



3Q19 RESULTS PRESENTATION





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key initiatives

3Q19 Highlights



OPERATION

- ✓ **1,013 average MW** generation, higher than 948 average MW physical guarantee
- ✓ Average Availability Index of **94.0%**, above ANEEL's reference index
- ✓ Authorization from ANEEL and CCEE to form **CESP Comercializadora**



CONTINGENCIES

- ✓ Total **contingent liabilities reduction** of BRL 759 million before to the impact of monetary correction, being BRL 438 in 3Q19 and BRL 321 million in Oct/19
- ✓ Release of **BRL 204 million** in **judicial deposits** from Jun/19 to Oct/19



FINANCIAL PERFORMANCE

- ✓ **Adjusted EBITDA** of BRL 235 million and 57% margin, growth of BRL 210 million compared to 3Q18
- ✓ **41% reduction** in **operating costs and expenses** compared to 3Q18
- ✓ **Free cash flow** of BRL 130 million in 9M19 with 69% cash conversion ratio¹

(1) Cash Conversion Ratio = Operating Cash Flow After Debt Services / Adjusted EBITDA



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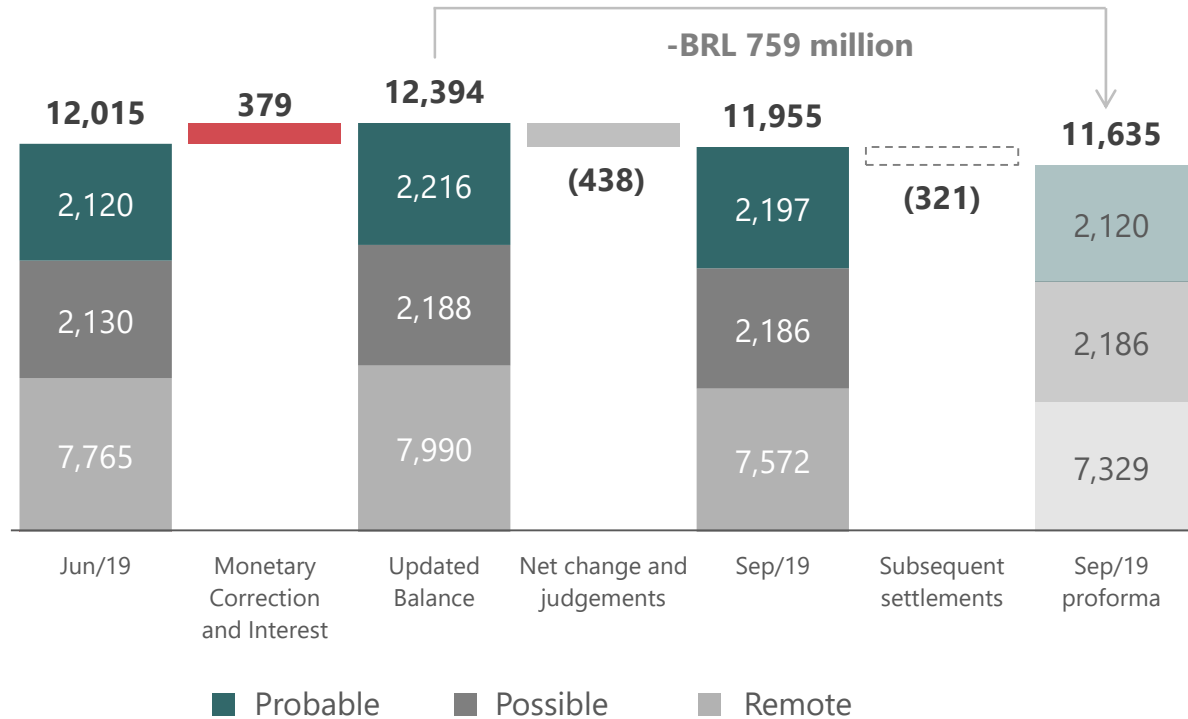


