



“The future of power trading in Brazil”

Brazil Political & Economic Overview

Economic

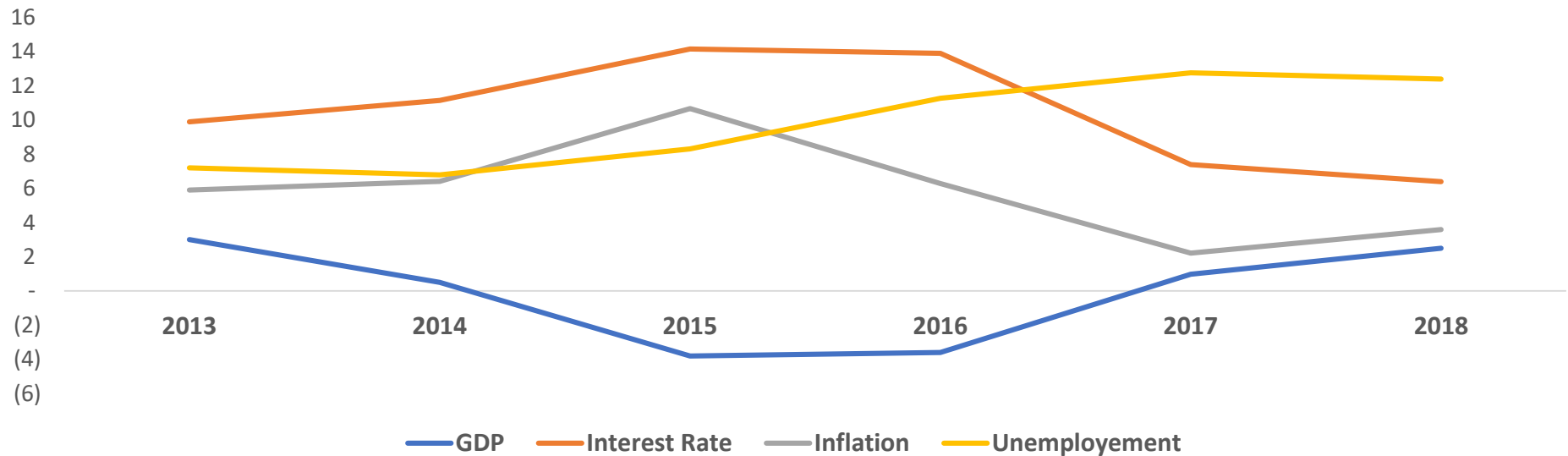
- GDP Forecast for 2018 = 2,5%
- Inflation under control = 3,6%
- Interest Rate in a down trend = 6,4%year
- Unemployment still high = 11,6% (12MM)

*** 5% increase in energy consumption in 2018**

Political

- Right wing pro market President and Congress
- Privatization back on the agenda
- Agenda for the free market back

EPE forecasts 2,7% growth for next 5 yrs



BBCE first steps: 2012 - 2014

Initiatives

- Established in Nov 2011 by 13 trading companies with **almost 12% of free Market**
- Started operations in March 2012
- Private owned: A federated concept **“From the Market to the Market”**

Challenges

- **Fierce competition** in 2012 & 2013
- Government intervention in the electricity sector - 2012
- **Crawling Market: “How to grow?”**

Strategies

- *Broad Information*
- *Governance improvements*
- *Transparency*
- *Digital processes*
- **App with real time quotations**

Results

- *Market recognition*
- **5 new investors in 2014**
- **Financial break even**
- *Beat competition, market leadership*
- *Capitalization*

Shareholders

2012 & 2014



2017 & 2018



Shareholders

- *Currently 33 shareholders, 12 new ones in 2017 plus 2 in 2018*
- *Main motivation: BBCE & Market development*
- *This group holds 34% of market share x CCEE*

Shareholders diversified profile and businesses



International
CTG(China)
MacQuarie(Australia)
Duferco(Swiss)
Enel(Italia)



