

An aerial photograph of a large dam and solar farm. The dam is a long concrete structure with multiple spillways, situated on a river. To the right of the dam is a large solar farm with rows of solar panels. In the foreground, there are more solar panels and a small building. The background shows a body of water and a clear sky.

# Earnings Presentation 1Q19

## Disclaimer

The summary statements contained in this document have a certain degree of risks and uncertainties relating to business prospects, financial, strategic and economic projections, among others, and such information is based on assumptions, data and expectations that, although considered by the Company, may not be accurate, materialize or be under the Company's control. Due to these factors, the actual results may differ materially from those indicated or implied by this material.

The Company does not guarantee, in any form or to any extent, that the trends herein disclosed shall be confirmed. The information and opinions contained in this presentation should not be considered as a recommendation for investment, which should not be based solely on the truthfulness, timeliness or completeness of such information or opinions. None of the Company's representatives, advisors or related parties shall be liable for any losses that may arise from the use or the information contained in this material.

# Agenda



Overview

Performance

Key Initiatives in 2019

# Agenda



Overview

Performance

Key Initiatives in 2019

# Ownership Structure



CPP  
INVESTMENT  
BOARD

50%

50%

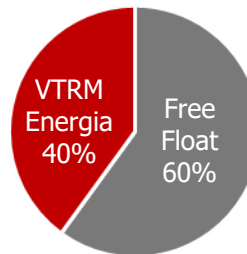
VTRM Energia

ON: 93.5%  
PNB: 13.7%  
Total: 40.0%

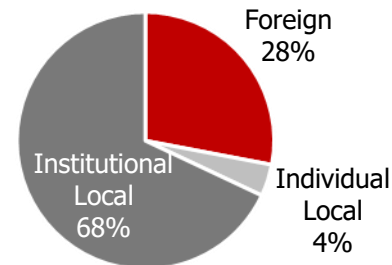
**CESP**

## Shareholder Structure

**Total Capital**



**Free Float**



- Class B preferred shares (CESP6) closed 1Q19 at BRL 24.14, a 10% appreciation in the quarter.
- Average daily liquidity in 1Q19 of BRL 25 million.
- Intensification of an IR agenda communication plan adhering to the best practices and needs of the investor market.



# Operating Assets

## Porto Primavera



Power: 1,540 MW
Physical guarantee : 887 avg MW <sup>(1)</sup>
Concession up to 2049 <sup>(2)</sup>
Location: Rosana SP
Reservoir Area: 2,250 km <sup>2</sup>
Extension of Dam: 10.2 km
Generating Units: 14

## Jaguari



Power: 28 MW
Physical guarantee: 13 avg MW
Concession up to 2020
Location: São José dos Campos SP
Reservoir Area: 56 km <sup>2</sup>
Extension of Dam: 1.0 km
Generating Units: 2

## Paraibuna

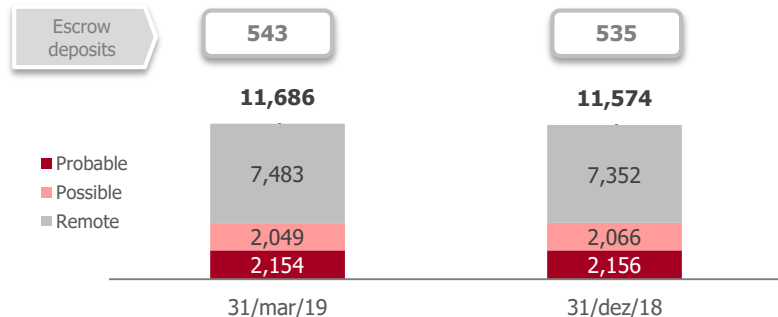


Power: 87 MW
Physical guarantee: 48 avg MW
Concession up to 2021
Location: Paraibuna SP
Reservoir Area: 177 km <sup>2</sup>
Extension of Dam: 0.5 km
Generating Units: 2



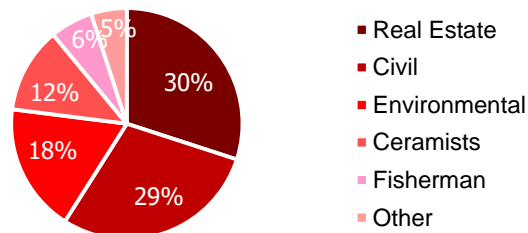
# Legal Contingency Management

## Contingent Liabilities (BRL million)



- 45 cases account for 86% of passive liabilities.
- Monetary adjustment of R\$ 219 million and net reversal of R\$ 108 million mainly with fishermen and ceramists in 1Q19.

