

São Paulo, March 19, 2021 – EMAE - Empresa Metropolitana de Águas e Energia S.A. ("EMAE" or "Company"), mixed capital company listed on B3 (EMAE3; EMAE4), authorized to operate as a concessionaire for the use of public assets related to the generation and sale of electric power in São Paulo State, hereby presents its earnings results for the full year of 2020 (FY 2020). The financial and operating information below, except where otherwise indicated, is presented in Brazilian Reals (R\$ or BRL) and follows the International Financial Reporting Standards (IFRS) and the Brazilian accounting principles. All comparisons refer to the same period of 2019.

## Net Income reached R\$ 198,5 million in 2020, overcoming previous year result by 114.4%



### FY2020 Highlights

#### Economic and financial performance

Net income raised +144.4% over 2019, reaching R\$ 198.5 million, with net margin of 44.4% in 2020.

R\$149.1 million Ebitda and 33.3% Ebitda margin, raising, respectively, 266.3% and 24.0 p.p over the previous year.

Gross profit of R\$206.6 million, 147.4% above 2019, and 27.2 p.p. gain in the gross margin, reaching 46.2%. The performance is mainly related to the 32.3% reduction in the cost of energy supply.

Full compliance with ANEEL's performance quality standards in all hydroelectric power plants.

### Main indicators

R\$ million	2020	2019	Chg (%) Year
Net operating revenues	447.1	439.0	1.9%
Cost of energy supply	-240.5	-355.5	-32.3%
<b>Gross profit</b>	<b>206.6</b>	<b>83.5</b>	<b>147.4%</b>
<b>Gross margin</b>	<b>46.2%</b>	<b>19.0%</b>	<b>27.2 p.p.</b>
Expenses operating	-63.5	-48.6	30.7%
<b>Profit before financial income</b>	<b>143.1</b>	<b>34.9</b>	<b>310.0%</b>
Financial result	127.9	88.9	43.9%
Income tax and social contribution	-72.6	-31.2	132.7%
<b>Net Income</b>	<b>198.5</b>	<b>92.6</b>	<b>114.4%</b>
% Net income/ Net operating revenues	44.4%	21.1%	+ 23.3 p.p.
Gross debt	66.4	73.2	-9.3%

## Operating performance

EMAE's generated energy and the capacity of its hydroelectric plants are contracted by the Granting Authority under the quota regime, whereas its subsidiary Pirapora holds 90% of its physical guarantee contracted through a regulated auction.

The quotas are determined by the Brazilian Electricity Regulatory Agency (ANEEL), which defines the Annual Generation Revenue (AGR) with annual adjustments and a full revision each five years. The adherence to this quota model eliminates for EMAE the hydrological risk associated with the hydroelectric generation. The charges for the use of the electric grid and the sectorial charges associated with the hydroelectric plants under its management are only passed on to the corresponding agents.

The concession of the hydroelectric plants granted to EMAE and its subsidiary total 960.8 MW of installed capacity in 2020.

