



2Q19 RESULTS PRESENTATION





Disclaimer

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agenda



Overview



Performance



Key Initiatives in 2019

Shareholder Structure and corporate governance



CPP
INVESTMENT
BOARD

50%

50%

VTRM Energia

Free Float

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

ON: 6.5%
PNB: 86.3%
PNA: 100%
Total: 60.0%



Listed at
level 1 of B3.

STANDARD
& POOR'S

Global Rating BB-
and local br.AAA by
S&P, updated
July/19.



100% tag along
for CESP6 (PNB).



Board of Directors
with 40% of
independent
members.



Separate roles of
chairman and CEO.



Statutory Audit
Committee with
100% independent
members.



Analyst coverage:
12 institutions.



ADR Level I - NYSE
(OTC)

Electric
Utilities
Index **IEE**

Brazil Broad
Index
BM&FBOVESPA **IBRA**

Brazil
Index **IBRX**

Corporate
Governance Trade
Index **IGCT**

Special Corporate
Governance Equity
Index **IGC**

Special
Tag-Along Stock
Index **ITAG**

BM&FBOVESPA
Public Utilities
Index **UTIL**



ASSET portfolio

Porto Primavera

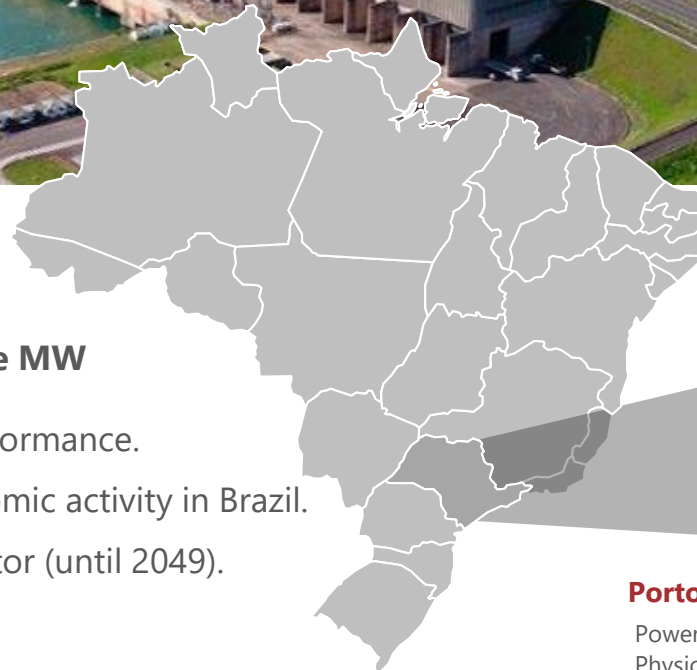
Power of 1,655 MW | Physical Guarantee of 948 average MW

Porto Primavera plant is modern and with excellence in performance.

Presence concentrated in the region with the highest economic activity in Brazil.

One of the longest concession periods of the electricity sector (until 2049).

Production consistently above physical guarantee.