## Total Passive Contingency Profile



## Contingent Assets (BRL million)

	Três Irmãos	Ilha Solteira	Jupia	Total
Available asset for reversal	3,529	2,166	642	6,337
Total provisions	(1,812)	(2,037)	(539)	(4,388)
Available net assets for reversal	1,717	129	103	1,949

- Três Irmãos: Process in expert phase (first instance). On May 7<sup>th</sup> 2019, CESP was notified to present its opinion on the new appraisal presented by the judicial expert, dated as of Jan 21<sup>st</sup>, 2019. This reviewed and corrected report recognizes an amount to be received by CESP of approximately BRL 4.7 billion, at historical value.
- Jupia|Ilha Solteira: Process in recusal phase (2<sup>nd</sup> instance). An external law firm specialized in the energy sector was hired to strengthen the legal strategy.

# Contingent Asset of Três Irmãos

## CESP Judicial Claim

- To receive the indemnity based on the historical cost evaluation in the amount of **BRL 6.7 bi** (base: April/2013).

## Original Appraisal from Aug/2018

- It evaluates in **BRL 9 bi**, at historical values for November 2011, using the New Value of Replacement (NVR) method, net of depreciation.
- It presents the technical base for the inclusion of floodgate, canal and land in the amount to be reimbursed.

## Original Appraisal Errata from August/2018

- Corrects the composition of amounts to **BRL 7.0 bi** to the same historical basis of the original appraisal.
- There are no changes in concepts or assumptions relevant to the evaluation.

## Reviewed and Corrected Appraisal from January/2019

- Revaluation to **BRL 4.7 bi** on the same historical basis as the original appraisal.
- Adjusts mainly the land value.
- This revalued amount is composed of: Power Plant<sup>(1)</sup>: **BRL 1.9 bi** | Floodgate and Canal: **BRL 1.0 bi** | Land: **BRL 1.8 bi**.

## Next Steps

- On May 9th, 2019, the parties were notified by the judge to examine the reviewed and corrected appraisal. These analysis and examination should occur along the 2H2019. Therefore, with the end of the final allegations, the period for a judicial sentence is opened.

## Special Appeal to Release Undisputed Amount

- By injunction, CESP requests to the supreme court in Dec/16 the payment by the Union of the uncontroversial amount of **BRL 1.7bi** at historical values of Nov/11.
- The lawsuit is waiting to be included in the trial docket of the Supreme Court.



