



## 1Q20 RESULTS PRESENTATION



# Disclaimer

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# agenda



CESP



COVID-19 pandemic



highlights 1Q20



contingencies



energy market



financial performance



2020 key initiatives



## ASSET portfolio

Porto Primavera

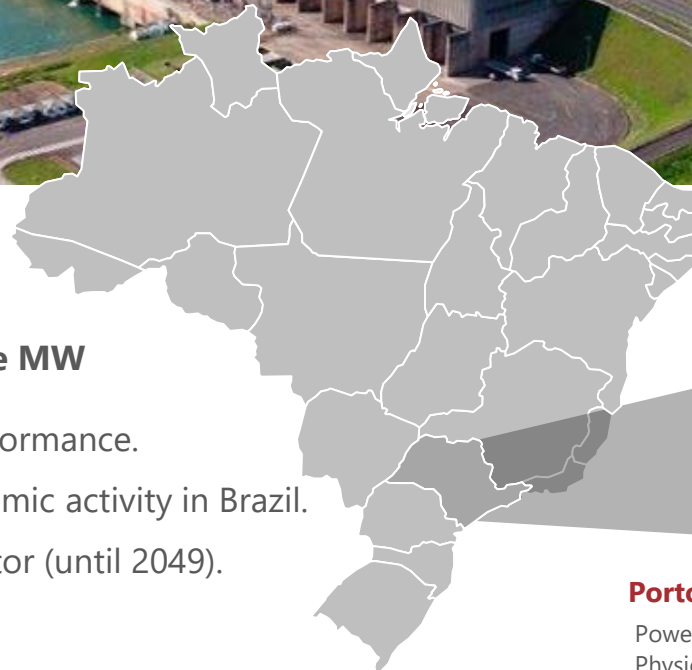
### Power of 1,655 MW | Physical Guarantee of 948 average MW

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

Jaguari<sup>1</sup>

Power: 28MW  
Physical guarantee: 13MWm

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. Since may 19<sup>th</sup> CESP operates HPP Jaguari as a temporary operator.



# Shareholder Structure and corporate governance

**VOTORANTIM**  
energia



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%**

**CESP**



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 conversion<sup>1</sup> ratio of 65% in 2019
- re-leverage potential

## High Operational Performance

- availability index higher than ANEEL reference values

## Financial Performance

- adjusted<sup>2</sup> 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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# COVID-19 PANDEMIC

## OPERATIONS CONTINGENCY PLAN

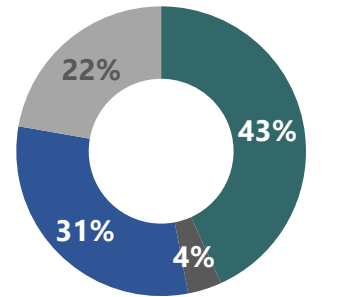
- ✓ **83% of CESP employees are working from home**, considering plants and headquarters
- ✓ **Preventive measures** to preserve our health, safety and continuity of our operations
- ✓ Definition of **minimum maintenance activities** to preserve operational reliability of facilities with a restricted team
- ✓ **Plan for resuming activities** with no defined date

## MAIN RISKS

- ✓ **Market and customer monitoring** to minimize risks and financial impacts
- ✓ Evaluation and **monitoring of trading counterparties**
- ✓ **Impacts on GSF and other regulatory measures** due to the reduced energy load

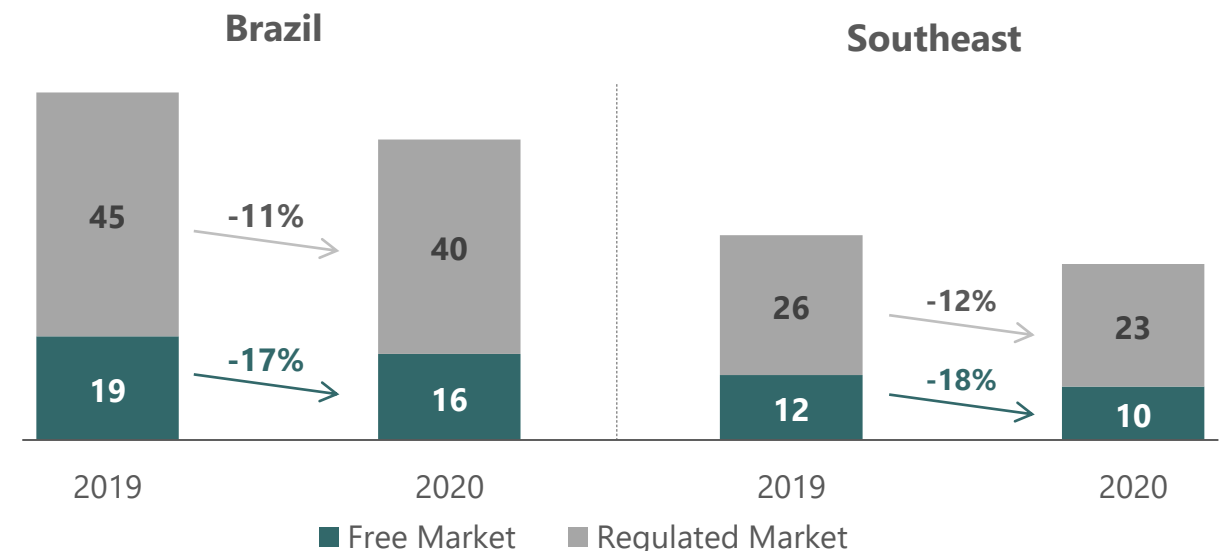
## CUSTOMER PROFILE CESP GENERATING CO.

