	16%
Net operating revenue	572,063	470,527	22%	1,654,111	1,416,599	17%
Gross operating result	822,094	157,560	-	1,195,752	596,241	101%
Cost and expenses[1]	178,331	(337,023)	-	(423,806)	(776,374)	-45%
EBITDA	861,278	228,880	-	1,536,415	935,872	64%
Adjusted EBITDA[2]	143,481	235,952	-39%	647,590	859,399	-25%
Adjusted EBITDA margin	25%	50%	-25 p.p.	39%	61%	-21 p.p.
Net income	395,323	(58,525)	-	492,992	133,086	-
Net debt	1,577,687	1,099,463	43%	1,577,687	1,099,463	43%
Net debt/EBITDA LTM	0.9x	0.8x	0.1x	0.9x	0.8x	0.1x
Net debt/ adjusted EBITDA[1] LTM	2.0x	1.0x	1.0x	2.0x	1.0x	1.0x

- Net revenue in 3Q21 rose 22% to BRL572 million, driven mainly by the growth in trading operations by CESP Comercializadora and by higher average sale prices.
- Adjusted EBITDA of BRL143 million in 3Q21, down 39% on the same period of 2020, explained mainly by water crisis impacts that adversely affected operating margins.
- Operating cash flow after debt service of BRL152 million in 3Q21, representing a cash conversion ratio[3] of 106%.
- Reduction in total contingent liabilities before monetary and interest adjustments, of BRL1.5 billion compared to June 2021, excluding BRL336 million in probable contingencies, due to the settlement of lawsuits, revisions of estimates based on the evolution of lawsuits and favorable court decisions.
- Net income of BRL395 million in the quarter, mainly due to the positive impact from the GSF renegotiation.

[1] Costs and expenses are positive in 3Q21 due to the reimbursement related to the GSF renegotiation of Paraibuna and Porto Primavera HPPs, totaling BRL782 million.
[2] Adjusted EBITDA excludes allowance for litigation, write-off of judicial deposits and GSF renegotiation net of impairment
[3] Cash conversion ratio = OCF after debt service / Adjusted EBITDA

MESSAGE FROM MANAGEMENT

Renewable energy is being more highly valued and figuring at the center of business decisions, which creates new challenges and opportunities. Around the world, the need is mounting for renewable clean energy that drives progress in various sectors of the economy and a more sustainable future. This promising path, from which there is no return, demands strategies and investments.

In this context of constant evolution, the announcement via a Material Fact that CESP had received from VTRM a proposal for a corporate reorganization aiming to create one of the leading publicly traded companies in Brazil's power industry is another important milestone for our transformation. This proposal will be analyzed, evaluated, negotiated by an independent committee already in place and submitted for approvals to shareholders as part of our governance process, in addition to the approvals by the necessary regulatory agencies.

Regarding the third quarter of this year, we observed a highly challenging hydrologic scenario in the country with the worst dry season (April to September) since 1931. Faced with this scenario, CESP anticipated and took advantage of windows of opportunity in the market to acquire all the energy required to ensure its energy balances of 2021 and 2022.

On the commercial front, CESP has been working to seize opportunities in future energy sales, mainly as from 2024. This quarter, we advanced in our go-to-market strategy, which aims to expand and diversify the client base to reduce costs and maximize results.

In the management of contingent liabilities, we remain focused on the resolution, through judgements and negotiations, of our legal suits' portfolio, seeking ways to continually mitigate risks. In June 2021, we launched a digital agreement platform, in partnership with Getúlio Vargas Foundation (FGV), to pursue agreements on the lawsuit filed by the potters of the city of Panorama against CESP and achieved total adherence of 25% of plaintiffs. We ended 3Q21 with total contingent liabilities of R$9.2 billion, which represents reductions of R$1.5 billion in total[4] contingent liabilities and of R$336 million in probable contingent liabilities, which were achieved mainly through legal settlements, revisions of estimates and favorable court rulings.

Also, this quarter, Paraibuna and Porto Primavera HPPs accepted the terms of the GSF negotiation, resulting in a compensation recognition of BRL782 million this quarter and a concession extension of 15 months and 7 years, respectively. Another highlight was the approval of the Vivest's pension plan migration process by Previc. With this, CESP already intensified the communication about the subject and started the roadshow with the beneficiaries.

Adjusted EBITDA in the quarter came to BRL143 million, down BRL92 million from the prior-year period, which is basically explained by the water crisis, increasing the energy

[4] After monetary adjustment.

purchase need, mainly due to the worsening in GSF in the period and the increase of energy prices in the market.

CESP reaffirms that it continues to work diligently and transparently in the management of its business with the aim of finding the best way to meet the demands of the market, which is in constant transformation. We are ready to meet the challenges of the energy transition in the market, while paving a path to growth with a diversified portfolio and innovative solutions in energy trading.

We are proud of the path that we are traveling at this moment and take this opportunity to thank everyone who has accompanied us on this journey and supported our constant progress with the creation of new opportunities to create value.

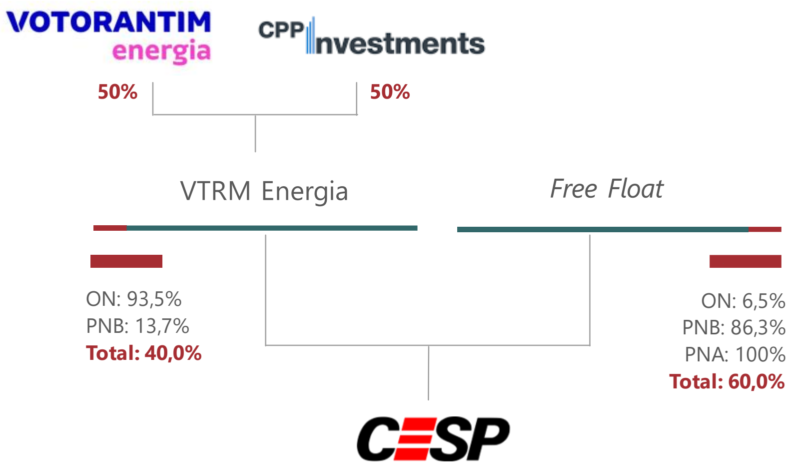
MARIO BERTONCINI
Chief Executive and Investor Relations Officer

MARCELO DE JESUS
Chief Financial Officer

COMPANY PROFILE

CESP is a power generation company created in 1966 by the São Paulo State Government from the merger of 11 electricity companies based in the state.

On October 19, 2018, the auction of CESP shares was won by VTRM Energia Participações S.A., a partnership between Votorantim Energia with the Canadian fund Canada Pension Plan Investment Board (CPP Investments). On November 11, 2018, after executing the Share Purchase and Sale Agreement with the São Paulo State Government, CESP became a company controlled by the private sector.



GENERATION COMPLEX

PORTO PRIMAVERA

Capacity	1,540 MW
Physical Guarantee	887 MWavg
Concession*	Apr/49
Location	Rosana (SP)
Reservoir area	2,040 km²
Dam extension	10.2 km
Generating units	14
Start of operation	1999

*contract signed in April 2019 and extension granted in Sept/21

PARAIBUNA

Capacity	87 MW
Physical Guarantee	48 MWavg
Concession*	Sept/21
Location	Paraibuna (SP)
Reservoir area	177 km²
Dam extension	0.5 km
Generating units	2
Start of operation	1978

*extension granted in Mar/21 and final extension granted in Aug/21

As decided in a meeting of the Board of Directors of CESP held on June 28, 2019, the company opted not to renew its concession for the Jaguari HPP, which represented less than 2% of its total assured energy. After the asset's concession period expired, in May 2020, CESP operated the plant on a temporary basis until December 31, 2020, when it was transferred to the new operator designated by the Ministry of Mines & Energy, pursuant to MME Ordinance 409/2020.

In 3Q21, the concession extension periods for the Paraibuna HPP and the Porto Primavera HPP were approved. Regarding the Paraibuna HPP, the extension was confirmed for 451 days, equivalent to an additional 15 months. For the Porto Primavera HPP, the extension approved was 2,555 days, equivalent to 7 years, the legal limit. For more details on this topic, read the Regulatory Matters section of this Earnings Release.

OPERATING PERFORMANCE

GENERATION

(MWavg)	3Q21	3Q20	Δ	9M21	9M20	Δ
Porto Primavera	683	958	-29%	758	992	-24%
Paraibuna	67	61	9%	37	35	5%
Jaguari	-	21	-	-	10	-
Total	**750**	**1,040**	**-28%**	**795**	**1,038**	**-23%**

Power generation at the plants operated by CESP in 3Q21 came to 750 MW average, down 28% from 3Q20 (1,020 MW average). The reduction remains associated with the effects from the water crisis that mainly affected the Paraná River Basin, where the Porto Primavera HPP is located. In 9M21, generation reached 795 MW average, down 23% from 9M20 (1,036 MW average).

In 3Q21, the water shortage observed, especially in Brazil's Southeast, continued, where inflows registered the lowest level ever in the historical series. The scenario led regulators to implement a series of measures to maintain the governability of water operations in the Parana River Basin during the drought. For more details on the subject, see the "Regulatory Matters" section of this document.

Note that the Porto Primavera HPP is located at the end of the cascade of reservoirs on the Paraná River, downstream from the Jupiá HPP and upstream from the Itaipu HPP. The three plants operate under a run-of-the-river regime, which means that they do not have significant capacity to regulate the flows in their reservoirs. Therefore, their power generation depends on flows from the hydropower plants located upstream. In the case of the Paraná River Basin, the main reservoirs are those associated with the Ilha Solteira and Três Irmãos HPPs. This reservoir cascade configuration means that the reduction in flows at run-of-the-river plants helps to preserve water stocks in the reservoirs located upstream of such assets.

For the Paraibuna HPP, the plant's generation schedule is based on the control of flows from the Paraiba do Sul River Basin, with the National Electricity System Operator (ONS) determining the flow of the plants in cascade configuration to meet the basin's water restrictions. In 3Q21, the ONS increased the generation of plants located in the headwaters of the Paraíba do Sul River Basin (including the Paraibuna HPP) due to the reduction in the river's natural flow caused by the onset of the dry season to complement the flow of the river to meet said needs.

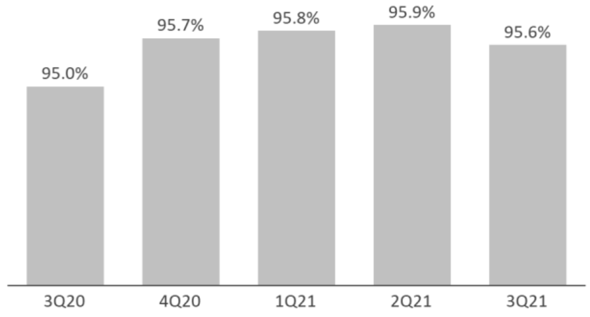
AVAILABILITY

In 3Q21, the plants operated by CESP registered an average availability factor of 95.6%, slightly lower than in 2Q21 (95.9%) and 0.6 p.p. higher than in 3Q20 (95.0%). This change in plant availability is related to the realization of preventive maintenance activities, in line with the preventive maintenance plan for the Company's equipment.

According to National Electric Energy Agency (ANEEL) Resolution 614/2014, if the availability factor of a hydroelectric plant included in the Energy Reallocation Mechanism ("MRE") is below the reference availability factor used to calculate its respective physical guarantee, the plant will be subject to the application of a physical guarantee reduction mechanism. As such, the factor becomes the key indicator for evaluating the performance of hydroelectric plants and the main monitoring tool for mitigating the risks of operating impacts on commercial commitments.

The availability factors of CESP's plants remain significantly higher than the references defined by ANEEL and have remained relatively stable, after several straight quarters of increases, demonstrating the quality operations and maintenance of the operational assets and the effective management of operational risks.

AVAILABILITY FACTOR[5]
(60-month moving average - %)

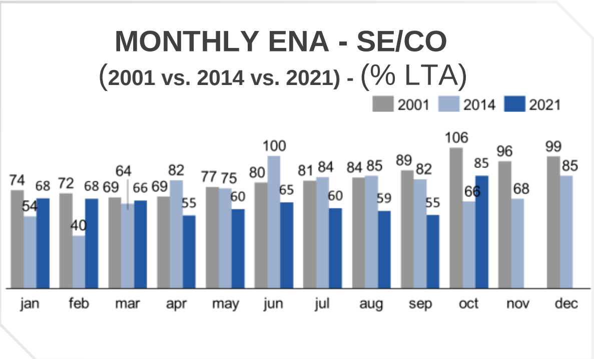


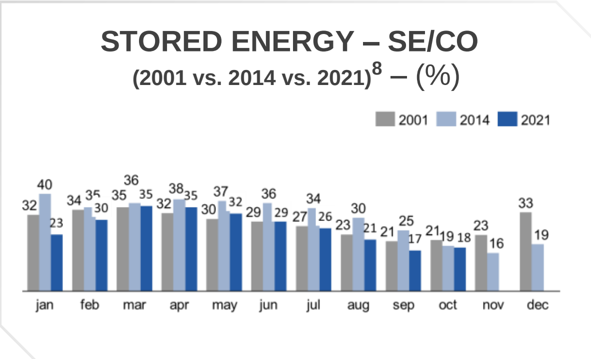
[5] The availability factor is calculated using the Equivalent Forced Outage Rate ("TEIFa") and the Equivalent Scheduled Outage Rate ("TEIP"), regulated by ANEEL.

