3Q19 EARNINGS RELEASE

Conferece Call
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São Paulo, October 30, 2019: CESP - Companhia Energética de São Paulo ("CESP"), (B3: CESP3, CESP5 and CESP6) releases its results for the third quarter of 2019. The information was produced according to the International Financial Reporting Standards ("IFRS") and accounting practices adopted in Brazil, compared to the same period in 2018, except as otherwise indicated in this publication.

3Q19 EARNINGS

BRL210 MILLION GROWTH IN ADJUSTED EBITDA AND

41% DECREASE IN ADJUSTED COSTS AND EXPENSES AGAINST 3Q18

Financial and Operating Highlights - R$ thousand	3Q19	3Q18	Chg. (%)	9M19	9M18	Chg. (%)
Gross operating revenue	476,148	503,824	-5%	1,333,413	1,424,672	-6%
Net operating revenue	414,466	440,617	-6%	1,138,461	1,226,012	-7%
Gross operation profit	156,144	(10,659)	n.m.	318,510	355,321	-10%
Costs and expenses	(287,350)	(489,430)	-41%	(1,014,331)	(724,208)	40%
EBITDA	223,405	30,361	n.m.	391,550	739,214	-47%
Adjusted EBITDA	234,619	25,142	n.m.	494,808	438,308	13%
Adjusted EBITDA margin	57%	6%	51 p.p.	43%	36%	8 p.p.
Net income	(7,856)	(102,080)	-92%	(170,101)	235,180	n.m.
Net debt	1,331,003	(163,638)	n.m.	1,331,003	(163,638)	n.m.
Net debt/EBITDA LTM	2.4x	-0.2x	2.6x	2.4x	-0.2x	2.6x
Net debt/EBITDA adj.LTM	2.4x	-0.2x	2.6x	2.4x	-0.2x	2.6x

(1) Adjusted EBITDA excludes provision for litigation and VDP

HIGHLIGHTS OF 3Q19

- Adjusted EBITDA of BRL 235 million and margin of 57%, BRL 210 million higher than in the same period of 2018.
- Decrease in total contingent liabilities of BRL 759 million, before the monetary correction, BRL 438 million at the close of the third quarter and another BRL321 million during the month of October.
- In October 2019 we received authorization from the Brazilian Electricity Regulatory Agency ("ANEEL") and from the Electricity Trading Chamber ("CCEE") to form CESP Comercializadora
- Non-recurring payment of BRL 6 million related to CESP's Voluntary Dismissal Programs ("VDP").
- Implementation of a hedging strategy to minimize currency exposure on proceeds of electricity sales agreements indexed to the US dollar.
- In September 2019, CESP implemented SAP as the new ERP to provide more capacity for control, data compilation, analysis and quick decisions.

CONTENTS

MESSAGE FROM THE MANAGEMENT

The third quarter of 2019 was yet another period of major progress with the strategic agenda for transforming CESP's management of operations, processes, energy balance, litigation, costs, expenses and people.

We continue the process of cafeful assessment of liability litigation with legal and financial advisors to complement the work of our own team. This quarter we obtained a court decision favorable to CESP in the process of expropriation and achieved a reduction of BRL 438 million in contingencies. During the month of October, we reduced another BRL 321 million, thus totaling a reduction in the liability litigation of BRL 759 million, before to the impact of the monetary correction. Finally, during October we highlight the release of BRL 204 million in judicial deposits, an important contribution to the Company's cash position. These results are in line with our expectations arising from an increasingly assertive and careful approach to reducing this risk.

We obtained authorization from ANEEL and CCEE to form CESP Comercializadora, an initiative that seeks to promote CESP's more active participation in the energy market, optimized energy balance management, both in the purchase of energy for risk mitigation and in the best possible strategy for the sale of available energy.

In the third quarter of 2019, we implemented a hedging strategy to minimize currency exposure on the proceeds electric energy sales agreements indexed to the US dollar. The financial instrument we are using is the Non-Deliverable Forward ("NDF") which has given us an average rate of BRL/USD 4.18 for the last four months of 2019 and of BRL/USD4.25 for 2020.

The adjusted EBITDA, amounting to BRL 235 million for 3Q19, represents a rise of BRL 210 million against the same quarter of the previous year. With an adjusted EBITDA margin of 57%. This result is due to a combination of factors, principally equilibrium in the energy balance for 2019 and success in cutting costs.

CESP's leverage, measured as net debt/EBITDA, which reached a peak of 4.0x in the second quarter of the year, was down to 2.4x in the third quarter, a demonstration of the Company's powerful cash generation capacity. Aggregate operating cash after debt service generated in the first nine months of 2019 was BRL 344 million, a cash conversion ratio of approximately 69%[1], and we generated BRL130 million of free cash flow.

In operating terms, we continue to pursue efficiency gains by improving processes and systems, and this has given us high levels of operational availability of hydroelectric plants. In this context, one of the most significant indicators is the Availability Index which in the third quarter of 2019 attained an average of 94.0%, consistently higher than the reference levels defined by ANEEL.

Another important achievement was the completion, in September 2019, of implementing SAP as CESP's new ERP, to provide more capacity for control, data compilation, analysis and quick

(1) Cash conversion ratio= (Operating Cash Flow-Litigation payments) /Adjusted EBITDA

decisions. We also transferred part of our recurrent operating activities, such as invoicing, treasury, accounting and supplies to a shared services center (SSC) to allow us to increase the scope, speed and quality of tasks programmed. These initiatives, allied with a constant, intense effort to revise the structure, processes and systems, have given CESP significant gains in productivity and cost cutting.

In line with our strategy of pursuing the best corporate governance practices, this quarter we brought forward our results announcement as part of our proactive plan for transparency and rapidity in communications to the market. In addition, in September 2019 we held the first round of foreign meetings in CESP's history, in New York and Boston.

This quarter we also earned the Great Place to Work – GPTW label source of great pride in our first year of management at CESP. Building a healthy and productive work environment is part of a people management plan with high performance, results and value creation.

Our proven capacity to reinvent ourselves and overcome challenges means that we can take advantage of the opportunities arising from the current process of transformation. The progress we have achieved is due to a joint effort, and this has made us all proud, pleased and motivated.

Mario Bertoncini

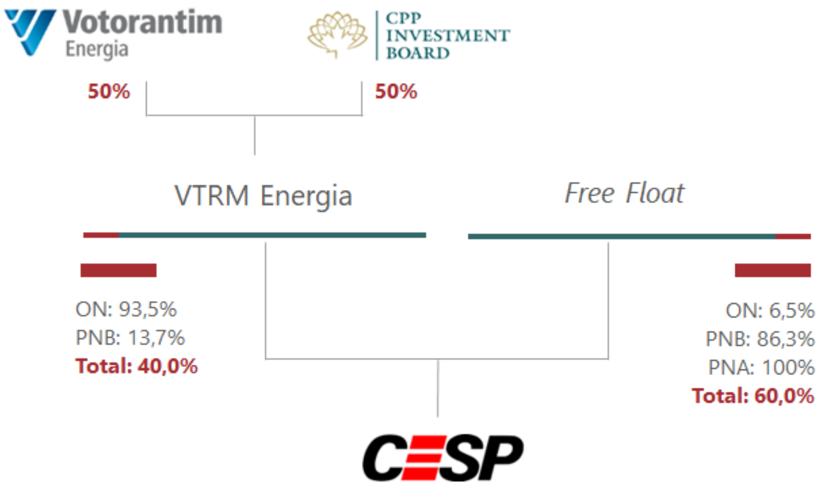
CEO and Investor Relations Officer

Marcelo de Jesus

Chief Financial Officer

COMPANY PROFILE

The Government of the State of São Paulo created CESP in 1966, and the year of 2018 was emblematic because it marked its privatization process. Since December 11, 2018, CESP became a privately held company, a result of a partnership between Votorantim group and Canada Pension Plan Investment Board (CPPIB).



GENERATING COMPLEX

CESP holds the concession for three hydroelectric power plants, operating under the price regime, with 18 generating units, total installed capacity of 1,655 MW and physical guarantee of 948 average MW.

The plants are located in the hydrographic basins of the Paraná River, in the west region of the State of São Paulo, and the Paraíba do Sul river, in the east region of the State of São Paulo, and comprise the following generating complex:

Operating assets

Porto Primavera

Capacity: 1,540 MW

Physical guarantee: 887 average MW

Concession to Apr/49 (Contract renewed in April 2019)

Location: Rosana (SP)

Reservoir area: 2,040 km^2

Extension of dam: 10.2 km

Generating units: 14

Start-up of operations: 1999

Paraibuna

Capacity: 87 MW

Physical guarantee: 48 average MW

Concession to Mar/21

Location: Paraibuna (SP)

Reservoir area: 177 km²

Extension of dam: : 0.5 km

Generating units: 2

Start-up of operations: 1978

Jaguari

Capacity: 28 MW

Physical guarantee: 13 average MW

Concession to May/20

Location: São José dos Campos (SP)

Reservoir area: 56 km²

Extension of dam: : 1 km

Generating units: 2

Start-up of operations: 1972

On June 28, 2019, the Company's board of directors resolved that it was not of interest to renew the Hydroelectric Power Plant Jaguari concession, which accounts for less than 1% of the energy produced by CESP, in line with the expression of intent by the state of São Paulo to apply to the federal government for permission to exploit said HYDROELECTRIC POWER PLANT after the current concession expires.