- ✓ Customer Profile in 2020<sup>1</sup>: **22% regulated market and 78% free market**
- ✓ **Robust customer profile** in the free market.
- ✓ As of this date, **no impact on the customer portfolio**



- industrial
- trading companies <sup>2</sup>
- distributors
- generators

## CONSUMPTION BY PROFILE AND SUBMARKET- 1 to 15/APR - CCEE (average GW)





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# 1Q20 HIGHLIGHTS



## OPERATIONAL EFFICIENCY

- ✓ **1,105 average MW** energy generation, 17% above the Company physical guarantee of 948 average MW
- ✓ **Average Availability Index of 94.1%** in 1Q20, (93.8% in 1Q19), consistently higher than the reference values defined by ANEEL
- ✓ After the pandemic announcement as a result of COVID-19, **the Company continues to operate according to the ONS order**



## FINANCIAL PERFORMANCE

- ✓ **Net Operating Revenue growth of 30%** reaching **BRL 461 million**, of which **BRL 61 million** was provided by **CESP trading company** operations
- ✓ **Adjusted EBITDA<sup>1</sup> of BRL 336** million in the 1Q20, increase of BRL 294 million
- ✓ **BRL 242 million** of operating cash flow generation after debt service, with a cash conversion<sup>2</sup> of 72%



## ENERGY TRADING

- ✓ **CESP Trading company** started operations in January 2020 with a positive result marked to market of BRL 25 million in 1Q20
- ✓ **2020 energy balance equalized** considering the market GSF
- ✓ **Reduction of 63% or BRL 141 million** in the cost of purchased energy in 1Q20

(1) Excludes VDP and provision for litigation

(2) Cash conversion = OCF after Debt Service/Adjusted EBITDA



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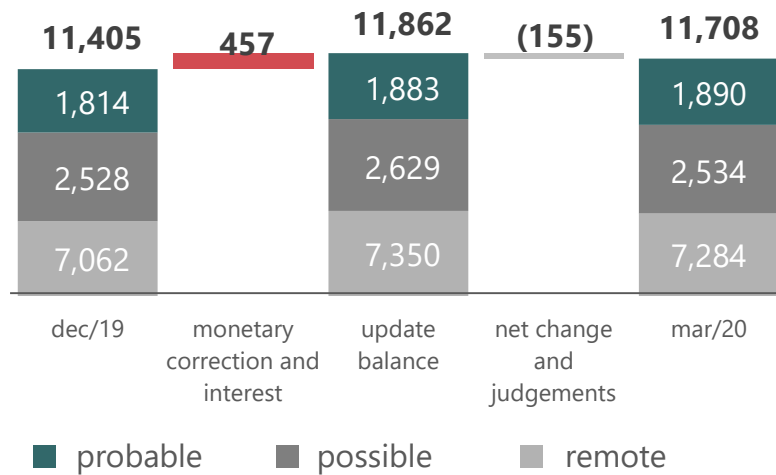
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# CONTINGENT liability and asset

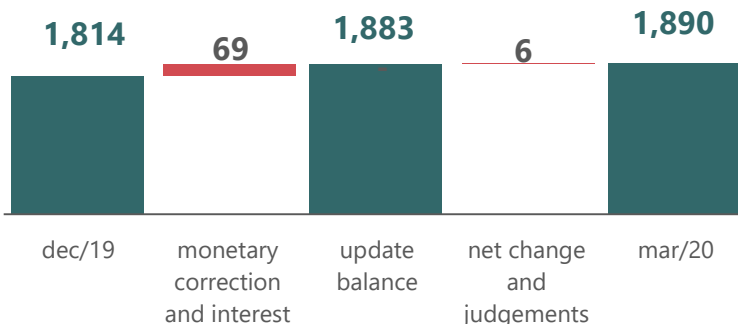
CONTINGENT LIABILITY REDUCED BY **BRL 155 MILLION** BEFORE THE MONETARY CORRECTION AND A FLAT PROVISIONED AMOUNT