COMMERCIAL PERFORMANCE

ENERGY MARKET

The third quarter of 2021 was marked by a continuation of critical hydrologic conditions. The combination of record low inflows, culminating in low reservoir levels, with signs of an economic recovery translating into stronger demand for electricity, continued to have significant impacts on the energy market in the quarter. As such, in September 2021, reservoirs in the Southeast/Midwest subsystem (“SE/CO”)[6] registered around 17% of maximum storage capacity, which is the lowest level for this period of the year since 2001. The performance of Natural Inflow Energy (“ENA”)[7] for the SE/CO submarket is the worst in the 91-year data series for the January-September period and below the amounts registered in other years with adverse water conditions, such as 2001 and 2014. The situation is due the atypical precipitation regime since the end of 2020.





Given this challenging scenario, some important measures have been taken and monitored by the Exceptional Water & Energy Management Rules Chamber (“CREG”), such as: dispatching thermal power plants outside of merit order, increasing energy imports, voluntary demand reduction, capacity reserve contracting, place of specific tariff to hydro deficit and adjusting operating restrictions associated with water's multiple uses and conducting campaigns to raise awareness on water consumption to mitigate the potential risks of deterioration in hydrologic conditions and guarantee the governability of the system.

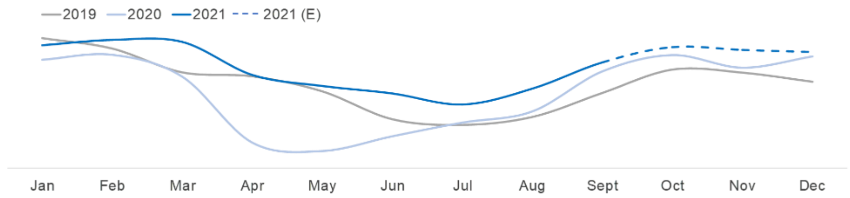
Another important aspect to consider is demand for energy in the coming periods. Currently, the ONS estimates an increase in demand for 2021 of 4.2% in relation to 2020. However, in the first nine months of 2021, demand for energy was around 6% higher than in the same period of 2020, reflecting the impacts from Covid-19 on consumption in 2020.

[6] With around two-thirds of the total storage capacity of the SIN and as the submarket with the highest energy consumption, the Southeast/Midwest storage is one of the most important indicators for evaluating load supply capacity.
[7] ENA: Natural Inflow Energy; LTA: Long-Term Average (average in 1931-2019); Partial data up to October 25, 2021.
[8] Source: National Electricity System Operator (ONS) and Energy Research Company (EPE) – Energy corresponding to storage in the Southeast Subsystem (% of submarket capacity) for the last day of each quarter; Partial data up to October 25, 2021.

To mitigate risks and ensure balance between energy supply and demand, programs for voluntary reductions in energy demand were established in the free and regulated markets.

For the free market, the MME issued Ordinance no. 22/2021 implementing a program that provides for the payment of financial compensation to large energy consumers willing to reduce consumption. For the regulated market, the CREG established, via Resolution no. 2/2021, a program offering financial bonuses to consumers who reduce consumption by between 10% and 20% from September to December 2021 in relation to their average consumption in the same period of 2020.

LOAD - SIN[9]
(GWm)



GWavg													Total
2019	73	72	69	69	67	64	63	64	67	69	69	68	68
2020	71	71	69	61	60	62	63	65	69	71	70	71	67
2021	72	73	73	69	68	67	65	67	70	72	72	72	70

Considering the context presented, the impacts on energy price and Generation Scaling Factor (GSF) were evident. The average energy price (Spot Price – "PLD") in the SE/CO submarket reached BRL582/MWh in 3Q21, the upper price limit established for the year, which is 535% higher than in the same period of 2020 (BRL92MWh). There was additional deterioration in the GSF that, according to the Energy Trading Chamber ("CCEE"), is estimated at 73.5% for 2021 (estimate as of October 25, 2021).

ENERGY BALANCE MANAGEMENT

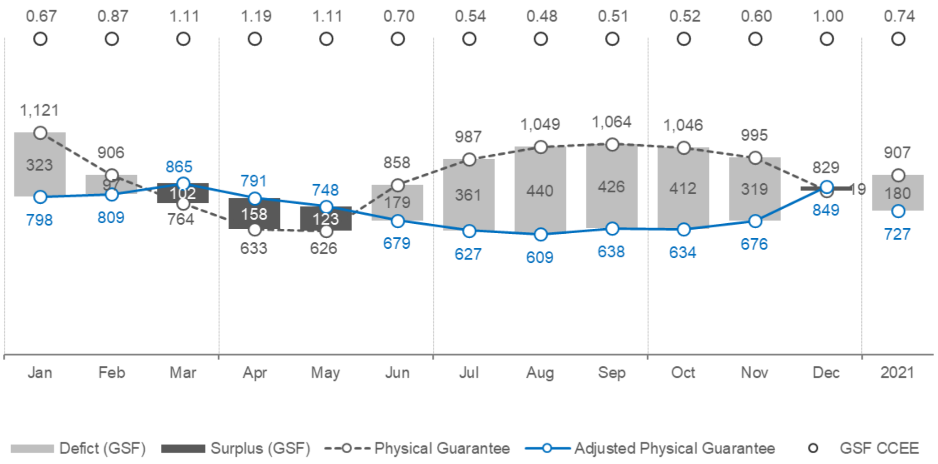
The Company's strategy for managing its energy balance is based on detailed planning and proactive management with strong discipline in energy trading execution with the aim of maximizing value creation and mitigating the GSF.

Due to revisions to the physical guarantee of the Porto Primavera HPP arising from the privatization process and the negative effect from GSF, the Company reported an energy balance with a structural deficit for 2021 and 2022, which is being systematically equalized.

The deterioration in GSF in 2021 led to an increase in the Company's exposure, particularly in the second half of 2021.

[9] Source: ONS, PMO report of October. Considers preliminary data for September 2021.

GROSS PHYSICAL GUARANTEE & ADJUSTED PHYSICAL GUARANTEE
(MW average)

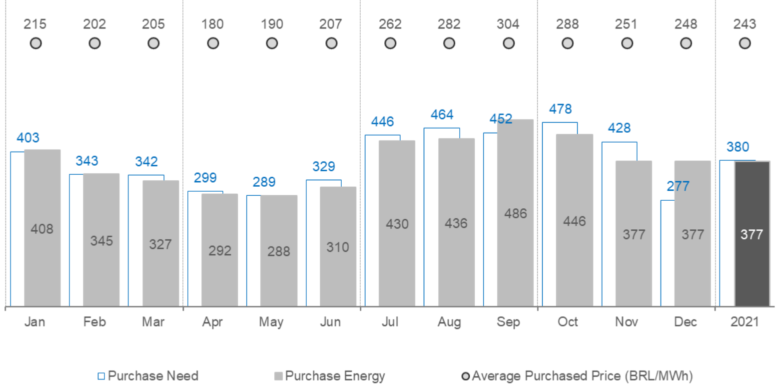


Given this scenario, the Company took advantage of windows of opportunities in the market to acquire the energy needed to equalize at this moment the energy balance for 2021. It acquired 377 MW average of energy, up 19% from end-2020 (317 MW average), and practically stable in relation to the balance in 2Q21 (371 MW average), which considered a GSF of 72.8%.

The annual average energy purchase price currently stands at BRL243/MWh, up 19% from the purchase price in 2020 (BRL204/MWh) and 2% higher than the purchase price in 2Q21 (BRL239/MWh).

To equalize the energy balance in 3Q21, the Company purchased 450 MW average, 15% less than in 3Q20 (392 MW average) and practically stable in relation to the balance reported in 2Q21 (442 MW average). The average purchase price of the 450 MW average of energy purchased for 3Q21 is BRL284/MWh, 41% higher than the price paid for energy for 3Q20 (BRL201/MWh).

ENERGY PURCHASE
(MW average)



Since optimizing energy balance management requires considering aspects other than energy purchased, the table below presents the explanation and impact of each of these aspects on the energy purchase price:

(R$/MWh)	IS	2021	2020
Energy price	Cost	243	204
(-) Spot[10]		-5	-
(-) GFOM	Revenue	-22	-6
(+/-) Surplus energy sale	Revenue	-17	-37
(+) Renegotiation Premium	Revenue	+8	+7
Adjusted energy price	**-**	**206**	**168**

Generation outside of merit order ("GFOM"): authorized by the Electricity Sector Monitoring Committee ("CMSE"), GFOM permits the ONS to dispatch thermal power plants that under the original planning would not be used according to the merit criteria, for having costs above the Marginal Operation Cost ("CMO"). Dispatch decisions are the responsibility of the ONS, which constantly evaluates hydrologic conditions, reservoir levels and flow expectations to ensure the system's security. Since October 2020, the CMSE is authorizing GFOM.

For hydropower agents: since GFOM is not provided for in the price and operation formation models, ANEEL Resolution 784/2017 establishes financial compensation that corresponds to the amount of energy that the plant did not generate due to the CMSE's decision to prioritize dispatch outside of merit order based on their participation in the Energy Reallocation Mechanism ("MRE"). This compensation, which is paid monthly to agents, corresponds to the difference between the PLD at the moment of displacement and a reference price ("PLDx"), currently at BRL158.68/MWh. PLDx is the price associated with the generation opportunity cost arising from the incremental storage in reservoirs. Since it is a purely financial operation with the CCEE, no energy volume is linked to it.

For consumers (regulated and free markets): the financial compensation of agents is charged through the System Service Fee ("ESS"). For free consumers, the charge is collected monthly upon settlement of the Short-Term Market ("MCP") by the CCEE. Meanwhile, for consumers in the regulated market, this cost is passed through in the tariff revision of their distributor, affecting the next cycle tariff.

Surplus Energy Sale: depending on the updates of GSF internal estimates and on the contractual flexibility of the client portfolio, the Company's energy balance can produce energy surpluses (long position) for sale in certain months of the year. Supported by its market intelligence, CESP identifies the best moments to zero these positions. The financial result of these operations consists of the difference between the acquisition price of this energy, considering a hedge against market volatility, and the energy sale price.

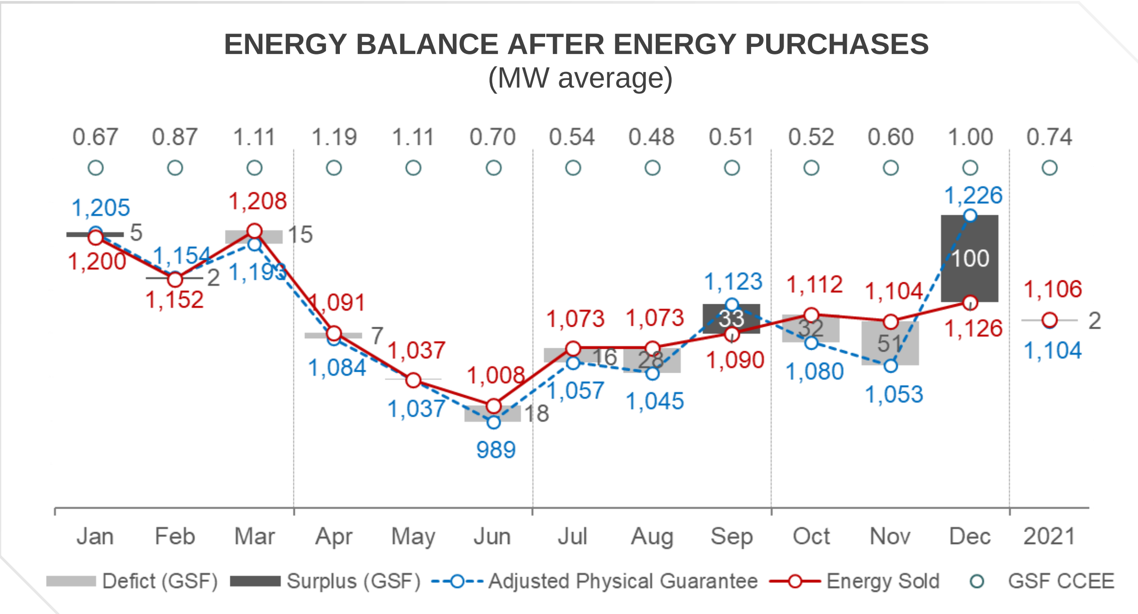
Hydrologic Risk Renegotiation Premium (regulated market): with the publication of the Federal Law 13,203/2015, a window was opened for generators to renegotiate the

[10] 2020 energy price already consider spot adjustment, as presented in 4Q20 earning release.

hydrologic risk of their agreements negotiated in the Energy Contracting Environment ("ACR"). In practice, this means that the physical guarantee allocated to supply these sale agreements is not exposed to GSF. CESP adhered to the agreement in 2016 and, as consideration, pays a monthly premium of BRL13.01/MWh, with this amount established by ANEEL Resolution 684/2015, which is valid until 2028.