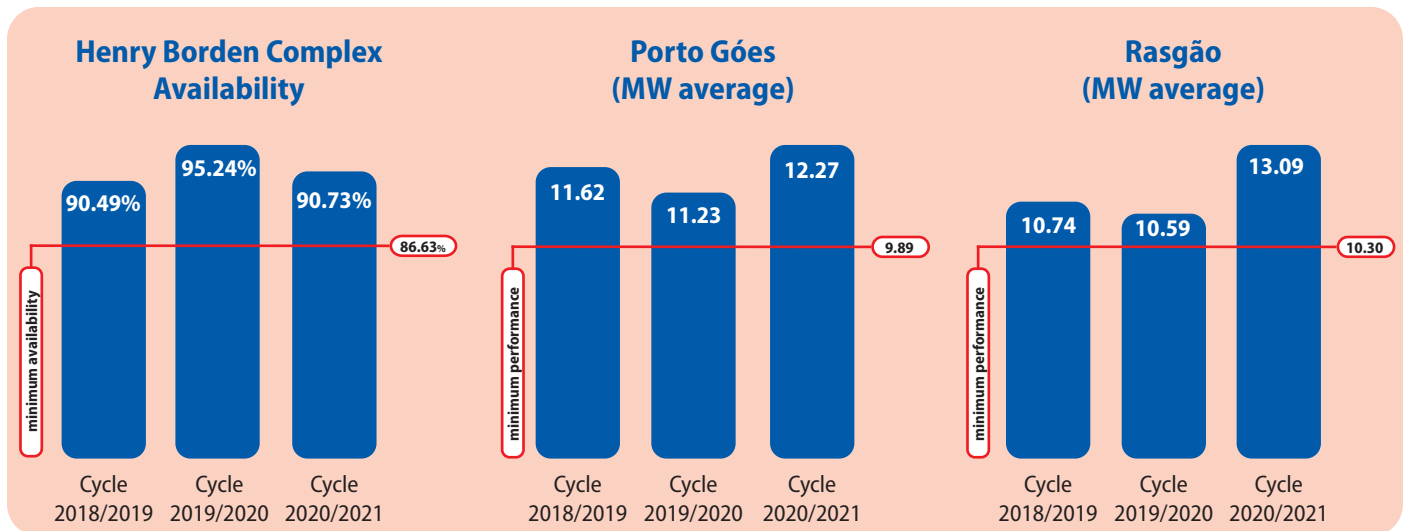
### Generation quality standard

ANEEL assesses the quality of service provided by the hydroelectric plants under the quota regime by means of

the performance indicator, namely AdU - Adjustment for Unavailability. According to the score, this indicator is added to or deducted from the calculation of the annual tariff adjustment in July of each year.

EMAE has been continuously endeavoring to keep the performance indicators of its plants within regulatory parameters. This was a challenge in 2020, considering the pandemic situation and its repercussions, with the introduction of more stringent distancing and sanitary measures, as well as new working practices.

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## Safety of Dams

As part of its operational structure, EMAE controls a hydraulic system comprising 20 dam-related structures, including dams, dikes, and spillways. These structures are monitored by about 900 auscultation instruments installed, from which local readings are taken periodically, generating about 48,000 readings/year. Several instruments are checked and read on a daily basis, and the data collected are input into specific software, which enables a comprehensive follow-up of the behavior of such structures.

In addition to the regular instrument readings, EMAE carries out semi-annual safety inspections of the dams, before and after the rainy season, in line with legal requirements. All the Company's structures rely on a Dam Safety Plan, including Emergency Action Plans, which are reviewed annually.

In addition to the safety-related procedures, which are the Company's top priorities, Periodic Safety Reviews (PSRs) are carried out, also required by the dam safety law, as well as assessment of the general safety status of the structures and the conditions of use and occupation of the land in the areas surrounding the reservoirs.

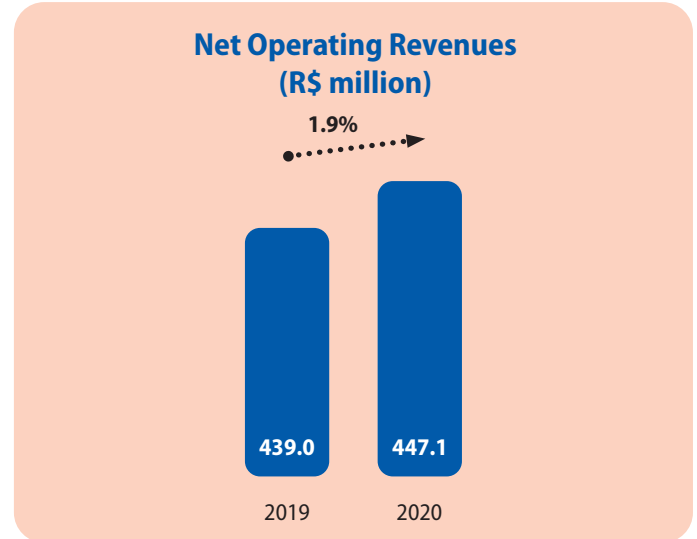
## Economic and Financial Performance

### Operating revenues

At the end of 2020, EMAE recorded net operating revenues of R\$ 447.1 million, 1.9% higher than in the previous year.

With the coronavirus pandemic that affected the country in 2020, there was an economic downturn and, consequently, a reduction in energy consumption and power oversupply for the coming years. Thus, the energy auctions were postponed. Nevertheless, EMAE's revenues were not impacted by the pandemic, and the tariff cycle adjustment published in July 2020 has maintained the correction of tariffs by the IPCA. During this cycle, besides the increase resulting from monetary correction, the Company recorded additional revenues due to the positive performance achieved by the Henry Borden Plant (Cubatão/SP).

