

Debt Management

Contents

Financial Risk Management Policy
Debt Issuances
Debt profile
Debt Risk Ratings
Financial Indicators

(Version 4Q19 Results)

Financial Risk Management Policy

In order to optimize its corporate governance practices, the Board of Directors of Energisa S.A. has endorsed a Financial Risk Management Policy with a view to ensuring the security and sustainability of the companies of this centenary Group.

[This link^{\(1\)}](#) leads to another of our mechanisms created to manage the uncertainties that can impair our Group's results, thereby avoiding the effects of adverse one-off events.

¹ (1) Information available in Portuguese only.

Debt Issuances

Debt Instrument	FIDC III	FIDC IV 1st serie	FIDC IV 2nd serie
Issuer	ESE, EPB, EMG, ENF and EBO	EMT and EMS	EMT and EMS
Guaranteed by	-	-	-
Issue date	December 2008	September 2014	April 2016
Maturity	December 2020	September 2034	April 2031
Amount (R\$ MM)	100	641	699
Yield	CDI + 0.70% p.a.	TR + 7.00% p.a.	CDI + 0.70% p.a.
Interest payments	Monthly	Monthly after Oct / 29	Monthly after Apr / 21
Rating	S&P brAAA	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	47.2	644.9	703.6

Debt Instrument	Debentures 7th issuance 1st to 6th series	Debentures 8th issuance 1st serie	Debentures 8th issuance 2nd serie
Issuer	ESA	ESA	ESA
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	August 2015	June 2017	June 2017
Maturity	August 2022	June 2022	June 2024
Amount (R\$ MM)	1	197	177
Yield	1st to 3rd series: IPCA + 8,75% a.a.	IPCA + 5,60% p.a.	IPCA+5.6601% p.a.
Interest payments	4th to 6th series: IPCA + 10,25% p.a.		
Rating	IPCA + 10,25% p.a.		
Balance at 12/31/2019 (R\$ MM)	1.258,6	222,1	199,4

Debt Instrument	Debentures 9th issuance 1st serie	Debentures 9th issuance 2nd serie	Debentures 9th issuance 3rd serie
Issuer	ESA	ESA	ESA
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	October 2017	October 2017	October 2017
Maturity	October 2022	October 2024	October 2027
Amount (R\$ MM)	62	12	21
Yield	IPCA + 4.4885% p.a.	IPCA + 4.7110% p.a.	IPCA + 5.1074% p.a.
Interest payments	Final	Final	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	67,5	12,6	23,5

Debt Instrument	Debentures 9th issuance - 4th serie	Debentures 10th issuance	Debentures 11th issuance
Issuer	ESA	ESA	ESA
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	October 2017	June 2018	April 2019
Maturity	October 2022	June 2021	April 2026
Amount (R\$ MM)	755	700	495
Yield	107.75% CDI	CDI+1.10% p.a.	IPCA + 4.6249% p.a.
Interest payments	Annual after Oct/20	Annual after Jun/19	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	763,5	467,3	523,1

Debt Instrument	Debentures 6th issuance	Debentures 7th issuance	Debentures 4th issuance
Issuer	ESE	ESE	EPB
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	June 2019	February 2018
Maturity	September 2025	June 2024	February 2021
Amount (R\$ MM)	65	50	180
Yield	IPCA+5.0797% p.a.	CDI + 0.73% p.a.	CDI + 1.00%
Interest payments	Annual after Sep/23	Final	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	68,4	50,1	184,2

Debt Instrument	Debentures 5th issuance	Debentures 6th issuance - 1st serie	Debentures 6th issuance - 2nd serie
Issuer	EPB	EPB	EPB
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	June 2019	June 2019
Maturity	September 2025	June 2024	June 2026
Amount (R\$ MM)	370	72	48
Yield	IPCA + 5.0797% p.a.	CDI + 0.73% p.a.	CDI + 0.83% p.a.
Interest payments	Annual after Sep/23	Final	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	142,0	72,2	48,1

Debt Instrument	Debentures 4th issuance	Debentures 8th issuance	Debentures 10th issuance
Issuer	Rede	EMS	EMS
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	December 2009	September 2017	February 2018
Maturity	nov/35	September 2022	February 2021
Amount (R\$ MM)	370	300	150
Yield	1% p.a.	107.50% do CDI	CDI +0.95%
Interest payments	Final	Semi annual	Final
Rating	-	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	55,5	304,7	153,5