PRODUCTION OF ELECTRIC ENERGY

Generation (average MW)

Hydroelectric power plants	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
Porto Primavera	942	925	2%	976	997	-2%
Paraibuna	57	63	-9%	31	41	-24%
Jaguari	14	9	59%	6	7	-7%
Total	**1,013**	**996**	**2%**	**1,013**	**1,045**	**-3%**

Electricity production at the plants operated by CESP reached an average of 1,013 MW in 3Q19, 2% higher than in 3Q18. The increase is due to systemic factors related to the dispatch policy practiced by the National System Operator ("ONS") for the National Grid.

In 3Q19 there was a slight increase in the inflows of the basins in the southeast region and in electricity consumption, and a lower incremental outflow from Hydroelectric Power Plant Itaipu. In this way the ONS has introduced a policy of more dispatch by Hydroelectric Power Plant Porto Primavera in order to regulate the outflow from Hydroelectric Power Plant Itaipu in the stretch between Hydroelectric Power Plant Porto Primavera and Hydroelectric Power Plant Itaipu.

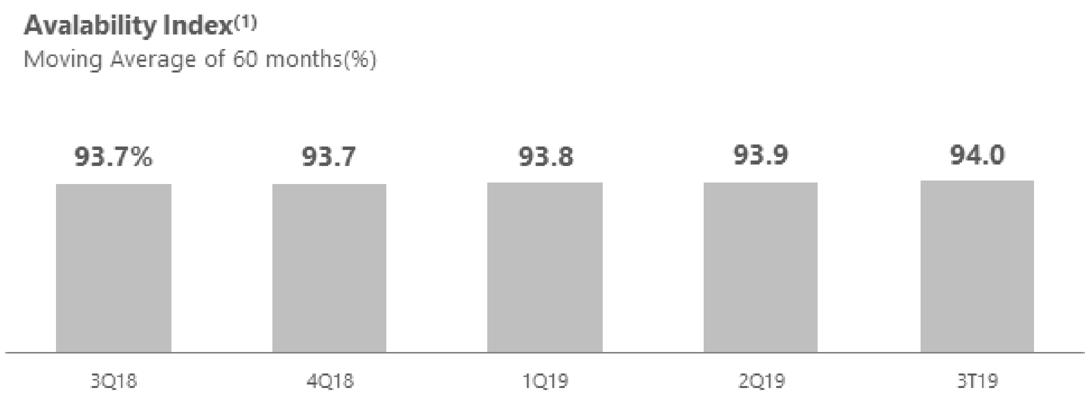
Generation by Hydroelectric Power Plant Paraibuna and hydroelectric power plant Jaguari is a function of the control of the outflow in the Paraíba do Sul river basin, where the ONS defines the amount of outflow so as not to violate the water restrictions downstream from the rest of the basin.

AVAILABILITY

In 3Q19 the plants operated by CESP attained an average availability index of 94%, slightly more than in 3Q18, when the level was 93.7%, due to good maintenance management and, as a result, more efficiency in scheduled stoppages, which were completed more quickly in 3Q19.

According to ANEEL Resolution 614/2014, if the availability index of a hydroelectric power plant participating in the Energy Rellocation Mechanism ("MRE") is below the reference index used for calculating its physical guarantee level, the plant will be subject to the application of an physical guarantee reduction mechanism. With these premises, this indicator becomes the key marker for assessing the performance of hydroelectric power plants and the principal tool for monitoring risk mitigation for operating impact on commercial commitments.

The availability index of the CESP plants is consistently higher than the reference values defined by ANEEL due to their efficient operation.



(1) The availability index is calculated based on the Forced Unavailability Rate (TEIFa) and Scheduled Unavailability Rate (TEIP), defined by ANEEL.

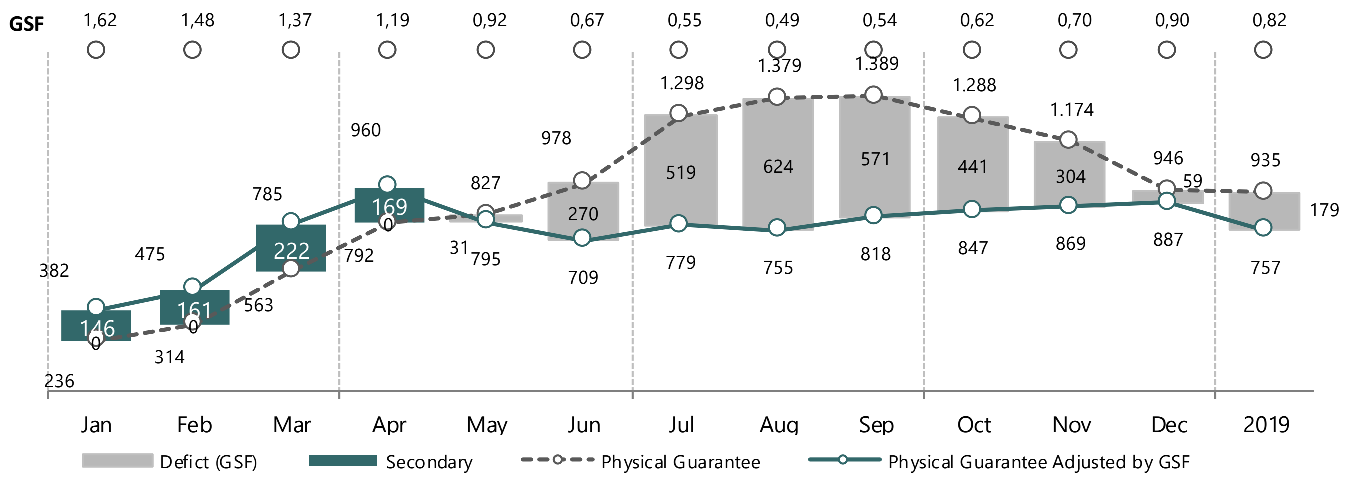
COMMERCIAL STRATEGY

The Company's commercial strategy is based on a detailed planning and proactive management of the energy commercialization and balance, focused on the market, in order to generate value and mitigate the hydrological risk.

In 2019 CESP's seasonality strategy has been changed, and now it seeks to optimize results by analyzing expected inflows and prices for each period of the year.

In the chart below we show our physical guarantee seasonality curve for 2019 and the same curve adjusted for the Generation Scaling Factor ("GSF") assumptions according to CCEE projection.

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

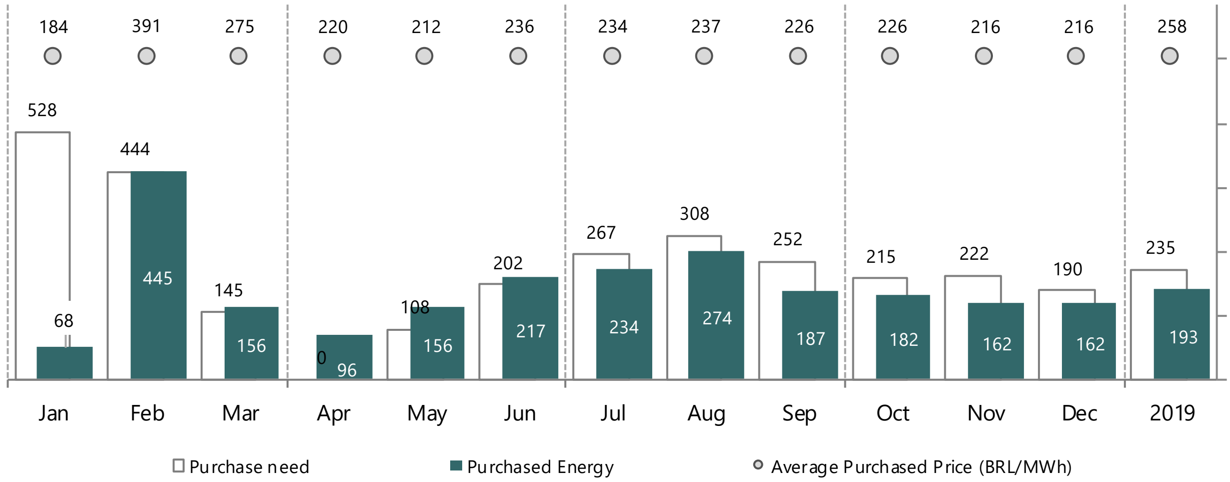


(1) GSF premise according to CCEE

As a result of the physical guarantee revisions and influenced by the effect of the GSF, CESP presented a deficient energy balance for the year 2019. Accordingly, since December 11, 2018, when the new management assumed, the strategy of optimizing the result and reducing exposure to hydrological risk has been implemented.

By the end of 3Q19, 193 avg.MW of electricity had been purchased for 2019 at an average price of BRL 258/MWh, compared with a purchase of 240 avg. MW at an average price of BRL 357/MWh for the year 2018.

