

# Y 2021 Earnings Call

## Company Participants

- Carlos Cyrino, Director of Investor Relations
- Gustavo Estrella, Chief Executive Officer
- Yuehui Pan, Chief Financial Executive Officer and Investors Relations Officer

## Other Participants

- Analyst
- Andre Sampaio
- Daniel Travitzky
- Giuliano Ajeje

## Presentation

### Carlos Cyrino {BIO 21090309 <GO>}

Good morning to everyone. It's a pleasure to be here to show you the wonderful results of CPFL. We're going to talk about the fourth quarter in 2021. My name is Carlos Cyrino, I'm the Director of Investor Relations of CPFL. And today, I will be the master of ceremony of our event.

Today we have with us Gustavo Estrella, our CEO; Mr. Pan, the Direct Vice President of the company. We're going to do the whole presentation in Portuguese with translation to English. All you have to do is click on the interpretation button that shows up in the lower part of the ruler. If you want to see the presentation in English, it is in the site of CPFL Energy.

I would like to inform all the participants that after this, we will start our questions and answers. Like the last times, everything will be done live. And to ask all you have to do is click on the button, raise hands. This is also on the bottom part of the platform. The whole event is being recorded.

I'm now going to give the floor to Gustavo Estrella for him to start the presentation of the results.

### Gustavo Estrella {BIO 18109709 <GO>}

Thank you, Cyrino. Good morning to everyone. Good morning for your presence in the call of results. As Cyrino mentioned, we are going to demonstrate the results of the fourth quarter and also the year 2021.

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So, we're going to begin talking about the load in the concession area. This dropped 3% in the fourth quarter of 2021. And very much due to temperature we're going to see in detail in the next slides, that with a growth of 3.4% in 2021 due to the industrial class that presented an important recovery in relation to 2020.

In relation to the EBITDA profit, we had a historical record in the company. We closed with BRL9,160 million in the year, a growth of 35.1% in relation to the year of 2020. And we had a profit of BRL4,854 million with a growth of 30.9% in relation to 2020.

Leverage, we have a net debt of BRL21.11 million. This is a leverage that is 2.13x. This is very comfortable given the space that we have up to the limits of our financial covenants. The CapEx, we intensified our investment program in the company, especially in distribution, due to the proximity of the tariff revision.

These are important years for the realization of CapEx in the company. So, we have a CapEx of almost BRL4 million in the year, a growth of 43.3% in relation to 2020. We're also going to show that we continue with an ambitious plan in relation to the CapEx of the group. We estimate that between '22 and '26, our total CapEx for 2021 is an investment that is led by distribution, but also incorporating the additional investments in the transmission sector.

The regulatory asset, we closed the year with a historical number of BRL3.2 billion. It's the highest level in the history of the company. This number has started dropping in 22 due to the improvement of the hydrology, but there's a lot of pressure here for the tariff readjustments in 2022. And this is due to the regulatory assets, elevated regulatory assets.

Now, we're going to move forward to the Slide 4. We have a proposal to pay the dividends. This is going to be submitted to the approval of the board with the shareholders. This is basically confirming our strategy of balancing the growth with a payment of dividends.

So, even with important growth in 2021, with CPFL transmission going into the Gameleira transmission project, the proposal is to pay a total of 100% of the distributed profit of 2021, which represents BRL4,549 million. As we've paid in December BRL804 million, we have additional dividends of BRL3,736 million, which corresponds to BRL3.24 per share.

Now let's move forward to Slide 5. Here you see more in detail the energy sales. You see a drop here 3% in the concession. If you look at the bottom left side of our last slide, you can see that the residential area has a drop of 5.7%. 4.9% is the effect of temperature, which affected our commercial class with the effect of temperature of 6.1%.

In this quarter, we already see the consumption is -- industrial consumption is very positive. At the end of the year, we started seeing the growth of the industry or manufacturing, and we see this also taking place in the beginning of 2022.

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So, if we look at Slide 6, energy sales in 2021 as we can observe, the load in the concession area of sales of 4.2%. When we look per class, the residential class is a growth of 0.5 and the growth comes due to the industry, which has grown a lot in the second quarter of 2021 and has an average growth of 11.1%.