Debt Instrument	Debentures 11th issuance	Debentures 12th issuance	Debentures 8th issuance
Issuer	EMS	EMS	EMT
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	June 2019	February 2018
Maturity	September 2025	June 2024	February 2021
Amount (R\$ MM)	155	110	470
Yield	IPCA+5.0797% p.a.	IPCA+5.0797% p.a.	CDI + 1.10% p.a.
Interest payments	Annual after Sep/23	Annual after Sep/23	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	163,1	110,3	481,3

Debt Instrument	Debentures 9th issuance	Debentures 10th issuance - 1st serie	Debentures 10th issuance - 2nd serie
Issuer	EMT	EMT	EMT
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	June 2019	June 2019
Maturity	September 2025	June 2024	June 2029
Amount (R\$ MM)	385	117	32
Yield	IPCA + 5.0797% p.a.	CDI + .73% p.a.	CDI + 1.05% p.a.
Interest payments	Annual after Sep/23	Final	Annual after Jun/27
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Saldo em 31/12/2019 (R\$ MM)	405,1	117,8	32,6

Debt Instrument	Debentures 10th issuance	Debentures 11th issuance - 1st serie	Debentures 11th issuance - 2nd serie
Issuer	EMG	EMG	EMG
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	June 2019	June 2019
Maturity	September 2025	June 2024	June 2026
Amount (R\$ MM)	50	34	36
Yield	IPCA+5.0797% p.a.	CDI + 0.73% p.a.	CDI + 0.83% p.a.
Interest payments	Annual after Sep/23	Final	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	52,6	34,1	36,1

Debt Instrument	Debentures 4th issuance	Debentures 5th issuance - 1st serie	Debentures 5th issuance - 2nd serie
Issuer	ETO	ETO	ETO
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	September 2018	September 2018
Maturity	September 2025	September 2024	September 2026
Amount (R\$ MM)	240	238	162
Yield	IPCA + 5.0797% p.a.	CDI + 0.95% p.a.	CDI + 1.15% p.a.
Interest payments	Annual after Sep/23	Final	Final
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	252,5	238,3	162,9

Debt Instrument	Debentures 4th issuance	Debentures 1st issuance - 1st serie	Debentures 1st issuance - 2nd serie
Issuer	ESS	ETE	ETE
Guaranteed by	Ordinary	Ordinary	Ordinary
Issue date	September 2018	December 2018	December 2018
Maturity	September 2025	December 2025	December 2028
Amount (R\$ MM)	70	76	51
Yield	IPCA + 5.0797% p.a.	IPCA+4.9238% p.a.	IPCA+5.1410% p.a.
Interest payments	Annual after Sep/23	Final	Annual after Dec/26
Rating	AAA(bra)	AAA(bra)	AAA(bra)
Balance at 12/31/2019 (R\$ MM)	73,7	82,0	56,0