## Contingent Liabilities

### Contingent Liabilities – 1Q20 Variation (BRL million)



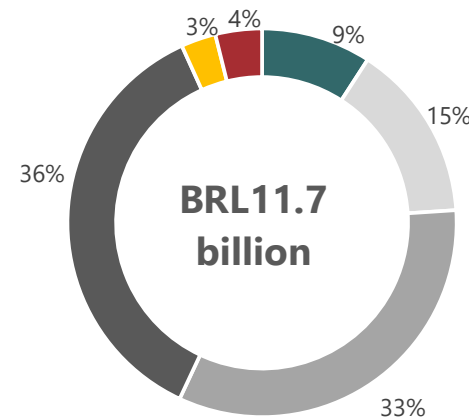
### 1Q20 Probable Variation (BRL million)



## 45 Strategic Cases Breakdown

### Contingent liabilities profile

- environmental
- civil - general
- civil - fishermen
- civil - tile companies
- labor
- tax



- 45 cases account for 79% of the total contingent liability
- Even during a pandemic, the **negotiations** adopted to reduce the contingency liability are **maintained**, with **financial discipline** and criteria

## Contingent Asset Três Irmãos Lawsuit

Lawsuit on the reimbursement of indemnifiable assets of the Três Irmãos HPP concession

Revaluation **BRL 4.7 bi**  
(basis of Jun/2012)

The value is composed of:

Plant: **BRL 1.9 bi**      Floodgate and Canal: **BRL 1.0 bi**      Land: **BRL 1.8 bi**

### Last moves:

- Nov/19: Case referred to the judge
- Dec/19: conversion to electronic format

**Monitoring** of the trial in the 1st instance



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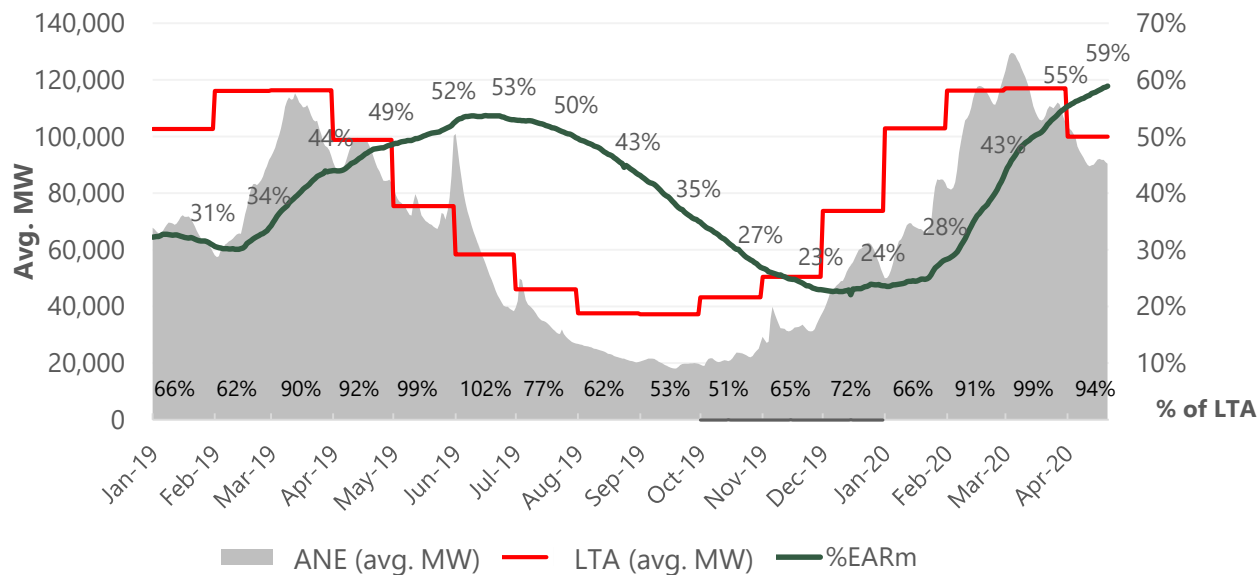


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# ENERGY market

AFFLUENT NATURAL ENERGY (ANE) PERFORMANCE IN LINE WITH THE LONG-TERM AVERAGE (LTA) AND ENERGY DEMAND BELOW ONS AND EPE<sup>2</sup> INITIAL FORECAST FROM MARCH

