



**Local Conference Call
CPFL Energia S/A
First Quarter 2020 Results
May 15, 2020**

Operator: Good morning and thank you for waiting. Welcome to CPFL Energia's first quarter 2020 earnings conference call.

Today we have with us Mr. **Gustavo Estrella**, CEO of CPFL Energia, Mr. **Pan**, Chief Financial and Investor Relations Officer, and other company executives. Due to the COVID-19 pandemic, all are connected from their homes. And so, our apologies in advance for any disconnection. Note that we will strive to reestablish communication as soon as possible.

The presentation is available for download on the Investor Relations website of CPFL Energia, at: www.cpfl.com.br/ri

We inform you that during the presentation all participants will be on listen-only mode and, soon afterwards, we will start the question and answer session, when further instructions will be given. If you need any assistance during the conference call, please dial star zero to request assistance from the operator. Note that this conference call is being recorded.

Before proceeding, we would like to clarify that any statement made during this conference call regarding the business prospects of CPFL ENERGIA as well as its operating and financial projections and targets are beliefs and assumptions of the Company's management and based on currently available information. Forward-looking statements are not a guarantee of future performance. These involve risks, uncertainties and assumptions since they refer to future events and, therefore, depend on circumstances that may or may not occur. Investors must understand that general economic conditions, industry conditions and other operating factors may affect the future performance of CPFL ENERGIA and cause its results to differ materially from those expressed in such forward-looking statements.

Now we would like to turn the presentation over to **Mr. Gustavo Estrella**. **Mr. Gustavo**, please proceed.

Gustavo Estrella: Good morning everyone. I thank you all for being present and hope you all are healthy in this challenging moment we are all living in. Also, our results call is being held in a different format, from our homes, to discuss the results of the first quarter of 2020.

Well, let us go to slide 3 for the quarterly highlights. The first, a reduction of 0.2% in our load in the concession area. Note that quarter still has very little



effect of the pandemic on the results, but our load already reflects a reduction in our energy consumption, especially since March 23.

EBITDA reached R\$ 1.696 billion, up 10.8% from 2019. We see here that performance - a sizeable part of this growth - has been driven by the distribution segment. And net income growth of 58.5%, reaching R\$904 million, also a significant quarterly amount.

A trend already noticed in recent quarters, our debt has been declining, reaching R\$15.1 billion, with leverage of 2.21 times net debt/EBITDA. Just a reminder that our financial covenant is 3.75, so our group enjoys a comfortable leverage.

Investments reached R\$ 516 million, growing 15.9%. Obviously, almost 90% of these investments came from the distribution segment.

We also had an adjustment of 6.05% approved by ANEEL at CPFL Paulista in April for consumers and 6.92% in our Portion B. Which, to a large extent, is reflected in the transfer of IGP-M, which was 6.81% in our tariffs in the period. A new event this quarter was the postponement of our adjustment for 90 days without economic loss. Basically, we are a regulatory asset and this prevents the application of tariff adjustment during the pandemic.

We also had good news about the registration of the DTO of CPFL Renováveis by CVM on April 27. As already disclosed by the company, the auction is expected to be held on June 10, which was in fact mentioned already in our Re-IPO process last year.

We also entered the portfolio that makes up Ibovespa, the benchmark stock market index. An important measure to increase liquidity in our stock, in May we entered the Ibovespa on the São Paulo Stock Exchange.

We also won the Equities Deal of the Year award given by The Banker, of the Financial Times, for our share issue last year. We were elected the deal of the year of the Americas by Financial Times. Another important recognition for the Company.

Another important point of recognition, this time from ANEEL for CPFL Santa Cruz, which was recognized as the best distributor for its continuous general performance, basically due to its DEC levels.

Moving to slide 4, we provide more details about our energy sale performance. As we mentioned, our load in the concession area declined 0.2%. Among free clients, growth of 4.3% and in the captive market a decline of 2.2%.



We see that sales in the concession area still do not reflect the pandemic. We have a decline of 1.6%, and we will see the main effects in the numbers of each class.