So, we have to notice that we have two classes here in the interest of metallurgy and vehicles that have pushing or pulling this growth, but the consumption is still below 2019. So, the growth of these two classes is still not enough to compensate the drop in consumption that we had in the year of 2020. When we look at the industry, in general, have a growth of 5% in relation to 2019. So, we are above the level, pre-pandemic, specifically these two classes, metallurgy and vehicles, we are still below the consumption of the year 2019.

Here in Slide 7, we do a comparison with the numbers adjusted. We removed the effect of migration calendar temperature and now resolution so that we can in fact look at the behavior of each one of the classes during the year of 2021. Here in residency, we can clearly see a fluctuation due to the pandemic and we have here increase of consumption in the residential class and then we have other moments of decrease. So, this is very much due to the variation, which is a result of the pandemic.

In the industrial sector, you have a strong effective base of comparison. So, look at the second quarter, a growth of 28%. This is due to the low base of the second quarter of 2020. Remember the pandemic begins in the middle of March. So, it gets the second quarter, it hits it in full. So, we have a comparison and it reflects at the end of the drop of 0.5. This is a reduction of the industrial activity that we notice at the end of last year and this is in -- with the same trend in the beginning of 2022.

In the commercial areas, we also see a recovery here concentrated in a comparison based the second quarter. We can see a recovery in a pace, which is a bit lower than the industry this class. The total consumption is over 7% below 2019 different to the industry, but it also is an important recovery and others with variation due to hydrology irrigation, especially in the southern area of the country.

Now, let's go to Slide 8. Here we're talking about ADA. We can see the fourth quarter 078, this is an important recovery. If we compare to the prior quarters, this is very critical in relation to delinquency, but a percentage that is still above the closure of 2020. When we look at the year, the average goes from 0.8% to 1% in 2021. This for sure continues being a point of concern for our company especially due to the expectation of low growth, which we expect in 2022, together with the scenario of expectation of increase of tariffs for the year.

When we look at collection actions, it's practically stable. It's high here with over 210 power cuts per month in the concession areas and a growth of 18% in relation to 2019. So, we have used the power cuts to control delinquency. And I think the scenario is still challenging in relation to this issue.

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In relation to losses, it's a bit different. We have a drop of losses in the last two months and compared to 2020, the loss goes from 905 to 871. This also is a point of concern and a point of attention. Our volume of losses what we have done is the maintenance of the number of inspections in units of consumption, which basically from 500,000 to 600,000 inspections per year. And what is new and what has improved is the use of more technology, more intelligence. We have an analytic center so that we can have a more assertive, more quality inspection. And this has increased and reflects here in a drop of losses that we have, decrease of losses.

Well, in relation to generation, we start here with a PLD. It already shows a drop in relation to 2020. The improvement of hydrology starts at the end of last year. This already reflects in an average lower PLD. The fourth starts with a high level and it drops three months. And it closes in more or less BRL0.35. Since we had a very negative hydrology, we had PLD hydrating a good part of the year and we closed with BRL280 against 220, which -- 2020, which was BRL170.

It also reflects the worsening of hydrology. We can see here a GSF with 73%, very negative remembering that CPFL has the hedge. So, the exposure to GSF is low. It exists, but it's low. But we do have a negative GSF for the year. As for the flow, we have a different scenario here. These plants are located basically in the Southern area and the Center West, we have an improvement of the hydrology in these areas.

So, we have a better flow in the comparison with 2020 in relation to the PCH is located in Sao Paulo and the state of Minas, the asset HPs. We have a drop of flow 2021 versus 2020. And in the fourth quarter, where it starts improving, we then have an increase of flow of 40%.

What about the wind generation? The wind generation, we have here -- this is a fruit of the better hydrology especially. You can see that we have a drop of generation. And there's a positive variation when we look at the 17%, basically, due to the performance of the wind and the percentages which are much better in 2020 when we compare to the year of -- sorry, 2021 compared to '20. And we had 82% of winds compared to P50 and 2021, it goes up to 91%. The availability is practically aligned in the two years.

Now, I'm going to give the floor to Mr.Pan, who's going to talk to us about the results.

