# results 1Q19

ISA CTEEP

# Disclaimer

The statements in this report with respect to the outlook for the businesses of ISA CTEEP (“ISA CTEEP”, “CTEEP”, “Company”), the estimates and their potential for growth constitute mere forecasts and were based on the expectations of management in relation to the future of the Company. These expectations are closely dependent on changes in the market, the overall economic performance of the country, the sector and the international markets, being subject to change.

The financial information has been prepared according to Brazilian Securities and Exchange – CVM and CPC standards and is in compliance with the international accounting standards (IFRS) issued by the International Accounting Standard Board (IASB). The Regulatory Result is shown in accordance with accounting practices adopted in Brazil. The main difference in relation to the corporate statements is the non-application of ICPC 01 (IFRIC 12). The purpose of disclosing the Regulatory Result is merely to assist in the understanding of ISA CTEEP’s business. The total of amounts may differ due to rounding. The Regulatory Result is audited at the end of each fiscal year only by the independent auditor.

# 1Q19 Highlights

## Cash Generation of BRL 407 million in the quarter

ISA CTEEP

**Financial**

- Regulatory Results: Net Revenue of BRL 694 million, Adjusted EBITDA of BRL 615 million, with a margin of 81%, and Net Income of BRL 234 million
- Strong cash generation: BRL 407 million in 1Q19

**Projects**

- Organic growth through reinforcements and improvements with associated revenue
- Sustainable growth

**Growth**

- CAPEX in 1Q19 of BRL 71 million. Estimation of BRL 1 billion in 2019
- Licenses issued for IE Ivaí and IE Aimorés

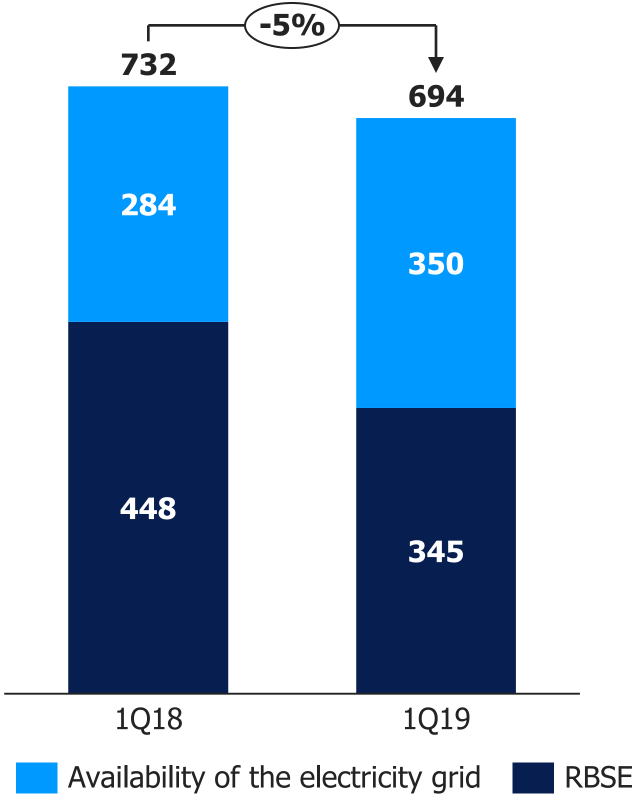
**Regulation**

- The tariff reset is subject to approval from ANEEL's Executive Board Meeting
  - Reduction of 17% in ISA CTEEP's O&M costs, staggered in five years
  - WACC of 7.32% for the tariff rest and 7.11% for 2019
  - Dispatch nº 1,140/2019 extends the deadline for the submission of the evaluation report to July/2019

# Regulatory Consolidated Net Revenue

## Reduction in net revenue due to lower RBSE receivables, partially offset by the inflation adjustment in O&M revenue and start-up of new investments

