

#umasó  
LIGHT

JEITO DE *SER* LIGHT

**14<sup>th</sup> Credit Suisse Annual Conference**  
September 10, 2020



# ***TURNAROUND***

generating results in 1 year

***Jun '19***

***Jun '20***



Losses Combat  
(12 months)

9,739 GWh

8,825 GWh

▼ -914 GWh



Reduction of contingencies  
(6 months)

R\$164 mn

R\$157 mn

▼ -R\$7 mn



Reduction & control of PMS  
(6 months)

R\$501 mn

R\$464 mn

▼ -R\$37 mn



Liability Management  
(Nominal cost, 12 months)

9.34%

7.12%

▼ -2.2 p.p.



## RESTRUCTURING

### COMMERCIAL AREA

Change of approx. 80% of the leadership

**Decentralization** of the commercial area's management with the creation of regional branches

Development of a loss combat plan with **diagnosis by regional branches**

**Improvement in target identification process** for inspections and normalization

**Qualification and training** of operational teams

**Insourcing of teams** with increased productivity and better ethical control



*Normalization supported by the Police*



*Training of field teams*

## SHIELDING OF POWER GRID



### CHALLENGES

Invest in **shielded grid** where measurement has already been modernized

**Regularize customers** and recover market



### DIAGNOSTIC

**Vulnerable power grid** in telemetering areas

**High loss**

**High commercial debt**

**Low presence** of public authorities

**Moderate** income



### ACTIONS

Change in grid topology **making it difficult to access** the LV grid

**Educational actions**

**Energy efficiency**  
(replacement of lamps and refrigerators)

Registration of customers in the **Social Tariff**

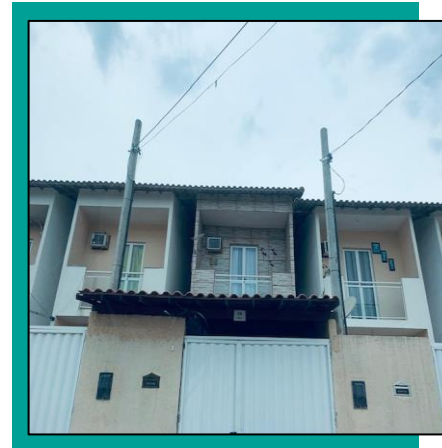


## REGULARIZATION OF CLANDESTINE INSTALLATIONS

Use the cadastral system to **identify buildings without a power grid**

**Regularization of clandestine installations** in condominiums and “irregular” buildings

**Loss reduction** focusing on **energy incorporation**



# LOSSES BY REGIONAL

## % TOTAL LOSSES

## GRID LOAD

Jun' 20 | 12 months

**8,825 GWh**  
Total Losses  
(Jun' 20)

**25.29%**  
Total Losses/  
Grid Load

**6,351 GWh**  
Non-technical  
Losses  
(Jun' 20)

**35%**  
in possible areas  
**65%**  
in risk areas

**205 GWh** | **2.3%**  
of Light's losses

Barra do Pirai  
Três Rios  
Volta Redonda

**3.1%**  
of  
losses in  
the regional

Vale do Paraíba

Baixada

East

West

Center South

**41.9%**  
of losses in  
the regional

Nova Iguaçu  
Duque de Caxias  
Belford Roxo  
São João de Meriti

**2,767 GWh** | **31.4%**  
of Light's losses

**35.9%**  
of losses in  
the regional

Penha  
Méier  
Cascadura  
Ilha do Governador

**2,285 GWh** | **25.9%**  
of Light's losses

**10.9%**  
of losses in  
the regional

Zona Sul  
Centro  
Tijuca  
Barra da Tijuca  
Recreio

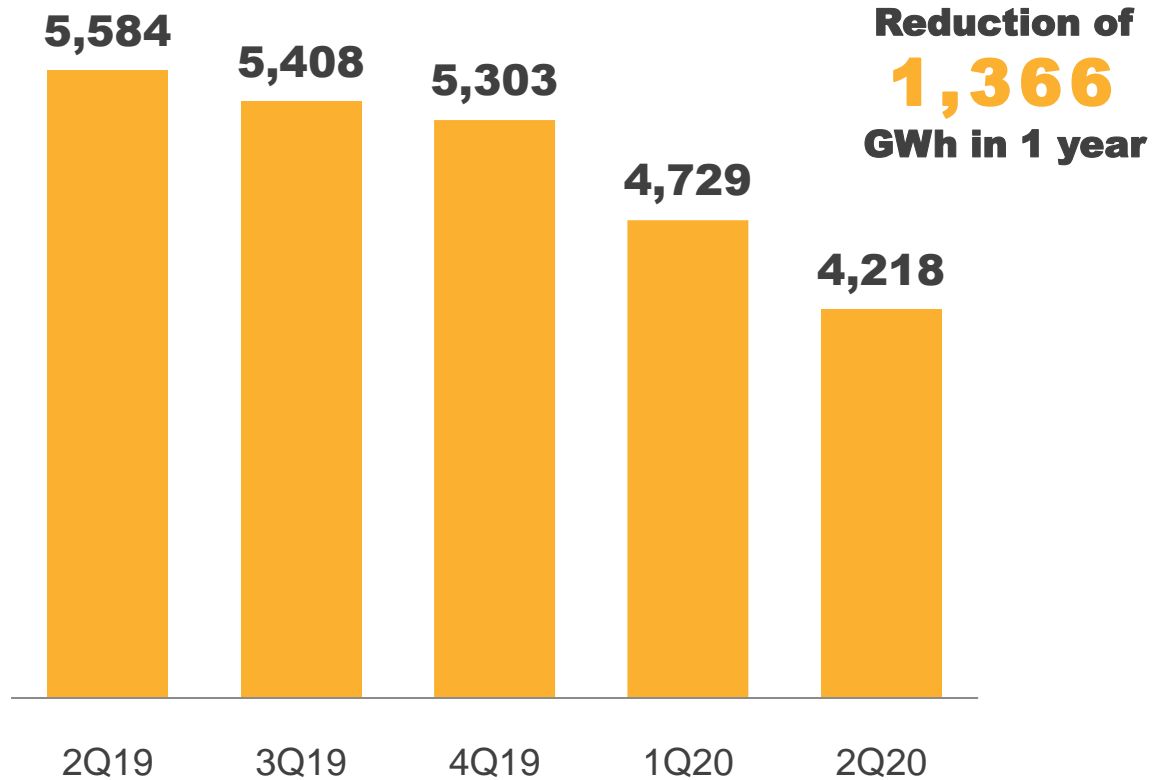
**781 GWh** | **8.8%**  
of Light's losses

**34.3%**  
of losses in  
the regional  
Jacarepaguá  
Bangu  
Campo Grande  
Santa Cruz

**2,787 GWh** | **31.6%**  
of Light's losses

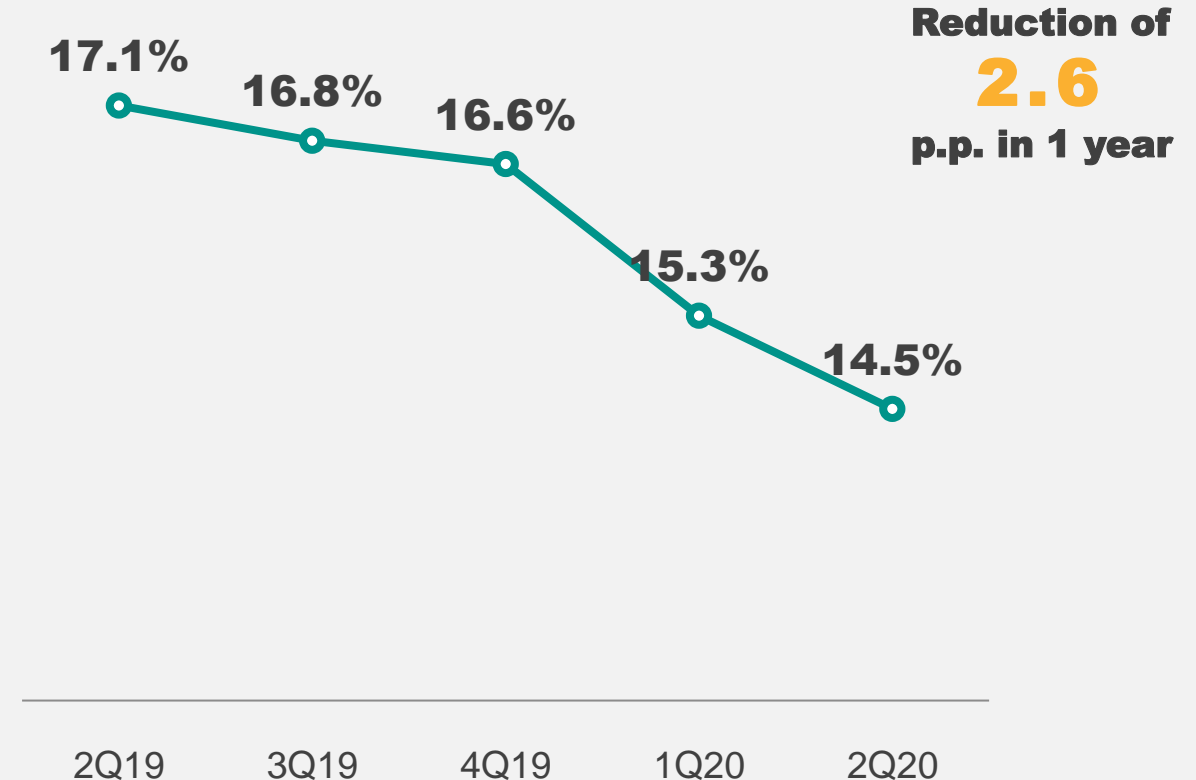
## Total Losses in Possible Areas

(GWh, 12 months)



