



CEEE-T Acquisition

Campinas – July, 2021

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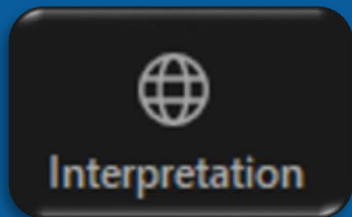
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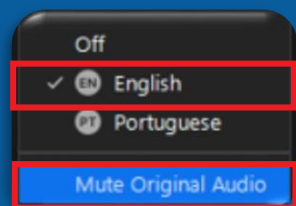
Initial Guidelines

Simultaneous Translation into English:

1st Step: Click on

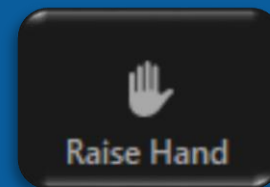


2nd Step: Choose



Q&A Session

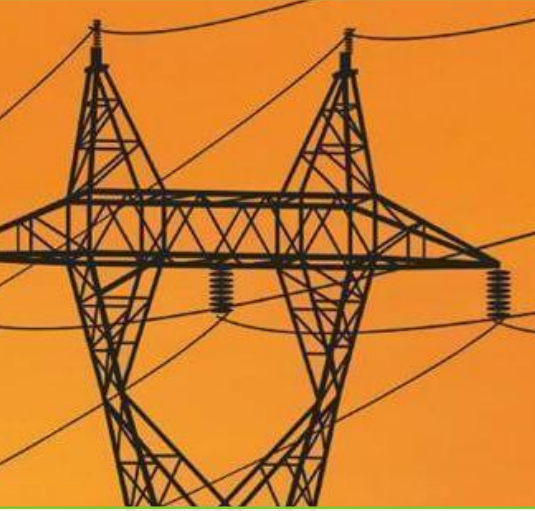
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2nd Step: ID yourself

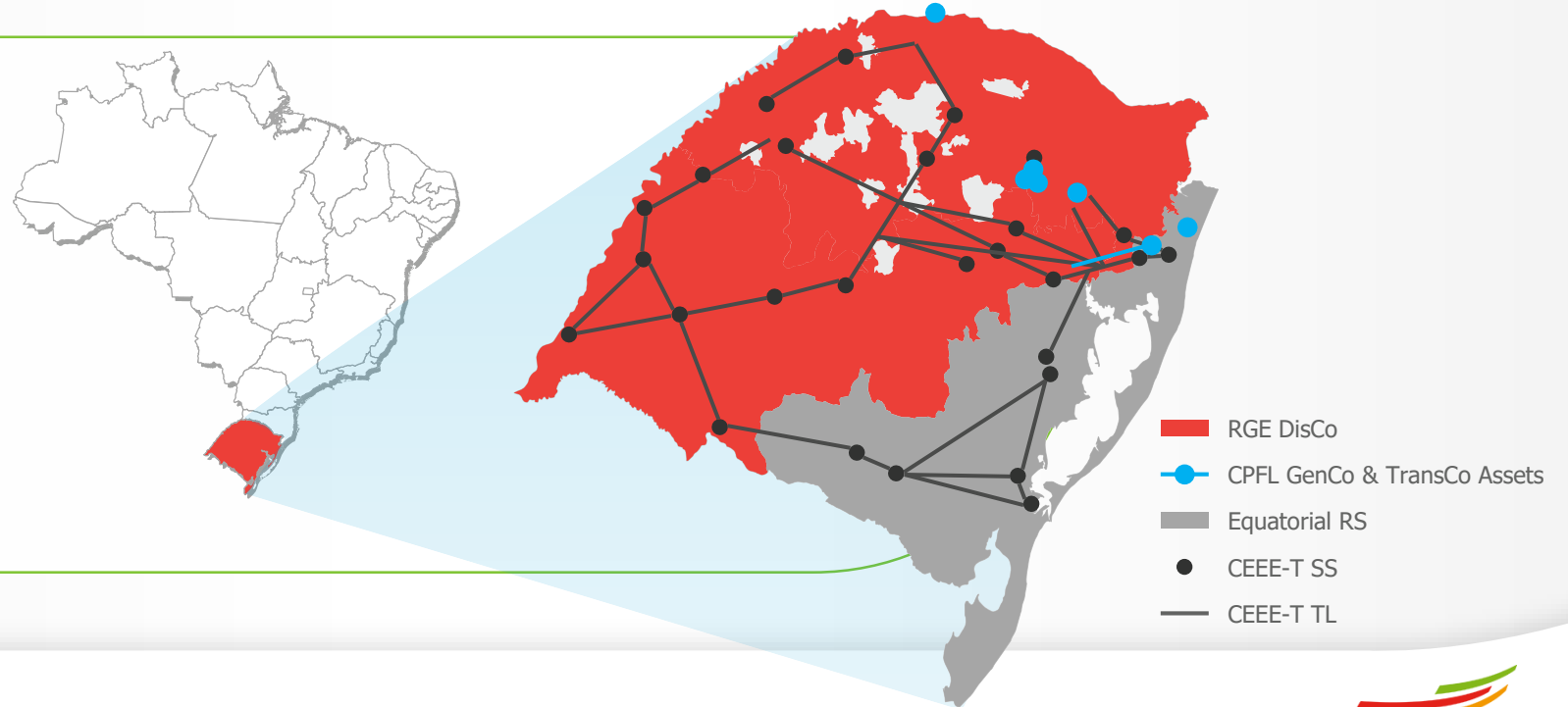
- Your audio will be opened for you to ask the question **live** directly to the executives
- Inform your **name** and **institution**