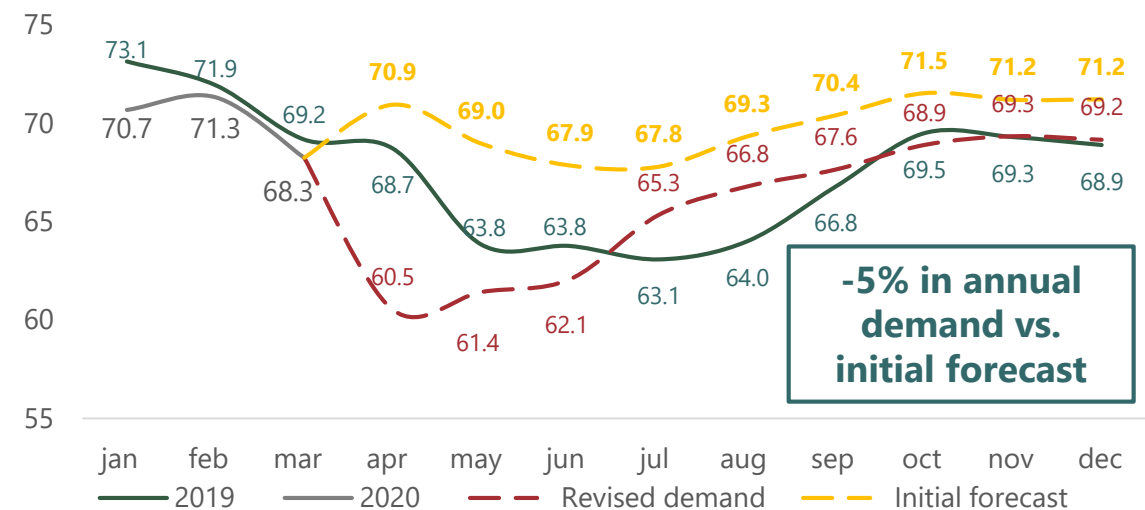
Daily ANE - SIN (Avg. MW and %) & Storage Level Evolution - SIN (%)<sup>1</sup>



The better inflow in the 1Q20 resulted in a **55% stored energy** at the end of the period (vs. 34% in 1Q19)

The energy **demand forecast revised by ONS decreased by 11% in 2Q20 and 4% in 3Q20**, compared to the same period in 2019