## Total Losses / Grid Load in Possible Areas

(12 months)



**Activities focused in the Possible Areas  
with very positive results in 1 year**

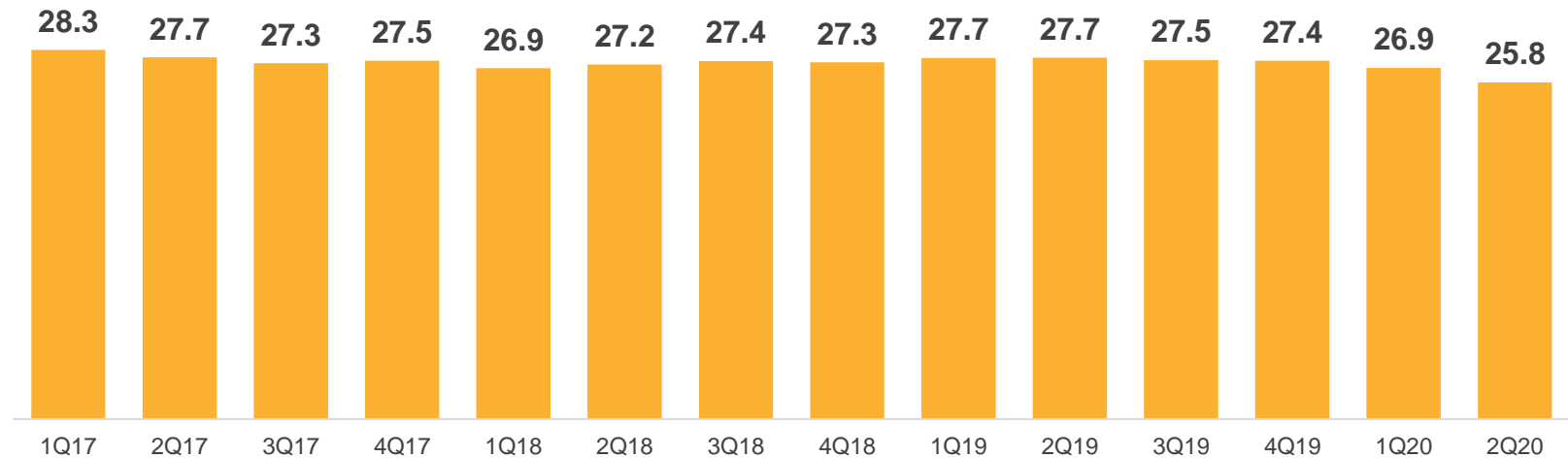
# Analysis

## Market vs. Total Losses

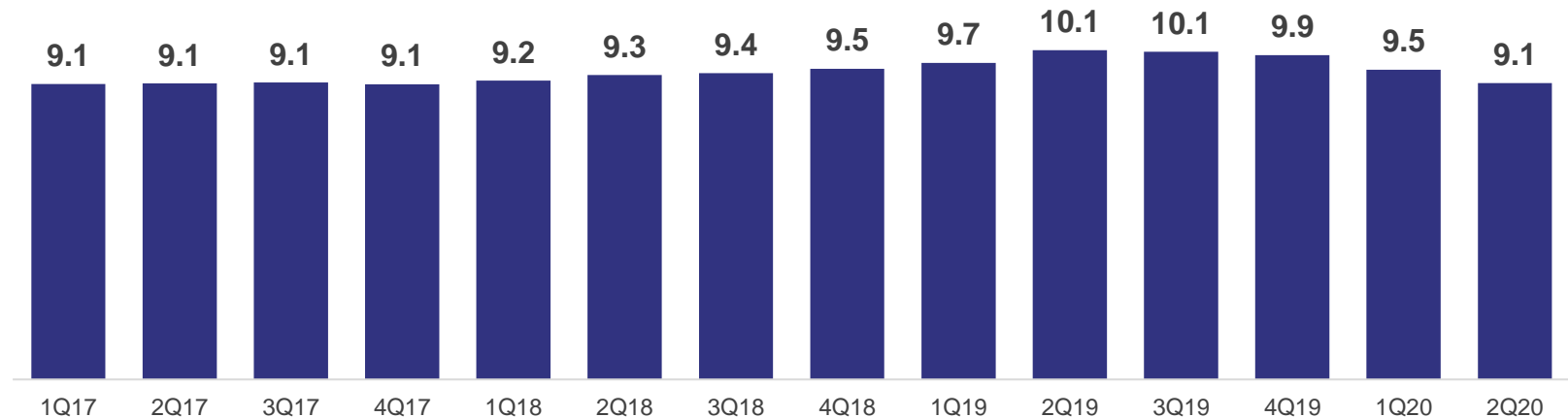
### No correlation

Long historical series demonstrate that **there is no correlation** between Billed market and Losses

**Billed Market** (12 months, '000 GWh, ex-REN)



**Total Losses** (12 months, '000 GWh, ex-REN)



## Objectives

Reduction in new lawsuits filing

Reduction in the stock of lawsuits  
(increase in termination)

Higher number of processes submitted  
to agreements

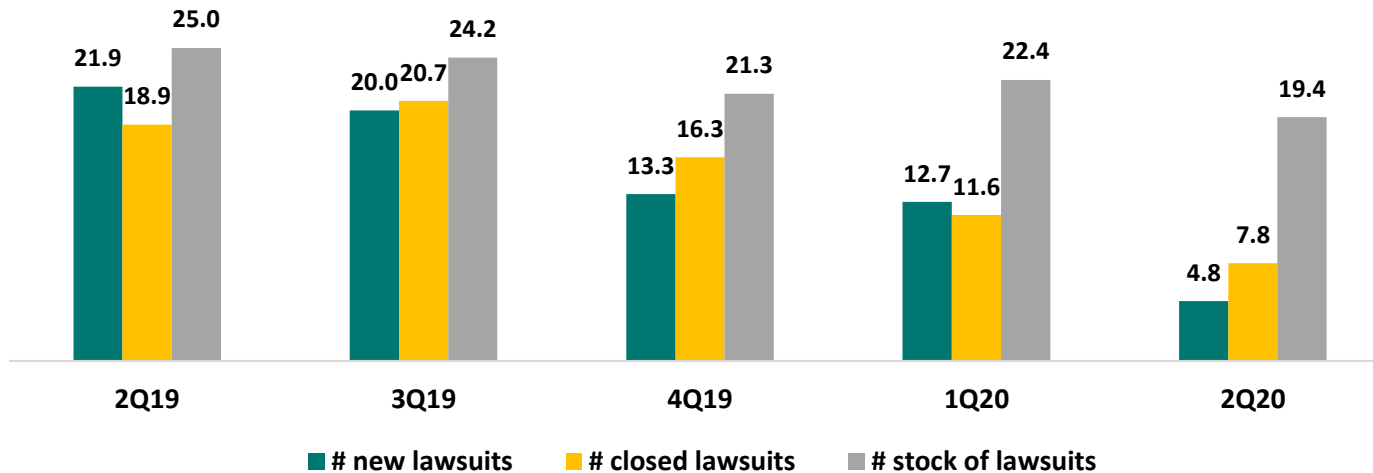
Reduction of provisions, Opex and  
contingencies

## Initiatives

- 1** Improvement of processes related to **customer relations** (shops, call center and ombudsman)
- 2** Greater **synergy** and **collaborative environment** between the **Legal** and **Commercial** areas
- 3** Extensive **restructuring of the Legal area**, with the hiring of **new professionals and law firms**
- 4** **Training** of internal lawyers, representatives and judicial experts
- 5** **Improvement of subsidies** for the Company's defenses



## Number of JEC lawsuits (‘000)



**78% reduction** in the number of new lawsuits in 2Q20 vs. 2Q19



Maintenance of the **reduction path** for the fourth consecutive quarter



**62% reduction** in the amount of provisions related to JEC lawsuits (2Q20 vs. 2Q19)



Average closing time of JEC Court process is **4 months**

1

## **August '19**

Early redemption of the 14<sup>th</sup> debenture from Light Sesa  
Prepayment of swap transactions

