



Institutional

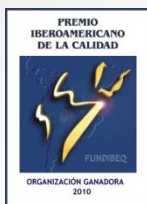
November, 2012



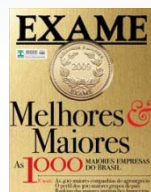


- **Presence in Brazil since 1997**
- **Operational Figures:**
 - Consumption units: 7.7 million
 - Distributed Energy: 53.6 TWh
 - Installed Capacity: 2,658 MW
 - Generated Energy : 13.9 TWh
- **7.4 thousand AES Brasil People**
- **Investments 1998-2011: R\$ 8.1 billion**
- **Solid corporate governance and sustainable practices**
- **Safety as value #1**

✓ Management Excellence



(AES Eletropaulo)



(AES Tietê)



(AES Tietê)



(AES Tietê)



(AES Brasil)



(AES Eletropaulo)



13º PRÊMIO
ABRASCA
RELATÓRIO
ANUAL

(AES Tietê)



(AES Eletropaulo)



(AES Tietê)



(2011- AES Tietê; 2012 – AES Eletropaulo)

✓ Quality and Safety



(AES Sul)



(AES Eletropaulo)



(AES Tietê)



(AES Eletropaulo)



(AES Eletropaulo)



(AES Eletropaulo)

✓ Environmental Concern



(AES Brasil)



(AES Tietê)

Mission

- *Improving lives and promoting development by providing safe, reliable and sustainable energy solutions*



Visions

- *Be a leader in operational and financial management in Brazilian energy generation sector and expand installed capacity*
- *Be the best distributors in Brazil*

Social responsibility: annual investments of R\$ 83 million



Development and transformation of communities

“Casa de Cultura e Cidadania” Project - Offers courses and activities in culture and sports. Directly benefits approximately 5.6 thousand children and teenagers and indirectly 292 thousand people in 7 units located within AES Brazil companies’ areas of operation

Children educational development

“Centros Educacionais Luz e Lápis” Project - Two units in São Paulo attending 300 children from 1 to 6 years old in condition of social vulnerability



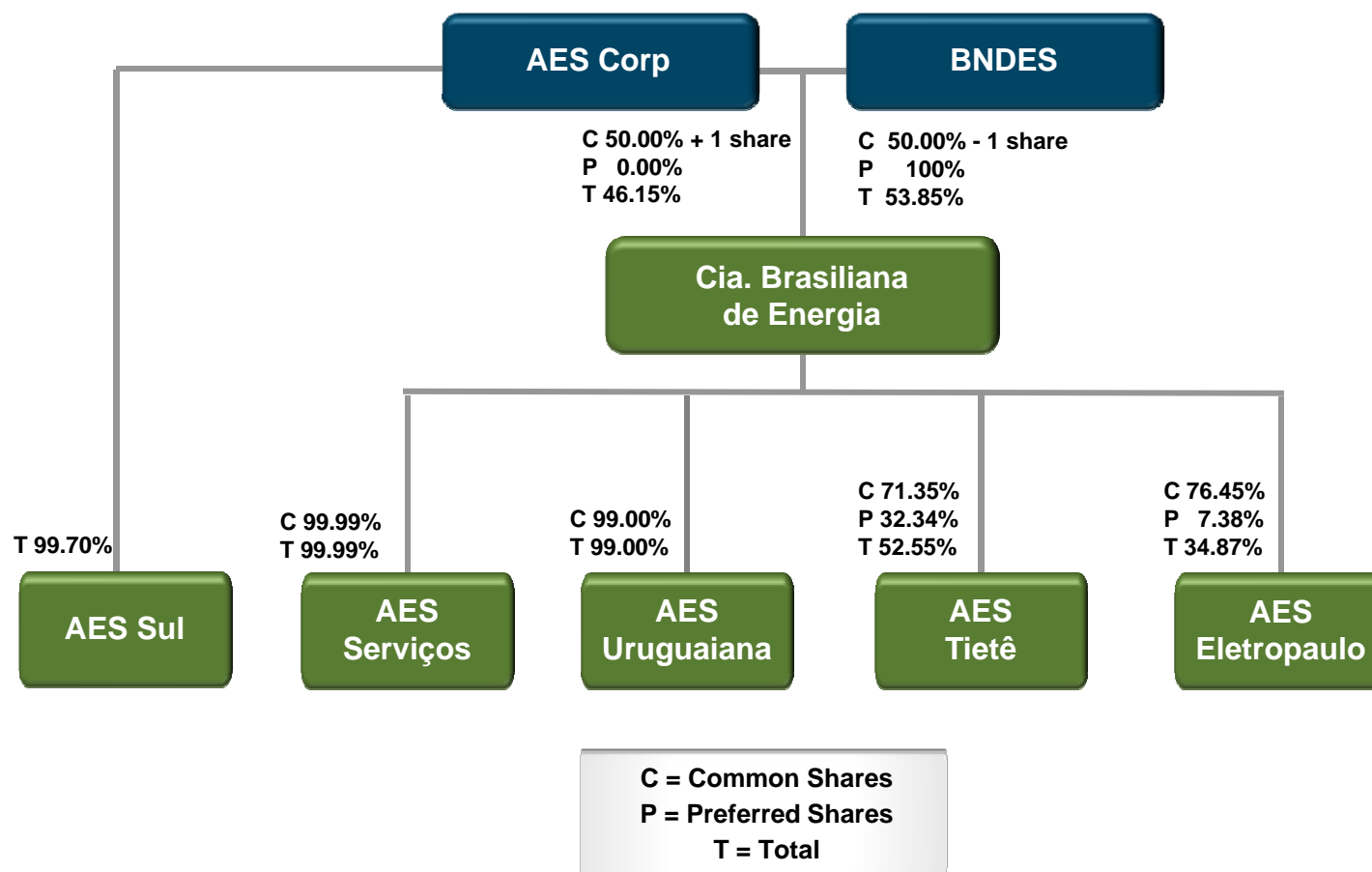
Education on safety and efficiency in energy consumption

“AES Eletropaulo nas Escolas” Project - Education about safe and efficient use of energy to 4.5 thousand teachers and 404 thousand students from 900 public schools. The actions include recreational activities offered in adapted trucks.

Converting consumers to clients





Developed for grid connection regularization. Since 2004, more than 500 thousand families in low income communities were benefited from better energy supply conditions and social inclusion.







AES Tietê and AES Eletropaulo are listed in BM&F Bovespa

	 AES ¹ <small>the power of being global</small>	 BNDES ¹	Free Float	Others ²	Market Cap ³
 AES Eletropaulo	16.1%	19.2%	56.2%	8.5%	US\$ 1.3 bi
 AES Tietê	24.2%	28.3%	39.5%	8.0%	US\$ 4.0 bi

1 - Parent companies, AES Corp and BNDES, have similar voting capital on each of the Companies: approx 35.9% on AES Eletropaulo and 32.9% on AES Tietê

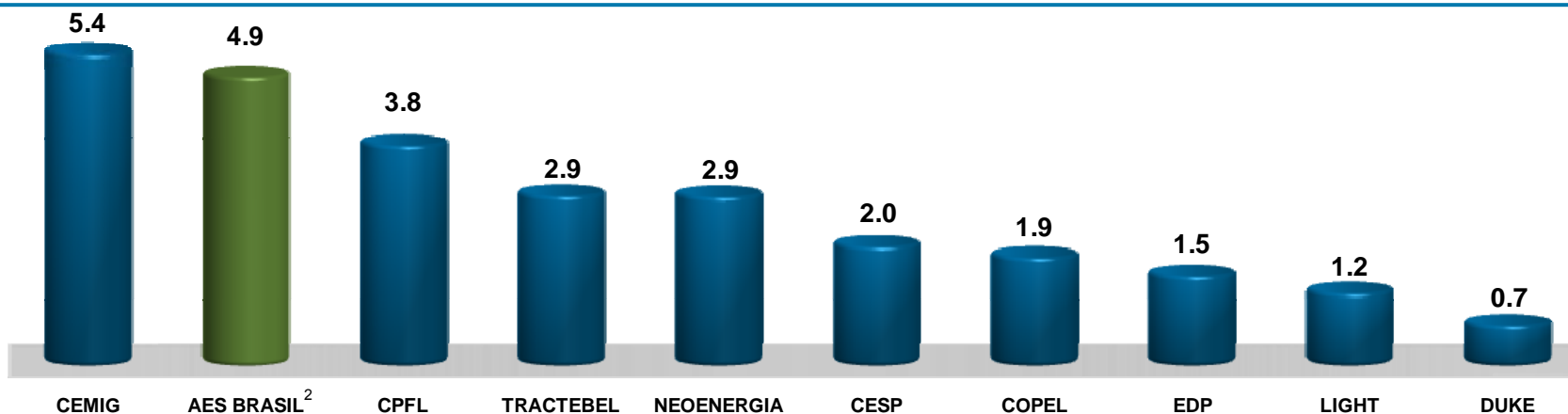
2 - Includes Federal Government and Eletrobrás shares in AES Eletropaulo and AES Tietê, respectively

3 - Base: 11/07/2012. Considers preferred shares for AES Eletropaulo and preferred and common shares for AES Tietê

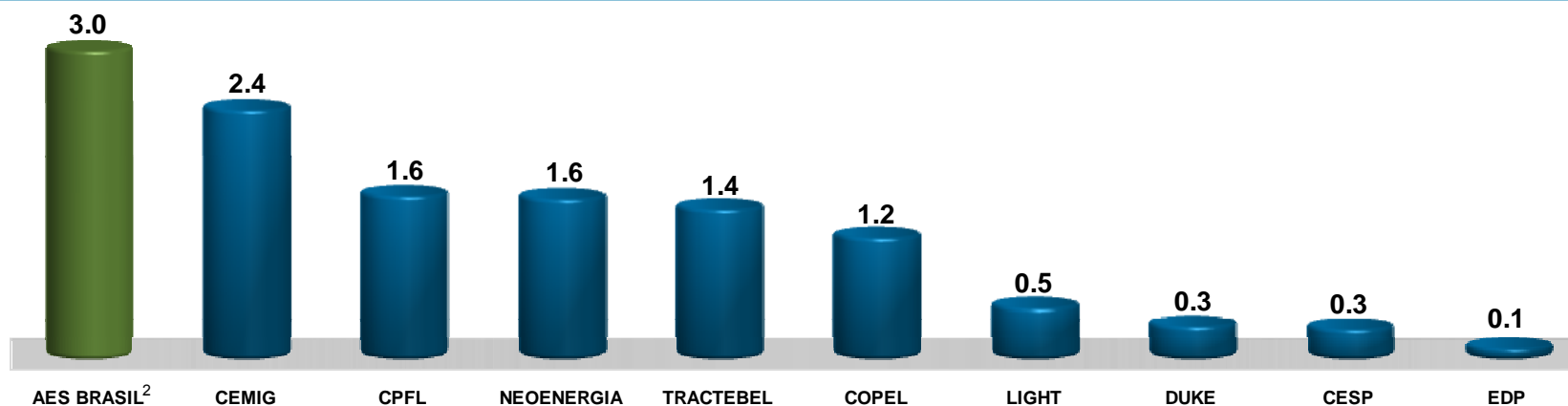


AES Brasil is the second largest group in the electric sector

Ebitda¹ – 2011 (R\$ Billion)



Net income¹ – 2011 (R\$ Billion)



1 – excluding Eletrobrás

2 – includes AES Atimus sale (aprox. R\$ 1 billion in EBITDA and aprox. R\$ 700 million in net income)

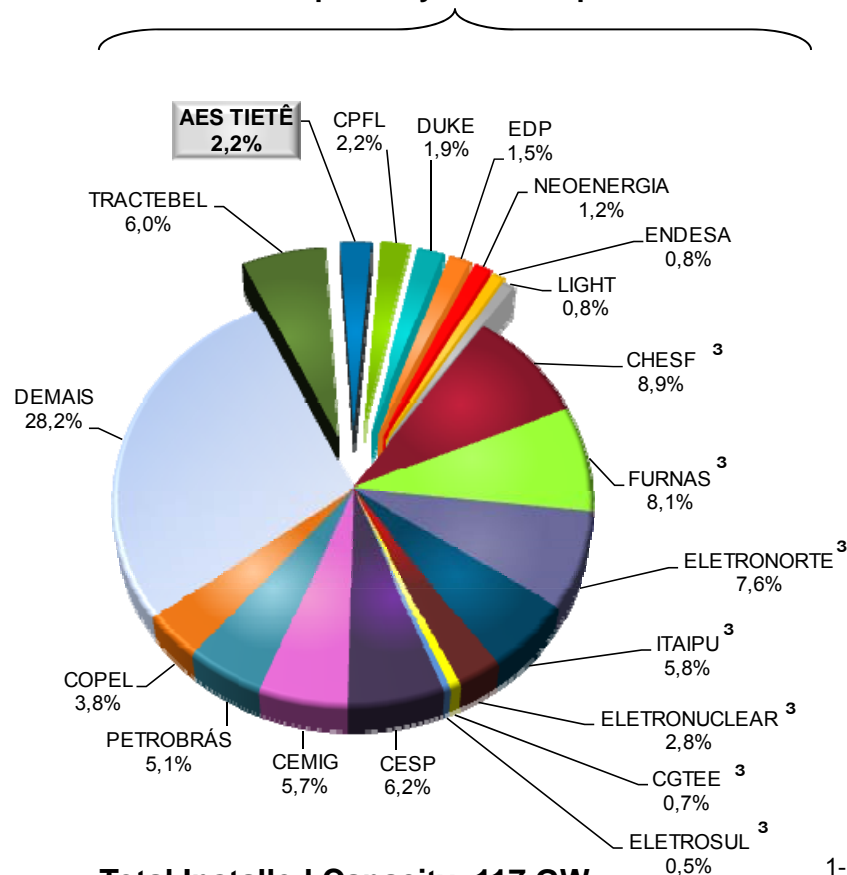
Source: Companies' financial reports



Generation installed capacity (MW) - 2012¹

AES Tietê is the 2nd largest private generator in Brazil

Main privately held Companies

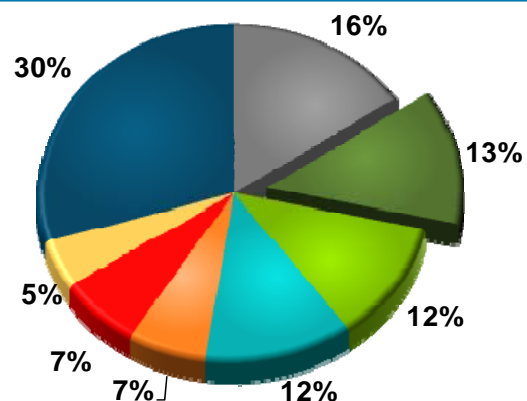


- AES Tietê is the 2nd largest among private generation companies
- Approximately 78% of country's generation installed capacity is state-owned²
- Three mega hydropower plants under construction in the North region of Brazil with 18 GW in installed capacity
 - Santo Antonio and Jirau (Madeira River): 7 GW
 - Belo Monte (Xingu River): 11 GW

