

1Q20 RESULTS

Rio de Janeiro
May 15, 2020



Legal notice

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, comprising the Brazilian Corporation Law, Statements, Guidance and Interpretations issued by Accounting Pronouncement Committee (“CPC”) and the standards of the Brazilian Securities Exchange Commission (CVM), combined with specific legislation issued by Electricity Regulatory Agency - ANEEL. ANEEL, as a regulatory agency, has the power to regulate concessions. Results will be presented in both formats, IFRS format and the regulatory format to allow comparison with other years. Note that Regulatory results will not be audited. Taesa's dividend declaration is performed based on the reviewed IFRS results.

Statements in this document related to business perspectives, projections on operating and financial income, and those related to Taesa's growth perspective are merely projections and, as such, are based solely on Executive Board's expectations about business future. These expectations depend substantially on changes in market conditions, on Brazilian economy performance, and on industry and international market performance; therefore, subject to unannounced changes.

EBITDA is net income before taxes, net financial expenses, and depreciation, amortization and income expenses. EBITDA is not recognized by accounting practices adopted in Brazil or in IFRS, does not represent cash flow for presented periods, and should not be considered as alternative net income. Presented EBITDA is used by Taesa to measure its own performance. Taesa understands that some financial investors and analysts use EBITDA as an operating performance index.

“Net Debt” is not recognized by accounting practices adopted in Brazil nor by IFRS and does not represent cash flow for presented periods. Presented Net Debt is used by Taesa to measure its own performance. Taesa understands that some investors and financial analysts use Net Debt as an indication of its financial performance.

Presented managerial results are the sum of Taesa consolidated income with equity in its partially-owned subsidiaries and associated companies. The purpose of this information is to permit better understanding of Taesa business.

Summary of 1Q20 Results

IFRS

- **Net income totaled R\$ 364.2 million in the 1Q20, an increase of 128.2% (+R\$ 204.6 million)** compared to 1Q19, due to the following:
 - (i) **Increase of R\$ 128.0 million in monetary restatement revenues** due to the increase in the **macroeconomic indices** between compared periods.
 - (ii) **Increase in the construction margin by virtue of increased investments in the projects under construction**, positively impacting both construction revenues and equity method.
 - (iii) **Results from recent acquisitions of São João, São Pedro and Lagoa Nova** (new corporate name of Rialma I), and the three lots of Eletrobras' auction (**Brasnorte, Transmineiras and ETAU**), in addition to the conclusion of the **reinforcements in Novatrans**, representing approximately **R\$ 50 million of net income**.
 - (iv) The abovementioned effects were partially compensated by the following:
 - a. **Increase of R\$ 70.7 million in net financial expenses** due to the **funds raised over the last 12 months, settlement of acquisitions** of São João, São Pedro and Lagoa Nova, and to the **lower profitability of investments** in view of the global crisis.
 - b. **Increase in operating costs and expenses, ex-construction**, mainly due to **inflation adjustment**, contracting of **strategic consulting services** and **start-up of new concessions** (Miracema, São João, São Pedro and Lagoa Nova) by Taesa, in addition to Brasnorte consolidation.
- **Adjusted net income in 1Q20 totaled R\$ 263.3 million**, excluding the effects from the CPC 47 adoption in the amount of **R\$ 100.9 million**. After the allocation of legal and tax incentive reserves, the **proceeds to be distributed totaled R\$ 241.7 million (R\$ 0.70 / Unit and payout of 91.8% of adjusted net profit and 66.4% of net profit)**, which was approved yesterday by the Board of Directors.
- **The Annual Shareholders' Meeting, held on April 30, 2020, approved the net income allocation for 2019 through additional dividends of R\$ 61.8 million (R\$ 0.18 / Unit)**, payable on May 15, 2020. Accordingly, the Company paid to shareholders the total amount of **R\$ 655.9 million (R\$1.90 / Unit)** relating to **2019 results**, equivalent to a **payout of 92.3% of adjusted net income and 65.4% of net income for the year**.