2

## **September '19**

Rollover of debt with Citibank at cost reduction

3

## **November '19**

Early redemption of 35% of bonds

4

## **December '19**

Issue of the 17<sup>th</sup> debentures from Light Sesa (R\$700 mn in 3 series)

Issue of 5<sup>th</sup> Promissory Notes from Light Sesa (R\$300 mn)

5

## **April '20**

Issue of the 18<sup>th</sup> debentures from Light Sesa (R\$400 mn)

6

## **July '20**

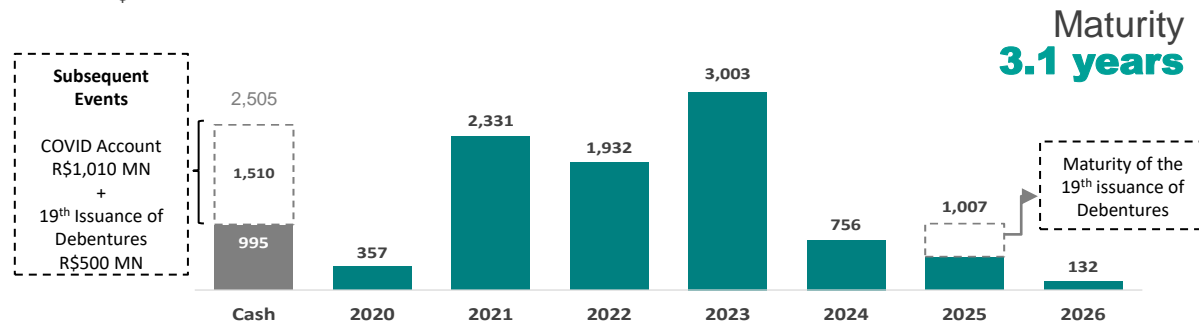
Issue of the 19<sup>th</sup> debentures from Light Sesa (R\$500 mn)

## **Permanent market monitoring**

Opportunities in the debt Market to continue the liability management agenda

## 2Q20 Amortization schedule (Consolidated)

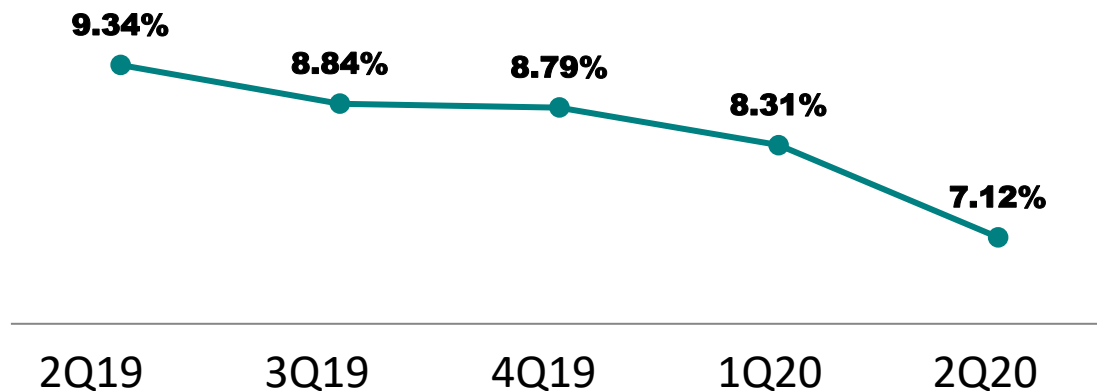
R\$ mn



**Robust cash position to face future debt maturities**

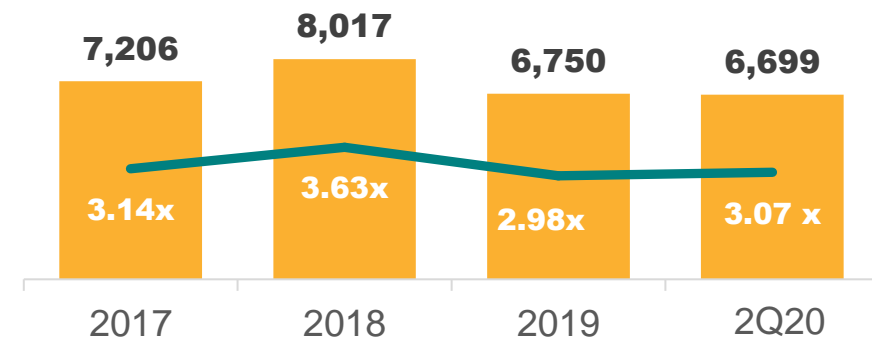
## Nominal cost of debt

12 months, R\$ mn



## Net Debt | Net Debt / EBITDA

R\$ mn | 12 months (x)