**Yuehui Pan** {BIO 20609514 <GO>}

Thank you, Gustavo. Good morning to everyone. I'm on Slide 11, the EBITDA in this quarter was BRL2.5 billion, an increase of 32.4%. The highlight once more was the good result of the distribution segment with an increase of 59.2%. The largest gain came from the market and tariffs. BRL463 million especially due to the IGPM which was higher.

Another important effect was the concession financial gain, asset gain, which had an increase of BRL181 million due to the highest IPCA index. We also had a gain of BRL42 million of other revenues. Here is the rental of posts and these contracts updated by the IGPM. The PDD was the highest BRL23 million. This hike is due to the increase of the

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revenue. The revenue was 0.78% and our historical level is 0.7% to 0.8%. The other effects add negative BRL7 million in generation the EBITDA was BRL735 million, a reduction of 2.5%.

We should highlight that this quarter, the five transmission projects that were consolidated here, they are now separate. The main positive effect was the update of the contract prices BRL203 million. Another positive impact was the GSF during the period. Even though it is higher, we had lower PLD this year due to the rains at the end of the year, which allowed for a reduction of these expenses. On the other hand, we had a negative impact of BRL140 million due to the solution of GSF in the free market and regulated registered in 2020 the lower wind generation as Gustavo just said in the previous slide affected BRL29 million. Other effects added BRL71 million.

Let's move to the next slide. The transmission segment after the acquisition of the CEEET brought large relevance for the consolidated numbers of CPFL Energy. We report separate to generation, the visit of the period was of BRL77 million, an increase of over 700%. The main effect was the consolidation of the numbers of CPFL transmission with BRL122 million. On the other hand, we had a negative impact of BRL46 million due to the higher CapEx and delays in the greenfield projects, the trading segment services, and others. We had a negative EBITDA of BRL44 million impacted especially by the margin -- negative margin of BRL83 million. This was partially compensated by the best -- better result of the service segment of BRL10 million, especially CPFL service. Other effects added a total of BRL18 million.

Now, let's move to the next slide, here we show the net income performance. You can see a hike of 34.5% in relation to the fourth quarter of 2020. And the financial result, we had a net depth of BRL321 million due to expenses with that with an increase of BRL321 million. This is explained due to the increase of CDI and IPCA. And also finds BRL29 million after the adoption of IPCA and no longer EGPM, especially compensated by the gain of GMTM BRL60 million, BRL80 million. The monetary update of the regulatory asset BRL37 million other effects add BRL56 negative million. The lower value of taxes is related to fiscal credits in the last quarter of '21 at a total of BRL187 million.

Let's move on to Slide 14. Here, we show you the accumulated result of the year, where the EBITDA grew 35.1%, We highlight here the distribution segment, which grew 47.5% favored by the market recovery and the increase of tariffs besides the financial asset of the concession.

Another highlight is a hike of 25.1% due to more wind generation because of the strong winds observed in '21, readjustment of contracts linked to inflation, and the solution of GSF. The net profit increased 30.9%, reaching BRL4.9 billion. We had an impact of the net of the cost of the debt of MTM partially compensated by the larger value of the finds. Also, the higher payment of tax is due to the better operational results.

Let's go to the next slide, leverage, and dividends. We have the covenant criteria for the indebtment and the net debt is BRL21.1 billion. The EBITDA of the last 12 months reached BRL9.9 billion. The leverage measured by the net debt over the EBITDA was 2.13x after

the acquisition of CEEE-T, which was BRL2.7 billion, and the payment of dividends of BRL2.5 billion realized in the last quarter of '21.

So, on dividends, we are going to take to the approval in General Meeting to the board, the proposal for the payment of dividends relative to the results of '21 and the value is BRL4,540 million, BRL3.94 per share. Of this amount, BRL804 million have already been paid out in December 2021 and the rest BRL3.736 million or BRL3.24 per share will be paid up to December 2022. In this manner, we continue with our plan of balance between growth and yield.

The next slide refers to indebtedness. We have the profile of the growth that we have a larger exposure to CDI 69%, 29% to IPCA, 3% prefix, and 2% TGLP. On the chart on the right side, we have the cost of the debt that increased due to the variation of the IPCI, IPCA, and CDI during the period. At the end of the year, we had BRL2.8 billion in cash within the range of coverage of 0.8x the amortization is short term. The medium term is 3 months.

