

Corporate Presentation 2015



AES Corporation

Global Company

Natural gas and coal fired
thermal plants
25.6 GW of installed capacity



Over 8.3 GW of
Renewable sources¹



Distributed energy
+60MW of solar PV²
projects in operation



World leader in
Energy Storage
Total of 346 MW³

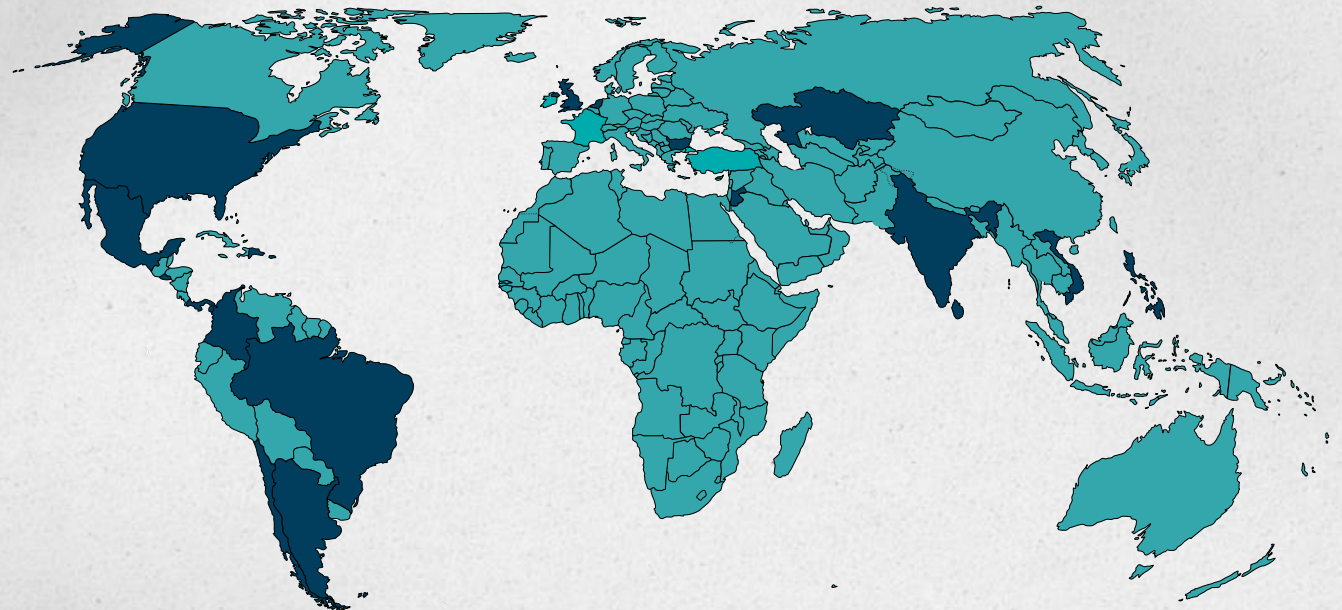


36 GW
installed
capacity

Providing
services to over
10+ million
customers

18.5
thousand
employees

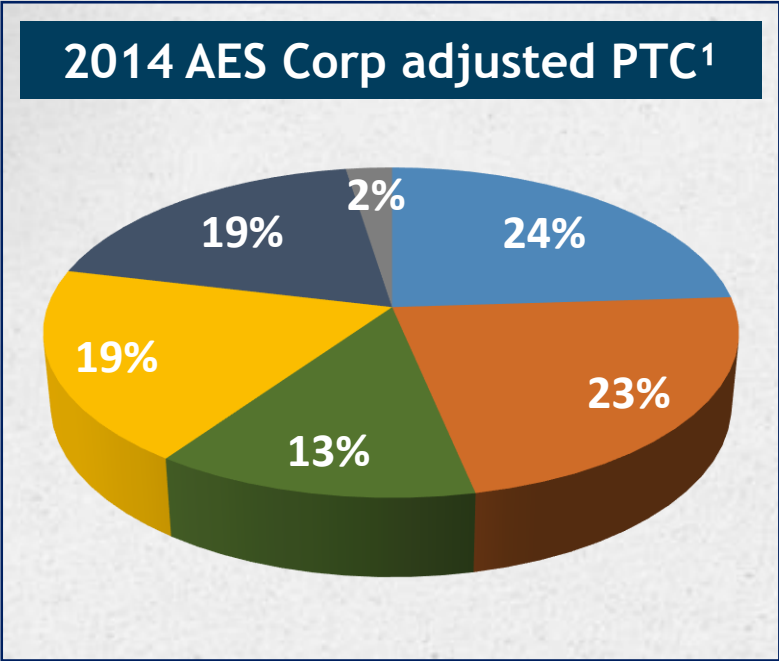
AES Corp is present in 18 countries and 4 continents