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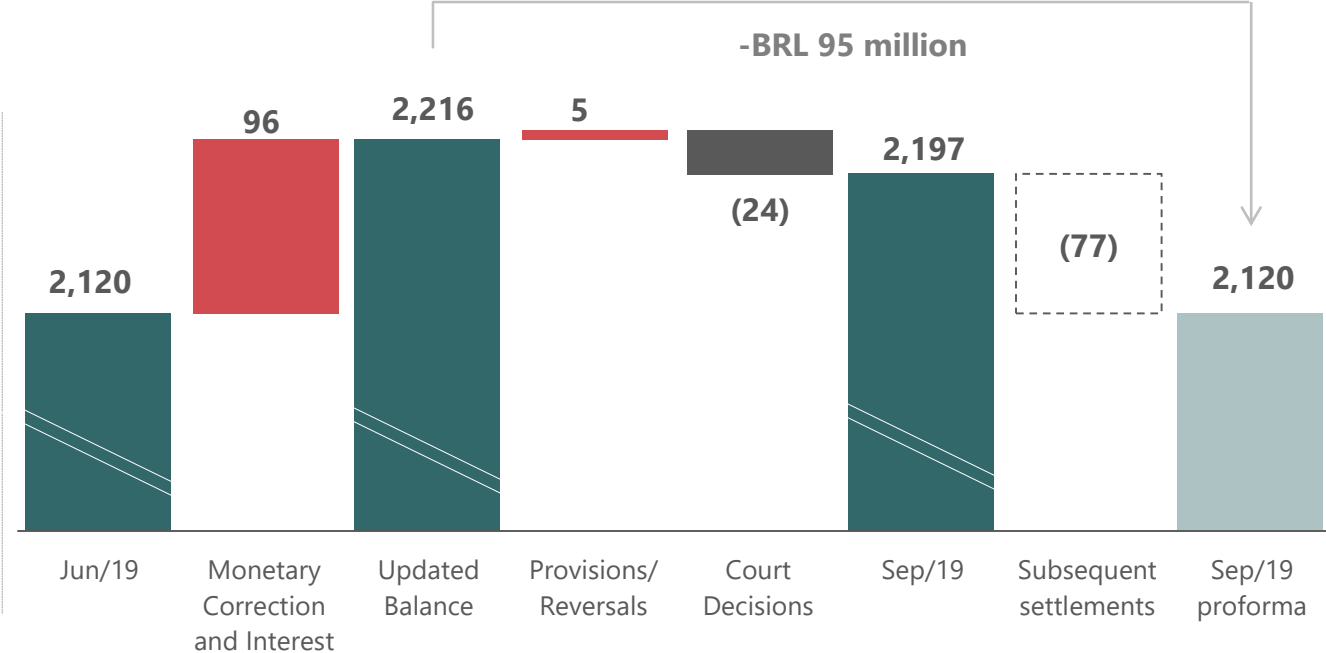
CONTINGENT LIABILITY REDUCED BY BRL 759 MILLION WITH RELEASE OF BRL 204 MILLION IN JUDICIAL DEPOSITS

- The reduction in the contingent liability was due to the combination of court rulings favorable to CESP, court negotiations and careful reviews of the remaining balance
- Court settlements and efforts to replace deposits with financial guarantees resulted in the release of judicial deposits.

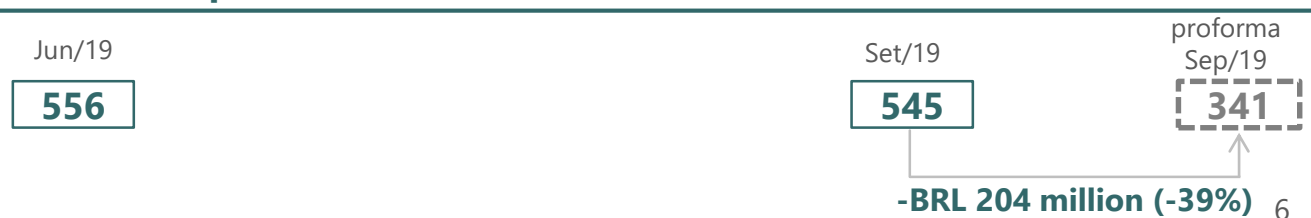
Contingent Liabilities (BRL million)



Variation in the Probable (BRL million)



Judicial Deposits (BRL million)



CONTINGENT ASSETS MANAGEMENT

Net Contingent Assets Available for Reversal (BRL million)



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.**

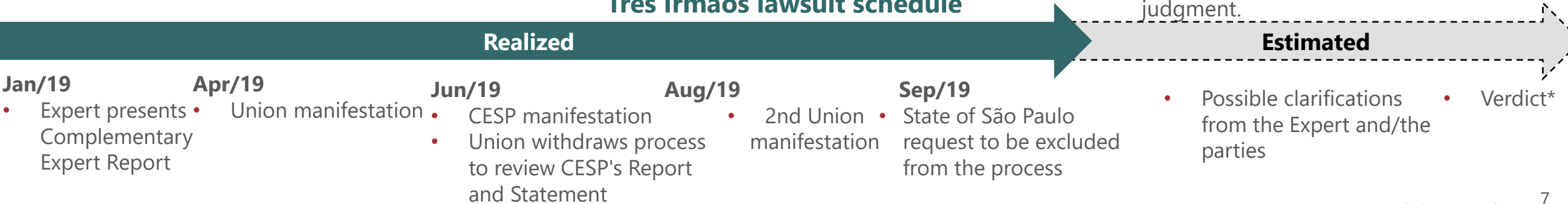
▪ Revaluation to BRL 4.7 bi on the same historical basis of Jun/12	▪ The appraised value is composed of ⁽¹⁾ : Plant: BRL 1.9 bi Floodgate and Canal: BRL 1.0 bi Land: BRL 1.8 bi
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- The parties were notified by the judge to examine **Complementary Report.**
- Such analysis and examination related to the appraisal report should take place in 2019. 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 **BRL 1.7 bi** at historical values of Jun/12.
- In the first instance, CESP obtained a favorable decision, later revoked by the TRF of the 1st region.
- CESP then appealed to the Supreme Court, with the respective appeal pending judgment.