Porto Primavera

Power: 1,540MW
Physical guarantee: 887MWm
Concession up to 2049

Jaguari

Power: 28MW
Physical guarantee: 13MWm
Concession up to 2020

Paraibuna

Power: 87MW
Physical guarantee: 48MWm
Concession up to 2021

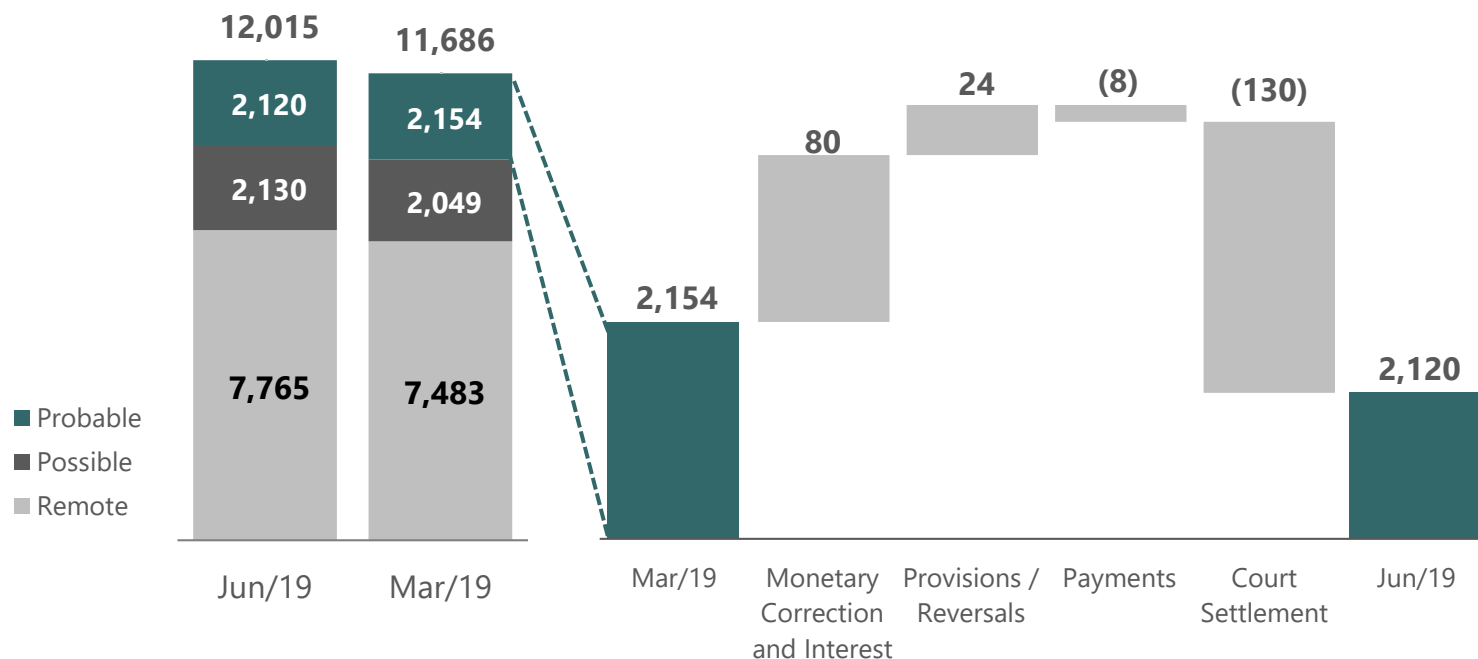
LEGAL CONTINGENCY MANAGEMENT

liabilities

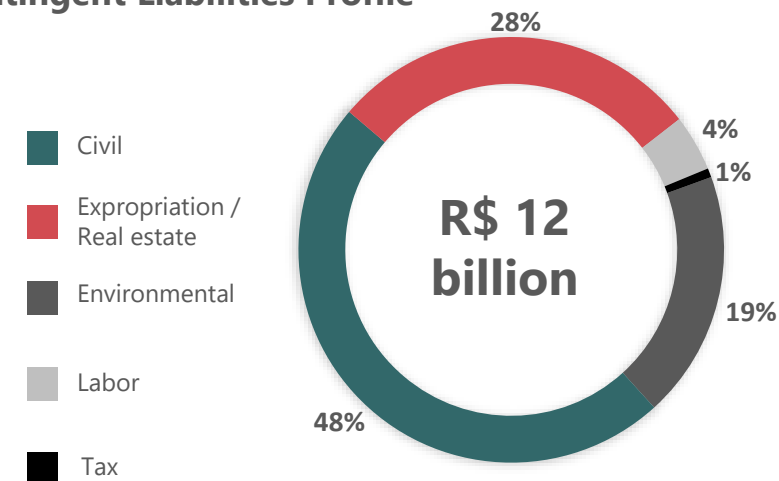
Contingent Liabilities (R\$ million)

Escrow deposits	556	544
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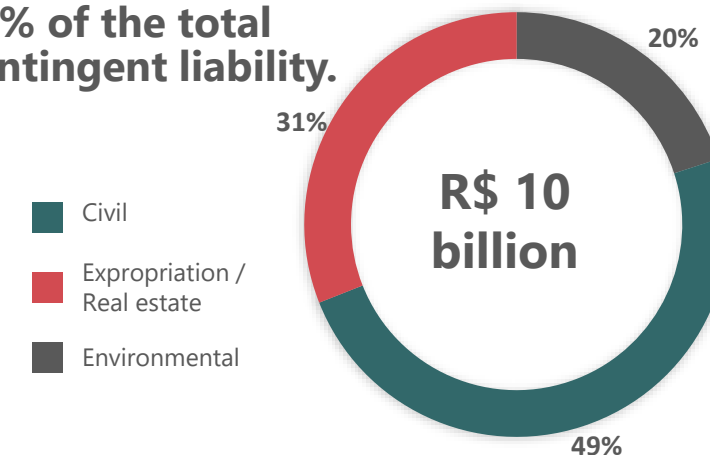
Variation in the Probable (R\$ million)



Contingent Liabilities Profile



45 cases account for
**87% of the total
contingent liability.**

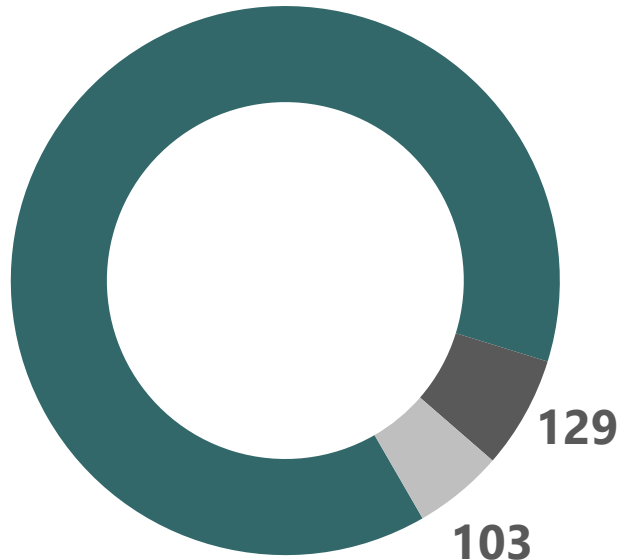


CONTINGENT ASSETS MANAGEMENT

Net Contingent Assets Available for Reversal
(R\$ million)

1,717

■ Três Irmãos
■ Ilha Solteira
■ Jupiá



Três Irmãos Lawsuit

- Lawsuit that discusses the compensation due to the non-renewal of the Três Irmãos HPP concession.
- Expert reports have been submitted; **the case is in the final stage of evidence production.**

▪ Revaluation to **R\$4.7 bi** on the same historical basis of Jun/12

▪ The appraised value is composed of⁽¹⁾:

Plant: R\$1.9 bi	Floodgate and Canal: R\$1.0 bi	Land: R\$1.8 bi
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- The parties were notified by the judge to examine **Complementary Report.**

- Such analysis and examination related to the appraisal report should take place during the 2S19. Then, **after the deadline for final allegations**, the period for 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 undisputed amount of **R\$1.7 bi** at historical values of Jun/12.
- In the first instance, the request was denied. For this reason, CESP turned to the STJ on Dec/16.
- The lawsuit is waiting **to be included in the trial docket** of the Supreme Court.

