



2019 INSTITUTIONAL PRESENTATION





Disclaimer

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CESP



2019 highlights



contingencies



energy market



financial performance



2020 key initiatives



ASSET portfolio

Porto Primavera

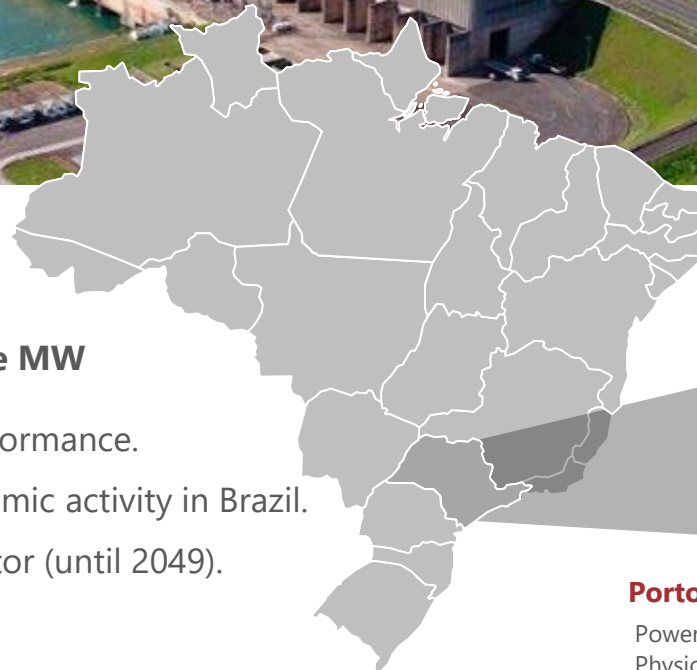
Power of 1,655 MW | Physical Guarantee of 948 average MW

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

Jaguari¹

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

Paraibuna

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

(1) On June 2019, the Company's board of directors resolved that it was not of interest to renew the HPP Jaguari concession

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
December/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:
13 institutions

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**

COMPETITIVE advantages

Strong Cash Generation

- cash conversion¹ ratio of 65% in 2019
- re-leverage potential

High Operational Performance

- availability index higher than ANEEL reference values

Financial Performance

- adjusted² EBITDA of BRL752 million for 2019, representing 50% increase vs. 2018

Focus on Cost Discipline

- process review enabling to capture efficiencies in costs and operations



An intense process
of transformation
and efficiency

Dividends

- 52% payout in 2019
- dividend yield of 6% in 2019

Robust Commercial Strategy

- equalization of the energy balance with significant cost reduction
- strategy of long-term contracts

Strong Corporate Governance

- a strong controlling block and management team
 - diversified and qualified team

De-Risking Evolution

- reduction of the total contingent liabilities due to judgments, court settlements, reviews and changes

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

(2) Adjusted EBITDA excludes provision for litigation, VDP, Adjustment for Jupia and Ilha Solteira and reversal of impairment



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2019 HIGHLIGHTS



OPERATIONAL EFFICIENCY

- ✓ **1,029 average MW** generation and average Availability Index of **93.9%**, above 2018
- ✓ **SAP system** implementation during 2019
- ✓ **Voluntary Dismissal Program** with 67% of eligible people joining and ~ 50% reduction in payroll cost



FINANCIAL PERFORMANCE

- ✓ **Adjusted EBITDA** of BRL752 million and 48% margin
- ✓ **Net Income** of **BRL1.2 billion**
- ✓ **17% reduction** in operating costs and expenses¹ in 2019 and **32%** in 4Q19
- ✓ **65%** cash conversion ratio²
- ✓ **Dividends of BRL606 million**, corresponding to BRL1.85/share to be paid **in April** (BRL1.25 / share) **and October** (BRL0.60 / share)



ENERGY TRADING

- ✓ Equalization of the 2019 energy balance with **28% reduction or BRL210 million in the cost of purchased energy**
- ✓ **CESP trading** company, starting operations in January 2020



CONTINGENCIES

- ✓ **Reduction by BRL1.5billion³** of total liability contingencies, BRL614 millions in probable
- ✓ Net release of BRL192 million in **judicial deposits**

(1) Excludes Impairment, VDP, contingency provision and contingent asset adjustment
(2) Cash Conversion Ratio = Operating Cash Flow After Debt Services / Adjusted EBITDA
(3) Before to the impact of monetary correction

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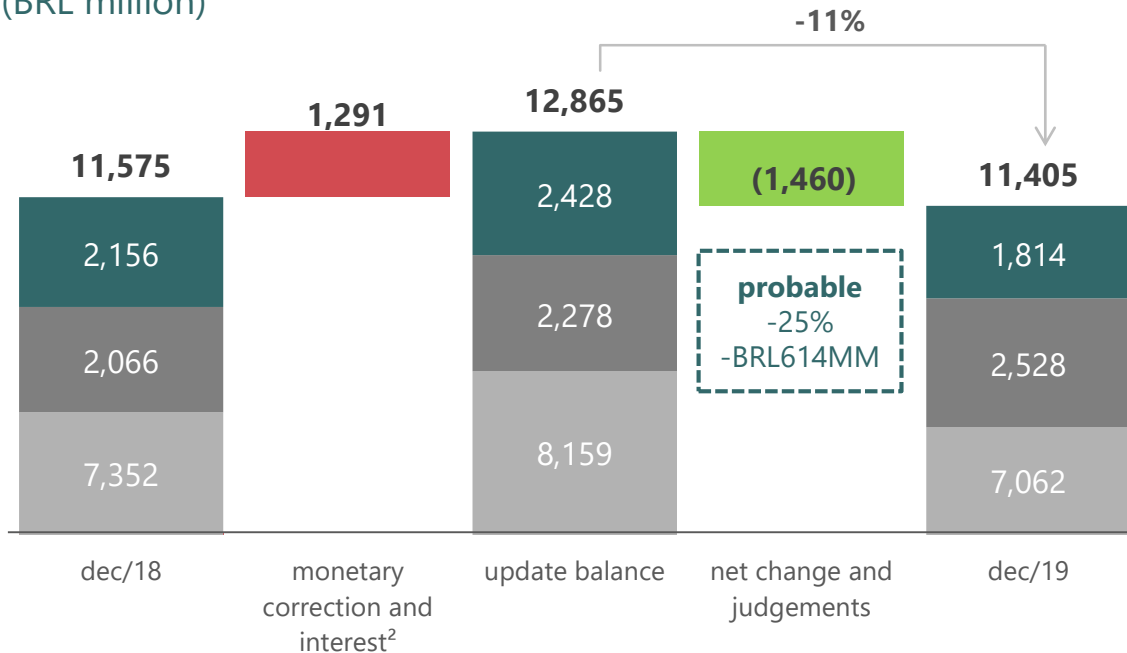


