

# 2Q20 Results



# Disclaimer

This presentation may contain statements that represent expectations about future events or results according to Brazilian and international securities regulators. These statements are based on certain assumptions and analyses made by the Company pursuant to its experience and the economic environment, market conditions and expected future events, many of which are beyond the Company's control. Important factors that could lead to significant differences between actual results and expectations about future events or results include the Company's business strategy, Brazilian and international economic conditions, technology, financial strategy, developments in the utilities industry, hydrological conditions, financial market conditions, uncertainty regarding the results of future operations, plans, objectives, expectations and intentions, among others. Considering these factors, the Company's actual results may differ materially from those indicated or implied in forward-looking statements about future events or results.

The information and opinions contained herein should not be construed as a recommendation to potential investors and no investment decision should be based on the truthfulness, timeliness or completeness of such information or opinions. None of the advisors to the company or parties related to them or their representatives shall be liable for any losses that may result from the use or contents of this presentation.

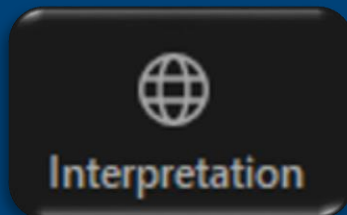
This material includes forward-looking statements subject to risks and uncertainties, which are based on current expectations and projections about future events and trends that may affect the Company's business.

These statements may include projections of economic growth, demand, energy supply, as well as information about its competitive position, the regulatory environment, potential growth opportunities and other matters. Many factors could adversely affect the estimates and assumptions on which these statements are based.

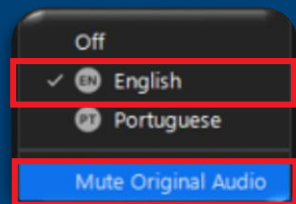
# Initial Guidelines

## Simultaneous Translation into English:

1<sup>st</sup> Step: Click on

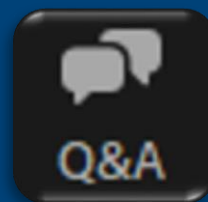


2<sup>nd</sup> Step: Choose



## Q&A Session

1<sup>st</sup> Step: Click on



2<sup>nd</sup> Step: ID yourself

- Inform your **name** and **institution**
- Request a **live** question or **write it** in order to be read during the event



# 2Q20 Highlights

- ✓ Reduction of **11.1% in load in the concession area**
- ✓ **EBITDA of R\$ 1,208 million**, reduction of **19.7%**
- ✓ **Net Income of R\$ 462 million**, reduction of **19.4%**
- ✓ Net Debt of **R\$ 15.0 billion** and leverage of **2.29x Net Debt/EBITDA<sup>1</sup>**
- ✓ **Debts prepayment (CPFL Renováveis)**: loan with SGBP for debts prepayment
- ✓ Investments of **R\$ 648 million**, growth of **24.3%**
- ✓ Declaration of **dividends**, in the amount of **R\$ 2,075 million**, R\$ 1.80 per share

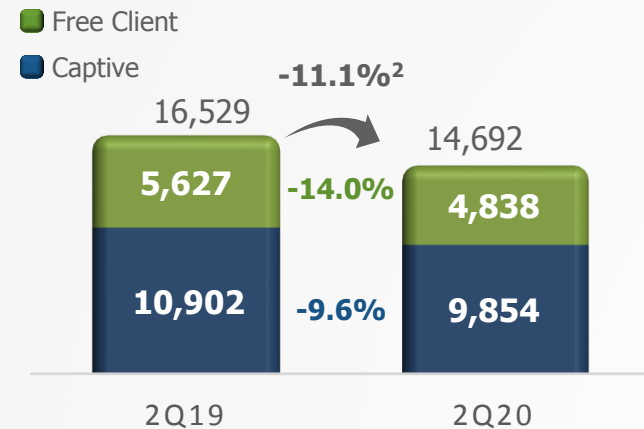


- ✓ **RGE tariff adjustment**, in Jun-20: **+6.09%** for the consumers and **+6.19%** in Parcel B
- ✓ Fundraising by **COVID Account** (ANEEL Resolution 885/2020 and Decree 10,350/2020), in the global amount of **R\$ 1,382 million**
- ✓ **CPFL Renováveis' Delisting Tender Offer**: auction occurred on Jun 10<sup>th</sup>; squeeze out approved on Jul 7<sup>th</sup>
- ✓ Entry of **CPFL Energia's shares** in the **MSCI** portfolio, in Jun-20
- ✓ **Re-IPO 1 Year Celebration**, on June 12
- ✓ **Donations to fight COVID-19 (R\$ 6 million)**: R\$ 5 million to 20 hospitals the concession area and R\$ 1 million program "Salvando Vidas" of BNDES