BRL million



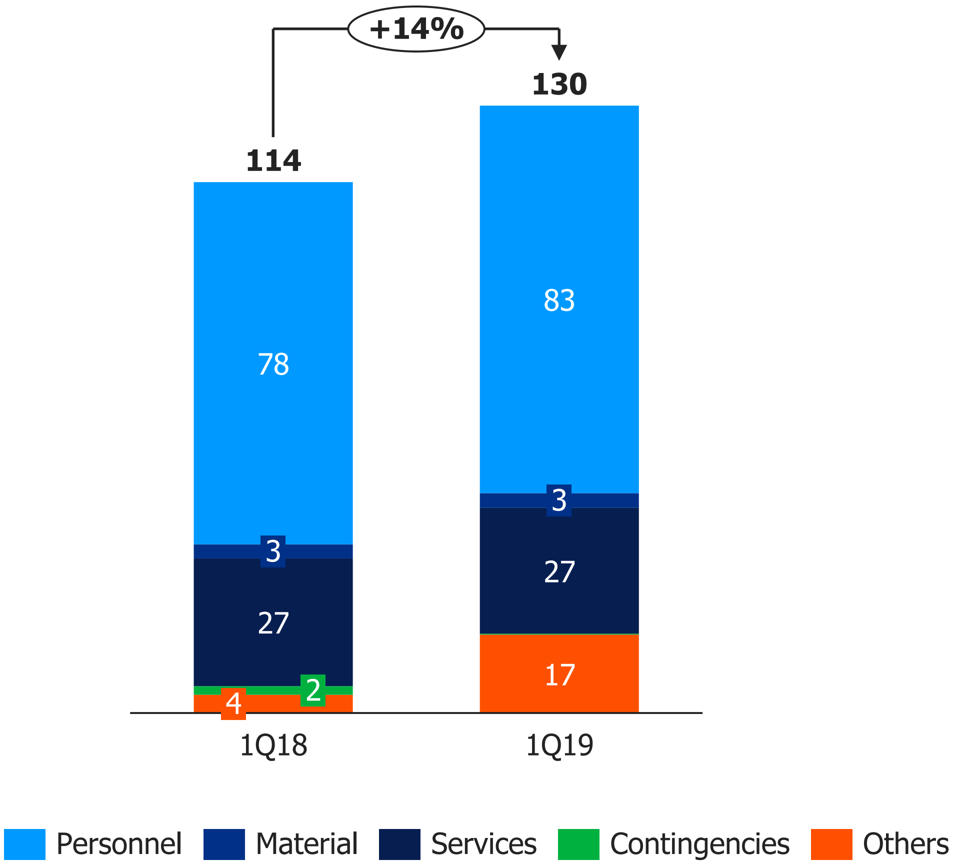

- **RBSE Revenue :** -23% *vs.* 1Q18 due to the seasonality of the payment in the first cycle (2017/2018) and by the linearization in 5 years

- **Revenue from the availability of the electricity grid:** +23% *vs.* 1Q18, due to the positive impact of the inflation in O&M revenue, the start-up of new reinforcement projects and the increase in anticipated revenues in 1Q19

# Consolidated O&M Costs and Expenses ex-depreciation (Regulatory)

Increase in costs and expenses in 1Q19 due to lower property tax expenses in 2018 (non-recurring). Excluding this effect, the change in costs and expenses would have been 4.3%, in line with the period's inflation[1]