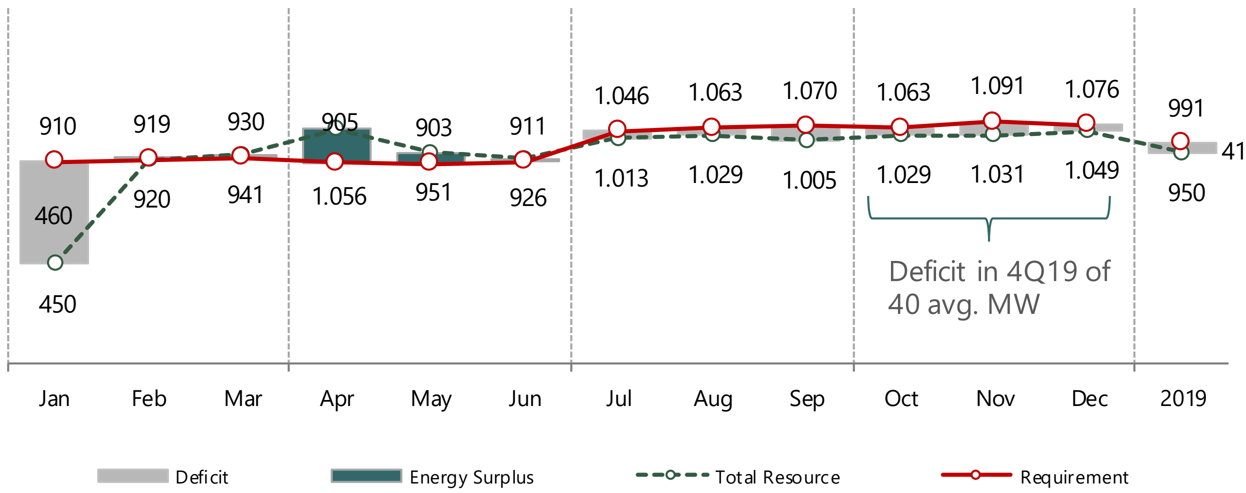
Energy deficit versus energy purchase (Avg. MW)



Given our receivables optimization strategy in the CCEE due to systemic default, in 1Q19 the Company settled its balance receivable in the CCEE with the deficit generated in January 2019, for a total of BRL 75 million of electricity purchased in the 1Q19. In the 3Q19, due to other credits of the Company in CCEE our purchases totaled BRL10 million. Based on current estimates, 3Q19 and 9M19 account for 25% and 84% of the total energy purchased during the year, respectively.

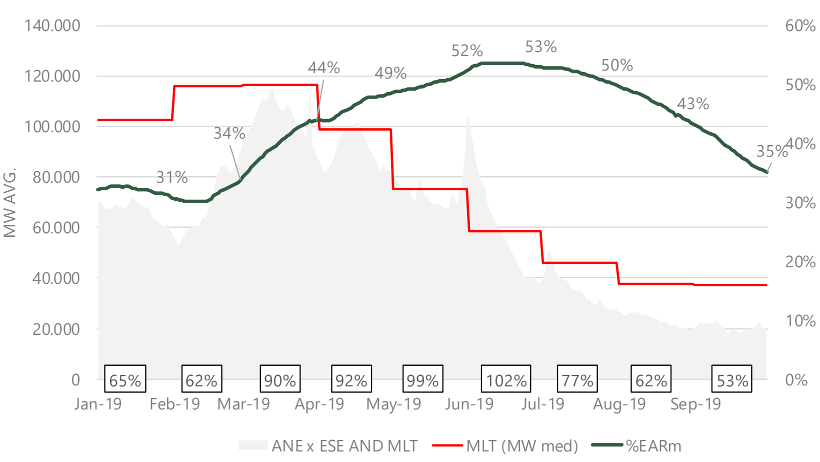
As a result of the new management strategy, CESP's energy balance for 2019 at September 30, 2019 is illustrated below and demonstrates the substantial equalization of the deficit for 2019.

Energy Balance 2019 – After purchase of energy (Avg. MW)

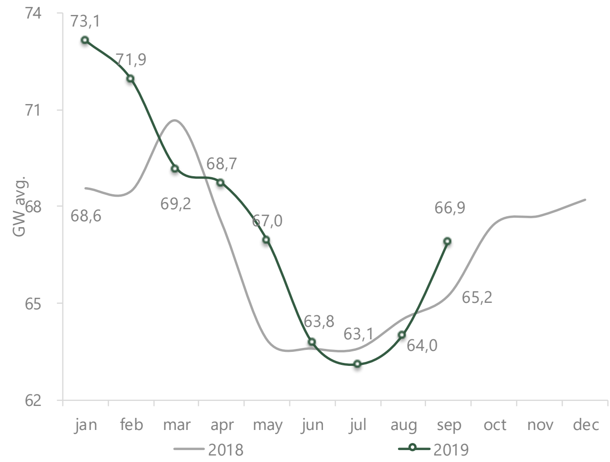


We should point out that the performance of Affluent Natural Energy ("ANE") below the Long-Term Average and low energy demand, represented by the demand, which has had effect on the GSF levels in 3Q19.

Daily ANE - SIN (MW avg. and %) + Storage Level Evolution - SIN (%)[1]



Demand – SIN (GW avg.)[1]



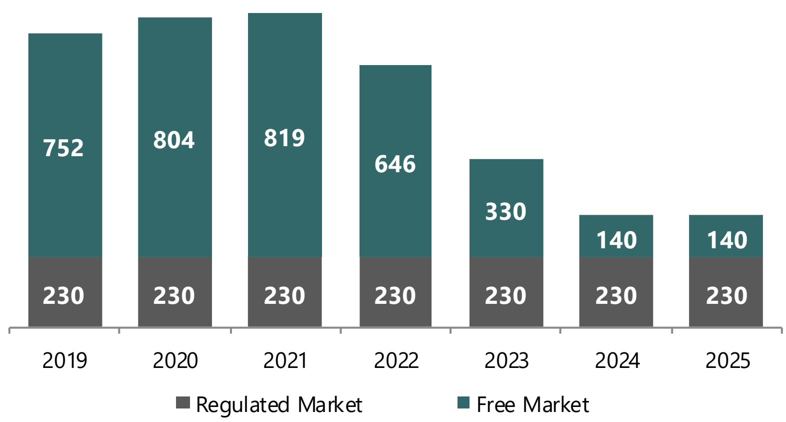
(1) Source: CCEE | LTA: Long term average; ESIN: National Grid

CESP is working to complete the equalization of the existing deficit from 2020 to 2022 within the windows of opportunity presented.

CUSTOMERS

CESP's sales contracts in the free market were mainly executed between 2003 and 2015 and are corrected for inflation (~70%) and the US dollar exchange rate (~30%).

Customers Profile (average MW)



It is important to mention that the Company has introduced a hedging strategy in order to minimize currency exposure on revenues from sales contracts indexed to the USD, using Non-Deliverable Forwards ("NDFs"). More details on this strategy can be found on page 17 of this document.

Contracts in the regulated market began in 2009 and 2010 and mature in 2038 and 2039 with a volume of 230 average MW. In 3Q19 the average adjusted price of contracts in the regulated market was BRL241/MWh.

Average Prices in the Regulated Market

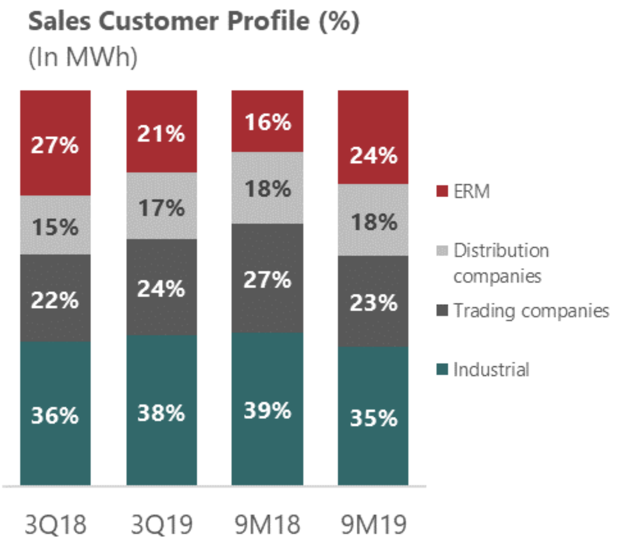
Initial date	Final date	Volume (Avg.MW)	Initial gross price (BRL/MWh)	Current gross price (BRL/MWh)(1)
01/01/2009	12/31/2038	82	125 (2)	250
01/01/2010	12/31/2039	148	116 (3)	236
Total		**230**	**119**	**241**

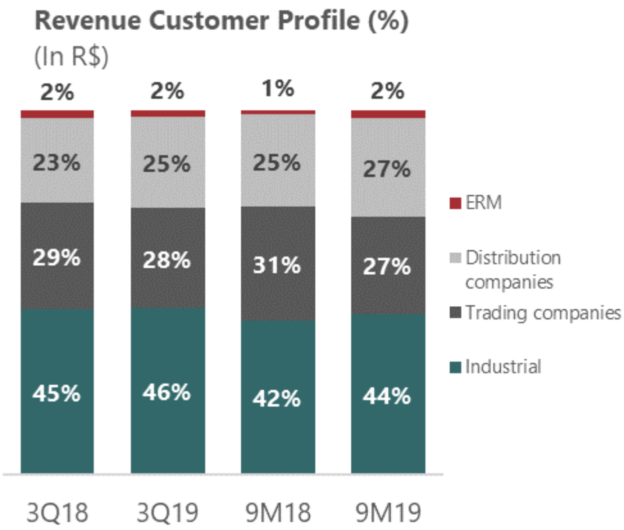
(1) Prices adjusted by the IPCA inflation index. | (2) Base date for start December 16, 2005 | (3) Base date for start June 29, 2006.

In order to mitigate its exposure to hydrological risk, in 2016 CESP renegotiated the total of 230 average MW contracted up to 2028 in the regulated market. Thus, this portion of physical guarantee is fully protected against fluctuations in the GSF.