Demand Evolution and Projections of ONS/EPE (Avg.GW)<sup>3</sup>



CCEE revised the projected GSF for 2020 of 85%, in early Mar/20, to 81%



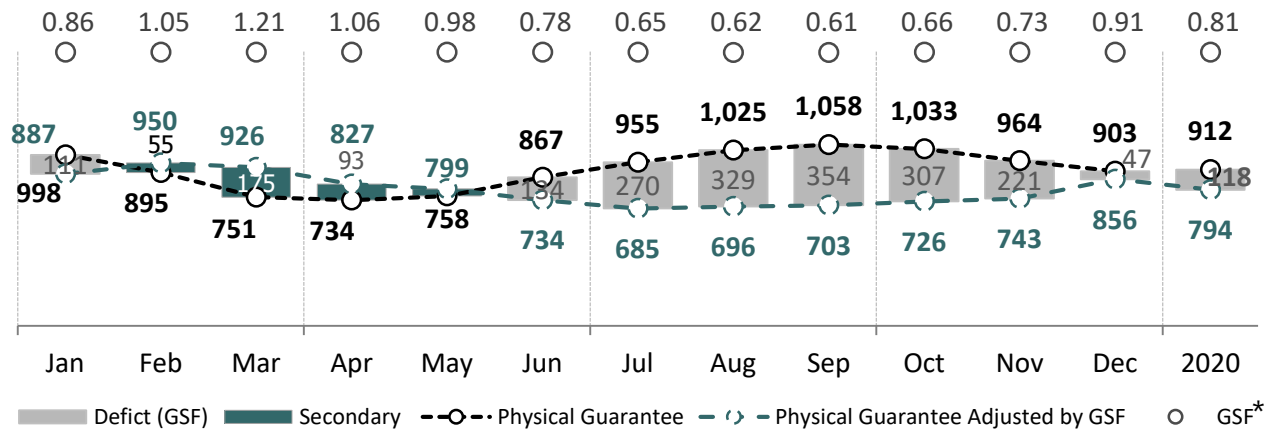
# ENERGY balance 2020

**2020 energy balance equalized** on March 31, 2020, within the windows of opportunity

**Reduction of 63% or BRL 141 million** in the cost of purchased energy in 1Q20 vs. 1Q19

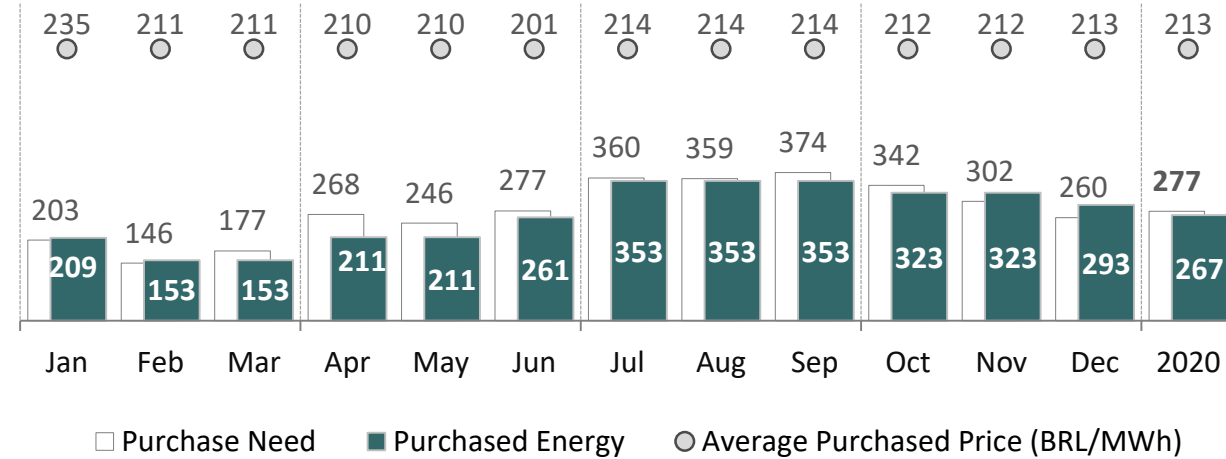
Commercialization **strategy mitigated GSF** effects in 1Q20