AES Brasil SBU

Represents 13% of 2014 AES Corp adjusted PTC¹

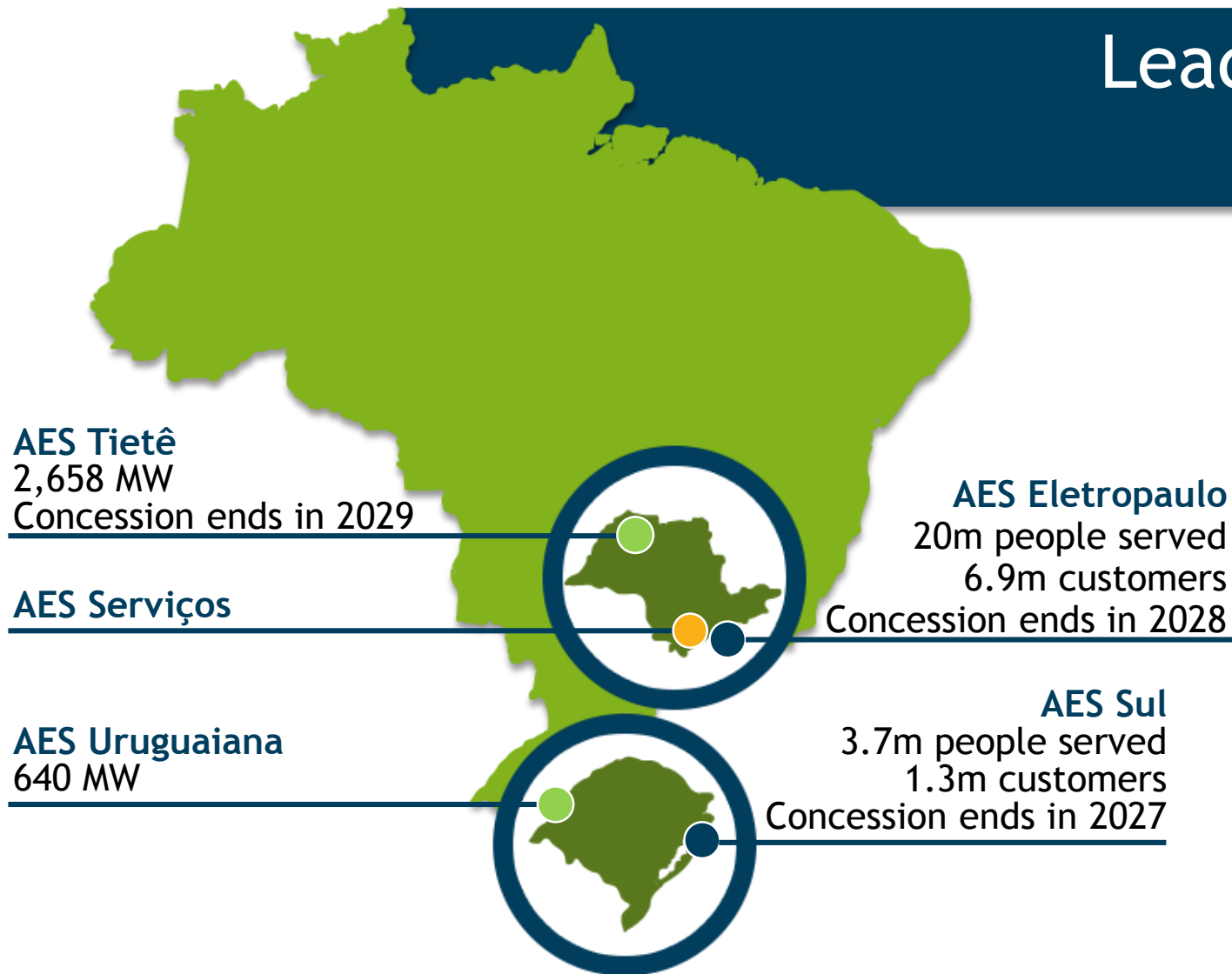
AES Brasil is one of AES Corp priority markets



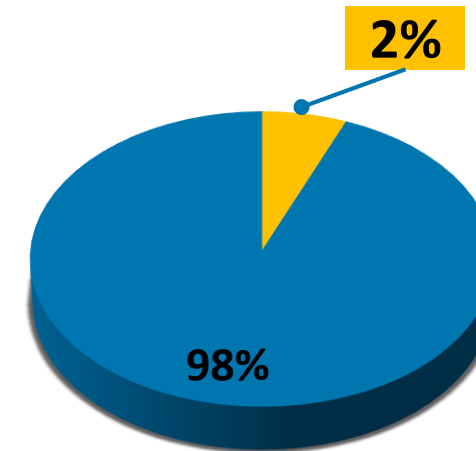
■ US ■ Andes ■ Brazil
■ MCAC² ■ EMEA³ ■ Asia

AES Corp is organized in Six Strategic Business Units (SBU), focused on key markets

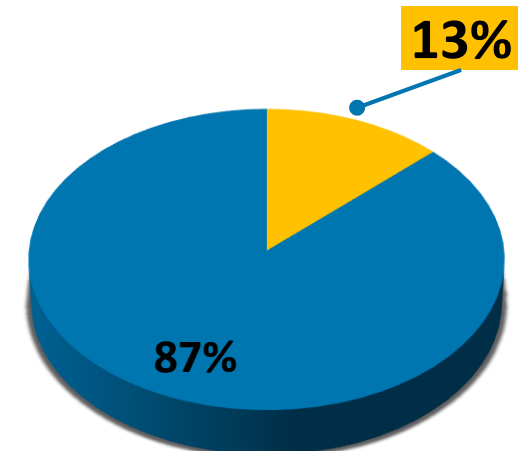
Leading position in the energy sector in Brazil



Generation¹
Market Share



Distribution²
Market Share

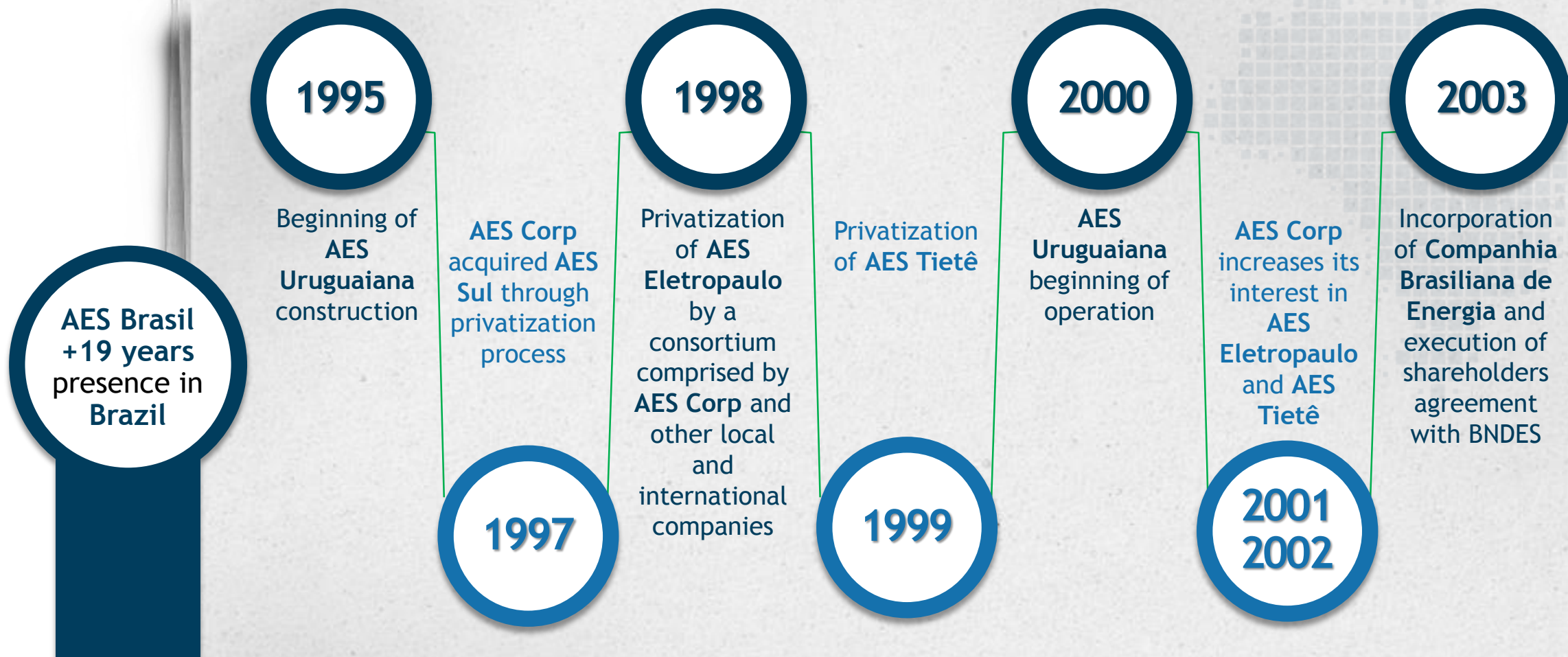


AES Brasil

Other

History in Brazil

Solid participation in **distribution** and **generation** businesses



AES Brasil Mission, Vision and Values

Mission

To promote well being and development with the safe, sustainable and reliable provision of energy solutions