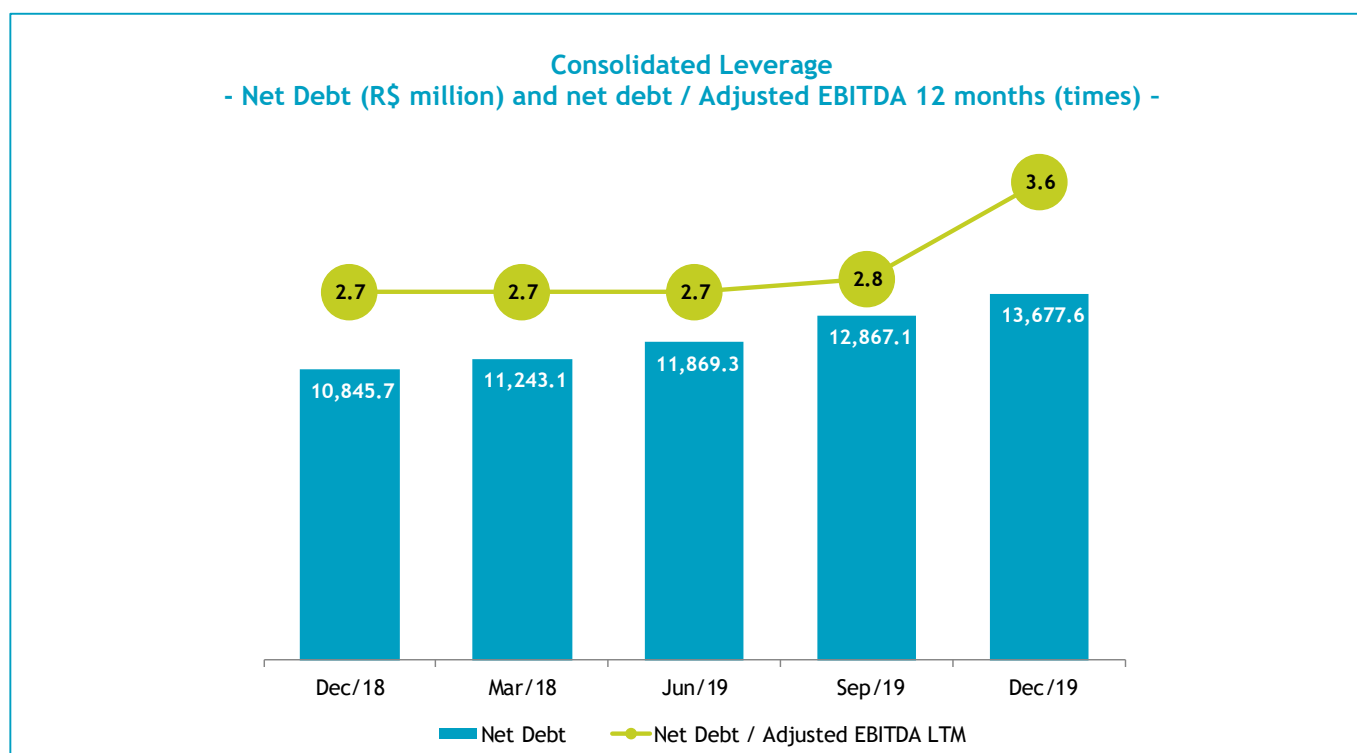
Debt Instrument	Debentures 1st issuance - 3rd serie	Debentures 1st issuance
Issuer	ETE	ERO
Guaranteed by	Ordinary	Ordinary
Issue date	December 2018	Novembro 2018
Maturity	December 2025	Novembro 2023
Amount (R\$ MM)	123	155
Yield	IPCA+4.9761% p.a.	CDI+1.65% p.a.
Interest payments	Final	Final
Rating	AAA(bra)	-
Balance at 12/31/2019 (R\$ MM)	133,7	1.559,2

Because of its nature, the information in this section is short-lived and may not therefore reflect the current conditions of the Energisa Group companies.

Debt profile

The consolidated position of cash, cash equivalents, short-term investments and sector credits amounted to R\$ 4,494.4 million at the end of December 2019, against R\$ 6,242.1 million in December 2018. We emphasize that these balances include credits relating to the Energy Development Account (CDE), Fossil Fuel Consumption Account (CCC) and the memorandum account for Parcel A amounts (CVA), in the amount of R\$ 1,458.1 million in December 2019 and R\$ 1,891.4 million in December 2018.

The net debt as of December 31, 2019 less sector credits amounted to R\$ 13,677.6 million, compared with R\$ 12,867.1 million in September 2019 and R\$ 10,845.7 million in December 2018. As a result, the ratio between consolidated net debt and adjusted EBITDA fell from 2.7 in December 2018 to 3.6 in December 2019. Note that this indicator was positively impacted by the effect of the business combination regarding the acquisition of ERO and EAC for R\$ 1,169.6 million, as mentioned in item 3.4, up to the YTD 12-month period ended September 31, 2019.