Considering the effects from the above-mentioned items, the adjusted average energy purchase price was BRL206/MWh in 2021, up 22.5% from 2020 (BRL168/MWh).

As of the end of the third quarter, the Company's energy balance for 2021 was equalized, as shown in the chart below. The Company maintains a management strategy close to this position to mitigate any effects posed by hydrologic risk scenarios even more challenging than those currently estimated by the CCEE (GSF of 73.5%), since every 1 p.p. of change in GSF corresponds to energy volume of around 7 MW average, which is reduced from the Company's physical guarantee and affects its capacity to meet energy sale agreements.



For 2022, the Company already has purchased 100% of the energy needed to equalize the estimated energy deficit by taking advantage of windows of opportunities and continues to monitor GSF risk and future market opportunities for purchasing energy to maintain a competitive average purchase price and avoid exposure to market volatility.

COMMERCIAL STRATEGY

The Company's commercial area is guided by an integrated energy management strategy based on market intelligence, sales to end customers and trading.

All operations are subjected to meticulous analysis, monitoring of market and credit risks in comparison with pre-established exposure limits and coverage with guarantees based on the counterparty's profile. The Company's market and credit risk management team reports to the Chief Financial Officer, which ensures independent support for decision-making in commercial processes.

SALES TO END CUSTOMERS

Free Market

The Company has been striving to diversify and expand its customer portfolio in order to capture opportunities, mitigate business risks and reduce the carbon footprint of its customers and partners by supplying renewable energy with I-REC certification. In October 2021, CESP reached 1.4 million of I-RECs sold, which refer to the period from 2019 to 2027.

The purchasing strategy for the free energy portfolio is based on two pillars: (i) GSF estimate: part of the physical guarantee is left uncontracted to address the effect from the reduction caused by the GSF; and (ii) market intelligence: the remaining physical guarantee for renegotiation is contracted strategically over the quarters so that the Company can capture the best commercial opportunities in the market and thereby maximize the portfolio's average sales price. The Company's customer portfolio in the free market is increasingly diversified, which helps to mitigate risks.

Contracts in the free market are adjusted for inflation or the U.S. dollar, with some contracts including flexibility clauses, i.e., minimum and maximum limits on seasonally adjusted monthly volumes and on consolidated volume for the year. The energy volume linked to each of these indexers is shown in the energy purchased chart in this section.

Regulated Market

Agreements in the regulated market began in 2009 and 2010 and are valid until 2038 and 2039, with volume of 230 MW average, and are adjusted for inflation.

In 3Q21, the average price in the regulated market (distributors) was BRL263/MWh, an increase of around 6% from 3Q20, mainly due to contractual adjustment clauses, as detailed below. Note that these agreements incorporate energy seasonality and therefore present variations in quarterly volumes.

Start	End	Volume 3Q21 (MWavg)	Initial gross Price (BRL MWh)[11]	3Q21 gross Price (BRL/MWh)[12]
01/01/2009	31/12/2038	78	125	272
01/01/2010	31/12/2039	142	116	258
Total		220	119	263

As mentioned in the Energy Balance Management section of this Earnings Release, to mitigate its exposure to hydrologic risk, CESP renegotiated, in 2016, a total of 230 MW average contracted through 2028 involving contracts in the regulated market related to the

[11] For the first agreement: base date starting June 29, 2006; For the second agreement: base date starting December 12, 2005.
[12] Prices adjusted by the IPCA index.

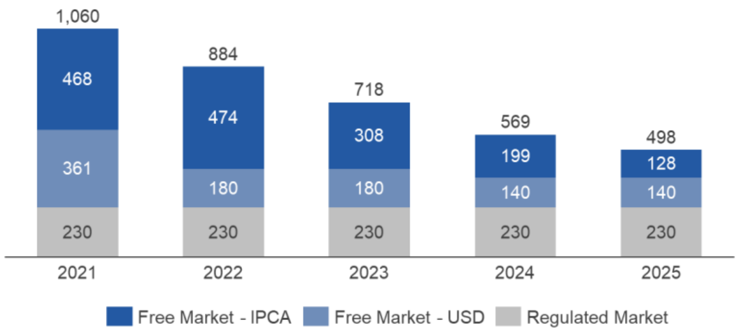
Porto Primavera HPP. As such, this portion of its physical guarantee is hedged against fluctuations in the GSF.

<u>Combined Portfolio</u>

Due to the current adverse hydrologic situation, long-term energy prices remained on an upward trend in 3Q21. Accordingly, this quarter, CESP advanced in the contracted level of the portfolio with energy sales in the free market, mainly between 2024 and 2026. For this period, about 30 MW average of energy was sold in the quarter, with an average price of BRL172/MWh.

CONTRACTED ENERGY PORTFOLIO[13]
(MW average)

	2021	2022	2023	2024	2025
Contracting Level	113%	97%	81%	64%	56%
Price – Portfolio (BRL/MWh)	238	254	232	218	224
Price – Free Market (BRL/MWh)	232	251	217	188	191
Price – Regulated Market (BRL/MWh)	263	263	263	263	263



TRADING

In January 2020, the Company launched through CESP Comercializadora its operations in the energy trading market to optimize further the management of its energy balance, better manage its hydrologic and market risks and improve its commercial strategy by developing new customers, markets and opportunities.

These operations are conducted in the free market and, for the purposes of accounting measurement, meet the definition of financial instruments at fair value ("MtM"), according to CPC 48. The fair value measurement is obtained using a discounted cash flow model that adopts internal assumptions for contracted price, market price and discount rate. The result is presented net of recoverable taxes. The Company has future energy contracts with maturities through fiscal year 2027.

[13] Price on base date of September 30, 2021, without inflation adjustment. The total amount of contracted energy differs from that presented in the energy balance, since the energy balance considers the most recent information on the portfolio, while this chart shows the portfolio at end of quarter.

FINANCIAL PERFORMANCE

NET REVENUE

Net operating revenue in 3Q21 amounted to BRL572 million, an increase of BRL102 million (+22%) from BRL471 million in 3Q20, explained mainly by the following:

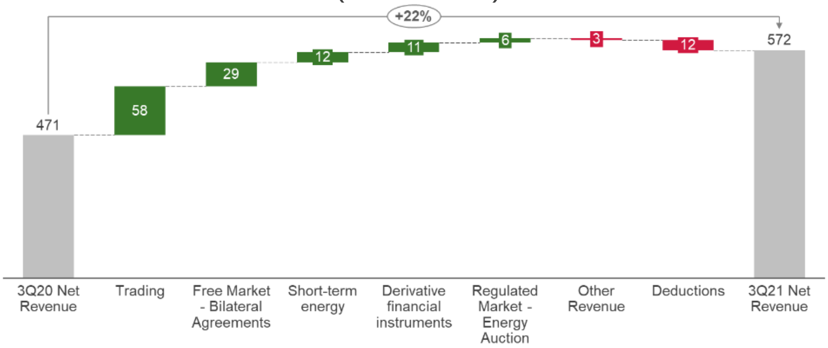
Trading Operations: increase of BRL58 million due to the higher volume and average price of trading operations by CESP Comercializadora, whose revenue in 3Q21 stood at BRL86 million, compared to BRL28 million in 3Q20. This significant increase in prices reflects the period's unfavorable hydrologic conditions.

- **Free Market – Bilateral Agreements:** increase of BRL29 million explained by the higher average price of agreements, with revenue amounting to BRL437 million in 3Q21 vs. BRL408 million in 3Q20.
- **Short-term energy:** increase of BRL12 million due to higher energy sales in this market in 3Q21 compared to 3Q20, for total revenue of BRL28 million in 3Q21 vs. BRL16 million in 3Q20.
- **Derivative financial instruments**[14]: decrease in expenses of BRL11 million due to the slight appreciation in the Brazilian real against the U.S. dollar between periods, with a total expense of BRL30 million in 3Q21 vs. BRL41 million in 3Q20.
- **Regulated Market – Energy Auction:** increase of BRL6 million due to contractual price adjustments, with revenue of BRL127 million in 3Q21 vs. BRL122 million in 3Q20.

These effects were partially offset by:

- **Deductions:** increase in expense of BRL12 million, mainly due to the higher payment of PIS and COFINS, aligned with the growth in sales volume, with total deductions of BRL77 million in 3Q21 vs. BRL66 million in 3Q20.

NET REVENUE – 3Q20 vs. 3Q21
(BRL million)



[14] Derivative financial instruments used by the Company to hedge against exchange exposure of agreements in the free market, indexed to the U.S. dollar (BRL5.6407 on September 30, 2020, vs. BRL5,4394 on September 30, 2021). Source: Central Bank of Brazil.

DERIVATIVE INSTRUMENTS

CESP has power purchase agreements pegged to the U.S. dollar. To mitigate the foreign exchange exposure arising from these agreements, the Company implemented a hedge strategy using Non-Deliverable Forwards ("NDFs") that are booked under hedge accounting. The strategy is designed to protect around 95% of the exchange rate exposure in the period. The following table reflects the position of these derivative instruments on September 30, 2021:

NDFs	Notional (US$ million)	Average forward exchange rate (BRL)	Fair value (BRL million)
2021	43.0	4.40	(45.9)

The fair values of hedge instruments are recognized under shareholders' equity until the expected transaction occurs or is settled. After effective settlement, the gains or losses are recognized under revenue. For more details, see Note 26.3 to the ITR for 3Q21.

OPERATING COSTS & EXPENSES

Operating costs and expenses amounted to BRL1783 million in 3Q21, compared to BRL337 million in 3Q20, decreasing BRL515 million between periods, mainly due to:

- **Hydrologic risk renegotiation:** positive impact of BRL782 million (BRL483 million net of impairment) due to the approval of calculations for extending the concession periods of the Paraibuna (BRL43 million) and Porto Primavera (BRL739 million) HPPs. For more details on this topic, see the Regulatory Matters section of this Earnings Release.
- **Reversal of provision for litigation:** positive impact of BRL218 million, due to the reversal of provisions in the amount of BRL240 million in 3Q21 vs. BRL22 million in 3Q20, with no cash effect. For more details on changes to the Company's contingent liabilities in the period, see the Contingencies section of this Earnings Release.
- **Energy Futures Contracts:** positive effect of BRL11 million in 3Q21 vs. an expense of BRL8 million in 3Q20, for a total positive result of BRL19 million, with no cash effect, mainly explained by the volatility of the assumptions used to calculate the mark-to-market adjustments of operations.
- **Write-off of judicial deposits:** positive impact of BRL19 million in relation to the prior period (BRL5 million in 3Q21 vs. BRL23 million in 3Q20). Note that most of the amount registered this quarter refers to amounts identified in the process of reconciling judicial deposits started last year, in line with the strategy to meticulously analyze existing judicial deposits.

These effects were partially offset by:

- **Energy purchase costs:** BRL405 million in 3Q21 vs. BRL208 million in 3Q20, an increase of BRL198 million, mainly due to:
    - Increase of BRL101 million in energy purchased to equalize the energy balance (free and spot market) due to the still adverse hydrologic scenario in the quarter. The result was an increase in purchase needs (450 MW average in 3Q21 vs. 392 MW average in 3Q20), due to the deterioration in GSF (51% in 3Q21 vs. 66% in 3Q20) and in the average purchase price of this energy of over 40% between periods (BRL284/MWh in 3Q21 vs. BRL201/MWh in 3Q20); and
    - Increase of BRL86 million in purchases for trading operations in 3Q21 (BRL101 million) vs. 3Q20 (BRL16 million), in line with the Company's strategy.