Três Irmãos lawsuit schedule

Realized

Estimated

Jan/19

- Expert presents Complementary Expert Report

Apr/19

- Union manifestation

Jun/19

- CESP manifestation
- Union withdraws process to review CESP's Report and Statement

Aug/19

- 2nd Union manifestation

- Possible clarifications from the Expert and/or CESP*

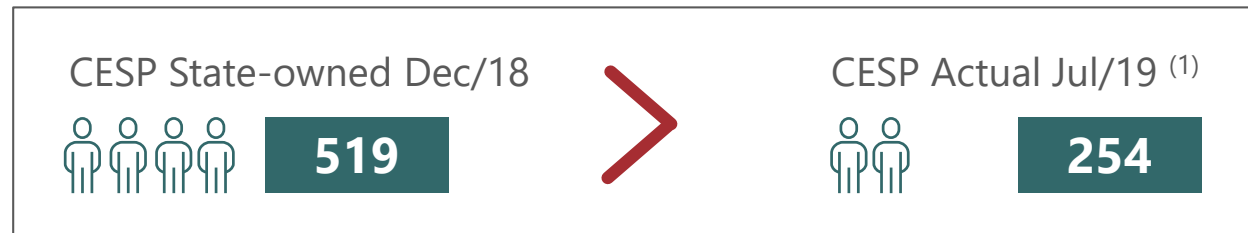
- Verdict*

(1) Figures reconstituted by CESP based on the expert report in Jan/19 totaling the mentioned R\$4.7 billion.

Workforce

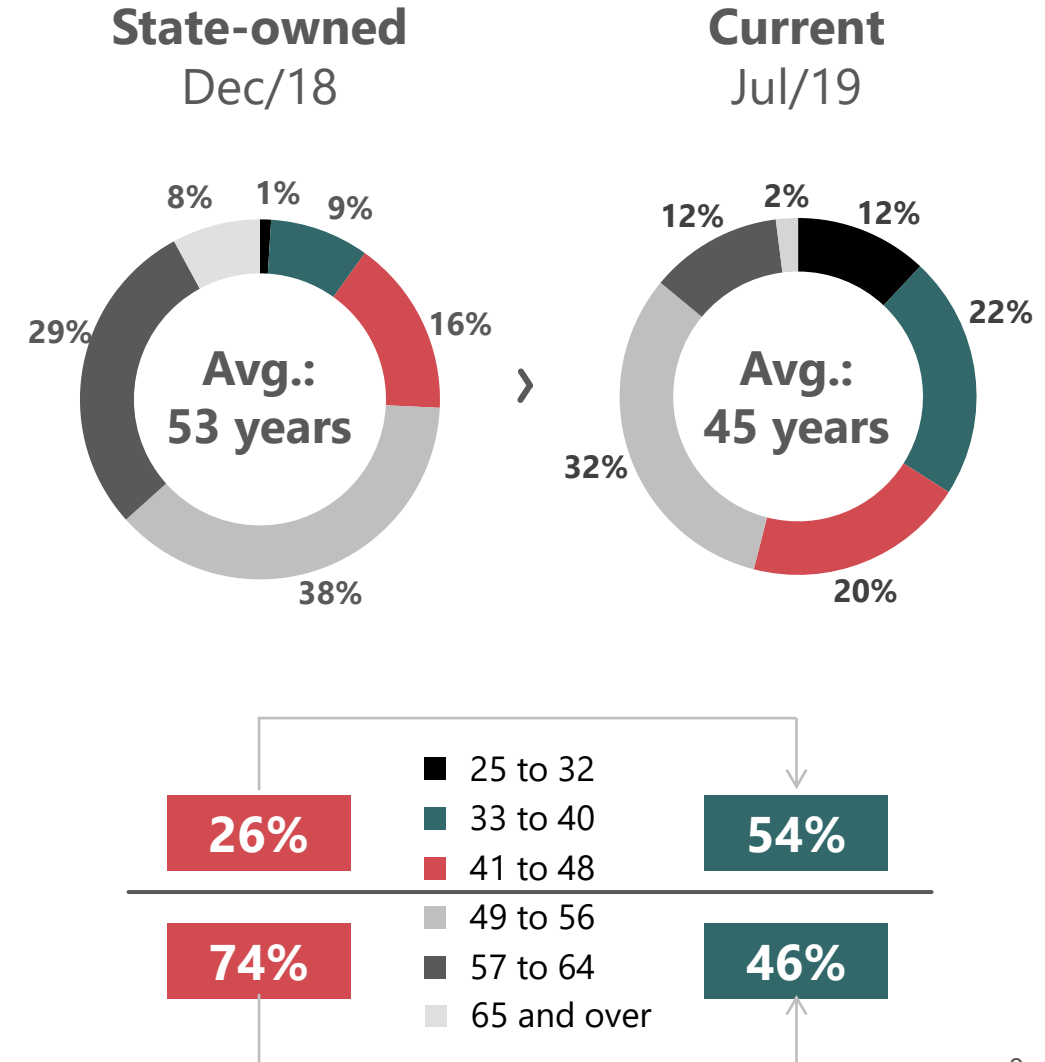
Age Group

Headcount



- Voluntary Dismissal Plan (VDP) of Feb/19 with adhesion of 327 employees, and cost of R\$118 million (1Q19: R\$103 million, 2Q19, R\$2 million).
- Voluntary Dismissal Plan (VDP) of Jul/19 with adhesion of 20 employees and cost of R\$6 million in the 3Q19.
- Reformulation of goal setting system, performance appraisal, professional development system and training.
- Payroll cost reduction by approx. 50%