2020 key initiatives

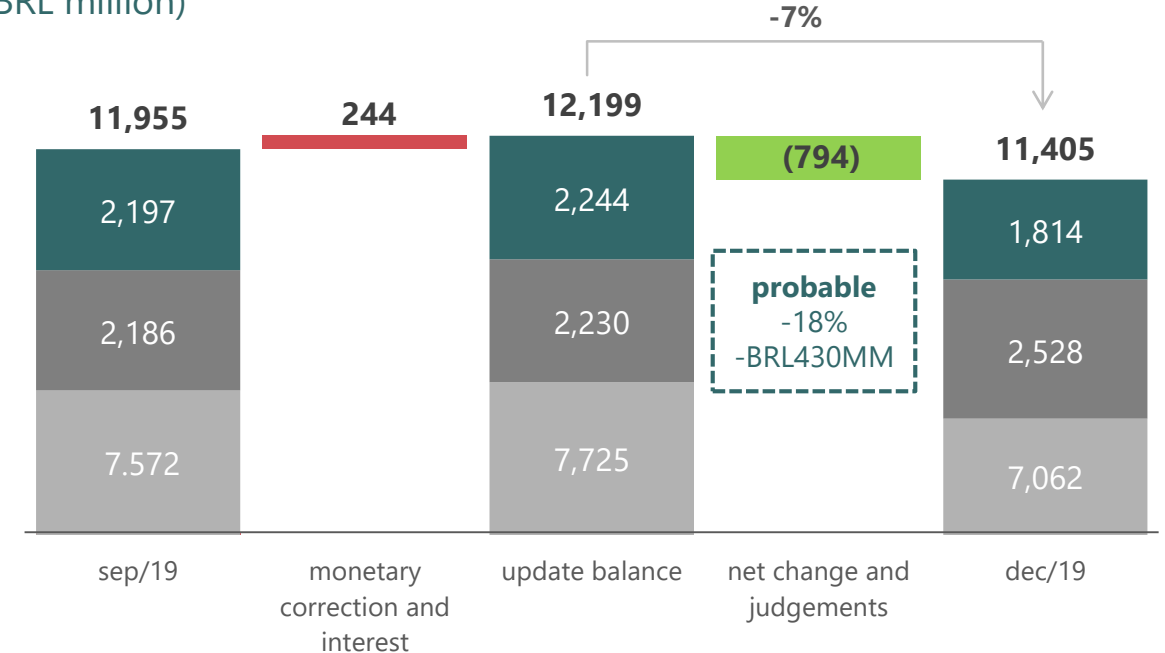
CONTINGENT liability

CONTINGENT LIABILITY REDUCED BY **BRL1.5 BILLION¹** AND **BRL614 MILLION IN PROBABLE** IN 2019

Contingent Liabilities – 2019 Variation
(BRL million)



Contingent Liabilities – 4Q19 Variation
(BRL million)



■ Probable ■ Possible ■ Remote

Restructuring of the legal area and hiring specialized offices to assist in reduction the litigation

Reduction of the total contingent liabilities due to judgments, court settlements, reviews and changes

45 cases account for 78% of the total contingent liability

(1) Before to the impact of monetary correction
(2) Considers the monetary restatement and interest paid in each quarter

CONTINGENT asset

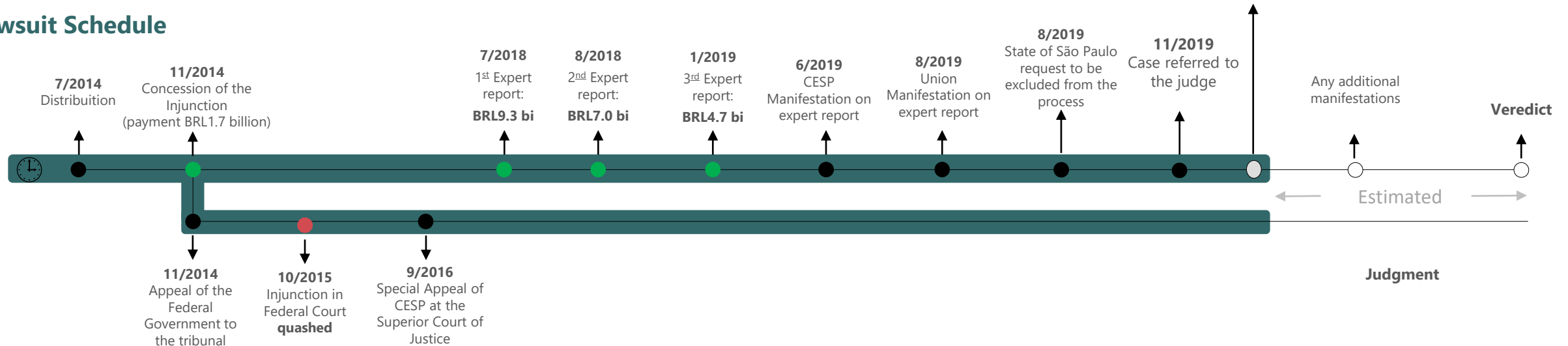
TRÊS IRMÃOS LAWSUIT

- LAWSUIT THAT DISCUSSES THE COMPENSATION DUE TO THE NON-RENEWAL OF THE TRÊS IRMÃOS HPP CONCESSION
- THE CASE IS IN THE FINAL STAGE OF EVIDENCE PRODUCTIONS (EXPERT REPORTS)

Revaluation **BRL4.7 bi**
(basis of Jun/2012)

The value is composed of⁽¹⁾:
Plant: Floodgate and Canal: Land:
BRL1.9 bi BRL1.0 bi BRL1.8 bi

Lawsuit Schedule



Special Appeal to Release Undisputed Amount

- CESP requests the payment by the Union of the undisputed amount of BRL 1.7 billion (basis Jun/12)
- In the first instance, CESP obtained a favorable decision, later revoked by the court
- CESP then appealed to the Supreme Court, with the respective appeal pending judgment