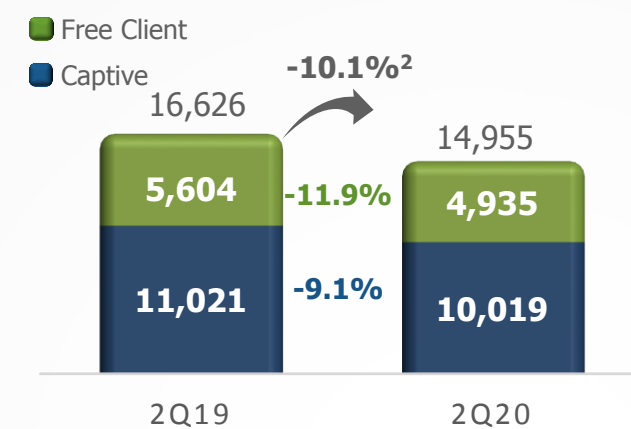


# 2Q20 Energy Sales

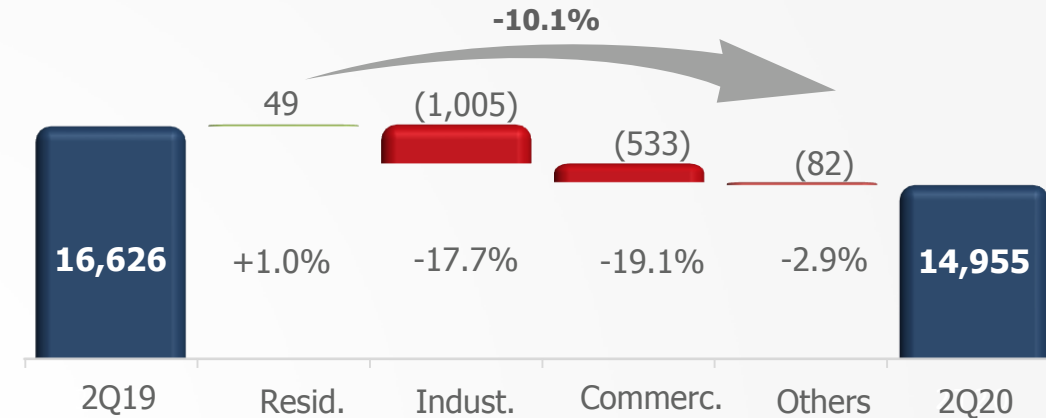
## Load<sup>1</sup> in the concession area | GWh



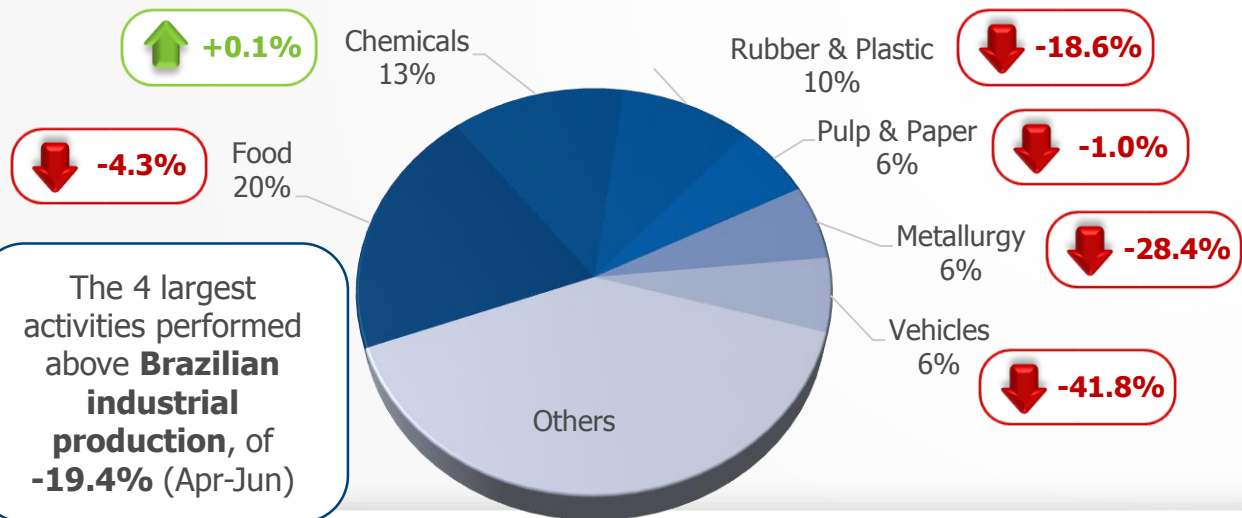
## Sales in the concession area | GWh



## Sales by consumption segment | GWh



## Performance of main industrial activities in the concession area



## Main impacts by segment | %

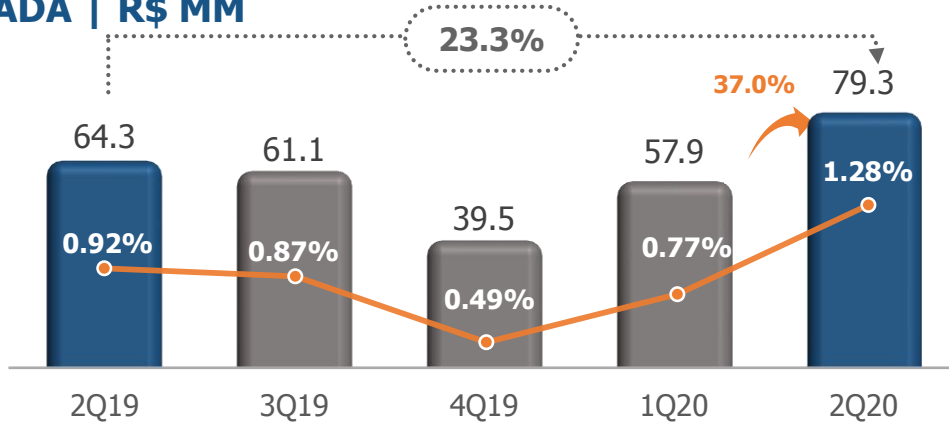
	Resid	Ind	Com	Others	Total
Billing calendar	0.2	-0.1	0.4	-0.4	0.0
Temperature	-2.5	0.0	-2.1	-0.4	-1.1
Migrations	0.0	-1.4	0.0	-2.6	-1.0
DG	-0.9	-0.2	-1.3	-0.4	-0.6
Macroeconomics/ Others	4.2	-16.0	-16.1	0.9	-7.4

1) Load net of losses; 2) If excluding the migration of large consumers, the load and the sales within the concession area in 2Q20 would have the following variations: -10.2% and -9.1%, respectively;