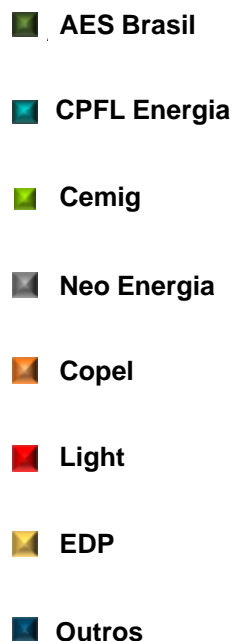
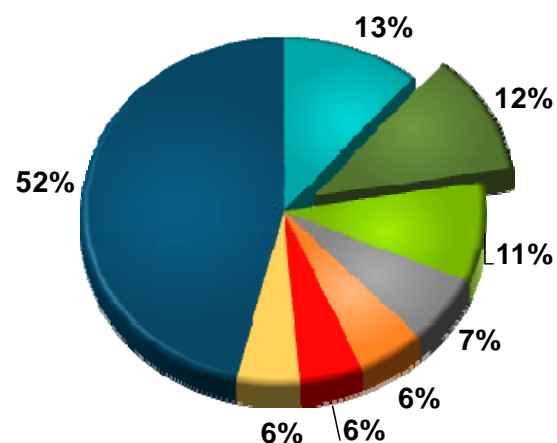
1- Sources: ANEEL – BIG (March, 2012) and Companies websites 2- Source: Banks' reports
3 – Eletrobrás, totaling 35%



Consumers – Dec/2011



Consumption (GWh) - 2011



AES is among the top 3 largest distribution players in Brazil

- 63 distribution companies in Brazil distributing 430 TWh
- AES Brasil is one of the largest electricity distribution group in Brazil:
 - AES Eletropaulo: 45 TWh distributed, 10.5% of the Brazilian market
 - AES Sul: 8.6 TWh distributed, 2.0% of the Brazilian market
- AES Eletropaulo is the largest electricity distributor in Latin America in terms of revenue supply, according to ABRAADE¹
- Distribution companies' operations are restricted to their concession areas
- Acquisitions must only be performed by the holdings of economic groups

1 – Brazilian Association of Electricity Distributors



AES Eletropaulo

AES Sul

AES Tietê

AES Uruguaiana

Energy Sector in Brazil



Energy sector in Brazil: business segments

Free Clients



- Consumption of 113 TWh (26% of Brazilian total market)
- Conventional sources: above 3,000 kW
- Alternative sources: between 500 kW and 3,000 kW
- Large consumers can purchase energy directly from generators
- Free contracting environment

Distribution



- 63 companies
- 430 TWh of energy distributed in 2011
- 70 million consumers
- 67% private sector
- Annual tariff adjustment
- Tariff reset every four or five years
- Regulated public service
- Regulated contracting environment

Transmission



- 68 companies
- 68% private sector
- High voltage transmission (>230 kV)
- 98,648 km in extension lines (SIN¹)
- Regulated public service with free access
- Regulated tariff (annually adjusted by inflation)

Generation



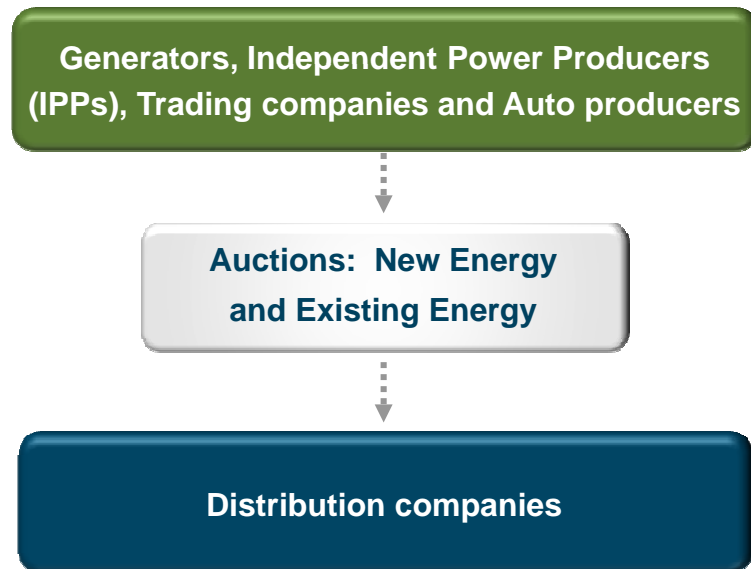
- 13 groups controlling 76% of total installed capacity
- 22% private sector
- 1,862 power plants
- 117 GW of installed capacity
 - 73% hydroelectric
 - 17% thermoelectric
 - 5% biomass
 - 4% SHPP²
 - 1% Wind
- Contracting environment – free and regulated markets

¹ Interconnected National System

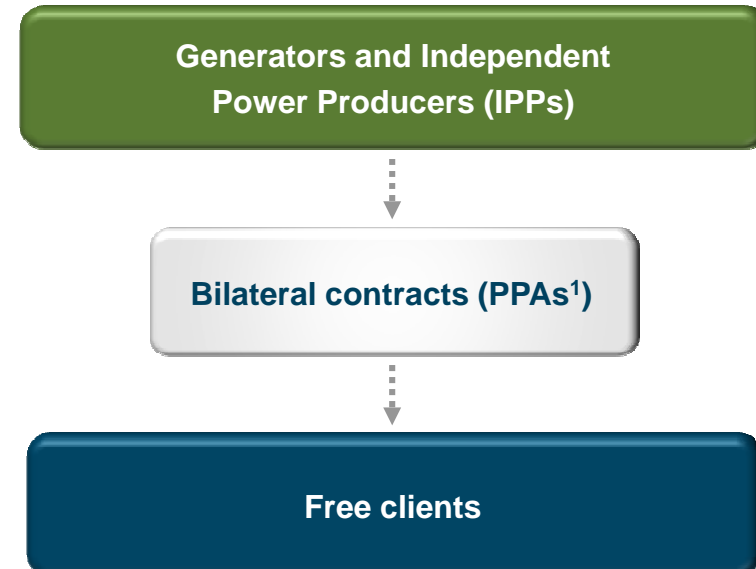
² Small Hydro Power Plants

Energy sector in Brazil: contracting environment

Regulated market



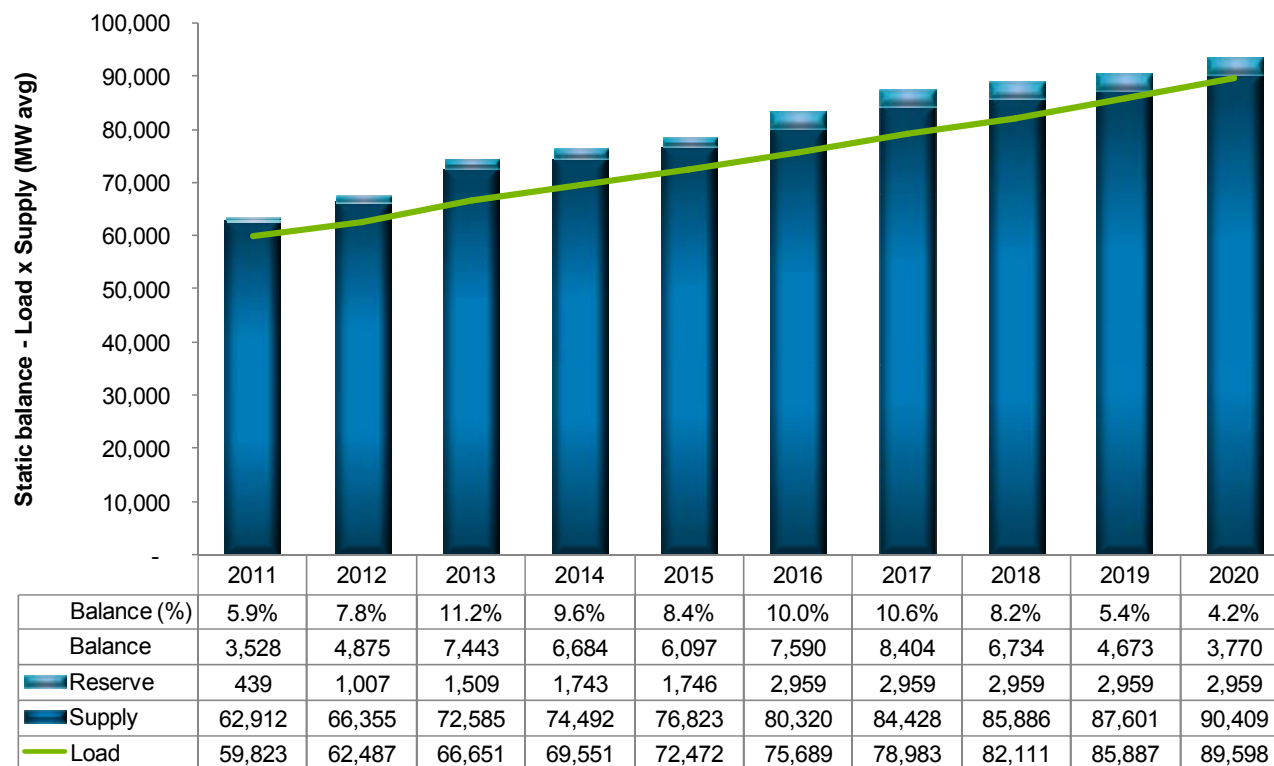
Free market



- **Main auctions (reverse auctions):**
 - New Energy (A-5): Delivery in 5 years, 15-30 years regulated PPA¹
 - New Energy (A-3): Delivery in 3 years, 15-30 years regulated PPA¹
 - Existing Energy (A-1): Delivery in 1 year, 5-15 years regulated PPA¹

Electric sector in Brazil: demand and supply balance

Static balance¹ – Load x Supply² (considering reserve energy³)



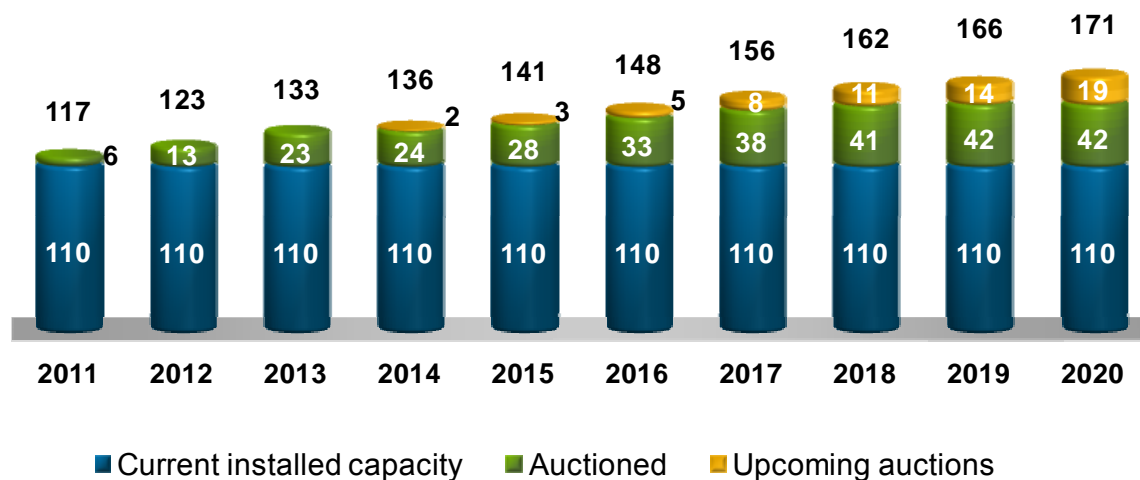
- Brazilian electric system presents a surplus in the energy balance for the years to come
- Low risk of rationing
- Expansion opportunities since this capacity is not yet fully contracted

1 -Ten-year Energy Plan 2020, May/2011 – EPE

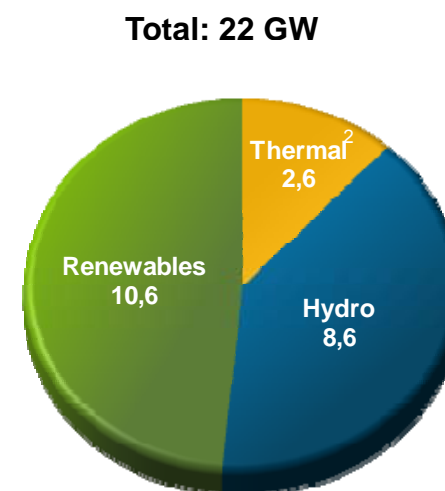
2- Supply based on physical guarantee

3- Energy destined to equalize the differences between the sum of power plants' physical guarantees and the system's physical guarantee.

Installed capacity (GW)¹



Growth by source - new auctions (GW)



- Brazilian installed capacity to grow 4-5% y.o.y (~ 5 GW) over the next 10 years
- Renewable energies will lead the capacity increase with competitive cost vs. other technologies and strong Government support
- Gas-fired thermal to leverage on the pre-salt discoveries and on the dispatchability benefit

1- Source: EPE (Energetic Research Company), Ten-year Energy Plan 2020, May/2011

2- Amount related to thermal is an estimate of the Company



AES Atimus
AES Eletropaulo
AES Infoenergy
AES Sul
AES Tietê
AES Uruguaiana

Regulatory framework



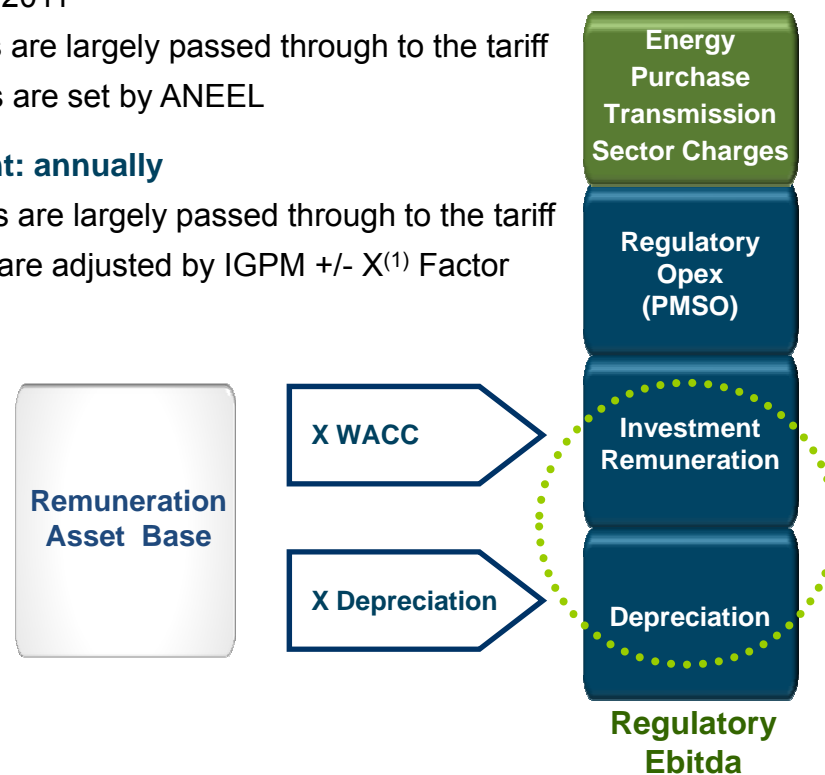
Tariff reset and readjustment

- **Tariff Reset is applied each 4 years for AES Eletropaulo**

- Base date: Jul/2011
- Parcel A: costs are largely passed through to the tariff
- Parcel B: costs are set by ANEEL