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



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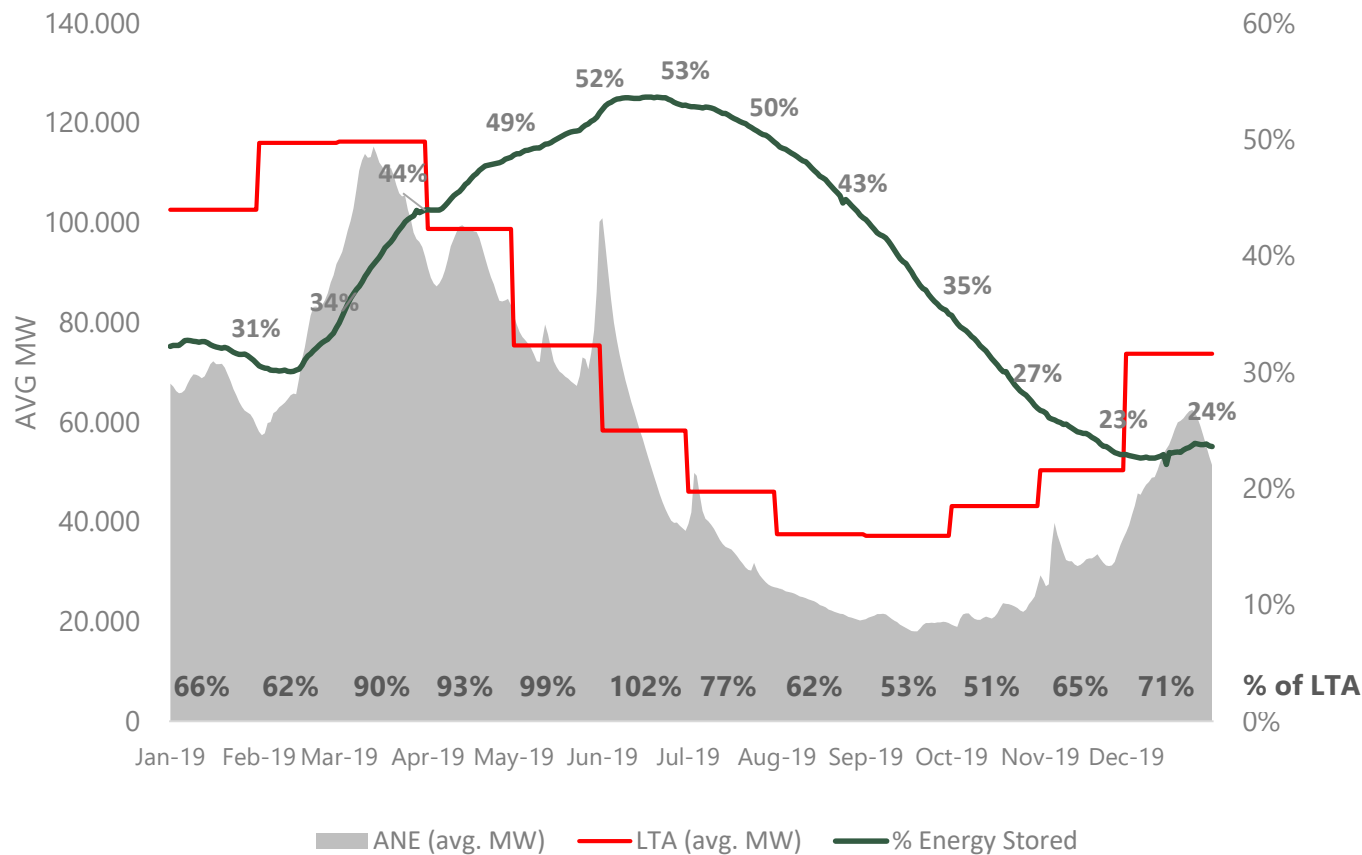


2020 key initiatives

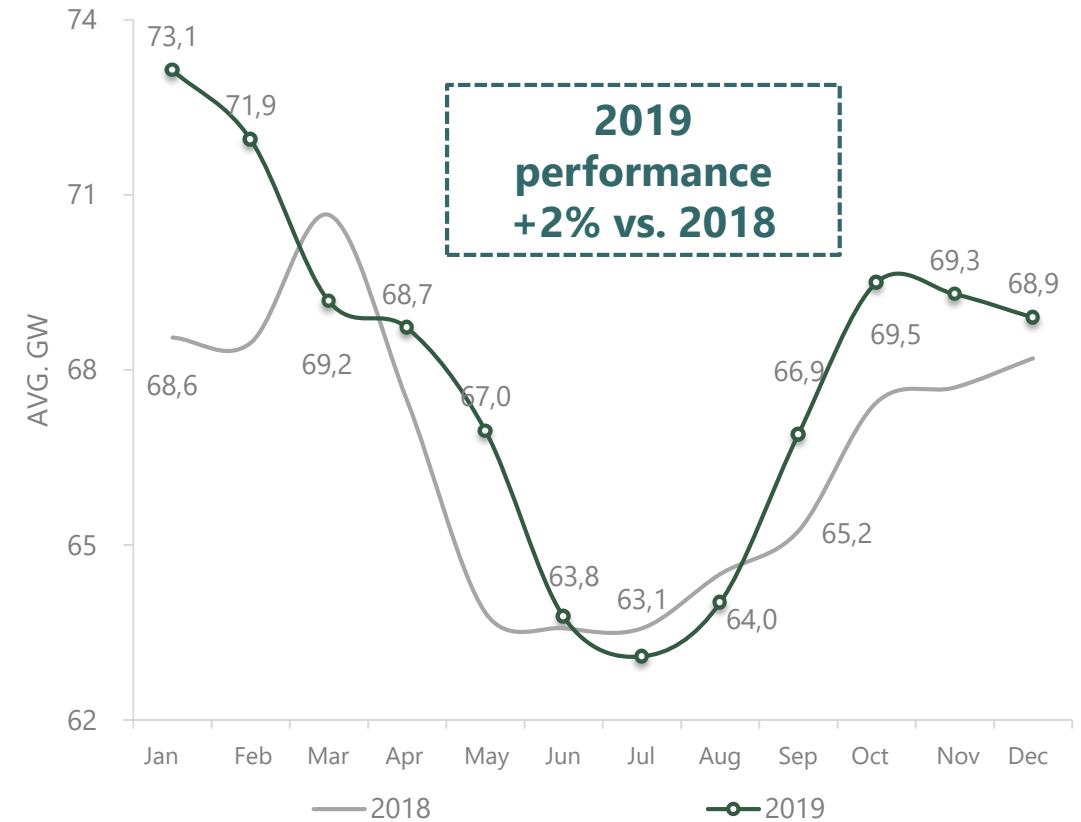
ENERGYmarket

AFFLUENT NATURAL ENERGY (ANE) PERFORMANCE BELOW LONG-TERM AVERAGE (LTA) AND LOW ENERGY DEMAND **IMPACT IN THE GSF LEVELS IN 2019**