In Slide 17, CapEx, it was BRL1.351 in the fourth quarter, an increase of 53.6% in relation to the same period the year before. If you look per segment, we had in distribution a total invested of BRL872 million tested into the modernization and maintenance and increase of the net equipment.

In generation, we invested BRL127 million in the projects of the Gameleira and Cherobim. We invested BRL307 million in our transmissions Sul I, Sul II project, Maracana?, and reinforcements and improvements in the CPFL assets. Also, for the segment of trading and services, we thus enforced BRL45 million to modernize and maintain equipments, vehicles, tools, and IT. In the accumulated vision of 2021, we invested more or less BRL4 billion, an increase of 42.3%.

Now, let's move to Slide 18. Here we have a CapEx protection for the cycle of 2022 to 2026, which is about BRL21 billion for the whole group. In division per segment, we have a special highlight for distribution. We invested a total of about BRL17.6 billion to the improvement, maintenance, and reinforcement of the network and the increase of the capacity of the substations. We will also invest 1.2 billion for the conclusion of the PCH of (inaudible) and the maintenance of the plants that are already in operation. For transmission, we have a forecast of BRL1.9 billion in greenfield projects and in CPFL transmission. For this last one, we will destine[ph] about BRL1.7 billion.

That's what I had to say, and now I'm going to the floor back to Mr.Gustavo Estrella. Thank you very much.

**Gustavo Estrella** {BIO 18109709 <GO>}

Thank you very much, Mr.Pan. Well, let's continue, let's talk about the integration of CPFL transmission. I believe that we concluded in the beginning of January, a 100-day plan, which was basically the beginning of our process of takeover. There's still a lot of things to be done. I think it's advancing according to our expectation with important results.

The first thing is this cultural integration plan with the implementation of practices and policies of CPFL, and we're bringing the CPFL culture into the CPFL transmission way of being. This is a process that takes a bit of time, but it's something that we've initiated. We also did the centralization of the transactional activities and service to the infrastructure of the fleet, the HR supply chain, and finance. This is all being carried out by our service center in October[ph].

And integration of the IT systems is a process that we're going to conclude up to July this year. I would say that the main systems of this integration, even -- they're going to happen before the SAP. For example, this is a process, we are accelerating the maximum we can. So, all the critical systems will be integrated well before July this year. We've already had a revision of a series of contracts with a reduction of about BRL15 million per year.

We've already done this as a series of other analyses of the contracts that should be revised, but we already have, we've already moved forward in this process in an important manner. We've transferred the headquarters, which was the original headquarters to our new headquarters in Porto Alegre. This will be concluded up to the end of July, besides a more modern installation, also the rental costs that we have today in the current location.

And last but not least, we have the substitution of the current debts, which are linked to dollars ever since the privatization process, and we have a volume of debt, which is BRL680 million and we have the opportunity to renegotiate so that we can bring these debts to the level of the cost of CPFL with an important gain of results.

And lastly, a little bit of the summary of ESG. So, I think that the first thing, the first highlight here, the rates of the market. So, the CDP, if you -- here we have highlighted -- we have, the IACB. This is a demonstration of recognition of the market in relation to all the practices and the policies that CPFL has developed in ESG.

Some important achievements. I would mention the conclusion of the first part in the hospitals, BRL156 million more than and more than 300 hospitals benefited in our area of concession. We've started the second part of this program with more another BRL140 million being invested so that we can continue this project in partnership with the public hospitals.

We have the improvements with revisions of regulation, also regulatory demands for '22. We've already done this ever since the beginning of last year. And lastly, a series of awards and recognitions I think this feedback of the market is very important, recognizing everything that's CPFL has been doing, and it's a lot. So, I think in the perception of the market sees these advances.

Well, with this, we conclude our presentation of results. I'm going to give the floor to Cyrino and then we can start our Q&A.

## Questions And Answers

## A - Carlos Cyrino {BIO 21090309 <GO>}

(Question And Answer)

Thank you. We are now going to open up Q&A session. (Operator Instructions) So we have our first question here. This is coming from Philippe Andrej from Itau. Thank you, Philippe. Good morning. Feel free to ask your question.