# Agenda

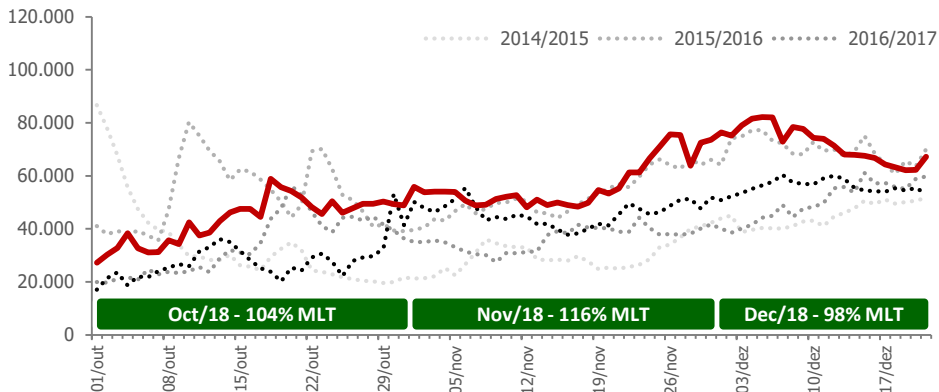
Overview

Performance

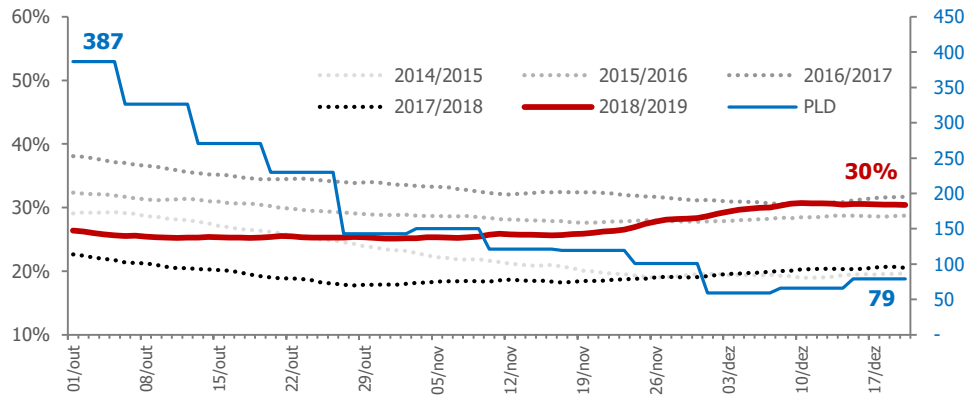
Key Initiatives in 2019

# Seasonality of Physical Guarantee

## Daily Affluent Natural Energy – SIN (MW med.)

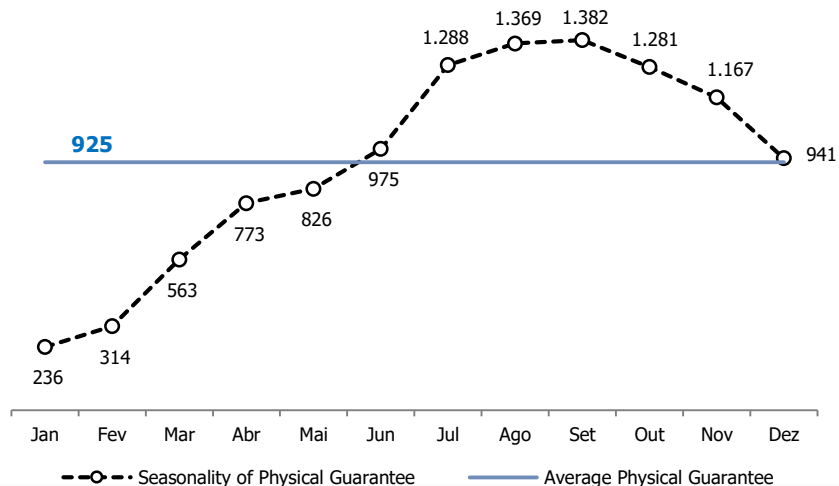


## Storage Level Evolution – SIN (% EARM) e PLD (SE/CO) (BRL/MWh)



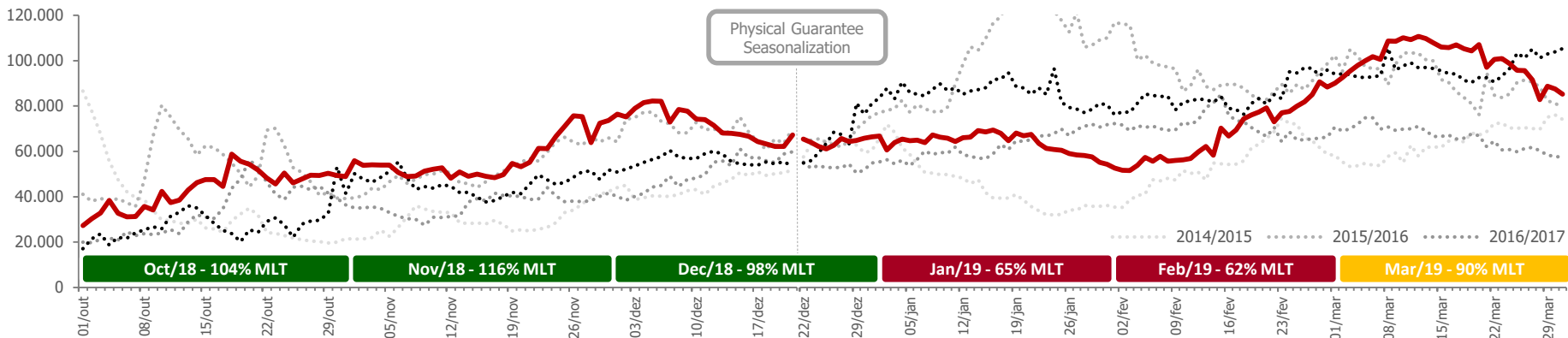
- 2018-2019 humid period began with the highest rain fall for the last 3 years
- At the second half of dec/18 PLD prices were close to BRL 80/MWh, a strong down from BRL 390/MWh in oct/18
- The seasonality of Physical Guarantee defined by the Company was highly influenced by lower prices expectations in 1Q19