Vision

To be the leading power company in Brazil that safely provides sustainable, reliable and affordable energy



Values

- Put safety first
- Act with integrity
- Honor commitments
- Strive for excellence
- Have fun through work



AES Brasil environmental responsibility



- Reservoirs **repopulation**
- **Reforestation**, **border** and **archeological** management programs
- Water **quality monitoring**
- **Recycling** and **waste disposal** programs
- Programs aiming to **reduce CO₂ emissions**
- **Risk Management** and identification of **opportunities** related to **climate change**

AES Brasil social responsibility



- Access to **reliable energy** through **social development**
- **Education** for **efficient** and **safe** use of **electricity**
- Program which offer **cultural** and **sports** activities simulating **citizenship practices**
- **Sustainable partnership** - **commitment** with **sustainable** development at AES Brasil's **value chain**

INVESTMENT PLAN

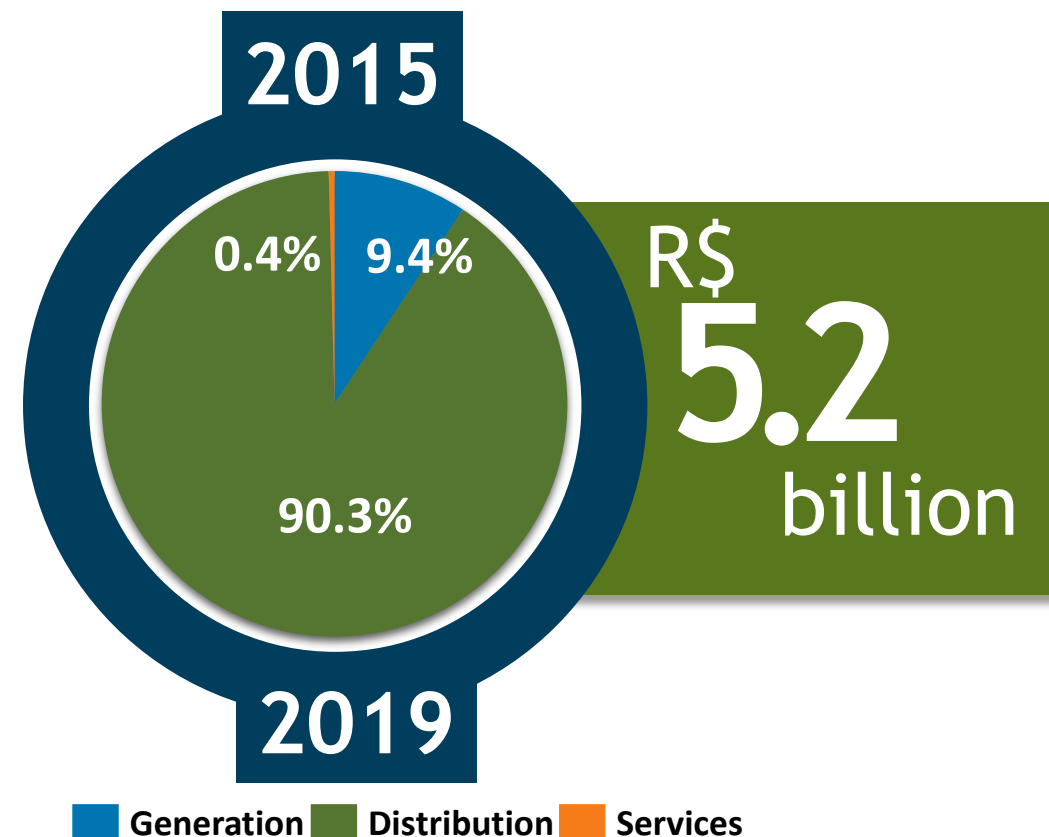
2015 - 2019

 **AES Eletropaulo**
R\$ 3.5 billion

 **AES Tietê**
R\$ 487 million

 **AES Sul**
R\$ 1.2 billion

 **AES Serviços**
R\$ 19 million



AES Brasil widely recognized

AES Eletropaulo



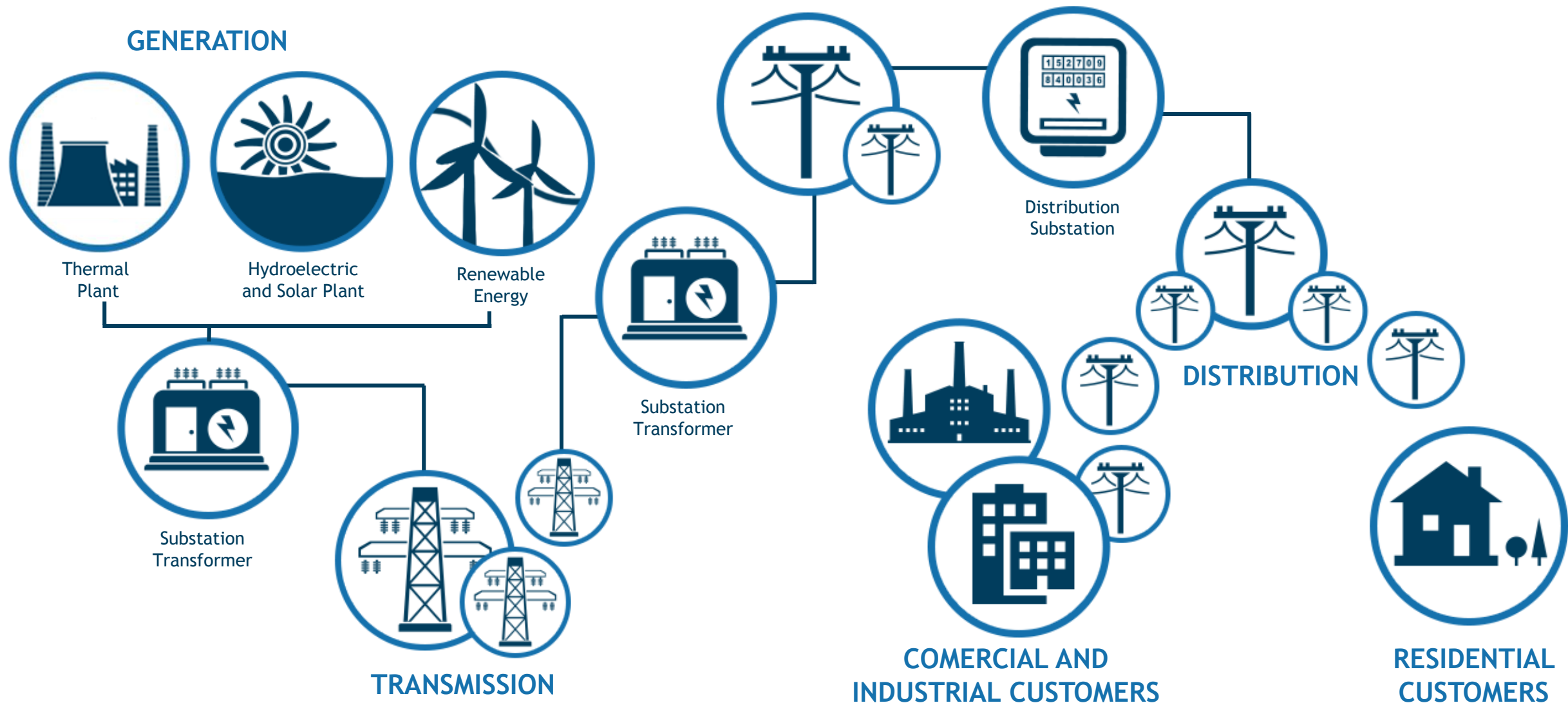
AES Tietê



AES Brasil



National Interconnected System



Energy sector in Brazil: businesses segments



Generation¹

- **4,231** power plants
- **138GW** of installed capacity
- System **based** on **hydro plants** (66%)
- **Contracting environment: free** and **regulated markets**



Transmission²

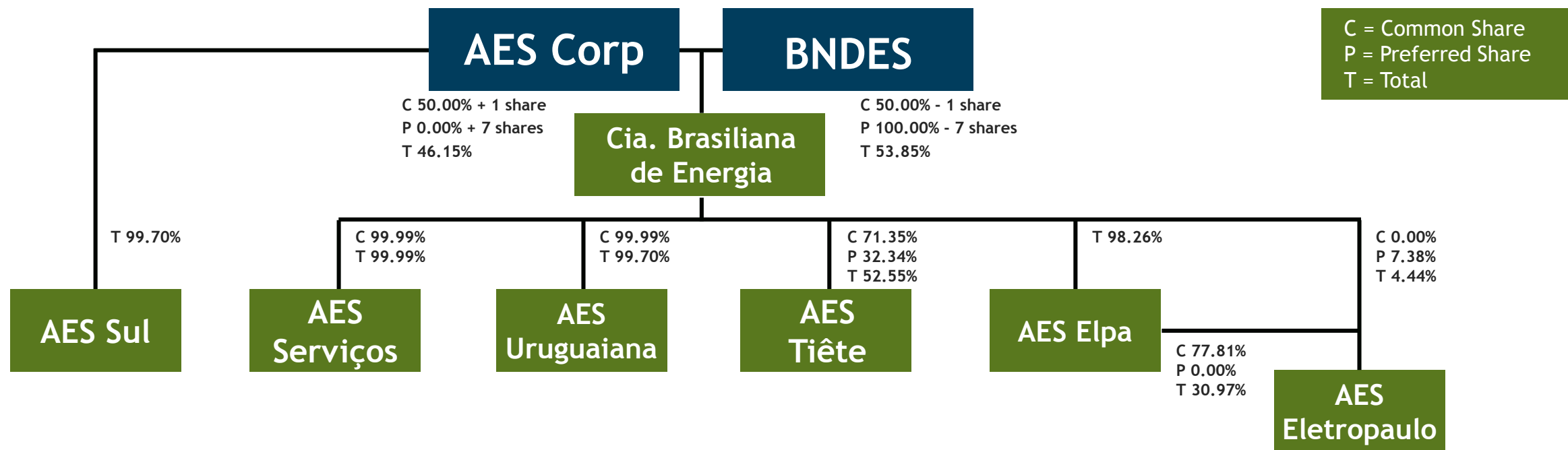
- **104** agents
- **High voltage transmission (>230 kV)**
- **116,767 km** lines (National Integrated System)
- **Regulated tariff** (annually adjusted by inflation)



Distribution²

- **63** distribution companies
- **342 TWh** energy **distributed**
- **190 million** consumers
- **Annual** tariff **adjustment**
- **Tariff reset** every **four** or **five years**
- **Regulated contracting** environment