We see in both the residential and commercial classes decline of 2.9% and 2%, respectively, highly influenced by temperature not in 2020 but in 2019. Temperatures were very high at the start of last year and, in comparison, temperatures have been more regular this year, so, in comparison with 2019, we see an effect of the market decline basically due to temperature.

The industrial class also saw a decline of 1.4%. Here too, due to the non-recurring effect of the migration of 2 high-voltage clients to the direct connection in the basic network. When we discard these migration effects which have practically no impact on our result, the variation in the industrial class was practically flat with decline of 0.2%.

Analyzing the performance of the industrial class, we see some segments registering growth, especially the food segment, which account for more than 20% of the industrial market of CPFL, with growth of 2%, followed by the pulp segment with 3%, and the chemical segment with 3.2%. On the other hand, the wood segment declined 4,6%, followed by vehicles with 3.8% and steel with 3.2%.

In the consolidated effect, excluding clients that migrated to the basic network, performance was flat.

Moving to the next slide, 5, which shows defaults and losses. Defaults reached 0.77% or R\$ 57.9 million in the quarter. Note that there is still no impact of the pandemic on the results. Compared to the first quarter of last year, there was a decline of 15%. This decline basically results from our power supply disconnection program, which increased almost 30% in relation to 2019. So, one of the main tools to control defaults is certainly disconnecting power supply, which resulted in a drop in our ADA during this period.

If we see the previous quarter, see notice an increase, which was basically influenced by non-recurring effects in the fourth quarter last year. These include a few renegotiations with hospitals and the government, which we mentioned in our call last quarter. Excluding the effect of these renegotiation, we were practically stable in relation to 2 quarters.

Moving on to losses, we also have a calendar effect that results in a change in the loss percentages in the last 12 months. When the calendar is adjusted, it changes the numbers from the same base, from March 2020 to March 2019, which shows the percentage of losses remaining practically stable, and this is this number we monitor – from 8.95, the adjusted number of the calendar in March 2019, to 8.98 for March 2020. Hence, losses remained practically stable in the last 12 months.



Moving to slide 6, which shows our generation performance. We see a significant drop in PLD from 2019 to 2020, which is even more steep in the second quarter of 2020. In generation, we have the seasonality effect, which affects our GSF/ secondary energy, going from 149% (in the secondary case) to 102%, and this effect tends to compensate during the course of the year.

In the case of SHPs, there was a reduction in flows by almost 9%, but flow in the state of Minas Gerais was quite positive compared to 2019, growing 245%, followed by the Southern region which declined 66% drop in the period.

In wind power generation, we have 2 effects. The first and foremost reason for the 16% drop in our generation was weaker winds in Ceará as a whole, which was partially offset by better availability in 3 regions: Ceará, Rio Grande do Norte and Rio Grande do Sul. And here it's worth highlighting Suzlon's parks, which significantly improved their performance in the last 12 months.

Moving on to slide 7, I'll hand over to Pan, our CFO, to continue the presentation.

Mr. Pan: Thank you. Thank you Gustavo. Good morning to all.

Moving to slide 7, EBITDA this quarter was R\$ 1.7 billion, an increase of 10.8%. In the distribution segment, we registered growth of 16% and a higher gain through the market and tariffs, of R\$ 135 million, mainly due to the tariff increases in the 2019 readjustments, the review at Piratininga, and the 0.7 % increase in the load in the concession area, with adjustments.

Another important effect was the financial asset of the concession, which increased R\$ 74 million due to the IPCA of 1.62% in the first quarter of 2020, compared to 0.9% in 2019. Last year, we also booked PIS/Cofins of R\$ 34 million on ICMS at CPFL Santa Cruz. PMSO and PDD jointly increased R\$ 9 million and other effects on EBITDA had a negative impact of R\$ 9 million.

In the trading, services and others segment, the biggest impact was in trading due to a decline of R\$ 30 million in margin. The services segment and the holding company registered decline of R\$ 7 million and R\$ 4 million, respectively.

On the next slide, we see that conventional generation registered EBITDA growth of 6.3%, driven by the transfer of inflation to agreements, amounting to R\$ 24 million. The effects of overhauling EPASA last year, R\$ 11 million and lower thermal generation that year, which was a negative R\$ 15 million, partially offset it.