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



Demand – SIN (Avg. GW)¹



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

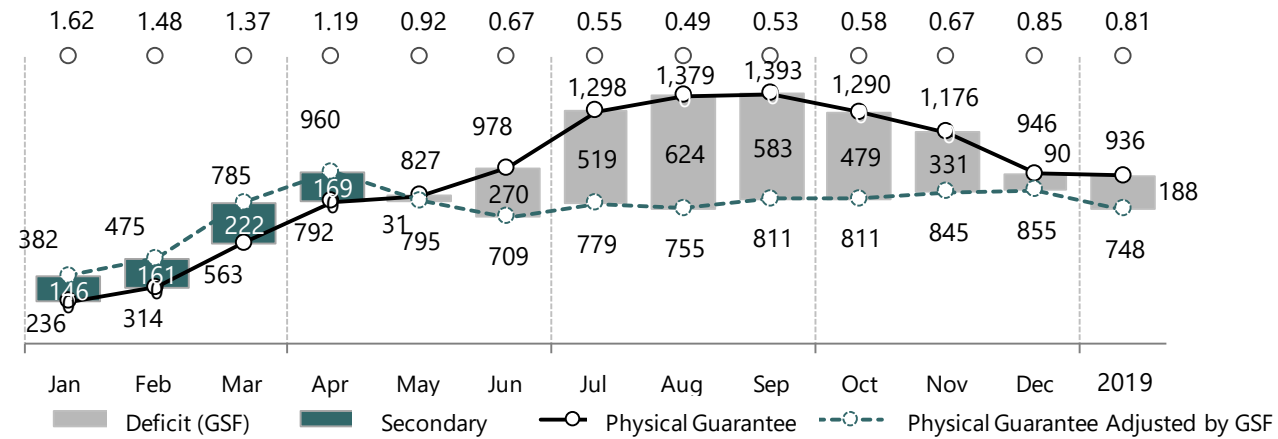
ENERGY balance 2019

Commercialization **strategy mitigated GSF** effects in 2019

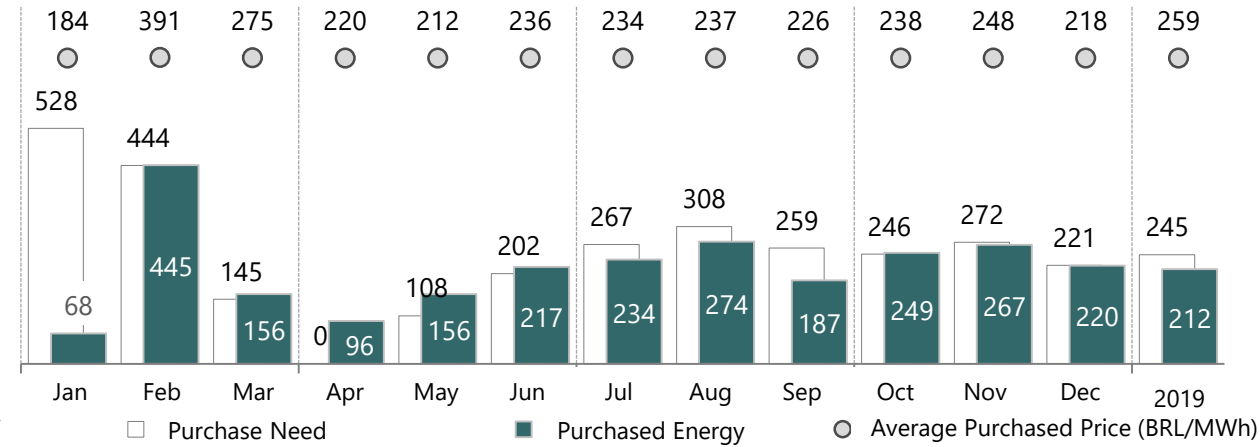
Reduction of 28% or BRL210 million in the cost of energy purchased in 2019 vs. 2018 and 52% in 4Q19 vs. 4Q18

More than 80% of the 2020 energy exposure has already been considered within the windows of opportunity

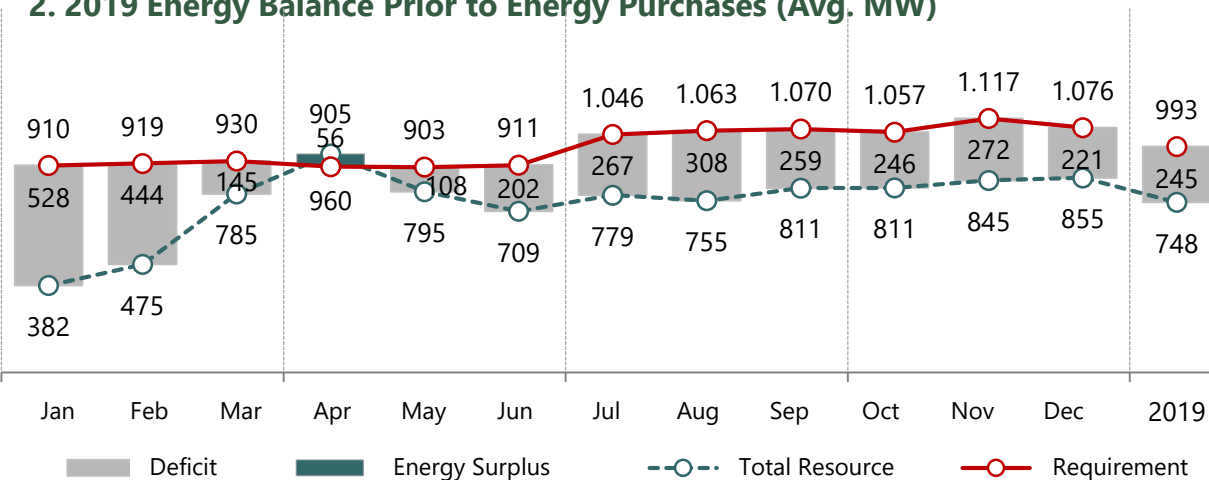
1. Gross Physical Guarantee and Adjusted Physical Guarantee (1) (Avg. MW)