- **Provision for Impairment:** Recording of a provision for impairment in the amount of BRL299 million result of the extension legal limit of 7 years established by the Law no. 14,052/2020, once the value regarding Porto Primavera HPP renegotiation would give an extension superior to the issued limit.
- **PMSO:**
    - Personnel, Materials and Third-party Services (**PMS**): increase in the expense of BRL4 million between periods (BRL38 million in 3Q21 vs. BRL34 million in 3Q20) explained mainly by the increase of BRL8 million in Third-Party Services expenses due to the increase in consulting costs to support strategic projects and studies related to operational safety, which was partially offset by the reduction of BRL5 million in Personnel expenses due to the additional expense with the voluntary dismissal plan in 3Q20.
    - Other net expenses and revenues (**O**): increase of BRL6 million due to non-recurring effects, such as the appropriation of extemporaneous tax credits in 2020, which was partially offset by the sale of properties amounting to BRL4.5 million in 3Q21.
- **Other non-cash effects[15]:** these effects amounted to BRL110 million in 3Q21 vs. BRL95 million in 3Q20, representing an increase in the expense of BRL15 million, mainly due to the increase in amortization expenses between periods due to the Paraibuna HPP's GSF renegotiation with effects since April 2021, start of the extension concession.

Excluding all non-recurring and non-cash effects, operating costs and expenses in 3Q21 amounted to BRL439 million vs. BRL232 million in 3Q20, mainly due to the impact detailed above in the line energy purchases.

Excluding from the analysis only the effect from renegotiation of the GSF (including impairment), total costs and expenses in 3Q21 were BRL304 million vs. BRL337 million in 3Q20, a reduction of 10%.

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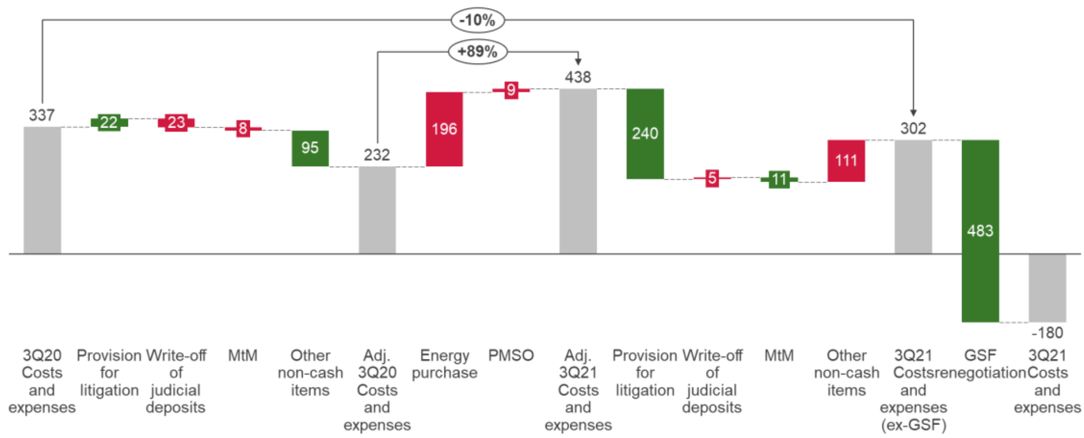
[15] Other non-cash items include depreciation/amortization and provisions for PIS/COFINS for judicial deposits.

COSTS AND EXPENSES[16] – 3Q20 vs. 3Q21
(R$ million)



EBITDA

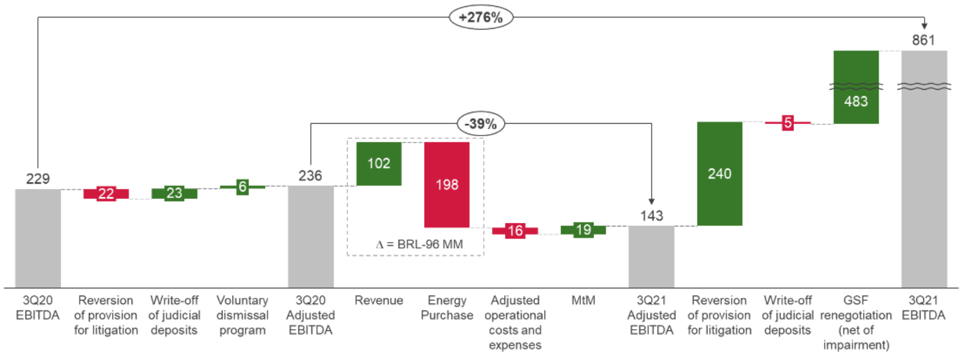
(BRL thousand)	3Q21	3Q20	Δ	9M21	9M20	Δ
Net Income	**395,323**	**(58,525)**	**-**	**492,992**	**133,086**	**-**
Net IR/CSLL[16]	232,637	10,356	-	289,440	121,930	137%
Financial Result	122,434	181,673	-33%	447,873	385,209	16%
= EBIT	**750,394**	**133,504**	**-**	**1,230,305**	**640,225**	**92%**
Depreciation & Amortization	110,884	95,376	16%	306,110	295,647	4%
EBITDA	**861,278**	**228,880**	**-**	**1,536,415**	**935,872**	**64%**
Voluntary dismissal program	-	5,961	-	-	5,961	-
Reversal of provision for litigation	(239,822)	(22,052)	-	(450,631)	(129,240)	-
Write-off of judicial deposits	4,547	23,163	-80%	44,328	46,806	-45%
GSF renegotiation (net of impairment)	(482,522)	-	-	(482,522)	-	-
Adjusted EBITDA	**143,481**	**235,952**	**-39%**	**647,590**	**859,399**	**-25%**
Adjusted EBITDA margin	25%	50%	-25 p.p.	39%	61%	-21 p.p.

Adjusted EBITDA amounted to BRL143 million in 3Q21, with margin of 25%, down 39% from the same period in 2020 (BRL236 million). The variations in adjusted EBITDA are mainly explained by: (i) the reduction in operating margin in the period of BRL96 million due to the still adverse hydrologic conditions in the period, which affected the volume and price of energy purchases; (ii) the increase of BRL9 million in PMSO explained mainly by the higher expenses with third-party services in the period.

[16] 3Q21: Net IR and CSLL resulting from a reversion of BRL27 million of current tax and BRL260 million of deferred tax, of which BRL7 million is cash outflow.

The adjustments made in the period were: (i) recognition of BRL483 million related to the renegotiation of the GSF of the Company's plants in the period, net of impairment; and (ii) the reversal of the provision for litigations in the amount of BRL240 million; with these effects partially offset by (iii) the write-off of judicial deposits in the amount of BRL5 million.

EBITDA[17] – 3Q20 vs. 3Q21
(BRL million)



FINANCIAL INCOME (EXPENSE)

(BRL thousand)	3Q21	3Q20	Δ	9M21	9M20	Δ
Financial revenues	**10,348**	**6,550**	**58%**	**22,044**	**25,004**	**-12%**
Financial expenses	**(132,782)**	**(188,223)**	**-29%**	**(469,917)**	**(410,213)**	**15%**
Debt charges	(23,274)	(18,185)	28%	(63,048)	(64,552)	-2%
Monetary update of debentures	(39,116)	(4,769)	-	(109,608)	(4,769)	-
Funding costs	-	(14,465)	-	-	(14,465)	-
Balance update of provision for litigation	(17,146)	(110,651)	-85%	(145,404)	(226,443)	-36%
Write-off of judicial deposits	(5,957)	(5,874)	-1%	(7,789)	(21,907)	-64%
Balance update of post-employment benefits	(39,530)	(14,906)	165%	(118,591)	(44,717)	165%
Other finance costs	(7,759)	(19,373)	-60%	(25,477)	(33,360)	-24%
Financial revenues	**(122,434)**	**(181,673)**	**-33%**	**(447,873)**	**(385,209)**	**16%**

In 3Q21, the Company registered a net financial expense of BRL122 million, compared to a net financial expense of BRL182 million in 3Q20. The decrease in the quarterly comparison is mainly due to:

- **Adjustment of balance of provision for litigation:** decrease of BRL94 million, due to the significant reduction in the provision for contingent liabilities between periods (BRL1.3 billion in 3Q21 vs. BRL1.8 billion 3Q20) and the decrease in IGP-M in the

[17] Adjusted Operating Expenses considers total operating expenses less provision for litigation, write-offs of judicial deposits, depreciation, amortization, energy purchases, renegotiation of GSF net and future energy agreements ("MtM adjustments").

period (0.80% in 3Q21 vs. 9.31% in 3Q20) amounting to BRL17 million in 3Q21 vs. BRL111 million in 3Q20; with this effect partially offset by:

- **Debt charges and inflation adjustment of debentures:** increase of BRL39 million due to the increase in the indexers (CDI: 5.15% in 3Q21 vs. 1.98% in 3Q20; IPCA: 9.64% in 3Q21 vs. 2.63% in 3Q20) used to calculate the remuneration and inflation adjustment of the Company's debentures, for a total expense of BRL62 million in 3Q21 vs. BRL23 million in 3Q20.
- **Adjustment of post-employment benefit balance:** expense of BRL40 million in 3Q21 vs. BRL15 million in 3Q20, an increase of BRL25 million, explained mainly by adjustment of the balance of actuarial liabilities of the pension plans sponsored by the Company and the effects of the partial early settlement of the 11th debenture issuance (premium and funding costs) in 3Q20. For more details, see the section "Pension Plan – Vivest" in this document.

INCOME TAX (IR) & SOCIAL CONTRIBUTION (CSLL)

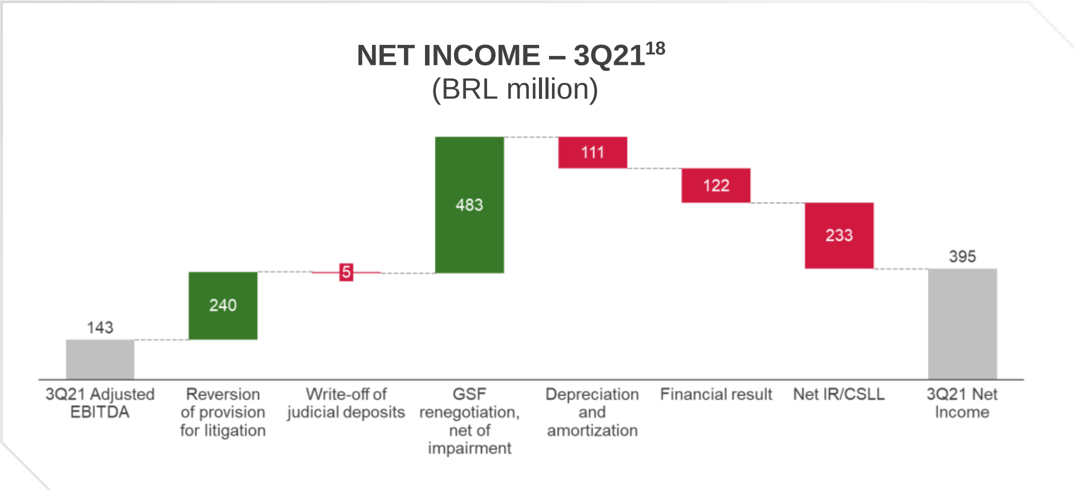
Income tax and social contribution (IR and CSLL) ("taxes") in the year includes current and deferred taxes. Taxes are calculated on an accrual basis, pursuant to current law. The Company adopts the annual taxable income regime, with payments based on monthly estimates, which could result in a mismatch between the tax calculated and paid, which is adjusted in the annual calculations of IR and CSLL.

The net amount of IR and CSLL in 3Q21 was BRL233 million, with the main impact in the quarter the accrual of deferred IR due to the recognition of intangible assets from the GSF renegotiation and the consequent extension of concession periods of the Company's plants, which are calculated based on the total amount reimbursed (BRL782 million).

Taxes paid in 3Q21 were estimated at BRL7 million (cash basis, considering an effective rate of 37%).

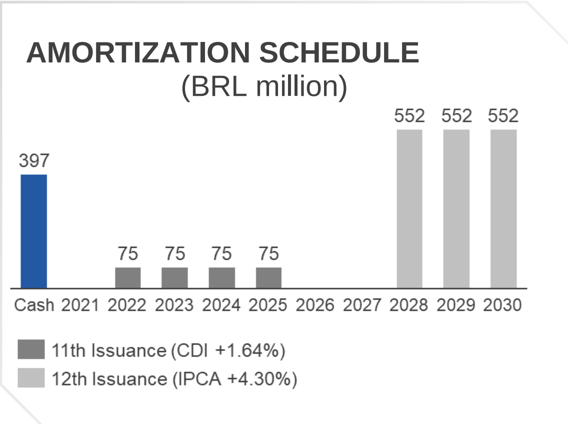
NET INCOME

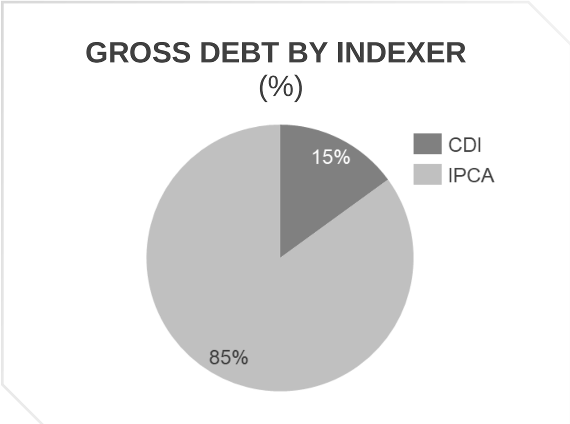
In 3Q21, the Company reported net income of BRL395 million, compared to a net loss of R$58 million in 3Q20. The following chart shows the main factors that influenced net income in the quarter, based on adjusted EBITDA in the period:



INDEBTEDNESS

Gross debt on September 30, 2021, stood at BRL1.9 billion, while the average maturity of consolidated debt was 7.1 years.