- **Tariff Readjustment: annually**

- Parcel A : costs are largely passed through to the tariff
- Parcel B: cost are adjusted by IGPM +/- X⁽¹⁾ Factor



- **Parcel A Costs**

- Non-manageable costs that are largely passed through to the tariff
- Incentives to reduces costs

- **Regulatory Opex:**

- Efficient operating cost determined by ANEEL (National Electricity Agency)

- **Remuneration Asset Base:**

- Prudent investments used to calculate the investment remuneration (applying WACC) and depreciation

 **Parcel A - Non-Manageable Costs**

 **Parcel B - Manageable Costs**

1 – X Factor: index that captures productivity gains

3rd Cycle of tariff reset – X factor

X FACTOR	=	Pd	+	Q	+	T
DEFINITION		Distribution productivity		Quality of service		Operational expenses trajectory
OBJECTIVE		Capture productivity gains		Stimulate improvement of service quality		Implement operational expenses trajectory
APPLICATION		Defined at tariff reset, considers the average productivity of sector adjusted by market growth and consumption variation		Defined at each tariff readjustment, considers variation of SAIDI and SAIFI and comparative performance of discos		Defined at tariff reset, considers reference company and benchmarking methodologies

3rd Cycle of the Tariff Reset for AES Eletropaulo

Tariff Review

- Gross Regulatory Asset Base: R\$ 10,748.8 million
- Net Regulatory Asset Base: R\$ 4,445.1 million
- Parcel B: R\$ 2,007.1 million
- Non Technical Losses (referenced in the low voltage market): start point at 11.56% and get to 8,56%, by the end of the cycle
- Average effect to be perceived by the consumer: -9.33%
- Economical Effect: -5.60%

Tariff Adjustment

- Average effect to be perceived by the consumer : +5.51%
- Economical Effect: +4.45%

Tariff Review + Adjustment

- Average effect to be perceived by the consumer : -2.26%

Administrative Appeal

- In 17th July, Company filed a request for reconsideration of the Homologation Resolution 1,327/2012 about the Regulatory Asset Base and the non-technical losses trajectory

Discussions with Aneel

	Discussion	Arguments
Shielded RAB	<ul style="list-style-type: none"> ✓ Aneel excluded R\$ 728 million from shielded RAB, due to the decrease in the amount of cables between the accounting records and the shielded RAB, between cycles 	<ul style="list-style-type: none"> ✓ Shielded RAB was approved by Aneel in 2003 and was confirmed in 2007, considering a global consistency criteria ✓ If the exclusion of the amount of cables is maintained, an addition of R\$ 660 million of assets in operation (2003 BRR) should be considered
Investments	<ul style="list-style-type: none"> ✓ Aneel did not recognize a R\$ 427 million investment performed in the incremental period on Minor Components to Main Equipments ("COM") and Additional Costs ("CA") 	<ul style="list-style-type: none"> ✓ Adequacy of the regulatory standards applied by Aneel for the valuation of real costs incurred in execution of works and recorded in accounting books
Losses	<ul style="list-style-type: none"> ✓ Aneel changed the benchmark company proposed in the Public Hearing, modifying the regulatory losses from 0.49% to 1% 	<ul style="list-style-type: none"> ✓ Benchmark company is an outlier ✓ Regulatory losses shall be restored to the previous number of 0.49%

Provisional Measure 579: energy cost reduction program

- ✓ Program created by Provisional Measure 579 (“PM 579”) in 09/12/2012;
- ✓ Law Decree 7805 was published on 09//17/2012 and regulates the terms of PM 579;
- ✓ Conversion of this provisional measure into law depends on the approval of the Brazilian Congress
 - More than 400 amendments were submitted to Congress
- ✓ It aims to reduce tariffs by an average of 20% (Residential: 16.2% and industrial 20% to 28%), as from February, 2013, through:
 - Reduction Sector Charges (RGR, CCC and CDE): - 7%
 - Renewal Leases Generation and Transmission: - 13%
- ✓ New rules are only valid for the concessions granted before 1995, i.e, they are **not** valid for AES Eletropaulo (concession expires in 2028) nor for AES Tietê (concession expires in 2029).

Generation & Transmission

- ✓ Extension for 30 years with effects anticipated for 2013:
 - Assets not depreciated / amortized will be evaluated based on the methodology of the new replacement value (NRV). Holders of concession will be compensated with such amount;
- ✓ Concession renewal will be based on O&M costs, industry charges, fees and network usage;
- ✓ Energy associated with the renewal of concessions will be fully allocated to the regulated market

Distributioun

- ✓ Extension for 30 years
- ✓ Rules for renewal has not been defined

Other terms and timeline

- ✓ Oct, 15 2012: companies submitted to ANEEL their intention to renew generation, distribution and transmission concessions
- ✓ Nov, 01 2012: MME published generation initial tariff, transmission annual revenue and compensation value to concessions to be renewed
- ✓ Dec, 04 2012: Final term for signing the amendments
- ✓ Concessions that are not renewed will be auctioned under the same conditions of the renewed concessions

PM 579: Opportunities and risks

AES Tietê

AES Eletropaulo

Opportunities

- ✓ Competitive prices in the free market (~ R\$ 100 – R\$ 110/MWh)
- ✓ Possible pressure of higher prices at the free market in the short term
- ✓ Possible sale of electricity to generators whose concessions are expiring, to cover contracts set in the free market between 2015 and 2017

- ✓ Marginal benefits in collection and potential decrease in delinquency, since energy costs will be reduced
- ✓ Increase in energy consumption, as a potential result of the drop in tariffs
- ✓ Exchange rate variation of the energy price purchased from Itaipu will no longer be supported by distribution companies, but by Eletrobras

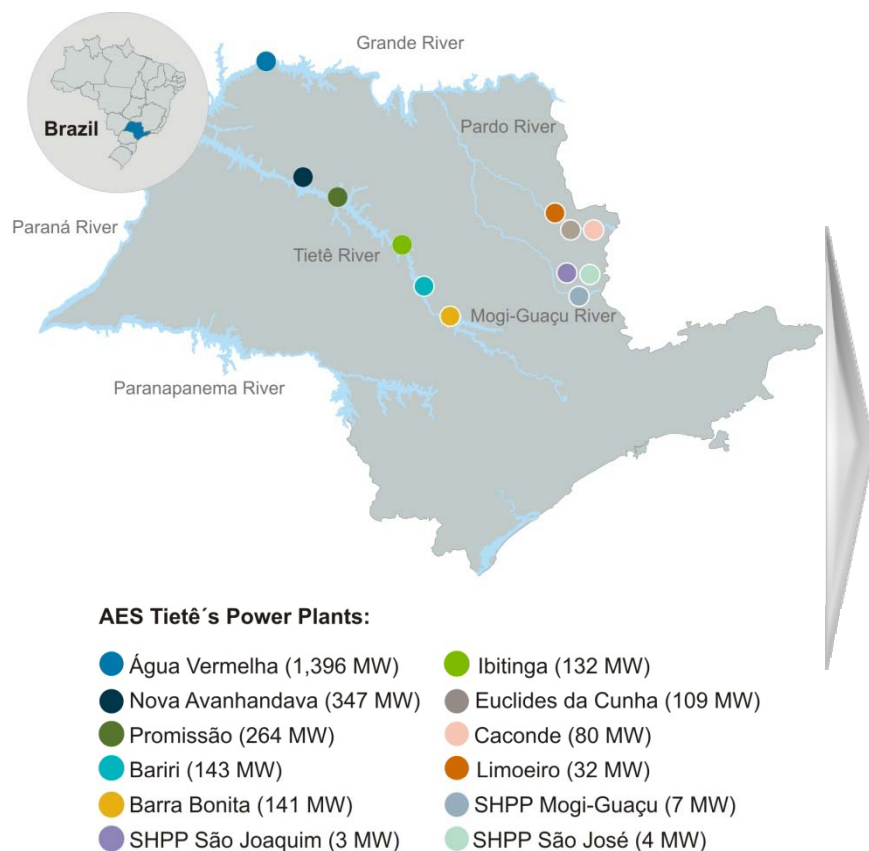
Risks

- ✓ Recognition by ANEEL of the investments in modernization for compensation at the end of the concession

- ✓ Financial impact between tariff adjustments of hydrological risks due to the allocation of energy quotas



Generation facilities

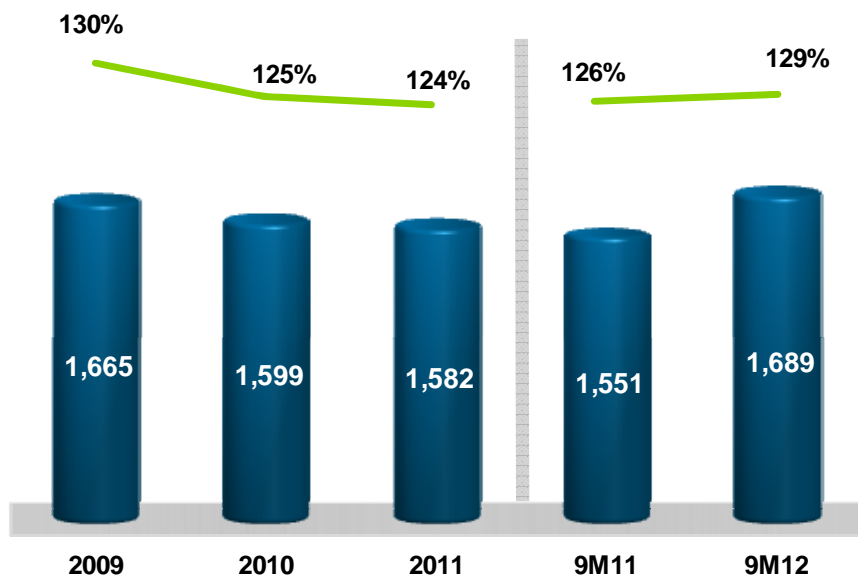


- 12 hydroelectric plants in São Paulo
- 30-year concession valid until 2029; renewable for other 30 years
- Installed capacity of 2,658 MW, with physical guarantee¹ of 1,278 MW average
- Almost all the amount of energy that AES Tietê can sell is contracted with AES Eletropaulo until the end of 2015
- AES Tietê can invest in generation, its main activity, and operate in energy trading
- 360 employees as of September, 2012

1 - Amount of energy allowed to be long term contracted

Generated energy shows high operational availability

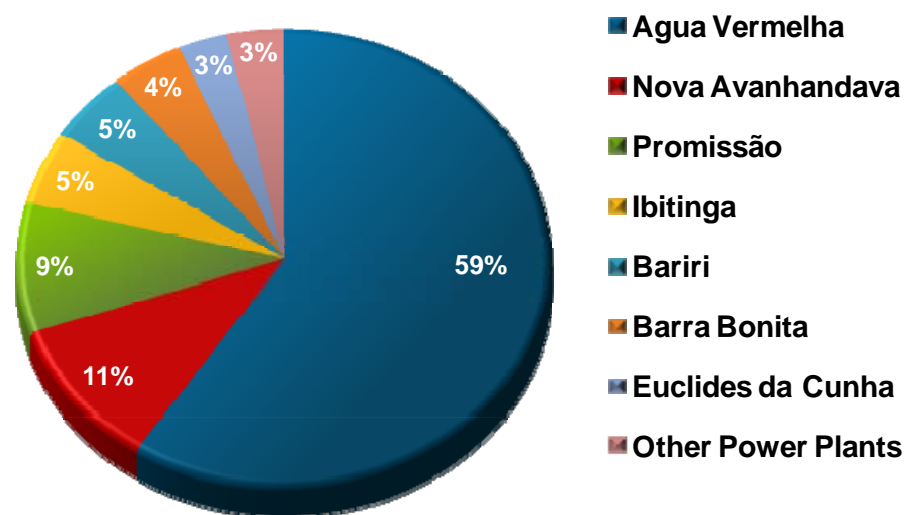
Generated energy (MW average¹)



■ Generation - Mwavg

— Generation/Physical guarantee

9M12 Generated energy by power plant (MW average¹)



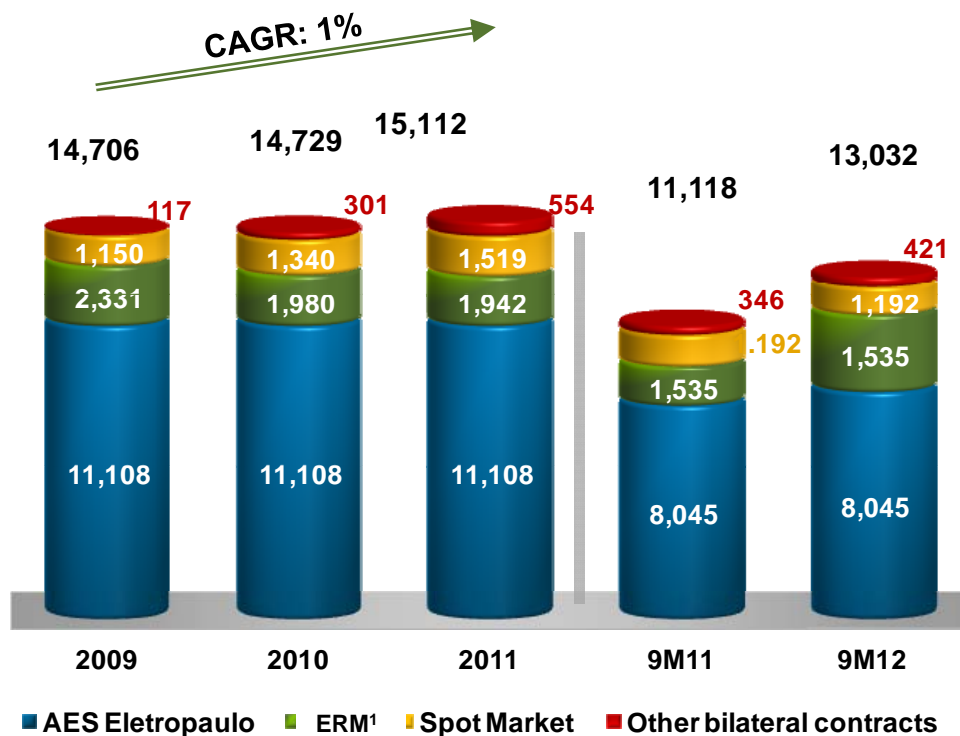
1 – Generated energy divided by the amount of hours

* Caconde, Limoeiro, Mogi and SHPPs



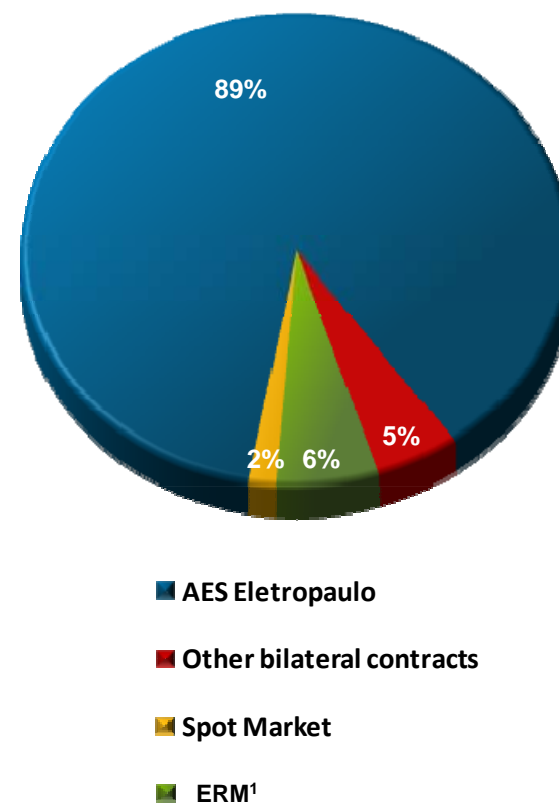
A significant amount of billed energy and net revenues comes from the bilateral contract with AES Eletropaulo