At CPFL Renováveis, EBITDA grew 16.1% due to the seasonality gain of PPAs of the SHPs, of R\$ 54 million. In biomass, gains with seasonality of agreements and higher generation by the plants, R\$ 15 million. Gains from the effect of inflation on energy agreements, R\$ 12 million. These effects were partially offset by lower GSF revenue at SHPs due to the fact that it is secondary energy, a negative effect of R\$ 29 million, and lower generation by wind complexes, R\$ 25 million.

On slide 9, we show net income of R\$ 904 million in the period, an increase of 58.5% from the first quarter of 2019. Apart from the variation of R\$ 165 million in EBITDA, we recorded financial income of R\$ 341 million. Depreciation varied R\$ 22 million and taxes increased R\$ 150 million.

Note that in the financial result, we had an important mark-to-market (MTM) effect of R\$ 260 million due to the high volume of funding of almost R\$ 3 billion at an average cost of CDI + 0.8 %, with a term of 4 years, when the market was beginning to feel the COVID-19 crisis. It is worth mentioning that this mark-to-market gain will be returned in the future as the risk spread scenario returns to normal and the maturity of debts is closer.

This result reflects the cost avoided during this moment of crisis by advancing our funding plan to the start of the year. Moreover, the drop in CDI and lower less debt brought us a gain of R\$ 67 million.

Moving to the next slide, we see the Company's debt. On the first chart, net debt totaled R\$ 15.1 billion, while EBITDA in the last 12 months reached R\$ 6.8 billion. Leveraged measured by net debt to EBITDA was 2.21 times.

The chart on the side shows the cost of debt last year, both real and nominal, which dropped in the first quarter of 2020, and mainly refers to the reduction in interest rates. We see that 67% of gross debt is indexed to CDI. This position was strengthened with fresh funding in the first quarter of 2020.

CPFL borrowed R\$ 2.9 billion in fresh funding, at an average term of 4 years and all-in cost of CDI + 0.8%. Also, in April, we signed an agreement with BNDES for R\$ 3.5 billion, for a term of 20 years. The first disbursement should occur in the first half of the year, amounting to more or less R\$ 1 billion.

Cash at the end of the first quarter of 2020 had a coverage ratio of 1.78 times short-term amortization. The average amortization period is 3.15 years.

On slide 11, we have Capex. During this period, we invested R\$ 516 million, an increase of 16% over last year. In terms of segments: in distribution, we invested a total of R\$ 454 million on the expansion, modernization and maintenance of the power grid. For generation and transmission, we allocated R\$ 30 million to Renewables, continuing the Gameleira and Cherobim



projects, R\$8 million to transmission, for the Maracanaú, Sul I and Sul II projects and R\$ 1 million to conventional generation. Finally, for the services segment, we allocated R\$ 24 million.

Thank you very much. I now return the floor to Mr. Estrella. Thank you.

Gustavo: Ok, Pan, thank you. Moving to slide 10, I'll tell how we have progressed on issues related to COVID and how our Company has prepared to face this pandemic.

First of all, we quickly mobilized the company in mid-March so that we could prepare ourselves and identify the progress of the pandemic and its impacts on our business. At the onset, we set up a crisis committee, which discusses on a daily basis, the main issues, analyzes the main indicators and identifies any correction of route, if necessary. All the main executives participate to exchange information and better prepare ourselves for this crisis.

Another important point is that we have used a lot of the experience of State Grid. Since they experienced what we are going through today a few months ago, several effective measures were taken in advance, thanks to this experience of State Grid, such as the purchase of masks and hand sanitizer at the start of the year, and some more restrictive measures that took in advance adoption. I think this helped us a lot in controlling the speed of infection at CPFL.

And among the main pillars, the first and foremost is the focus on preserving safety and, especially at this moment, the health of employees through a series of measures such as of cancellation of travel, monitoring the health status of employees through a daily report where we identify those showing symptoms like fever, distribution of masks, hand sanitizer etc. to protect all our employees and include these as much as we can in our usual corporate practices.