Abroad Operations
Chile
Peru



of clients 1st & 2nd
+1.200
+500



Generation
DG
Waste to Energy



Financial
Private Investment Fund
Mid Size Banks



New Tech
Blockchain

Pipeline
CPFL(State Grid); Engie

General Info - 2018



168.000

GWh REGISTERED



R\$20.2M

GROSS REVENUES



R\$9.1M

NET INCOME



R\$ 41 Bi

FINANCIAL VOLUME



59.000

CONTRACTS



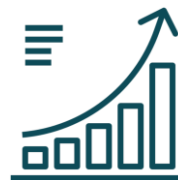
137

ACTIVE CLIENTS



55

NEW COMERS



60%

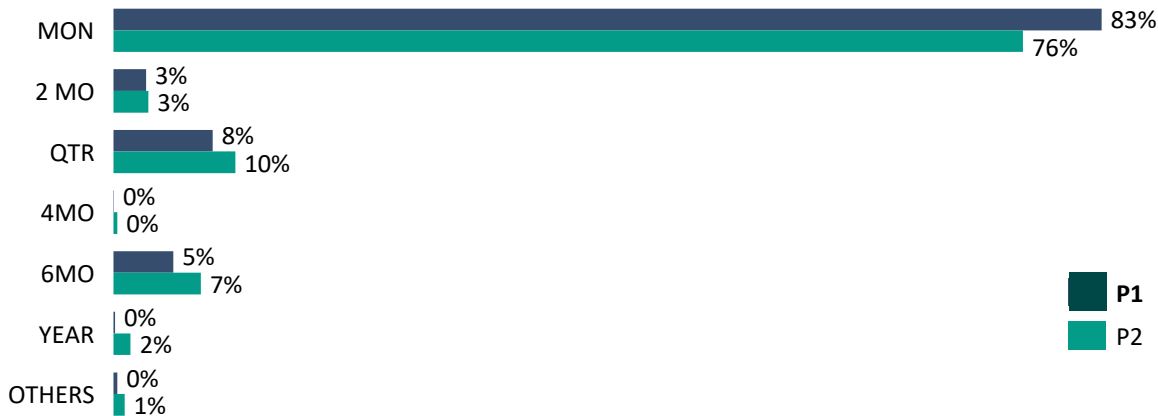
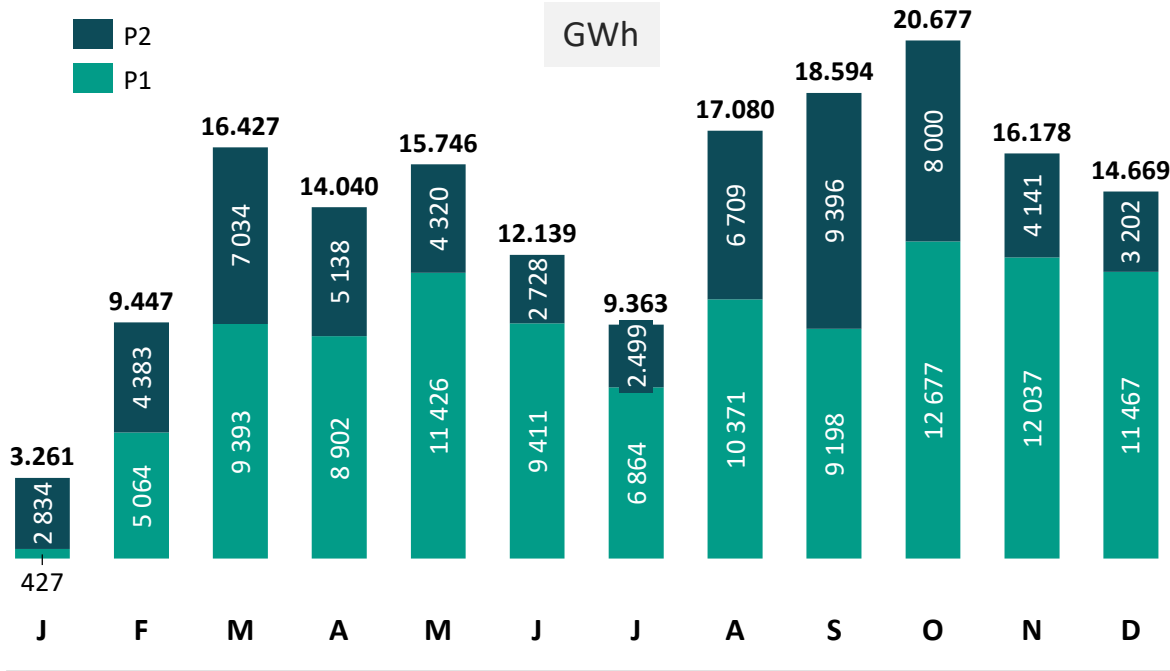
MARGIN EBITDA