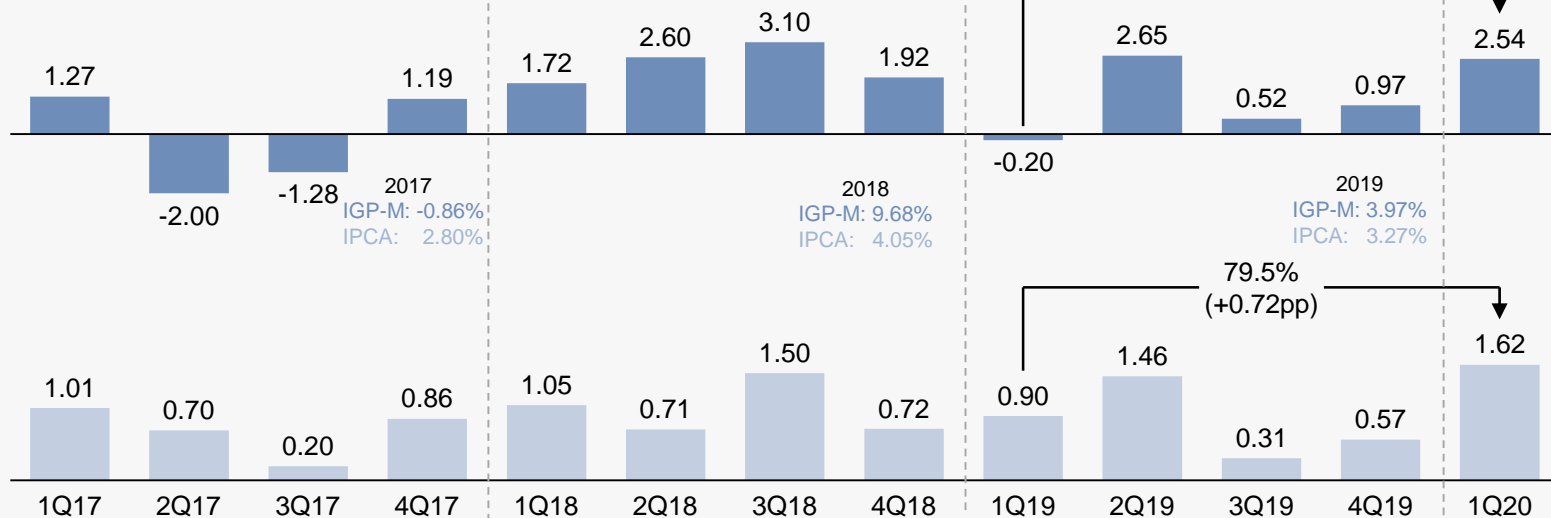
Summary of 1Q20 Results

Regulatory

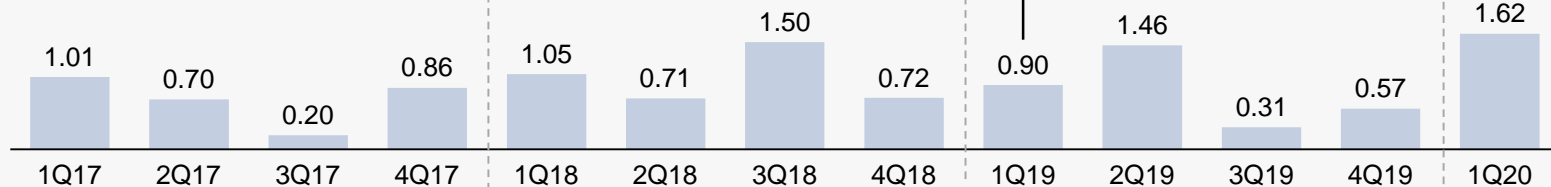
- In 1Q20, **net revenues totaled R\$ 372.8 million**, a **2.8% y.o.y increase**, due to **inflation adjustment**, operations start-up of **Miracema** and **improvements in Novatrans**, acquisition of the concessions of **São João, São Pedro and Lagoa Nova**, and **Brasnorte** consolidation, which effects compensated the RAP cut of some concessions.
- **PMSO costs totaled R\$ 60.2 million in 1Q20**, a **16.2% y.o.y increase** due to inflation adjustment, contracting of strategic consulting services and operations start-up of the **new concessions** (Miracema, São João, São Pedro and Lagoa Nova) by Taesa, in addition to Brasnorte consolidation.
- **EBITDA totaled R\$ 312.7 million in the quarter**, basically aligned with the **1Q19 (+0.6% y.o.y)**. **EBITDA margin totaled 83.9% in 1Q20 (-1.9bps y.o.y)**. We point out the **positive** impact of approximately **R\$ 37 million in the consolidated EBITDA** by virtue of the **recent acquisitions** (São João, São Pedro, Rialma I and Brasnorte) and the **operations start-up of Miracema and reinforcements in Novatrans**.