We have a daily safety dialogue in which, before the teams go to the field, we have a chat on safety-related topics, and obviously the issue of COVID, which is the central theme right now.

At the same time, given the essential nature of our operations, we know the importance of ensuring the continuity of our operations, not only for CPFL as a business but for society in general, this too is a critical issue that is being accompanied everyday by the Company's executives.

We have a major challenge of home office. This issue was being discussed for a long time at the Company and, in 15 days, we put 80% of our company or almost more than 4,000 people in home office at once. There were many doubts about how things would work - our tasks, our systems and



communications - and the good surprise is that they have been working very satisfactorily.

Another important point is that our call center units are concentrated in two locations and large number of people working in the same location. So, we started decentralizing these workplaces and, more recently, we not only decentralized but also use home office for call center attendants. So, today, a little over 1/3 of our call center already works remotely via home office, which is also functioning very well.

Another challenge arising from the regulations, apart from the issue of banning power cuts for low voltage, we also closed our branches. Here we are also facing a major digitalization challenge so that we can educate our clients on using digital channels. Today we have practically 90% of the calls through digital channels, so we have been doing it in a very positive manner.

And what we did with the call center, we are also doing with our operational bases and the substations to prevent everyone from working in the same location. We focused on smaller teams so that, in case of an eventual infection (which has not happened so far), it is easier for us to isolate that team.

Moving on to slide 13, which shows our preparations for the crisis. We are also highly concerned about the operation centers, where we created a contingency plan to ensure the continuity of the operation. Therefore, this is a crisis that brings a lot of uncertainty and it is difficult to predict how it will evolve, how it can affect society and our business. So, what we did were contingency plans designed to guarantee and preserve the continuity of our business.

A major reinforcement in IT and the information security system. We obviously depend increasingly a lot on our IT area and this is a central issue of concern and constant monitoring of our teams today.

As already mentioned, the physical separation of the operations center - this applies to both distribution and generation, all of them connected, but in different locations. We have a lot of remote operation in commercial services to avoid physical contact, and the maintenance and retraining of professionals to serve as backup in emergency situations, which too did not happen until then.

Well, apart from health and operational issues, the financial issue is also a central issue here, especially regarding the company's liquidity and this, in fact, is part of CPFL's strategy to advance the financing operation to preserve liquidity. As such, we entered this crisis and, as Pan showed, our cash position is very solid, which gives tremendous comfort to move forward in the coming months and pass through this period of crisis.



I also commented here on the digital channels that we have been working on, the improvements we made in our customer relations channels, which include improvements to our website, in our app, the URAs and use of chatbots. Today, we provide sponsored internet for those who use our app. I mean, the idea is that we encourage the use of digital channels. This is probably one of the changes that will come to stay not only to the crisis period, but also in the post-crisis period so that we can provide faster customer service, together with a perception of better service quality.

An important increase in the number of e-mail accounts. We are already reaching 3 million accounts by email in a universe of 9 million. Another significant increase influenced by the onset of this crisis.

New payment options, our physical payments are still high and this is a characteristic not only of CPFL, but of the electricity sector in general, so we have also encouraged other digital means of payment. Last month we started offering the option of credit card payments. And using the teams from the branches, we are also offering delivery collection - today there are 97 teams that also do the collection and billing work using POS machines.

Well, in overall terms, this a crisis with a lot of doubt and uncertainty. What we do every day is to get together, discuss, look at the developments and position CPFL in all its areas so that we can always take the best decisions. But always focusing on health, safety and continuity of our operations and, obviously, our financial liquidity.

Looking at the perspective, it is a crisis that should unfortunately last for a few more weeks, so the idea is that we keep the company mobilized, even at home office, so that we can face the crisis as it is today and also any future challenges that we may face.

Well, basically that's it. Once again, I thank you all for your participation and we are now available for Q&A session. Thank you.

Question and Answer Session

Operator: Ladies and gentlemen, we will now begin the question and answer session.

To ask a question, please press asterisk and one, and to remove your question from the list, press asterisk and two.

Our first question comes from Thiago Silva, Santander.