CEEE-T Concession Overview



- ✓ **6,037 km** of Transmission Lines¹
- ✓ **72 Substations**¹
- ✓ **~R\$ 1 Bn** current RAP²
- ✓ **~R\$ 200 million** in Net Income³
- ✓ **~4%** of all Brazilian Transmission Lines

CEEE-Transmission is almost fully located over Rio Grande do Sul State, in reasonable financial shape, with strong potential to be taken into its highest efficiency in the hands of CPFL



1) 4km of TLs and 1 SS from Lot 06 of 2020 Auction
2) Aneel RAP for cycle 2020/2021
3) 2020 segment info

Distribution

Overview

- Revenue Model: Permitted Annual Revenue
- Tariff adjusted annually by IPCA and volume deviations to maintain equitable remuneration
- ✓ **Tariff revision:** every 5 years based on O&M, WACC and Regulatory Asset Base
- ✓ **CAPEX:** required to maintain Revenue levels given remuneration mechanics of a depreciating RAB
- ✓ **O&M:** based on actual OPEX and benchmarking with other players
- ✓ **Market Volume influence**

Transmission

Overview

- Concessions before 1998, renewed in 2013 (MP 579/12)
- RAP annually adjusted by IPCA
- ✓ **Tariff revision:** every 5 years based on O&M, WACC and Regulatory Asset Base
- ✓ **CAPEX:** required to maintain RAP levels given remuneration mechanics of a depreciating RAB
- ✓ **O&M:** based on O&M needed for all Asset Base and benchmarking with other Category 1 concessionaires
- × **Market Volume influence**

Category 1

Category 2

Overview

- Concessions from 1999 to 2006
- × **No tariff review**
- RAP annually adjusted by IGPM