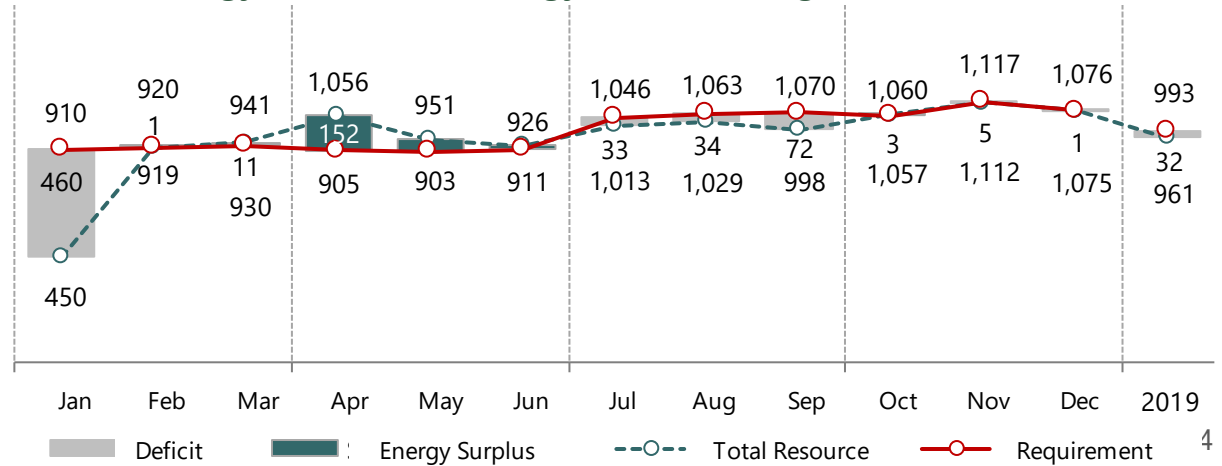
3. Energy Deficit versus Energy Purchases (Avg. MW)

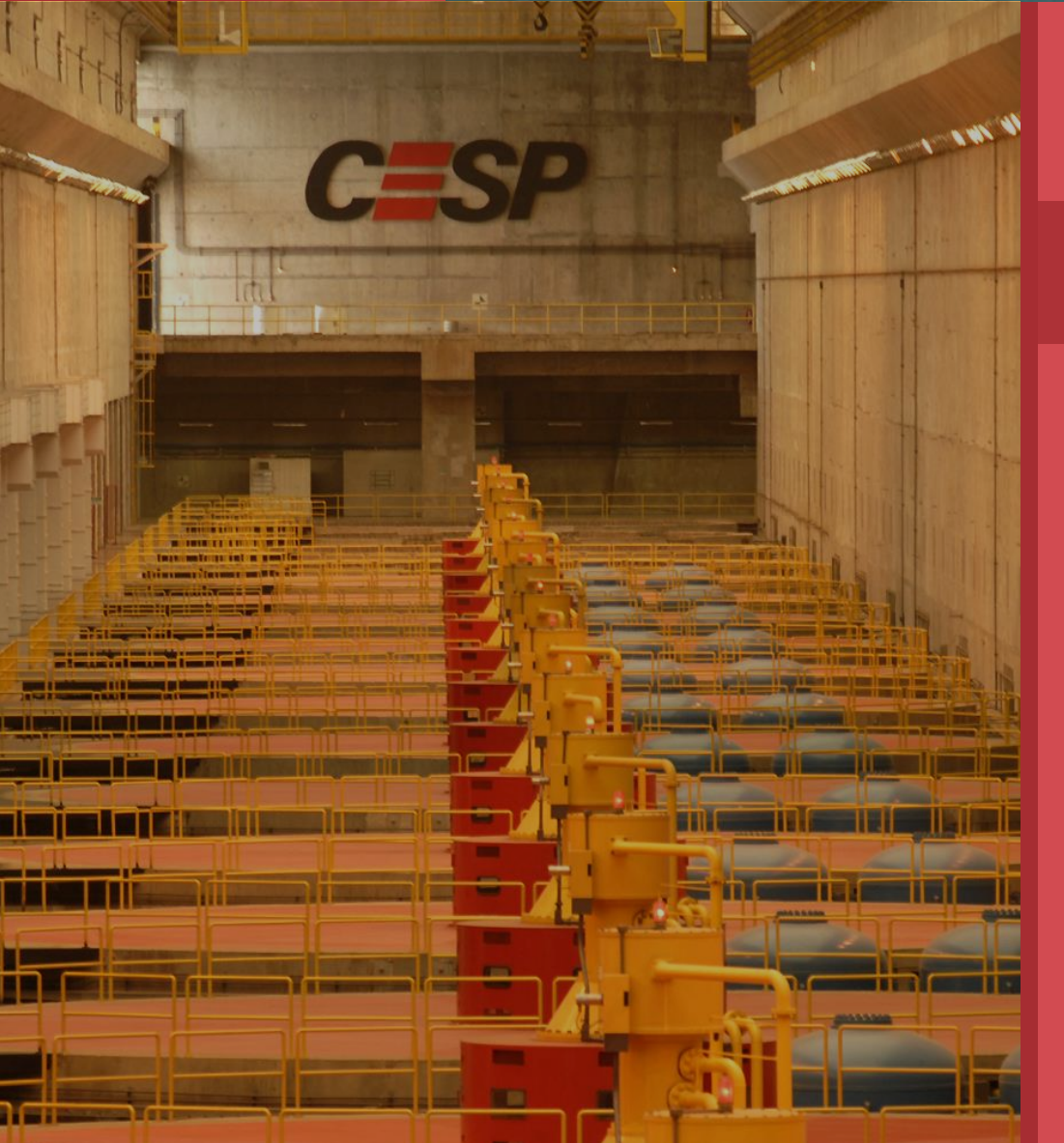


2. 2019 Energy Balance Prior to Energy Purchases (Avg. MW)



