



3Q20 RESULTS PRESENTATION



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highlights 3T20



GSF update



contingencies



energy market



financial performance



key initiatives

3Q20 HIGHLIGHTS



COVID-19

- ✓ **82% of CESP employees are working from home**, considering plants and headquarters
- ✓ Adoption of contingency protocols in order to guarantee the **operations of the 3 plants**



OPERATIONAL EFFICIENCY

- ✓ **1,040 Avg. MW** energy generation, **~10%** above the Company physical guarantee
- ✓ **Availability Index of 95%** in 3Q20, consistently higher than the reference values defined by ANEEL, reflecting the adequate maintenance management and the good performance of the operational generation assets



FINANCIAL PERFORMANCE

- ✓ Net Operating Revenue growth of **14%** in 3Q20, reaching **BRL 471 million**
- ✓ **Adjusted EBITDA¹ of BRL 236 million** in 3Q20 with an adjusted EBITDA margin **of 50%**
- ✓ **Reduction** of total contingent liabilities by **BRL 123 million²** in 3Q20, of which **BRL 34 million in probable**
- ✓ **BRL150 million of operating cash flow** generation after debt service, with a **cash conversion³ of 64%** in 3Q20
- ✓ **12th Issuance of Infrastructure Debentures** in the amount of BRL1.5 billion at a rate of IPCA + 4.30% p.a. and a 10-year term.
- ✓ **Payment**, in October/20, of **BRL 196 million in dividends** (BRL 0.60/share) deliberated in March/20



ENERGY TRADING

- ✓ **2020 energy balance equalized**
- ✓ **Acquisition of ~90% of the energy** needed to cover the 2021 energy deficit
- ✓ **New energy sales contracts** for the period from 2023 to 2025

(1) Excludes, VDP, provision for litigation and write-off of judicial deposits | (2) Before monetary adjustment and interest | (3) Cash conversion = OCF after Debt Service/Adjusted EBITDA. Includes the postponed amount of BRL14 million PIS/COFINS according to the ordinances of the Ministry of Economy. Disregarding this effect, the cash conversion would be 70%.



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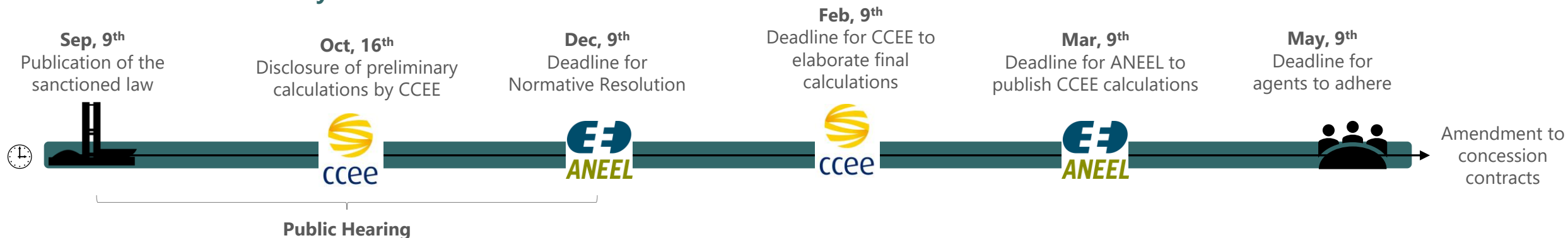
key initiatives

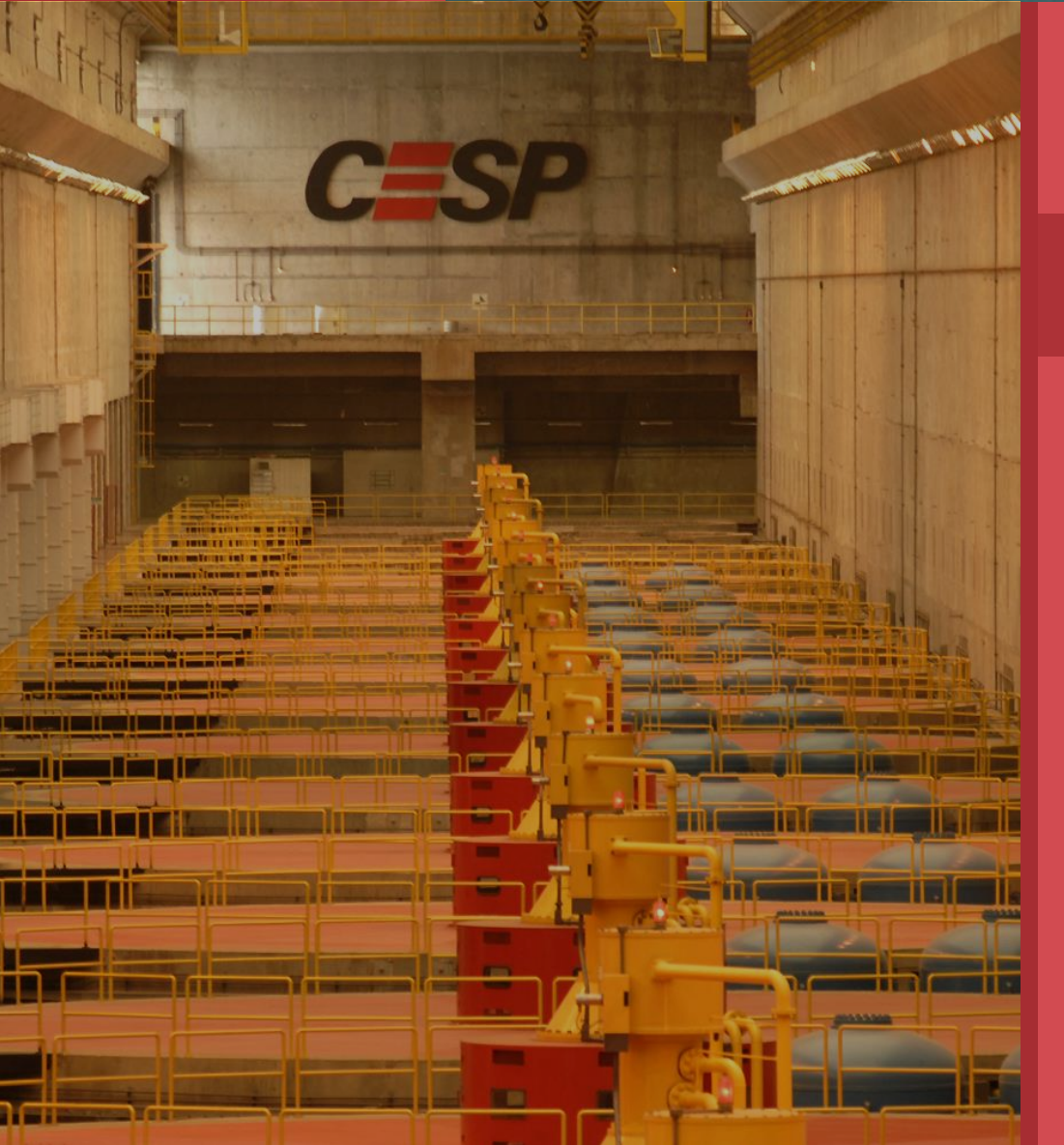
- Law N°. 14.052/2020, established the **new conditions for renegotiating the hydrological risk**, by **extending the granting periods** for the hydroelectric plants participating in the Energy Reallocation Mechanism ("MRE")
- ANEEL released, in the scope of the **public hearing** for the regulation of said law, the result **of the preliminary calculations of extension** of the granting terms, considering the following, **main premises**:
 - total period of 102 months (from March/12 to August/20)
 - IPCA plus zero, to update the amount spent