**Leverage**



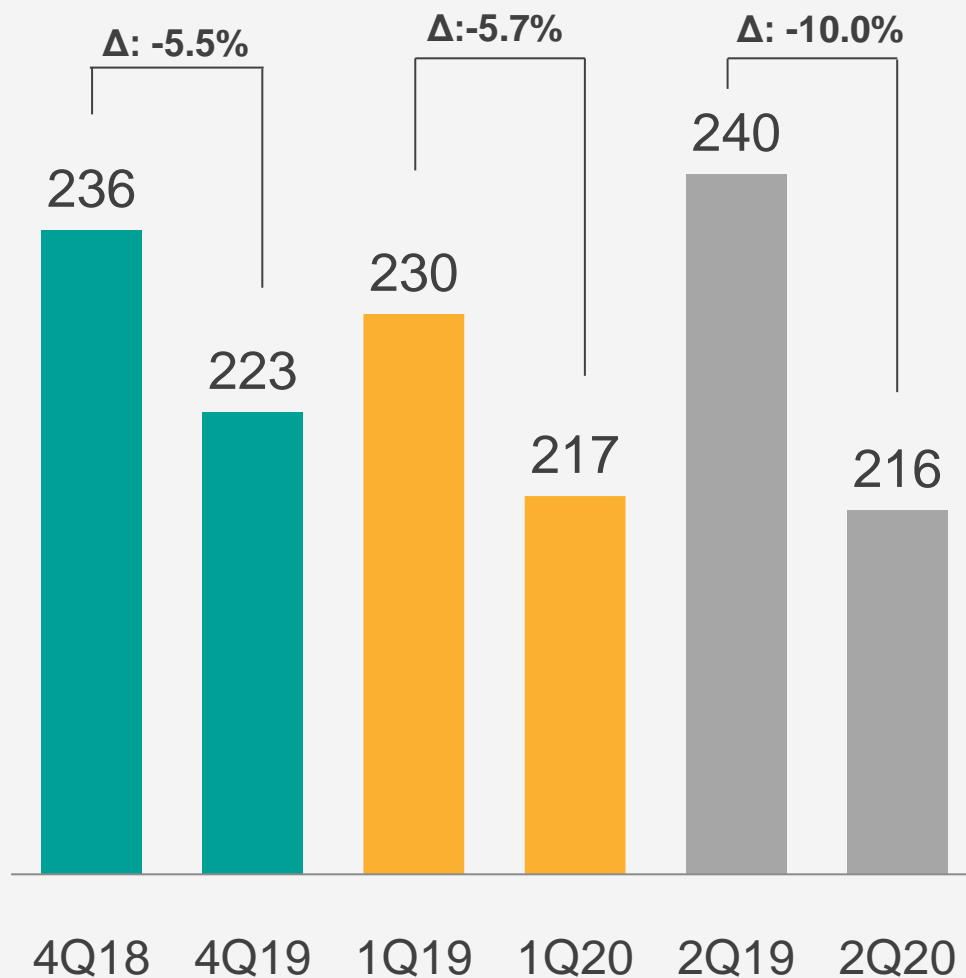
**Covenant**

**3.75<sub>x</sub>**

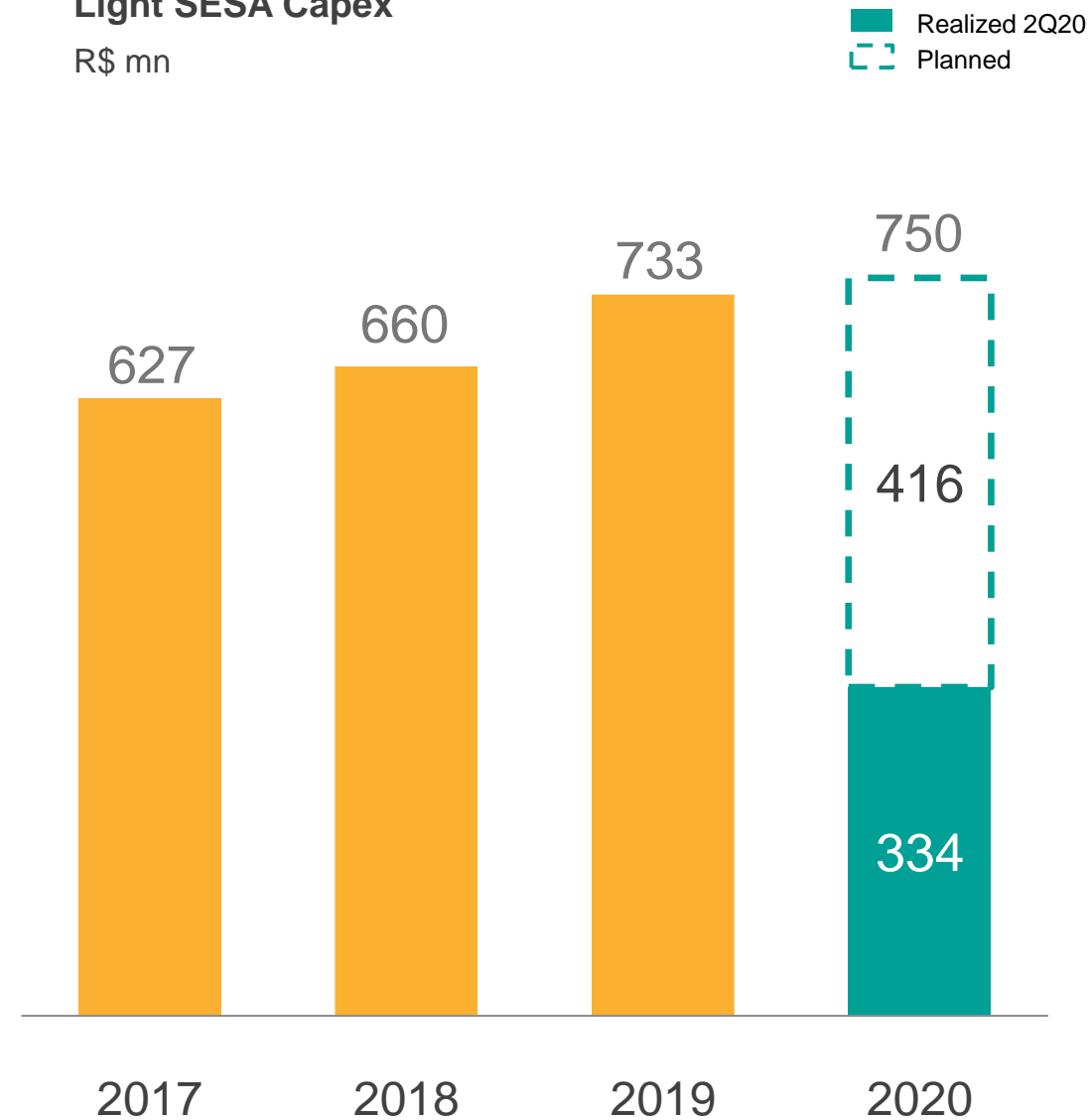
# PMS CONTROL AND REDUCTION



**Light SESA Adjusted PMS**  
R\$ mn



**Light SESA Capex**  
R\$ mn



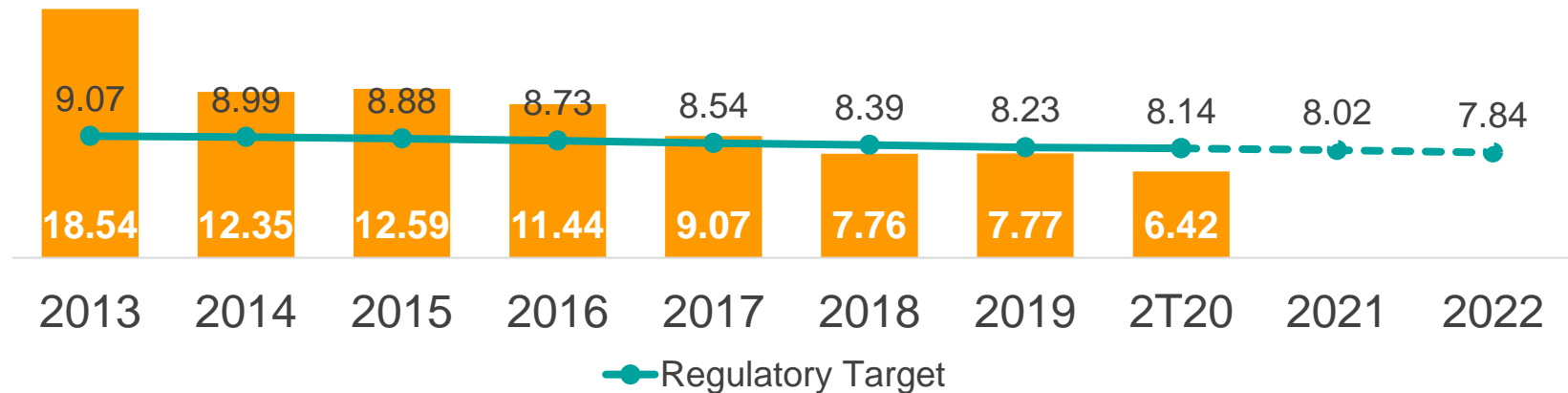


## *Excellence* in service quality

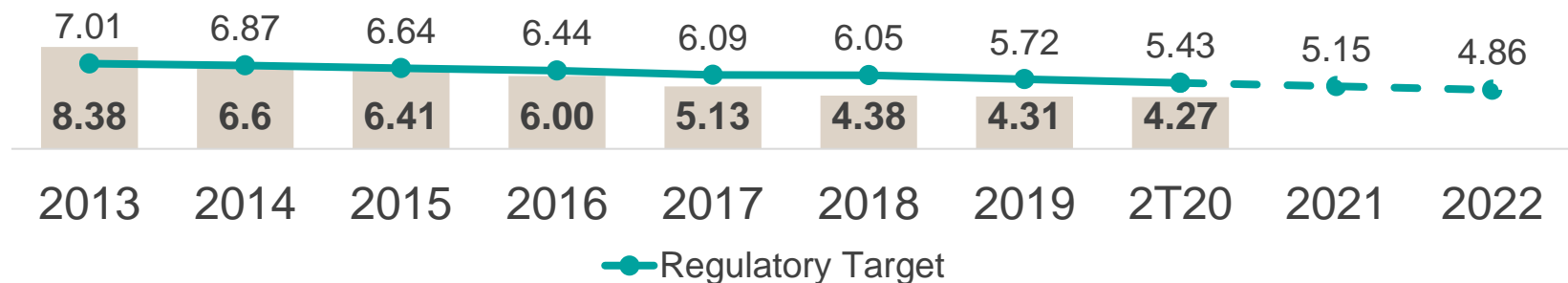
### Historical Results

**Best results** in Light's history and **below the limit** established by ANEEL

**DEC** (12 months, Jun '20)



**FEC** (12 months, Jun '20)

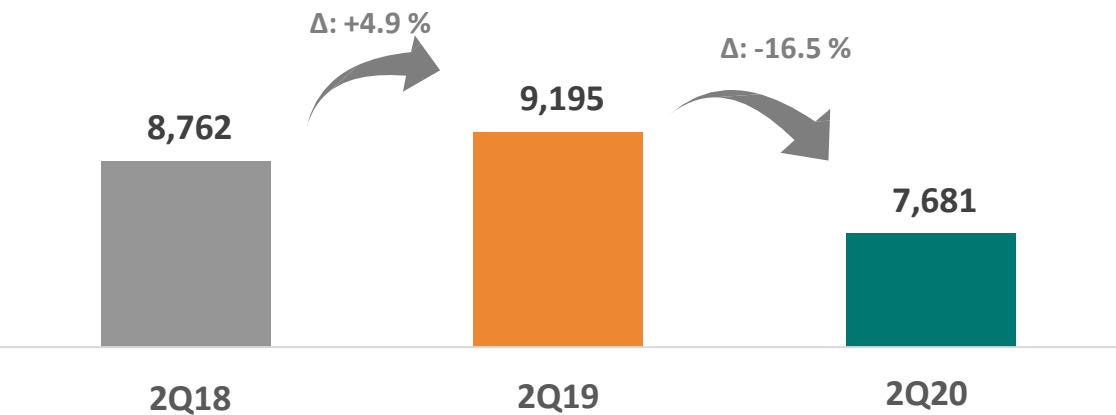


# ***2Q20 RESULTS***

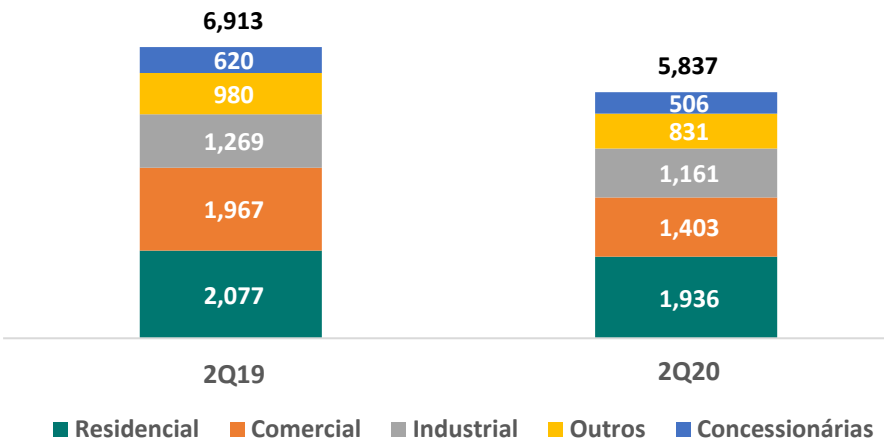
# Grid load decrease due to the effects of Covid-19, as well as lower temperature and reduction of losses