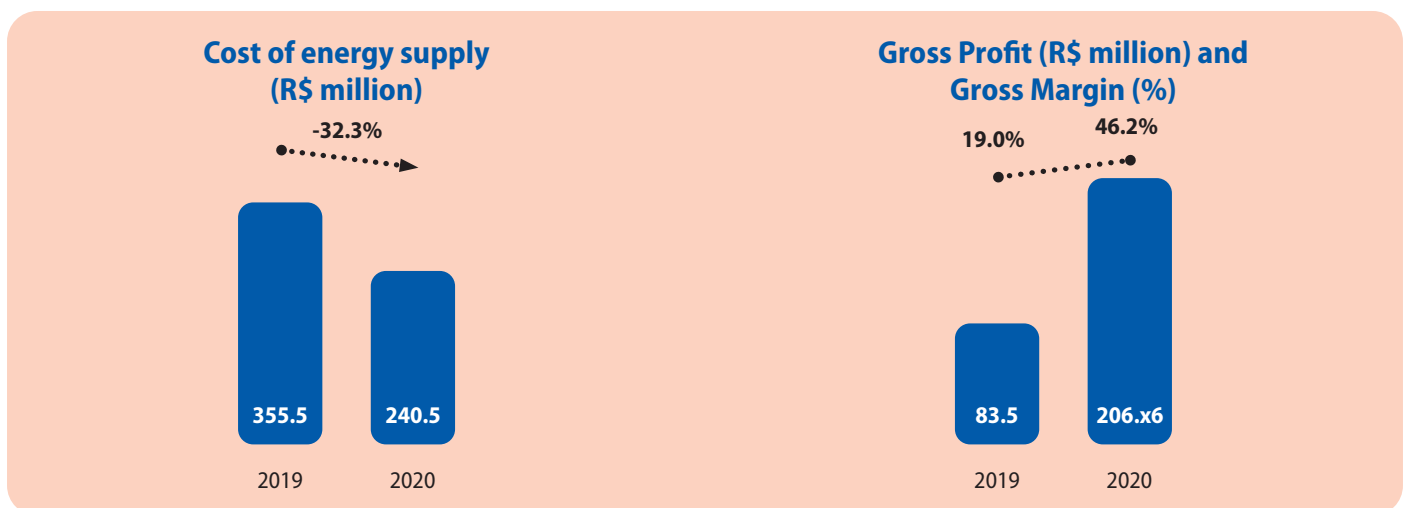
Another aspect that contributed to the stability of revenues in 2020 was the review of the regulatory fee (WACC), which is used to remunerate the investments made in the plants. EMAE participated in the review process of this fee, through a generators' association.



### Cost of energy supply and gross profit

In 2020, the cost of energy supply amounted to R\$ 240.5 million, down 32.3% as compared to that reported in fiscal year 2019. The main reason for this drop was the review of the investment plan, underlying the obligations of the concession contract, and the consequent requirement for a lower provisioning.

EMAE invested R\$ 41.3 million in 2020, aimed at modernizing, enhancing efficiency, and mitigating the risks related to power generation. In line with the accounting standards, the amount invested shall be amortized on a straight-line basis until the end of the concession, since the economic benefits arising from the correct use of funds is expected to yield a return (cash flows) by November 30, 2042.



On the other hand, other relevant items of the cost of energy supply have offset the positive impact from the reduction in the provision mentioned above, such as: (i) a 15.2% increase in charges paid for the use of the electric grid, which rose to R\$ 41.6 million in 2020, versus R\$ 36.1 million in 2019; (ii) a 10.4% increase in personnel expenses (R\$ 85.5 million in 2020 versus R\$ 77.4 million in 2019); and (iii) judicial provisions (labor, civil and tax) with a 3.9-fold increase, which rose from R\$ 4.2 million in

2019 to R\$ 16.6 million in 2020.

As a result of the reduction in the cost of energy supply, EMAE's gross profit totaled R\$ 206.6 million, significantly higher than the R\$ 83.5 million recorded in the previous year. The gross margin over operating revenues stood at 46.2%, up 27.2 percentage points from 19.2% margin recorded in the previous year.

## Operating expenses

In 2020, total operating expenses came to R\$ 63.5 million, up 30.6% when compared to the R\$ 48.6 million reported in 2019. Taking into account only the general and administrative expenses group, the increase stood at 28.7% for the period (R\$ 13.7 million), mainly due to higher expenses with outsourced services, personnel, rents and depreciation.