(1) Already considering the recomposition of various positions with market professionals.





agenda



Overview



Performance

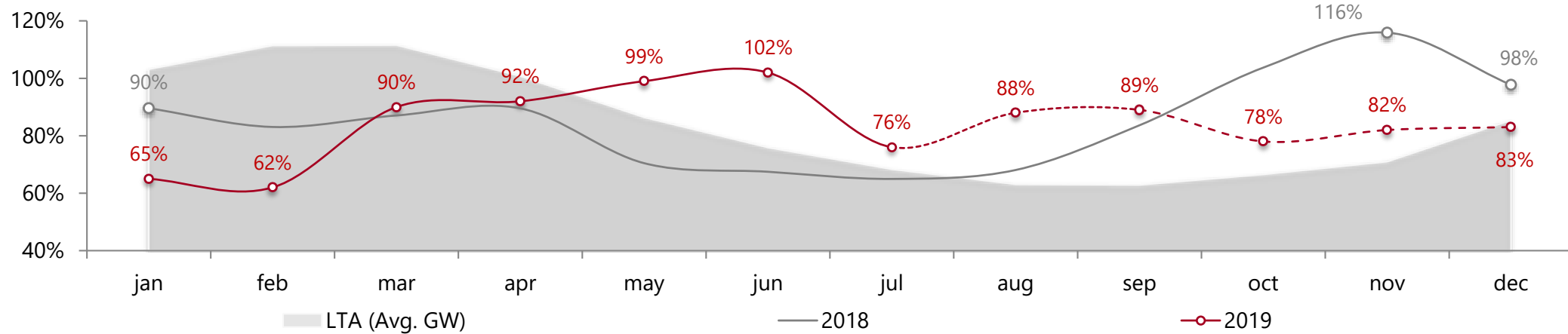


Key Initiatives in 2019

ENERGY market

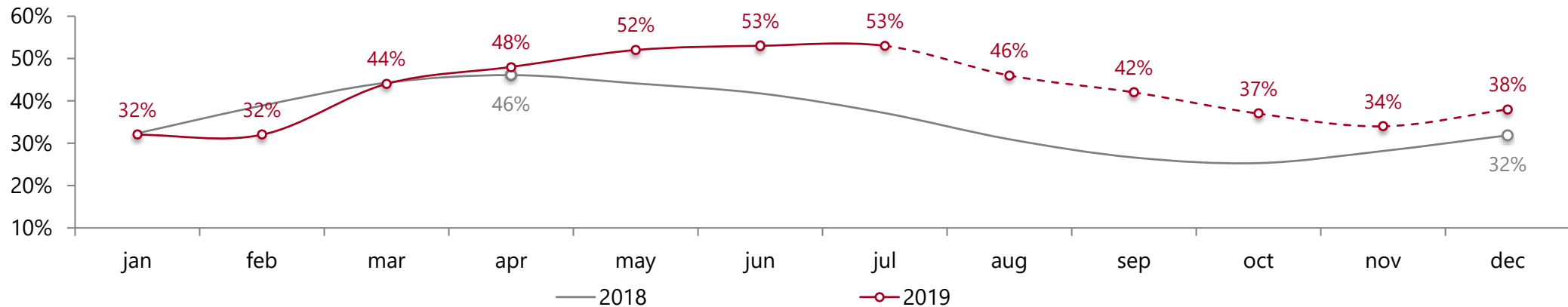
Affluent Natural Energy– NIS (%LTA)¹

2018 = 86% 2019 = 84%



Affluent Natural Energy showed a good recovery in 2Q19 with higher levels than in 1Q19 and 1Q18.

Storage Level – NIS (% ES max)¹



Energy stored in reservoirs grew by the end of 2Q19 (53%), above the level reached by the end of 2Q18 (42%).

(1) Source: CCEE | LTA: Long Term Average; ES: Energy Stored; NIS: National Interconnected System.