Ownership Structure



16.1%

24.2%



19.2%

28.3%

Free Float

56.3%

39.5%

Others²

8.5%

8.0%

Market Cap³

US\$ 0.4 bi

US\$ 1.5 bi

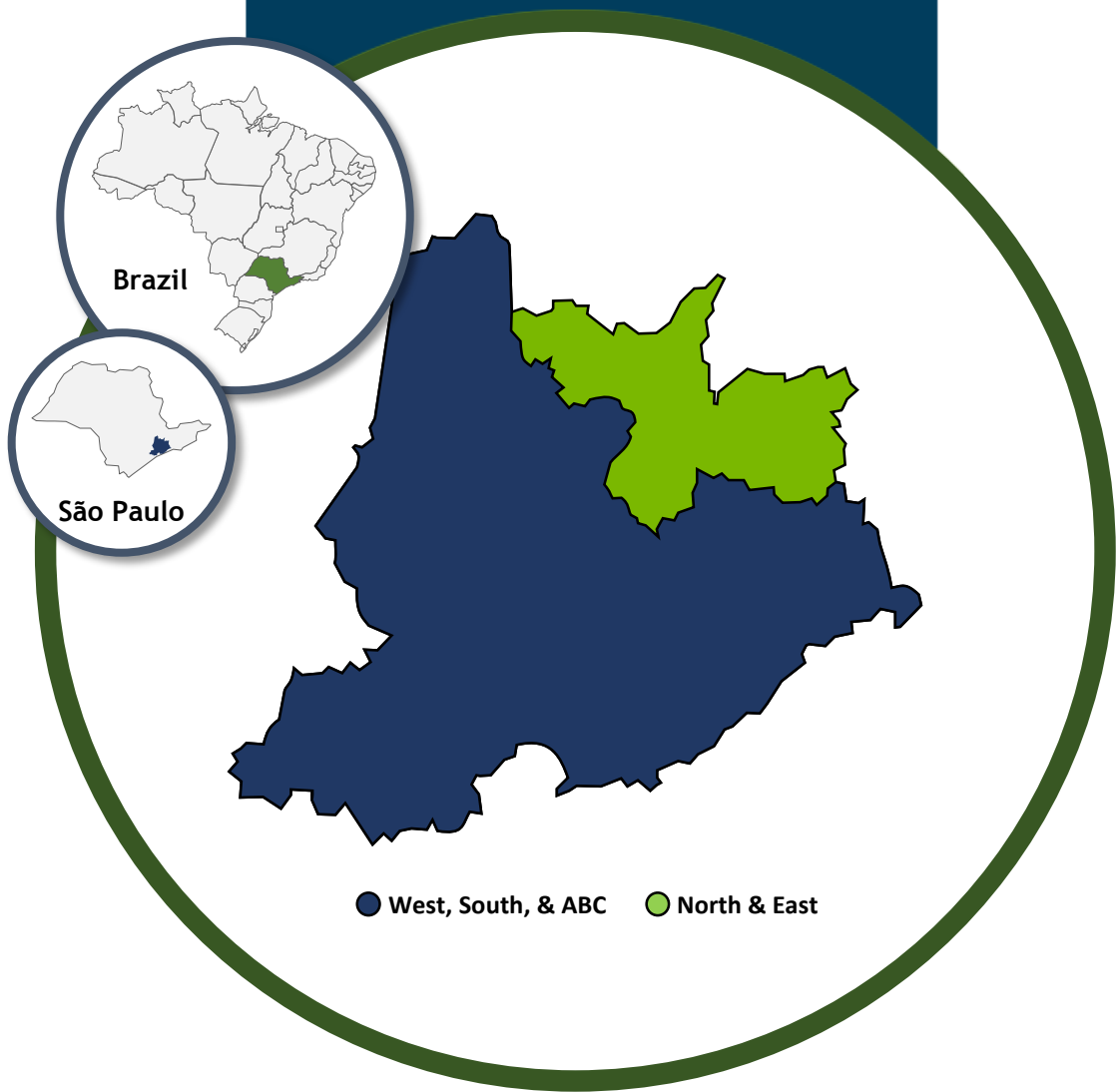


Água Vermelha (1.396 MW)	Euclides de Cunha (109 MW)
Nova Avanhandava (347 MW)	Caconde (80MW)
Promissão (264 MW)	Limoeiro (32 MW)
Ibitinga(132 MW)	Mogi-Guaçu (7 MW)
Bariri (143 MW)	São Joaquim (3 MW)
Barra Bonita (141 MW)	São José (4 MW)

- **3rd largest** among private generation companies
- **Concession** expires in 2029
- **Market Cap:** US\$ 1.5 billion¹

- **9 hydroelectric** plants and **3 SHP³** in São Paulo
- Installed capacity of 2,658 MW, physical guarantee² of 1,278 MWavg
- **Physical guarantee fully contracted** with AES Eletropaulo through Dec, 2015

- **Dividend Yield:**
 - Last 3 years avg: 11.0% PN and 11.4% ON
- **Investment grade (Moody's):**
 - National: Aa1
 - International: Baa3



- **Largest distribution company** in Latin America
- **24 cities** attended in São Paulo metropolitan area
- Concession contract **expires in 2028**
- **Market Cap:** US\$ 422 million¹

- **16% of Brazil's GDP²** in its concession area
- **4,526 km²** concession area
- **46 thousand km** of distribution and transmission lines
- **6.9 million** customers
- **20 million** people served
- **46 TWh** distributed in 2014
- **6,332 employees** as of September 2015

Investment Grade:

	Fitch	S&P	Moody's
National	A+	AA-	Aa3
International	BB	BB	Ba2



- SAIDI and SAIFI **23% and 33% better** than in 2009
- Operating costs **2% below** the regulatory levels¹
- **118 cities attended** in Rio Grande do Sul state
- Concession contract **expires in 2027**

- **1.3 million** customers
- **9,528 GWh** sold in 2014
- **99,512 km²** concession area
- **3.7 million** people served
- **2,195** direct employees¹
- Regional **GDP growth** of **3.2%**²

- **R\$ 122 million** Ebitda in 9M 2015
- **R\$ 156 million** invested in 9M 2015
- National investment grade (S&P): **A-**



- Beginning of commercial operations in **2000**
- Located in the State of **Rio Grande do Sul** - city of Uruguiana

- **Operations** were **suspended** in 2008 due to **lack of gas supply**
- Initiated **arbitration against YPF** in Argentina
 - ICC¹ **awarded the merits** in favor of **AES Uruguiana** in **2013**
 - **Next** and **final phase** refers to the **damages calculation**

- **Emergency operations** in **2013, 2014** and **2015** to **support reservoirs recovery** in Brazil
- Looking for **long-term solution**

Fast Facts

Combined cycle gas turbine (CCGT)

Capacity (MW) 640 MW

Authorization expiration 2027



- **Customer-focused Company**, that provides electrical energy services
- Focus on offering **integrated and high-added-value solutions** to the electrical energy agents, industrial and commercial segments, based on AES Brasil strong capabilities and know-how

- **Main Products**

- Commercial technical services
- Consulting in energy efficiency
- Construction and maintenance of substations and transmission lines
- Commercial service: face-to-face service and debt collection
- Affinities: insurance

- **Over 5 years** of operation
- **3 operational bases** - cities of Barueri, São Paulo and Itapeccerica da Serra
- **92 vehicles**
- **505 employees**

Corporate governance

Key for the investment decision

- Operational and Investment Management Committee: **robust capital allocation process**
- **Corporate policy of Integrated Risk Management**¹ monthly assessed by Companies' Executive Officers and quarterly by Fiscal committee and Board of Directors

- **Corporate governance manual**; audit committee installed
- High level of **commitment**, with **monthly** Board of Directors **meetings**

- Listed at BM&FBovespa:
 - ELPL3 and ELPL4: **level II**
 - GETI3 and GETI4: **traditional market**
- ISE Corporate Sustainability Index portfolio
- Tag along rights