49%

NET MARGIN

Volumes 2018

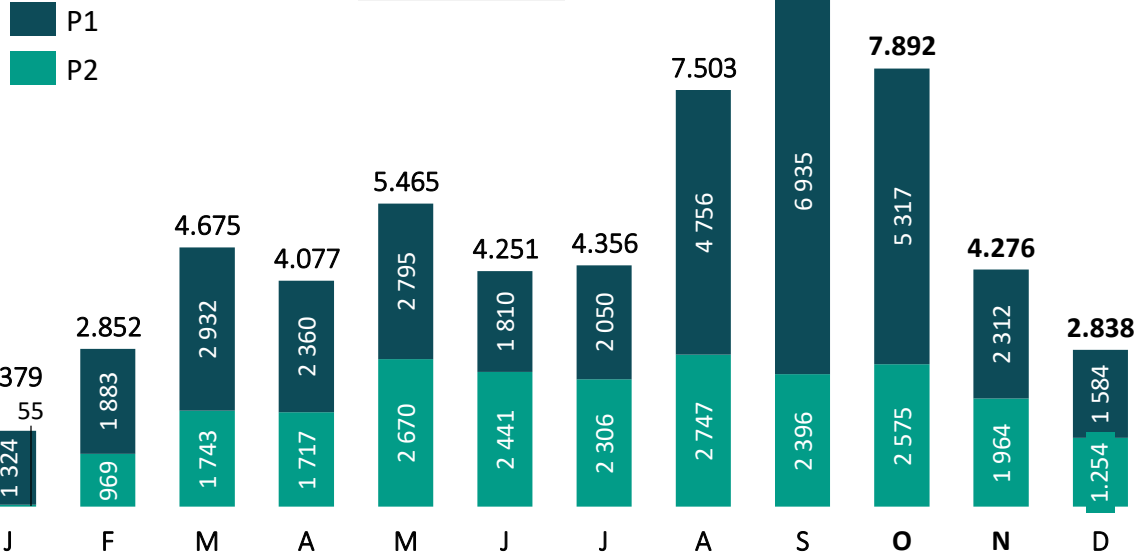


Main reasons for growth

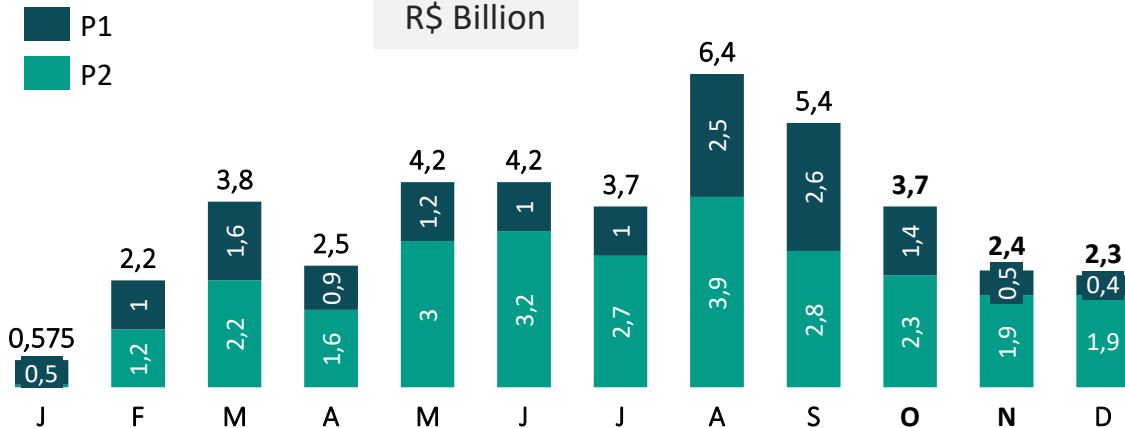
- *New Technology*
 - **2 Platforms:** trading & registration
 - **More players, products & services**
 - *Better User Experience-UX*
 - **Commercial strategy:** Focus on large Traders & Generators
 - *Increase in trading: liquidity rose up to 5x*
 - **Market growth**
-
- *P1= Trading*
 - *P2= Registration*