Energy

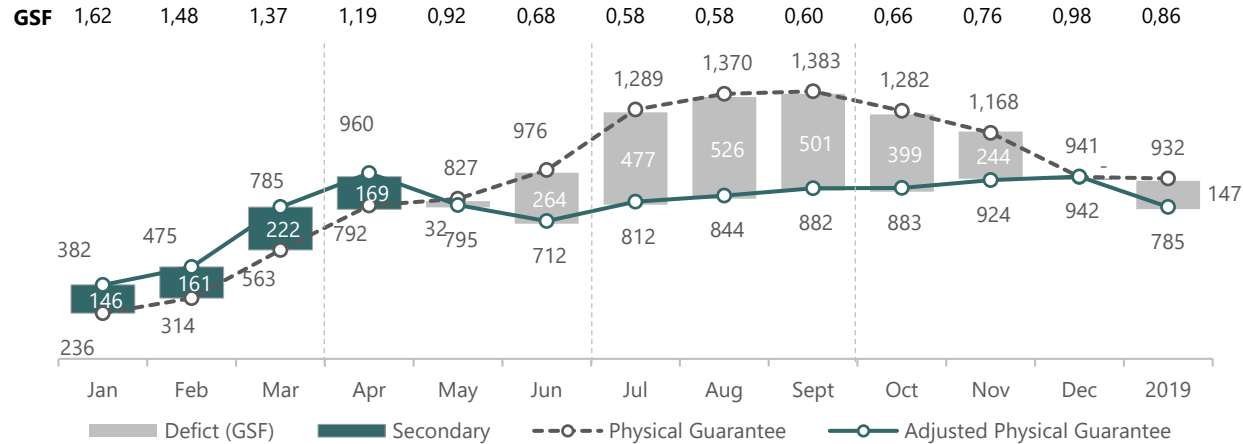
BALANCE IN 2019

2019 Energy Balance already equalized

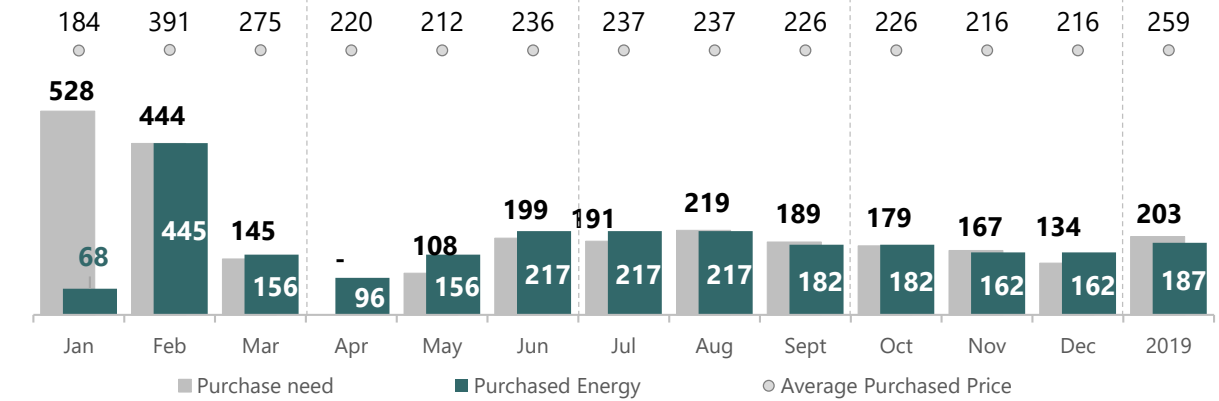
Approximately 16% and 62% of the estimated energy purchase cost for 2019 in 2Q19 and 6M19, respectively.

Progress in equalizing the existing deficit in the years 2020 to 2022 within the windows of opportunity presented.

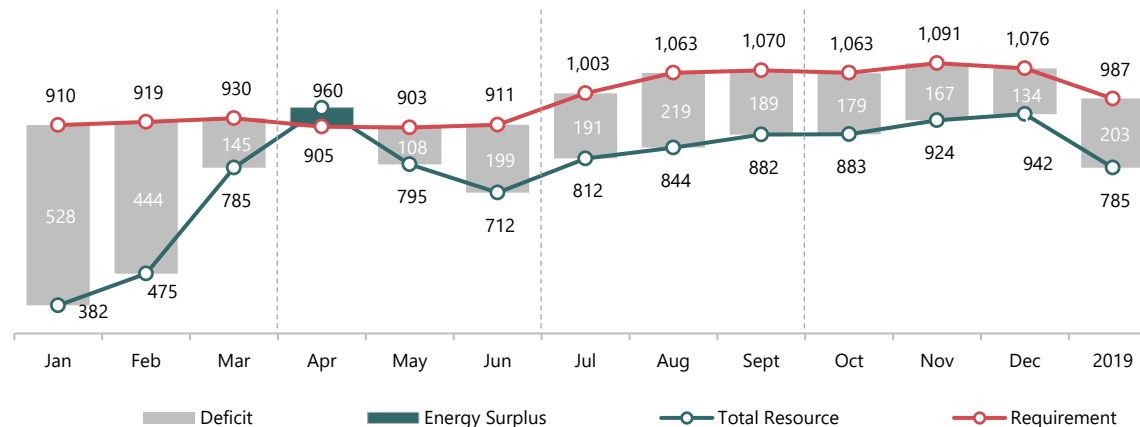
1 Gross Physical Guarantee and Adjusted Physical Guarantee ⁽¹⁾ (Avg. MW)



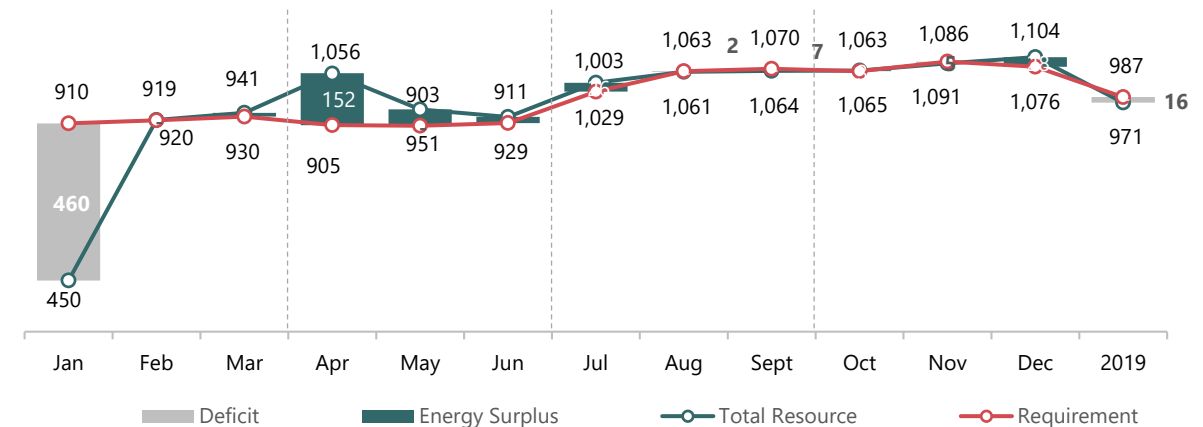
3 Energy Deficit versus Energy Purchases (Avg. MW)