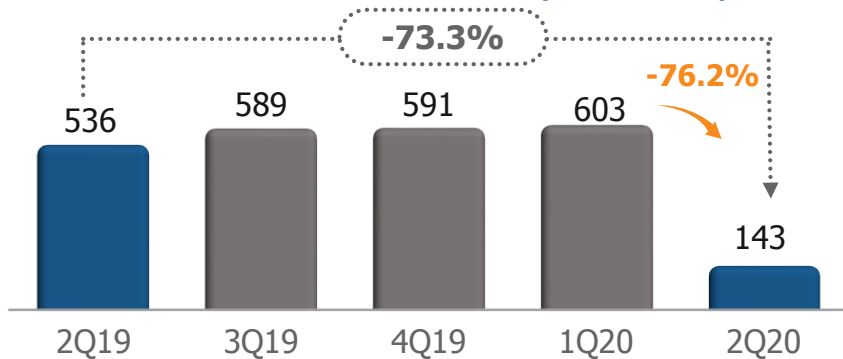
# Delinquency and Energy Losses

## Delinquency

ADA | R\$ MM



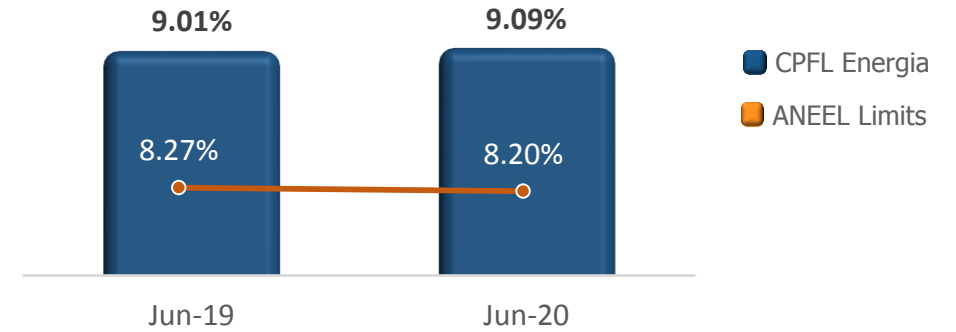
## Collection actions | Power cuts (thousands)



✓ Resolution 878 – Prohibition of power cuts from March 24<sup>th</sup> to July 31<sup>th</sup>.

## Energy Losses

Losses | Last 12 months



✓ Intensified actions against losses:







- 122.2 GWh of recovered energy
- 185,100 inspections
- Field teams focused on: power cut of inactive consumers, replacement of obsolete meters and regularization of clandestine connections

# R\$ 85.2 MM

From April to July

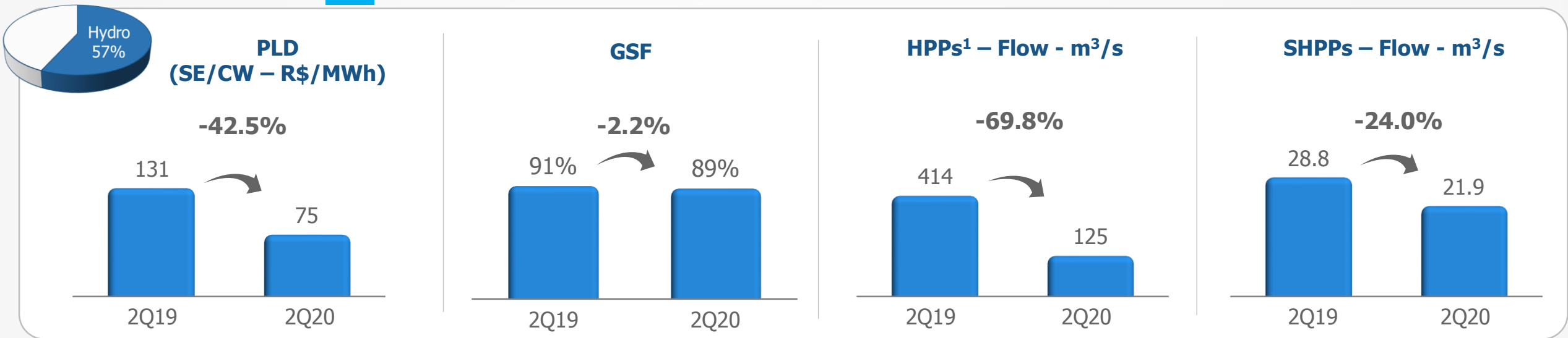
## CPFL measures to assure the collection

### Implemented actions in collection

Payments with Credit Card	"Delivery" Payment	Credit Card Installments	Corona Voucher Payment	Payment's charge Agencies and CPFL Atende	PicPay Payment
					
April – July	April – July	April 12th – July	June 15th – July	April – July	in July
<b>57,000</b> payments	<b>+402,000</b> visits	<b>+30,000</b> installments	<b>52,000</b> payments	<b>+116,000</b> contacts	<b>43,000</b> transactions
<b>13.0</b> R\$ MM paid	<b>28.3</b> R\$ MM collected	<b>19.2</b> R\$ MM in installments	<b>8.2</b> R\$ MM collected	<b>10.7</b> R\$ MM negotiated	<b>5.8</b> R\$ MM collected