Billed energy (GWh)



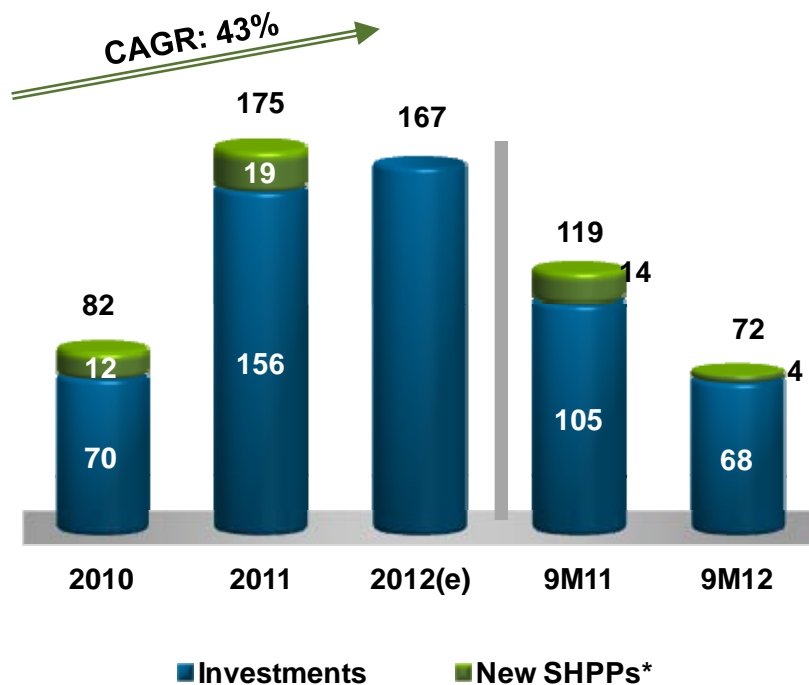
1 – Energy Reallocation Mechanism

Net revenues (%)

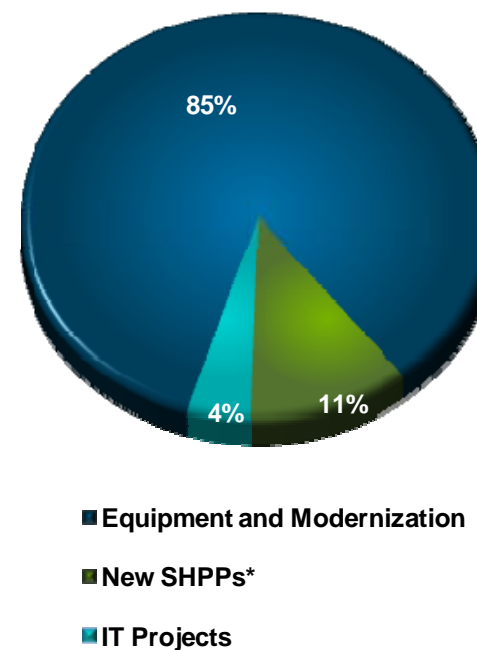


Nova Avanhandava, Água Vermelha, Ibitinga and limoeiro power plants modernization investments

Investments (R\$ million)



9M12 Investments



* Small Hydro Power Plants

“Thermal São Paulo” Project

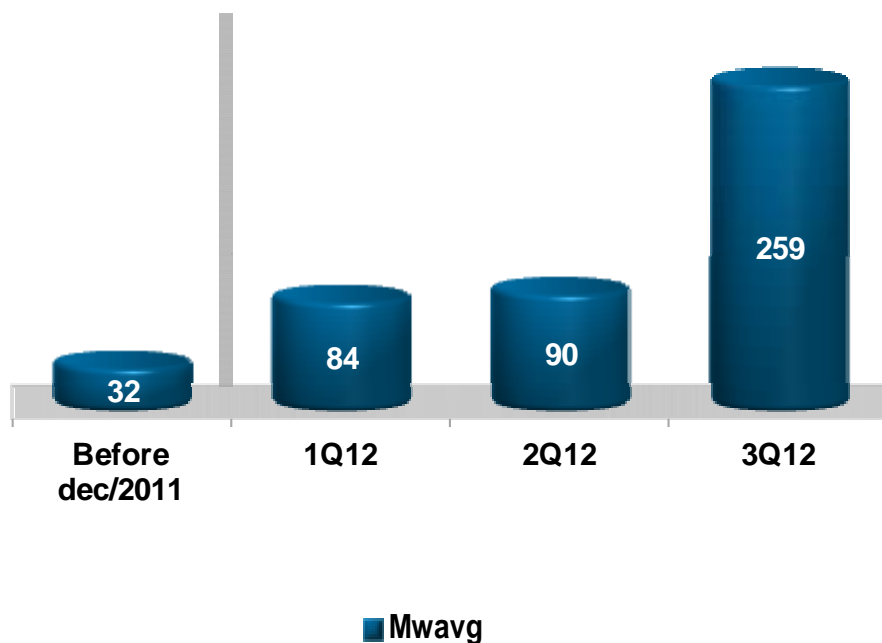
- Natural gas combined cycle thermal plant, with 550 MW of installed capacity
- Project will not participate in 2012 auctions (A-3 and A-5) due to gas unavailability
- Environmental License was restored after the decision of São Paulo State Court of Justice
- Next steps: Obtainment of the installation license

“Thermal Araraquara” Project

- Natural gas combined cycle thermal plant, with 579 MW of installed capacity
- Purchase option acquired in March, 2012
- Project will not participate in 2012 auctions (A-3 and A-5) due to gas unavailability
- Next steps: Obtainment of the installation license

Strategy for energy contracting in 2016: composition of client portfolio

Clients portfolio evolution in 2012

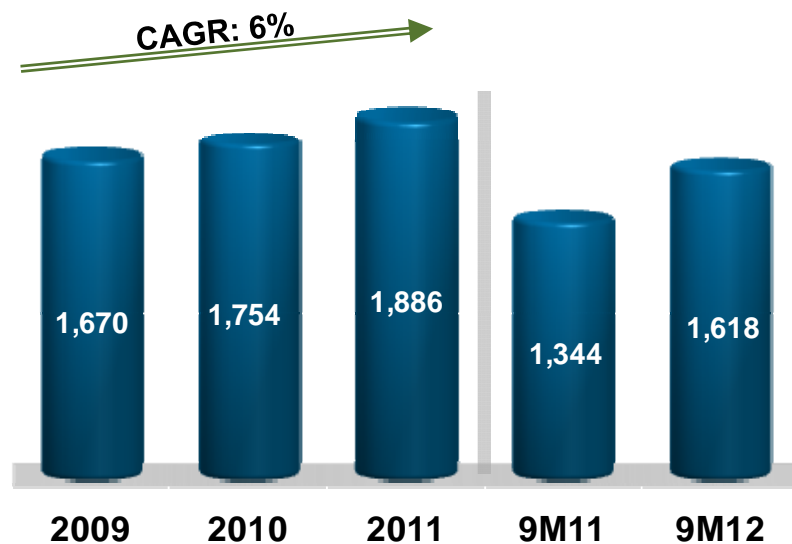


- **Goals:**

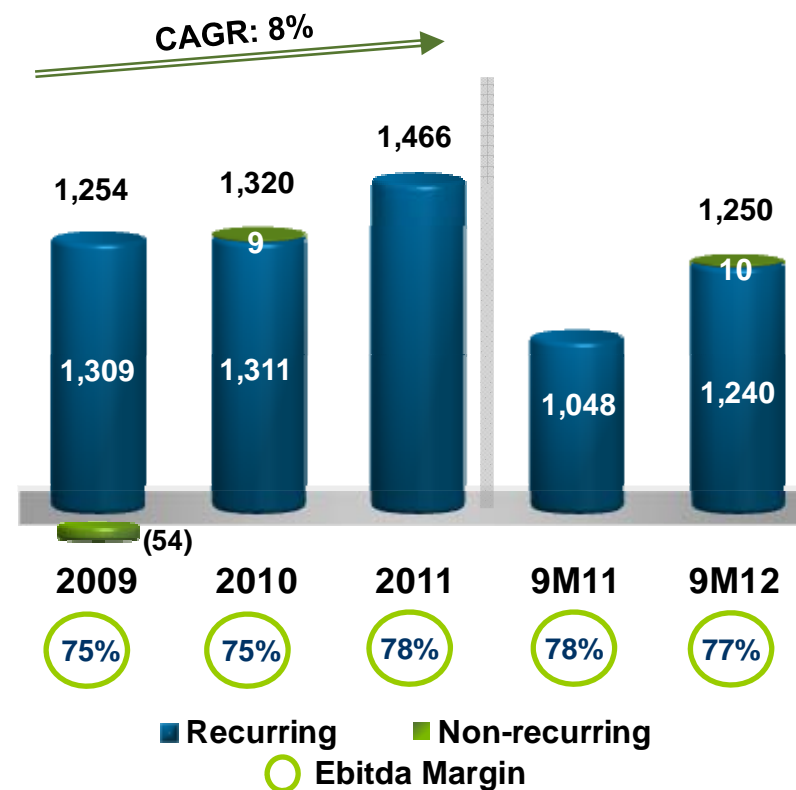
- 2011 / 2012: commercial initiatives to expand client portfolio in the free market;
- Current portfolio comprises 259 MWa, of which 227 Mwa sold this year and 87 MWm sold for 2016 onwards;
- Contracts involving energy delivery for 2012-2015 are “back to back”, i.e, with no market exposure.

Financial highlights

Net revenue (R\$ million)

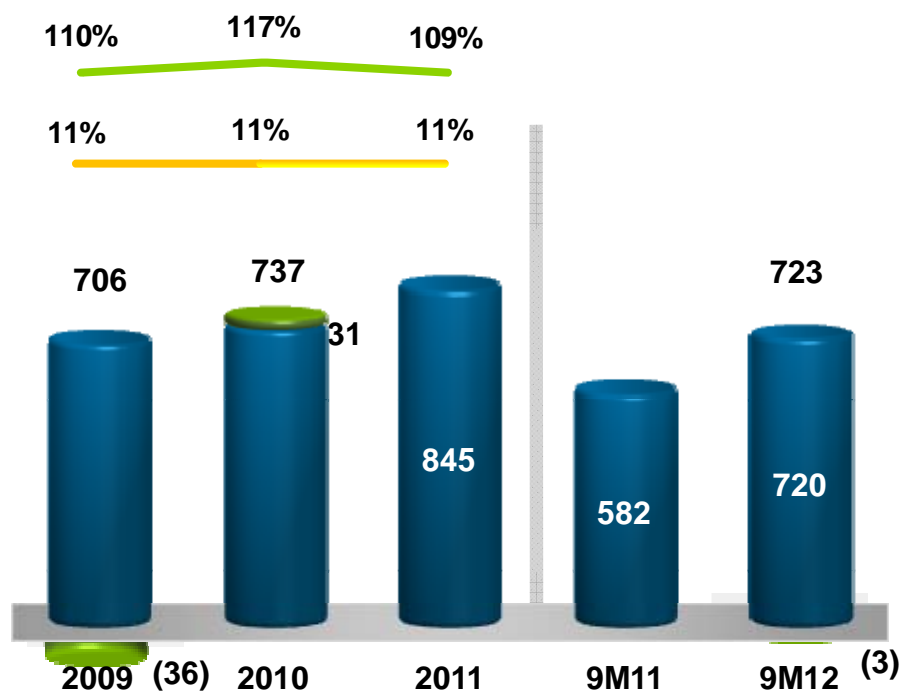


Ebitda (R\$ million)



Steady earnings distribution on a quarterly basis

Net income and dividend pay-out¹ (R\$ million)

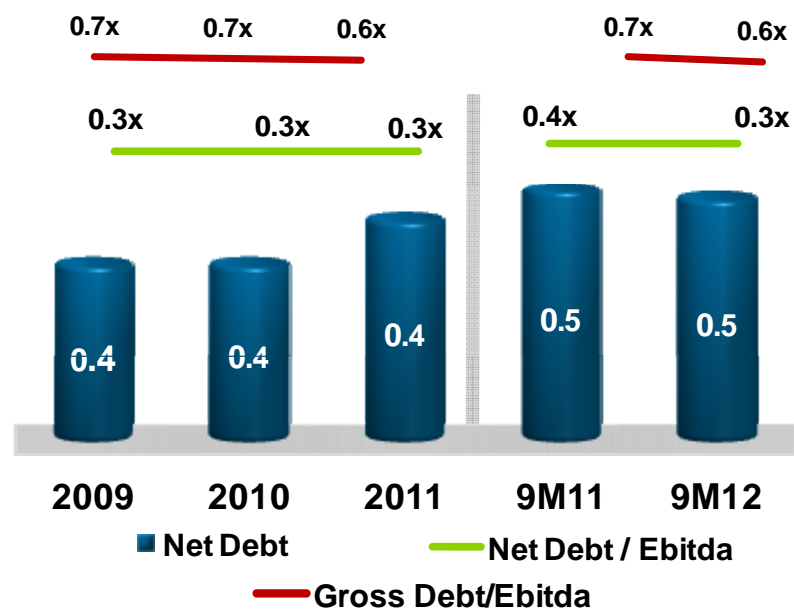


• Dividends distribution practice:
100% of net income

- 25% of minimum pay-out according to bylaws
- Average payout since 2006: 106%
- Average dividends since 2006: R\$ 745 million per year

Pay-out Yield Pref Recurring Non-recurring

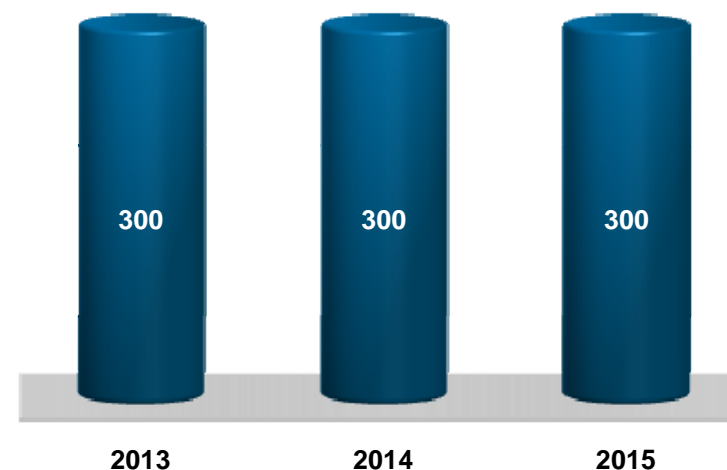
Net debt (R\$ billion)