BRL million

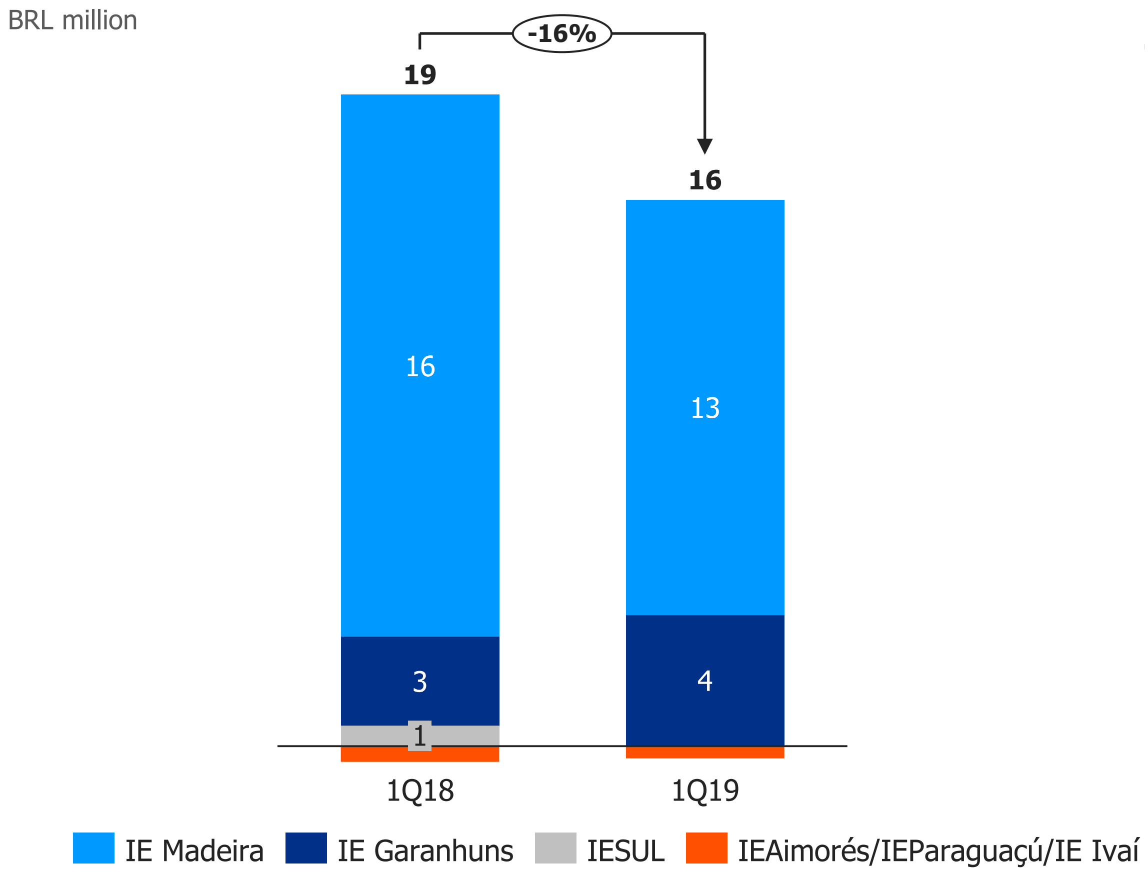



- Lower expense in 2018 with property tax expenses (BRL 11 million), non-recurring
- Collective bargaining applied since June 2018 (+4.16%)

[1] IPCA (12 months) 4.58% - Source IBGE

# Regulatory Equity Income

## Lower result of the IE Madeira subsidiary impacts the equity income of 1Q19




- **IE Madeira:** -BRL 3 million due to the variable parcel
- **IE Garanhuns:** +BRL 1 million due to the positive impact for the revenue readjustment for cycle 2018/2019
- **IE Sul:** was consolidated from the Company's results from September 2018
- **Pre-operational subsidiaries:** administrative expenses in the current phase of the IE Aimorés, IE Paraguaçú and IE Ivaí projects

# Consolidated Regulatory Adjusted EBITDA

## Lower RBSE revenues impacts the 1Q19 EBITDA

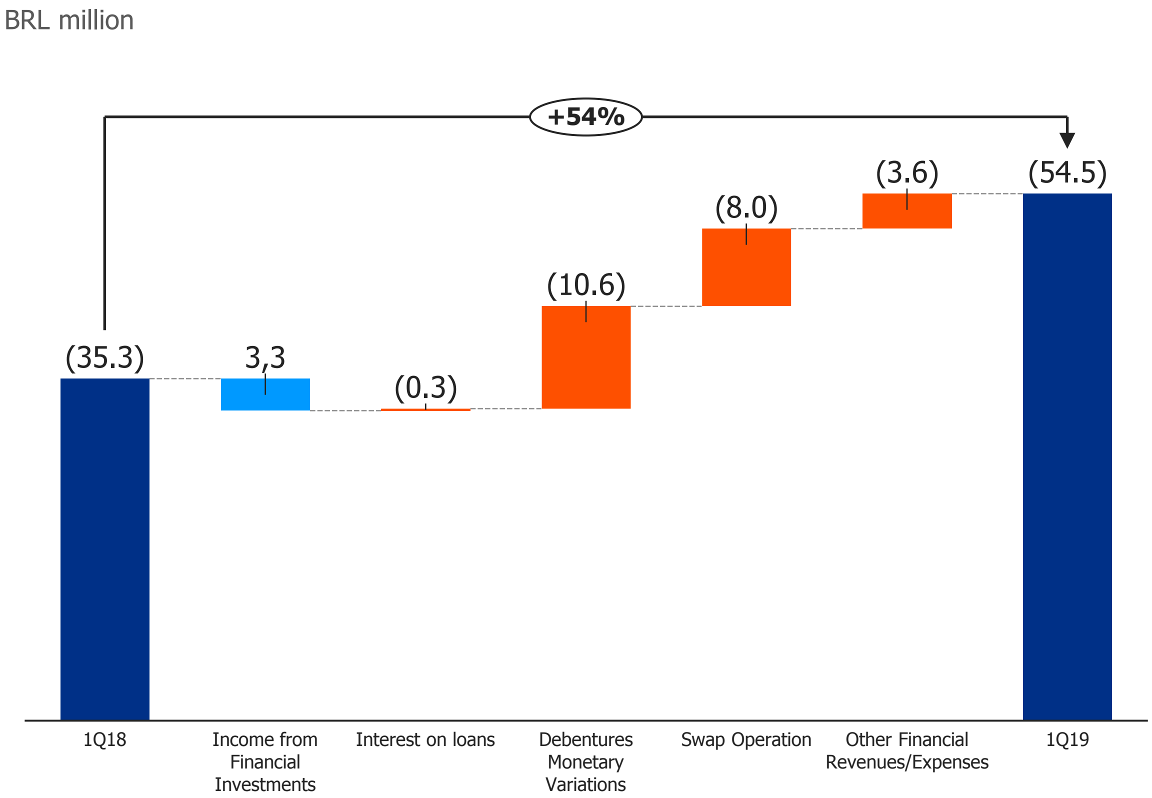
| EBITDA (BRL million) | Consolidated 1Q18 | 1Q19 | Chg (%) |
|---|---|---|---|
| **EBITDA ICVM 527/12** | **643.2** | **571.2** | **(11.2%)** |
| Affiliates EBITDA (weighted by ISA CTEEP's share) | 69.9 | 60.0 | (14.2%) |
| Equity Income | (19.3) | (16.2) | (16.0%) |
| Non recurring costs and expenses[1] | (9.8) | (0.2) | (98.0%) |
| **Adjusted EBITDA** | **683.9** | **614.8** | **-10.1%** |
| **Adjusted EBITDA Margin** | **84.4%** | **80.7%** | **-3.7 b.p** |
| RBSE | (448.4) | (344.5) | (23.2%) |
| **Adjusted EBITDA Ex-RBSE** | **235.5** | **270.2** | **14.7%** |
| **Adjusted EBITDA Ex-RBSE Margin** | **65.1%** | **64.8%** | **-0.3 b.p** |