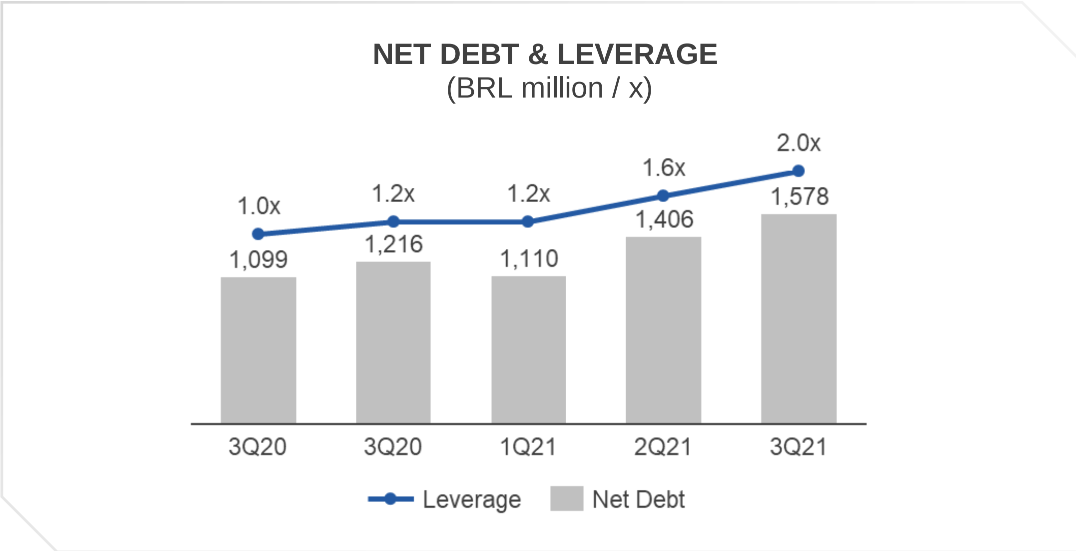


Cash and cash equivalents ended the quarter at BRL397 million, compared to BRL873 million a year earlier and BRL785 million at end-June 2021. Net debt on September 30, 2021, stood at BRL1.6 billion.

LEVERAGE

Leverage, as measured by the ratio of net debt to adjusted EBITDA, ended 3Q21 at 2.0x. This result reflects the effect of the adverse hydro scenario on Adjusted EBITDA and the concentration of payment of partial dividends for 2020 and dividends for 2021 in the last 12 months.

[18] GSF renegotiation net includes impairment.



RATING

On October 22, 2021, Fitch issued a report upgrading CESP's outlook after reviewing the Reorganization Proposal received by the Company on October 18, 2021.

	Rating	Outlook	Revisão
FitchRatings	BB | AAA (br)	Negativo | Estável	Jul/21
STANDARD & POOR'S	BB- | br.AAA	Estável	Mai/21

CAPEX

In 3Q21, the capital expenditures of CESP amounted to BRL0.9 million, which was allocated mainly to the modernization and maintenance of its hydropower plants.

FREE CASH FLOW

(BRL thousand)	3Q21	3Q20	Δ	9M21	9M20	Δ
Adjusted Ebitda	143,481	235,952	-39%	647,590	859,399	-25%
IR/CSLL cash	(6,877)	(23,603)	-71%	(43,033)	(55,511)	-22%
Working capital	50,270	(49,939)	-	69,368	(87,559)	-
CAPEX	(934)	(1,940)	-52%	(4,365)	(10,093)	-57%
Operating cash flow	**185,940**	**160,470**	**16%**	**669,560**	**706,236**	**-5%**
Debt service	(34,485)	(10,137)	-	(72,461)	(57,595)	26%
Operating cash flow after debt service	**151,455**	**150,333**	**1%**	**597,099**	**648,641**	**-8%**
Litigation Payment[19]	(46,713)	(12,359)	-	(75,542)	(57,982)	30%
Funding	-	1,450,167	-	-	1,450,167	-
Amortization	-	(1,500,011)	-	-	(1,500,033)	-
Share Buyback – end of ADR program				(3,332)		-
Dividends	(250,154)	(86)	-	(834,144)	(409,644)	104%
Free cash flow	**(145,412)**	**88,044**	-	**(315,919)**	**131,149**	-
Opening cash balance	542,877	784,549	-31%	713,384	741,444	-4%
Final cash balance	397,465	872,593	-54%	397,465	872,593	-54%

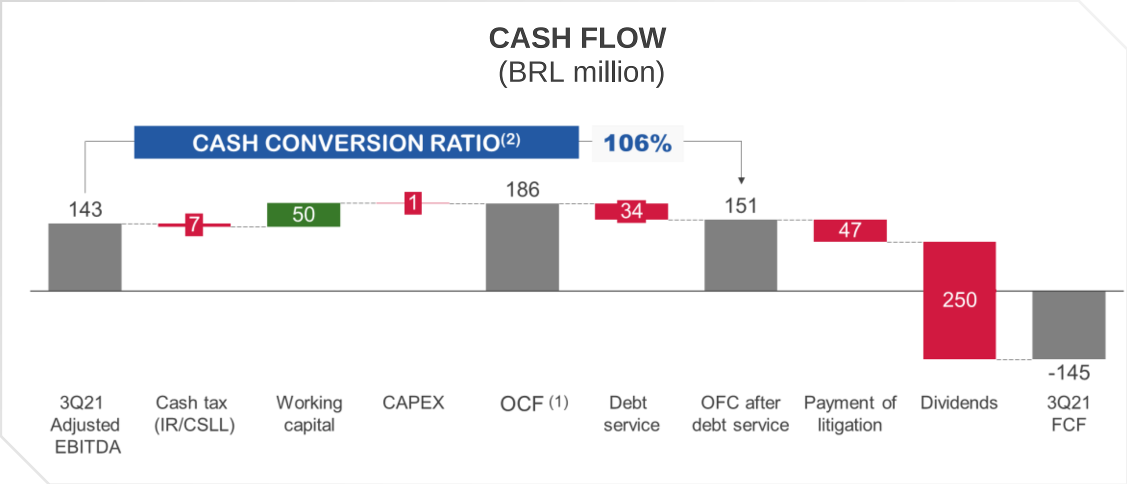
The Company ended 3Q21 with operational cash flow after debt service of BRL152 million, which represents a cash conversion ratio[20] of 106%.

The change in operational cash flow between quarters was mainly due to:

- Working capital: Increase of BRL100 million (BRL50 million in 3Q21 vs. BRL-50 million in 3Q20) explained mainly by the regularization of energy credits balance at CCEE.
- Cash IR/CSLL: Decrease of BRL17 million in disbursements in the period, due to the postponement of payment and temporary mismatch of extemporaneous PIS/COFINS credits in 3Q20, amounting to BRL7 million in 3Q21 vs. BRL41 million in 3Q20.

Free cash flow ended September 2021 at negative BRL146 million, explained by the aforementioned events and by the increase in the dividends distributed in comparison with the prior period in the aggregate amount of BRL250 million, since in 2020 the payment was concluded in October.

[19] Represents the sum of payments of litigation and court agreements.
[20] Cash conversion Ratio = OCF after debt service/Adjusted EBITDA.



RETIREMENT PLAN (VIVEST)

HISTORY & CALCULATION METHODOLOGY

Through Vivest, the Company sponsors retirement plans for its current and former employees. The benefit plans were created in two different types: (i) defined-contribution plans ("DC"); and (ii) defined-benefit plans ("DB").

For DC plans, the Company makes fixed contributions to Vivest and does not generate actuarial deficits[21].

Meanwhile, for DB plans, a fixed retirement amount is established that the employee will receive upon retirement. CESP's most important DB subplan is the Supplementary Proportionate Settled Benefit ("BSPS") created in its current format as a result of negotiations between the Sao Paulo State Government (former controlling shareholder) and trade unions to enable the privatization of energy companies in 1997.

The amounts of actuarial commitments[22] related to the DB plans are calculated annually by an independent actuary with a base date that coincides with the end of the year and are recorded pursuant to CPC 33 (R) / IAS 19 ("CPC 33"), which defines the methodology for booking employee benefits.

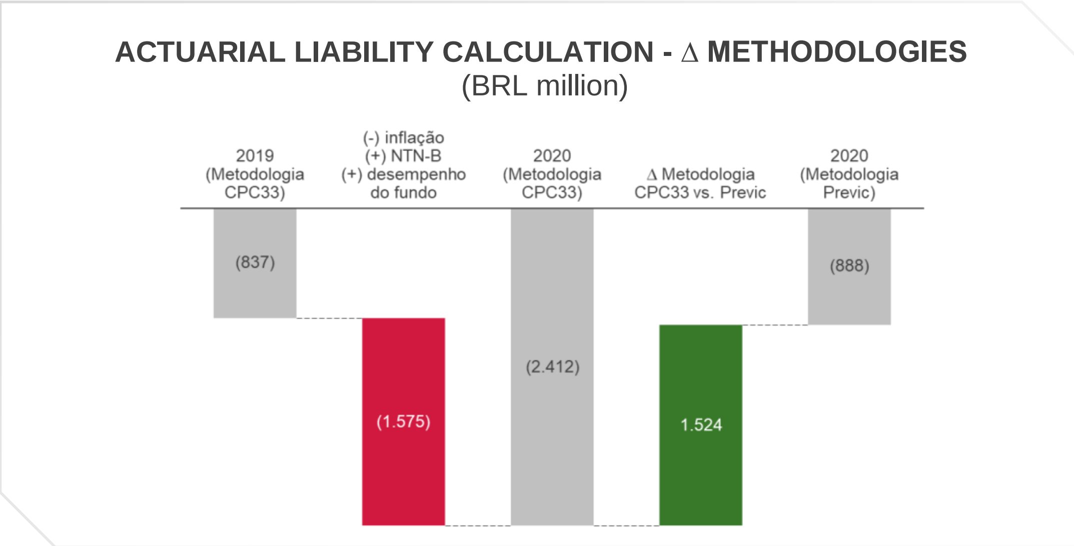
- The liability recognized in the balance sheet is the present value of the benefit obligation on the balance sheet date less the fair value of the assets of the plan; and
- Actuarial gains and losses are recorded directly under shareholders' equity in "Other Comprehensive Income." These actuarial gains and losses are calculated at the end of each year based on the independent actuary's report.

[21] Actuarial deficit: projection indicating that there will be no money enough to cover all retirements and pensions in the future.
[22] Actuarial commitments: contributions, costs, liabilities and/or assets.

In parallel with the accounting evaluation, Vivest calculates the actuarial commitments using the methodology defined by CNPC Resolution 30/2018 and Previc Ordinance 300 of April 12, 2019. This methodology differs from CPC 33 mainly with regard to: (i) the calculation of the actuarial liability; (ii) the definition of the asset; and (iii) the discount rates, with this rate the most significant impact. The methodology used by Previc is used to calculate the actuarial position and, therefore, defines the need for contributions by CESP over time if deficit positions are registered.

CURRENT CALCULATION

In 2020, the effects from inflation and interest on liabilities and the actuarial target had an impact on the accounting fair value. Liability projections were impacted by inflation (IGP-DI decoupling) and partially offset by the positive effect from the increase in the liability discount rate (NTN-B rate).



Note that the deficit does not represent, at this time, a cash liability or impact under either of the calculation methodologies adopted. The calculation is made annually and will be updated in December 2021. If a deficit is verified by the Previc methodology that is above the reference limit amounts, the Company will carry out an equalization plan with contributions to be made over 1.5 times the average term of the plan, totaling around 13 years.

LATEST UPDATES & NEXT STEPS

On June 16, 2020, CESP's Board of Directors approved measures to adapt the Vivest Plans to current market practices, as well as the isonomy and risk mitigation measures inherent to the Vivest Plans, in compliance with applicable procedures and regulations. These mitigation measures include, for example, the optional migration of members from DB to DC plans based on the individual interests of each beneficiary.

On December 10, 2020, the measures were approved also by the board of Vivest, and, on August 30, 2021, the measures were approved by Previc, starting the process of optional migration to be concluded in February 2022. With the approval, the Company started the lectures with the beneficiaries.

After obtaining approval from Previc and the implementing the mitigation measures, the actual deficit amount will be recalculated using the entity's own methodology.