2 2019 Energy Balance Prior to Energy Purchases (Avg. MW)

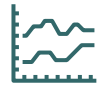


4 2019 Energy Balance After Energy Purchases (Avg. MW)

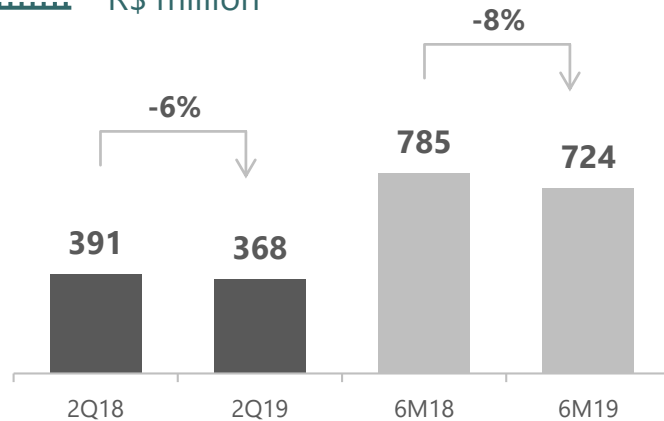


(1) GSF premise according to CCEE projection.

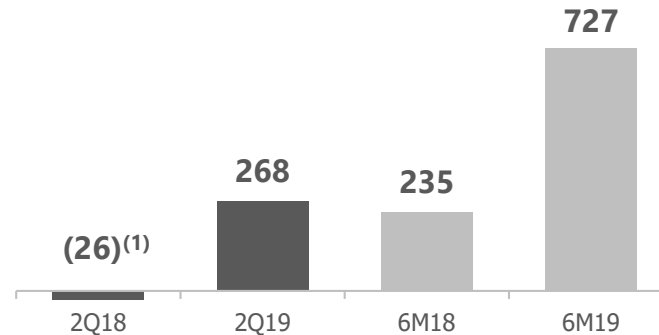
Financial Performance



Net Revenue
R\$ million



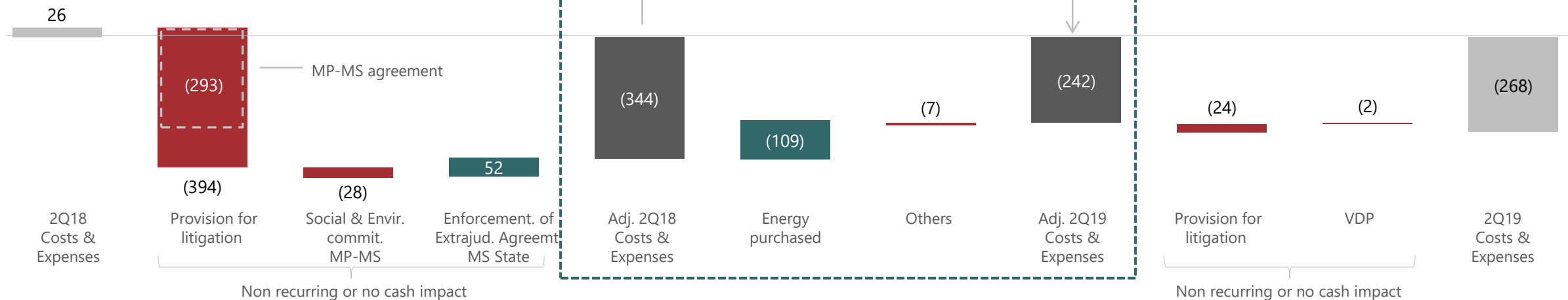
Operating Costs and Expenses
R\$ million



- Reduction of 6% in revenue mainly due to sales volume reduction, in line with the **strategy of balancing the deficits in the energy balance**.
- Reduction of 29% in adjusted costs and expenses**, excluding non-recurring items or non-cash, due to a lower cost of purchased energy in 2Q19.