Preliminary result for CESP:

- HPP Porto Primavera: 7-year extension, limit permitted by law
- HPP Paraibuna: 269 days (~9 months)
- CESP is not part of lawsuit** and has no amounts to pay, with enforceability suspended in the financial settlement at CCEE, **not depending on cash disbursement** for the renegotiation option

Schedule released by CCEE:





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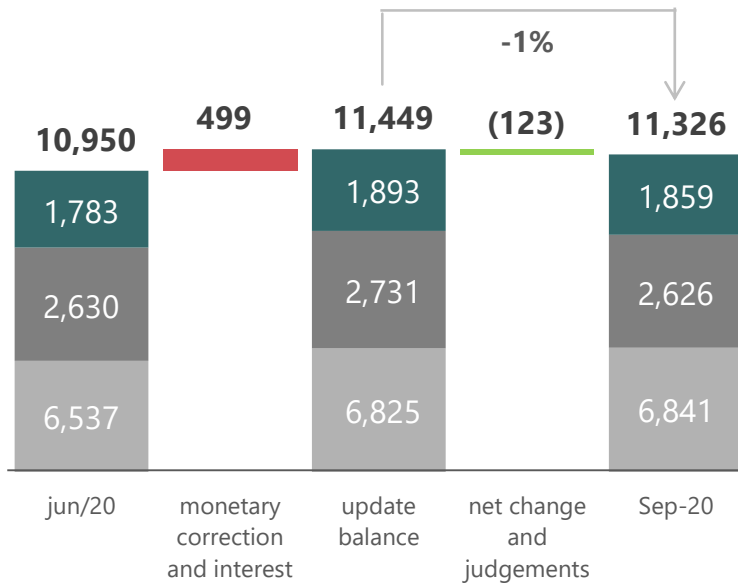


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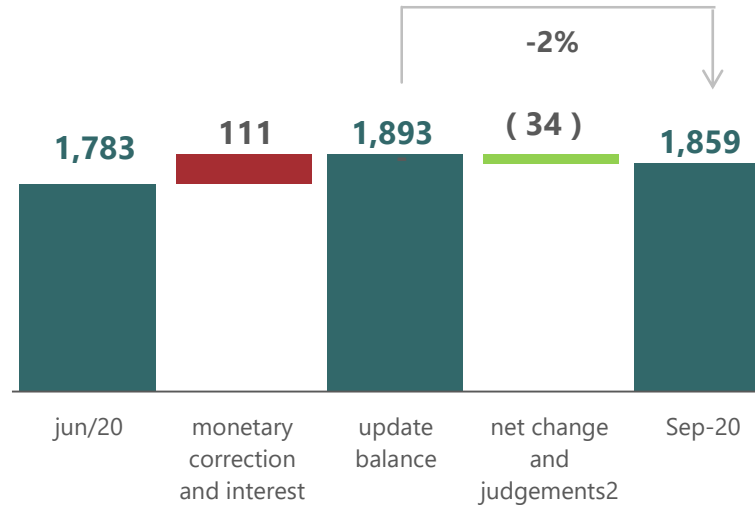
CONTINGENT liability

TOTAL CONTINGENT LIABILITY REDUCED BY **BRL123 MILLION¹** AND **BRL 34 MILLION¹** IN PROBABLE IN 3Q20

Contingent Liabilities – 3Q20 Variation
(BRL million)