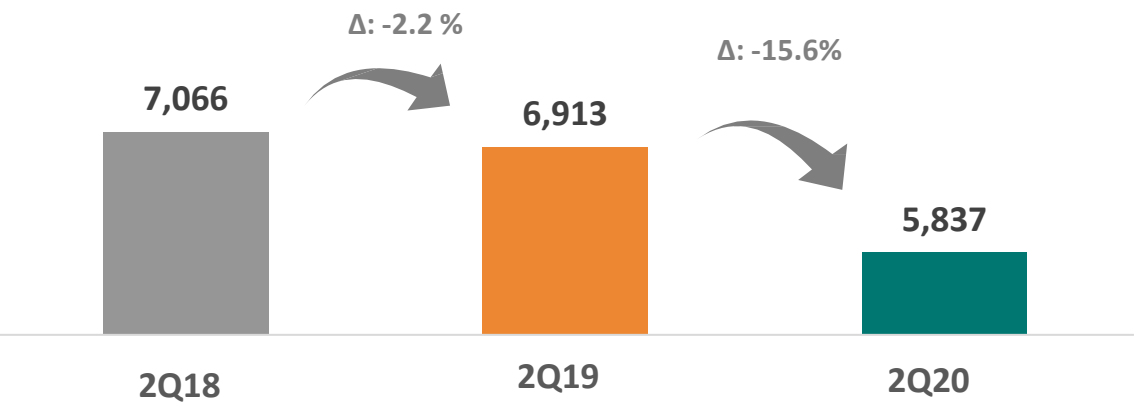
Grid Load (GWh)



Billed Market by segment (GWh)



Billed Market (GWh)



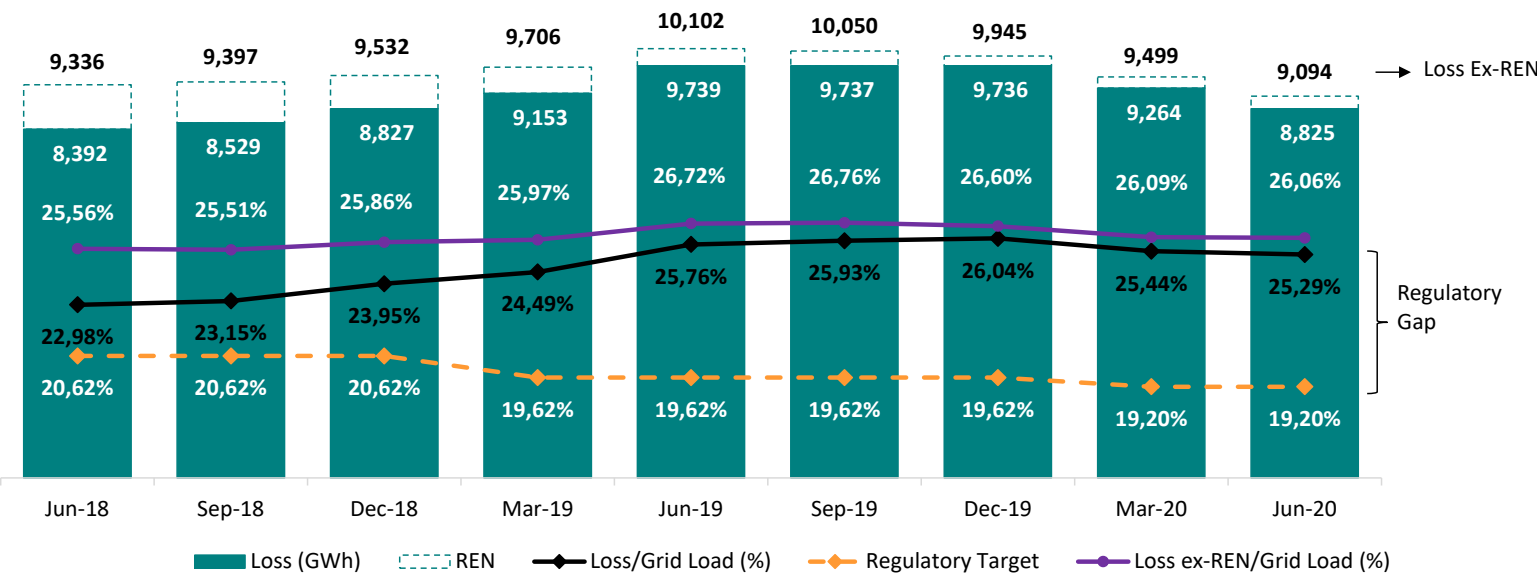
The effects of **measures to combat the pandemic** led to a **reduction** in the Commercial, Industrial and Other markets

The **economic impact of Covid-19** in the market **reduction** is estimated at approx. **R\$119 mm**

# Reduction of energy losses for the second consecutive quarter



Total Losses Evolution (12 months)



Continuity of actions initiated in Aug' 19

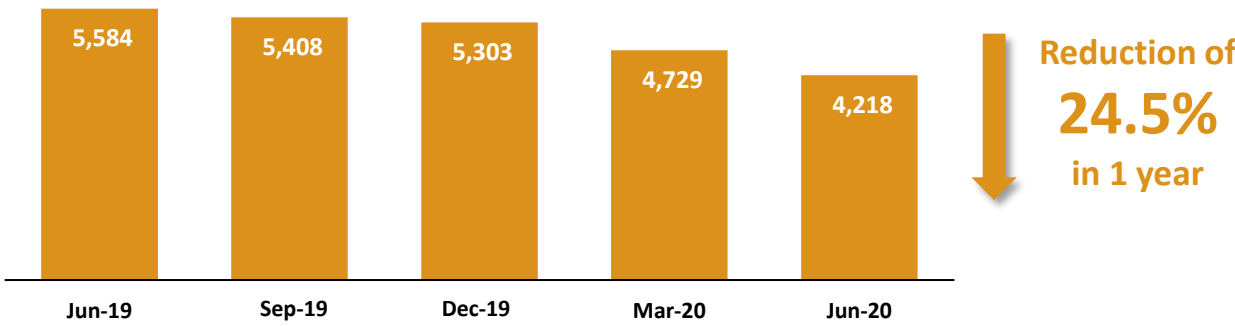
Reduction of Total Losses by 439 GWh in 2Q20 and 911GWh in 1H20

Loss combat teams strengthened with teams that were with suspended activities

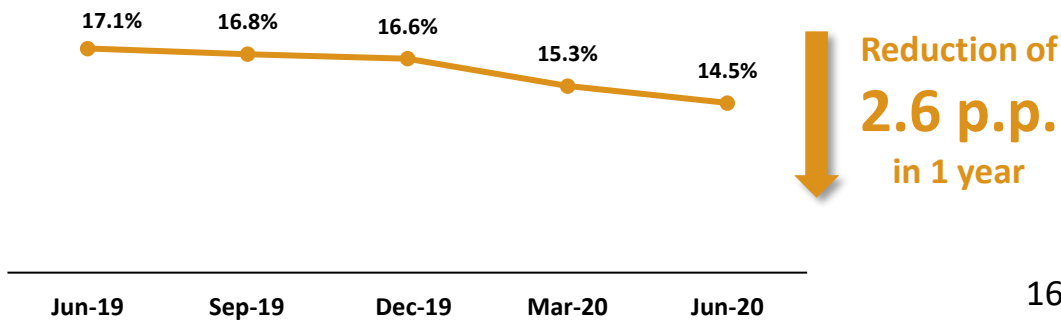
Specific actions to combat losses, according to the characteristics of each regional

Total Losses Evolution – Possible Areas

Total Losses in Possible Areas (GWh, 12 months)