Volumes 2018

Contracts



R\$ Billion

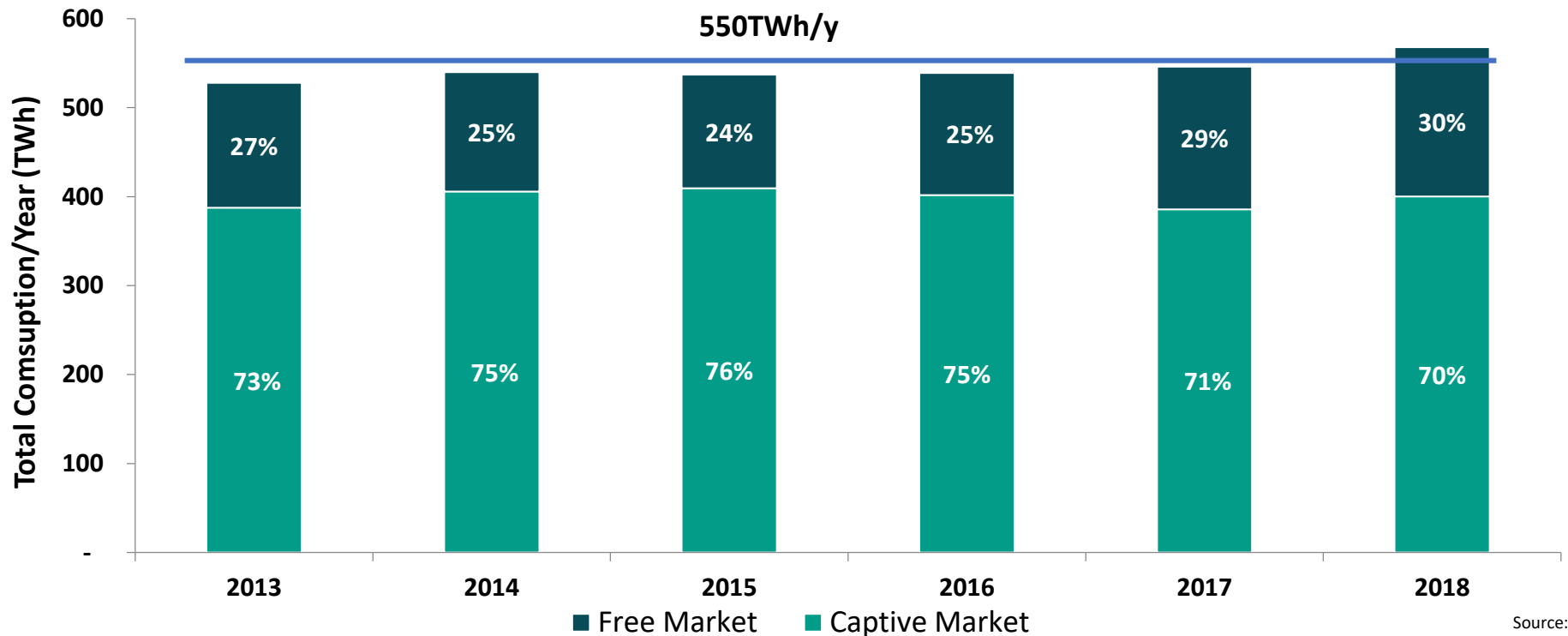


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Development of Brazil's Free Market