Covenants

- ✓ Gross debt/Ebitda of 2.5x
- ✓ Ebitda/Financial expenses of 1.75x

Amortization schedule – principal (R\$ million)

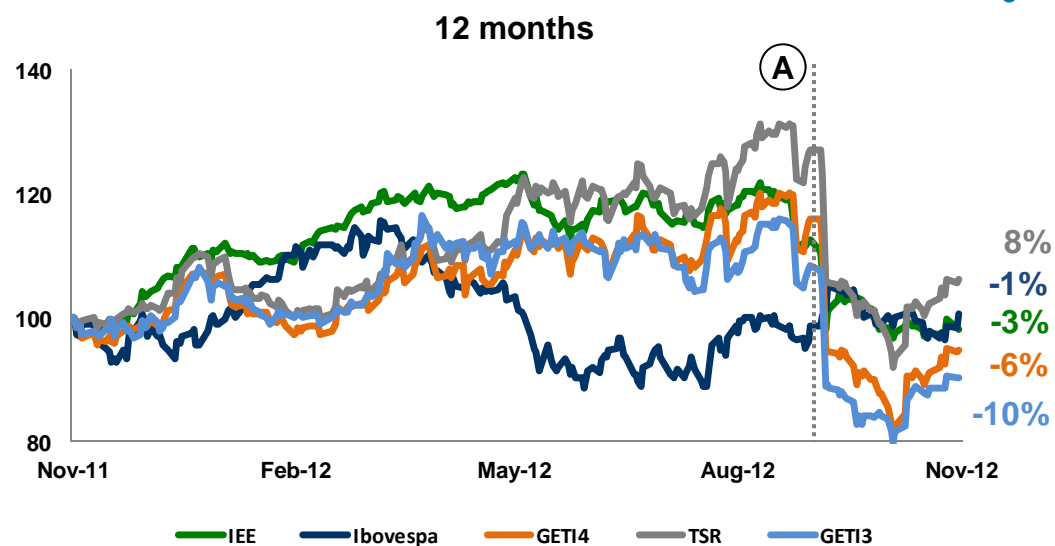


Average Cost

	3Q11	3Q12
✓ Average Cost (% CDI) ¹	115%	121%
✓ Average Term (years)	2.5	1.5
✓ Effective Rate	12.7%	9.7%

1 – Brazilian Interbank Interest Rate

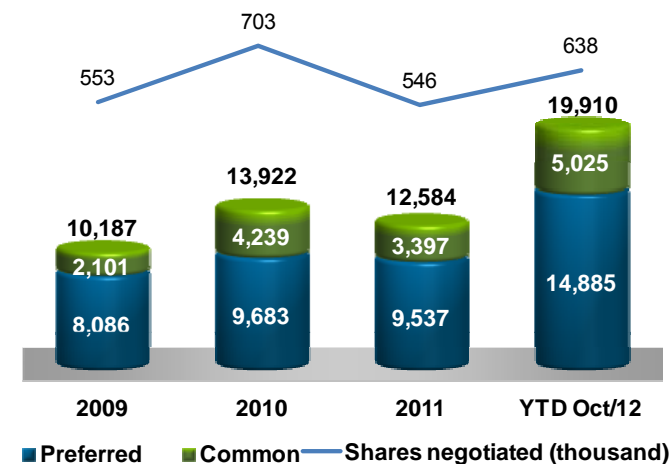
AES Tietê X Ibovespa X IEE



A 09/12/2012: The Brazilian Government announced the Energy Reduction Program, by the PM 579

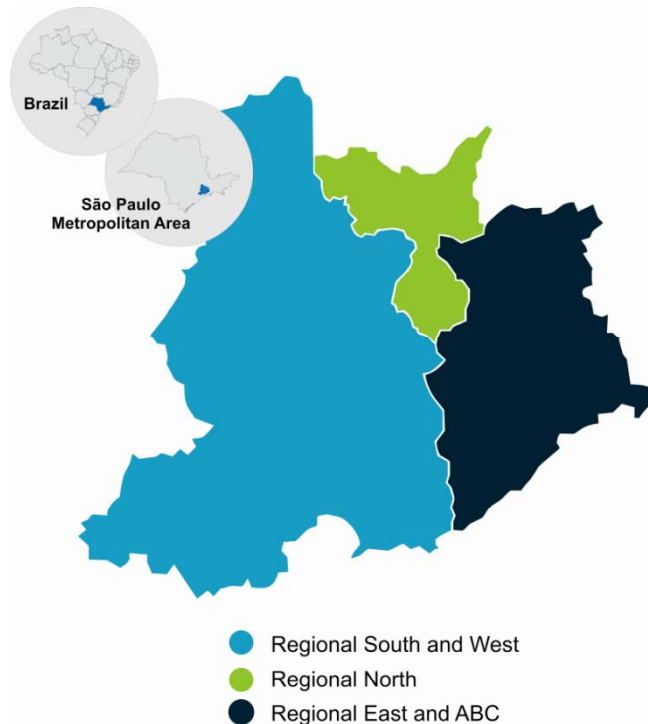
- **Market Cap⁴:** R\$8.45 billion / US\$ 4.02 billion
- **BM&FBovespa:** GETI3 (common shares) and GETI4 (preferred shares)
- **ADRs negotiated in US OTC Market:** AESAY (common shares) and AESYY (preferred shares)

Daily avg volume (R\$ thousand)



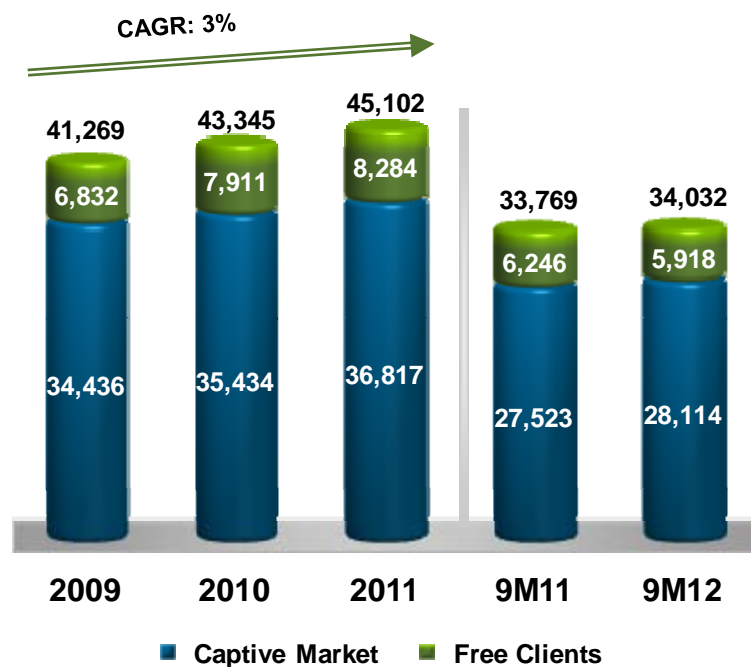


Concession area

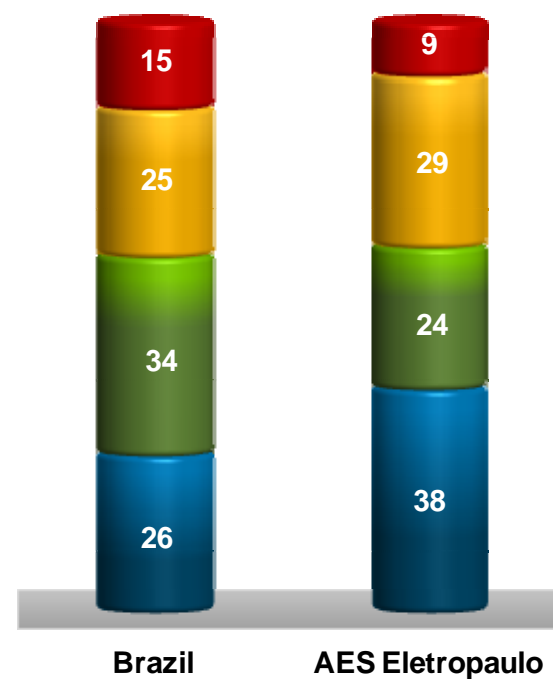


- Largest electricity distribution company in Latin America
- Serving 24 municipalities in the São Paulo Metropolitan area
- Concession contract valid until 2028; renewable for another 30 years
- Concession area with the highest GDP in Brazil
- 45 thousand kilometers of lines and 6.3 million consumption units in a concession area of 4,526 km²
- 45 TWh distributed in 2011
- AES Eletropaulo, as a distribution company, can only invest in assets within its concession area
- 5,584 employees as of September, 2012

Total market¹ (GWh)

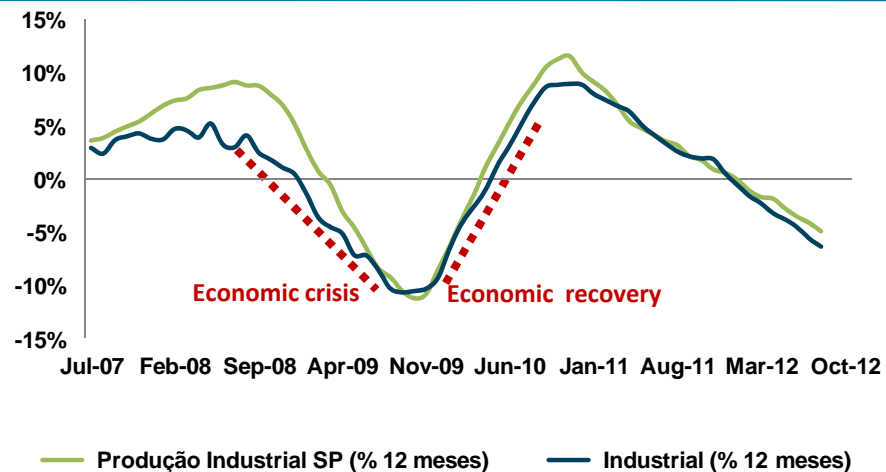


Consumption by class – 9M12 (%)

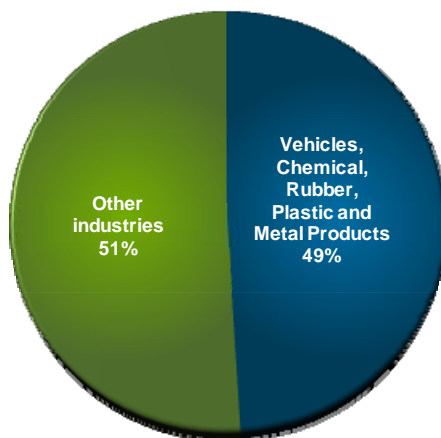


1 – Net of own consumption

Industrial class X Industrial production in São Paulo State



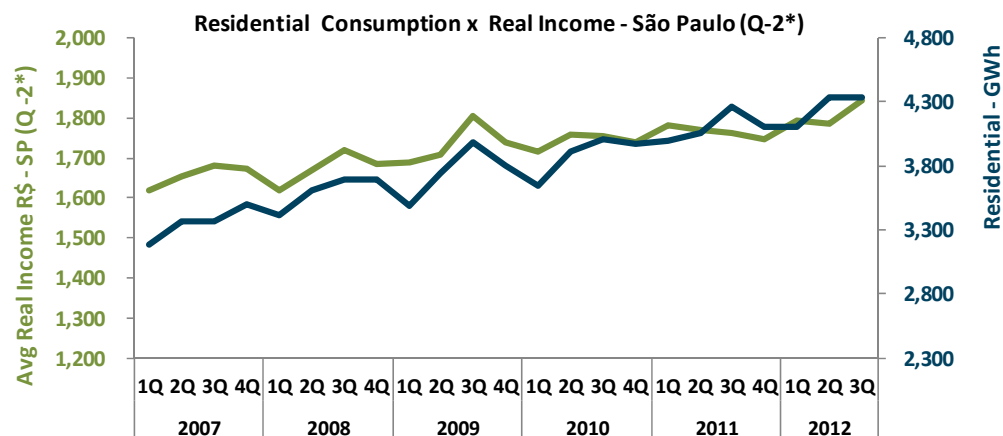
Consumption of industrial class by activity¹ – AES Eletropaulo



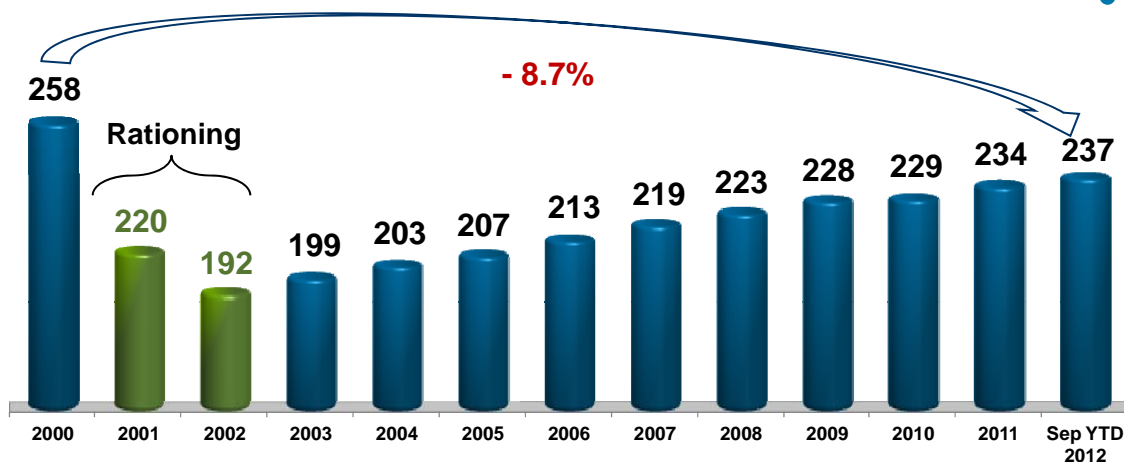
Industrial class

- Industrial consumption is influenced by manufacturing industry performance in São Paulo State
- Recent slowdown is influenced by the decrease of industrial production in 2011 and 2012

Residential class X Average income in São Paulo Metropolitan Area



Consumption per consumer (in kWh)