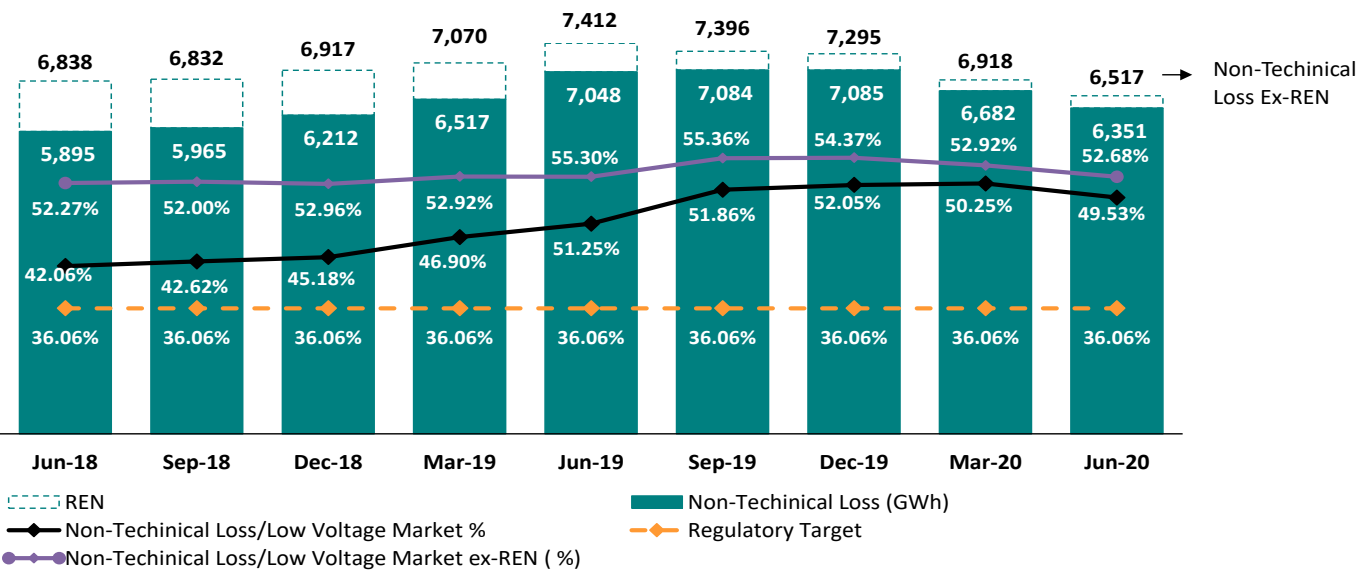


Total Losses / Grid Load – Possible Areas (12 months)

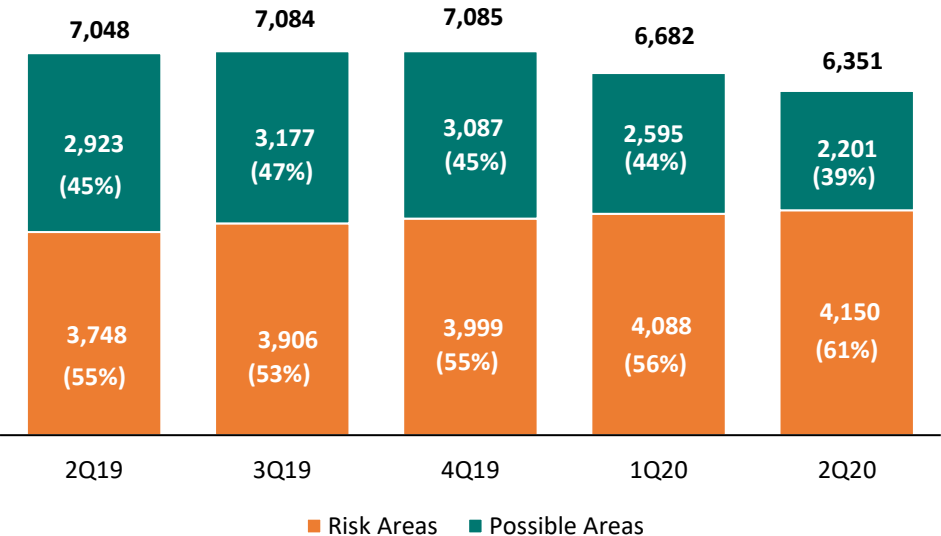




Non-technical Losses Evolution (12 months)



Non-technical Losses (GWh, 12 months)



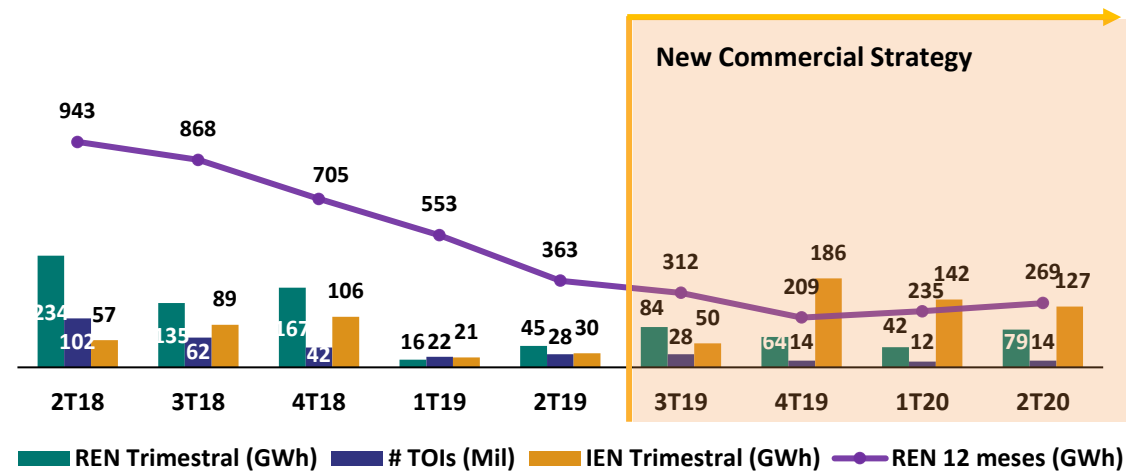
Non-technical loss in the possible areas presented **the best** figure since verification started (2016)  
PNT/Grid load in possible areas **decreased by 2.1 p.p.** in the last 6 months

Installation of **border metering** in risk areas brought **more robust data**

# IEN increase in line with the main pillar of the loss combat plan: focus on energy incorporation



Recovery Energy - REN and Incorporated Energy - IEN (GWh)



2Q20 IEN 4.2 times higher YoY

Low number of TOIs and increased energy recovered



Increased productivity of field teams

Insourcing of teams



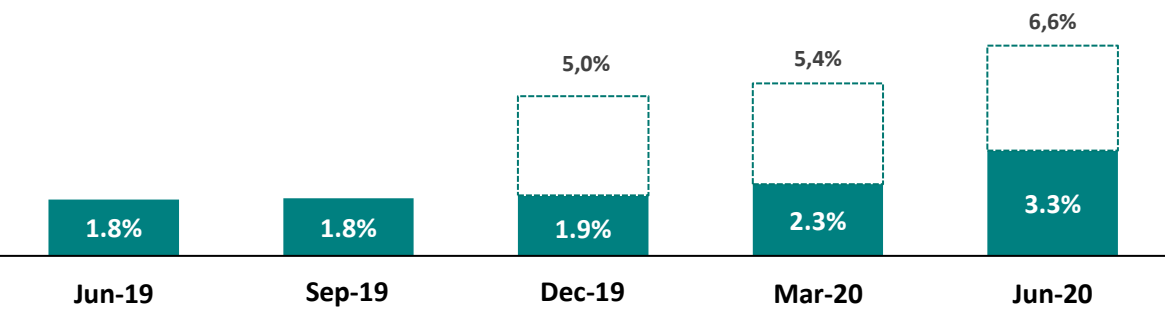
Improvement of training



Greater accuracy in target identification



Bad Debt Provision / Gross Revenue (12 months)



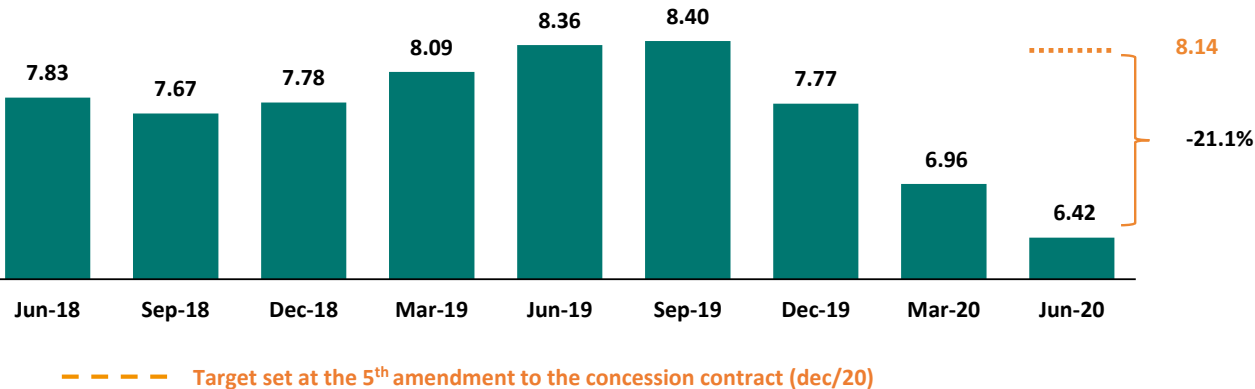
Increase in Bad debt/Gross revenue due to the **expectation of non-collection** of future bills associated with **higher increase in delinquency** during the **pandemic**

The **isolated effect of Covid-19 on Bad debt** is estimated at approx. **R\$93 mm**, considering the **aging of accounts receivable**