Três Irmãos lawsuit schedule



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



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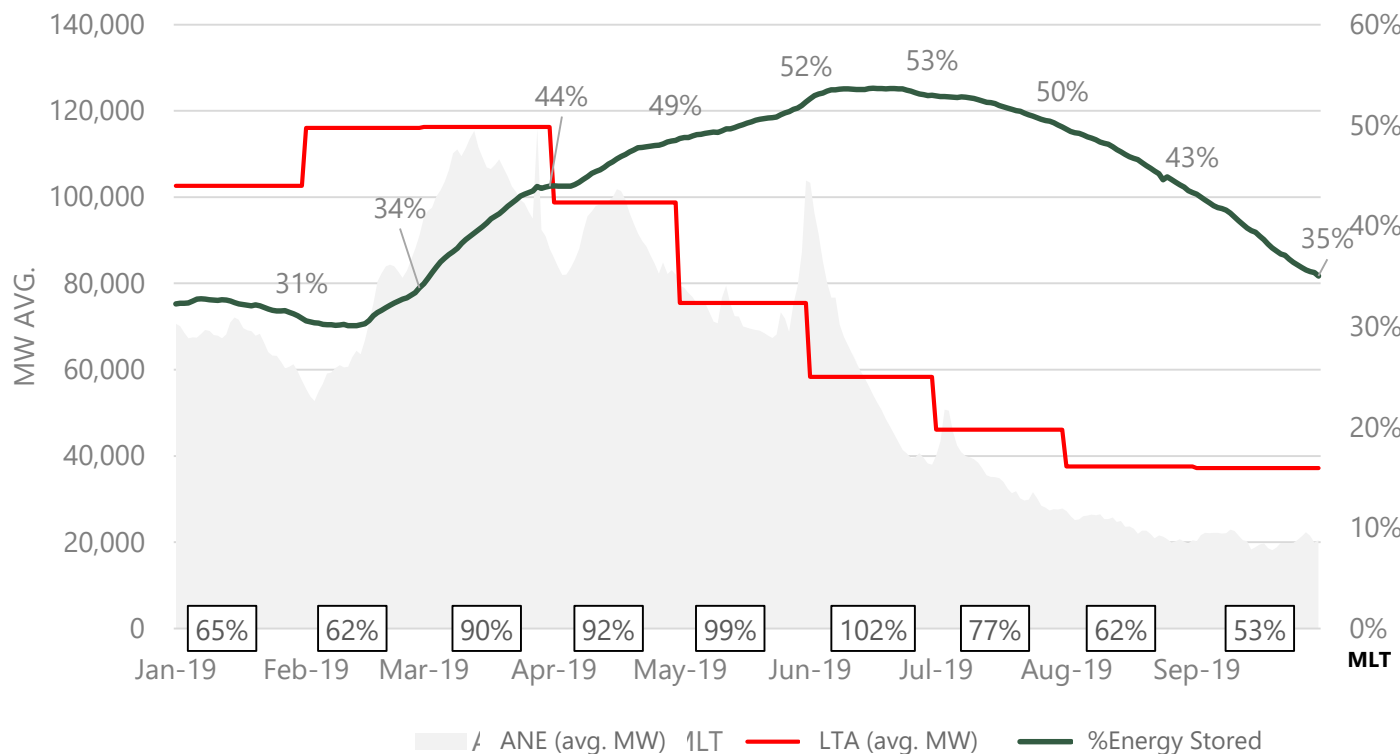