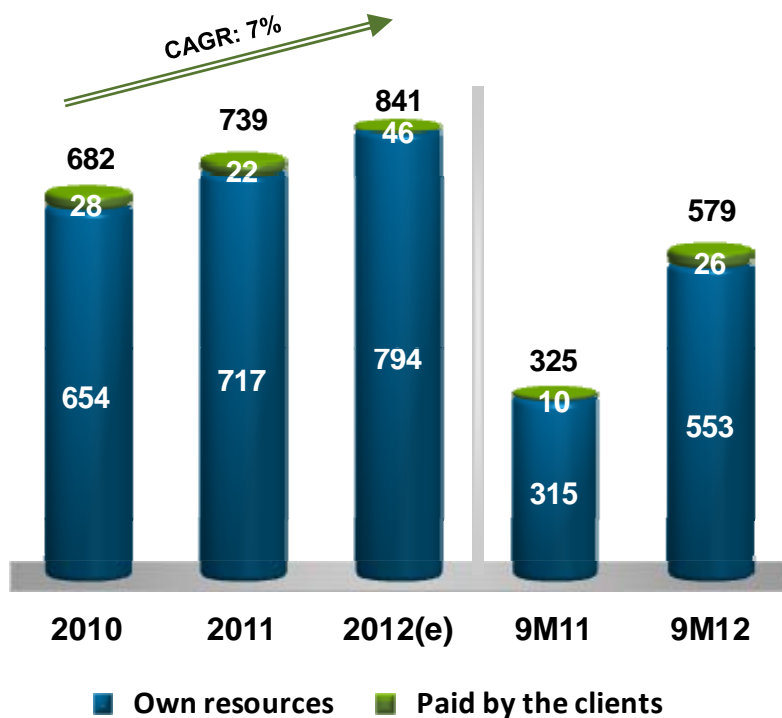


Residential class

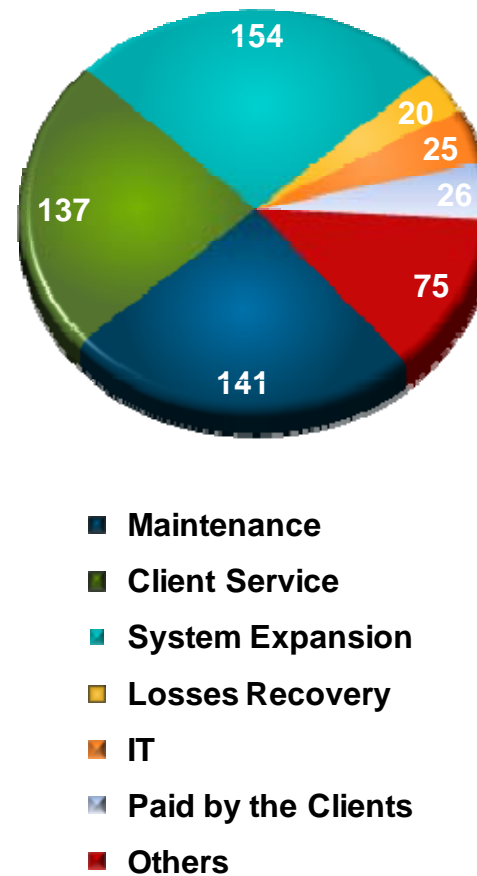
- Residential consumption driven by average income
- Income expansion trend in São Paulo Metropolitan Area will sustain growth of residential class
- Average annual growth (2003-2011):
 - total residential market: 5.5% y.o.y
 - consumption per consumer: 2.1% y.o.y
- Consumption per consumer is still 8.7% lower than in the period before the rationing

Investments focused on grid automation, maintenance and system expansion

Investments breakdown (R\$ million)

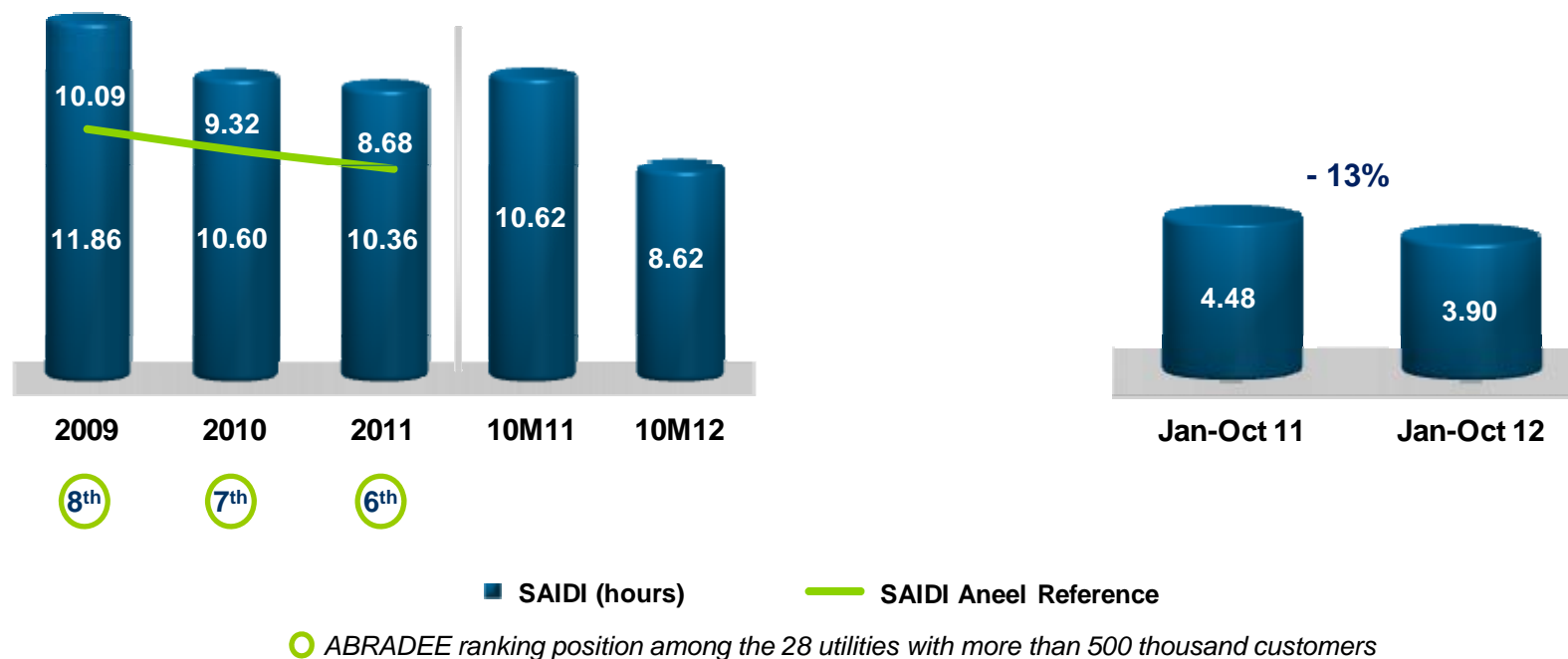


Investments 9M12 (R\$ million)



Best SAIDI since 2006 and within regulatory limits

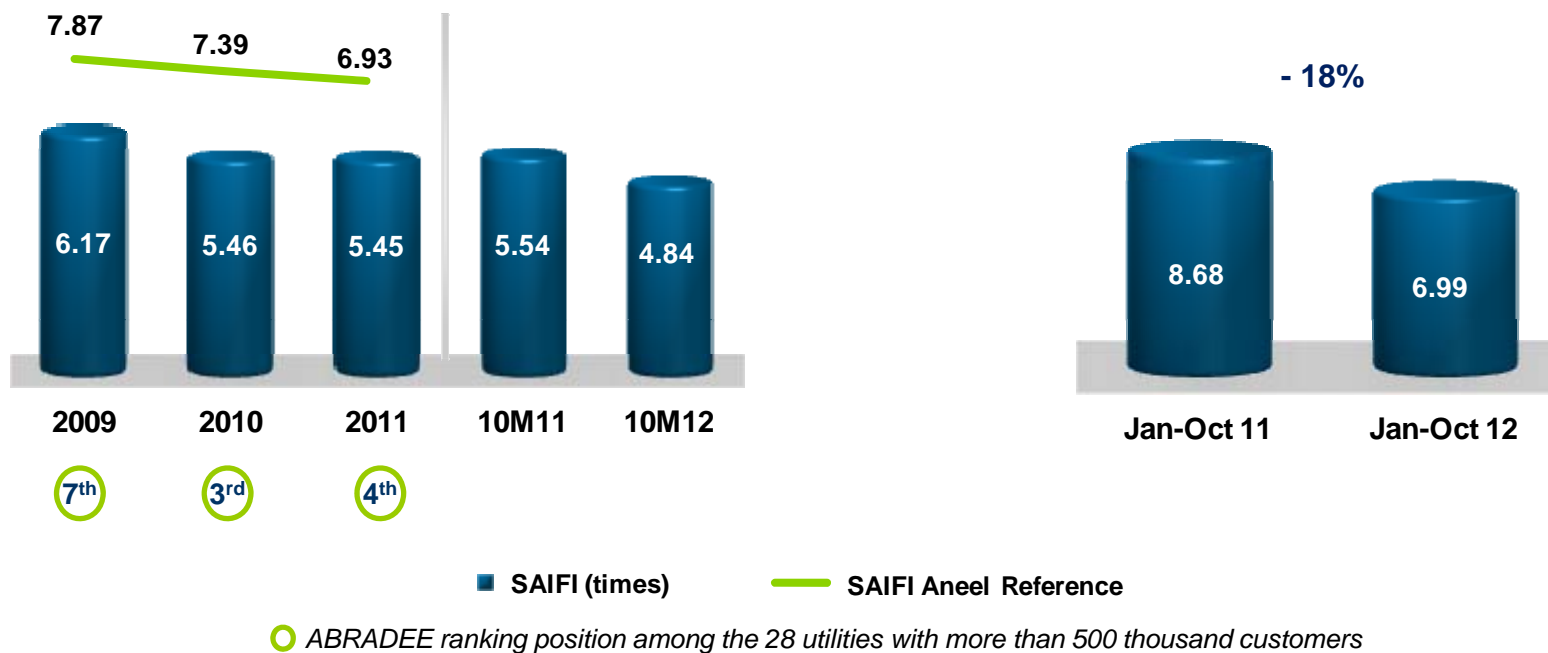
SAIDI - System average interruption duration index



► 2012 SAIDI ANEEL Reference: 8.67 hours

SAIFI remains below the regulatory limit and still decreasing

SAIFI - System average interruption frequency index

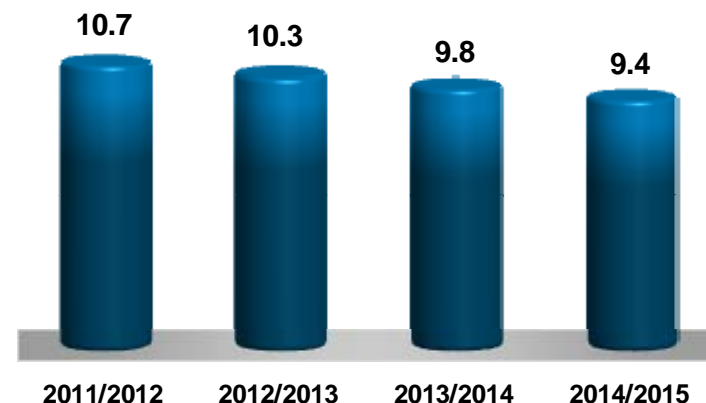
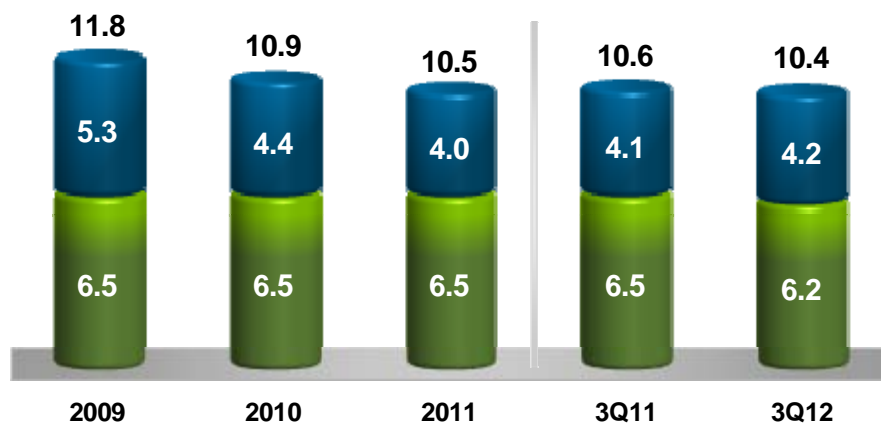


► **2012 SAIFI ANEEL Reference: 6.87 times**

Losses level close to the regulatory reference for the 3rd Cycle of Tariff Reset

Losses (last 12 months)

Regulatory Reference² - Total Losses (last 12 months)



■ Technical Losses ¹ ■ Non Technical Losses

1 – In January 2012, the Company improved the assessment of the technical losses, which were decreased to a level of 6.1%. The number for the last twelve months ended in 3Q12 is 6.2%

2 – Values estimated by the Company to make them comparable with the reference for non-technical losses determined by the Aneel

Efficiency increase to operate within the regulatory limits

“Criando Valor” (Creating Value) Project

- ✓ Aims cost control gains by increasing productivity, optimizing supporting functions and enhancing efficiency in key processes
- ✓ Benefits to be obtained in 2012 will absorb part of tariff reset impacts and pressure on costs

Additional initiatives

Process review/ Cost reduction

- ✓ Cost reduction target of R\$ 100 million from 2013 onwards
- ✓ 30% increase in productivity of north region operational teams (under implementation for others regions)
- ✓ Increase clients attended by automatic service channels from 44% to 69%, reducing costs and enhancing client satisfaction
- ✓ Optimization of operational bases, reducing 2 units
- ✓ Review of stores portfolio by increasing outsourced services and reducing the number of units from 66 to 40
- ✓ Renegotiation of suppliers contracts
- ✓ Organizational restructuring involving 372 employees until October, with elimination of 68 positions

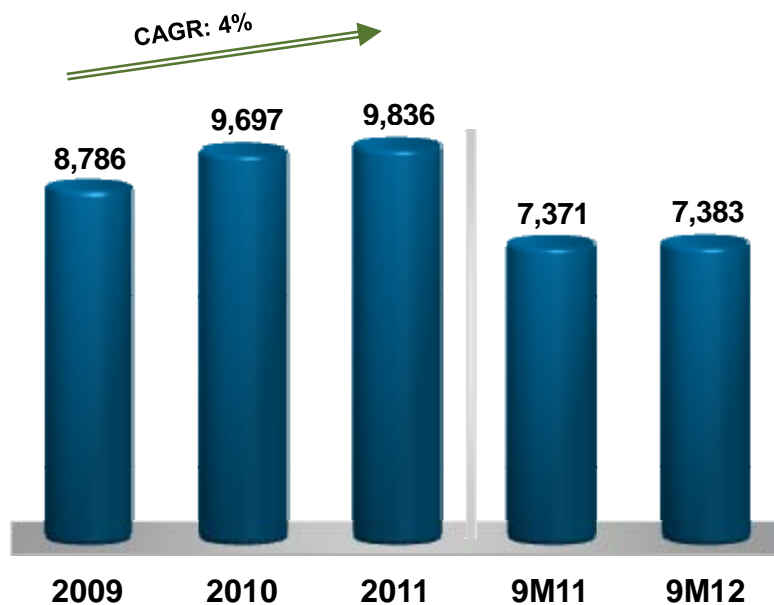
Debt restructuring

- ✓ R\$ 750 million reduction in debt amortizations between 2013 and 2015, with the flexibility of covenants and increase in maturity from 6.6 years to 7.2 years