# 2Q20 Generation

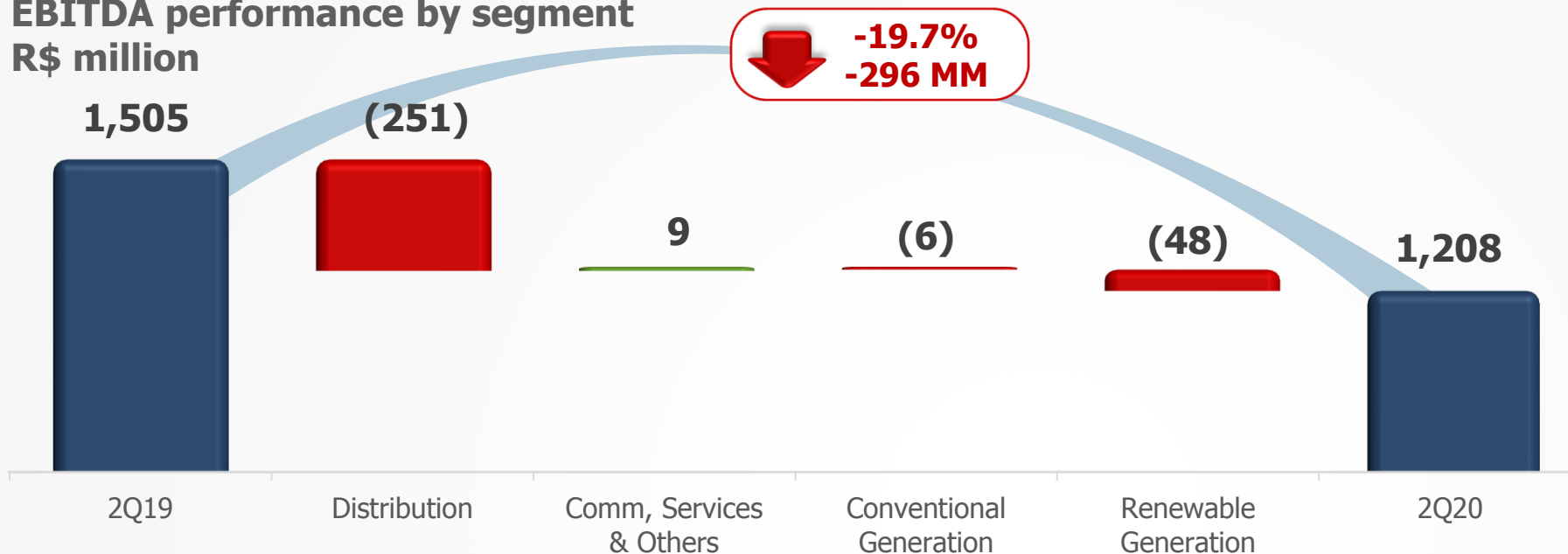


1) Disregarding Semesa.

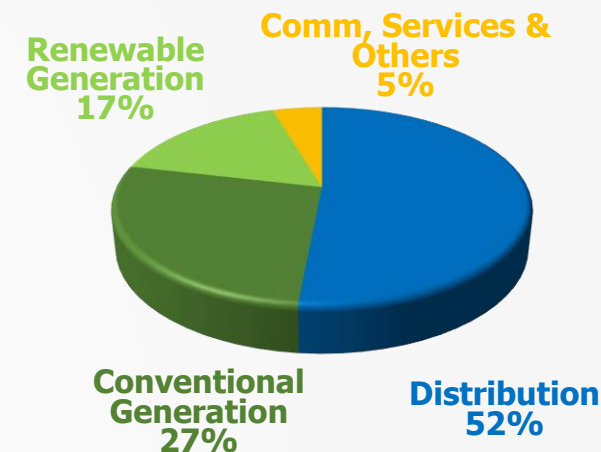


# 2Q20 Results

## EBITDA performance by segment R\$ million



## EBITDA breakdown by segment



### Distribution: R\$ 622 million (-28.7%)



- ✓ Concession financial asset (-R\$ 170 MM)
- ✓ Market / tariff (-R\$ 71 MM)
- ✓ ADA (-R\$ 15 MM)
- ✓ PMSO<sup>2</sup> (+R\$ 29 MM)
- ✓ Others (-R\$ 24 MM)

IPCA <sup>1</sup>	
2Q19	2Q20
+1.46%	-0.62%

### Comm., Services & Others: R\$ 56 million (+20.0%)

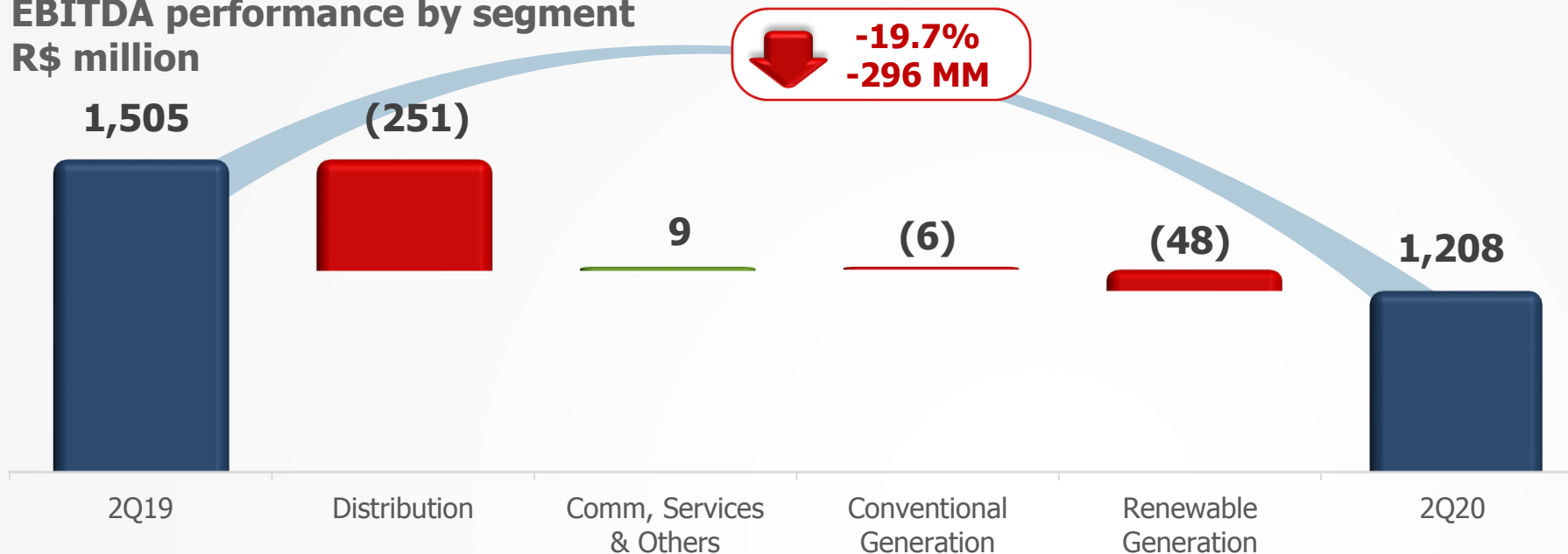


- ✓ Commercialization (-R\$ 1 MM)
- ✓ Services (+R\$ 6 MM)
- ✓ Others (+R\$ 5 MM)

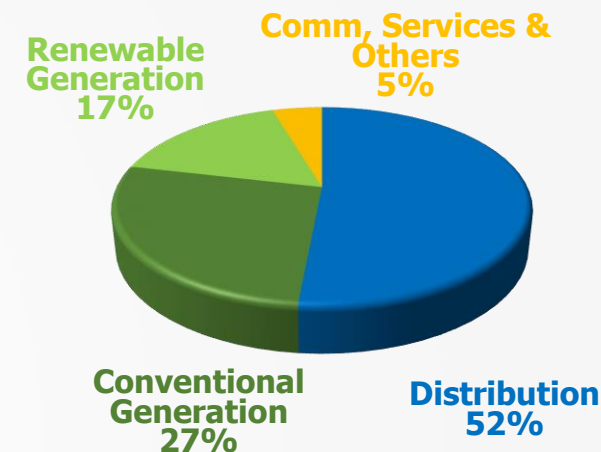
1) From March to May of each year, according to concession financial asset calculation; 2) If disregarding expenses with private pension plan (-R\$ 14 MM), PMSO was R\$ 44 MM lower than in 2Q19.