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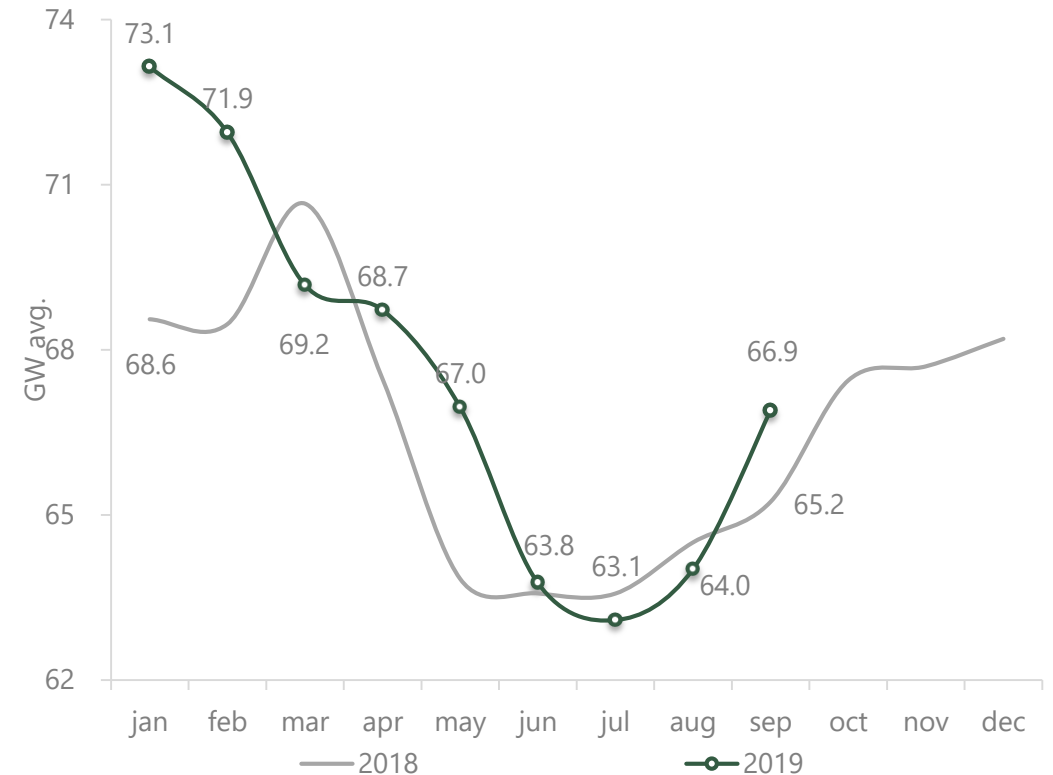
ENERGY market

AFFLUENT NATURAL ENERGY (ANE) PERFORMANCE BELOW LONG-TERM AVERAGE (LTA) AND LOW ENERGY **DEMAND IMPACT IN THE GSF LEVELS IN 3Q19**

Daily ANE - SIN (Avg. MW and %) + Storage Level Evolution - SIN (%)¹



Demand – SIN (Avg. GW)¹



(1) Source: CCEE | LTA: Long Term Average; SIN: National Interconnected System;