Category 3

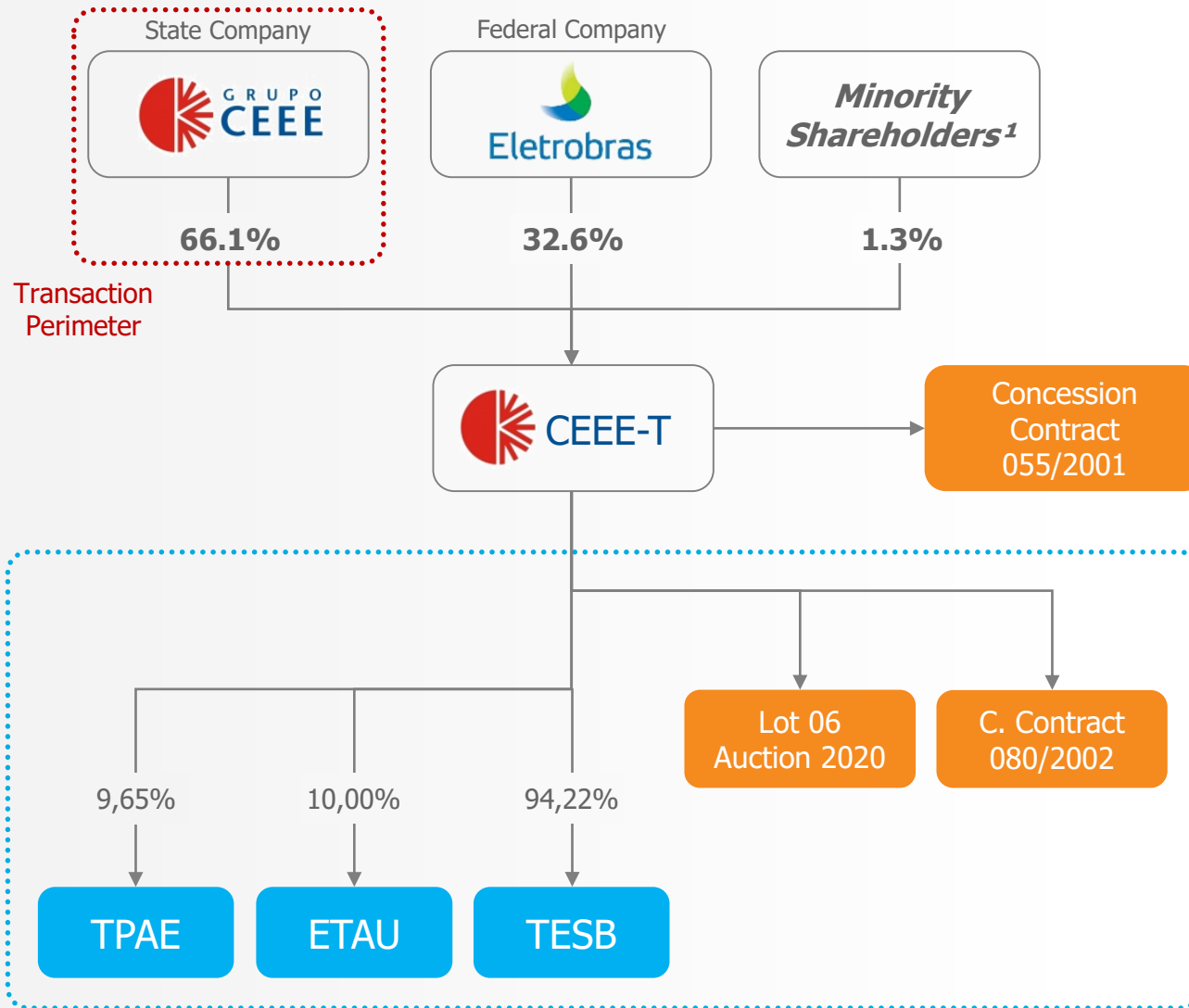
Overview

- Concessions after 2006
- × **No tariff review**
- RAP annually adjusted by IPCA

The Revenue model of the Category 1 transmission line is similar to the Distribution model, with the benefit of not having the risk associated to volume

CEEE-T Concession Overview

Corporate & Contracts Overview



Model:
Category 1
~95% of
CEEE-T revenue

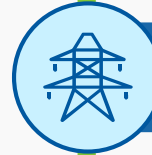
Model:
Categories 2 & 3
~5% of
CEEE-T revenue

Acquisition triggers **tag along rights** through a **Mandatory Tender Offer** for Eletrobras and Minority Shareholders, to be launched according to Law 6,404/76 and ICVM 361/02

Key Value Drivers

Strategic Considerations

- ✓ **Unique opportunity** to acquire Category 1 Asset with Transmission low risk profile
- ✓ **Diversification of operations** in a new sub-segment for CPFL
- ✓ **Long term revenue streams** over more than 20 years of concession remaining
- ✓ **OPEX optimization** to lead to higher operational margin
- ✓ **Underinvested Asset**
- ✓ Debt replacement to **optimize financial situation** + competitive funding alternative