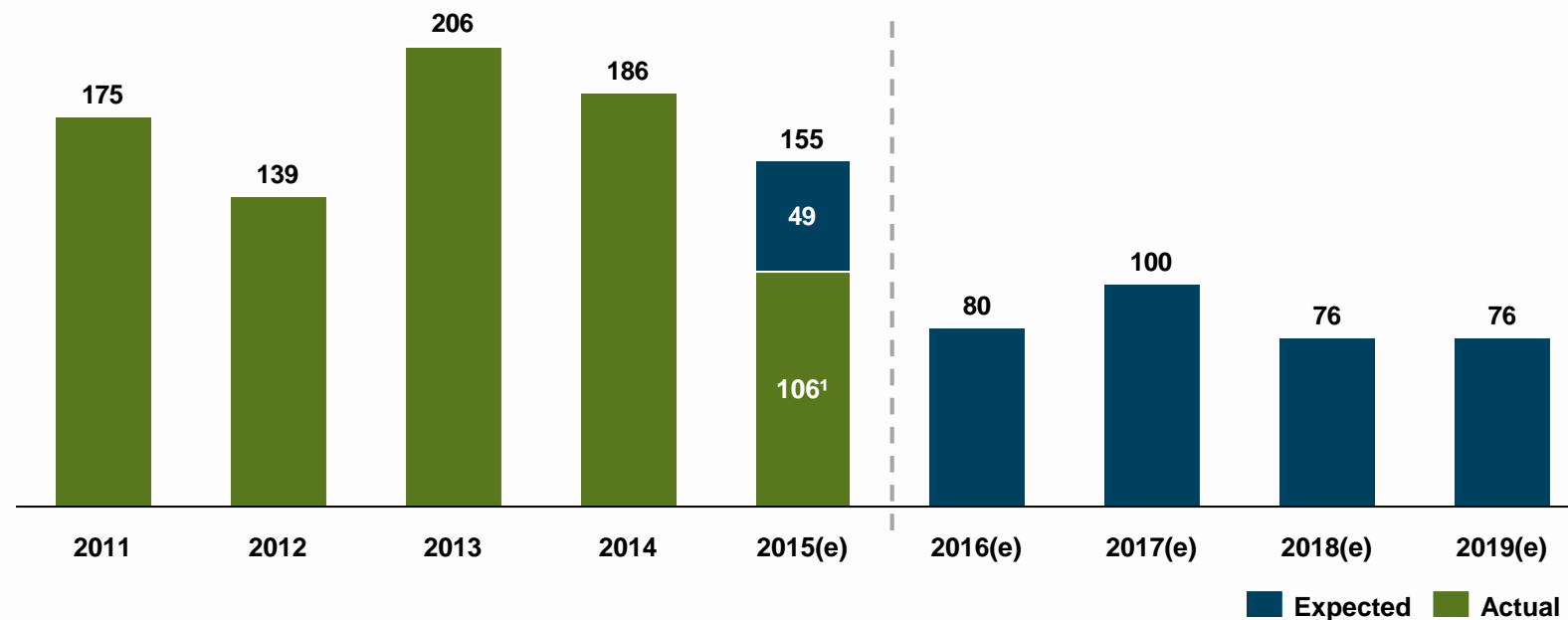


Uma Empresa AES Brasil

Investment focused on power plants modernization



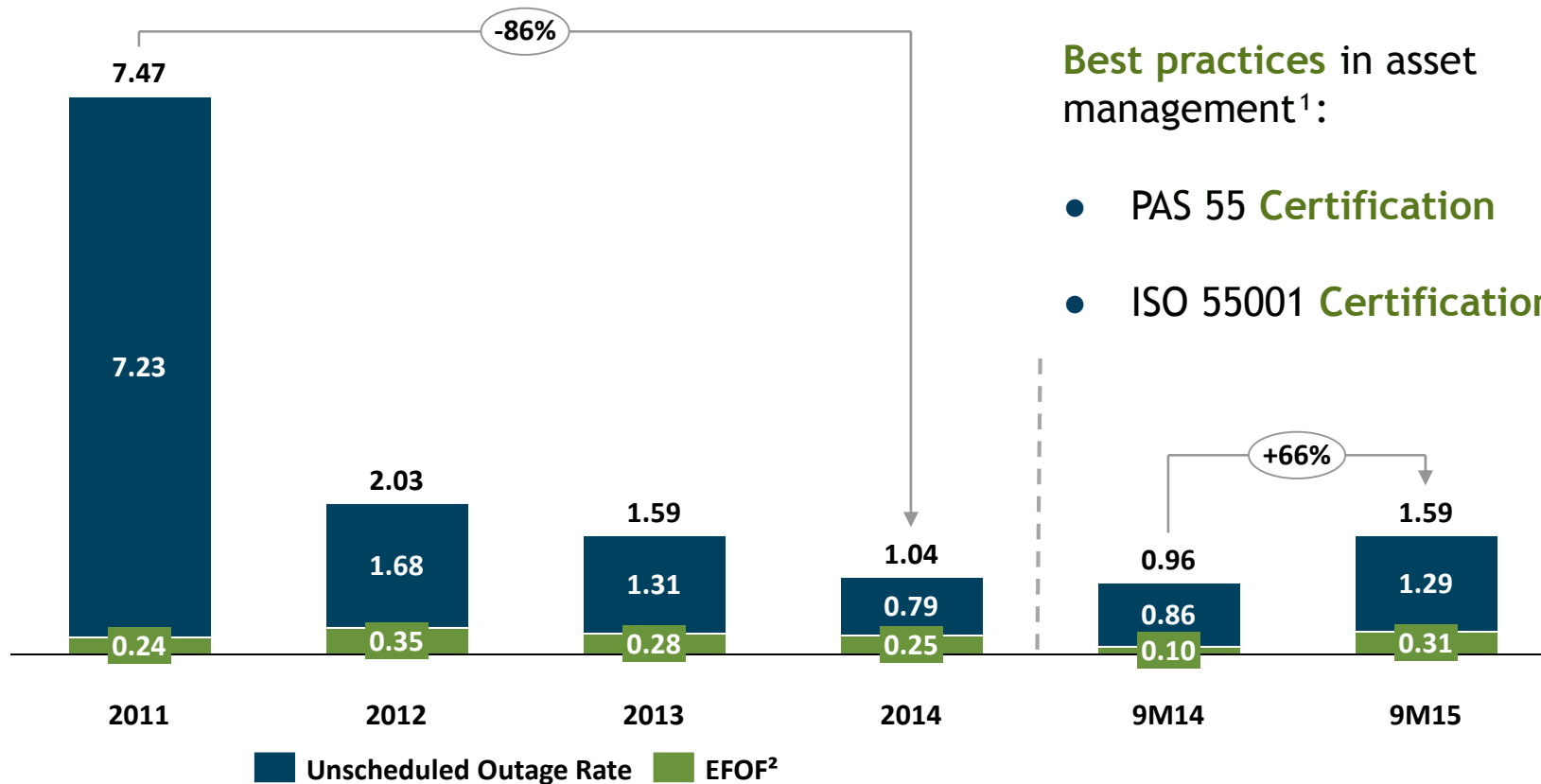
R\$ 487 million projected for 2015-2019



Power plants modernization process, aiming for continuous improvement in operational conditions and ensuring availability in its generation plants

Investments and Best Practices in Asset Management, translates into outages reduction

Unscheduled outages (%)