- **Net income totaled R\$ 139.2 million in the quarter**, a **24.8% y.o.y decrease (-R\$ 45.8 million)** mainly due to the **increase of R\$ 70.7 million in net financial expenses**.
- In 1Q20, **gross debt totaled R\$ 5,711.2 million**, a **8.5% q.o.q increase**. The Company's **cash totaled R\$ 1,677.2 million (-30.8% q.o.q)**, resulting at a **net debt of R\$ 4,034.0 million**, a **42% q.o.q growth**. **Net debt / EBITDA ratio reached 3.0x** (2.2x in 4Q19).
- **The availability rate of the transmission lines was 99.98%** and **Variable Portion (PV) was R\$ 6.4 million (1.52% of the consolidated RAP)** in 1Q20. The annual growth of R\$ 7.2 million in PV resulted from the reversals of provisions in the first quarter of 2019, which overcame the events on such period, and from the shutdowns and provisions occurred in 1Q20.

Macroeconomic impact on IFRS Revenues

**IGP-M
accumulated
(quarter)**
%



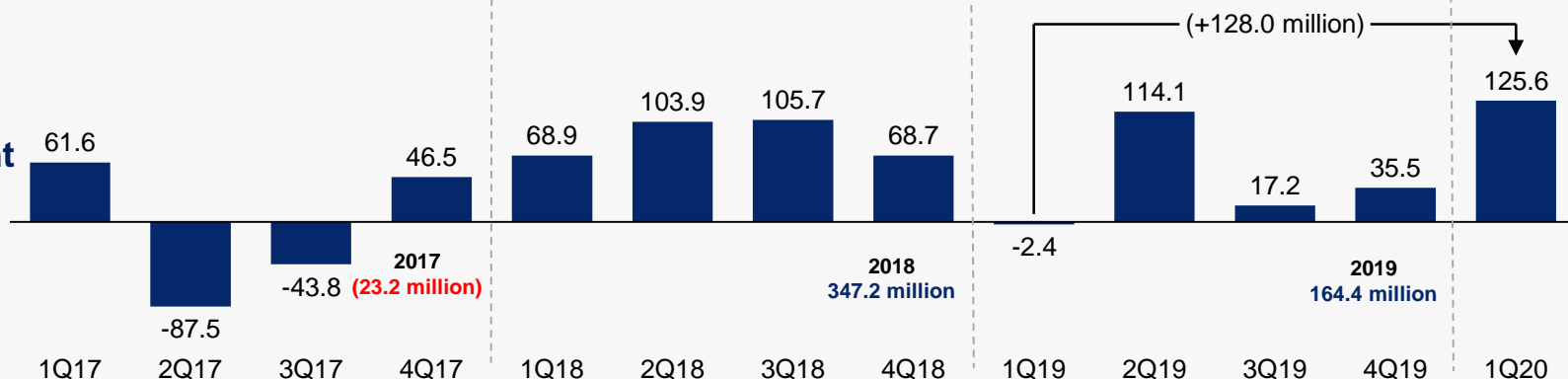
**IPCA
accumulated
(quarter)**
%



For contract asset inflation adjustment purposes, one-month gap inflation is used.