CONTINGENCIES

LAWSUITS AGAINST THE COMPANY

The Company is currently a party to lawsuits that represent a total contingent liability of approximately BRL9.3 billion. In this context, the Company has a robust internal team focused on the management of the litigation liabilities, which includes engaging external legal and financial advisors, in addition to the work carried out by its inhouse team.

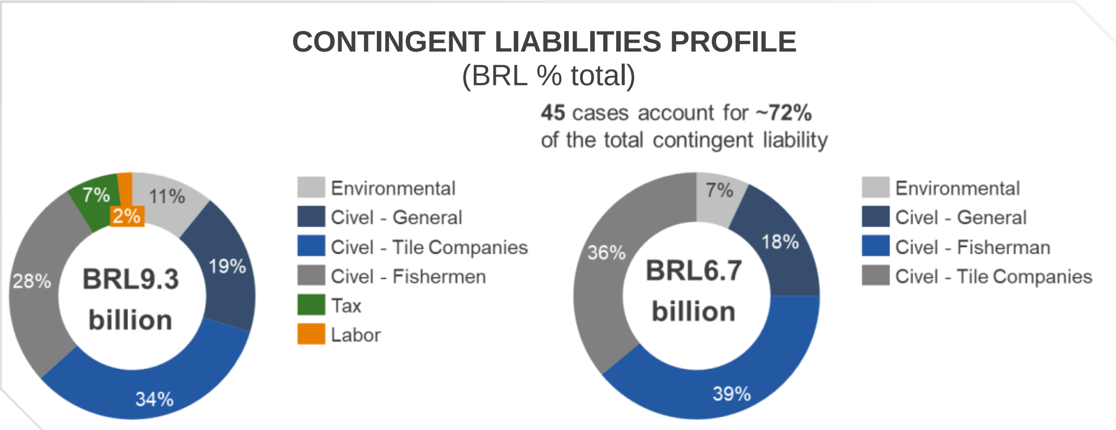
Given the significant volume of litigation liabilities currently booked by the Company, not only the amounts in litigation but also the projected losses applicable to existing lawsuits are constantly reviewed. In addition, as part of its constant efforts to optimize its management and reduce the amount of its legal liabilities, the Company also continues to meticulously prioritize certain lawsuits as "strategic", which are then directly monitored by it and handled by highly reputable and qualified law firms. The remaining litigation portfolio also is given high importance.

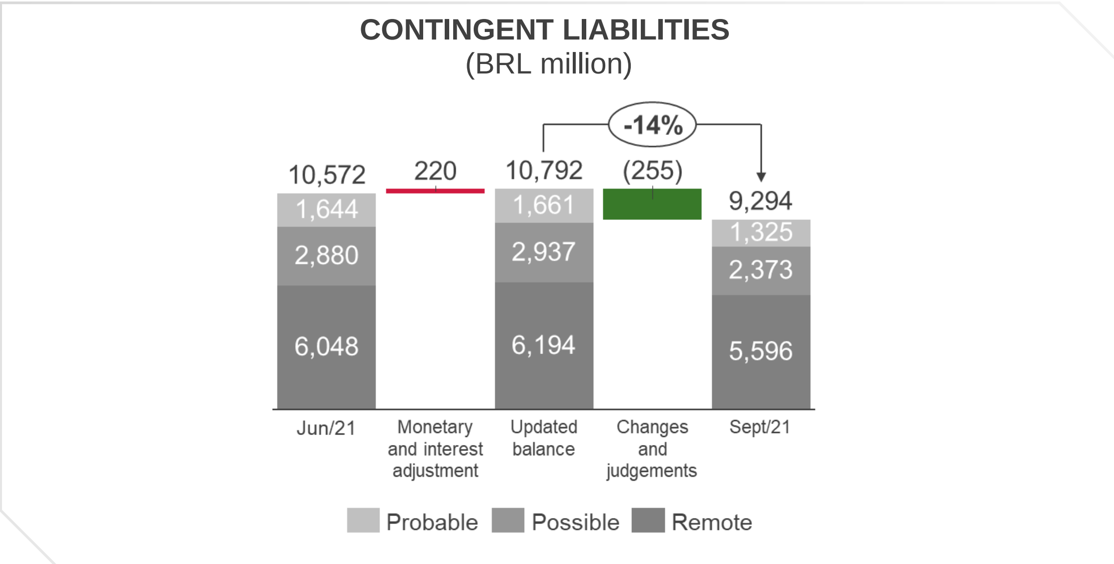
The Company reiterates that the litigation liability amount is subject to constant changes precisely because its measurement is linked to actual progress on the lawsuits. Accordingly, as corporate policy, the Company seeks to reflect in its balance sheet, with the minimum mismatch possible, the current status of its liabilities portfolio (which explains the quarterly variations in the amounts reported in this item).

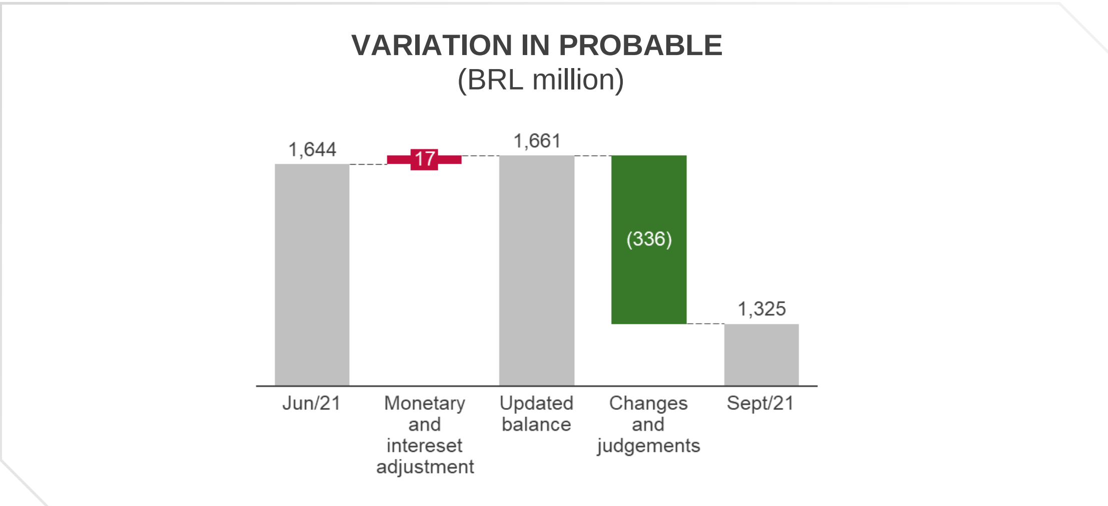
For contingencies arising from lawsuits whose likelihood of loss is considered remote, as already reported in prior quarters, the Company still opts to maintain the historically adopted practice in the preparation of its Financial Statements, disclosing the total amount corresponding to this type of contingency. However, although the Company believes that the reporting of such amounts is appropriate at this time, it also reiterates that the various lawsuits assessed as posing remote risk include obviously groundless claims, whose amount in dispute does not, under any circumstances, represent the financial amount effectively in dispute and that would come due in the event of an adverse court decision.

Lastly, without prejudice to the constant efforts to reduce its litigation liabilities, the Company transparently states that the performance of this process could be adversely affected by any new claims that come to be made or by adjustments to the value of the lawsuits already in its portfolio. In this scenario, the strategy to reduce judicial liabilities continues to include technical and procedural actions as well as preventive actions to reduce the number of lawsuits filed against the Company.

Currently, the strategic lawsuits group contains about 45 lawsuits, which correspond to approximately 72% of the Company's litigation liabilities, as detailed below:







The variation in probable contingent liabilities in relation to the end of the prior quarter is due to the reduction of BRL336 million resulting from the revision of estimates based on the progress on lawsuits and court agreements in the period, notably the agreements related to the lawsuit filed by the potters of the city of Panorama against CESP. For more details on this lawsuit, see item 4.3 of the Reference Form, which is available on the Investor Relations website.

CESP remains alert to opportunities for attractive and reasonable negotiations and settlements to reduce its contingent liabilities, always guided by technical criteria and financial discipline.

TRÊS IRMÃOS LAWSUIT

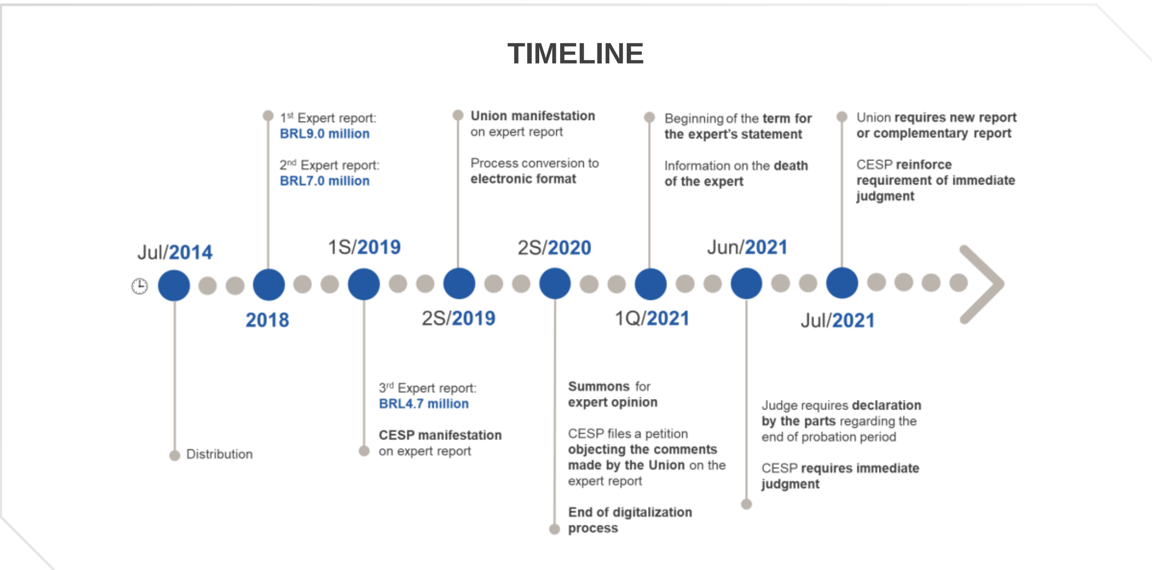
<u>Lower Court Trial</u>

The action that contests the indemnity value for the reversibility of Três Irmãos HPP (case no. 45939-32.2014.4.01.3400) is in the lower court in the evidentiary phase, with discussions on the latest report from the legal expert, who valued the reversible assets at BRL4.7 billion (June 2012 values). The valuation consists of: Plant: BRL1.9 billion; Floodgates and Canal: BRL1.0 billion; Land: BRL1.8 billion.

After statements by the Federal Government and CESP regarding the expert report, on July 10, 2020, an order was issued requesting the expert's opinion on the questions raised by the Government in relation to the report.

In December 2020, the completion of the digitalization of the Três Irmãos lawsuit was certified, and the expert was summoned to provide clarifications on the expert report. The deadline for said statement was 15 business days as from January 28, 2021, therefore on February 19, 2021. However, on February 10, 2021, the death of the expert in question was informed in the records.

For such reason, on June 7, 2021, the judge determined that the parties make statements about continuing the lawsuit. CESP provided a statement requiring the closure of the evidentiary stage and the conclusion of the case for decision. The Federal Government requested in its statement the preparation of a new expert report by specialized professionals in Civil Engineering and Electric Engineering or, alternatively, the preparation of a report to complement the existing one, with the clarifications required by it. Currently, the parties are awaiting the judge’s decision.



REGULATORY MATTERS

HYDRAULIC RESTRICTIONS – PORTO PRIMAVERA HPP

In view of Brazil's persistent hydrologic crisis (especially in the Paraná River Basin, where the Porto Primavera HPP is located) caused by significantly below average precipitation in the main watersheds with hydroelectric plants that are part of the National Interconnected System (SIN), which have suffered the worst hydrologic sequences, with inflows the lowest of the last 91 years, the authorities have been determining, since the end of 2020, measures to ensure the hydraulic governability of the basins, including by reducing the minimum release flows practiced.

In this context, with the Hydrologic Emergency Alert issued by the National Meteorological System (SNM) and the Resolution issued by the National Water and Basic Sanitation System (ANA) declaring the critical water scarcity situation in the Paraná River Basin, as well as the technical studies conducted by the ONS, a set of urgent measures was established for adjusting the water restrictions to be adopted, on an exceptional basis, as an alternative to facing water scarcity and its various impacts, given the risk to compromising power generation to supply the SIN. These measures include adjustments to the flow of the Porto Primavera HPP to 2,700m³/s, on a stable basis, until July 1, 2021, with tests of flow reductions in June 2021, in compliance with MME Ordinance 524/2021, of June 11, 2021, and as approved by the Brazilian Institute of the Environment and Renewable Resources (IBAMA) in the Working Plan for Reducing Release Flow at the Porto Primavera HPP.