## 2019 Seasonality of Physical Guarantee (MW méd.) <sup>(1)</sup> (at 20/dez/2018)

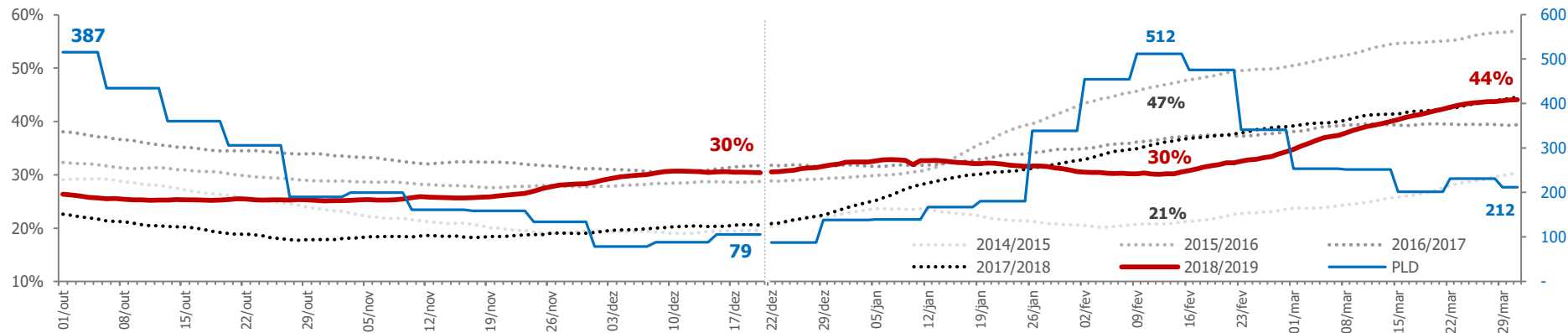


# Energy Market

## Daily Affluent Natural Energy – SIN (MW med.)



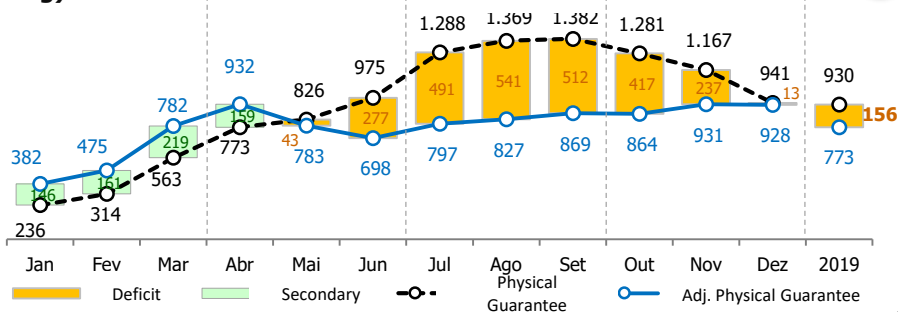
## Storage Level Evolution – SIN (% EARM) & PLD (SE/CO) (BRL/MWh)



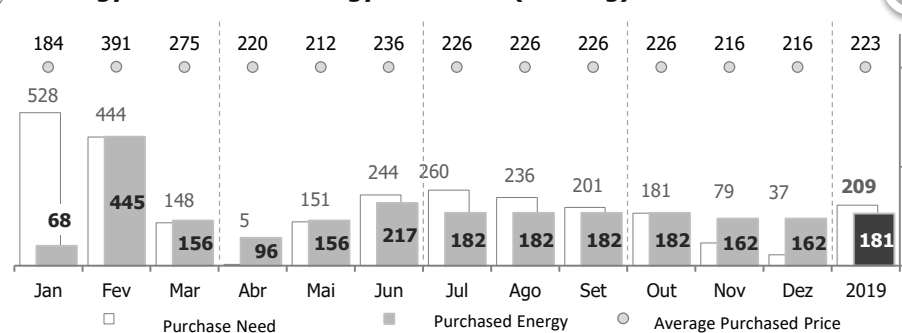
# 2019 CESP Energy Balance

- Higher prices at 1Q19 led to an increase on energy costs
- Energy exposure for the next quarters were addressed by purchases in the last months