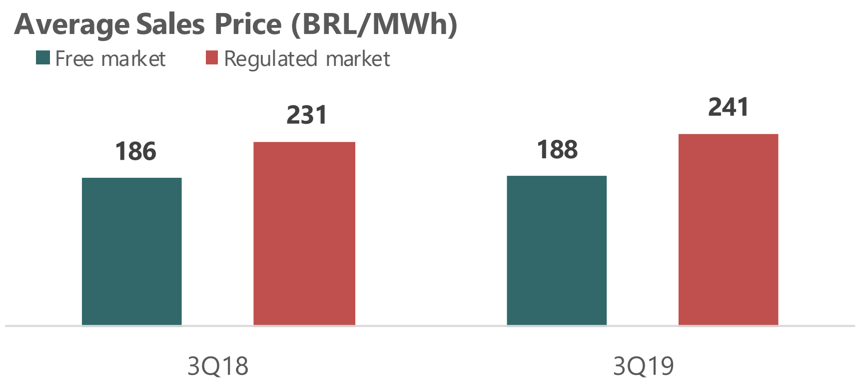
In 3Q19 the Company settled its commitments to customers in the free and regulated markets. Free customers (manufacturers and traders) represented 58% of the volume of sales and 71% of revenues, whereas in 3Q18 the percentages were 59% and 75%, respectively.

The increased share of free customers in the sales volume is due to the exercise of contractual volume options (flexibility).





In 3Q19 the adjusted average price of free market contracts (industrial and traders) was BRL188/MWh, 1% more than in 3Q18, due to contractual adjustments and monetary correction, partially offset by a higher proportion of customers with lower contracted prices and contractual terms permitting flexibility in energy allocation. As from 2023 the volume of energy sold is substantially lower, and as from 2026 the Company has no free market sales. The average price in the regulated market (distributors) in 3Q19 was BRL 241/MWh, a rise of 3% against 3Q18 due mainly to price increases in line with inflation (IPCA).



OPERATING REVENUES

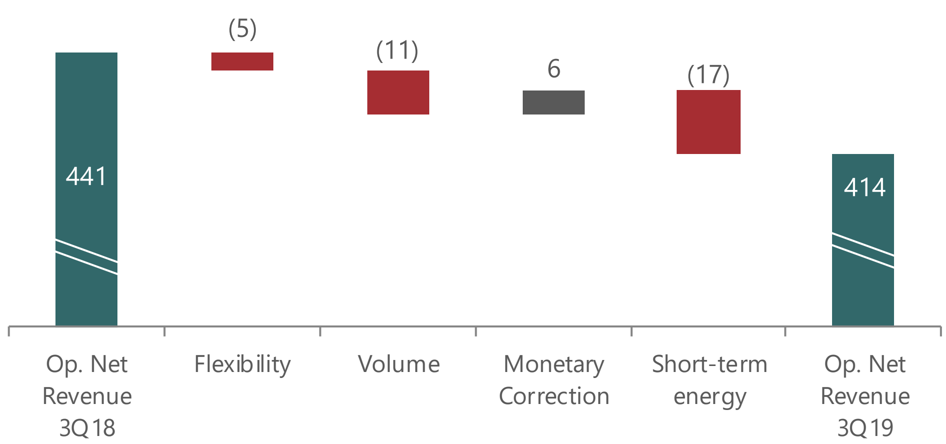
Net operating revenues in 3Q19 totaled BRL414 million, a decrease of BRL26 million (-7%) compared with 3Q18, mostly as a result of:

- **Short-term electricity:** Decrease of BRL17 million due to the new strategy for equalizing the Company's energy balance, combined with optimum management of CCEE receivables in view of systemic default.
- **Energy sales – Volume:** Decrease of BRL11 million in the volume of contracts with traders, in line with our strategy for covering the deficit in the Company's energy balance, and the mechanism for protecting exposure to hydrological risk (GSF); and
- **Energy sales - Flexibility:** Decrease of BRL5 million in the volume of sales to industry (free market) due to agreed contractual terms (flexibility).

These effects were partially offset by:

- **Energy sales – Monetary Correction:** Increase of BRL6 million due to adjustment clause in contracts with distributors (regulated market).

Net Operating Revenues 3Q18 vs. 3Q19 (BRL million)



As a result of the new concession agreement for the **Porto Primavera** plant, renewed in April 2019, there was a change in the concession regime from public service to independent producer. Thus, starting in June 2019, CESP stopped paying the Global Reversion Reserve ("RGR") for the Porto Primavera plant, of about 2.6% on gross revenues, and instead is subject to the charge for Use of a Public Asset ("UBP") of 2.5% on gross revenues for the next 5 years only. The total balance of UBP recognized as payable will be amortized over the 30 year concession period, as detailed in note 18 of financial statements 2Q19.

OPERATING COSTS AND EXPENSES

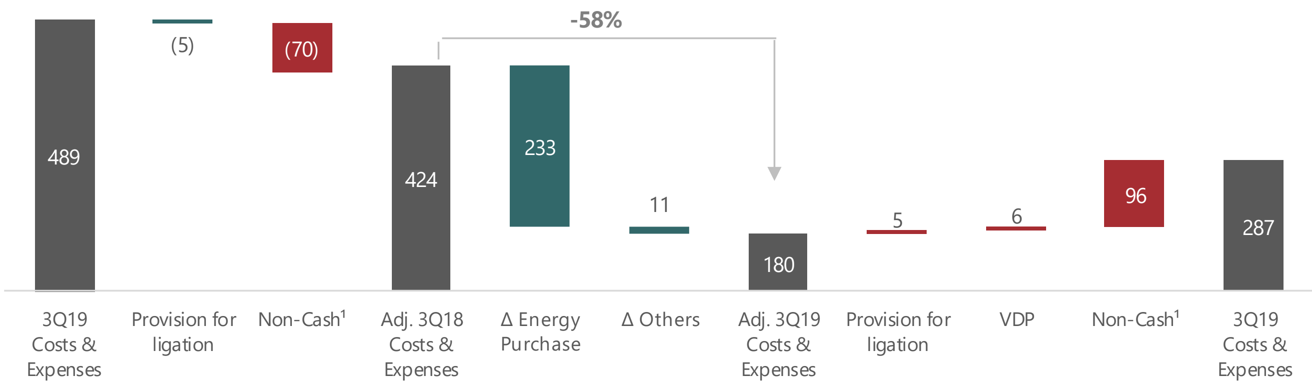
Operating costs and expenses totaled BRL287 million in 3Q19, 41% less than for the same period of 2018, when the figure was BRL489 million.

In both quarters there were non-recurring or non-cash events, as follows:

- **Provision for litigation:** In 3Q19 a provision of BRL5 million was set up in the normal course of business, to cover the Company's litigation liabilities. In 3Q18 BRL5 million in provisions, mainly for legal obligations of generator companies spun off from CESP, were reversed. CESP was responsible for payment of cases brought on or before March 31, 1999.
- **VDP – Voluntary dismissal program:** In 3Q19 there was the impact of non-recurring expenses of BRL 6 million related to CESP's Voluntary Dismissal Programs ("VDP").
- **Other non-cash effects:** Include depreciation, amortization, inventory provisions and provisions for PIS and COFINS. In the 3T19 the amount was BRL96 million and in 3Q18 was BRL70 million.

Excluding non-recurring and non-cash items, Operating Costs and Expenses in 3Q19 totaled BRL180 million reduction of 58% compared to BRL425 million.

Costs and Expenses 3Q18 vs. 3Q19 (BRL million)



(1) Includes depreciation, amortization, warehouse provisions and provisions for PIS and COFINS. | (2) Excludes costs and expenses with: purchased energy, VDP, depreciation/amortization, provisions, estimated credit loss.

Due to the change in concession regime for Hydroelectric Power Plant Porto Primavera and based on ANEEL Resolution 559/2013, it was proposed to recalculate the Tariff for the Use of the

Transmission System ("TUST") to be valid for ten tariff cycles. A transition mechanism was established to define a new TUST, during two consecutive tariff cycles, weighted 1/3 and 2/3, respectively, for the new and current tariffs, and 2/3 and 1/3 for the subsequent cycle. The tariff for the first transition period, starting on July 1, 2019, of BRL7,693/kW month, a rise of 17.6% over the previous tariff, with the updated stabilized tariff rising to BRL9,085/kW month.

It should be noted that the Company took various different measures to gain operating efficiency and rationalize costs and expenses. In 3Q19 we experienced a 60% Decrease in **manageable costs and expenses**, as follows:

- **Energy purchases:** Decrease of 64%, compared to 3Q18, in line with the new seasonalization and commercialization strategy adopted by the Company.
- **Personnel and Directors[1]:** Decrease of 44%, due to a reduction of approximately 50% in staff numbers and change in the professional profile accompanied by reformulation of targets, performance assessment, development, professional training, and management recognized by the Great Place to Work – GPTW label.
- **Third Party Services, Materials and Rent:** Decrease of 39% due to contract renegotiation and process review, enabling cost and operations efficiencies to be captured.

More details on costs and expenses are given in the exhibit to this document, on page 30.