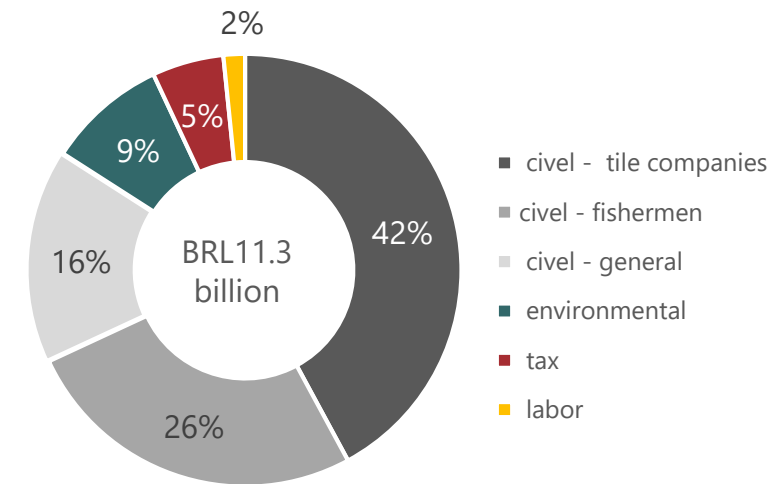


3Q20 Probable Variation
(BRL million)



probable possible remote

Total Contingent Liability Breakdown



Proactive management of contingent liability resulted in definitive favorable decisions for CESP and **extinction of 216 lawsuits**

The **increase** in the monetary correction of contingent litigation is the result of the increase in the **IGPM Index** (~ 9.3%) in 3Q20

45 cases account for **~73%** of the total contingent liability

(1) Before monetary correction and interest | (2) Cash effect: BRL12 million

CONTINGENT asset

TRÊS IRMÃOS LAWSUIT

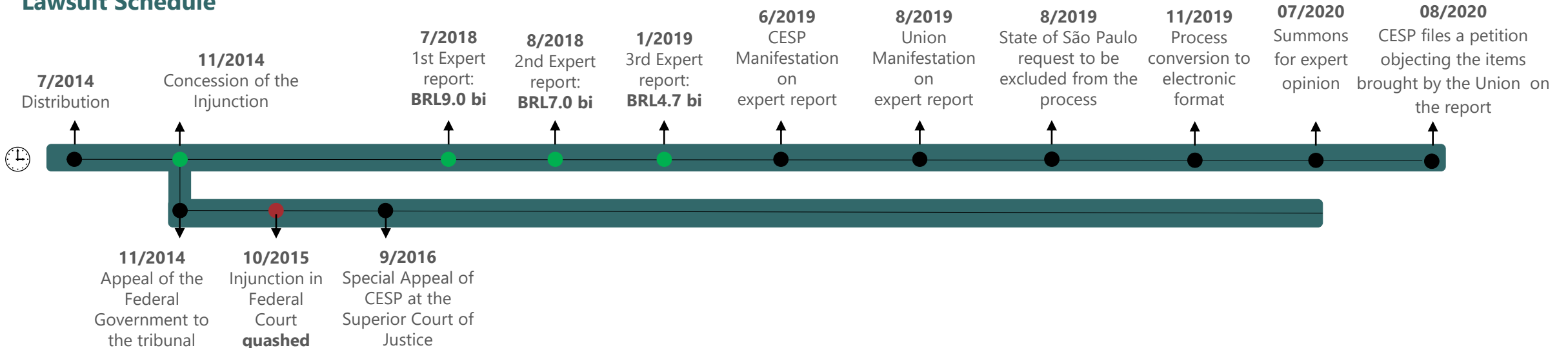
LAWSUIT THAT DISCUSSES THE COMPENSATION DUE TO THE NON-RENEWAL OF THE TRÊS IRMÃOS HPP CONCESSION

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

The value is composed of⁽¹⁾:

Plant: **BRL1.9 bi** Floodgate/Canal: **BRL1 bi** Land: **BRL1.8 bi**

Lawsuit Schedule



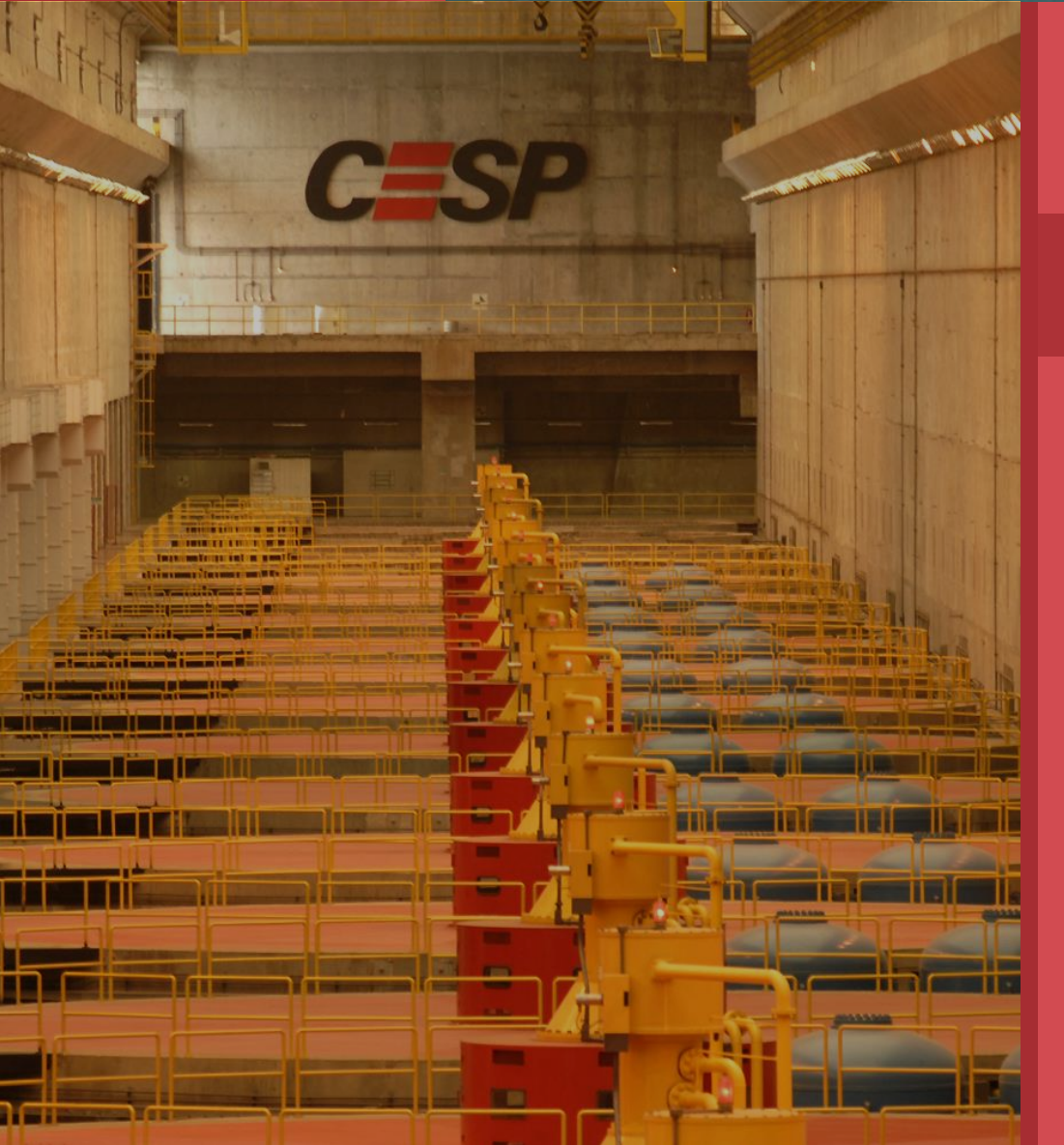
Last Step: First Instance Lawsuit

- Corrections in the lawsuit digitalization process
- Judge determines the **expert's opinion regarding** the Union's questions about the report (**deadline for manifestation 15 working days** after correction of the lawsuit digitalization process)
- CESP files a petition objecting the items brought by the Union on the report

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) Before the impacts of monetary correction



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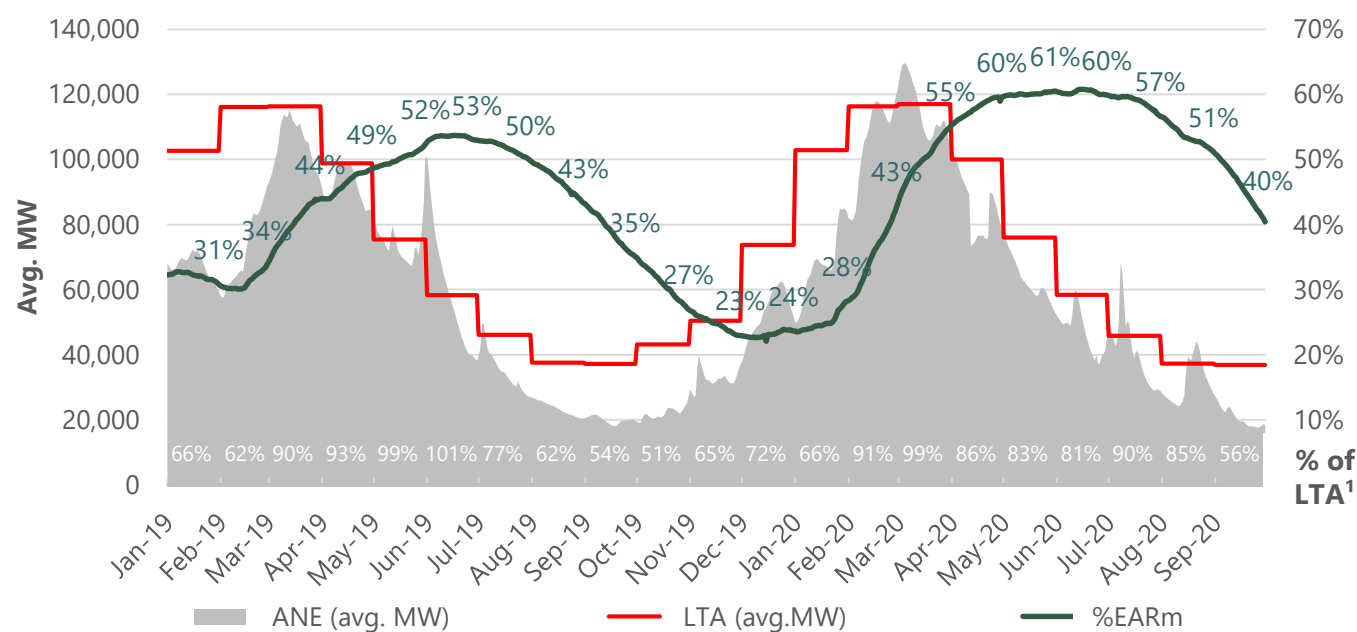
financial performance