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

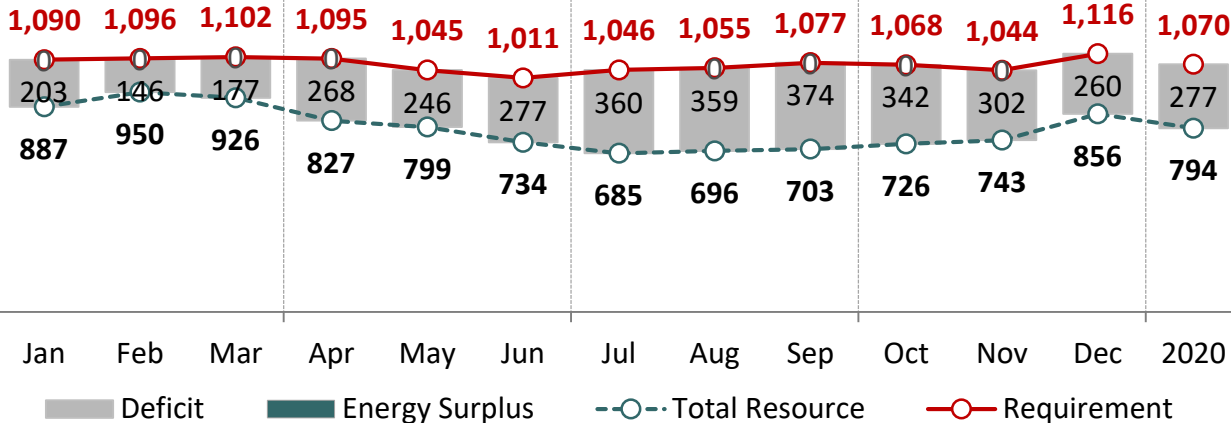


\* CCEE forecast

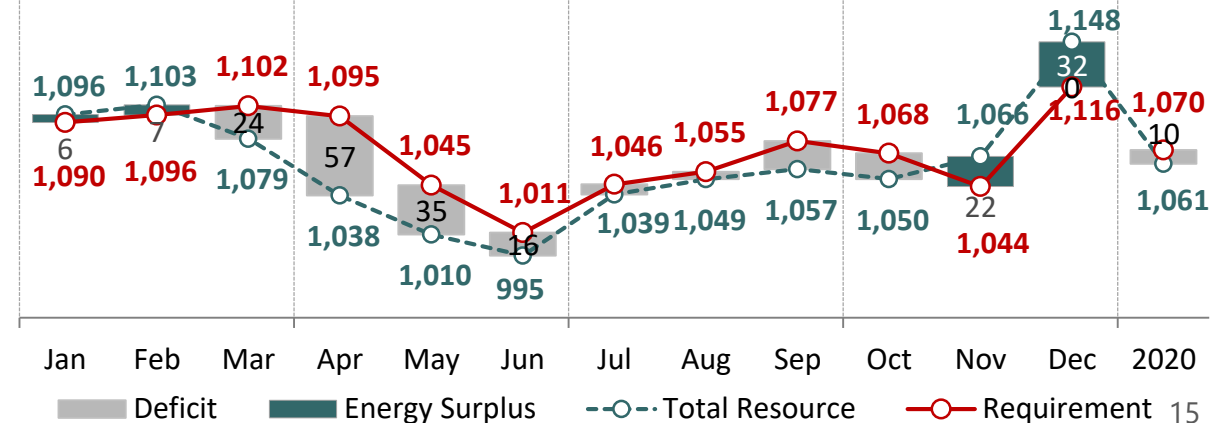
## 3. Energy Deficit versus Energy Purchases (Avg. MW)



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



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





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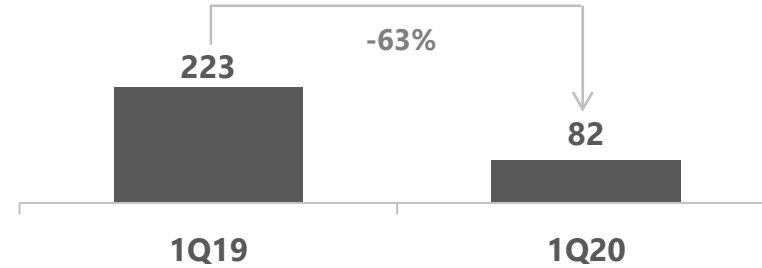
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# FOCUS on cost discipline

REDUCTION IN MANAGEABLE **COSTS AND EXPENSES** REFLECTS INITIATIVES AND STRATEGIES IMPLEMENTED SINCE 2019 AND NEW LEVEL OF COST EFFICIENCY AND DISCIPLINE



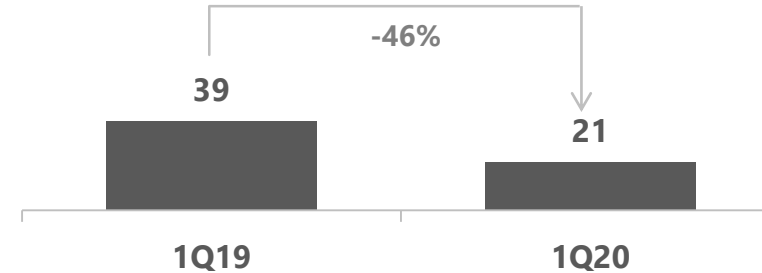
## Energy purchases



New strategy of energy balance management



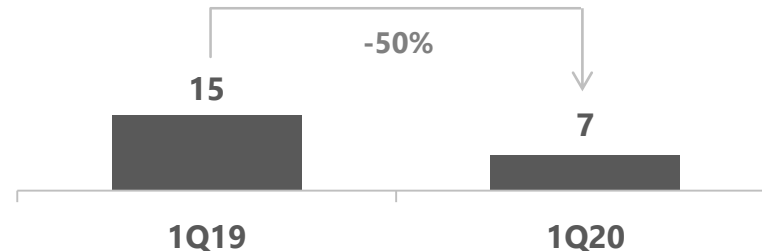
## Personnel and Administrators<sup>(1)</sup>



Reduction of ~ 50% in the headcount with reformulation of the management model



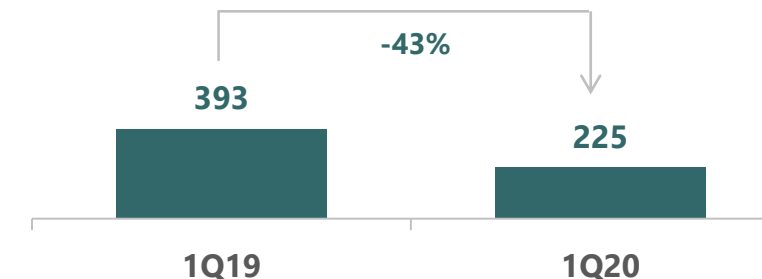
## Third Party Services, Materials and Rents