## Q - Analyst

(Foreign Language) Good morning, Cyrino, Pan. Thank you for listening to my question. As for the recent acquisition that you talked about, I would like to know if it would be possible to share a bit more the information about the planning, the financing of the debt, when will this happen? And also, if you could please share information about the turnaround that is expected for the asset in terms of improvement, so to improve the CT3E to -- for the transmission assets. So how long do you think that this improvement will take to happen? Thank you.

## A - Gustavo Estrella {BIO 18109709 <GO>}

Philippe, thank you for your question. I think in relation to the debt, I think the challenge that we have this year in relation to all the refinancing and the funding, we don't only look to transmission CPFL, we look at the group in general. We have a year with an expectation of turbulence. There's a war going on. We don't know how long it's going to last. We don't know how it can affect the market. And also here in Brazil, when we think of elections. So our plan is to forecast or to anticipate any refinancing, so that we can concentrate this in the next months -- few months.

I think up to March-June, we will have concluded all the refinancing short-term that is necessary, and this includes CPFL Transmissao. The expectation is that we bring, for obvious reasons, the cost of the debt to the same levels of the CPFL Group. So obviously, this brings us a positive expectation of cost reduction in relation to the current debt. Remembering that these debts are in dollar, and they have a higher cost than our average cost of financing. So the idea is to do this quickest possible not only do anticipate to again bringing this debt to the lower levels, but also to avoid the risk of exposure to volatility during this year.

In relation to the turnaround, I think it has a timing to take place. I think that we've already forecasted this timing, and this is happening, I would say, according to expectations. So I mentioned some examples here. We reduced the company's fleet over 43%, we reduced BRL15 million in the OpEx of the company, and there are other reductions that take place in time. As we integrate the company more and more in CPFL systems, processes, people, we are clearly able to reap this benefit.

And as you said, the expectation is to have a market margin, and it shouldn't be different to have a margin compatible to a company of transmission with these characteristics. Of course, it takes a while, we're trying to accelerate the maximum we can. But it's -- the moment we're going through, we took over this company in October last year in a period of pandemic. So the process of takeover is a complex process. So we have done this with

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care and safety, but trying to do this integration process in the best possible to be able to reap the benefits, and this will then reflect in the results of the company.

In CPFL Transmissao, we have also an ambitious plan. This execution, if it's well done, is very important. And this is another thing that we've done. We're preparing ourselves to do this in the best way possible to maximize the results of the company.

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## Q - Analyst

Thank you very much, Estrella.

## A - Carlos Cyrino {BIO 21090309 <GO>}

Let's move to the second question. The question comes from Daniel from Safra Bank. Good morning. You can ask your question.

## Q - Daniel Travitzky {BIO 20928929 <GO>}

Hello, everyone. Good morning. Thank you for the opportunity. Congratulations for the results. I have two questions. The first one, I'd like you to comment about the opportunities that we have. We're going to have the bidding process of CTG of transmission. So we -- you are paying robust dividends. So I would like to know more about these opportunities during the year. And the second question I have is related to the tariff readjustment expectations. You mentioned the PDD. I would like to know how this is going to happen, and how much the PDD should go up due to an increase in tariffs, which should be high this year. Thank you.

## A - Gustavo Estrella {BIO 18109709 <GO>}

Thank you for your question. Well, talking about the M&A opportunities, we continue to focus in opportunity for growth. We have an expectation about the transmission bid. We think that we'll have two auctions that will be quite relevant at the end of the year, not so much. And as we've done in the previous auctions, we're going to evaluate what [ph]lots make sense with our strategy, remembering we're going to search for synergy with our current business. And our strategy will be the same, recognizing the difficulties of the current moment. Especially when we look at the auctions, the competition has been very strong. And the last one and possibly the scenario in the next two will be the same.

Added to this, there's an increase of costs, commodities, labor, scarcity of materials that's already is happening. And I believe that the expectation is going to be even more serious with war. And we believe that this brings us additional challenges. So, we're respecting our financial discipline and assets that bring value to our company.