Unique Opportunity



CAPEX Improvement



OPEX Optimization



Long Term Operations



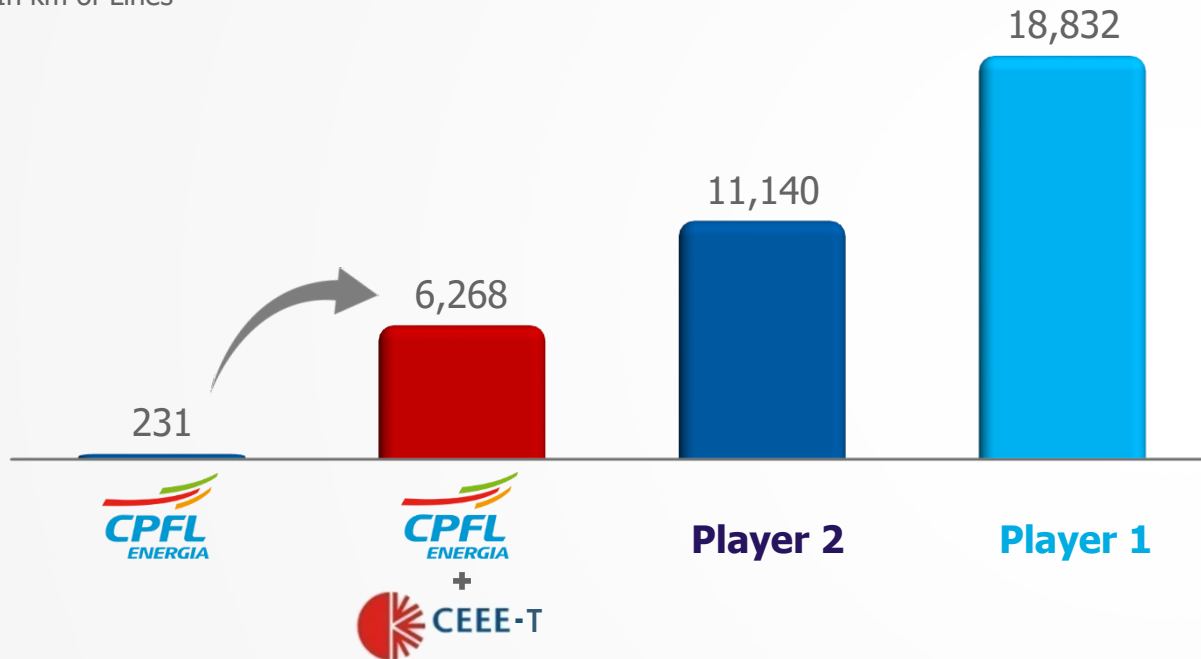
Capital Structure

Key Value Drivers



Unique opportunity for CPFL in Transmission Segment

In km of Lines¹



Market Strategy

- ✓ CPFL **diversifies** its operational footprint
- ✓ Segment has **recurring revenue streams** until at least 2042
- ✓ CPFL builds a Transmission Platform, reaching a **relevance position between Transmission players**
- ✓ Largest CEEE-T contract has **regulatory mechanics similar to Distribution**, which is CPFL's core business
- ✓ Asset location allows for **synergies with CPFL** current operations:
 - Quality improvement in RGE (DEC, FEC)
 - In emergencies, RGE and CEEE-T can share operational services/teams, helping both companies
 - ~1,000km of lines serving directly the southern DisCos ("DITs")

1) Operational lines of each company, as per 2020A Press Release of each one.