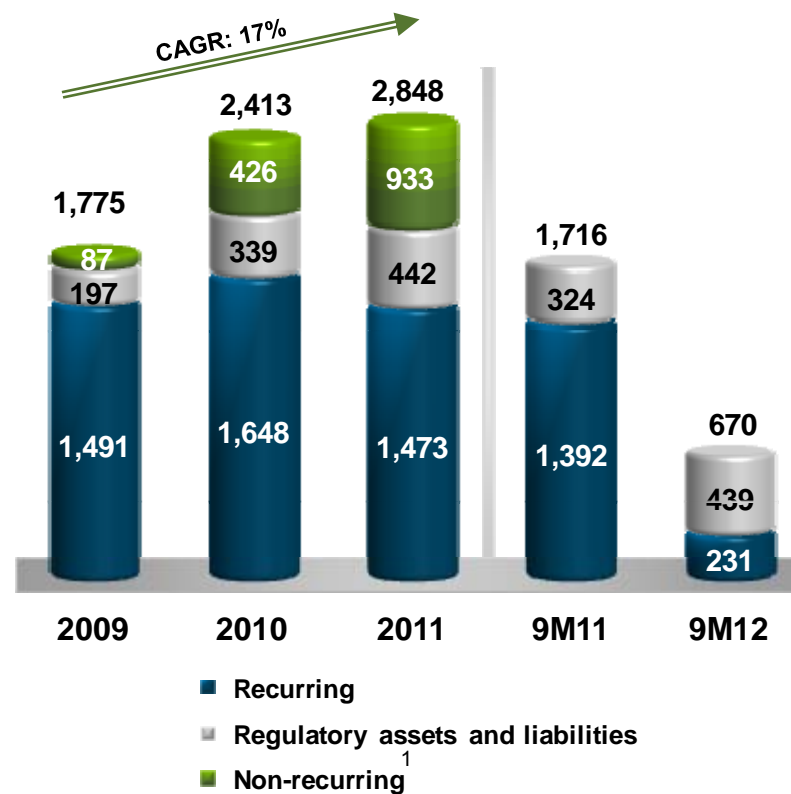
Real estate

- ✓ Relocation to the new corporate headquarters will increase productivity gains and demobilization of real estate with an estimated selling value of R\$239 million, benefiting 2012 and 2013 results

Net revenues (R\$ million)



Ebitda (R\$ million)

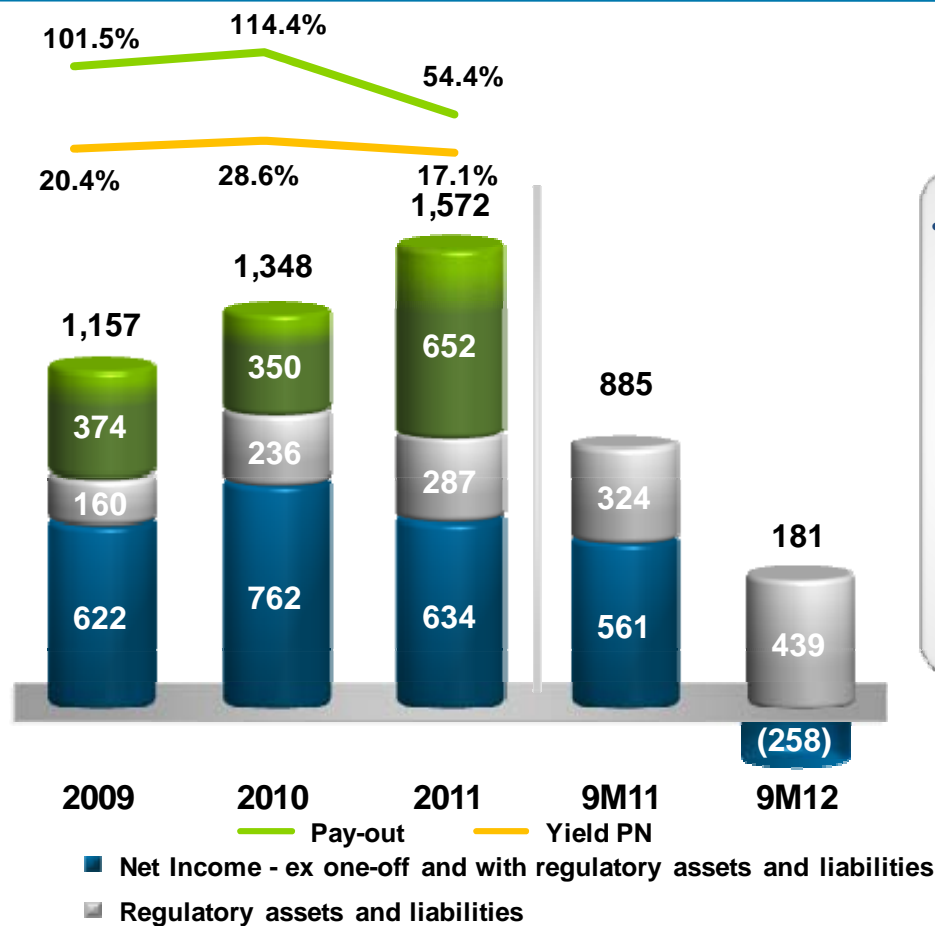


1 – Non recurring 2011 : Includes sale of AES Eletropaulo Telecom with a R\$ 707 million impact on Ebitda



Net income and dividend payout¹ (R\$ million)

Earnings distribution on semi-annual basis



• **Dividends distribution practice: distribution above the minimum required**

- 25% of minimum pay-out according to bylaws
- Average payout since 2006: 83% per year
- Average dividends since 2006: R\$ R\$ 904 million per year

1 – Gross amount

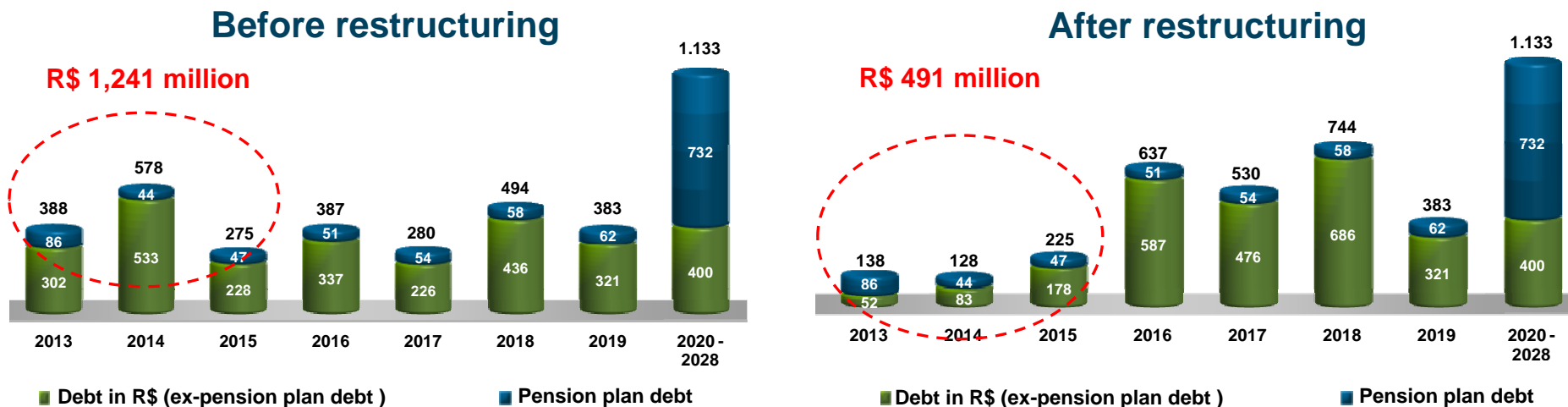
2– Non recurring 2011 :Includes sale of AES Eletropaulo Telecom with a R\$ 467 million impact on net income

Debt refinancing conclusion of R\$ 1 billion resulting in more flexible covenants

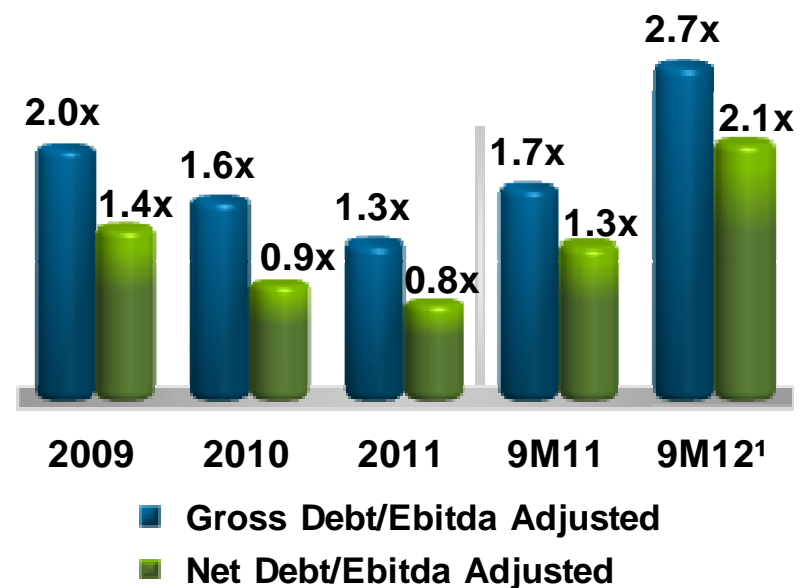
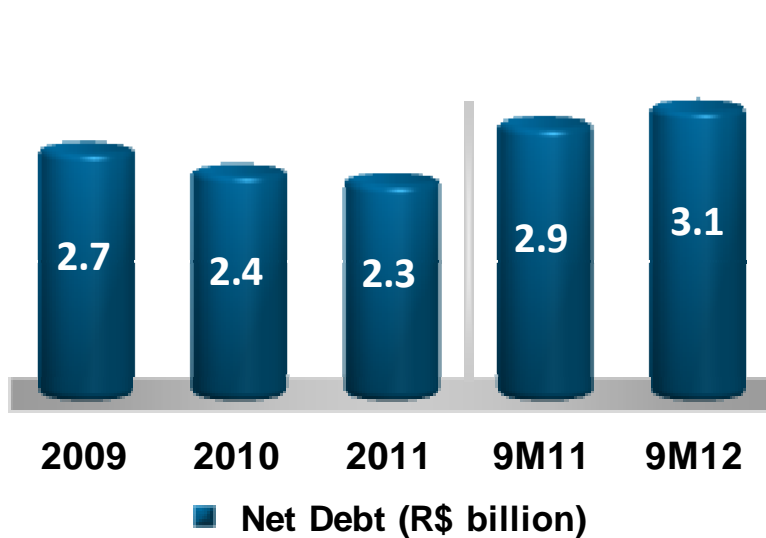
Benefits

- ✓ Decrease in debt amortization volume for 2013-15 by R\$ 750 million
- ✓ Increase in the average debt maturity from 6.6 years to 7.2 years
- ✓ Debt average costs decrease from CDI+1.29% to CDI+1.27%
- ✓ More flexible covenants

Debt amortization schedule



	FROM	TO
Financial Index	Gross debt / Adjusted Ebitda < 3.5	Net debt / Adjusted Ebitda < 3.5 (equivalent to 4.5x Gross Debt / Adjusted Ebitda)
Default	If the limit is exceeded in any quarter	If the limit is exceeded for two consecutive quarters
Regulatory assets and liabilities	Not considered in the calculation	Considered in the calculation (concept before IFRS adoption)
Pension plan debt	Total debt recognized in liabilities	Debt recognized in liabilities excluding the “corridor” concept
Compulsory loans	Considered in the calculation of debt	Out of debt calculation

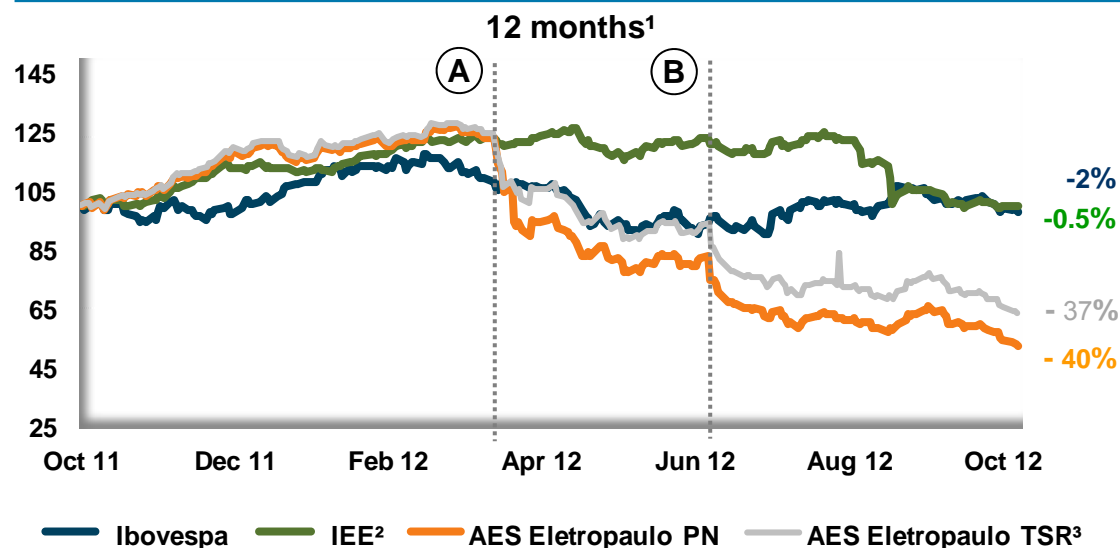


September, 2012:

Indexed by: 72% CDI²; 28% IGP-DI³ and 0.5% others



AES Eletropaulo X Ibovespa X IEE



- (A) **Material Fact 04/10/2012:** technical notes published by Aneel regarding the calculation of the preliminar tariff review rate, including the regulatory asset basis .
- (B) **Material Fact 07/02/2012 and 07/03/2012:** Aneel final terms about tariff review rate, including the regulatory asset basis and tariff adjustments .