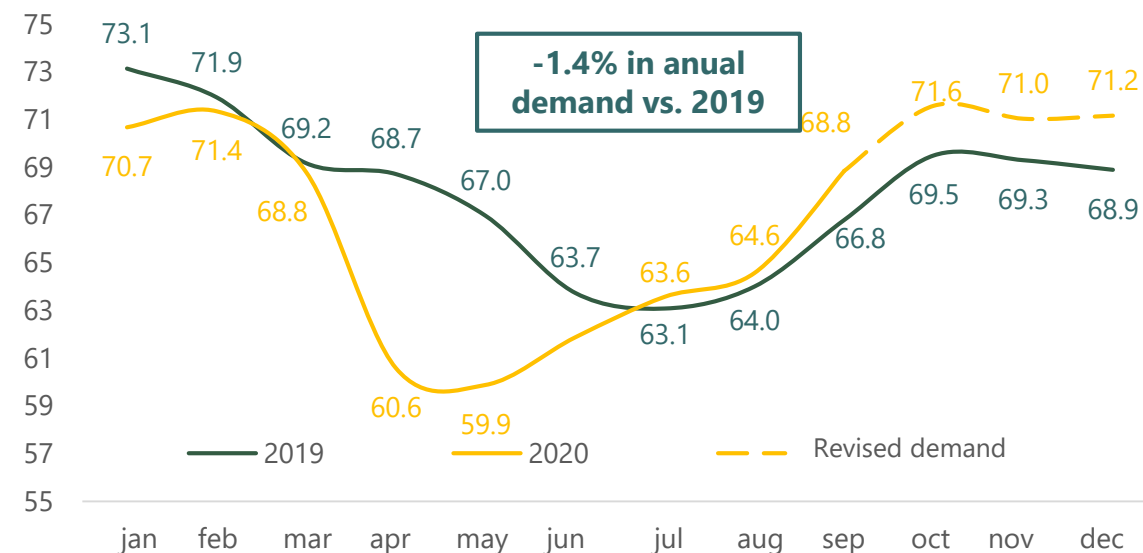
key initiatives

THE RESUME OF **ECONOMIC ACTIVITY** AND **HIGH TEMPERATURES** IN 3Q20 **RAISED THE ENERGY DEMAND BY 1.6%** COMPARED TO 3Q19

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



Demand Evolution and Projections of ONS/EPE¹ (Avg.GW)



The increase in the energy demand combined with the inflows below the historical average, contributed to the depletion of the **reservoirs, which reached 40%** at the end of Sep/20 (35% in Sep/19)

2.9% increase in energy demand forecast¹ for the 4Q20 compared to the 4Q19

Review of the **GSF** projected by CCEE for 2020 from 80%, at the end of Jun/20, to the **current 81%**

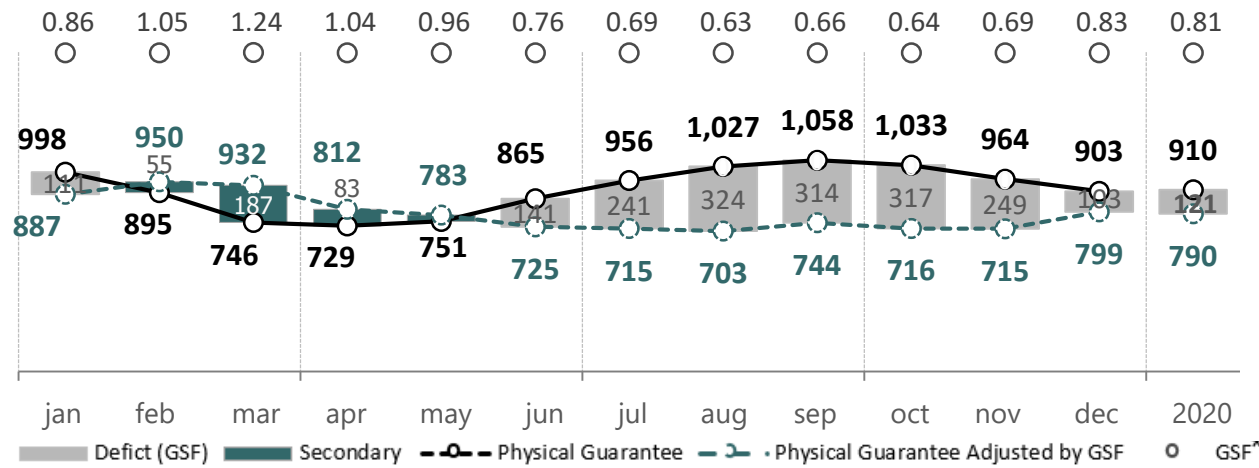
ENERGY balance 2020

Rising GSF levels due to increased energy consumption as of July 2020 on

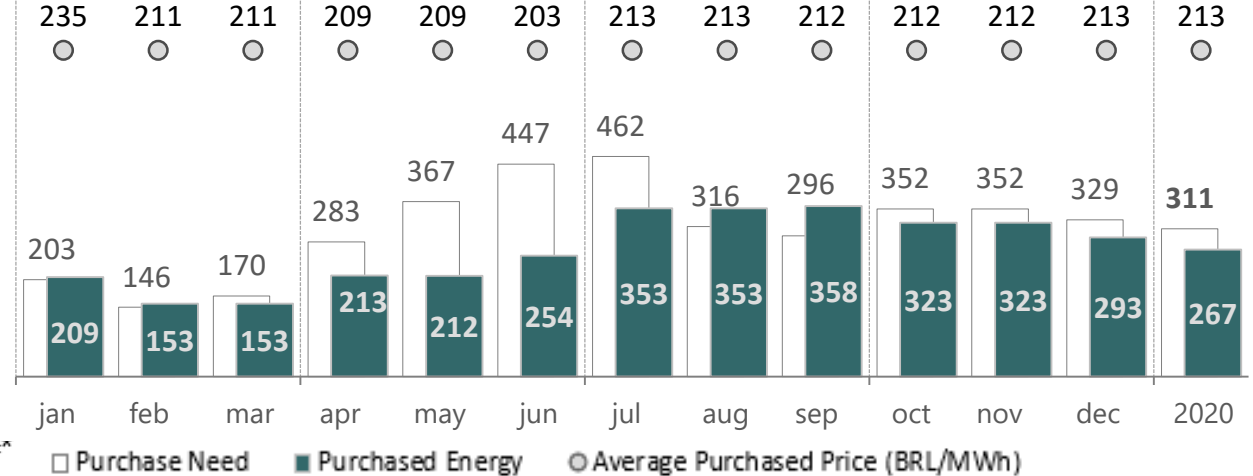
Negative annual exposure due to the **short position** between April and July, **held for credit management at CCEE**