[1] Tax compensation (from "IPTU"), expenses with auctions and contingencies success fee

- **Adjusted EBITDA** ex RBSE presents growth of 14.7% *vs.* 1Q18

# Consolidated Financial Result

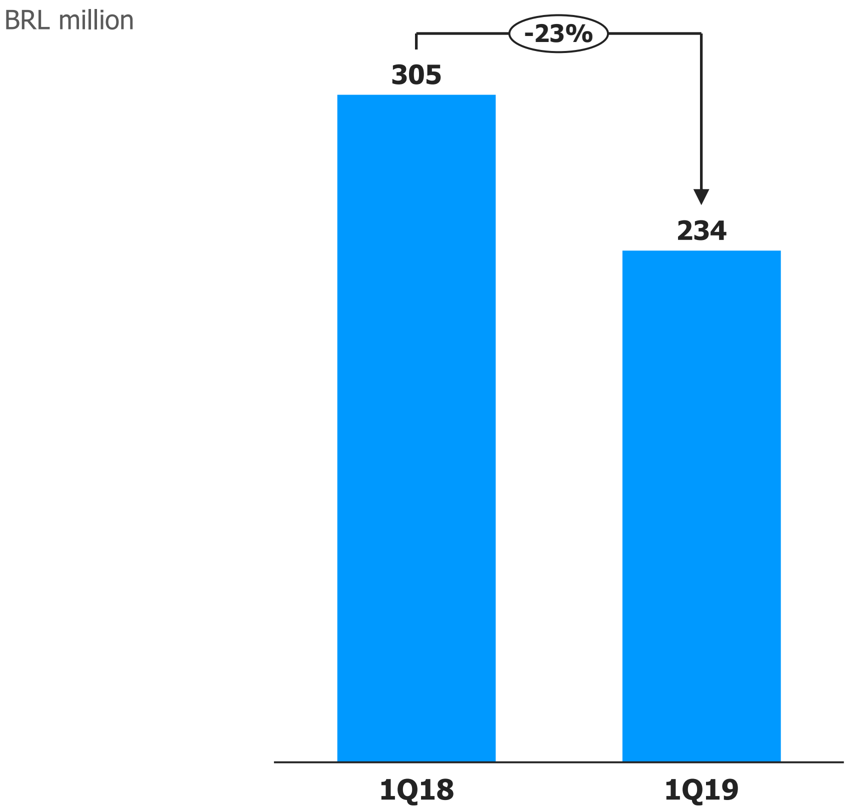
## Increase in financial expenses due to the higher debt level (BRL 1.9 billion on 03/31/18 vs. BRL 3.1 billion on 03/31/19)