# 2Q20 Results

## EBITDA performance by segment R\$ million



## EBITDA breakdown by segment



### Conventional Generation: R\$ 327 million (-1.9%)



- ✓ Lower hydro and thermal generation (-R\$ 16 MM)
- ✓ Energy contract readjustments (+R\$ 10 MM)

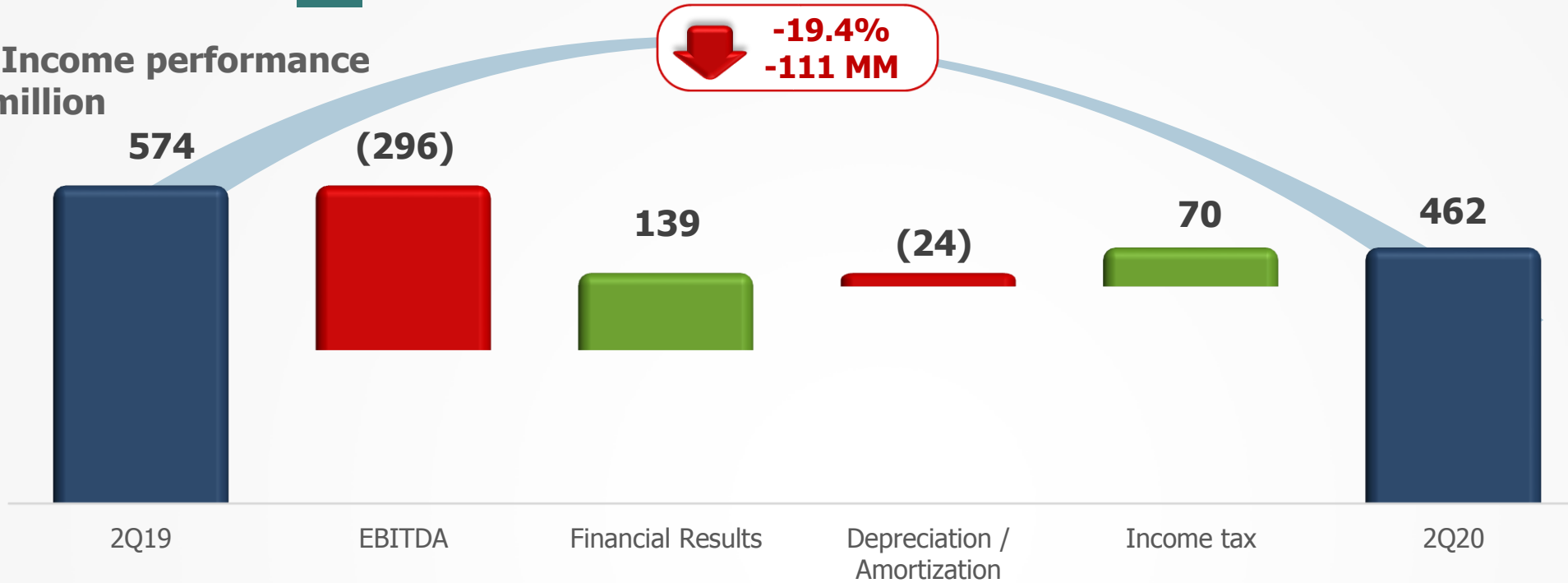
### Renewable Generation: R\$ 203 million (-19.2%)



- ✓ SHPPs PPA seasonality (-R\$ 40 MM)
- ✓ Lower wind farms generation (-R\$ 23 MM)
- ✓ Energy contract readjustments (+R\$ 24 MM)
- ✓ Others (-R\$ 9 MM)