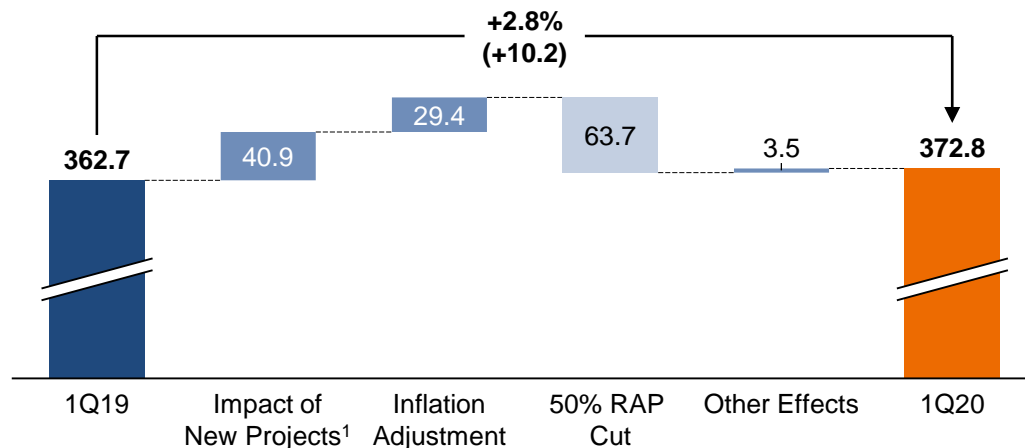
**Monetary
restatement
revenues:**
R\$ million



Regulatory EBITDA

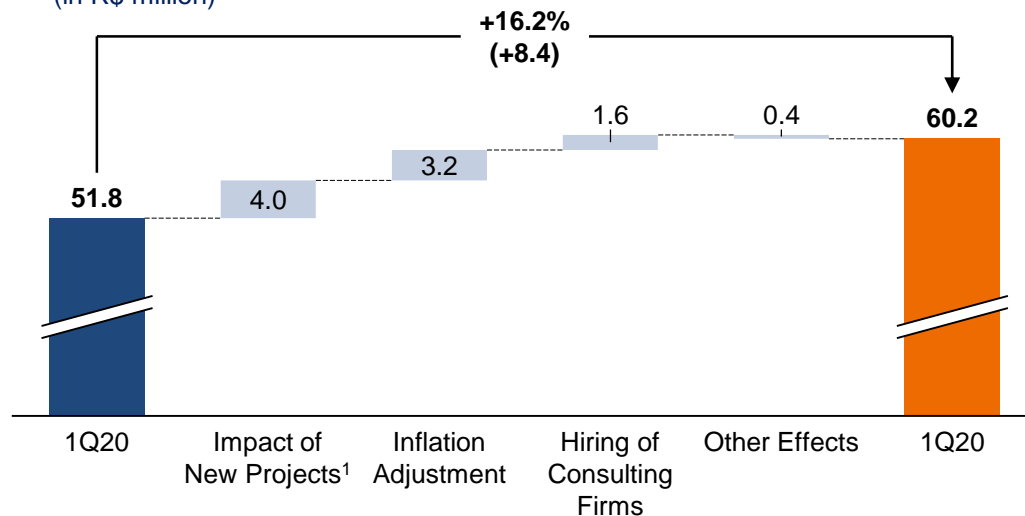
Regulatory Net Revenues

(in R\$ million)



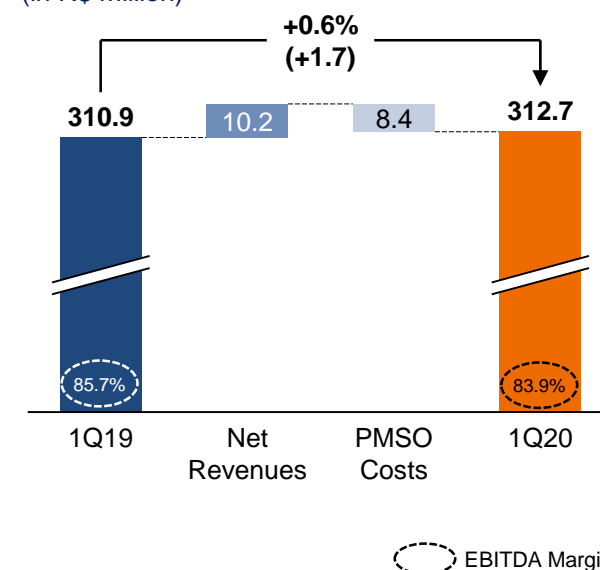
Regulatory PMSO Costs

(in R\$ million)