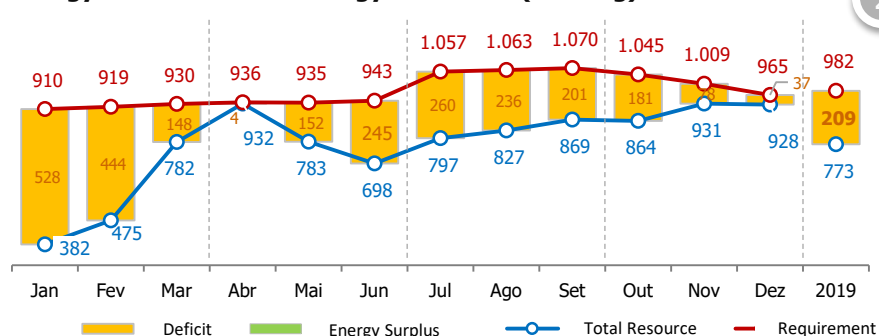
## Gross Physical Guarantee and Adjusted Physical Guarantee (MW avg)



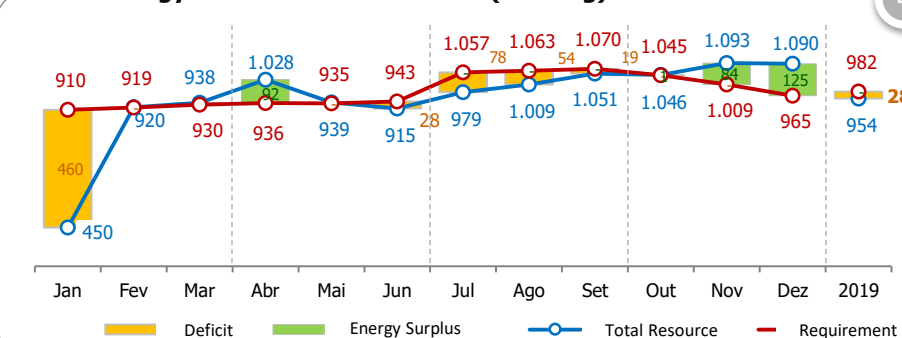
## Energy deficit versus Energy Purchases (MW avg)



## Energy Balance Prior to Energy Purchases (MW avg)



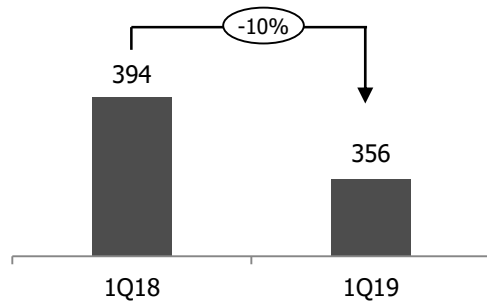
## 2019 Energy Balance after Purchases (MW avg)