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





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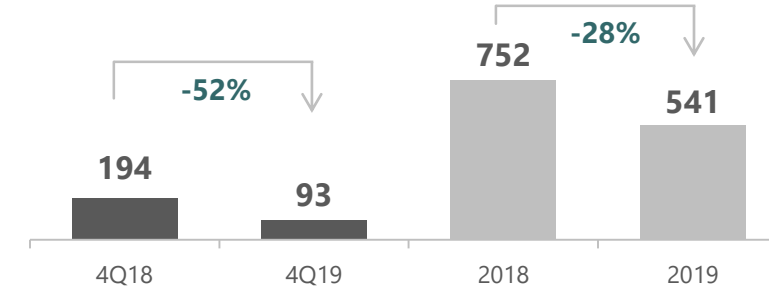
2020 key initiatives

FOCUS on cost discipline

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



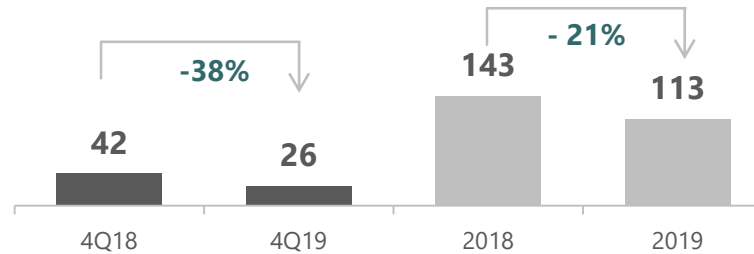
Energy purchases



New strategy of energy balance management



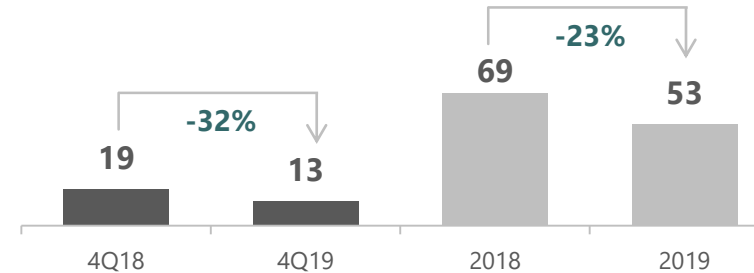
Personnel and Directors⁽¹⁾



Reduction of ~ 50% in the headcount with change in the professional profile and reformulation of the management model



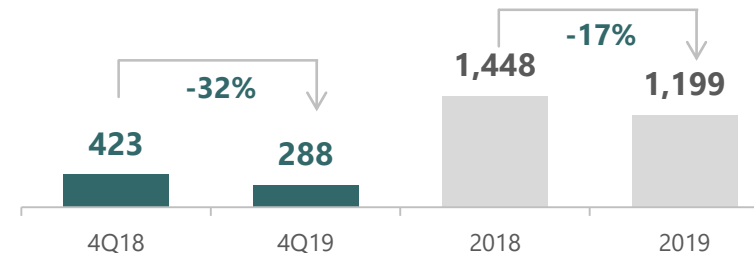
Third Party Services, Materials and Rents



Contract renegotiation and process review enabling to capture efficiencies in costs and operations

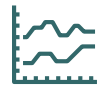


Total Costs and Expenses⁽²⁾

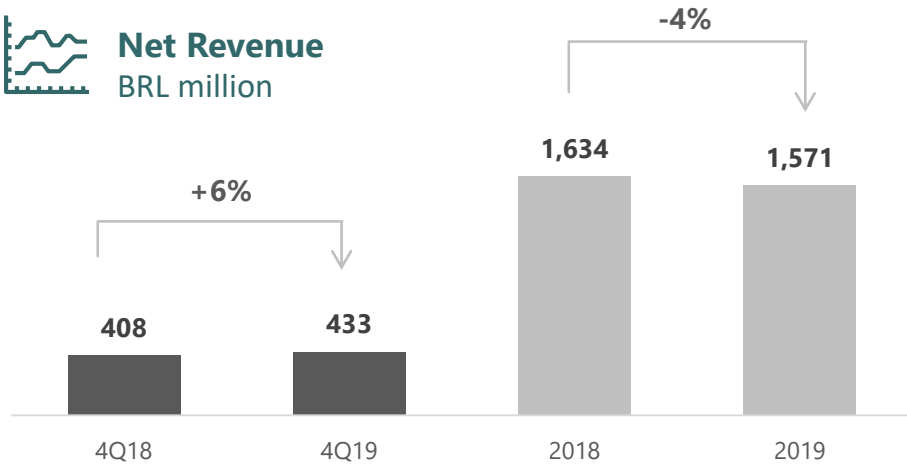


FINANCIAL performance

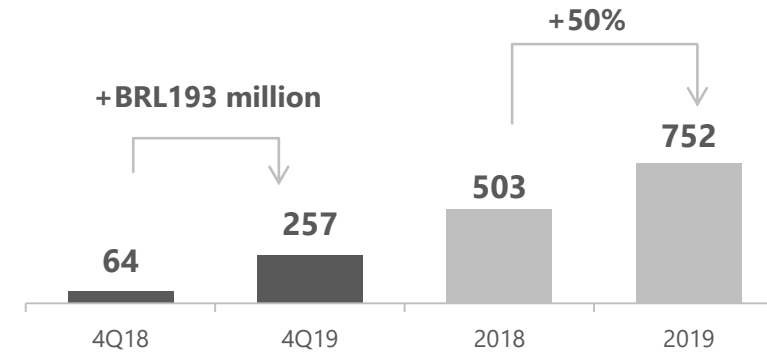
COST DISCIPLINE AND EQUALIZATION OF THE ENERGY BALANCE ALLOWS **GROWTH OF ADJUSTED EBITDA BY BRL249 MILLION IN THE YEAR AND STRONG CASH GENERATION**