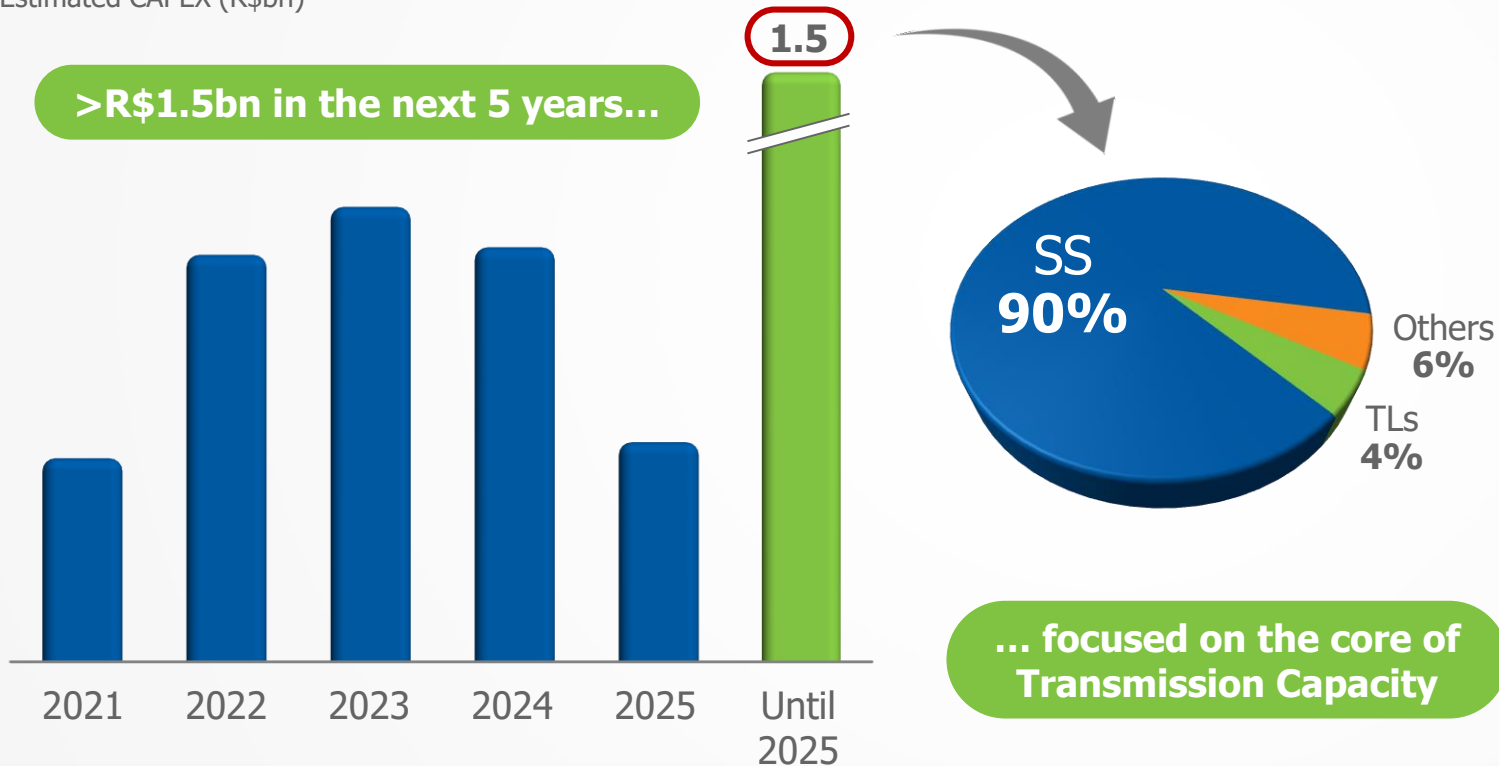
Key Value Drivers



CAPEX Improvement

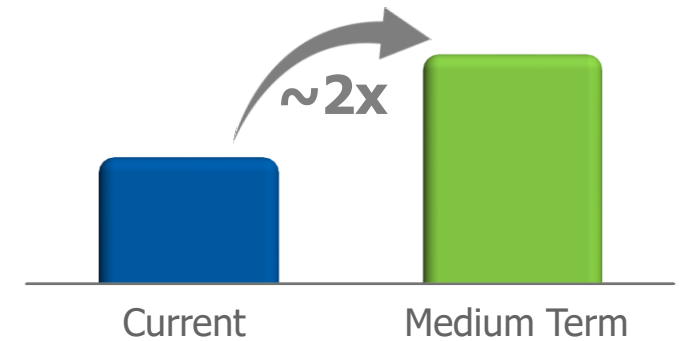
✓ **Great potential** for CAPEX (*MME's POTEE budget¹ for CEEE-T*)

Estimated CAPEX (R\$bn)



CAPEX Driver

Regulatory Asset Base



General CAPEX guidelines

Aneel requirements for Approval

- Preventive investments
- Correction of failures in grid
- Replacement of Fully Depreciated Assets
- ✓ Prudent investments

1) CAPEX needs identified by the MME for transmission capacity strengthening

Key Value Drivers



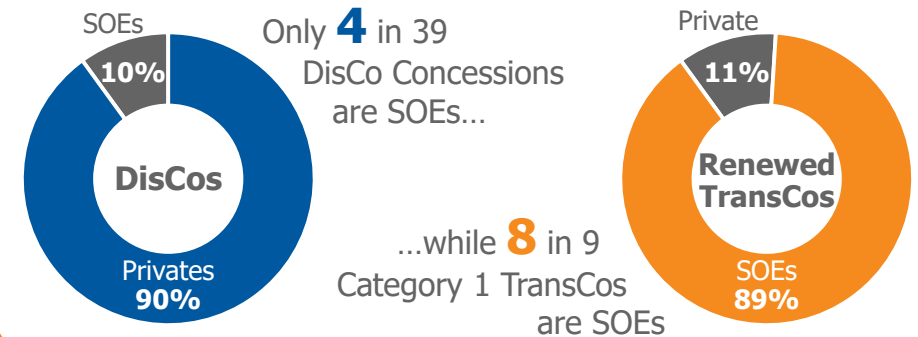
OPEX improvement

Cost Efficiency from a Best-in-Class operator:

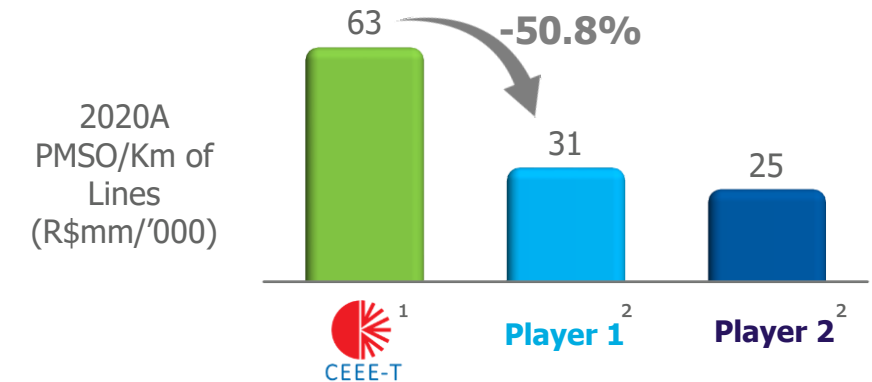
- CPFL Distribution Companies outperform Regulatory defined OPEX, in a much more mature segment than Transmission
- CPFL has a strong culture of applying **ZBB methodology** for its assets
- Regulatory OPEX for Renewed TransCo:
 - ✓ Also dependable on benchmark among concessionaires
 - ✓ Nowadays there is **only one private operator in the Category 1** transmission sub-segment
 - ✓ Room for outperformance in the hands of an efficient **cost-controller player**
 - ✓ Composes 30%-40% of total RAP



DisCo vs. TransCo Management



CEEE-T Efficiency vs. Market



1) Based on Proforma Transmission 2020A Figures

2) 2020A Press Release of each company. Total PMSO divided by total transmission lines on the Report of each company

Key Value Drivers



Capital Structure

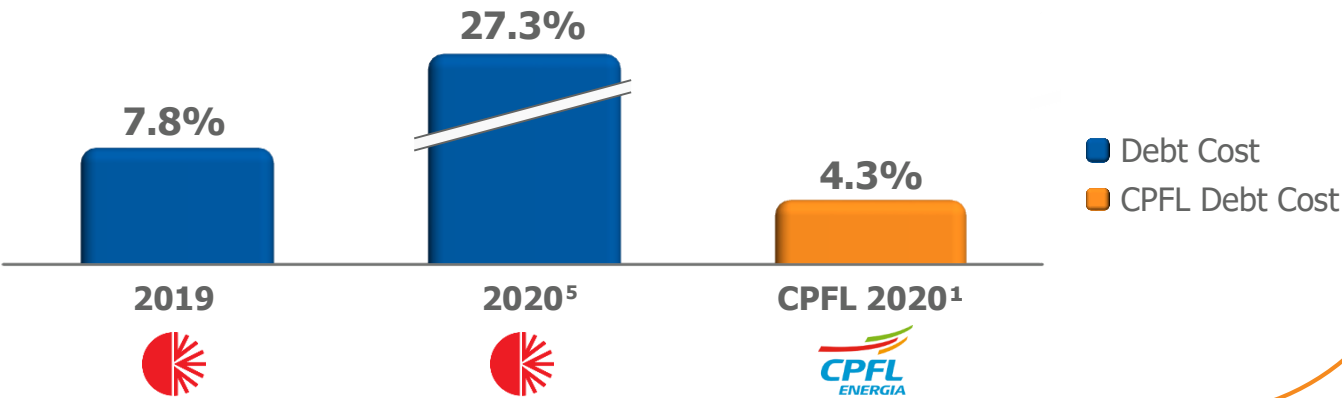


~R\$700M of USD-denominated debt from CEEE-T will be restructured.