# Financial Result

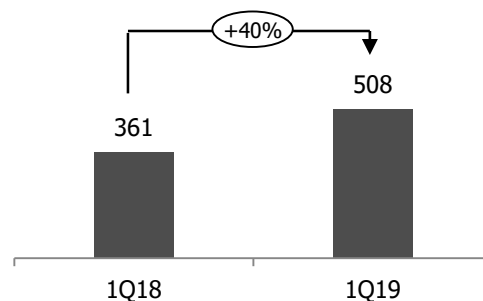
## Net Revenue

BRL million



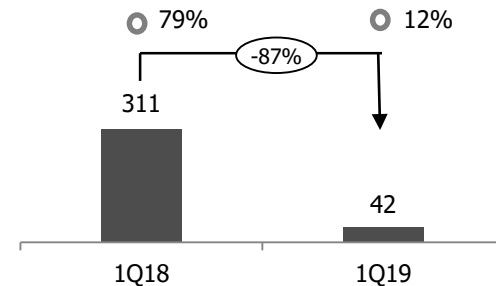
## Operating Costs & Expenses

BRL million



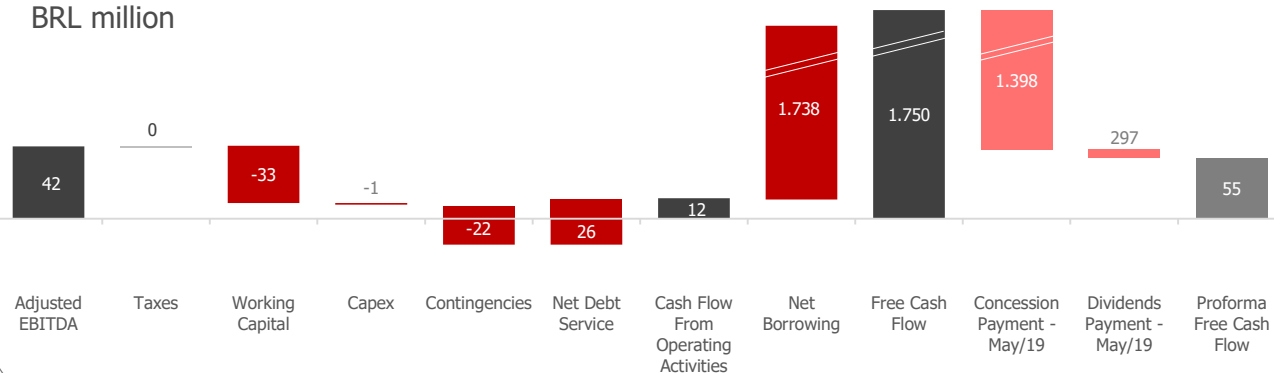
## Adjusted EBITDA & EBITDA Margin

BRL million



## Cash Flow

BRL million



## Highlights

- Decrease of 87% in Adjusted EBITDA mainly due to increase in purchased energy cost due to 1Q19 physical guarantee seasonality.
- 40% of the estimated energy purchase cost for 2019 is concentrated in 1Q19.<sup>(1)</sup>
- After payment of the concession of Porto Primavera and dividends, pro forma cash flow would total BRL 55 million.

# Capital Structure

## Debt

BRL million

	Mar/19	Pro Forma Mar/19
Debenture	1,800	1,800
BNDES	169	169
Other	5	5
Gross Debt	1,974	1,974
Cash Position	(2,160)	(2,160)
Concession payment	-	1,398
Dividend payment	-	297
Net Debt	(186)	1,509
Net Debt / LTM EBITDA	n/a	3.5x
Net Debt / LTM Adj. EBITDA	n/a	6.5x

## Rating

**STANDARD  
& POOR'S**

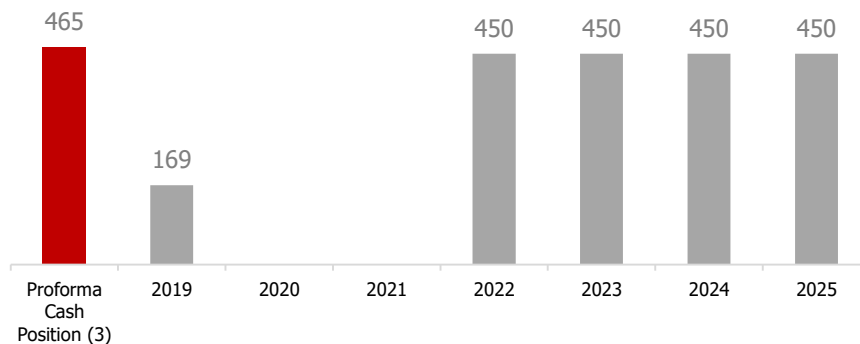
**Rating  
brAAA**

**Outlook  
Stable**

**Revised  
July/2018**

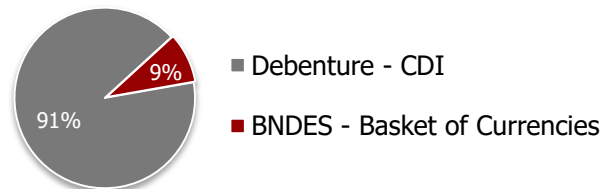
## Debt Repayment Schedule <sup>(1)</sup> <sup>(2)</sup>

BRL million



- Debt average tenor of 4.8 years.
- Debenture at CDI + 1.64% p.a., payable in four annual installments, between 2022 and 2025

## Gross Debt by Instrument & Index <sup>(3)</sup>





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# Principais Iniciativas em 2019



## Porto Primavera

CESP signs the 30-year concession contract of UHE Porto Primavera on Apr 15, 2019.

Payment of the concession of UHE Porto Primavera, in the amount of BRL1.4 billion, on May 3, 2019.

Regime change from Public Service Concession to Independent Producer.

## Energy Sales

Implementation of risk management and best practices of commercialization and market monitoring.

2019 Hydrological risk control addressed and focus on the long term strategy.

## Operating Efficiency

Completion of the restructuring of the Legal Area and hiring of specialized law firms.

Plan for the reorganization and monetization of non-operational real estate.

Change of headquarters in São Paulo for direct, agile and integrated management.

## Governance & IR

Launch of a new IR website and more transparency and effectiveness on the information release.

Release of a new Code of Conduct together with management policies aligned with best practices.

Reformulation of Fiscal Council and Audit Council.

Dividend payment on May 15 representing a *dividend yield* of 3.9%.

# Contacts

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