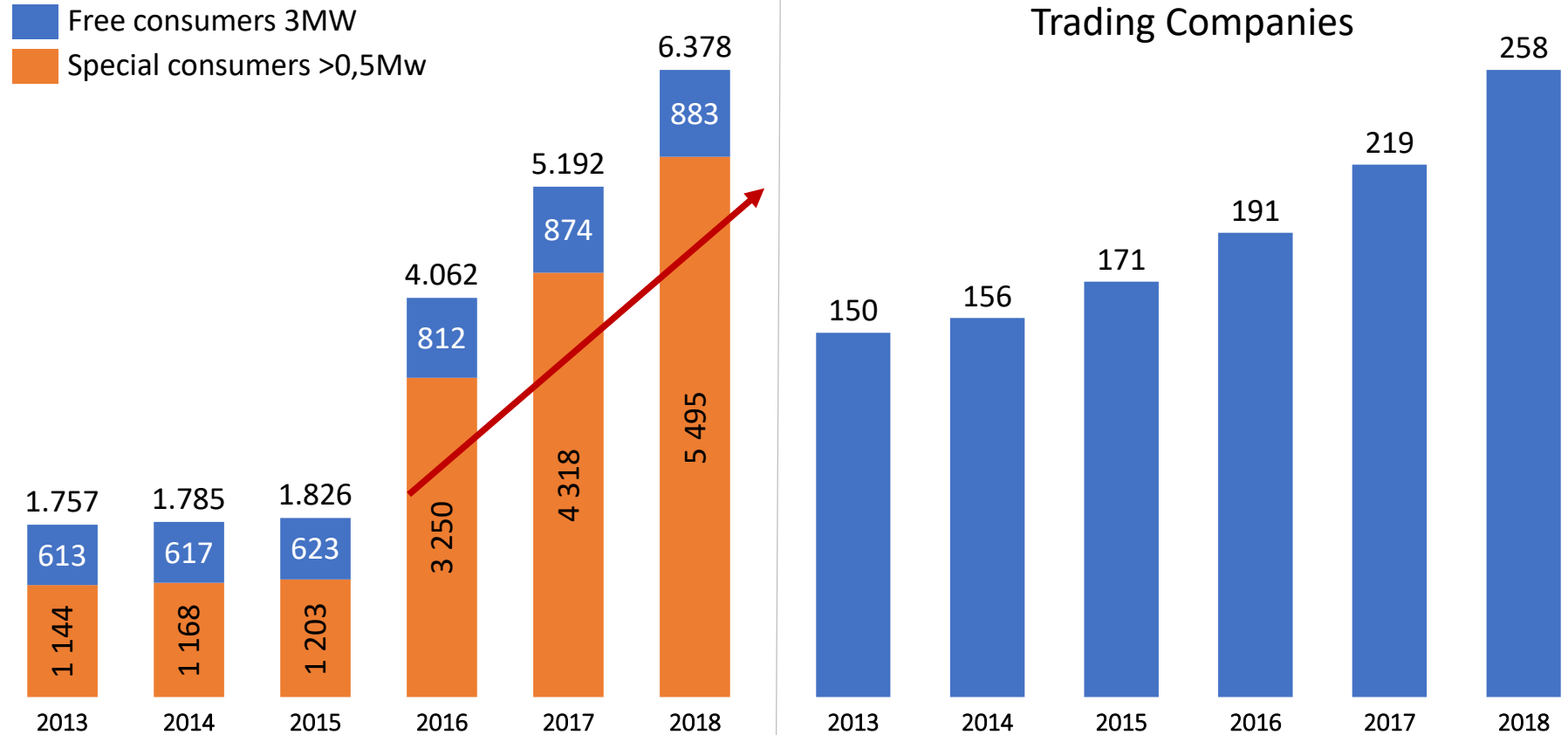
- After 2014 elections **tariffs rose up to 51%**
- The **difference between tariffs and price on the Free Market** stimulated the migration
- Prices in Free Market allowed **up to 40% savings in 2016**
- Historical average savings is 15%