(1) *Excludes provision for profit sharing, which in 2018 was fully accounted for in December and as of 2019, accounting is made monthly.*

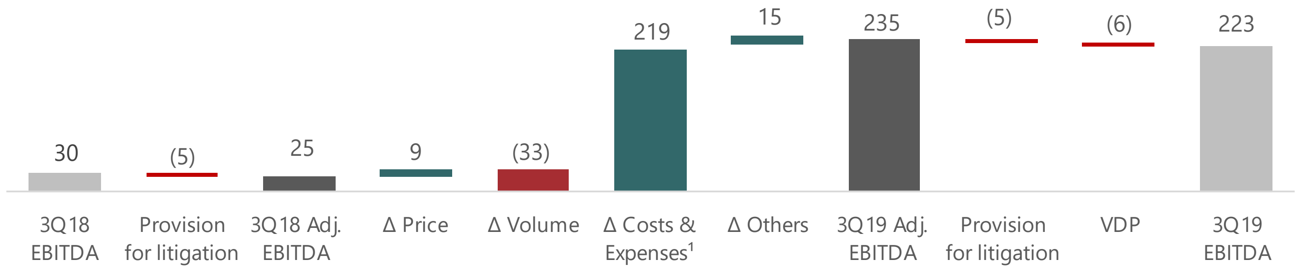
EBITDA

EBIT / EBITDA - BRL thousand	3Q19	3Q18	Chg. (%)	9M19	9M18	Chg. (%)
Net Income	**(7,856)**	**(102,080)**	**-92%**	**(170,101)**	**235,180**	**n.m.**
Tax and social contribution (net)	951	55,669	-98%	(6,672)	74,572	n.m.
Financial Result	(135,923)	(108,936)	25%	(287,559)	(341,196)	-16%
= EBIT	**127,116**	**(48,813)**	**n.m.**	**124,130**	**501,804**	**-75%**
Depreciation / amortization	(96,289)	(79,174)	22%	(267,420)	(237,410)	13%
EBITDA	**223,405**	**30,361**	**n.m.**	**391,550**	**739,214**	**-47%**
VDP - Voluntary dismissal Program	(5,955)	-	n.m.	(110,746)	-	n.m.
Provision for litigation	(5,259)	5,219	n.m.	7,488	300,906	-98%
Ajusted EBITDA	**234,619**	**25,142**	**n.m.**	**494,808**	**438,308**	**13%**
Ajusted EBITDA margin	57%	6%	51 p.p.	43%	36%	8 p.p.

Adjusted EBITDA totaled BRL235 million in 3Q19 with a margin of 57%, BRL210 million higher than in the same period of 2018.

The increase in Adjusted EBITDA is mainly explained by the reduction in costs and expenses mainly arising from the reduction in the cost of purchased energy partially offset by the reduction in revenue, due to the Company's new energy balance management strategy and the reduction of manageable costs and expenses.

EBITDA 3Q18 vs. 3Q19 (BRL million)



(1) Excludes provision for litigation.

FINANCIAL RESULT

Financial Results – BRL thousand	3Q19	3Q18	Chg. (%)	9M19	9M18	Chg. (%)
Financial revenues	**9,085**	**15,153**	**-40%**	**63,173**	**51,334**	**23%**
Financial expenses	**(145,008)**	**(124,089)**	**17%**	**(350,732)**	**(392,530)**	**-11%**
Debt charges	(37,522)	(6,178)	n.m.	(112,088)	(19,131)	n.m.
Litigation provision balance update	(96,237)	(97,225)	-1%	(225,710)	(298,831)	-24%
Monetary variation	(6,068)	(12,952)	-53%	(3,128)	(64,443)	-95%
Other finance costs	(5,181)	(7,734)	-33%	(9,806)	(10,125)	-3%
Financial Results	**(135,923)**	**(108,936)**	**25%**	**(287,559)**	**(341,196)**	**-16%**

The net financial result in 3Q19 was an expense of BRL136 million compared to an expense of BRL109 million in 3Q18. The increase is due mainly to:

- **Financial income:** BRL6 million down due to the lower interbank deposit (CDI) rate during the period.
- **Debt charges:** Increase of BRL31 million mainly as a result of the recognition of liabilities for the 11th issue of Debentures amounting to BRL1.8 billion, disbursed in January 2019.

Partially offset by:

- **Currency variation:** Decrease of BRL6 million in currency differences due to payment of principal to BNDES indexed to currency variations (basket of currencies) in the normal course of debt repayment.
- **Adjustment of balance of provision for litigation:** Reduction of BRL1 million, due to a smaller adjustment in the balance of the provision for litigation. It should be noted that in 2Q19 the cost of monetary adjustment of the provision for litigation was reclassified from operational costs and expenses to financial expenses. Details of the reclassification are in note 3.1 of the accounts for 3Q19.

Derivative Financial Instruments

CESP has USD-indexed energy sales contracts accounting for about 30% of total revenues. In order to minimize the currency risk from these contracts, the Company implemented a hedging strategy using Non-Deliverable Forward ("NDFs"). The aim is to hedge approximately 95% of the currency exposure during the period September 2019 to December 2021.

The following table reflects the position of derivative instruments as at September 30, 2019:

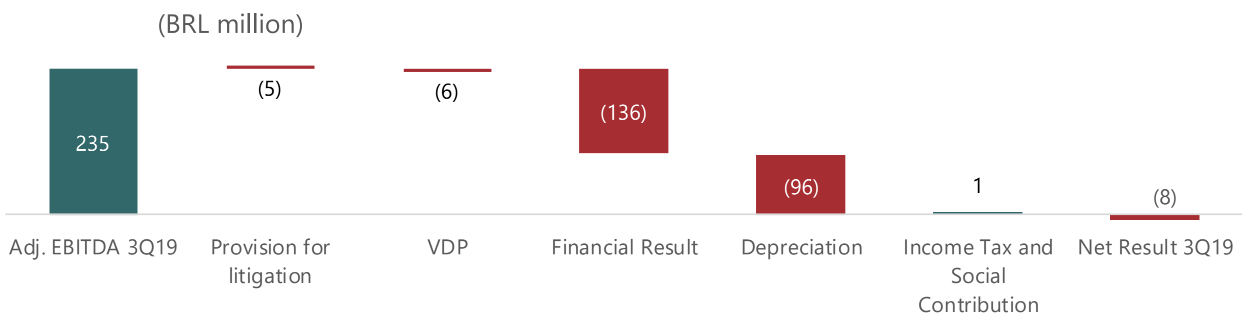
NDFs	Notional (USD thousands)	Average forward exchange rate (BRL)	Fair value (MtM) (BRL thousands)
2019	29,000	4.18	9
2020	111,000	4.25	1,314
2021	36,000	4.41	1,381
Total	**176,000**		**2,704**

The fair value of the hedging instruments will be recognized in shareholders' equity until the proposed transaction takes place or is liquidated. After the liquidations gains or losses will be recognized in income. For more details see note 27.5 to the 3Q19 accounts.

NET RESULT

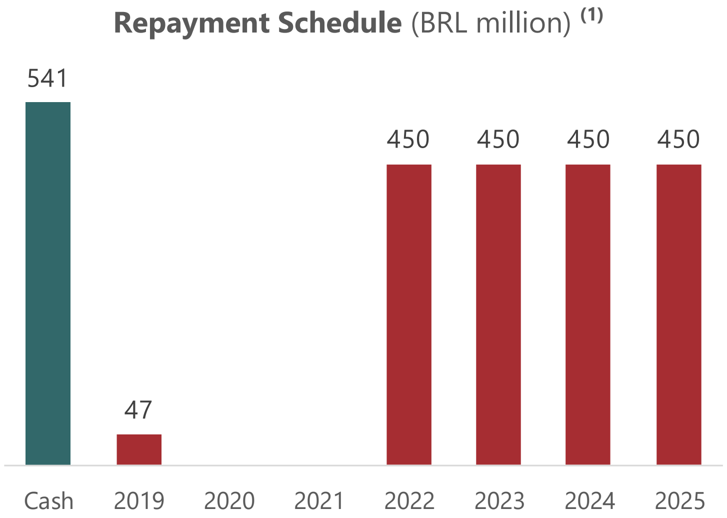
In 3Q19, net loss was BRL8 million, against net loss of BRL102 million in 3Q18. The change was due principally to the decrease in costs and expenses with a lower volume of energy purchases, and to the costs and expenses discipline, partly offset by the higher financial expense resulting from the payment of the Company's 11th issue of debentures.

The following chart show the key factors that influenced net income in 3Q19, based on adjusted EBITDA for the same period:

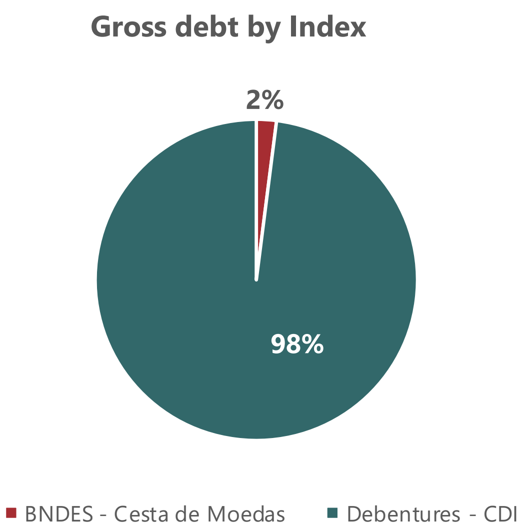


DEBT

Gross debt as at September 30, 2019 was BRL1,876 million against BRL164 million on September 30, 2018. The increase in debt derives from the 11th issue of Company debentures, in order to pay for the renovation of the Hydroelectric Power Plant Porto Primavera concession, with a coupon of 100% of the daily average of the interbank overnight deposit rate (DI) plus a margin of 1.64% p.a., payable on a semiannual basis. The principal is repayable in 7 years after a 3-year grace period. On September 30, 2019, the average maturity of the debt was 4.5 years. Gross debt is mainly in local currency and indexed to the CDI rate.