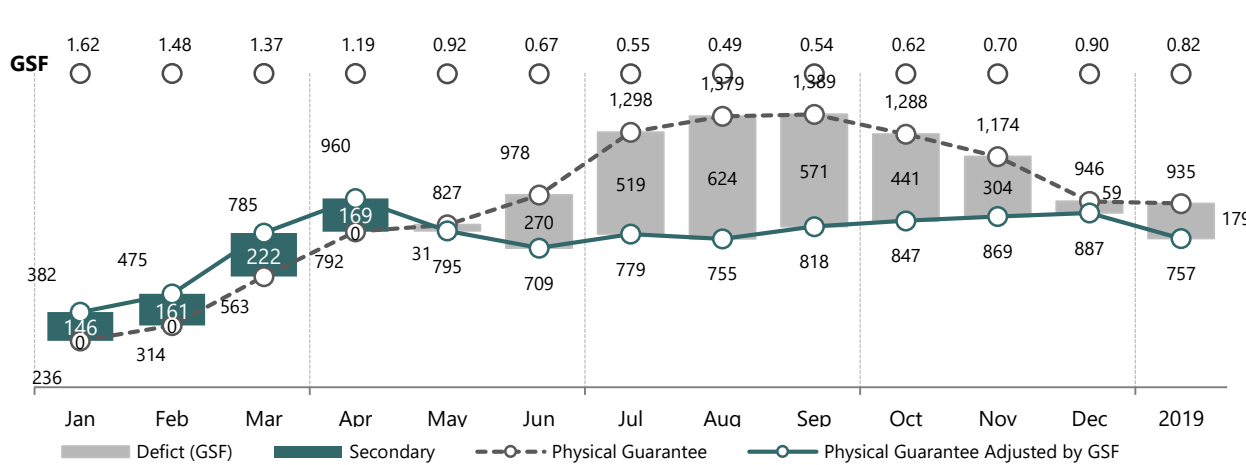
Energy

BALANCE IN 2019

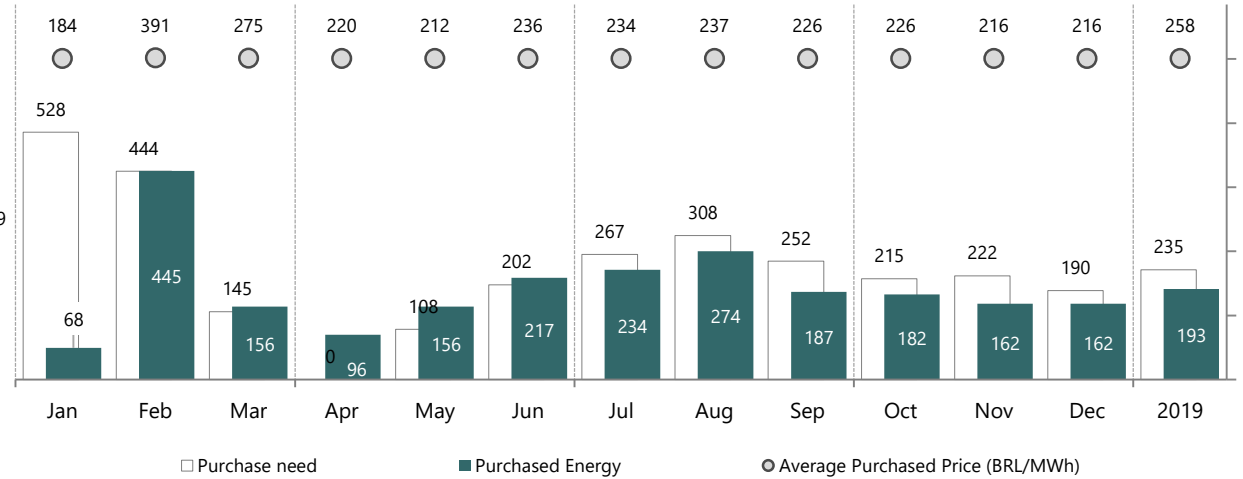
Commercialization strategy mitigated GSF effects in 3Q19

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

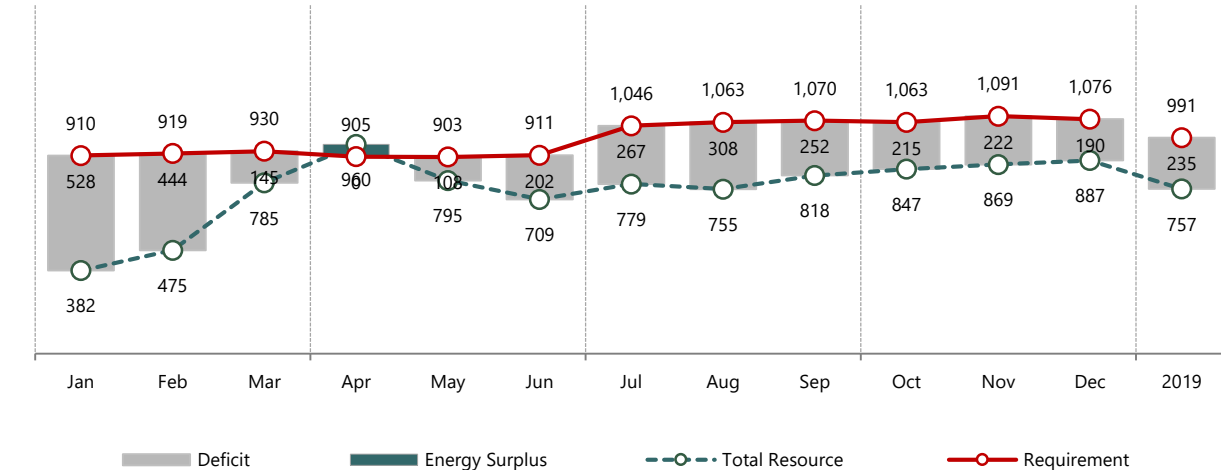
1. Gross Physical Guarantee and Adjusted Physical Guarantee (1) (Avg. MW)