Source:CCEE

Development of Brazil's Free Market

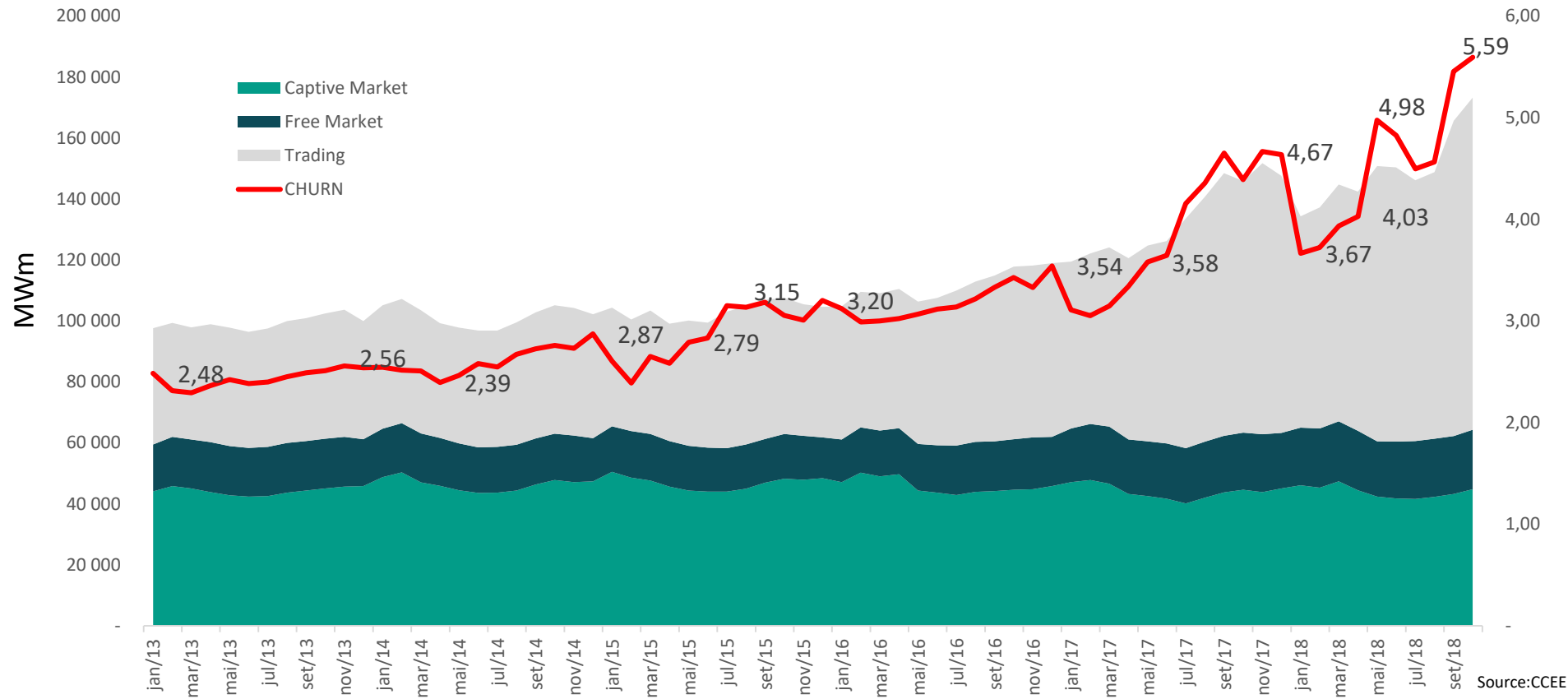
- *Special consumers buy from renewable sources*
- *Fast growing group: 272% in 3 years*
- *There is a potential for up to 16.000 special consumers*



Source:CCEE

Free Market Churn: Total x Consumption

- Churn in the Market is almost as in consolidated markets
- Derivatives (NDF) are **forecasted for July 19** (bilateral contracts w/o a CCP)
- Brazil's electricity market is **still entirely physical** with no alternatives for hedging to mitigate risks
 - That's a huge opportunity to increase volumes
 - Newcomers from financial markets can bring **investments alternatives**



Source: CCEE

A look at the Future

Initiatives

- *OTC & deployment of derivatives*
- *Continuous improvement on compliance and surveillance*
- *Strategic capitalization: partnership; private equity fund; IPO*

Challenges

- *Consolidate physical volumes*
- *Create conditions for a Power exchange*
- *Attract financial market*
- ***Keep leadership on the sector***

Strategies

- *IT deployments*
- *Governance improvements*
- *Marketeer new platforms*
- *Release new products*