- **Market cap⁴:** US\$ 1.3 billion/ R\$ 2.7 billion
- **BM&FBOVESPA:** ELPL3 (common shares) and ELPL4 (preferred shares)
- **ADRs at US OTC Market:** EPUMY (preferred shares)

1 – Information until 10/31/2012. Index: 10/31/2011 = 100

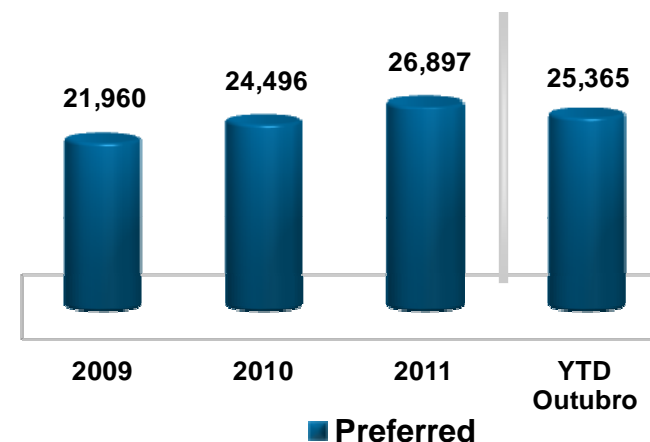
3 – Total Shareholder Return

2 – Electric Energy Index

4– Index: 09/28/12. Calculation includes only preferred shares

Capital markets

Average daily volume (R\$ thousand)



Índice de Ações com Tag Along Diferenciado

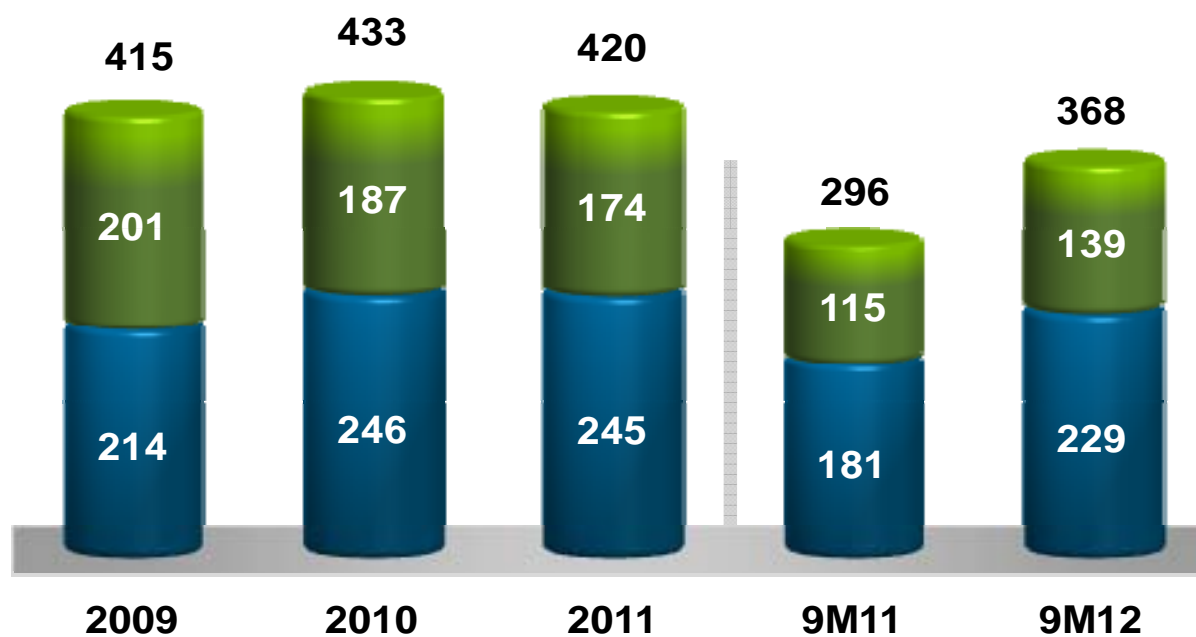


AES Eletropaulo
AES Sul
AES Tietê
AES Uruguiana

Attachments



Costs and operational expenses¹ (R\$ million)

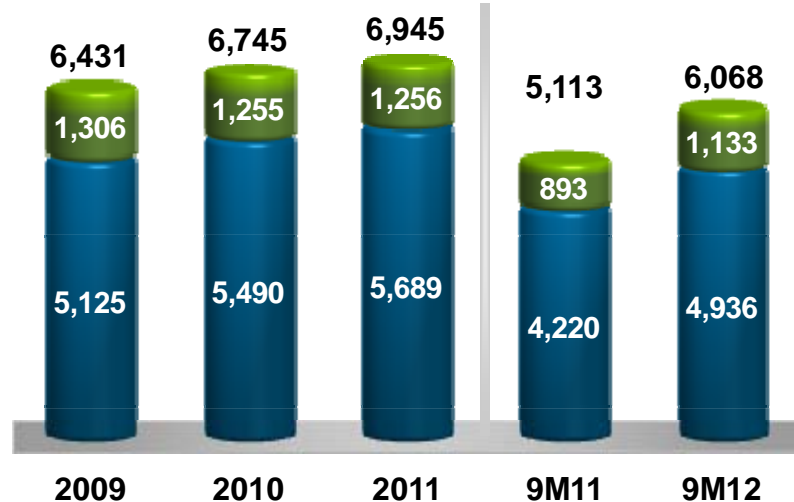


■ Energy Purchase, Transmission and Connection Charges, and Water Resources

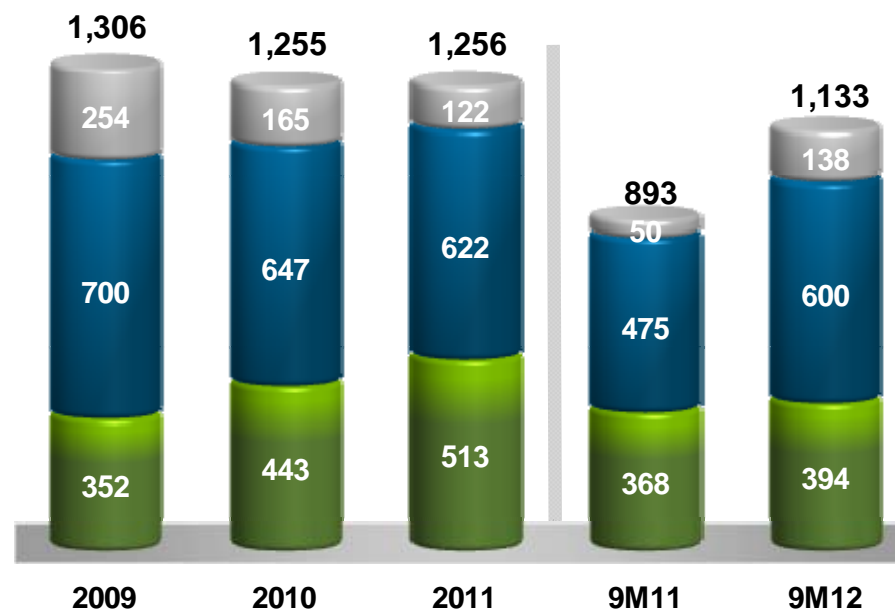
■ Other Costs and Expenses²

Costs and expenses

Costs and operational expenses¹ (R\$ million)



PMS² and other expenses (R\$ million)

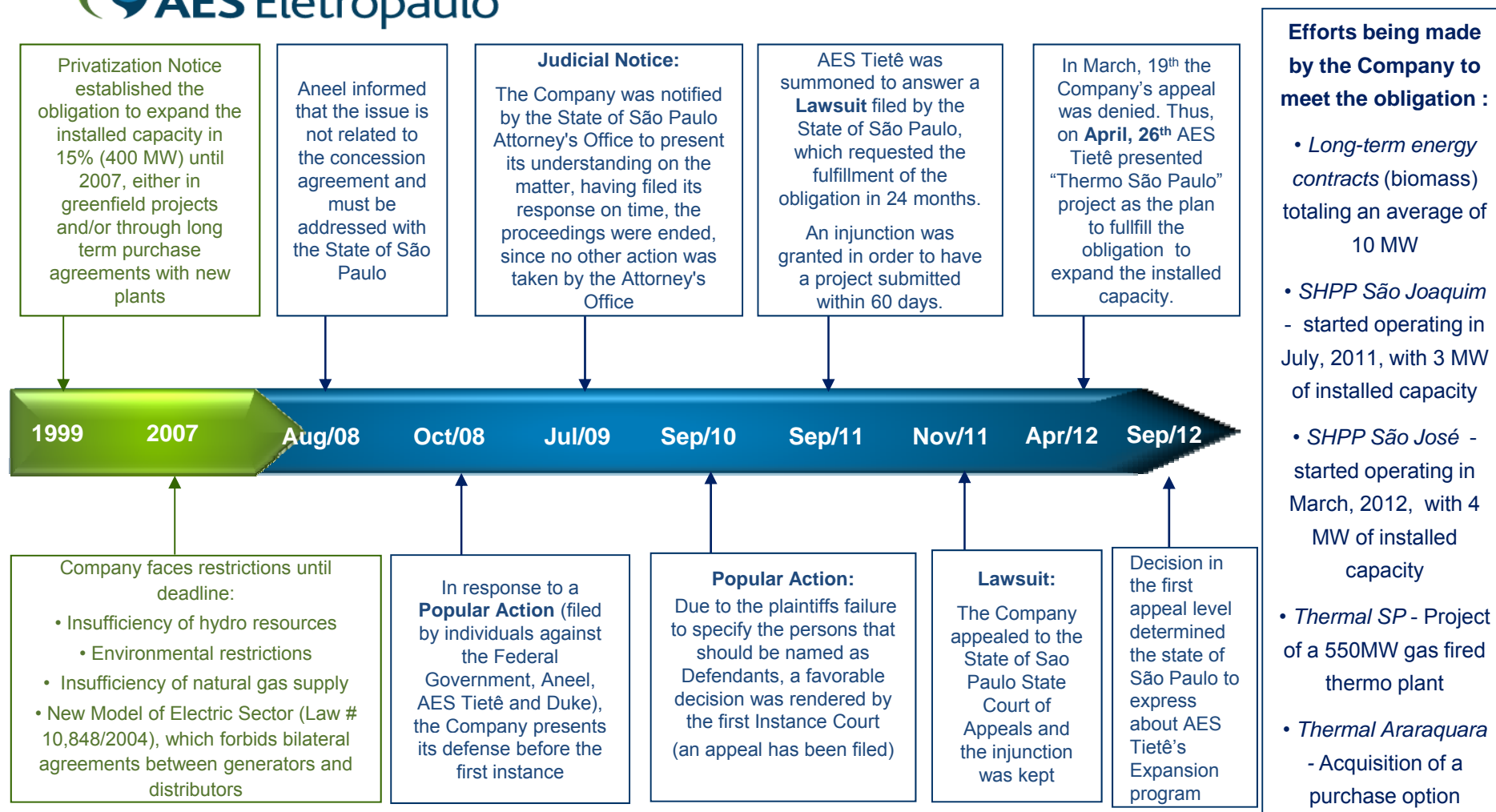


■ Energy Supply and Transmission Charges
 ■ PMS² and Others Expenses
 ■ Material and Third Party
 ■ Personnel and Payroll
 ■ Others

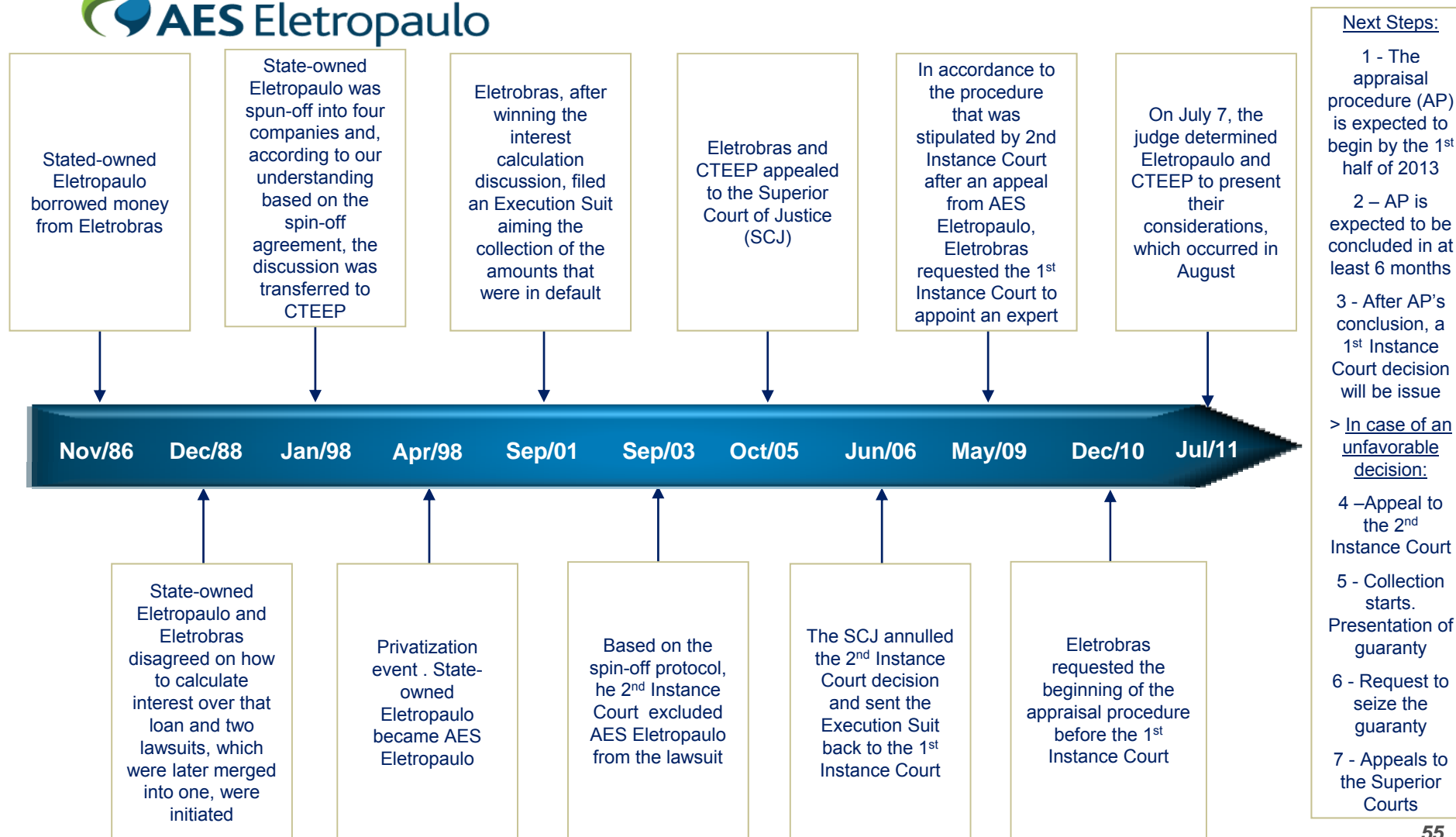
1 – Do not include depreciation and amortization

2 - Personnel, Material, Third Party Services and Other Costs and Expenses

AES Tietê's expansion obligation



Eletrobras lawsuit



On Dec 2003 AES and BNDES signed a Shareholders' Agreement to regulate their relationship as shareholders of Brasiliana and its controlled companies. The Agreement is available at www.aeseletropaulo.com.br/ri

Shareholders can dispose its share at any time, considering the following terms:

Right of 1st refusal

- Any party with an intention to dispose its shares should first provide the other party the right to buy that participation at the same price offered by a third party

Tag along rights

- In the case of change in Brasiliana's control, tag along rights are triggered for the following companies (only if AES is no longer controlling shareholder):
 - AES Eletropaulo: Tag along of 100% in its common and preferred shares
 - AES Tietê: Tag along of 80% in its common shares
 - AES Elpa: Tag along of 80% in its common shares

Drag along rights

- Once the offering party exercises the Drag Along clause, offered party is obligated to dispose of all its shares at the time, if the Right of 1st Refusal is not exercised by offered party

AES Tietê

- **Income Tax / Social Contribution:**

- 34% over taxable income

- **ICMS (VAT tax)**

- deferred tax

- **PIS/Cofins (sales tax):**

- Eletropaulo's PPA: 3.65% over Revenue
- Other bilateral contracts: 9.25% over Revenue
minus Costs

AES Eletropaulo

- **Income Tax / Social Contribution:**

- 34% over taxable income

- **ICMS: 22% over Revenue (average rate)**

- Residential: 25%
- Industrial and commercial: 18%
- Public entities: free

- **PIS/Cofins:**

- 9.25% over revenue *minus Costs*



AES Eletropaulo
AES Sul
AES Tietê
AES Uruguiana

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The statements contained in this document with regard to the business prospects, projected operating and financial results, and growth potential are merely forecasts based on the expectations of the Company's Management in relation to its future performance. Such estimates are highly dependent on market behavior and on the conditions affecting Brazil's macroeconomic performance as well as the electric sector and international market, and they are therefore subject to changes.