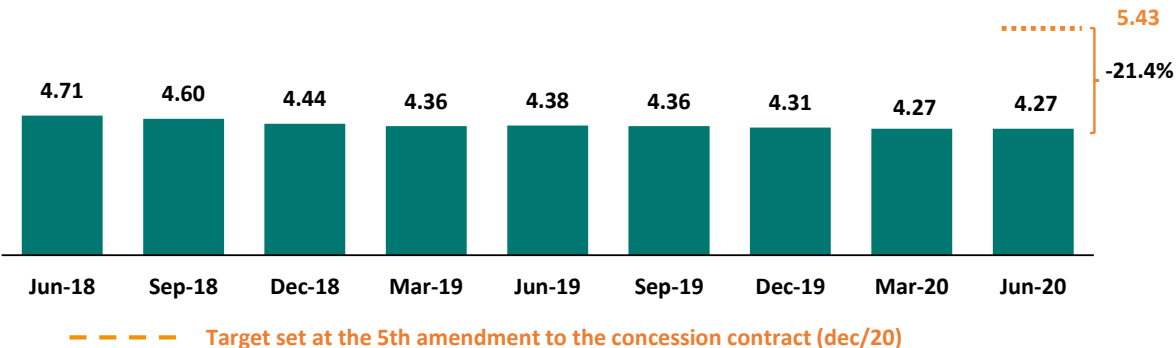
# Historic result in quality service, in line with the top and largest DisCos in the country



DEC 12 months (hours)



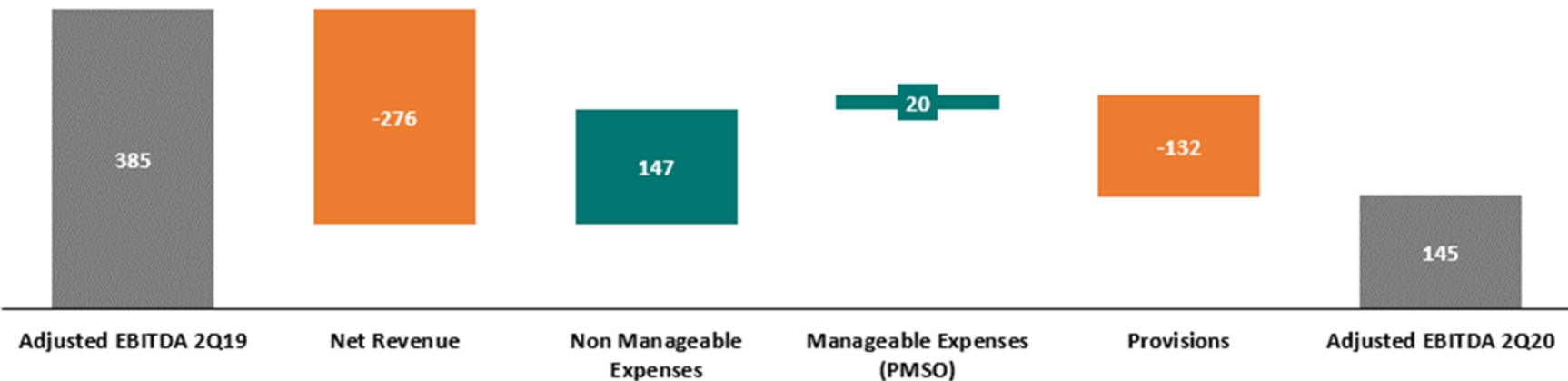
FEC 12 months (times)



# Consolidated EBITDA impacted by the effects of the pandemic on the Distribution business, despite the operational improvement



Amounts in R\$ mn



Estimated economic impact, exclusive of the pandemic, on Disco’s EBITDA

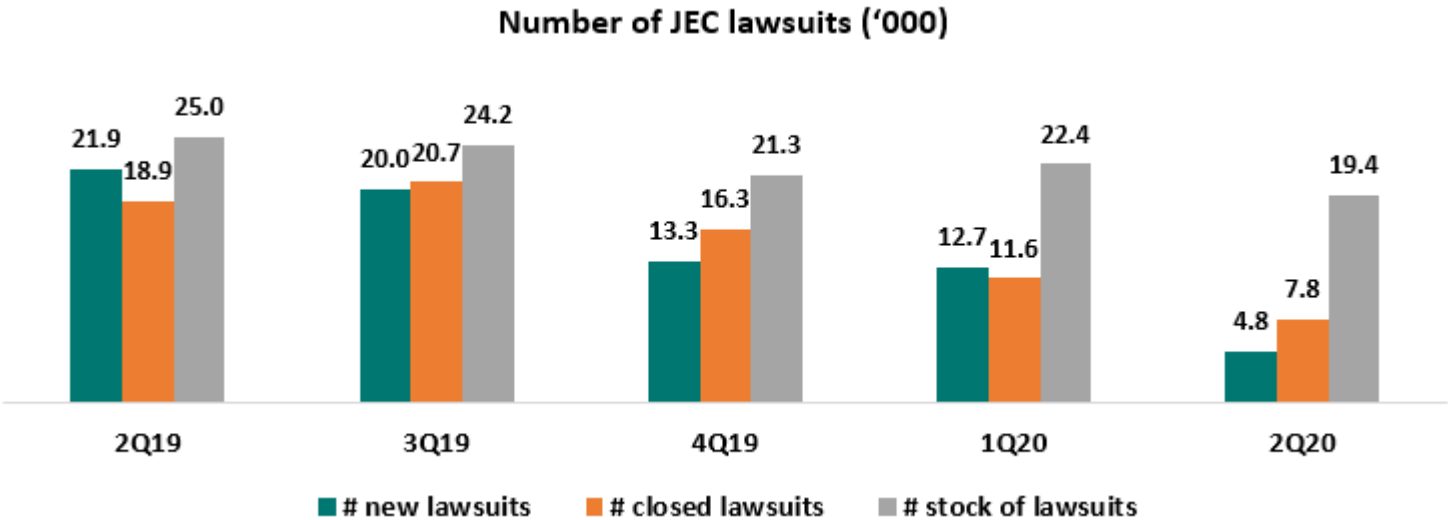
| Impact on EBITDA (R\$ MN)       | Δ     |
|---------------------------------|-------|
| Parcel B + Non-technical losses | (119) |
| PECLD                           | (93)  |



# Reduction in JEC provisions due to lower new litigation for the fourth quarter in a row



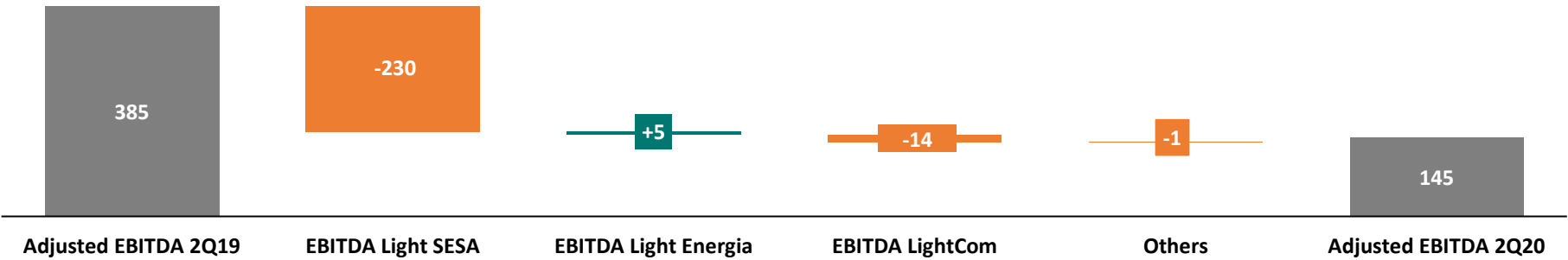
| Provisions (R\$ MN) | 2Q20 | 2Q19 | % Change<br>2Q20/2Q19 |
|---------------------|------|------|-----------------------|
| JEC                 | (21) | (54) | -61.9%                |
| Civil               | (38) | (32) | 18.8%                 |
| Others              | (9)  | (3)  | 254.0%                |
| Total               | (68) | (88) | -23.4%                |