# 2Q20 Results

Net Income performance  
R\$ million



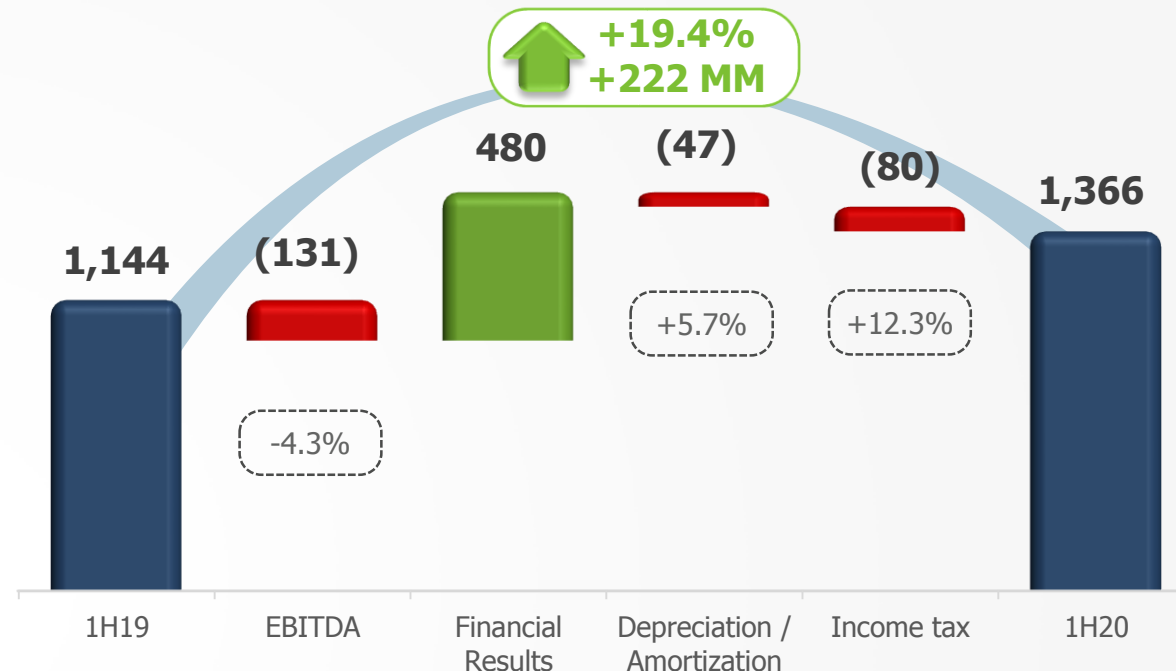
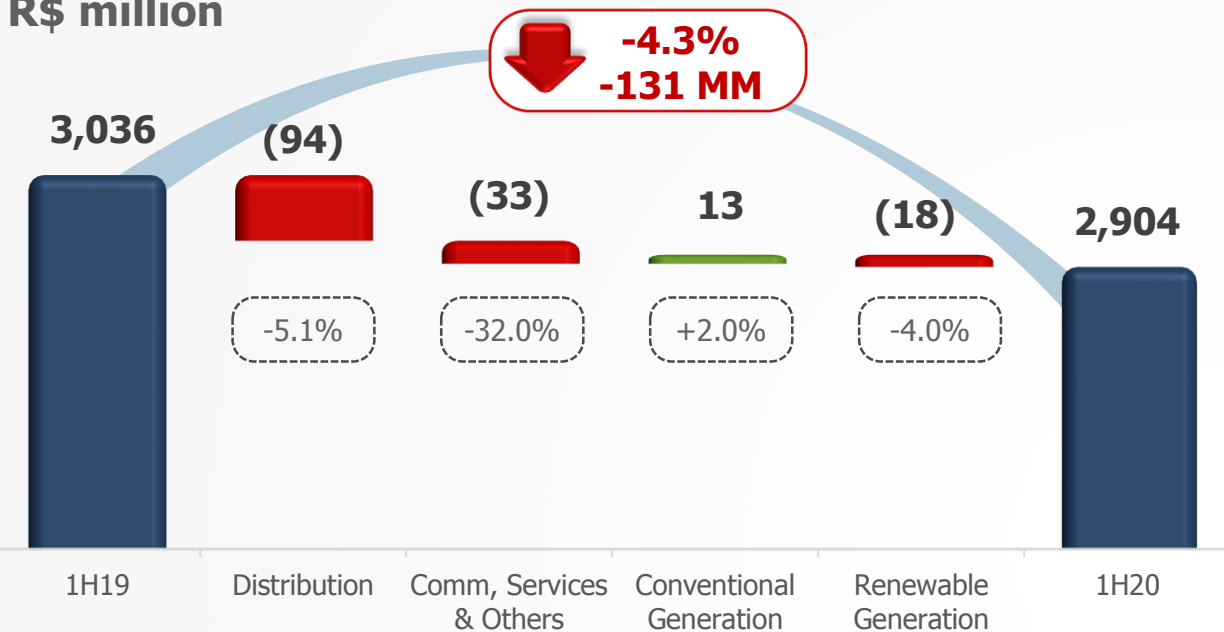
## Financial Results



- ✓ Expenses with net debt (+R\$ 150 MM) – lower CDI and cost of debt
- ✓ Others (-R\$ 11 MM)

# 1H20 Results

## Performance of EBITDA and Net Income R\$ million



### EBITDA

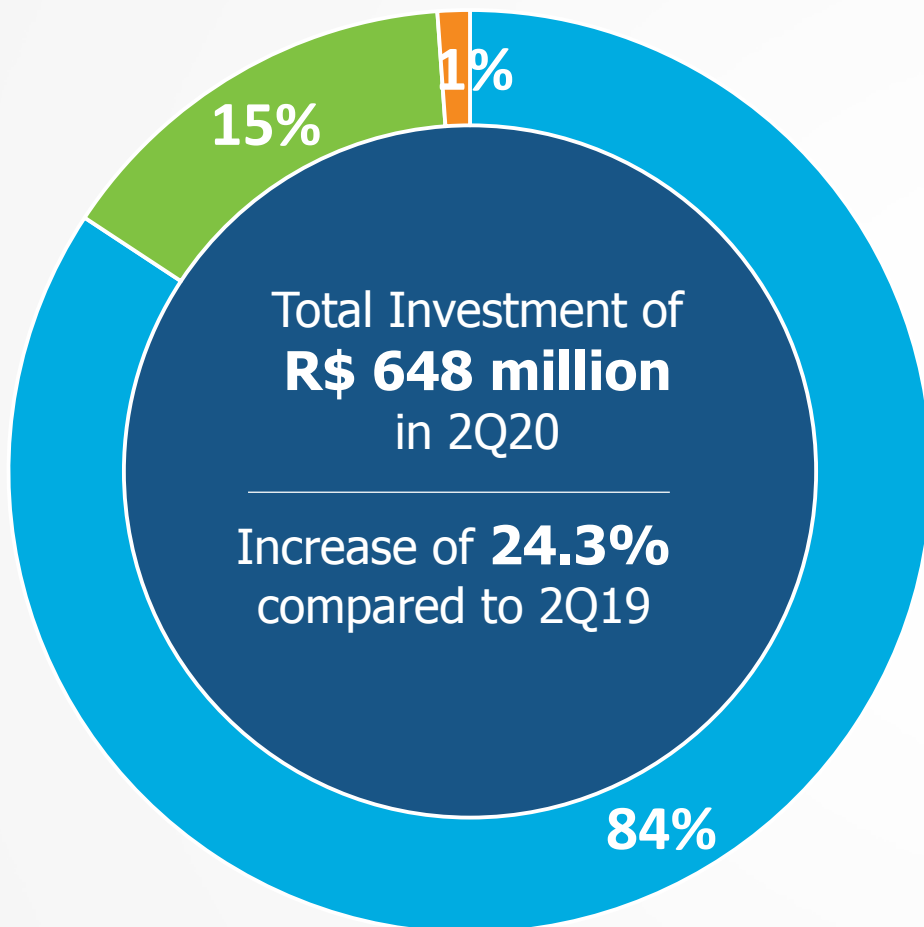
- ✓ Decrease in Distribution segment (**-5.1%**), mainly due to lower concession financial asset
- ✓ Lower margins in commercialization due to lower prices in the beginning of the year
- ✓ Renewable Generation reflecting weaker wind performance and GSF, offset by higher availability and contract inflation adjustments