(1) Excluding debt to Eletrobrás amounting to BRL2.2 million.



Cash and cash equivalents as at September 30, 2019, totaled BRL541 million against BRL310 million as at September 30, 2018. Accordingly, net debt totaled BRL1,331 million in 3Q19.

Rating

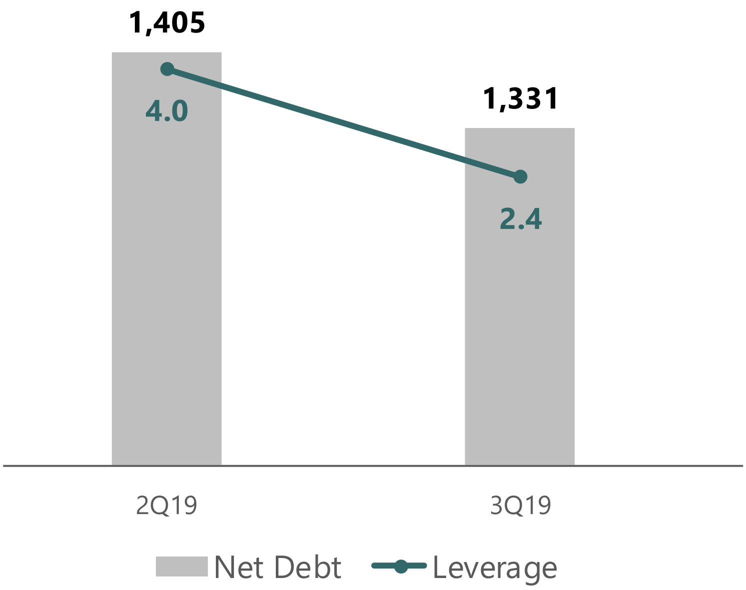
In July 2019 Standard & Poor's ("S&P") reviewed and confirmed CESP's global and local ratings, as shown below:

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

LEVERAGE

CESP's leverage, measured as net debt/adjusted EBITDA, which reached a peak of 4.0x in the second quarter of the year, was down to 2.4x in the third quarter.

Net debt (BRL million) and Leverage [1] (x)



(1) Leverage measured by the ratio Net debt/ Adjusted EBITDA LTM.

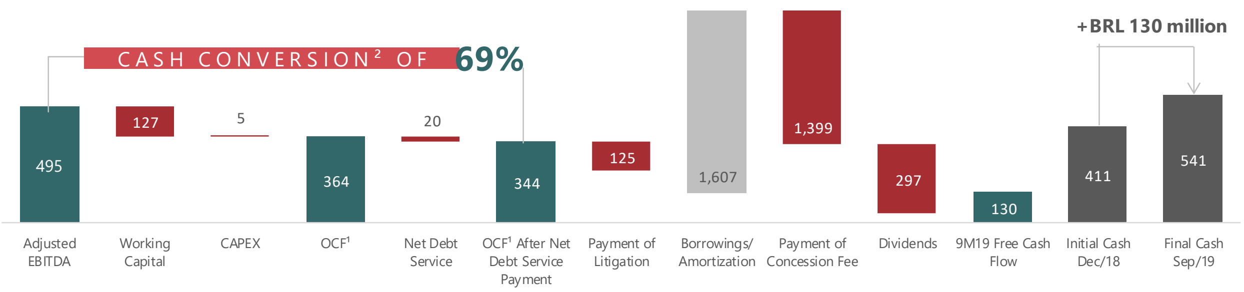
FREE CASH FLOW

Cash flow - BRL thousand	3Q19	3Q18	Chg. (%)	9M19	9M18	Chg. (%)
Adjusted EBITDA	234.618	25.142	n.m.	494.807	438.308	13%
Working Capital	(73.882)	2.890	n.m.	(126.709)	(18.360)	n.m.
CAPEX	(915)	(2.810)	-67%	(4.544)	(9.018)	-50%
Operating Cash Flow	**159.821**	**25.222**	**n.m.**	**363.554**	**410.930**	**-12%**
Debt service	6.222	3.591	73%	(19.850)	2.827	n.m.
Operating cash flow after debt service	**166.043**	**28.813**	**n.m.**	**343.703**	**413.757**	**-17%**
Contingencies	(44.455)	(23.173)	92%	(124.835)	(79.768)	56%
Borrowings	-	-	n.m.	1.777.982	-	n.m.
Amortization	(46.428)	(40.786)	14%	(171.004)	(145.385)	18%
Payment of concession fee	-	-	n.m.	(1.398.703)	-	n.m.
Dividends	-	-	n.m.	(297.164)	(25.573)	n.m.
Free cash flow	**75.159**	**(35.146)**	**n.m.**	**129.979**	**163.031**	**-20%**
Initial cash balance	465.706	508.713	-8%	410.886	310.536	32%
Final cash balance	540.865	473.567	14%	540.865	473.567	14%

(1) OCF=Operational Cash Flow | (2) considers cash conversion = (FCO after Net debt service/ Adjusted EBITDA)

The Free Cash Flow for 9M19 was BRL130 million, lower than 9M18 mainly due to: (i) reduction in working capital due to PDV; (ii) higher debt service after raising BRL1,800 million in debentures in 1Q19; (iii) settlement of litigation cases; (iv) payment of the Porto Primavera grant and (v) dividends paid.

Cash Flow (BRL million)



(1) OCF = Operating Cash Flow | (2) Considers cash conversion = (OCF after Debt Service/Adjusted EBITDA)

INVESTMENTS(CAPEX)

CESP's investments in 3Q19 amounted to BRL1 million, mainly for maintenance of the hydroelectric power plants.

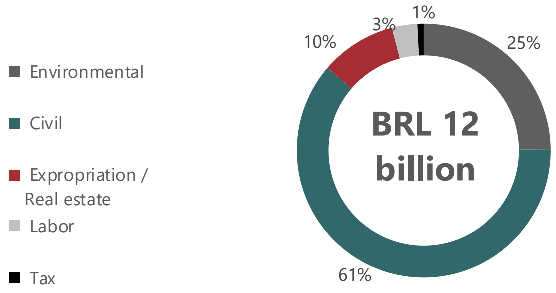
CONTINGENCIES

Contingent Liabilities

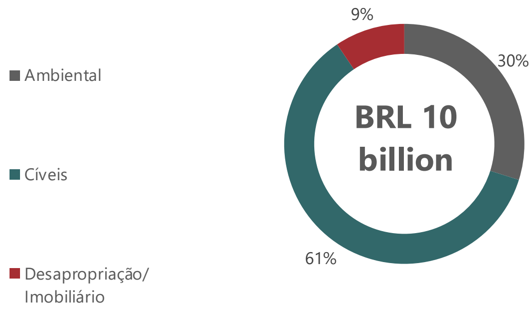
Currently, the Company is part of legal proceedings representing a total contingent liability of approximately R$ 12 billion. It is important to stress the continuity of the process of careful evaluation of litigation liability (as defendant), including the contracting of legal and financial advisors in addition to the work of our own team.

The Company constantly reviews the risk forecasts of the lawsuits, as well as the amounts under discussion. In addition, in a constant pursuit of optimizing management and reducing lawsuits as defendants, the Company carefully classifies certain lawsuits as "strategic" and submits them to monitoring and management by high technical level and reputable outside law firms. No less important treatment is given to the rest of the litigation portfolio. Currently, the strategic action group comprises 45 lawsuits, which represent approximately 81% of the Company's legal liability litigation and have the profile detailed below:

Contingent Liabilities Profile



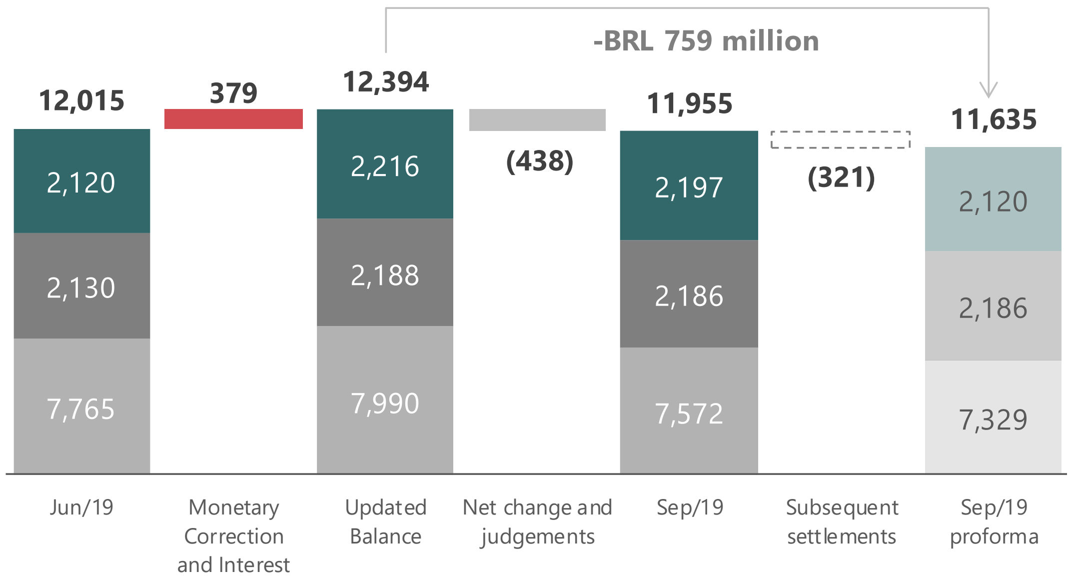
45 cases account for **87%**
of the total contingent liability