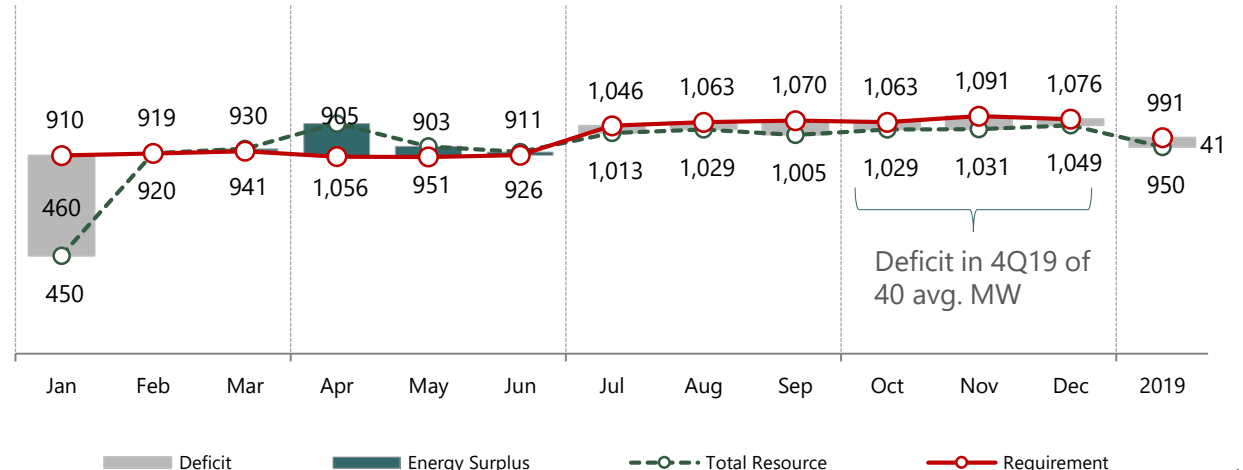
3. Energy Deficit versus Energy Purchases (Avg. MW)



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.



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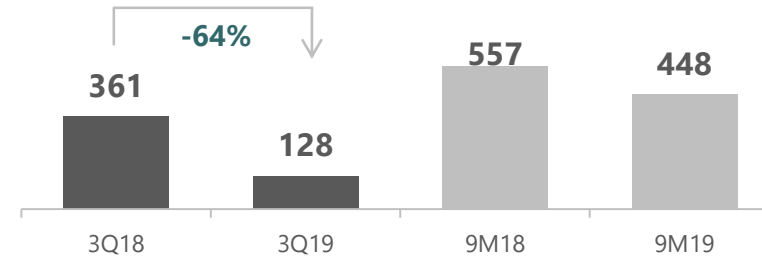
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FOCUS on cost discipline

REDUCTION IN MANAGEABLE COSTS AND EXPENSES REFLECTS THE NEW LEVEL FOCUSED ON EFFICIENCY AND DISCIPLINE



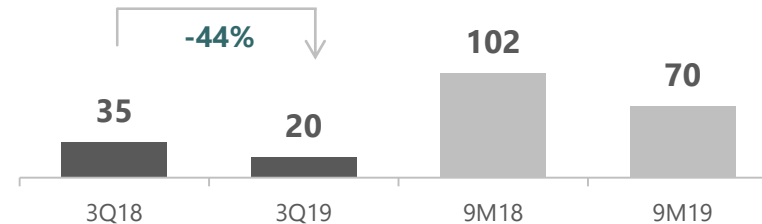
Energy purchases



- New strategy of energy balance management



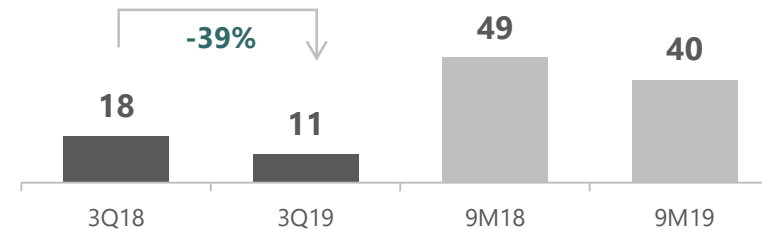
Personnel and Directors¹



- Reduction of ~ 50% in the headcount with change in the professional profile and reformulation of the management model.
- Great Place to Work label achievement - GPTW.



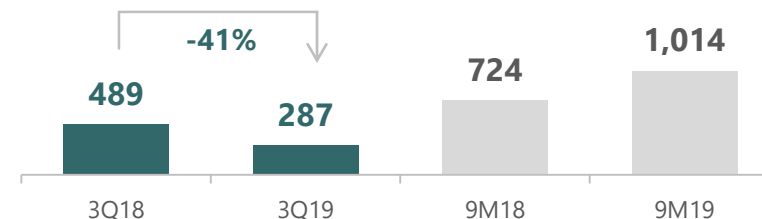
Third Party Services, Materials and Rents



- Contract renegotiation and process review enabling capturing efficiencies in costs and operations.