### Net Income

- ✓ Financial results favored by MTM (R\$ 265 million) and lower interest rates/decrease in the cost of debt (R\$ 217 million)
- ✓ Higher income tax due to better financial results

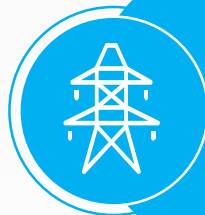


# CAPEX 2Q20



■ Discos ■ Gencos / Transcos ■ Comm, Services and Others

## Distribution



- **R\$ 546 million**
- Increase of 13.3% if compared to 2Q19
- Expansion, upgrade and maintenance of the electric system

## Renewable Generation



- **R\$ 62 million**
- Implementation of the projects **Gameleira** and **Cherobim**
- Upgrade and maintenance of plants

## Transmission



- **R\$ 32 million**
- Beginning of the projects sold in 2018 auctions:
  - **Maracanaú**
  - **Sul I and Sul II**



## Conventional Generation

- **R\$ 1 million**
- Operational infrastructure and maintenance improvements

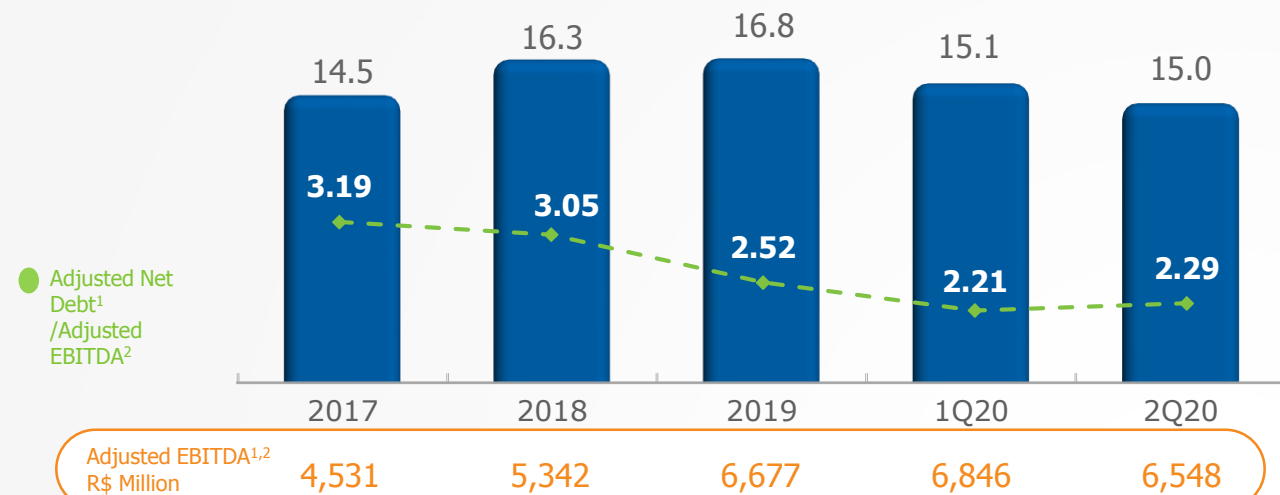
## Services



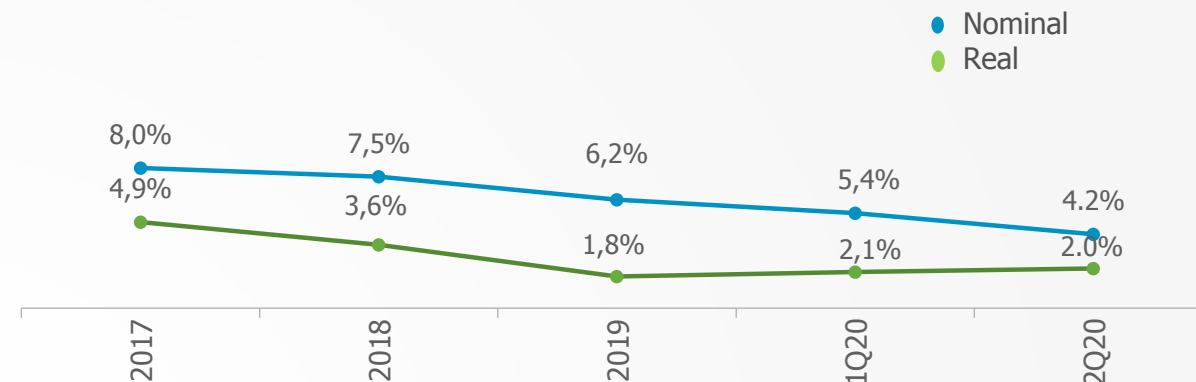
- **R\$ 7 million**
- Upgrade of management and operational support systems
- Acquisition and replacement of vehicles and equipment

# Indebtedness

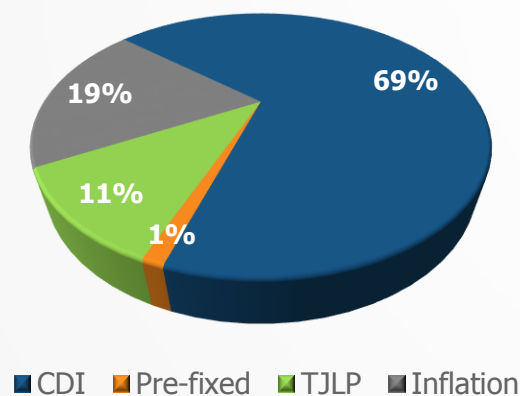
**Leverage** | Financial covenants criteria | R\$ billion