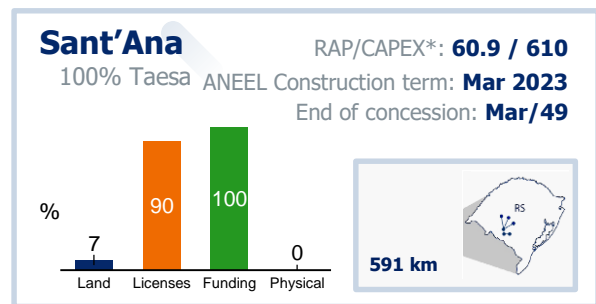
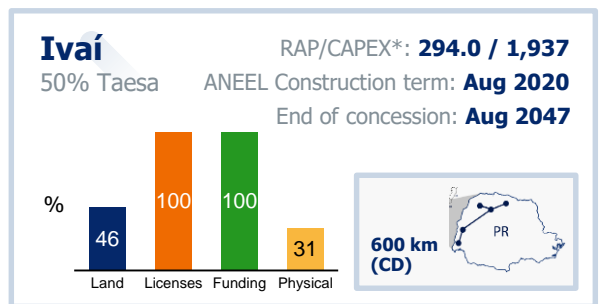
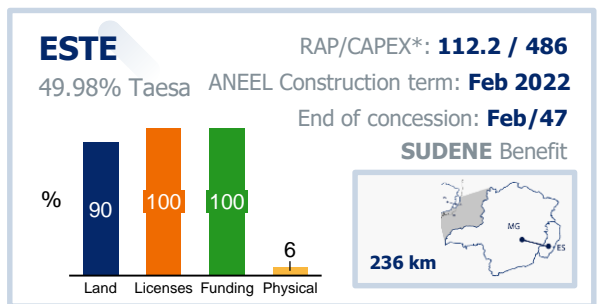
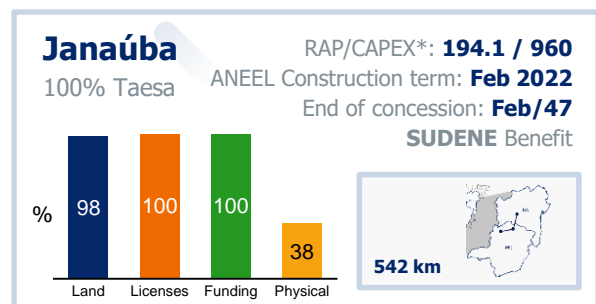
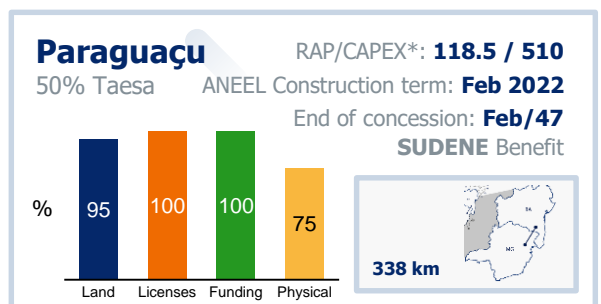
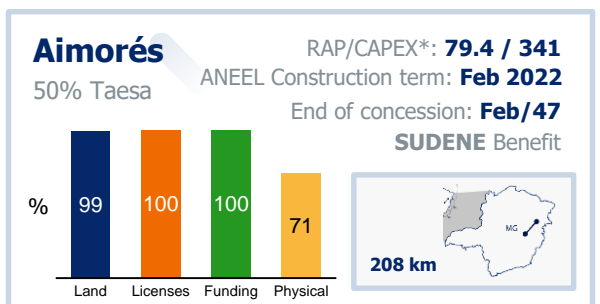
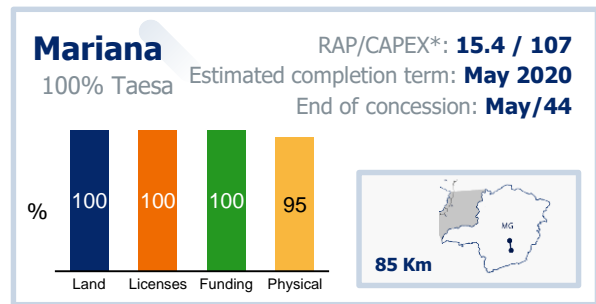
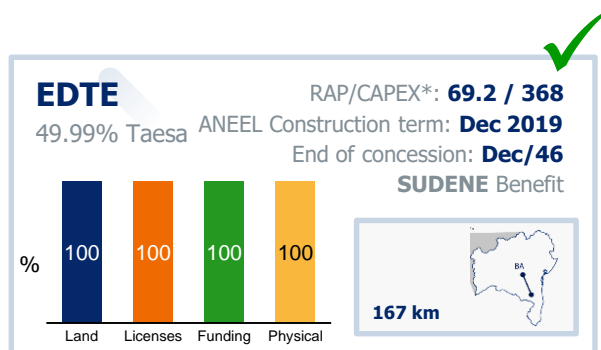
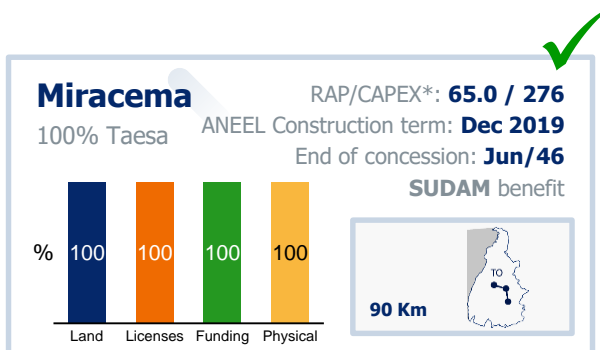
Regulatory EBITDA