Acquisition of ~ 90% of the 2021 exposure

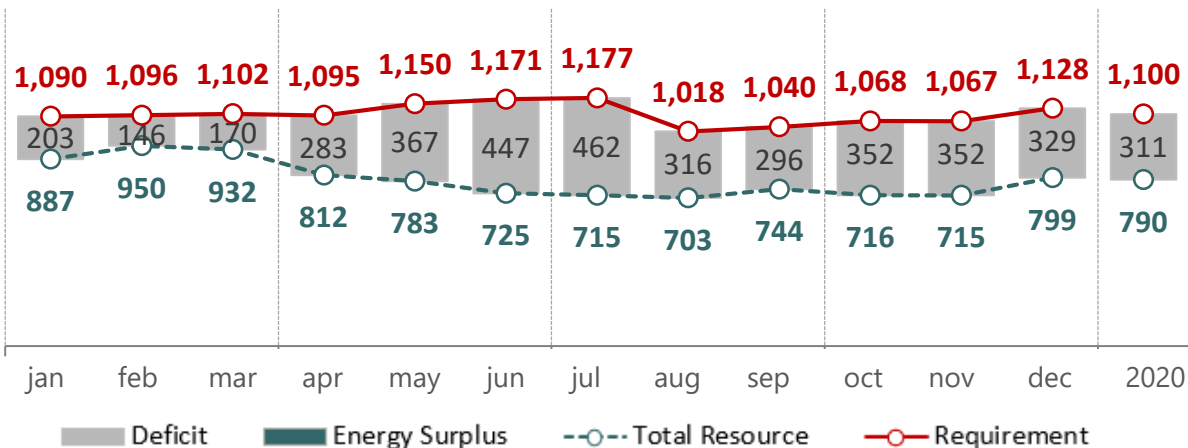
1. Gross Physical Guarantee and Adjusted Physical Guarantee (Avg. MW)



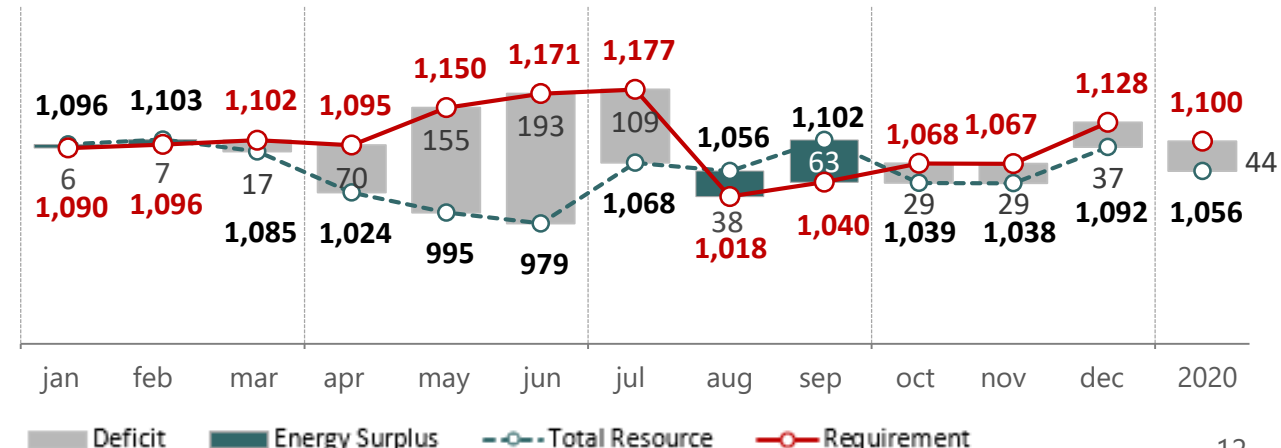
3. Energy Deficit¹ versus Energy Purchases² (Avg. MW)



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



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





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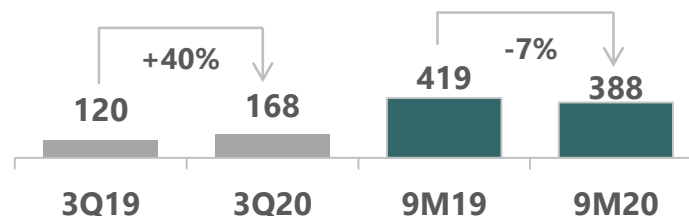
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FOCUS on **cost discipline**

FOCUS ON **EFFICIENCY AND FINANCIAL DISCIPLINE** ALLOWS REDUCTION IN COSTS AND EXPENSES ON STAFF, SERVICES, MATERIALS AND RENTALS



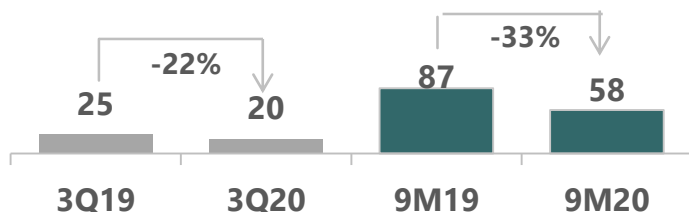
Energy purchases



In line with the **seasoning strategy**, an average 355 MW was acquired in 3Q20, 53% above the volume of 3Q19, at an average price of BRL213/MWh, **8% below the price of 3Q19**



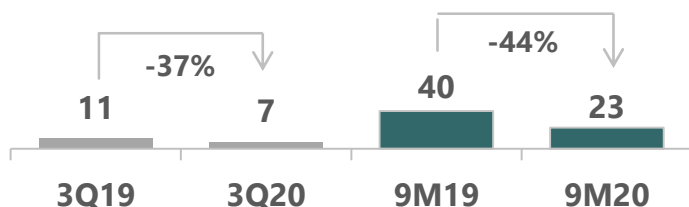
Personnel and Administrators¹



Review of the organizational structure and **reformulation of the management model** with a reduction in the number of employees



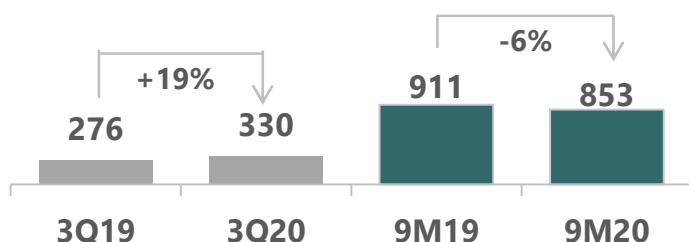
Third Party Services, Materials and Rents