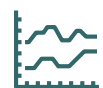


Total Costs and Expenses²

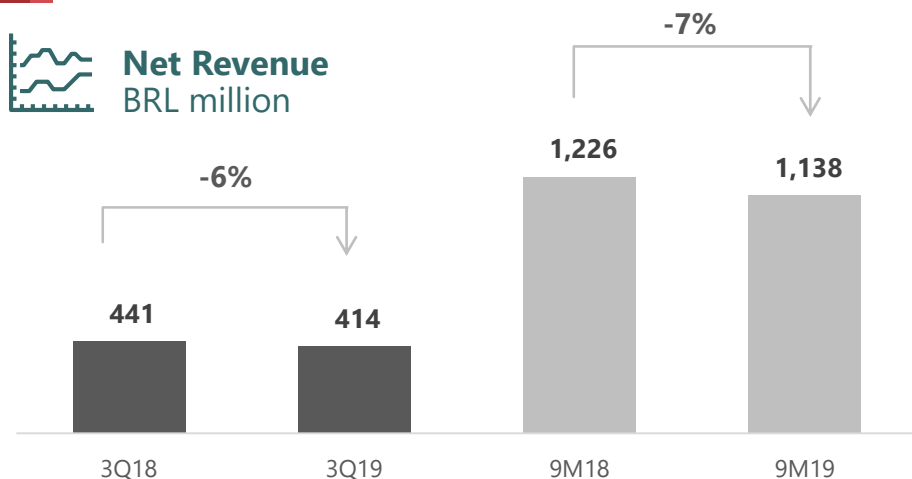


(1) Excludes provision for profit share program | (2) In addition to the items detailed above, the total cost also includes other items, such as charges, depreciation, provision for litigation and others.

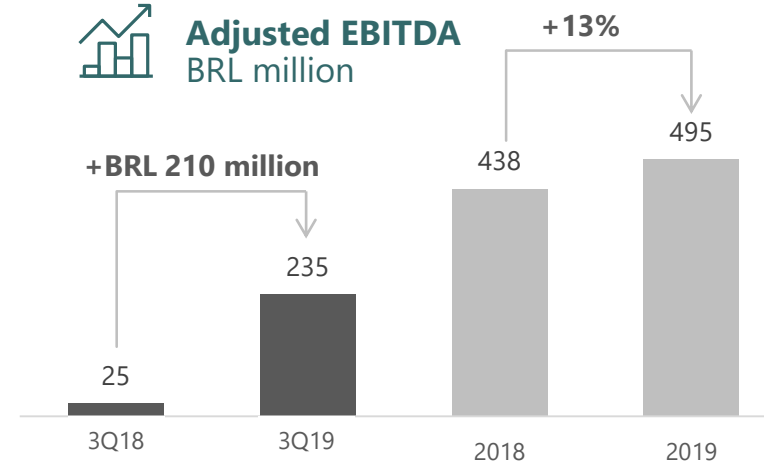
COST DISCIPLINE AND EQUALIZATION OF THE ENERGY BALANCE ALLOWS
ADJUSTED EBITDA GROWTH AND STRONG CASH GENERATION