See below the short- and long-term debt net of financial resources (cash, cash equivalents, short-term investments and sector credits):

Description Amounts in R\$ million	Parent company			Consolidated		
	12/31/2019	9/30/2019	12/31/2018	12/31/2019	9/30/2019	12/31/2018
Current	1,481.2	1,191.8	651.1	2,950.7	2,716.1	3,030.9
Loans and financing	163.0	169.5	155.7	1,343.0	1,408.2	1,560.4
Debentures	969.4	726.8	492.1	1,167.1	892.1	526.6
Debt charges	12.2	11.5	2.3	70.8	78.5	89.1
Tax financing and post-employment benefits	2.1	1.8	1.8	90.0	80.5	95.1
Regulatory fees	-	-	-	-	-	39.5
Financing of debits for energy purchased from Itaipu	-	-	-	-	-	78.0
Derivative financial instruments, net	334.5	282.2	(0.8)	279.8	256.8	642.2
□ Law 4131 (Swap and MTM)	(15.7)	(20.0)	(0.8)	(70.4)	(45.4)	37.8
□ Put option (EEVP put)	-	-	-	-	-	604.4
□ MTM 7 th debentures issuance	350.2	302.2	-	350.2	302.2	-
Noncurrent	3,869.5	3,861.4	3,601.5	15,221.3	14,686.1	14,056.9
Loans, financing and leasing	613.1	469.6	311.4	6,836.2	6,456.4	6,611.2
Debentures	2,565.6	2,802.9	2,886.2	7,771.6	7,902.7	7,000.7
Tax financing and post-employment benefits	8.7	9.4	8.0	711.7	525.3	535.2
Regulatory fees	-	-	-	-	-	-
Financing of debits for energy purchased from Itaipu	-	-	-	-	-	-
Derivative financial instruments, net	682.1	579.5	395.9	(98.1)	(198.3)	(90.2)
□ Law 4131 (Swap and MTM)	(19.4)	(24.9)	(27.0)	(799.6)	(802.7)	(513.1)
□ Put option (EEVP put)	-	-	-	-	-	-
□ MTM 7 th debentures issuance	701.5	604.4	422.9	701.5	604.4	422.9
Total debts	5,350.7	5,053.2	4,252.6	18,172.0	17,402.2	17,087.8
(-) Cash and cash equivalents	2,554.8	2,472.9	2,745.4	3,036.3	2,644.1	4,350.7
Total net debts	2,795.9	2,580.3	1,507.2	15,135.7	14,758.1	12,737.1
(-) CDE Credits	-	-	-	209.4	247.9	246.8
(-) CCC Credits	-	-	-	179.1	150.0	55.2
(-) CVA Credits	-	-	-	1,069.5	1,493.1	1,589.4
Total net debts less sector credits	2,795.9	2,580.3	1,507.2	13,677.6	12,867.1	10,845.7
Relative Indicator						
Net debt / Adjusted EBITDA 12 months ⁽¹⁾	-	-	-	3.6	2.8	2.7

(1) Adjusted EBITDA = EBITDA + Interest on energy bills revenue (last 12 months).
Each distribution company's debt can be seen in Appendix I.

Loans, financing, debentures and debt charges increased by R\$ 1,400.6 million, reflecting issuances made over the first half for working capital, investments of Energisa Group and repayment of costlier debt. In June 2019 Energisa made important issuances through its distribution companies, for a total of R\$ 900.0 million.

Note that the net derivative financial instruments were impacted by the mark-to-market of the subscription bonuses underlying the 7th debentures issuance. In 2019 this MtM totaled an accumulated liability of R\$ 1,051.7 million, which is an accounting and a non-cash record.

Debt profile

The net debts by Energisa distribution company as of December 31, 2019 break down as follows:

Net debts at December 31, 2019 (R\$ million)	EMG	ENF	ESE	EBO	EPB	EMT
Current	133.1	26.3	85.7	69.8	179.2	647.9
Loans and financing	118.8	25.6	25.5	73.8	131.7	561.7
Debentures	16.4	-	31.3	-	55.3	63.4
Debt charges	0.9	0.1	10.7	0.8	0.7	22.2
Tax financing and post-employment benefits	2.1	0.1	11.8	0.0	9.6	14.8
Regulatory fees	-	-	-	-	-	-
Financing of debts for energy purchased from Itaipu	-	-	-	-	-	-
Derivative financial instruments, net	(5.2)	0.5	6.5	(4.8)	(18.1)	(14.2)
Noncurrent	300.8	57.0	1,074.7	16.0	779.4	3,148.4
Loans, financing and leasing	138.5	67.8	732.9	16.0	87.9	1,811.8
Debentures	182.5	-	216.7	-	605.2	1,353.9
Tax financing and post-employment benefits	8.0	0.7	229.5	0.0	132.7	145.7
Regulatory fees	-	-	-	-	-	-
Financing of debts for energy purchased from Itaipu	-	-	-	-	-	-
Derivative financial instruments, net	(28.2)	(11.5)	(104.4)	-	(46.5)	(163.1)
Total debts	433.9	83.3	1,160.5	85.8	958.6	3,796.2
(-) Cash and cash equivalents	93.1	34.8	169.4	33.6	171.0	368.8
Total net debts	340.7	48.5	991.1	52.2	787.6	3,427.4
(-) CDE Credits	12.4	0.9	10.4	1.7	33.2	48.0
(-) CCC Credits	-	-	-	-	-	19.9
(-) CVA Credits	28.2	7.9	25.7	1.7	29.3	(0.5)
Total net debts less sector credits	300.2	39.6	955.0	48.8	725.1	3,360.1