During the process of controlled and monitored flow reductions, the minimum rate of 2,900 m³/s was reached, in line with the decision of CREG, with the submission of periodic monitoring reports to IBAMA, as provided for in the Working Plan. The minimum flow rate of the Porto Primavera HPP remained at 2,900 m³/s until August 21, 2021, when the ONS ordered an increase in flow to rates considered normal, which will remain in effect through the end of the quarter.

The flow adjustments were ordered by the Chamber to minimize any worsening in the reservoir storage levels of the hydroelectric plants located in the Southeast and South regions.

In addition to another decision by CREG, CESP conducted a study of a continuation of water flow adjustments in the subsequent rainy season, which was presented to IBAMA, ANA and ONS, and subsequently submitted for evaluation by CMSE.

At the last CREG meeting, held on 10/15/2021, the Chamber decided to receive a referral from the CMSE regarding the permanence of hydraulic flexibilization in the Jupiá and Porto Primavera HPPs in the next wet season, between November/2021 and February/2022. The determination of the CREG will be included in the minutes to be published in due course.

GSF AGREEMENT– CONCESSION EXTENSION

Considering the conditions for renegotiating the hydrologic risk to the plants composing the MRE provided for in Federal Law 14,052/2020, of October 8, 2020 (“Federal Law 14,052/2020”), ANEEL was responsible for regulating the issue to define a methodology for calculating compensation and enabling concession renewal agreements to be signed with the eligible generation agents. ANEEL Resolution (“REN”) 895/2020, of December 3, 2021, was issued for such purpose and, as provided for in Federal Law 14,182/2021, which included changes in the calculation criteria initially established, was changed to REN 945/2021, which provided the basis for the final methodology used to calculate concession extensions.

Accordingly, with regard to the Paraibuna HPP, the final calculation of ANEEL, according to Ratification Resolution 2,919, of August 3, 2021, which was published in the federal register *Diário Oficial* on August 12, 2021, confirmed the 451 days of extension initially estimated by CCEE, equivalent to an additional 9 months. On the same date on which the calculations were disclosed, CESP, as authorized by its Board of Directors on February 11, 2021, sent the adherence instrument to ANEEL, which already has issued opinion on the adherence of CESP through a White Paper (NT 624/2021-SCG/ANEEL), and awaits the issue of the fifth amendment to Concession Agreement 3/2004 by ANEEL, for signatures.

For the Porto Primavera HPP, Ratification Resolution 2,932, of September 14, 2021, which was published in the federal register *Diário Oficial* on September 17, 2021, approved the concession extension of 2,555 days, equivalent to 7 years, which is the limit established in Federal Law 14,052/2020. On the same date, the Company submitted to ANEEL the respective statement of adherence, whose issue was approved by the Board of Directors on March 29, 2021 and is also awaiting the issue of the amendment to Concession Agreement 1/2019 by ANEEL.

Accordingly, with the effective approval by ANEEL of the concession extensions for the Paraibuna and Porto Primavera HPPs, the concession periods end on June 3, 2022, and April 13, 2056, respectively.

Note that the Company is not a party to any lawsuit on the subject and does not owe any amounts related to hydrologic risk, with enforceability suspended under the scope of the financial settlement of CCEE, and that the option for renegotiation did not depend on any cash expenditure or payment of a premium.

SUBSEQUENT EVENTS

The Company received, on October 18th, 2021, from its indirect controlling shareholders Votorantim S.A. (“VSA”) and Canada Pension Plan Investment Board (“CPP Investments” and, together with VSA, the “Controlling Shareholders”) a proposal to consummate a corporate reorganization (“Proposal”).

This Proposal will be analyzed and submitted for approval by its shareholders at the highest level of governance, following the procedures defined by Brazilian Securities and Exchange Commission (“CVM”) Guidance Opinion No. 35, and will undergo approval by regulatory bodies.

On October 21st, 2021, in a meeting of the Company's Board of Directors, the constitution of the Independent Special Committee (“Committee”) was approved, in compliance with the provisions set forth in the CVM’s Guidance Opinion No. 35, which will have the function of negotiating the corporate reorganization Proposal.

The Committee will be composed of the following members: (i) **Ms. Glaisy Peres Domingues**, a member of Company’ Board of Directors, as a member of the Committee elected by the Board of Directors; (ii) **Mr. Felipe Dutra Cançado**, an independent member of Company's Board of Directors, elected to occupy this position in a separate vote, without the participation of the controlling shareholder, by holders of preferred shares, as a member of the Committee appointed by non- controllers and (iii) **Mr. Fernando Fontes Iunes**, as an independent non-management member of the Company, appointed, by mutual agreement, by the directors and members of the Committee, Ms. Glaisy Peres Domingues and Mr. Felipe Dutra Cançado.

All documents related to the Proposal can be found on CESP's IR website (https://ri.cesp.com.br/reorganizacao/).

ESG AGENDA[23]

SUSTAINABILITY PLATFORM

In 2021, the Company continued to roll out the ESG agenda it defined in 2020, with progress including the creation of a Sustainability Platform, which, based on an integrated analysis of the UN Sustainability Development Goals (SDGs) and a materiality assessment, established three action fronts:

Proactive approach to environmental and climate issues – Aligning power generation with guaranteeing the multiple uses of water through actions to conserve ecosystems, minimize the impacts of operations, adapt to climate change, support environmental education, and foster healthy relations with local communities.

Local and human development – Continually seeking to create value and uphold the commitment to transparent management, while strengthening commitments to stakeholders: employees, communities, customers, suppliers and investors. And this is

[23] Environmental, Social and Governance

achieved by ensuring good work conditions, health, safety, well-being, diversity and transparent operations, and by guaranteeing rights and opportunities for human development and business generation.

Inclusive growth – Sustainability and profitability must go together. As such, the focus should be on launching social and environmental programs that foster a new mentality between employees and the community, while promoting financial and social inclusion and the development of local competencies.

During the first nine months of 2021, our efforts were guided by the three thematic lines of our Sustainability Platform. In this context, we conducted a series of actions to mature our sustainability management processes while engaging employees in our Environmental, Social and Governance commitments.

Currently, CESP has a corporate ESG goal that encompasses 14 strategic actions to ensure advances in the topic. The target is appliable to all senior executives and managers and will be considered in determining the variable compensation for 2021 of all leaders.

The following table shows the main actions in the first nine months of the year and details of the advances in the quarter:

	1Q21	2Q21	3Q21
Environmental (E)	• Preparation of emissions inventory in accordance with GHG Protocol and IPCC methodology	• Completion of CDP questionnaires on Climate Change and Water Safety	• Receipt of Silver Seal from the Brazilian GHG Protocol Program • 1.4 million I-RECs sold between 2019 and 2027
Social (S)	• Creation of a Diversity & Inclusion group • Conclusion of Participatory Socioenvironmental Diagnosis in municipalities near the Porto Primavera HPP • Launch of Public Management Support projects for combatting Covid-19	• Delivery of Participatory Socioenvironmental Diagnosis Results to municipal governments near the Porto Primavera HPP (learn more) • Creation of Internal Community Relations Committee • Launch of projects led by the Diversity & Inclusion group	
Governance (G)	• Creation of the Sustainability Commission, formed by two directors and one independent director • Increase in the participation of women in the Company's senior leadership, with the election of two women to the Board of Directors and one to the Audit Board	• Improvement in scoring in the Corporate Governance Report with the adoption of new practices and/or principles by the Company	• First Sustainability Commission Meeting, with the participation of Silvana Alcantara as independent member
ESG Platform		• Signatories to UN Global Compact • Upgrade of MSCI ESG rating	• Start of R&D program for the development of ESG indicators for the Power Industry with the Acende Brasil Institute • Delivery of the questionnaire of the B3's Corporate Sustainability Index

- **Silver Seal - Brazil GHG Protocol:** In September, CESP received the Silver Seal from the Brazil GHG Protocol Program, which is responsible for developing calculation tools to estimate greenhouse gas emissions and for enabling companies and institutions worldwide to report their performance on the topic on a standardized basis using greenhouse gas emissions inventories. In Brazil, the Brazil GHG Protocol Program is managed by the Getúlio Vargas Foundation (FGV). To read the CESP report, click here.

- **Sustainability Commission:** The Board of Directors' Meeting held on September 15, 2021, elected the three members of CESP's Sustainability Commission, with the purpose of supporting the Board of Directors in incorporating and addressing ESG topics when making strategic decisions and guiding the business. The Commission is composed of three (3) members, of whom two (2) are directors and one (1) is an external member with vast knowledge in ESG.

- **Partnership with Acende Brasil Institute:** To contribute more incisively to discussions on ESG topics in Brazil's power industry, CESP partnered with Acende Brasil Institute on an R&D project to develop and improve ESG indicators specific to the industry. The project, which was launched in September 2021, is expected to last 18 months.

- **Corporate Sustainability Index (ISE) – B3**: To increase its transparency on ESG data and improve visibility of the gaps in its business, the Company submitted the ISE questionnaire in September 2021. This is the first year in which CESP participates as a private-sector company. The process marks a major step in enabling the Company to continue creating value for its shareholders and other stakeholders.

For more details on CESP's ESG agenda and all of its actions and projects, read the Annual Report 2020 available on its website.

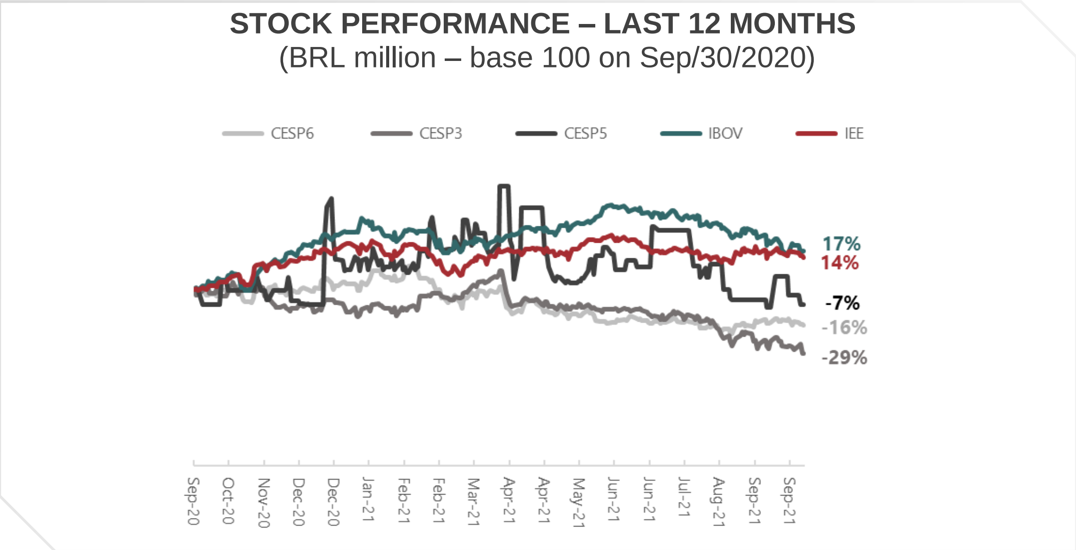
CAPITAL MARKETS

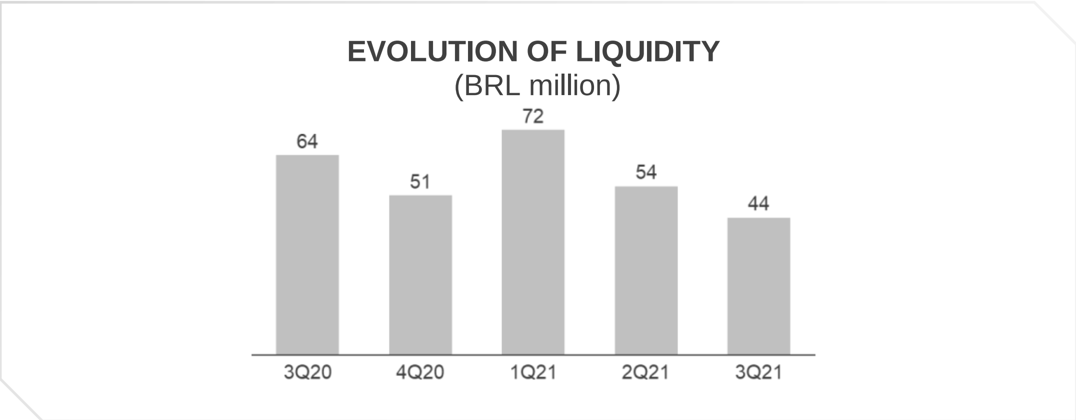
CESP has common shares (CESP3) and class A and B preferred shares (CESP5 and CESP6, respectively) listed and traded on the Sao Paulo Stock Exchange (B3) in the Level 1 Corporate Governance segment, which values ethics and transparency in relations with shareholders and other stakeholders. The Company's stock is a component of various indexes, including the Corporate Governance Index, which is composed of companies with differentiated corporate governance standards, and the Brazil 100 Index of the most heavily traded shares on the B3.