Mr. Thiago: Thanks for the question and congratulations on the results. I actually have 2 questions. The first is regarding losses. I understood that, the

calendar was unfavorable for losses in the concession area and wish to understand how CPFL has positioned itself, since it is close to the regulator's target. Is ANEEL is sensitive to this type of situation, when regulatory target is exceeded, given the current COVID-19 situation.

And my second question is, we are eagerly looking forward to the presidential decree, but I was wondering if, considering the talks you've had with the regulator and the steps already taken or already concluded, is there is a liquidity problem for CPFL or if there is any situation that we must pay attention to not only CPFL, but to the sector when we observe a few measures other than the regulatory measures for the electricity system. That's it.

Mr. Gustavo: Ok, Thiago, thanks. I'll start by talking about the presidential decree. This issue has been exhaustively discussed between the Ministry of Economy, ANEEL and companies in the sector. I think this is the positive side of this discussion. As such, my perception is that we are close to knowing the final version of this decree.

And remembering that the idea of the decree right now is to preserve the liquidity of not just a specific company, but the sector in general. So, we have a great perspective here of increased costs. Taking the example of energy from Itaipu, the dollar is around R\$ 6.00, nobody has tariff yet for this impact, but the idea of the decree and the rationale here is to advance the expenses that would be passed on in the tariff readjustment next year.

I think its function is to preserving the liquidity of distributors and at the same time smoothen the transfer in future tariff adjustments. I think these are the 2 main objectives of this decree, which is most welcome and very pertinent.

We need a quick and short-term response to this liquidity issue. You know there are companies in very different situations and realities but the idea is to have a single criterion so that we can serve all the companies in the sector.

In our view, the loan will be mainly the first of the measures that will be discussed, which we have already done with both the regulator and the Ministry itself so that we can also discuss what, in my view, is more important, the issue of economic and financial imbalance. We have two possible effects here: we have already seen the market performance and delinquency with the impacts in April. Again, due to the uncertainty of this crisis, it is difficult to predict what will happen, but the prognosis is not positive.

So, especially on these two issues and also on the issue of over-contracting, there is an imbalance - we have an extraordinary situation – the pandemic situation we are living today, coupled with the issue of default where ANEEL removes our main tool, which is disconnection, for 90 days. I think it is a right

measure for the moment we are living in, but the prospect of an increase in defaults is also high.

Concluding this discussion on the financial aspects, I think it brings a cash relief and also a relief for consumers in the tariff readjustment next year, and so we arrive at the issue of economic and financial imbalance.

As for the losses, Luís, I don't know if you want to make any comments.

Mr. Luis Henrique Ferreira Pinto: Yes Gustavo. Good morning Thiago. This is Luís Henrique.

As for losses, we are working hard on inspections. Till April, we have already conducted 188,000 inspections, which are having an effect mainly on the A and B segments, where we have the biggest losses. All the companies in the sector have been operating with losses above regulation due to a change in regulations sometime back, which became more restrictive and different from the situation caused by the crisis we went through and now during this new pandemic.

We are working on losses; we haven't halted the inspections. We are doing this diligently, as Gustavo already mentioned there, protecting our employees and our customers, but we are continuing the inspections.

The calendar effect affected a bit but when we look at April, this situation has practically been reversed. So, this is due to the calendar effect even though this slight increase appeared, but the loss is very well controlled. During the pandemic, we are closely monitoring these issues and, as I said before, the facilities at our telemetry of group A at RGE, with that we practically close the whole group A. Then we will conduct more targeted inspections, working on modern methods, especially in the current situation, so that we can keep losses within control.

Some of our distribution companies are reaching the regulatory level and our tendency is to work so that all can evolve to the regulatory level. This is our plan for the coming months and years.

Mr. Thiago: OK. Just to complement this last question, Luís, given the relationship you have with ANEEL and the communication, has ANEEL been open to mitigating this impact during this pandemic period or to mitigate any specific issue of losses?

Mr. Luís Henrique: As Gustavo said, the first impact was defaults and this we are discussing with ANEEL. The losses are stable. We have already started discussions with ANEEL raising this concern of all companies, including us, about losses since you have a period without power cutting after you return with a massive cut, and, depending on the economic situation that the



population is in that moment, these losses could increase. But we are preparing a plan to address this.