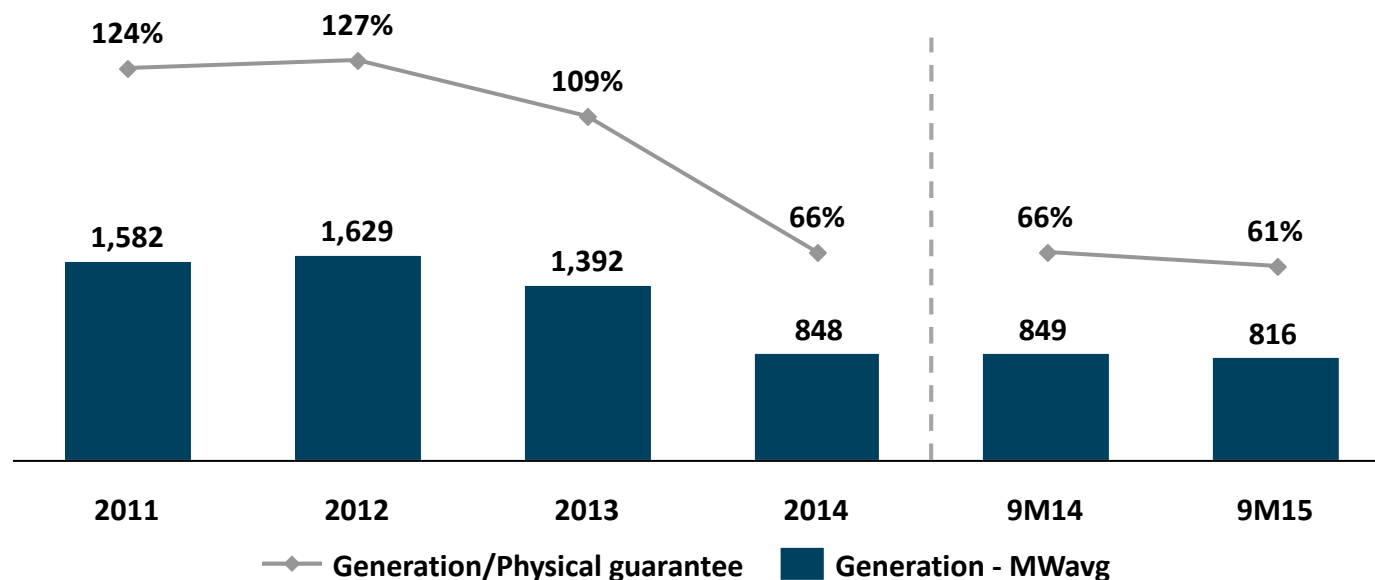
Best practices in asset management¹:

- PAS 55 Certification
- ISO 55001 Certification



Energy generation decrease reflects hydrology behavior in the country

Generated energy (MW average¹)

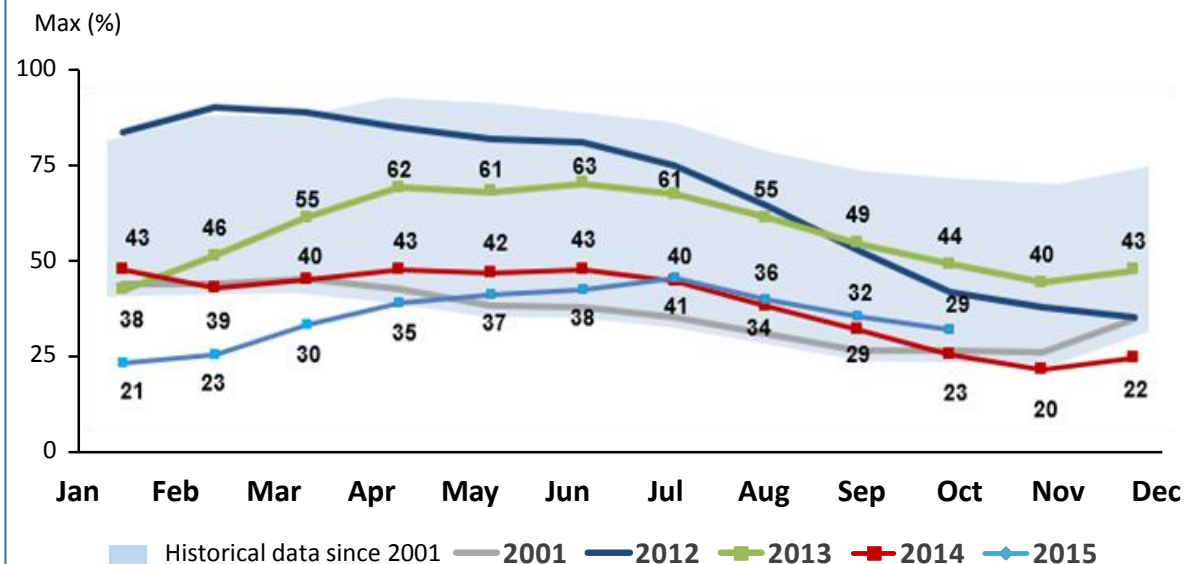


- Hydropower plants are dispatched by ONS²
- Dispatch are also related to hydrological conditions:
 - Low hydrology translates into low generation levels



Critical hydrological scenario over the last 2 years

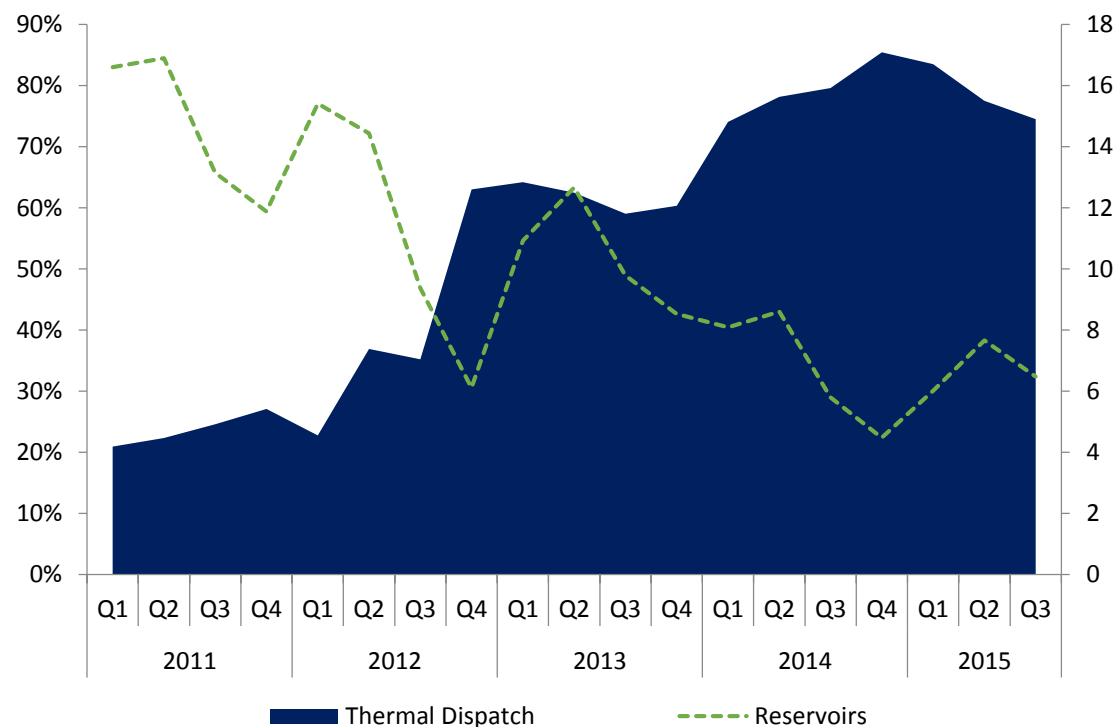
Historical Level of Brazilian Reservoirs (%)