At end-3Q21, the class B preferred shares (CESP6), which represent 64.4% of the total capital stock, were quoted at BRL23.61, representing a decline of 1.4% in the quarter. Average daily financial trading volume was BRL44 million (vs. BRL64 million in 3Q20), equivalent to average daily trading volume of 1.8 million shares.

In the same period, the common shares (CESP3), which correspond to 33.3% of the capital stock, were quoted at BRL22.00, down 20% in the quarter, while the class A preferred shares (CESP5), which correspond to 2.3% of the capital stock, were quoted at BRL30.50, down 15%.

CESP's market capitalization on September 30, 2021, was BRL7.6 billion, compared to BLR9.6 billion on September 30, 2020.





APPENDICES

An Interactive Spreadsheet with the Consolidated data presented here can be found on the Investor Relations website by [clicking here](#).

BALANCE SHEET

	Consolidated	
Asset	**09/30/2021**	**12/31/2020**
Current	**1.054.691**	**1.221.996**
Cash and cash equivalents	397.465	713.384
Derivative financial instruments	-	-
Receivables	262.969	272.817
Taxes to recover	74.339	61.190
Dividends	-	-
Future energy contracts		
Prepaid expenses	7.163	1.957
Other credits	60.740	69.509
Non-current	**13.482.669**	**13.458.304**
Derivative financial instruments	8.487	-
Pledges and restricted deposits	213.684	260.496
Deferred IR/CSLL	3.647.114	3.954.680
Warehouse	5.967	6.023
Assets available for reversal	1.739.161	1.739.161
Investments	-	-
Immobilized	5.705.829	5.956.429
Intangible	1.932.147	1.509.895
Right of use over lease agreements	5.622	6.323
Total assets	**14.537.360**	**14.680.300**

	Consolidated	
Liabilities and Shareholders 'Equity	**09/30/2021**	**12/31/2020**
Current	**774.375**	**1.153.732**
Suppliers	180.803	103.080
Loans, financing and debentures	8.807	18.220
Lease	1.792	1.700
Derivative financial instruments	45.944	95.084
Future energy contracts	275.892	120.475
Estimated liabilities and payroll	20.703	23.387
Taxes and social contributions	14.949	40.721
Regulatory charges	75.955	76.507
Dividends and interest on capital	290	581.919
UBP - Use of public asset tax	40.421	41.307
Social and environmental obligations	34.389	28.426
Other liabilities	74.430	22.906
Non-current	**6.277.717**	**6.320.355**
Loans, financing and debentures	1.914.585	1.800.854
Lease	4.024	4.788
Derivative financial instruments	-	9.141
Future energy contracts	225.824	29.405
Regulatory charges	1.240	1.240
UBP - Use of public asset tax	88.738	114.057
Provisions for litigation	1.324.841	1.748.257
Social and environmental obligations	139.753	152.749
Post-employment benefit	2.531.841	2.412.379
Other liabilities	46.871	47.485
Shareholders' Equity	**7.485.268**	**7.206.213**
Capital stock	5.975.433	5.975.433
Capital reserves	1.929.098	1.929.098
Profit reserves	1.934.622	2.187.137
Equity valuation adjustments	(2.821.777)	(2.885.455)
Other comprehensive income	471.224	-
Retained earnings	(3.332)	-
Total Liabilities and Shareholders 'Equity	**14.537.360**	**14.680.300**

INCOME STATEMENT

Income Statement (Detailed)	Consolidated					
BRL thousand	3Q21	3Q20	Chg. (%)	9M21	9M20	Chg. (%)
Gross operational revenues	**649.413**	**536.256**	**21%**	**1.880.027**	**1.622.023**	**16%**
Bilateral contracts	436.524	407.850	7%	1.297.320	1.221.651	6%
Trading operations	86.486	28.191	n.m.	225.090	67.712	n.m.
Energy Auctions - distributors	127.471	121.596	5%	382.296	368.935	4%
Short-term energy	28.172	16.134	75%	49.372	38.145	29%
Derivative financial instruments	(30.206)	(41.310)	-27%	(76.427)	(79.558)	-4%
Other revenue	966	3.795	-75%	2.376	5.138	-54%
Deduction from the operating revenues	**(77.350)**	**(65.729)**	**18%**	**(225.916)**	**(205.424)**	**10%**
Quota for global reversal reserve - RGR	(441)	(223)	98%	(1.333)	(1.910)	-30%
Research and development - R&D	(3.857)	(2.349)	64%	(11.563)	(10.293)	12%
Taxes on services - ISS	(49)	(21)	133%	(105)	(65)	62%
COFINS on operating revenues	(51.651)	(43.495)	19%	(148.691)	(127.596)	17%
PIS on operating revenues	(11.214)	(9.443)	19%	(32.282)	(27.702)	17%
Financial compensation for the use of water resources	(8.805)	(9.294)	-5%	(27.949)	(34.515)	-19%
Energy sector inspection fee - TFSE	(1.333)	(904)	47%	(3.993)	(3.343)	19%
Net Operational Revenues	**572.063**	**470.527**	**22%**	**1.654.111**	**1.416.599**	**17%**
	-	**-**	**0%**	**-**	**-**	**0%**
Costs of the electric energy service	**250.031**	**(312.967)**	**n.m.**	**(458.359)**	**(820.358)**	**-44%**
Gross operating profit	**822.094**	**157.560**	**n.m.**	**1.195.752**	**596.241**	**101%**
	-	**-**	**0%**	**-**	**-**	**0%**
Operating expenses	**(71.700)**	**(24.056)**	**198%**	**34.553**	**43.984**	**-21%**
General and administrative	(27.828)	(27.420)	1%	(80.755)	(74.284)	9%
Other operating revenues, net	(43.872)	3.364	n.m.	115.308	118.268	-3%
Operating profit (loss) before financial income	**750.394**	**133.504**	**n.m.**	**1.230.305**	**640.225**	**92%**
Financial result	10.348	6.550	58%	22.044	25.004	-12%
Financial Expenses	(132.782)	(188.223)	-29%	(469.917)	(410.213)	15%
Financial result	**(122.434)**	**(181.673)**	**-33%**	**(447.873)**	**(385.209)**	**16%**
Financial result	**627.960**	**(48.169)**	**n.m.**	**782.432**	**255.016**	**n.m.**
Income before tax and social contribution	27.550	(21.273)	n.m.	-	(88.205)	n.m.
Tax and social contribution - current	(260.187)	10.917	n.m.	(289.440)	(33.725)	n.m.
Tax and social contribution - deferred	**(232.637)**	**(10.356)**	**n.m.**	**(289.440)**	**(121.930)**	**137%**
Net Income (loss)	**395.323**	**(58.525)**	**n.m.**	**492.992**	**133.086**	**n.m.**
Net income (loss) for the period per share	1,21	(0,18)	n.m.	1,51	0,41	n.m.

NATURE OF COSTS AND EXPENSES

Consolidated	3Q21			3Q20			Var.	
NATURE OF COSTS AND EXPENSES	**Costs**	**Expenses**	**Total**	**Costs**	**Expenses**	**Total**	**Var. (%)**	**Var (R$)**
Electricity purchased	(356.547)	-	(356.547)	(168.418)	-	(168.418)	112%	(188.129)
Sector charges	(48.892)	-	(48.892)	(39.461)	-	(39.461)	24%	(9.431)
Personnel	(5.694)	(12.763)	(18.457)	(5.947)	(12.555)	(18.502)	0%	45
Management	-	(2.120)	(2.120)	-	(1.251)	(1.251)	69%	(869)
Post-employment benefits	-	(438)	(438)	-	122	122	-459%	(560)
Materials	(262)	(47)	(309)	(111)	(116)	(227)	36%	(82)
Outsourced services	(5.457)	(9.045)	(14.502)	(1.449)	(4.865)	(6.314)	130%	(8.188)
Insurance	-	(1.086)	(1.086)	-	(723)	(723)	50%	(363)
Rentals	(122)	97	(25)	(108)	(175)	(283)	-91%	258
Provision (reversal) to reduce the realizable value of warehouses	-	-	-	-	-	-	-	-
Reversal of provision for PIS/COFINS on indexation of judicial deposits	-	(86)	(86)	-	164	164	-152%	(250)
Taxes, fees and contributions	(113)	(439)	(552)	(68)	(672)	(740)	-25%	188
Maintenance and conservation	(732)	41	(691)	(803)	49	(754)	-8%	63
Credits of PIS/COFINS on transmission charges	-	-	-	-	-	-	-	-
Other operating income (expenses), net	(849)	5.135	4.286	(2.504)	12.721	10.217	-58%	(5.931)
Subtotal	**(418.668)**	**(20.751)**	**(439.419)**	**(218.869)**	**(7.301)**	**(226.170)**	**94%**	**(213.249)**
Depreciation and amortization	(113.275)	2.391	(110.884)	(93.383)	(1.993)	(95.376)	16%	(15.508)
MtM	-	10.837	10.837	-	(8.405)	(8.405)	-229%	19.242
Reversal (Provision) for litigation	-	239.822	239.822	-	22.052	22.052	988%	217.770
Judicial deposits write-off	-	(4.547)	(4.547)	-	(23.163)	(23.163)	-80%	18.616
Hydrological risk renegotiation	781.974	-	781.974	-	-	-	-	781.974
Provision for impairment	-	(299.452)	(299.452)	-	-	-	-	(299.452)
Voluntary Termination Program	-	-	-	(715)	(5.246)	(5.961)	-100%	5.961
Total	**250.031**	**(71.700)**	**178.331**	**(312.967)**	**(24.056)**	**(337.023)**	**-153%**	**515.354**

Consolidated	9M21			9M20			Var.	
NATURE OF COSTS AND EXPENSES	**Costs**	**Expenses**	**Total**	**Costs**	**Expenses**	**Total**	**Var. (%)**	**Var (R$)**
Electricity purchased	(416.933)	-	(416.933)	(219.469)	-	(219.469)	90%	(197.464)
Sector charges	(78.517)	-	(78.517)	(69.358)	-	(69.358)	13%	(9.159)
Personnel	(10.522)	(26.038)	(36.560)	(13.002)	(22.316)	(35.318)	4%	(1.242)
Management	-	(3.804)	(3.804)	-	(2.470)	(2.470)	54%	(1.334)
Post-employment benefits	-	(876)	(876)	-	244	244	-459%	(1.120)
Materials	(782)	(59)	(841)	(502)	(510)	(1.012)	-17%	171
Outsourced services	(4.564)	(11.767)	(16.331)	(3.523)	(10.064)	(13.587)	20%	(2.744)
Insurance	-	(2.082)	(2.082)	-	(4.169)	(4.169)	-50%	2.087
Rentals	(191)	(147)	(338)	(292)	(789)	(1.081)	-69%	743
Provision (reversal) to reduce the realizable value of warehouses	(253)	-	(253)	-	54	54	-569%	(307)
Reversal of provision for PIS/COFINS on indexation of judicial deposits	-	(319)	(319)	-	(15)	(15)	2027%	(304)
Taxes, fees and contributions	(52)	(1.852)	(1.904)	713	(1.577)	(864)	120%	(1.040)
Maintenance and conservation	(3.914)	(693)	(4.607)	(946)	(199)	(1.145)	302%	(3.462)
Credits of PIS/COFINS on transmission charges	-	-	-	-	315	315	-100%	(315)
Other operating income (expenses), net	(954)	816	(138)	(4.797)	7.806	3.009	-105%	(3.147)
Subtotal	**(516.682)**	**(46.821)**	**(563.503)**	**(311.176)**	**(33.690)**	**(344.866)**	**63%**	**(218.637)**
Depreciation and amortization	(191.708)	(3.518)	(195.226)	(196.215)	(4.056)	(200.271)	-3%	5.045
MtM	-	(14.436)	(14.436)	-	22.241	22.241	-165%	(36.677)
Reversal (Provision) for litigation	-	210.809	210.809	-	107.188	107.188	97%	103.621
Judicial deposits write-off	-	(39.781)	(39.781)	-	(23.643)	(23.643)	68%	(16.138)
Hydrological risk renegotiation	-	-	-	-	-	-	0%	-
Provision for impairment	-	-	-	-	-	-	0%	-
Voluntary Termination Program	-	-	-	-	-	-	0%	-
Total	**(708.390)**	**106.253**	**(602.137)**	**(507.391)**	**68.040**	**(439.351)**	**37%**	**(162.786)**