For now, what we noticed so far is that there were no fluctuations. We have things under control. In fact, the numbers were surprisingly good even for us.

Now, more importantly, we are discussing this with ANEEL to keep it informed of the huge distortion in this so that it can recognize this as something exceptional.

Mr. Thiago: Excellent. Thank you.

Operator: The next question comes from Marcelo Sá, Itaú.

Mr. Marcelo: Hi guys and thanks for the call. I have two questions. The first is regarding over-contracting. Now that ANEEL / Ministry is going to publish this decree specifying the aid package but it will leave the economic question open, I wish to understand if within this decree there will be some clearly mentioned guarantee of some kind of economic and financial balance in the future and whether what will be mentioned in this decree is sufficient. For example, for distributors to be able to recognize a CVA related to over-contracting so that it does not have an impact on immediate EBITDA in the coming quarters.

And the second question regarding ANEEL's measure to limit the cutting of power supply to delinquent customers for 3 months. Do you think this period could be extended? Thank you.

Mr. Gustavo: I think that André can first add something here, but I think that with regard to over-contracting, as I commented here, the decree is focused on the financial issue, so here it is basically a measure for cash advance and, looking at the roles and responsibilities of the Ministry and ANEEL, this discussion regarding the imbalance is the responsibility of ANEEL and not the Ministry. I mean, the idea is to have a decree that provides a legal backing to release the financing, but regarding issue of over-contracting, we expect the decree to involuntarily address the issue of over-contracting.

All other issues will be addressed in future discussions with the agency. Do you want to add something, André?

Mr. André: No, Gustavo, it's what you mentioned. I think the issue of over-contracting in the discussions we had could have a clearer provision on over-contracting but for other items the reduction would be *a posteriori*.

But even for this issue of over-contracting, the final text must be carefully evaluated to verify if there's an eventual constitution of assets.



Mr. Gustavo: About your second question regarding the 3-month cut, we have no information about extension of this 3-month period. Now, the fact is that the crisis or the pandemic, the way it is progressing in Brazil, specifically in the state of São Paulo, there are expectations that it may extend further.

So, if the situation becomes more critical, I think this issue may be discussed. Today it is not. In fact, the information we have until today is that it is still for 3 months. But I think this crisis is such a new and different scenario for everyone that I think measures and decisions already taken can be revised at some point. This applies not only to the regulator, but also to us.

I don't know if anyone wants to add something else.

Mr. Marcelo: Excellent. Thank you.

Operator: Excuse me, just to remind you that to ask a question, please press star one.

We now conclude the question and answer session. I would like to turn the call back to Mr. Gustavo Estrella for his closing remarks.

Mr. Gustavo: Ok, thanks once again for your participation. My concluding remarks are that in this very difficult moment we all are doing our professional activities and living our personal life, still with a certain uncertain scenario over the coming months.

I think our watchword here is to maintain focus, discipline and, especially, union at our Company, focusing on the points I mentioned: health, safety, maintenance of operations and liquidity of our company. And, at the same time, we have been engaged in discussions, especially regulatory ones, whether for loans, or the economic and financial imbalance, so that our sector can be robust in the post-crisis period.

And we have also been discussing internally how this post-pandemic world is going to be. We already have some insights on digitalization, people will undoubtedly have a new way of interacting / dealing with our customers, and I think it can bring some good opportunities. Also, internally thinking of our relations at work, they certainly will be different.

Today we see video conferencing being used commonly; home office has certainly broken the taboo. We have already seen that it can be used efficiently and in a very positive manner. I think we must also start thinking about what our business and our company will be in the post-pandemic period.

Also remembering that a period of crisis always brings opportunities and I think that considering the solid strength, not only of CPFL, but also of our



shareholder, I think we must be alert to any opportunities that the crisis may bring.

So, ladies and gentlemen, thank you once again, we're all here for discussions and questions. Have a good day. Thank you.

Operator: That concludes CPFL Energia's conference call. Thank you for listening and good afternoon.