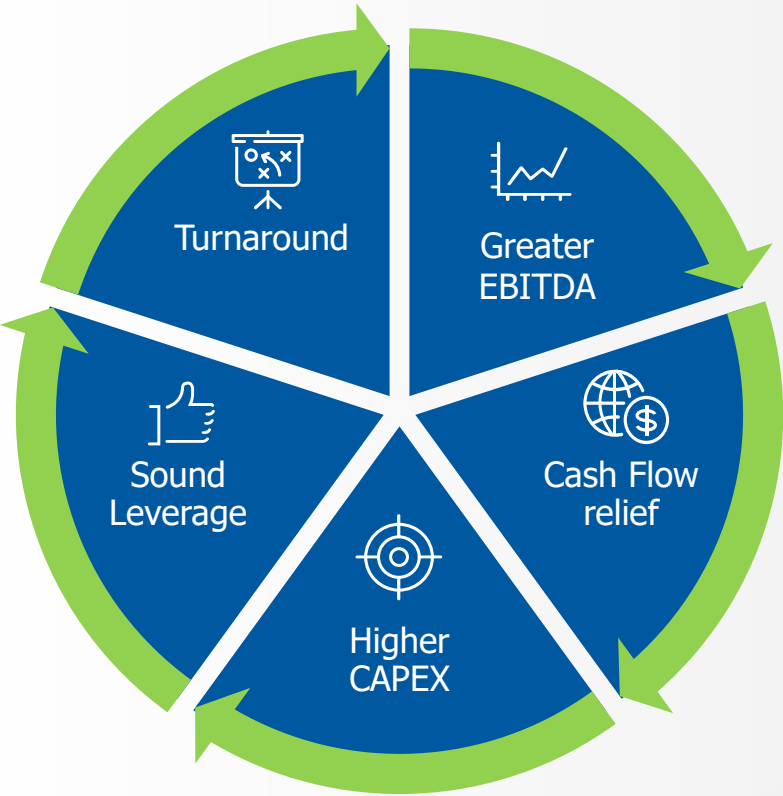
~0.7x⁴
Net Debt³/EBITDA

Room for leverage improvement, CAPEX implementation and dividend payouts

Debt Cost



Implement the **virtuous cycle**



(1) CPFL Energia 2020 Release (2) As of 2020A (3) Financial Debt only
(4) Based on Proforma Transmission 2020A Figures (Debt: R\$680mm, Cash: R\$380mm, EBITDA: R\$460mm) (5) Variation is due to foreign exchange impacts

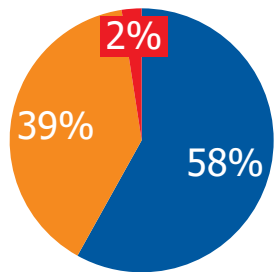


CPFL post-acquisition

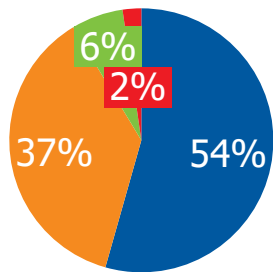
- CPFL becomes the **owner of ~4% of all transmission lines in Brazil**
- CPFL has leverage room to fund **M&A projects**
- CPFL Energia is able to grow while being an important **dividend player** in the market