You mentioned CT3E generation, the company is not going to participate in the auction. We have a preference right for some. And if it happens, if there is a winner, we are going to exercise the right that we have, but we will not be participating in the auction.

As for the readjustments, this is a huge challenge not only to CPFL, but it's a sectorial challenge. We had an expectation, a higher expectation in relation to this. I think it's -- the

loan is the best instrument today to avoid the high readjustments. But BRL5.2 million helps to -- but they will continue -- the readjustments will probably be over two-digit. So it's a very challenging situation. I think it makes the default situation even worse.

So, it's difficult to know the size and the dimension of -- and the impact of this. But what we've been doing is to try to prepare the company for the scenario that I showed you here. Program of power cuts of debts paid in installments to help our clients pay and to avoid this default. It is really a challenge and the performance of the level of revenue, the several variables that can result in a higher or lower default delinquency. We hope that will have a better scenario in the future, but we do think that the scenario is challenging for us during this year.

**Q - Daniel Travitzky** {BIO 20928929 <GO>}

Thank you very much.

**A - Carlos Cyrino** {BIO 21090309 <GO>}

The third question is from Andre Sampaio from Santander Bank. Hello, Andre. We're going to follow now with your question.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

I have two questions. The first question is if you please could comment the dividends of 100% payout in 2021, what's the expectation for 2022? What are you planning to do in relation to the dividends this year? And the second one is, you could go back to the CapEx slide, because I have a specific doubt in the transmission part when you mentioned the CapEx. These are only the projects that are in the pipeline? Or do you have something that is not in the pipeline?

**A - Gustavo Estrella** {BIO 18109709 <GO>}

Thank you for the questions. Well, first of all, about the CapEx, you only -- we only have the CapEx of the companies where we have ongoing projects. So these -- what we've already got in prior auctions or specifically CPFL Transmissao, so there's no projection of a new potential asset that we would acquire. If we do this, next time when we give you the disclaimer of the new CapEx plan, we will show you a higher investment in relation to dividends. As you know, our strategy always is to balance dividends with growth. So one thing depends on the other. In our policy, we have a minimum payment of 50%. The expectation is always to maximize the payment of dividends, but it depends a lot on our strategy of growth.

So every time we are able to balance like as we did this year, we pay dividends for growth. But if we have a higher growth than expected or an asset that demands cash a lot, we can reduce the payout limit to 50%. So this is to monitor, but I would say that the strategy, the plan of the company always is to maximize matching the payment of dividends with growth.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

Thank you, Estrella. Have you seen any relevant assets that could have this role in 2022? Or you don't have anything matched? This is going to depend on the advance of the year.

**A - Gustavo Estrella** {BIO 18109709 <GO>}

We [ph]felt an M&A market, which is several assets, brownfield. There's no asset -- specific asset currently. But what we feel is that the market is very active with various opportunities that might crop up during the year. So that's what we're monitoring constantly, but now there's no clear position of movement.

**Q - Andre Sampaio** {BIO 19422379 <GO>}

Thank you.

**A - Carlos Cyrino** {BIO 21090309 <GO>}

Thank you, Andre. Let's move to the next question. Carlos Herrera, strategist from Condor. Thank you for your participation. Move ahead with your question.

**Q - Analyst**

I'm Carolina, I work with Carlos. He asked me to ask the question, because he's on a phone call. The question is, just hold on a second, what segments will you be focusing on in 2022? In Transmission, how do you see the competition and how the increase of cost is bringing more realistic proposals? That's the questions my colleague asked, but he is on a phone call. So I'm asking the questions in his place.

**A - Gustavo Estrella** {BIO 18109709 <GO>}

Good morning, Carolina. Thank you for the question. Well, segments for 2022, I will say that we continue to focus on where -- what we already do: Generation, Transmission, Distribution, Commercialization, all the segments within the electrical sector. As for Transmission, there is an expectation of a lot of competition. The scenario is not different from what we've seen in prior meetings, I believe it continues. A lot of competition in the future auctions. I mentioned two auctions that are expected greenfield for '22 and a series of brownfield assets. I think the scenario is very similar. A lot of competition, a lot of investors wanting to invest, wanting to join, increase investments in transmission.