Relative Indicator

Net debt / Adjusted EBITDA 12 months ⁽¹⁾	2.3	1.2	3.2	0.9	1.5	2.9
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Net debts at December 31, 2019 (R\$ million)	EMS	ETO	ESS	ERO	EAC
Current	230.8	55.2	172.7	81.0	31.4
Loans and financing	64.8	4.0	119.6	-	9.8
Debentures	155.0	45.7	39.0	60.6	4.9
Debt charges	4.9	2.1	2.0	0.2	0.3
Tax financing and post-employment benefits	3.0	4.1	24.4	16.7	-
Regulatory fees	-	-	-	-	-
Financing of debts for energy purchased from Itaipu	-	-	-	-	-
Derivative financial instruments, net	3.1	(0.6)	(12.3)	3.6	16.4
Noncurrent	1,459.1	1,202.1	673.1	2,586.5	744.0
Loans, financing and leasing	747.7	434.8	362.8	749.0	598.3
Debentures	745.1	860.2	264.5	1,863.8	193.3
Tax financing and post-employment benefits	26.8	34.8	105.2	13.9	-
Regulatory fees	-	-	-	-	-
Financing of debts for energy purchased from Itaipu	-	-	-	-	-
Derivative financial instruments, net	(60.5)	(127.7)	(59.4)	(40.2)	(47.6)
Total debts	1,689.9	1,257.3	845.7	2,667.5	775.4
(-) Cash and cash equivalents	258.4	144.0	169.9	238.2	19.6
Total net debts	1,431.5	1,113.3	675.8	2,429.4	755.9
(-) CDE Credits	27.9	21.5	34.3	7.5	11.7
(-) CCC Credits	-	-	-	75.2	81.7
(-) CVA Credits	114.5	(2.0)	68.0	640.1	156.7
Total net debts less sector credits	1,289.2	1,093.8	573.6	1,706.6	505.7

Relative Indicator

Net debt / Adjusted EBITDA 12 months ⁽¹⁾	1.9	3.0	2.2	-	-
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(1) Adjusted EBITDA = EBITDA + Revenue from interest on overdue energy bills.

Debt Risk Ratings

The table below presents the current ratings of Energisa Group's companies issued by the agencies Standard & Poor's, Moody's Investors Service and Fitch Ratings:

Agency	Domestic Rating/Outlook	Global Rating/Outlook	Latest Report
Standard & Poor's	brAAA (stable)	BB- (positive)	Dec/2019
Moody's	Aa2.br (stable)	Ba2 (stable)	Jun/2019
Fitch Ratings	AAA (bra) (stable)	BB+ (stable)	Feb/2020

Financial Indicators

The consolidated financial indexes of Energisa S/A for the year December 31, 2019 and December 31, 2018 are as follows:

Indicadores Financeiros (R\$ milhões)	12/31/2019	12/31/2018	Var. %
Short-term debt (a)	2,950.7	3,030.9	- 2.6
Long-term debt (b)	15,221.3	14,056.9	+ 8.3
Total debt (c) = (a) + (b)	18,172.0	17,087.8	+ 6.3
Cash and cash equivalents (d)	3,036.3	4,350.7	- 30.2
CDE credit (e)	209.4	246.8	- 15.2
CCC credit (f)	179.1	55.2	+ 224.5
CVA credit (g)	1,069.5	1,589.4	- 32.7
Net debt (f) = (c) - (d+e+f+g)	13,677.7	10,845.7	+ 26.1
Current liquidity (times)	1.3	1.5	- 13.3
% short-term debt	16.2	17.7	- 1.5 p.p