Operating Costs and Expenses
R\$ million

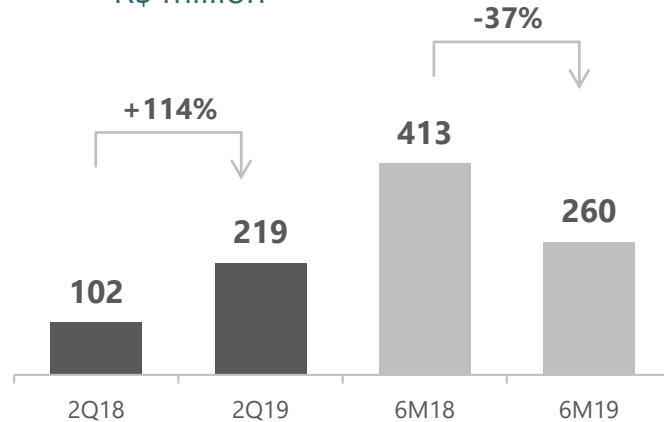


(1) R\$26 million as reversal of operating expense costs

Financial Performance

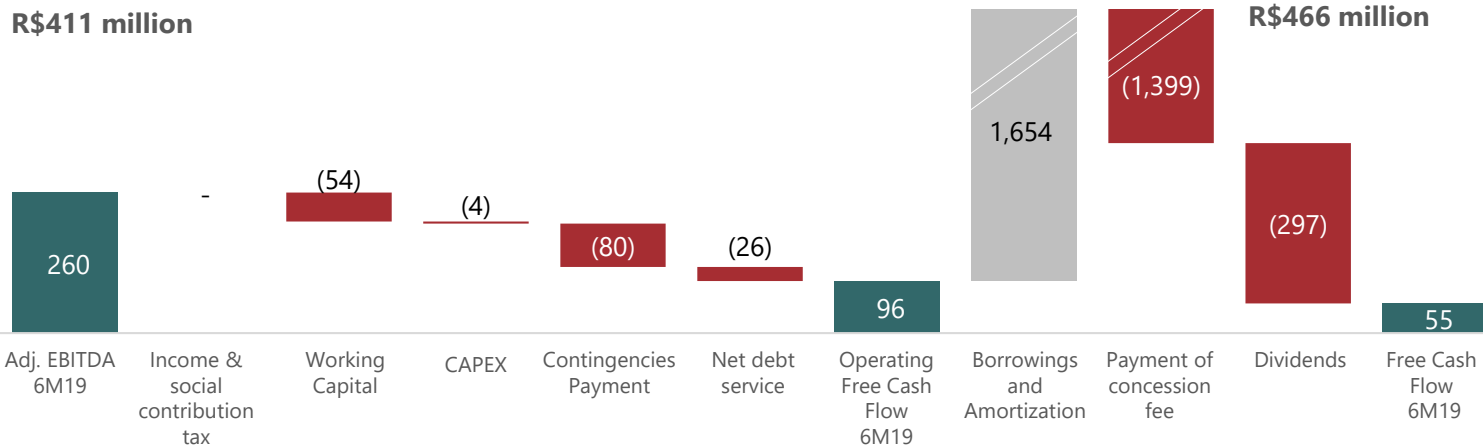


Adj. EBITDA
R\$ million

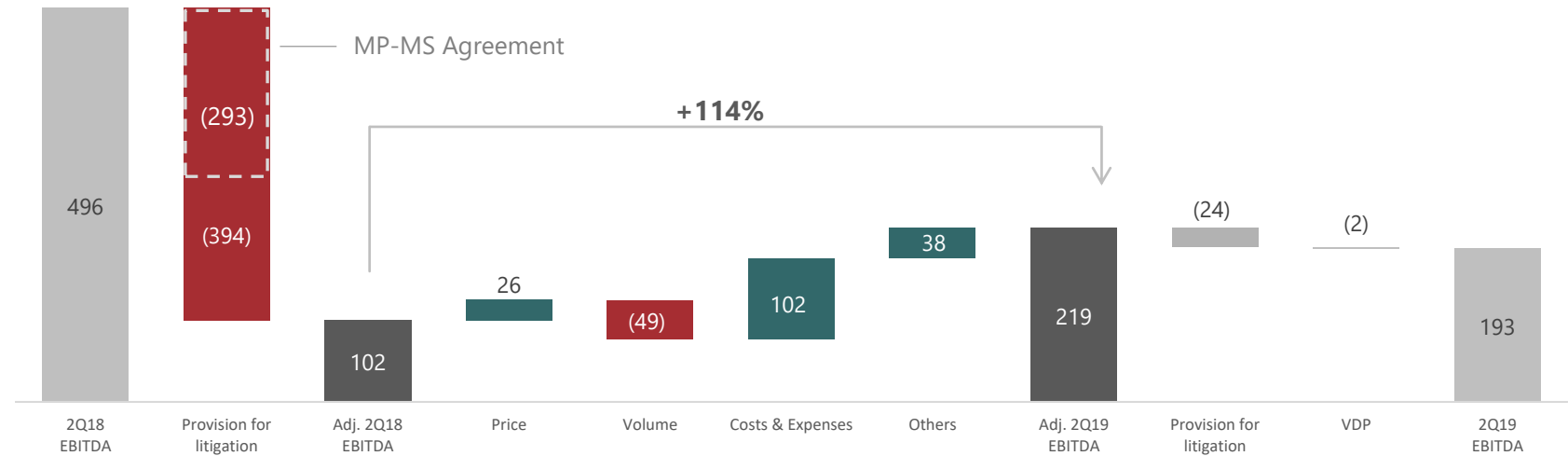


Cash Flow
R\$ million

Initial cash balance – Dec/18
R\$411 million



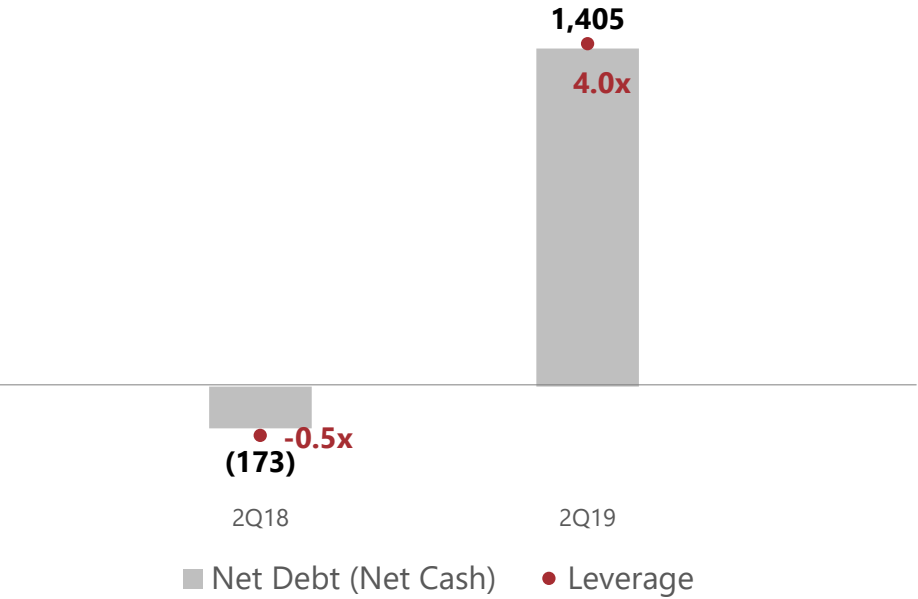
Final cash balance – Jun/19
R\$466 million



- **114% increase in adjusted EBITDA**, excluding non-recurring or non-cash items.
- **Free Cash Flow** of R\$55 million in the 6M19 mainly impacted by the payment of the Porto Primavera concession grant, dividends and court agreements signed in 2Q19.

capital structure

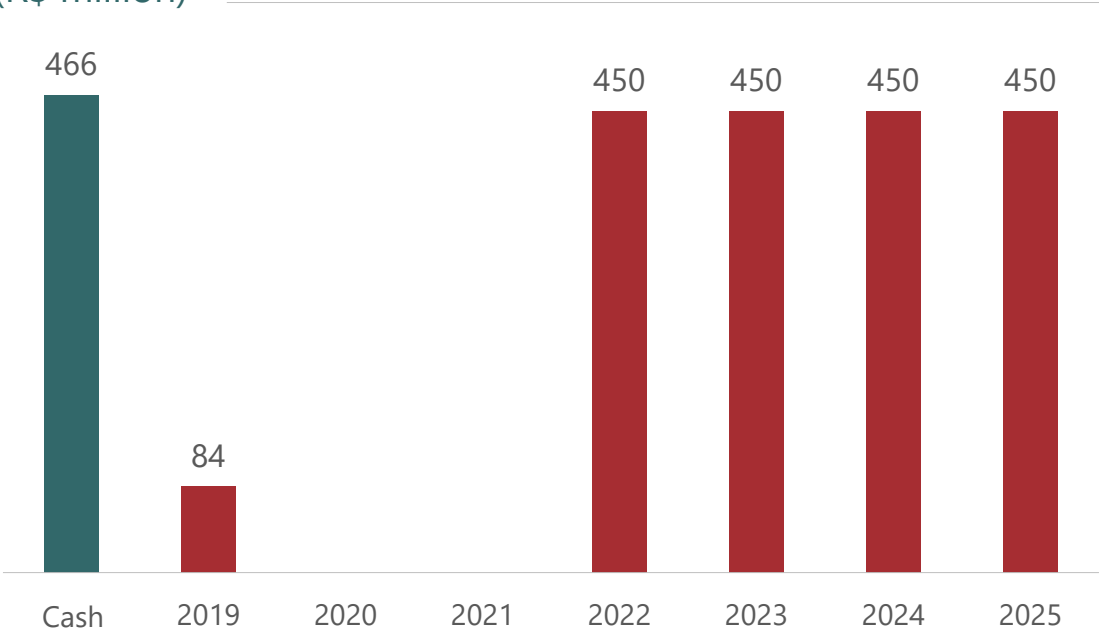
Net Debt (R\$ million) and **Leverage** ⁽¹⁾(x)



Rating

STANDARD &POOR'S	Rating	Outlook	Revised
	BB- br.AAA	Stable	Jul/19

Amortization Schedule- 2Q19 (R\$ million)



Gross debt: R\$ 1.8 billion

Average debt term of 4.7 years	Debenture at CDI + 1.64% p.a., payable in four annual installments, between 2022 and 2025
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(1) Leverage measured by Net Debt / Adjusted EBITDA LTM ratio.



agenda



Overview



Performance



Key Initiatives in 2019

CESP

Key Initiatives

IN 2019



Power plants

- Expression of **no interest in the renewal of the Jaguari Plant**, concentrating the Company's efforts on assets that generate more shareholder value.
- Advance in **analysis and review of costs and expenses** of operation and maintenance.



Operational efficiency

- Advance in **SAP system** implementation.
- **Plan for the reorganization and monetization** of non-operating properties



Personnel

- **Long Term Incentive Policy - ILP** approval aligning high management compensation with performance, result and value generation criteria.
- Conclusion of the **second Voluntary Dismissal Plan (VDP)** in July 19, with 20 employees joining and non-recurring expense of R\$6 million impacting the 3Q19.



Energy Trading

- Approval of **Energy Trading Policy and Risk Management** with implementation of **Management Governance**.
- Progress in the studies to **create a trading company**, promoting a more active participation in the energy market.
- 2019 **hydrological risk mitigation** addressed and focus on medium and long term strategy.



contacts

CESP



CFO and IR

Mario Bertoncini

mario.bertoncini@cesp.com.br

IR Team

Isabela Cerbasi

Isabela.cerbasi@cesp.com.br

+55 11 3092-2813

Gregory Lima

gregory.lima@cesp.com.br

+55 11 3092-2820

ri.cesp.com.br

cesp.com.br