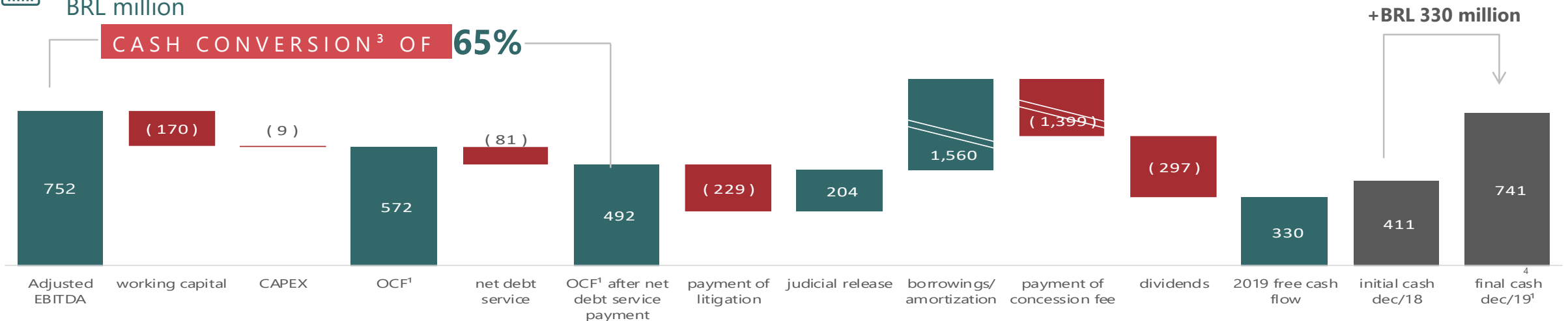
Net Revenue
BRL million



Adjusted EBITDA¹
BRL million



Cash Flow 2019
BRL million

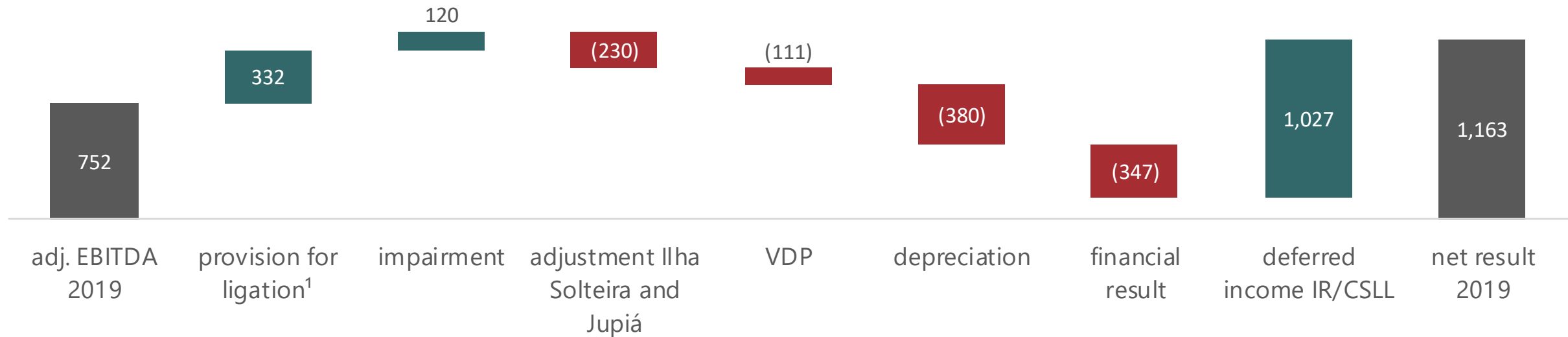


(1) Excludes Impairment, VDP, provision for litigation and Contingent Asset Adjustment/ (2) OCF = Operating Cash Flow | (3) Considers cash conversion = (OCF after Debt Service/Adjusted EBITDA) | (4) Considers the value of the contribution to CESP trading company

NET INCOME OF BRL1.2 BILLION IN 2019, RESULTING IN A DIVIDEND OF BRL606 MILLION AND A DIVIDEND YIELD OF ~6%

- Deferred income tax and social contribution arising from the expectation of taxable net income in the next years
- Reduction in the provision for litigation in line with CESP's de-risking strategy
- Recovery of Porto Primavera asset value (impairment)
- Ilha Solteira and Jupia contingent asset adjustment, according to energy ministry ordinance

BRL million

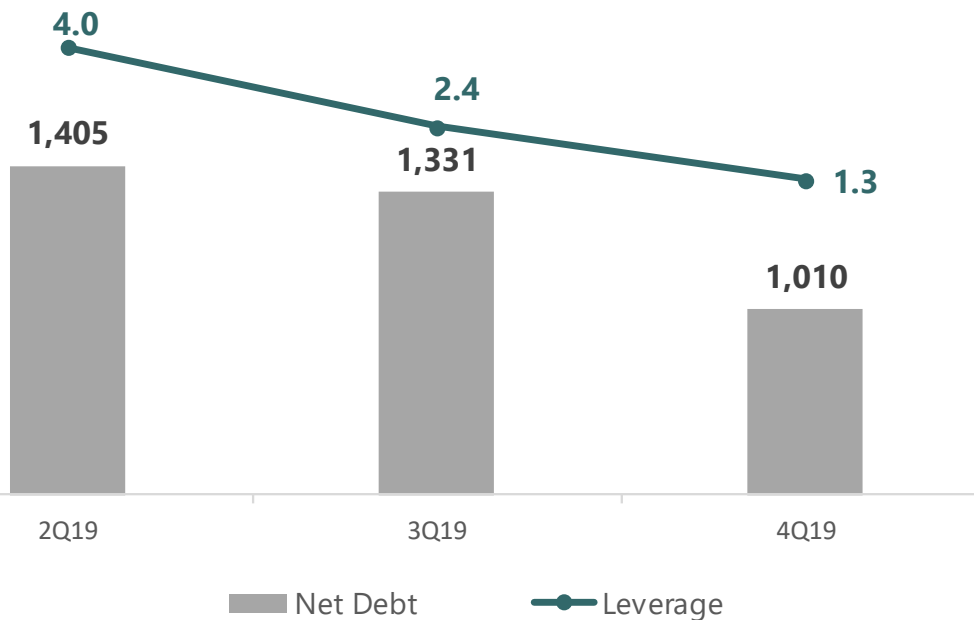


(1) Balance between provisions and reversals. Does not consider payments and agreements