Net Revenue
BRL million

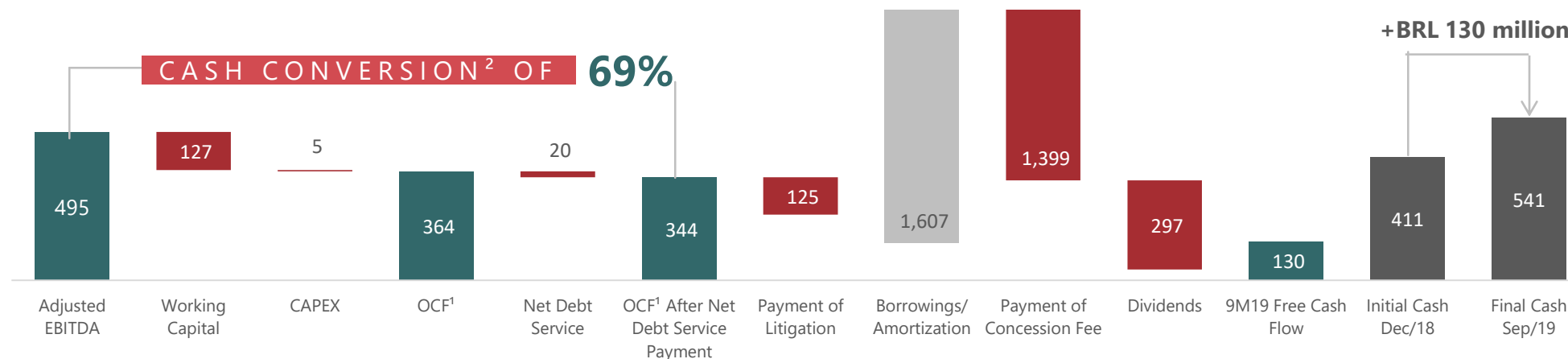


Adjusted EBITDA
BRL million



Cash Flow 9M19

BRL million

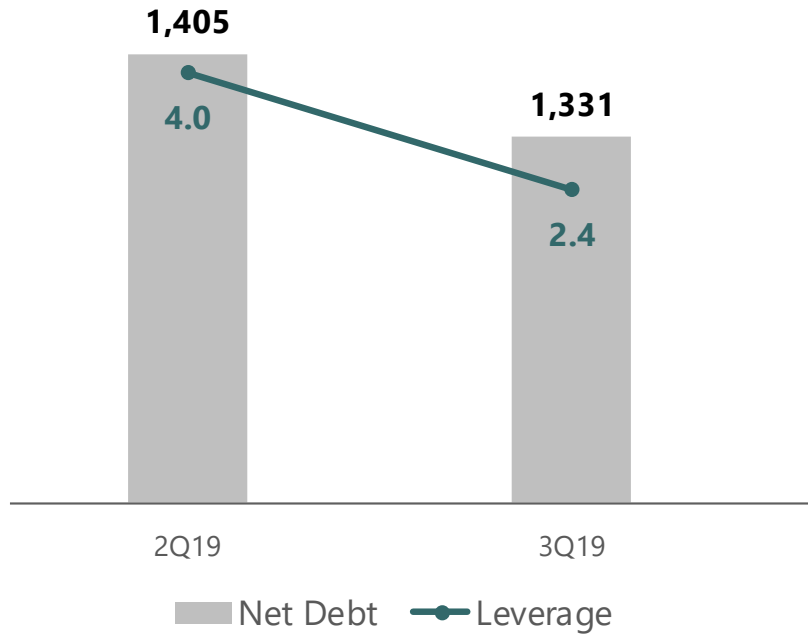


(1) OCF = Operating Cash Flow | (2) Considers cash conversion = (OCF after Debt Service/Adjusted EBITDA)

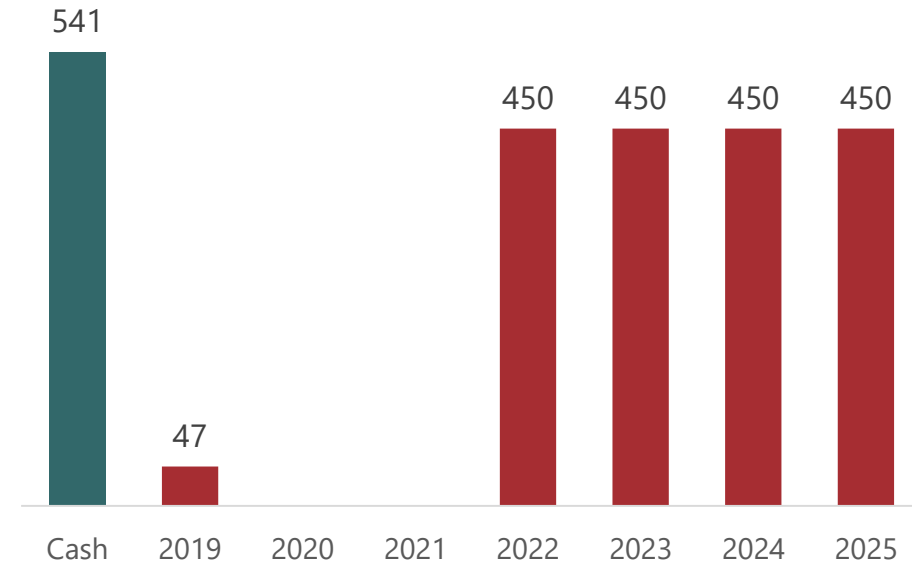
CAPITAL structure

ROBUST CAPITAL STRUCTURE PROVIDED BY STRONG CASH GENERATION

Net Debt (BRL million) and **Leverage** ⁽¹⁾(x)



Amortization Schedule- 3Q19
(BRL million)



Rating

**STANDARD
& POOR'S**

Rating

BB- | br.AAA

Outlook

Stable

Revised

Jul/19

Gross debt: BRL 1.8 billion

Average debt term
of 4.5 years

Debenture at CDI + 1.64% p.a., payable in four
annual installments, between 2022 and 2025

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



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CESP

Key Initiatives



Operational efficiency

- **SAP system** implementation
- Progress in **reviewing operating costs and expenses**
- Plan for the **reorganizations and monetization** of non-operating properties



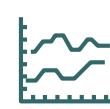
Contingency

- Advance in the Passive **Contingency de-risk**
- Release **of judicial deposits**
- **Três Irmãos contingency** asset move as expected



Energy Trading

- 2019 **hydrological risk mitigation** and focus on medium- and long-term strategy
- Structuring of **CESP trading company**, starting operations in 2020
- Implementation of **hedge strategy** to mitigate exchange rate exposure of USD indexed energy sale contracts



Market

- Approval of the extinction of the **ADRs** (ON and PNA) program and **a buyback share program**
- **Market Maker** authorization for CESP6
- Evolution of the proactive, transparent and agile **market communication plan**



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