- **Debentures Monetary Variations:** increase due to the 7th issuance of debentures (BRL 621 million) in 2Q18
- **Swap operation**: increase due to new borrowings pursuant to Law 4,131 (with swap)
- **Other Financial Revenues/Expenses:** increase of Tax on Financial Operations (IOF) with disbursement on BNDES debt in the period
- **Income from financial investments:** increase due to higher cash level

# Regulatory Net Income

## 1Q19 net Income was impacted by the lower receivables of RBSE




- Lower receivables of RBSE
- Increase in costs and expenses in line with inflation in the period and non-recurring event in 1Q18 regarding lower property tax expenses
- Increase in financial expenses

# Cash Flow

## Cash generation of BRL 407 million

BRL million

| | Consolidated |
|---|---|
| **Cash Flow** | **1Q19** |
| **Initial Cash Balance (dez/18)** | **698** |
| **Operational activities** | **464** |
| RAP receivables | 793 |
| PMTO | (183) |
| Charges | (45) |
| Taxes and fees | (121) |
| Others | 19 |
| **Investment activities** | **(120)** |
| Received Dividends | 5 |
| CAPEX | (124) |
| **Financing activities** | **63** |
| Additional loans | 80 |
| Debt Payment (principal + interest) | (63) |
| Derivative instruments | (6) |
| Transactions of non controlling shareholders | 52 |
| **Final Cash Balance (Mar/19)** | **1,105** |

**RAP receivables:** considers O&M and RBSE

**PMTO:** expenditures with personnel, MSO, executions and court escrow deposits

**Charges:** CDE, Proinfa, R&D and inspection fees

**Taxes:** Income/Social contribution taxes, PIS and COFINS and others

**Others:** provision of services and sharing of infrastructure

**Investments:** reinforcements and improvements and construction capex in pre-operational subsidiaries

**Financing:** BNDES issuance and fundraising

**Non-controlling shareholders:** jointly controlled subsidiaries that participate in investment funds

# Regulatory Consolidated Debt

## Adequate debt profile with competitive cost

## Maintenance of Investment Grade by Fitch: AAA (bra)

| Debt BRL (million) | 12/31/2018 | 03/31/2019 | Chg (%) |
|---|---|---|---|
| Gross Debt | 3,015.0 | 3,097.8 | 2.7% |
| Short-term Debt | 357.8 | 366.6 | 2.5% |
| Long-term Debt | 2,657.2 | 2,731.2 | 2.8% |
| Consolidated Availabilities | 697.6 | 1,105.3 | 58.4% |
| Availabilities of ISA CTEEP and Subsidiaries | 466.8 | 822.5 | 76.2% |
| Availabilities of Partially Owned Subsidiaries* | 230.9 | 282.7 | 22.5% |
| **Consolidated Net Debt** | **2,317.3** | **1,992.6** | **-14.0%** |

*The Company's resources are concentrated in exclusive investment funds, which are also used for the subsidiaries and partially owned subsidiaries in a segregated manner, and refer to quotes of the investment funds with high liquidity, conversible in cash, regardless of the expiration of the assets in which they are allocated.

- BRL 80 million disbursement from BNDES for investments in reinforcements and improvements
- Average cost of debt of 8.2% p.a.
- Established covenants and requirements for all issuances are being fully complied

# Greenfield Projects

Growth projects are on time and on budget with the challenging schedule

- ✓ **93%** of contracting in the 10 projects being executed
- ✓ **50%** of construction work executed for the four projects under construction
- ✓ **60%** of the projects already have Installation Licenses issued
- ✓ **27%** of Revenue (RAP) under construction

IE Itaúnas (SE Viena)

IE Itapura

IE Tibagi

IE Itaquere

# Stock Split

## The operation aims to improve share liquidity and adjust the share price to the recommended level

| | Pre-Split | Post-Split |
|---|---|---|
| Common Shares | 64,484,433 | 257,937,732 |
| Preferred Shares | 100,236,393 | 400,945,572 |
| **Total Shares** | **164,720,826** | **658,883,304** |
| **Equity Capital (BRL)** | **3,590,020,427** | **3,590,020,427** |

- TRPL4 reaches its maximum historical price in April, 29 (BRL 21.34)
- Average daily volume traded in 1Q19 increased by 70% vs. 1Q18 (from BRL 18.7 million to R $ 31.7 million)
- Average daily trading in 1Q19 increased by 40% vs. 1Q18 (from 1.8 thousand to 2.6 thousand trades)

**INVESTOR RELATIONS**

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