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



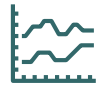
Total Costs and Expenses²



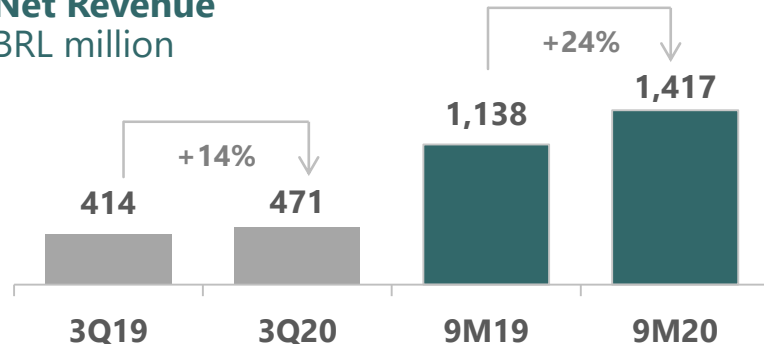
Increase in total costs and expenses, in the quarterly comparison, mainly due to the one-off increase in energy costs
In the nine-month period, the reduction reflects the company's focus on cost discipline

FINANCIAL performance

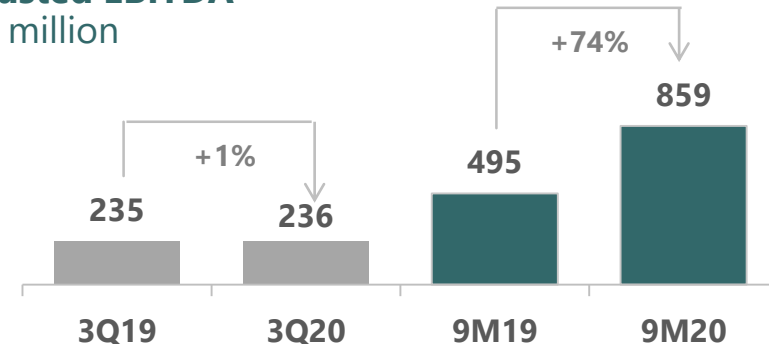
ENERGY BALANCE MANAGEMENT AND COST DISCIPLINE ALLOW A **STRONG CASH GENERATION**



Net Revenue
BRL million



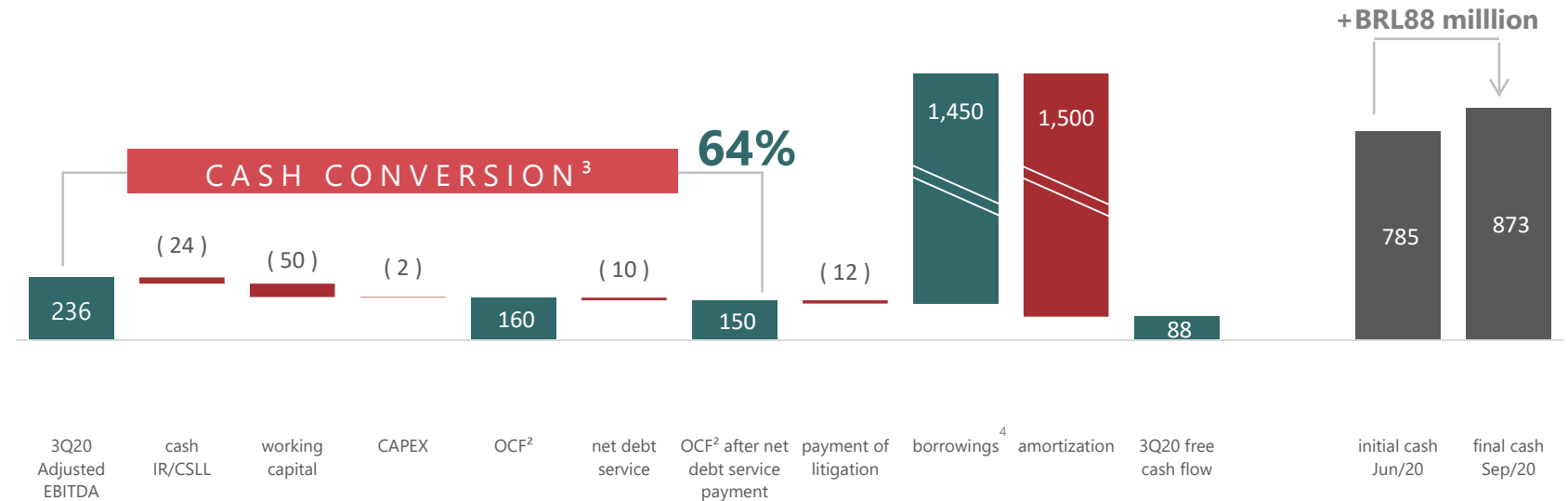
Adjusted EBITDA¹
BRL million



Cash Flow
BRL million

Impacted working capital, mainly:

- Temporary mismatch of BRL12 million PIS/COFINS extemporaneous credits (-)
- Increase in the credit balance at CCEE by BRL21 million (-)
- Collection of BRL14 million PIS and COFINS, postponed due to the pandemic (-)