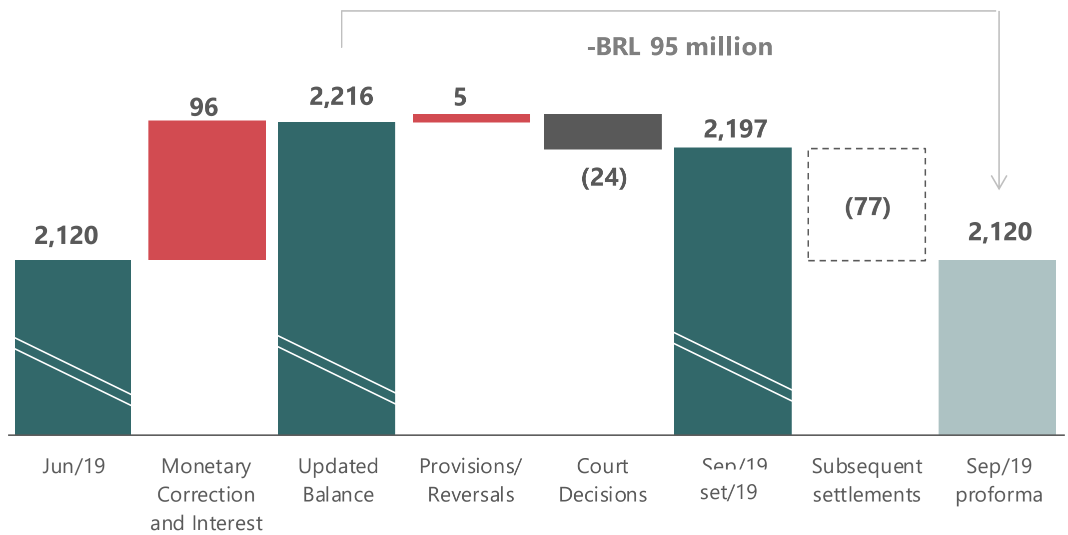
In 3Q19, the Company advanced in its strategic case management, validated by its outside advisors, which combined with all the changes in the period (victories, losses, new and closed cases), allowed the Company to reduce its contingency by approximately BRL 438 million, excluding the monetary correction effect.

This reduction, when added to the favorable decision in civil proceedings and the write-offs resulting from settlements made after September 2019, partially offset by the adjustment of the contingent liability balances carefully evaluated by legal and financial advisors, totaled a decrease of BRL 759 million, as shown in the following graphs:

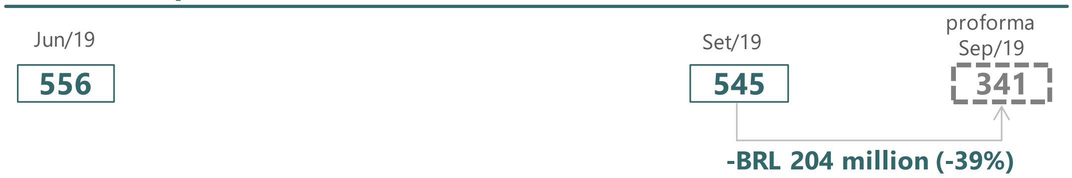
Contingent Liabilities (BRL million)



Probable Variation (BRL million)



Judicial Deposits (BRL million)



The settlements entered into, including those made after September 2019, enabled the release of approximately BRL 204 million in judicial deposits, a 37% reduction compared to the September 2019 balance.

Contingent Assets

The Company is also a party to court proceedings that represent contingent assets. Currently, in respect of contingent assets, there are net assets subject to indemnity amounting to BRL1,949 million, mainly for cases discussing indemnities for the reversibility of the hydroelectric power plants of Três Irmãos, Jupiá and Ilha Solteira. The following chart gives more details of the Company's contingent assets.

Court Cases – Net Contingent Assets Available for Reversion (BRL million)

The indemnity proceeding for Três Irmãos (case No. 45939-32.2014.4.01.3400) is at the investigation stage, with discussions about the report of the legal expert who valued the reversible assets at **BRL4.7 bn** (Jun/12 values). The valuation consists of: Plant: **BRL1.9 bn**, Sluices and Channel: **BRL1 bn**, Land: **BRL1.8 bn.**

In parallel with the hearing of the case by the lower court, there is an appeal pending judgment (Special Appeal No. 1.643.760/SP) at the Superior Court of Justice (STJ), filed by CESP in Dec/16, calling for immediate payment by the federal government of the uncontested figure of **BRL1.7 bn** (at Jun/12 values). We are currently waiting for this appeal to be put on the agenda for trial by the STJ.

In respect of the case involving the reversible assets of Ilha Solteira and Jupiá, the lower court partly upheld the claim to the extent that the federal government must pay the indemnity in a single installment. The court did not grant the Company's request to scale up the amount of indemnity fixed by the federal government (Ilha Solteira plant: BRL2 million (Jun/15 values) and Jupiá plant: the federal government considered that nothing was due). After both parties had appealed, the case records were sent to the court of appeals and judgment is currently awaited.

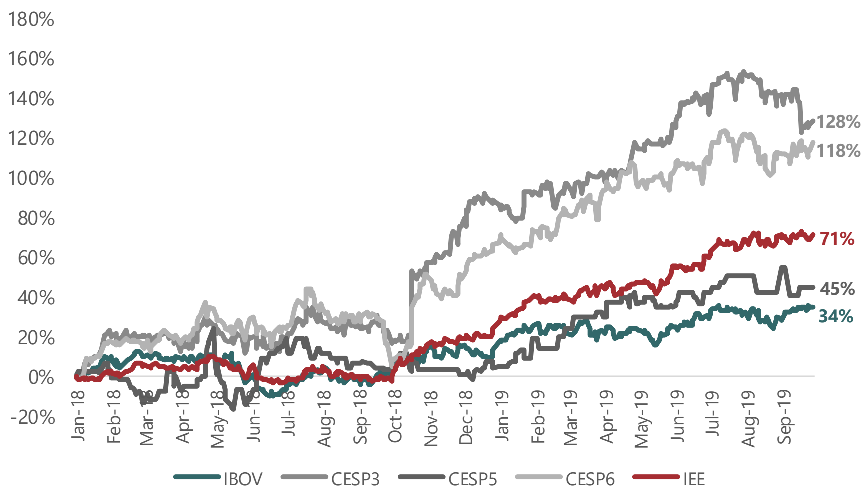
CAPITAL MARKETS

CESP's common shares ("CESP3") and Class A and B preferred shares ("CESP5 and CESP6", respectively) are listed and traded on the São Paulo Stock Exchange ("B3") on Level 1 of Corporate Governance, with ethics and transparency being upheld in relations with shareholders and other Company stakeholders. The Company shares are included in several indexes, including the Corporate Governance Index which includes companies with high standards of corporate governance, and the Brazil 100 Index, which consists of the most actively traded shares on B3.

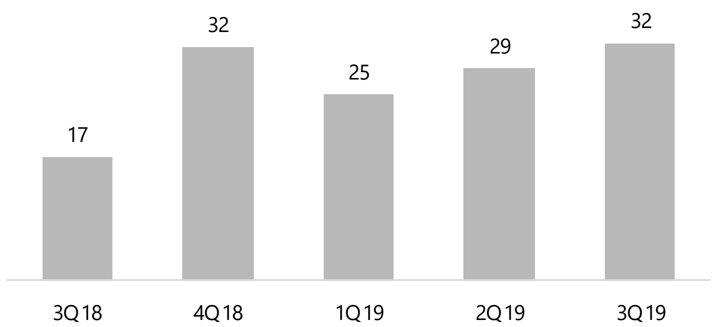
On September 30, 2019, the Class B Preferred Shares (CESP6), which represent 64.4% of the Company's total capital, were quoted at BRL28.50. The average daily turnover in these shares was BRL32 million in 3Q19.

The Common Shares (CESP3), which represent 33.3% of the capital, were quoted at BRL25.38; and the Class A Preferred Shares (CESP5), representing 2.3% of the capital, were quoted at BRL28.00.

Stock Performace



Liquidity Evolution
Average Financial Volume (BRL million)



CESP's market value on September 30, 2019, was BRL8.9 billion. The free float in 3Q19 was 60% of the total shares.

SUBSEQUENT EVENTS

Extinction of CESP ADR Program

At a meeting on October 30, 2019, the Board of Directors approved the extinction of the ADR Level I Program, in the over-the-counter market, for the Company preferred A shares (PNA) and common shares (ON). The program will terminate in the next few months. The decision is due mainly to the low level of trading in the ADRs.

Share Repurchase Plan

In line with the approval to extinguish the Company's ADR program, the Board of Directors, at the same meeting on October 30, 2019, approved a Share Repurchase Program for up to 218,000 preferred A shares (PNA) and 40,000 common shares (ON).

Court Settlements

During the month of October court settlements were reached reducing total litigation by some BRL321 million and provisions for litigation by BRL77 million. These settlements enabled us to release approximately BRL204 million in court deposits.