(in R\$ million)



(1) It considers the acquisitions of São João, São Pedro, Lagoa Nova and Brasnorte, as well as the conclusion of the projects of Miracema and the reinforcements in Novatrans.

Projects under Construction



* R\$ millions (2019-2020 RAP cycle / ANEEL CAPEX)

** Funding does not consider the fundraising of Taesa's partners in each project



Completed Project

Initiatives to mitigate the impacts of COVID-19

1 Protection of employees' health

- Adoption of measures to safeguard our greatest asset, the people, and guarantee the continuity of our operations;
- Frequent and updated communication to employees about the new coronavirus;
- Adoption of home office for employees - almost 400 employees in home office since March 17, 2020;
- Suspension of travel (except O&M and Implementation) and face-to-face meetings;
- Creation of a web page for employees to monitor and guide the disease through Rede D'Or;
- Influenza vaccination for the at-risk group.

2 Continuity of operations and projects under construction

- Creation of the Crisis Committee and the Supplier Management Committee;
- Contingency plan for the Operation and Control Center (COC-Taesa and COC-Backup);
- Use of Decrees 10,282 and 10,292 - prohibits the restriction of movement of workers for essential public services;
- Discussion with ONS to schedule necessary maintenance;
- Carrying out only interventions with local resources;
- Maintenance of investments in the projects under construction - Capex increase of 304% between 1Q20 and 1Q19.

3 Preservation of the Company's financial health

- Solid current liquidity position (R\$ 1.7 billion in cash) and adequate level of leverage (3.0x net debt / EBITDA);
- R\$ 900 million raised in April to reinforce the cash position:
 - ✓ 9th issuance of debentures in the amount of R\$ 450 million, 2 years bullet at CDI + 2.85%;
 - ✓ Bank Credit Note in the amount of R\$ 350 million, 2 years bullet at CDI + 2.85%;
 - ✓ Bank Credit Note in the amount of R\$ 100 million, 1 year bullet at CDI + 2.5505%;
- 100% of the resources to finance projects under construction were raised;
- Monitoring the effects of the crisis in the electricity sector while evaluating alternatives to guarantee short-term liquidity.



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