## EBITDA

The operating cash generation as measured by the EBITDA totaled R\$ 149.1 million in 2020, what represents approximately 3.7 times (+266.4%) 2019 Ebitda, whereas the margin over net revenue was 33.3%, a 24.0 p.p. increase in the period.

Despite the stability in revenues (+1.9% over 2019), coupled with the increase in operating expenses, EBITDA performance was positively influenced by the strong reduction in the cost of energy supply.

### EBITDA (R\$ million) and EBITDA Margin (%)



R\$ million	2020	2019	Chg (%) Year
Net operating revenues	447.1	439.0	1.9%
Cost	-240.5	-355.5	-32.3%
Operating expenses	-63.5	-48.6	30.6%
Depreciation and amortization	6.0	5.8	3.4%
<b>EBITDA</b>	<b>149.1</b>	<b>40.7</b>	<b>267.1%</b>
<b>EBITDA Margin</b>	<b>33.3%</b>	<b>9.3%</b>	<b>+ 24.0 p.p.</b>

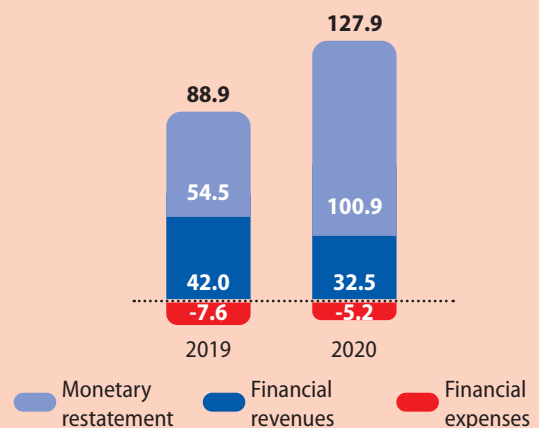
## Financial result

EMAE's net financial income for the year 2020 totaled R\$ 127.9 million, representing a 43.8% increase over the R\$ 88.9 million net financial income recorded in the previous year. The variation between periods was mainly due to the monetary variations account, which totaled R\$ 100.9 million in 2020, up 85.1% from the previous year. This account includes the monetary restatement of the lease agreement of TPP Piratininga, which totaled R\$ 95.3 million, 98.6% higher than the R\$ 47.9 million reported in 2019.

In 2020, financial income totaled R\$ 32.5 million, which represents a 22.6% reduction when compared to fiscal 2019, given the drop in income from financial investments and the lower interest received on the lease of TPP Piratininga.

Financial expenses, on the other hand, showed a 27.6% reduction, to R\$ 5.5 million, due to lower amounts spent on charges for taxes and social contributions.

### Financial result (R\$ million)



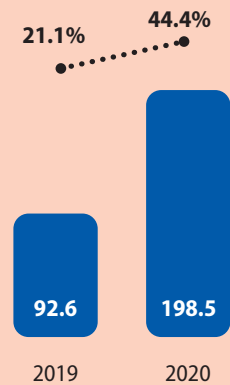
**Net income**

Following the positive impacts from the review of the investment plan, and the monetary updating of the lease agreement of TPP Piratininga, the operating income before income tax and social contribution reached

R\$ 271.0 million in 2020, representing a significant increase by 119% in comparison to the R\$ 123.8 million in the previous year.

At year-end 2020, EMAE reported net income (after income tax and social contribution) of R\$ 198.5 million and a net margin of 44.4%, representing an increase of 114.3% and 23 percentage points compared to the 2019 figures of R\$ 92.6 million and 21.1%, respectively.

**Net income (R\$ million) and Net margin (%)**



**Debt**

With a sound financial position and low leverage, the consolidated gross debt as at December 31, 2020 stood at R\$ 66.4 million, 9.3% lower than the position recorded at the end of 2019, of R\$ 73.2 million. The Company's only debt is represented by a loan contract with BNDES, in 2012, for the construction of a Small Hydroelectric Plant (SHP), by the subsidiary Pirapora Energia S.A. Its maturity is scheduled for September 15, 2030, adjusted by the TJLP + 1.9% per year.

At the end of 2020, cash and cash equivalents stood at R\$ 518.7 million, up 25.6% over R\$ 412.9 million in the previous year.

In this sense, the Company's net debt remained positive (net cash) at R\$ 452.4 million at the end of 2020, as compared to a positive net balance of R\$ 339.7 million at December 31, 2019.