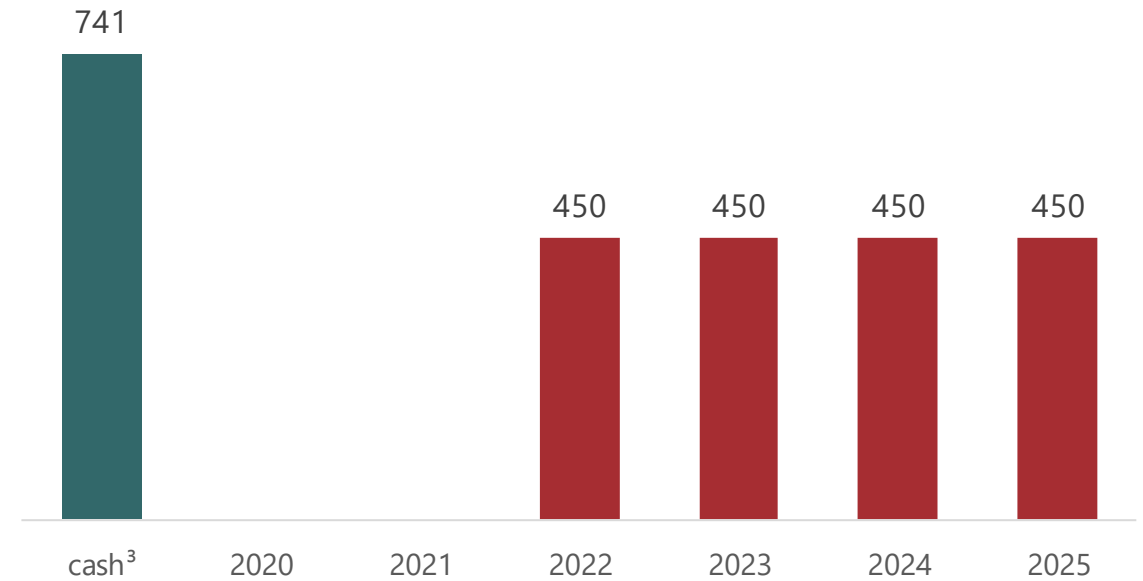
CAPITAL structure

ROBUST CAPITAL STRUCTURE, PROVIDED BY STRONG CASH GENERATION
ALLOWING PAYMENT OF **BRL606 MILLION DIVIDENDS** AND LEVERAGE REDUCTION

**Net Debt⁽²⁾ (BRL million) and
Leverage⁽¹⁾(x)**



**Amortization Schedule 4Q19
(BRL million)**



Rating

**STANDARD
& POOR'S**

Rating

BB- | br.AAA

Outlook

Positive

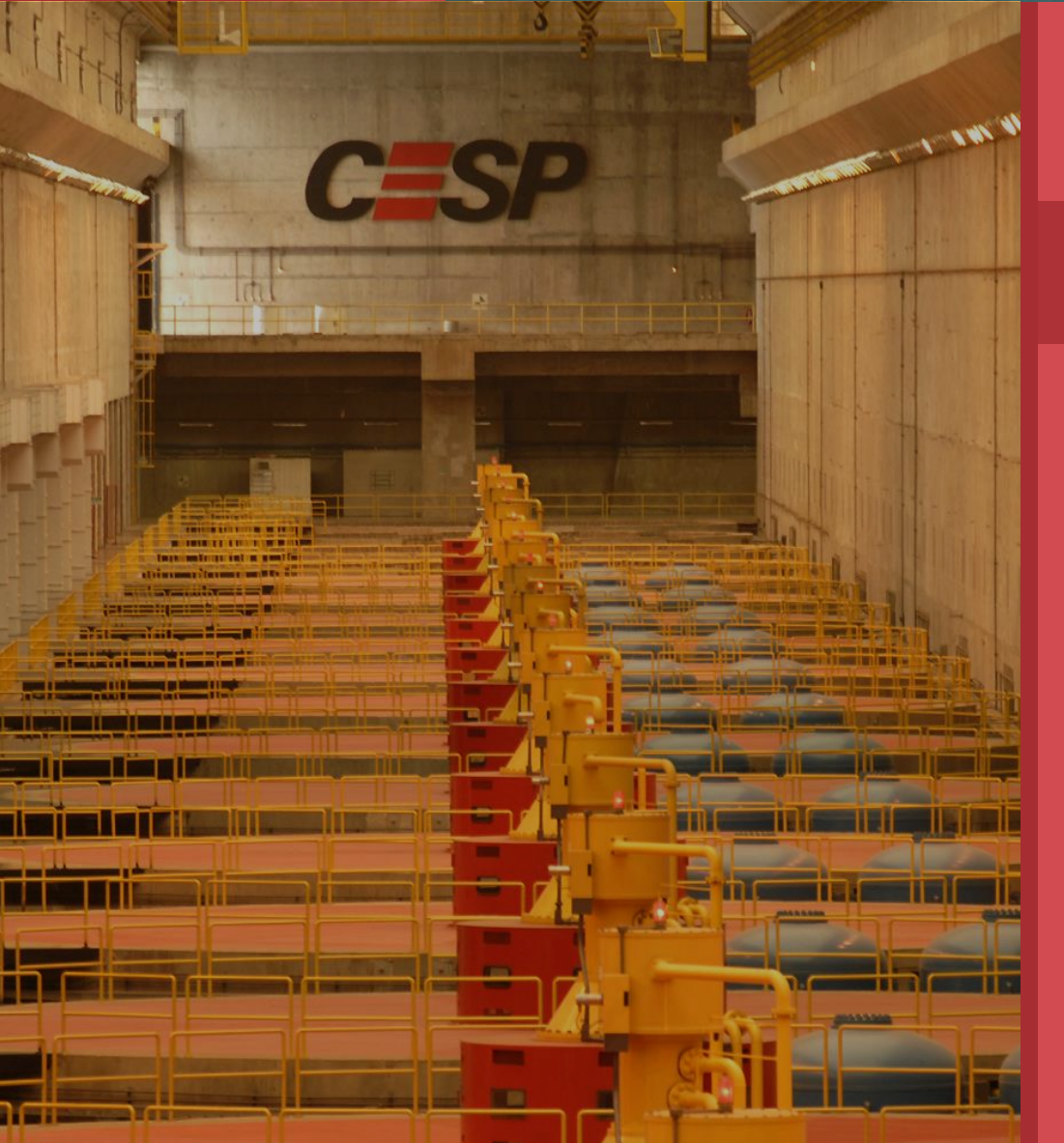
Revised

Dec/2019

Gross Debt: R\$1.8 billion

Average debt term
of 4.4 years

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



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2020 key initiatives

CESP 2020 Key Initiatives



Operation

- Continuous and disciplined management of **costs and expenses**
- Plan for the **reorganizations and monetization** of non-operating properties
- Advances in **automation and artificial intelligent** of critical processes
- Advance in the **Occupational Health and Safety** agenda aiming at a **benchmark** position



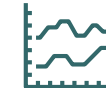
Contingencies

- Advance in the Passive **Contingency de-risk**
- Strategic management of **contingency asset** of Três Irmãos
- Release of **judicial deposits**



Energy Trading

- **CESP trading** Company, starting operations
- **More than 80% of the 2020 energy exposure** has already been considered



Market

- Evolution of the proactive, transparent and agile **market communication plan**
- Debt management



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