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



## Total Costs and Expenses<sup>(2)</sup>

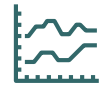


(1) Excludes VDP| (2) Excludes, VDP and provision for litigation



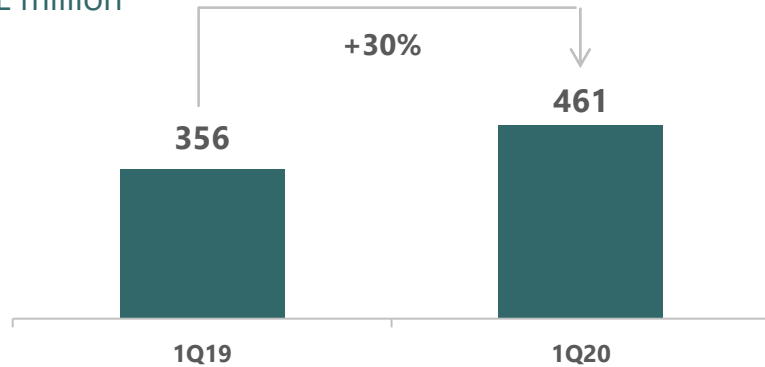
# FINANCIAL performance

COST DISCIPLINE AND BEGINNING OF TRADING OPERATIONS ALLOWS **ADJUSTED EBITDA GROWTH BY BRL 294 MILLION AND STRONG CASH GENERATION**