**Gross debt (R\$ million)**

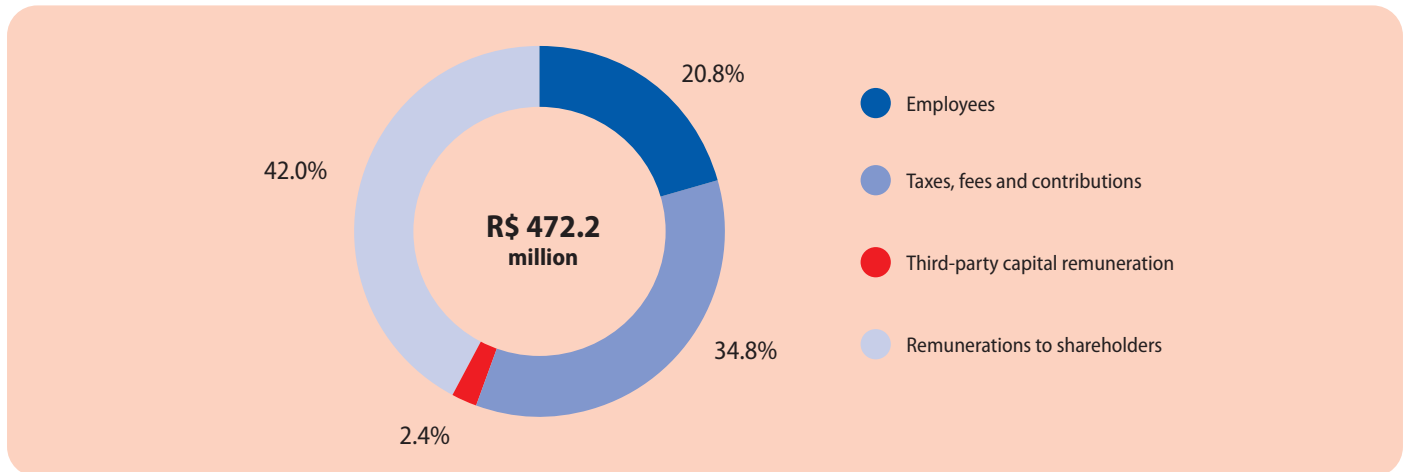


**Net cash (R\$ million)**



On January 10, 2021, the Board of Directors of EMAE, as the sole shareholder of the subsidiary, approved the capital increase of R\$ 64 million in Pirapora Energia S.A., with the purpose of full and early repayment of the financing with BNDES. The settlement is expected to take place during the first half of 2021.

## Distribution of Added Value



## Capital Markets

At the end of 2020, preferred shares traded at R\$ 75.41, representing an appreciation of 103.8%. In the same period, Ibovespa, B3's main index, and IEE, an index made up of an asset portfolio with the highest trading volume and relevance in the electric power sector, rose by 0.2% and 7.1%, respectively.

## Remuneration to shareholders

In 2020, EMAE approved a record distribution to shareholders, in the total gross amount of R\$ 259.2 million, of which:

- R\$ 37.6 million in the form of Interest on Equity (IOE), representing the net amount of R\$ 0.8162 per common share and R\$ 0.8978 per preferred share, with payment on December 30, 2020. The amount will be imputed to the minimum mandatory dividend for 2020, to be approved at the Annual General Meeting; and
- R\$ 221.6 million in the form of dividends, through the partial reversal of the balance of the earnings reserve from previous years, representing the equivalent of R\$ 5.6570 per common share and R\$ 6.2227 per preferred share, with payment on January 29, 2021.

## Subsequent Events

### Capital Addition in Subsidiary

On January 20, 2021, the Board of Directors Meeting approved the early settlement of the financing contracted with BNDES (the Brazilian Economic and Social Development Bank) in 2012, for the construction of SHP Pirapora Energia S.A. (See Note 14 - Financing). The settlement shall be effected through payment in full by the Company to the subsidiary Pirapora, in the amount of R\$ 64,000, for subsequent transfer to BNDES.

### Study for privatization for sale of securities assets

On February 19, 2021, the state of São Paulo, through its Finance and Planning Department, hired Banco Fator S.A. through electronic trading session NC 50/2020 - Process: SFP-PRC-2020/25566, in order to provide specialized technical consulting services for the assessment, modeling, and execution of the sale of securities assets, held directly and indirectly by the State Government of São Paulo.

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