The cost of capital, we revised capital cost periodically so that we always have costs which adheres to the level of risk and the return that's expected for certain asset. So this analysis, this exercise is done in a recurrent manner in the company. It is not different now. Perhaps the only point is a scenario today of more volatility, where there is an expectation of capital costs or returns of a certain asset. This might vary in relation to the external and macro scenario. But this is something that we do always to have an alignment in the cost of capital and new investments.

**Q - Analyst**

Thank you very much. I'd also like to thank you for the other questions.

**A - Carlos Cyrino** {BIO 21090309 <GO>}

Thank you, Carol. Well, we are now going to move to the last question. This is a question from Giuliano from UBS. Good morning, Giu. Ask your question.

**Q - Giuliano Ajeje** {BIO 21739549 <GO>}

Thank you. Thank you. Hello, Cyrino. Hello, Estrella. Thank you for the opportunity. I have some questions. The first about this generation assets. You have the possibility of purchasing, but there's also the right to sell if someone makes an aggressive proposal. Can you sell these assets? That's my first question.

I have another two questions. I'd like to hear what you think about renewing concessions. If this is a concern. And I'd like to hear how the conversations are about the assets of the controller. If there's a conversation about the transmission and state grid.

**A - Gustavo Estrella** {BIO 18109709 <GO>}

Thank you for the questions. Starting with the generation asset, we don't have the right to sell. We only have a preferred right after the auction. If there's a winner, we can or not purchase the asset, but not sell. As for the controller assets, there's no negotiation, no discussion now on the table. In relation to this, nothing new. And if we do have anything new, we will put this in the market. But today, there's no discussion in this sense.

As for the concession renewal, as you know, looking at the historical part here, we've come here from the last process of distribution, which took place in 2015 with a renewal of over 40 concessionaries of distribution. This renewal, after the authorizing of the ministry, it took place with no type of impact for the companies. This is basically our expectation.

We have a situation in distribution, which is very different to generation. So I think with this characteristic of a recurring investment, tariff revisions, which adjust the margins of the company to the regulatory levels, it doesn't make sense as making any type of change in a concession renewable process of concession. So this vision long-term were to manage the business, it's very important in our case. We closed 10-year plans. So this long-term vision, so that we can operate in the best manner possible distribution business' fundamental. So our expectation is that we have a renovation process that preserves all the rights, preserves all the margins, the regulatory margins established by the regulator, and that also brings these long-term expectations to everyone. That's our expectation.

**Q - Giuliano Ajeje** {BIO 21739549 <GO>}

Thank you, Estrella.

**A - Carlos Cyrino** {BIO 21090309 <GO>}

Thank you, Giu, for your question. Well folks, we have no more questions. We're now ending our question-and-answer. If there's still any question, the Investor Relations team is available to clarify later. I'm going to give back the floor to Gustavo Estrella for his final considerations and for the closure of this session. Thank you.

## A - Gustavo Estrella {BIO 18109709 <GO>}

Thank you, Cyrino. Well, I thank you all for the participation in our call of results. We're very proud of our results here in CPFL. I think it reflects very well the resilience that the sector has, especially during this time of crisis. So we've -- the sector shows itself as an important hedge against inflation. I think it's important to say this. And looking in perspective, we have a CapEx program, which is expressive over BRL21 billion. It's the largest CapEx program in the history of the company. This guarantees the growth process of the company, growth outside M&A, but also our internal growth, how we maximize our results. And this takes place due to the dynamic of investment, whether it be distribution or transmission.

So we're here with a challenging CapEx, but a CapEx that guarantees the growth -- continued growth of the company long-term. Dividends, we reinforce once more our strategy of balancing between growth and the dividend payments. We're able to address the two issues of last year. I think it's a perfect world when we, in fact, are able to deal with the growth, which was the purchase of CPFL Transmissao, also preserving the payment of 100% of dividends.

And lastly, also looking in perspective, I think we continue with a lot of confidence in all the process of modernization. Opening of the energy sector, we're certain that we'll have the capacity of putting CPFL in the new market with new challenges, but keeping our role of leadership in this sector.

Once more, I thank you all for participating in this call, and I wish you a very good day. Thank you.

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