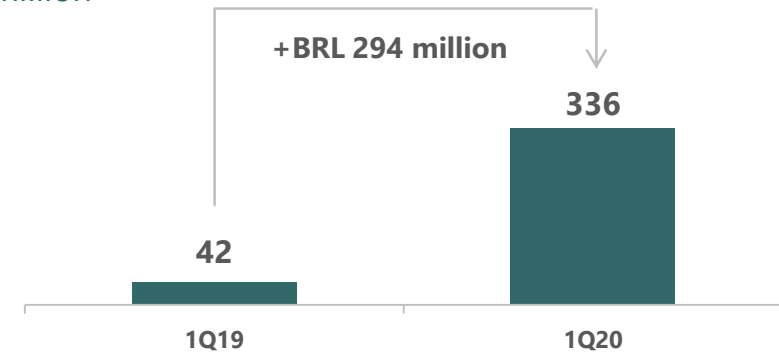
## Net Revenue

BRL million



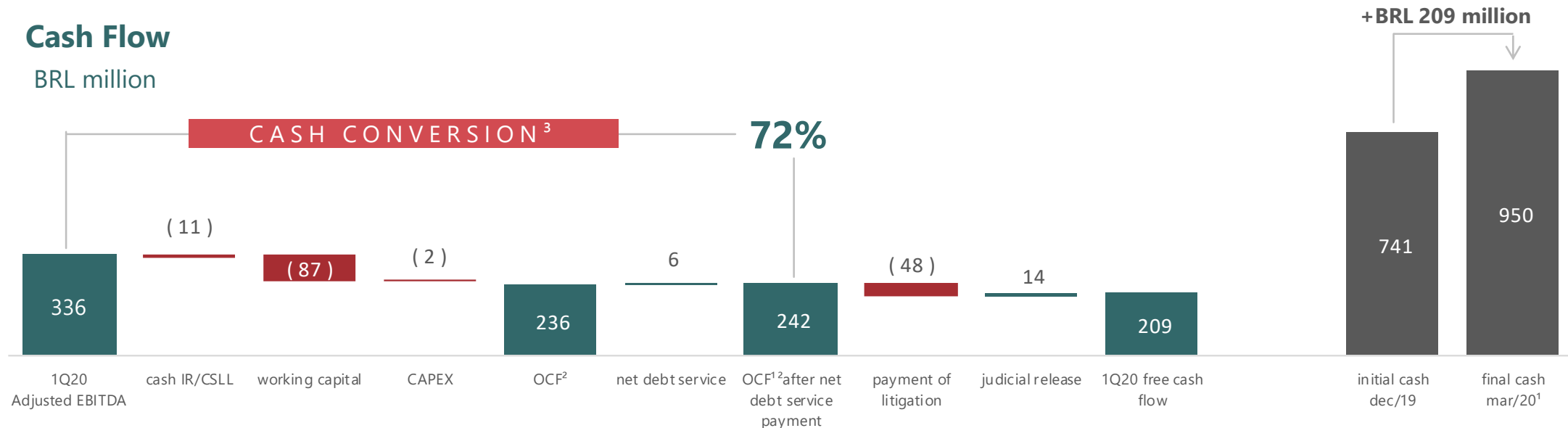
## Adjusted EBITDA<sup>1</sup>

BRL million



## Cash Flow

BRL million

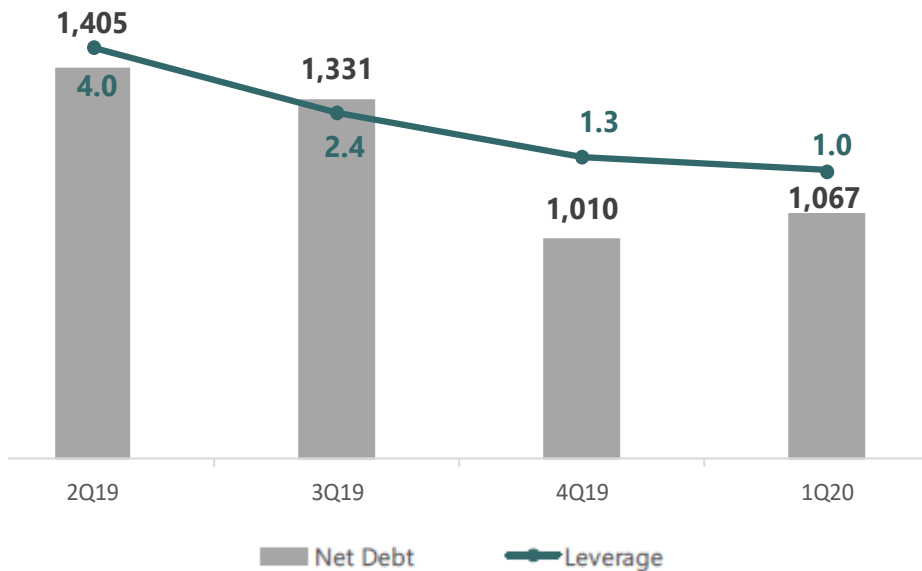


(1) Excludes VDP and provision for litigation/ (2) OCF = Operating Cash Flow | (3) Considers cash conversion = (OCF after Debt Service/Adjusted EBITDA)

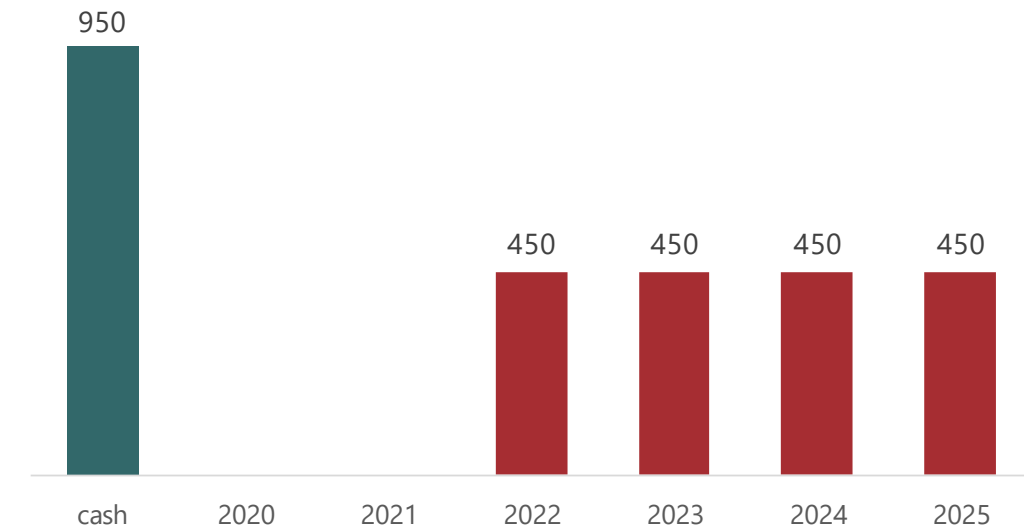
# CAPITAL structure

**ROBUST CAPITAL STRUCTURE**, WITH STRONG CASH GENERATION AND LOW LEVERAGE

**Net Debt<sup>(2)</sup> (BRL million) and Leverage<sup>(1)</sup>(x)**



**Amortization Schedule 1Q20 (BRL million)**



## Rating

**STANDARD  
& POOR'S**

### Rating

BB- | br.AAA

### Outlook

Stable

### Revised

Apr/2019

## Gross Debt: BRL1.8 billion

Average debt term  
of 4.2 years

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

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# CESP 2020

## Key Initiatives



### Operation

- Advance in the **occupational health and safety** agenda aiming at a **benchmark** position
- Continuous and discipline management of **costs and expenses**
- Advances in **automation and artificial intelligent** of critical processes



### Contingencies

- Even during a pandemic, **the negotiations adopted to reduce the contingency liability are maintained**, with financial discipline and criteria
- Release of **judicial deposits**
- **Monitoring** of the trial in the 1st instance of the **Três Irmãos** lawsuit



### Energy Trading

- Consolidation of **CESP Trading** operations
- Optimized **energy balance** management
- Focus on **medium and long term** energy **exposures**



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