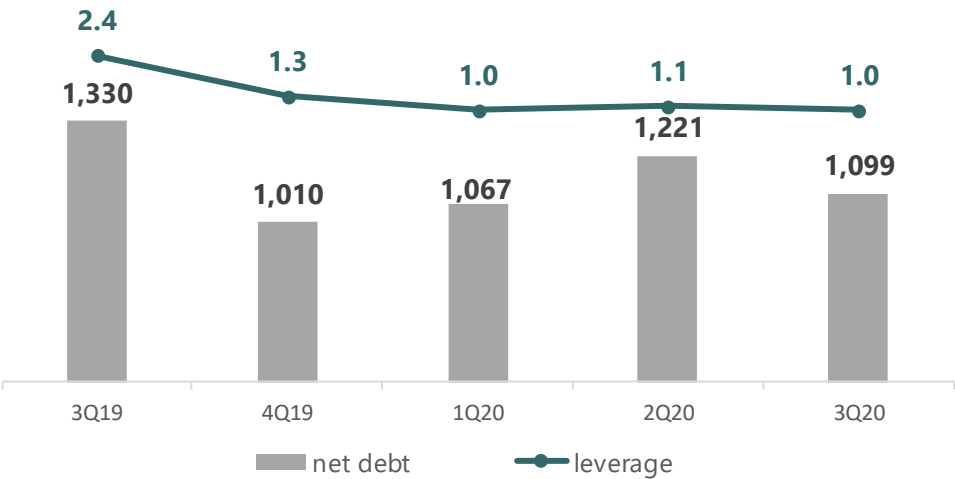
(1) Excludes, VDP, provision for litigation and write-off of judicial deposits | (2) OCF= Operational Cash Flow (3) Cash conversion = OCF after Debt Service/Adjusted EBITDA. Includes the postponed amount of BRL14 million PIS/COFINS according to the ordinances of the Ministry of Economy. Disregarding this effect, the cash conversion would be 70%./ 4) Includes funding cost of ~ BRL50 million

CAPITAL

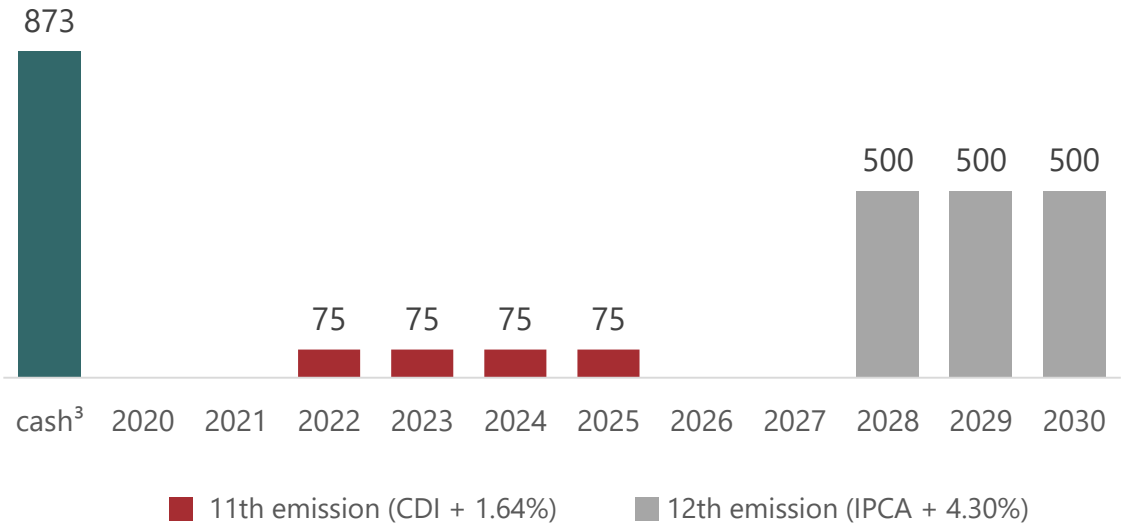
structure

INFRASTRUCTURE **DEBENTURE ISSUANCE** IN THE AMOUNT OF **BRL1.5 BILLION** AT A COST OF IPCA + 4.30% AND 10-YEAR TENOR

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



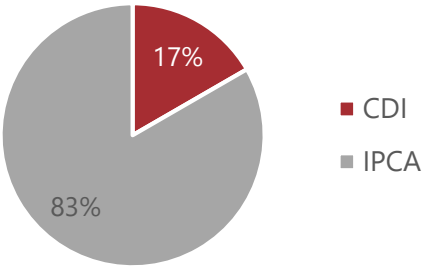
Amortization Schedule 3Q20
(BRL milllion)



3

	Rating	Outlook	Revised
FitchRatings	BB AAA(br)	Negative	Jul/2020
STANDARD & POOR'S	BB- br.AAA	Stable	Jul/2020

Gross debt by index



Gross Debt: BRL1.8 billion
Average term: 8.0 years

(1) Leverage measured by the LTM Net Debt/Adjusted EBTDA ratio | (2) Considers the MtM adjustment of derivative instruments | (3) Cash at September 30th. Excludes the payment of BRL196 million in dividends in October.



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CESP Key initiatives



SUSTAINABILITY AGENDA

- ✓ **Occupational Health and Safety** (OHS), with several initiatives to **encourage best practices** (CESP pela Vida)
- ✓ Definition of the **priority SDGs¹** and **integration of these objectives into CESP's strategy**
- ✓ **Corporate strategy** deployed in action plans, positions and socio-environmental guidelines, using **ESG** targets and indicators as a reference
- ✓ Commercialization of certified energy through **I-REC's**
- ✓ Integrated report 2020



DIGITAL TRANSFORMATION

- ✓ **Modernization and simplification of current technological architecture**, seeking, in addition to risk reduction, more flexibility and agility in the adoption of new technologies
- ✓ **Automation of processes** with specialized systems and robotization, seeking **greater operational efficiency**
- ✓ Start **of the data/analytics journey**, generating a **culture of reliable information data-driven**



CESP COMERCIALIZADORA

- ✓ Consolidation of **CESP Comercializadora's** operations with initiatives that prepare the Company for the **expansion of the free market**
- ✓ **Equating the 2020** energy exposure and **advancing exposure mitigation in 2021 and 2022**
- ✓ Focus on **long-term** energy **exposures**, with gradual and careful execution of the commercialization strategy
- ✓ Preparation of the bases for the **diversification of the client portfolio**



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