EBITDA breakdown^{1,2}

CPFL Pre-Acquisition



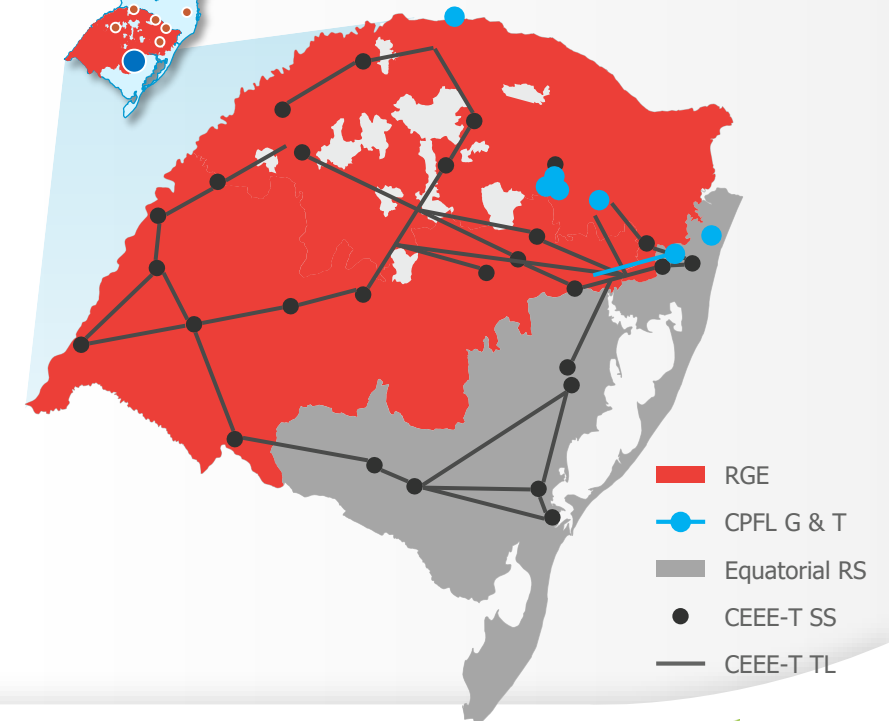
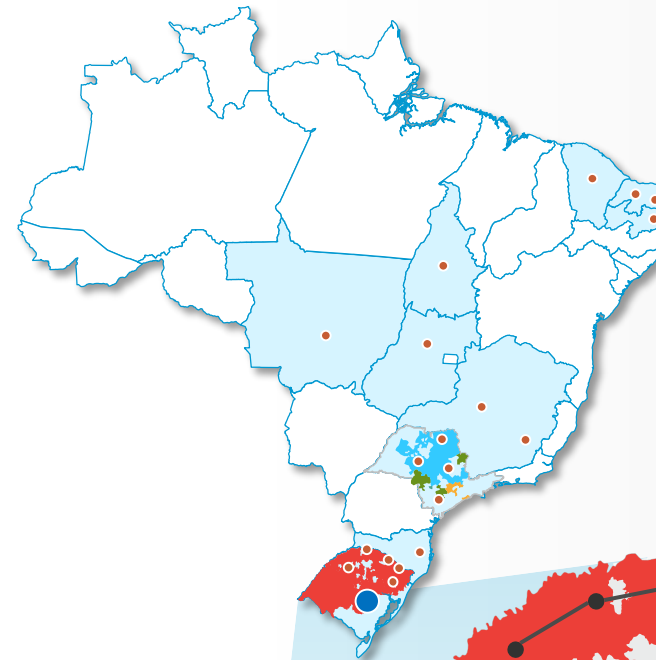
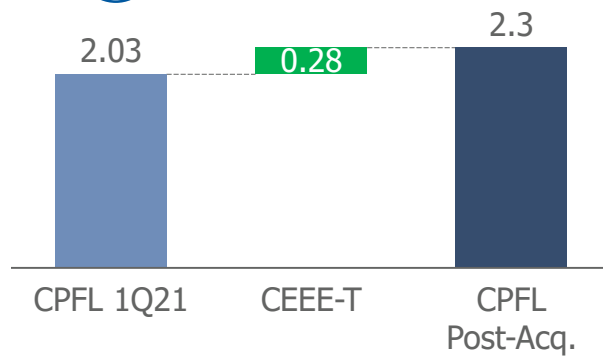
CPFL Post-Acquisition



■ Distribution ■ Generation ■ Transmission ■ Others



Group Leverage



¹ CPFL Energia 2020 Release.

² Based on Proforma Transmission 2020A Figures

Next steps



Jul 16th Auction Day



Aug 26th Documentation approval by Bidding Commission

According to Auction Notice



Until Oct 15th Approval by CADE pursuant to Law 12,529/11

According to Auction Notice



Until Oct 15th Approval by Aneel pursuant to Res. 484/12

According to Auction Notice



Oct 15th Settlement of the Transaction & execution of the Shares Purchase and Sale Agreement

According to Auction Notice



Nov 15th Limit for submitting MTO¹ documentation to CVM

Expected



1H22 MTO for acquisition of shares held by other CEEE-T shareholders, as per art. 254-A of Law 6,404/76 and ICVM 361/02

(~150 days after Closing)

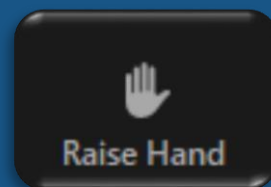
Expected



Q&A



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Thank you