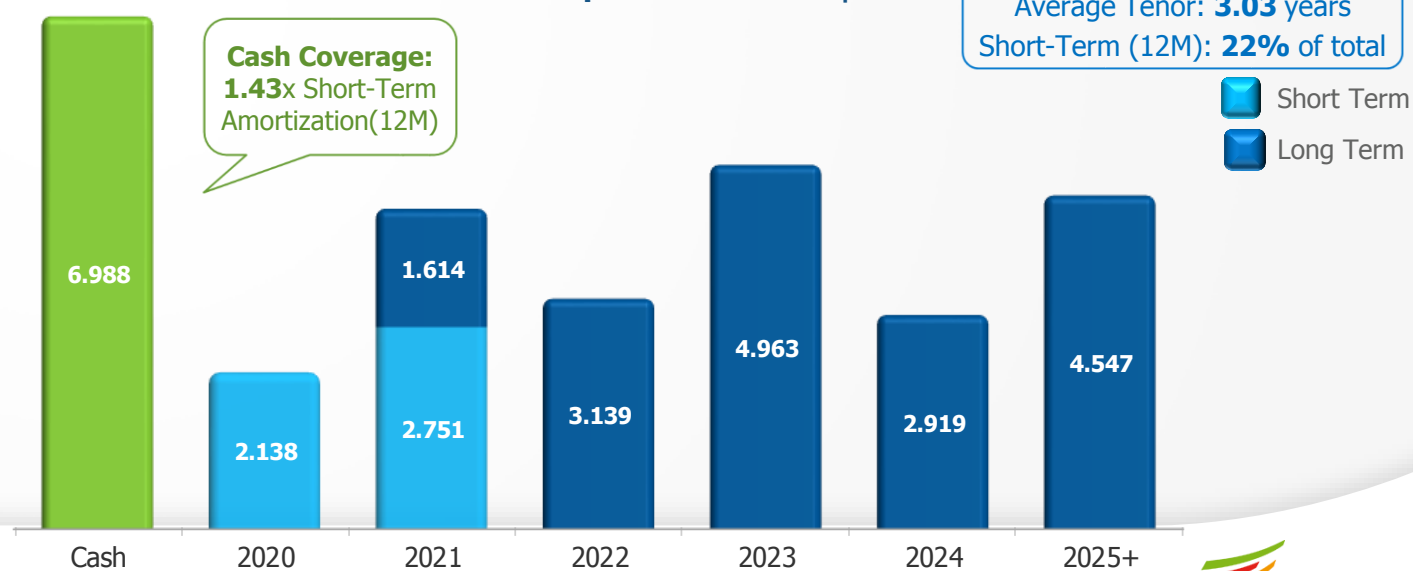
**Gross debt cost<sup>3</sup>** IFRS | End of period



**Gross debt breakdown by indexer<sup>3</sup>**  
IFRS | 2Q20



**Debt Amortization Schedule | IFRS** End of period



1) LTM EBITDA; 2) Adjusted by the proportional consolidation as well as considering SGBP's loan agreement; 3) Financial debt (-) hedge.

# Fundraising in 2020

## Law 4,131 (Jan-Apr)

- Total amount: **R\$ 3.4 billion**
- Average term: **4 years**
- Cost: **CDI + 0.83%**

## BNDES (May)

- Total amount: **R\$ 3.5 billion**
- Total term: **20 years**
- 1<sup>st</sup> disbursement: **R\$1.25 billion in Jun-20**
- Cost: **IPCA + 4.27%**

## Intercompany loan SGBP R\$ 2.4 billion (Jun-Jul)

### CPFL Renováveis

- In 2Q20: **R\$ 850 million**
- In 3Q20: **R\$ 1,150 million**
- Cost: **CDI + 1.10%**

### CPFL Brasil

- In 3Q20: **R\$ 380 million**
- Cost: **CDI + 1.10%**

## Debts prepayment<sup>1</sup> (Jun-Aug)

### BNB (R\$ 841 million)

Cost: **Prefixed (10.01%)**  
(on average) **TJLP + 1.00%**

### BNDES (R\$ 2 billion)

Cost: **TJLP + 2.30%**  
(on average)

**Trapped cash (R\$ 915 million)**

As a result of this liability management, we expect a **decrease in financial expenses** for the next months

1) Information regarding the debts prepayment of CPFL Renováveis.

# COVID Account and other measures

PM #950/20 and Decree 10,350 established measures to improve discos' liquidity and avoid impacts in the whole sector



## COVID Account

### Rationale

- ✓ Cash relief for discos<sup>1</sup>
- ✓ Dilute tariff impact for consumers

### Calculation<sup>2</sup>

- ✓ Market reduction
- ✓ Collection reduction
- ✓ Postponed Tariff adjustment
- ✓ Group A demand<sup>3</sup>

### Loan conditions

- ✓ Amount: R\$ 14.8 billion
- ✓ Cost: CDI + 3.79%
- ✓ Tenor: 5 years

### CPFL Energia

- ✓ Total amount: **R\$ 1,382 MM**
- ✓ Amount received until now: **R\$ 1,111 MM**

## Other important measures

- ✓ Subsidies to Low Income customers (April to June)
- ✓ Postponement of tariff adjustments
- ✓ Transfer of sector charges resources to discos and free consumers (R\$ 2.0 billion)

## Next steps

- ✓ Discussions about economic impacts (extraordinary tariff revision) – Public Hearing to be opened until Aug 22<sup>nd</sup>
- ✓ Methodology to recognize overcontracting position as involuntary

1) Costs/expenses that could be covered by COVID Account: (i) overcontracting, (ii) CVA balance being constituted, (iii) sector charges neutrality, (iv) RTA deferrals in the period of April to June, (v) CVA balance approved in previous tariff event and (vi) anticipation of parcel B; 2) For some companies, regulatory assets prevailed for the definition of the cap, according to Aneel's methodology. 3) It was not contracted by CPFL.



# Q&A



1<sup>st</sup> Step: Click on



2<sup>nd</sup> Step: ID yourself

- Inform your **name** and **institution**
- Request a **live** question or **write it** in order to be read during the event





# Thank you



# Thank you!