Expected Results

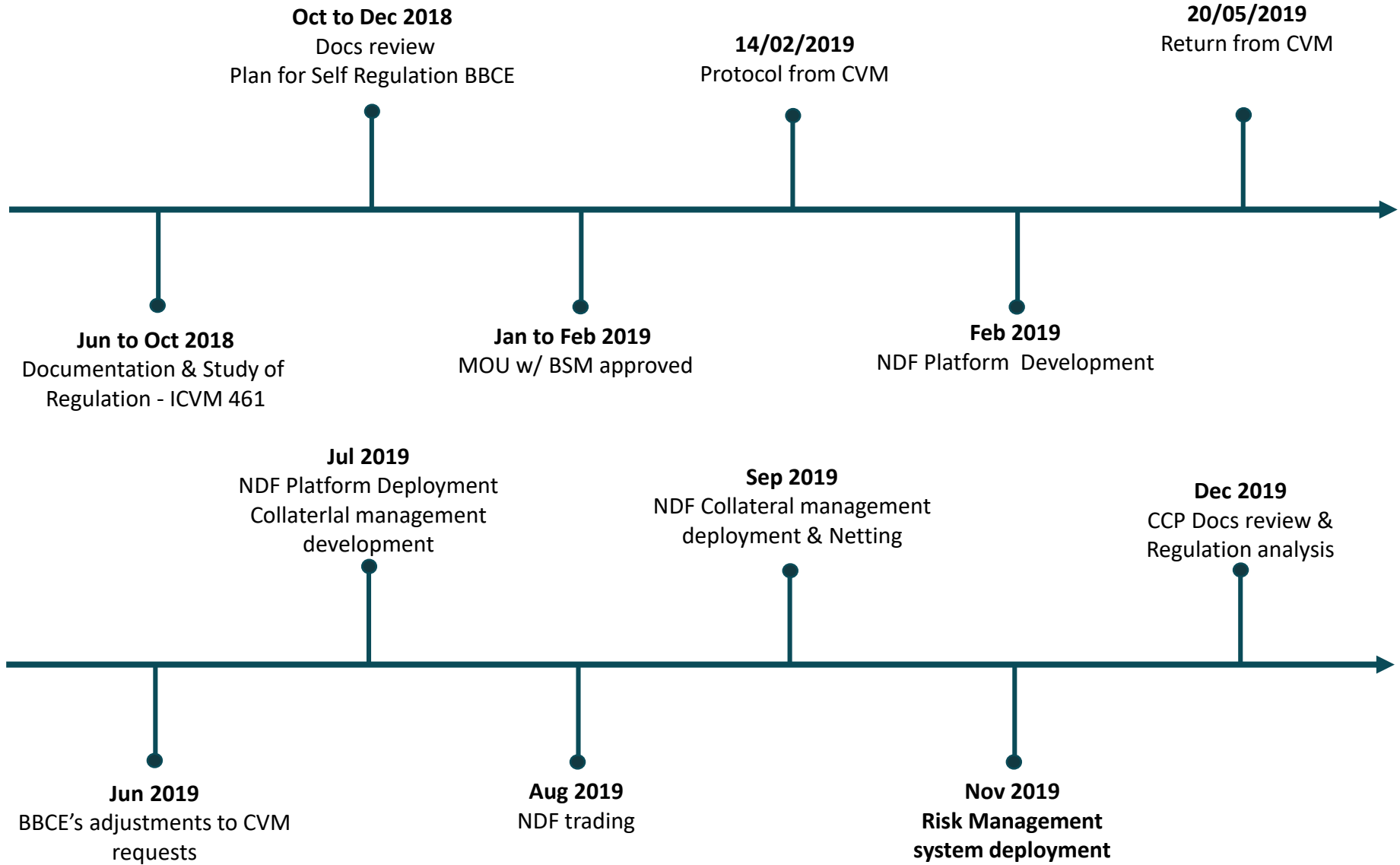
- *Market cap growth*
- *Increase in volumes and financial results*
- *New investors*

Competition

- *B3 is the **main** threat*
- *CCEE in a different position*

- *Small Auction and RFQ platforms*
- ***Newcomers interested in the development***

Project CVM



Why BBCE

- ▮ *Important players involved*
- ▮ *Consolidation of physical market*
- ▮ *Room for improvements like surveillance, technology & growth as new products and services*
- ▮ *BBCE is requesting a regulated OTC authorization from CVM (Brazil SEC)*
 - ▮ *OTC with cash settlements can jump volumes up*
 - ▮ *Newcomers: Hedge funds, Brokerage firms, Asset management et.*
- ▮ *New regulatory and Legal framework*
 - ▮ *Market oriented*
- ▮ *Base for a Regional Platform (LatAm)*



*Thank you
Victor Kodja
CEO*