# Improvement in the Distribution business hurt by the effects of the pandemic



Amounts in R\$ mn



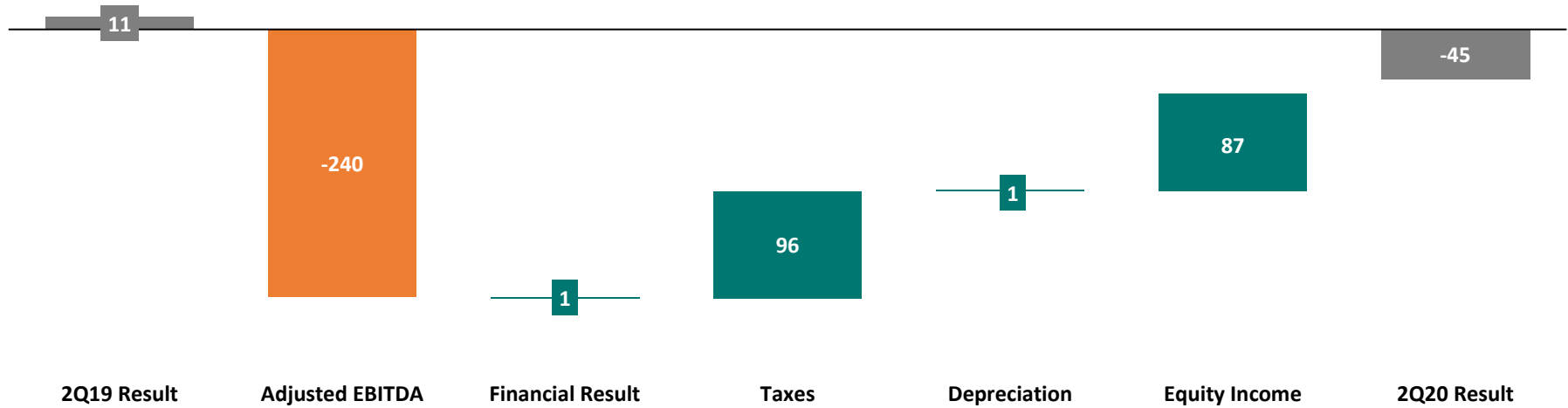
The reduction in the DisCo's EBITDA is due to the **impacts of the pandemic**, despite the **Company's operating improvement (decrease in losses, OPEX and legal contingencies)**

The increase in the GenCo's EBITDA is explained by the **reduction in operating costs and expenses in 2Q20**

# Net Result also negatively impacted by the pandemic

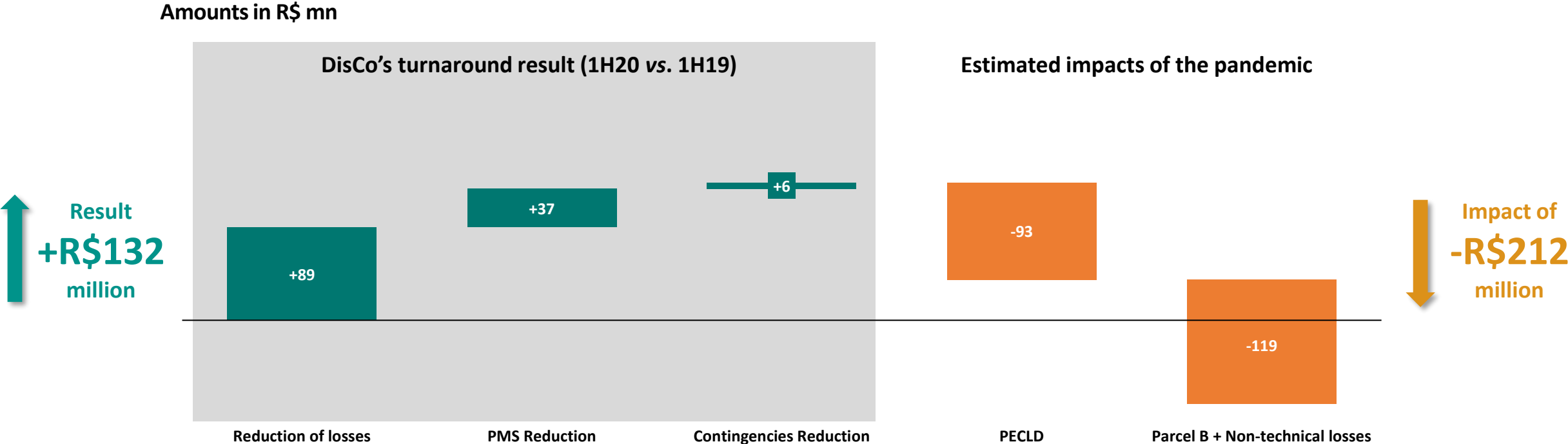


Amounts in R\$ mn



Net Result impacted by the **pandemic**, despite the lower **tax collection** and improved **Equity Income**

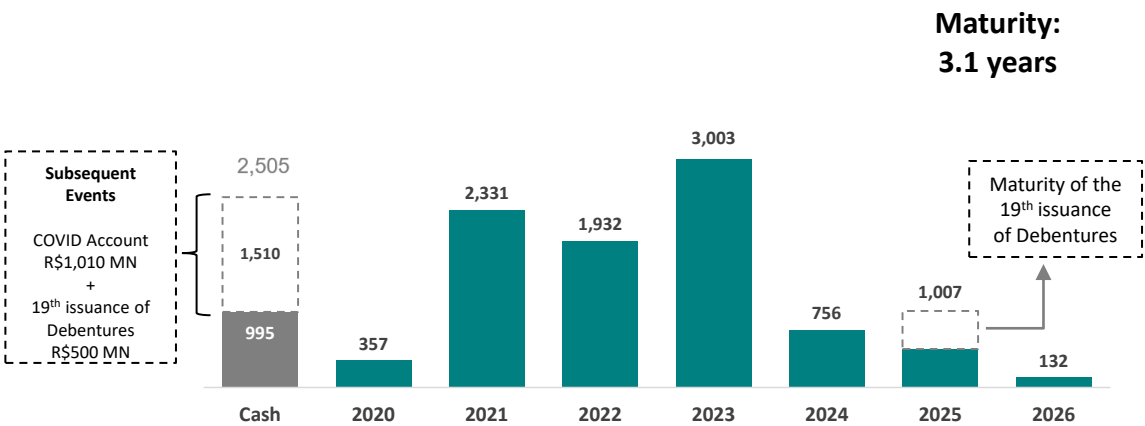
# Impacts of the pandemic overshadowed the DisCo's turnaround result



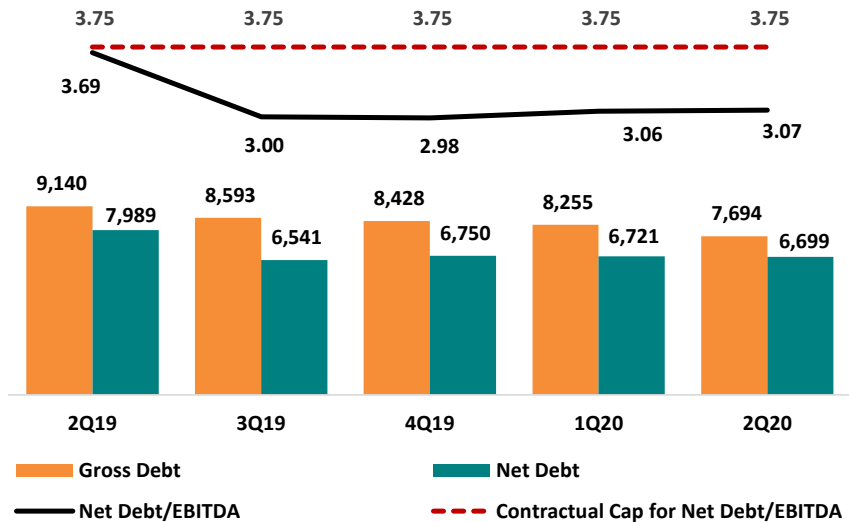
The positive effects of turnaround will remain, while the impacts of the pandemic are transient and should be addressed at the regulatory level



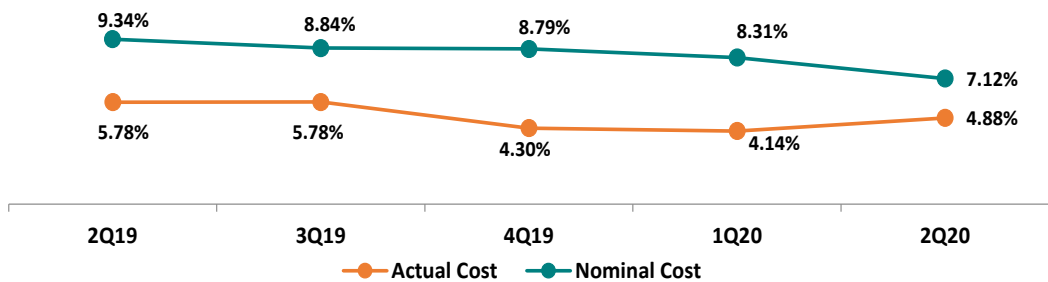
2Q20 Consolidated debt amortization with subsequent events (R\$ mn)



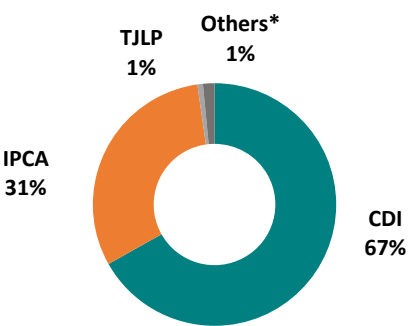
Net debt (R\$ mn) & Net Debt/EBITDA (x)



Debt costs



Debt Indexes



\* Equivalent to the sum of fixed cost, Libor and the U.S. dollar exchange rate variation

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