Income Statement (Detailed)	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
Operating income	**476,148**	**503,824**	**-5%**	**1,333,413**	**1,424,672**	**-6%**
Energy supply	216,021	220,702	-2%	571,875	565,899	1%
Energy supply - Contracts	129,988	141,091	-8%	344,752	422,011	-18%
Energy supply - Auctions	119,047	113,093	5%	355,385	340,921	4%
Short-term energy	10,438	28,292	-63%	59,468	93,888	-37%
Other income	654	646	1%	1,933	1,953	-1%
Deductions from operating revenues	**(61,682)**	**(63,207)**	**-2%**	**(194,952)**	**(198,660)**	**-2%**
Quota for the reversal of global reserves - RGR	(843)	(1,894)	-55%	(25,460)	(22,453)	13%
Research and development	(4,164)	(4,401)	-5%	(11,393)	(12,244)	-7%
Taxes on services - ISS	(32)	(34)	-6%	(101)	(97)	4%
COFINS on operating revenues	(35,583)	(36,722)	-3%	(97,986)	(103,645)	-5%
PIS on operating revenues	(7,726)	(7,973)	-3%	(21,273)	(22,502)	-5%
Financial compensation for use of water resources	(12,119)	(11,399)	6%	(35,956)	(35,475)	1%
Inspection fee of electricity services - TFSE	(1,215)	(784)	55%	(2,783)	(2,244)	24%
Net operating revenue	**414,466**	**440,617**	**-6%**	**1,138,461**	**1,226,012**	**-7%**
Cost of energy service	**(258,322)**	**(451,276)**	**-43%**	**(819,951)**	**(870,691)**	**-6%**
Gross operating profit	**156,144**	**(10,659)**	**n.m.**	**318,510**	**355,321**	**-10%**
Operating expenses	**(29,028)**	**(38,154)**	**-24%**	**(194,380)**	**146,483**	**n.m.**
General and administrative expenses	(43,097)	(46,004)	-6%	(221,343)	(130,403)	70%
Other operating expenses	14,069	7,850	79%	26,963	276,886	-90%
Income (loss) operational before financial result	**127,116**	**(48,813)**	**n.m.**	**124,130**	**501,804**	**-75%**
Financial income	9,085	15,153	-40%	63,173	51,334	23%
Financial expenses	(138,940)	(111,137)	25%	(347,604)	(328,087)	6%
Net Exchange variations	(6,068)	(12,952)	-1295200%	(3,128)	(64,443)	0%
Financial result	**(135,923)**	**(108,936)**	**25%**	**(287,559)**	**(341,196)**	**-16%**
Income (loss) before tax and social contribution	**(8,807)**	**(157,749)**	**-94%**	**(163,429)**	**160,608**	**n.m.**
Deferred Income tax and social contribution	951	55,669	-98%	(6,672)	74,572	n.m.
Total income tax and social contribution	**951**	**55,669**	**-98%**	**(6,672)**	**74,572**	**n.m.**
Net income (loss) for the period	**(7,856)**	**(102,080)**	**-92%**	**(170,101)**	**235,180**	**n.m.**
Net income (loss) for the period per share	(0.02)	(0.31)	-92%	(0.52)	0.72	n.m.

Asset	09/30/2019	12/31/2018
Current	**855,064**	**854,999**
Cash and cash equivalents	540,865	410,886
Derivative Financial Instruments	1,344	-
Receivables	182,662	240,802
Taxes and contributions for offset	24,312	79,203
Prepaid expenses	17,738	15,580
Other credits	88,143	108,528
Non-current	**10,794,376**	**9,471,501**
Derivative Financial Instruments	2,563	-
Prepaid expenses	-	7,511
Pledges and restricted deposits	545,462	536,254
Deferred taxes and social contribution	571,603	579,226
Warehouse	5,060	4,302
Assets available for reversal	1,949,430	1,949,430
Other credits	1,361	1,361
Investments	1,000	-
Intangible	1,588,087	36,800
Immobilized	6,122,386	6,356,617
Right of use over lease agreements	7,424	-
Total assets	**11,649,440**	**10,326,500**

Liabilities and Shareholders 'Equity	09/30/2019	12/31/2018
Current	**392,722**	**884,398**
Loans, financing and debentures	3,546	7,595
Derivative instruments	38,225	167,822
Lease	83,476	214,556
Suppliers	1,584	-
Energy purchased for resale	911	-
Estimated liabilities and payroll	19,195	25,211
Taxes and social contributions	29,289	19,061
Regulatory charges	112,061	141,742
Dividends and interest on capital	1,586	298,750
Use of public asset tax	18,297	-
Other obligations	84,552	9,661
Non-current	**4,316,021**	**2,340,036**
Loans, financing and debentures	1,783,483	1,080
Lease	6,029	-
Derivative instruments	292	-
Regulatory charges	15,899	35,852
Use of public asset tax	167,240	-
Estimated Obligations and Payroll	3,167	-
Provision for litigation	2,197,258	2,156,162
Social and environmental obligations	72,915	72,915
Other obligations	69,738	74,027
Shareholders' Equity	**6,940,697**	**7,102,066**
Capital stock	5,975,433	5,975,433
Capital reserves	1,929,098	1,929,098
Profit reserves	554,588	554,588
Equity valuation adjustments	(958,478)	(976,752)
Other comprehensive income	(371,569)	(380,301)
Accumulated losses	(188,375)	-
Total Liabilities and Shareholders 'Equity	**11,649,440**	**10,326,500**

Costs & Expenses	3Q19 Costs	3Q19 Expenses	3Q19 Total	3Q18 Costs	3Q18 Expenses	3Q18 Total	Var. (%)
Purchased energy	(128,140)	-	(128,140)	(360,813)	-	(360,813)	-64%
Regulatory charges	(36,658)	-	(36,658)	(32,017)	-	(32,017)	14%
COFINS / PIS credits w/o transmission system charges	10,539	-	10,539	35,298	-	35,298	-70%
Personnel	(4,696)	(20,401)	(25,097)	(5,864)	(28,603)	(34,467)	-27%
VDP - voluntary dismissal program	(1,067)	(4,888)	(5,955)	-	-	-	n.m.
Administrators	-	(364)	(364)	-	(392)	(392)	-7%
Social security entity	-	(3,364)	(3,364)	-	(2,583)	(2,583)	30%
Material	(583)	(948)	(1,531)	(710)	(436)	(1,146)	34%
Third-party services	(3,390)	(5,826)	(9,216)	(5,809)	(9,982)	(15,791)	-42%
Depreciation/amortization	(94,458)	(1,831)	(96,289)	(77,311)	(1,863)	(79,174)	22%
Other expenses - ONS/CCEE	-	(1,316)	(1,316)	-	(243)	(243)	n.m.
Rents	(18)	(80)	(98)	-	(1,181)	(1,181)	-92%
Reversal of quota difference RGR 2018 and 2017	-	23,152	23,152	-	-	-	n.m.
Reversal for reduction of warehouse	-	339	339	-	132	132	157%
Provision for litigation	-	(5,259)	(5,259)	-	5,219	5,219	n.m.
Reversal PIS/COFINS for update of judicial deposits	-	91	91	-	8,941	8,941	-99%
Estimated loss of credits	-	-	-	-	(394)	(394)	n.m.
Late costs	-	(1,492)	(1,492)	-	(1,103)	(1,103)	35%
Other expenses	149	(6,841)	(6,692)	(4,050)	(5,666)	(9,716)	-31%
Total	(258,322)	(29,028)	(287,350)	(451,276)	(38,154)	(489,430)	-41%

Costs & Expenses	9M19 Costs	9M19 Expenses	9M19 Total	9M18 Costs	9M18 Expenses	9M18 Total	Chg. (%)
Purchased energy	(448,296)	-	(448,296)	(557,456)	-	(557,456)	-20%
Regulatory charges	(99,675)	-	(99,675)	(94,157)	-	(94,157)	6%
COFINS / PIS credits without transmission system charges	37,257	-	37,257	54,506	-	54,506	-32%
Personnel	(15,756)	(70,492)	(86,248)	(17,593)	(82,465)	(100,058)	-14%
VDP - Voluntary dismissal Program	(9,883)	(100,863)	(110,746)	-	-	-	n.m.
Administrators	-	(1,168)	(1,168)	-	(1,442)	(1,442)	-19%
Social security entity	-	(10,116)	(10,116)	-	(7,748)	(7,748)	31%
Material	(2,321)	(1,380)	(3,701)	(1,802)	(1,339)	(3,141)	18%
Third-party services	(11,807)	(22,926)	(34,733)	(17,135)	(25,858)	(42,993)	-19%
Depreciation/Amortization	(261,829)	(5,591)	(267,420)	(231,947)	(5,463)	(237,410)	13%
Other expenses - ONS/CCEE	-	(1,784)	(1,784)	-	(722)	(722)	147%
Rents	(18)	(1,541)	(1,559)	-	(3,303)	(3,303)	-53%
Reversal of quota difference RGR 2018 and 2017	-	23,152	23,152	-	-	0	n.m.
MP- MS Agreement Implementation	-	-	-	-	(52,000)	(52,000)	n.m.
Provision for reduction to the realizable value of warehouse	-	7,789	7,789	-	255	255	n.m.
Provision for litigation	-	7,488	7,488	-	300,906	300,906	-98%
Provision PIS/COFINS for update of judicial deposits	-	(122)	(122)	-	9,782	9,782	n.m.
Estimated loss of credits	-	(364)	(364)	-	(1,047)	(1,047)	-65%
Provision for social and environmental commitments	-	-	0	-	27,585	27,585	n.m.
Late costs	-	(2,099)	(2,099)	-	(2,075)	(2,075)	1%
Other expenses	(7,623)	(14,363)	(21,986)	(5,107)	(8,583)	(13,690)	61%
Total	**(819,951)**	**(194,380)**	**(1,014,331)**	**(870,691)**	**146,483**	**(724,208)**	**40%**