Average Annual Inflow:

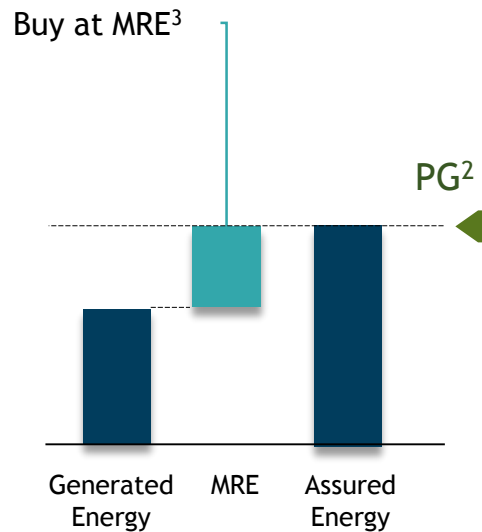


Reservoirs (%) vs. Thermal Dispatch (GW avg²)



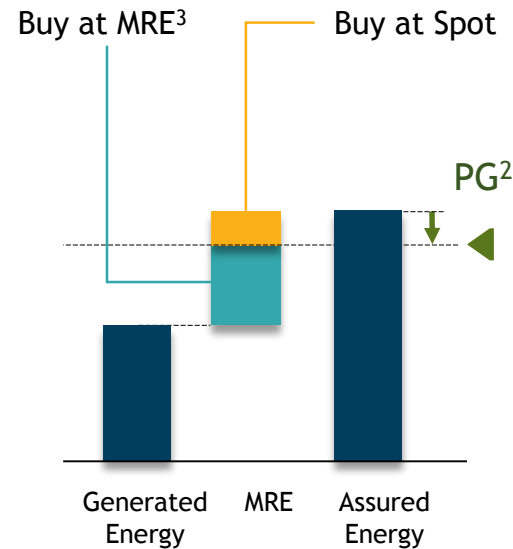
Energy Reallocation Mechanism (MRE) for hydrological risk sharing

1) Equilibrium ($GE^1 = PG^2$)



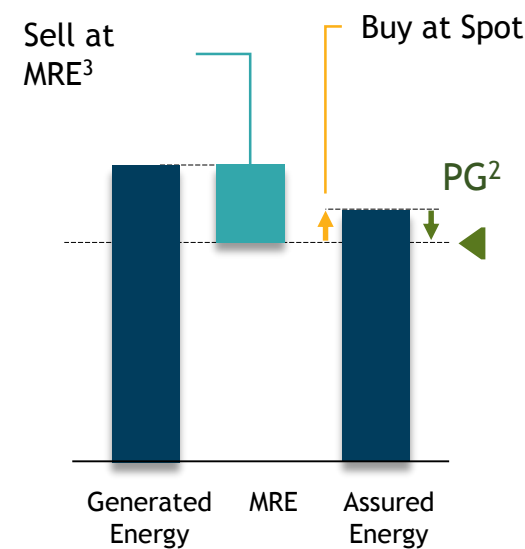
Genco A

2A) Deficit ($GE^1 < PG^2$)



Genco A

2B) Surplus ($GE^1 > PG^2$)



Genco B

- A physical guarantee (assured energy) is assigned to support contracts
- Energy dispatch optimized by centralized system operator (ONS) on a tight pool

Key drivers for hydrological risk

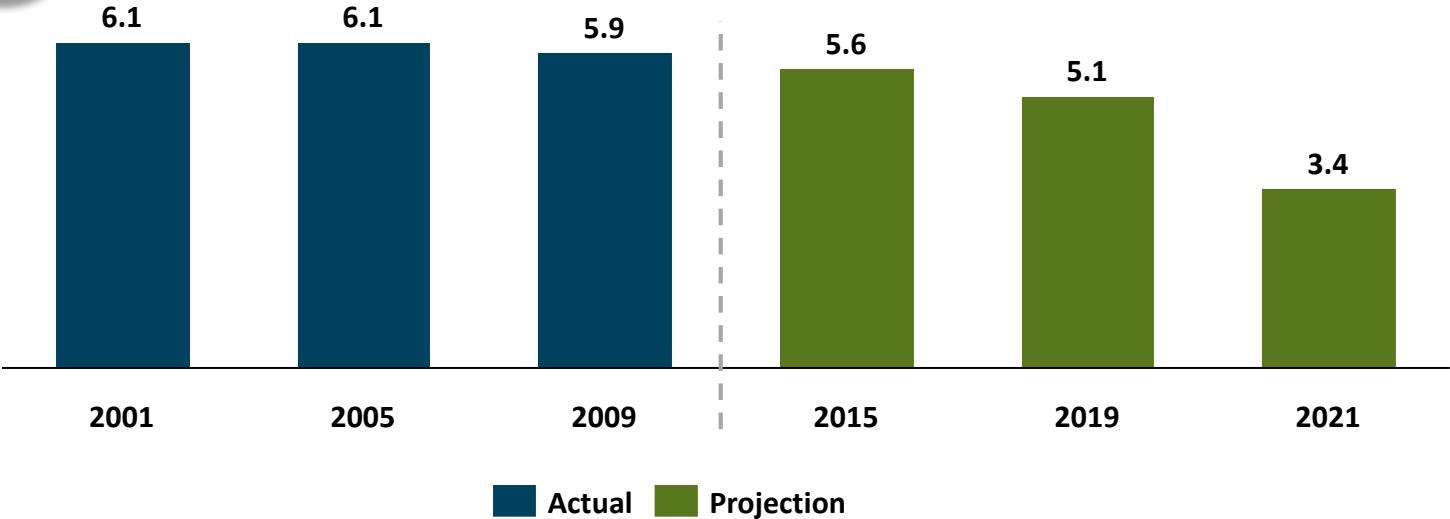
- Generated Energy (hydro) in the entire system (MRE) - influenced by hydrology
- Spot Price - marginal cost influenced by hydrology and thermal dispatch

Tight hydrology and lower system storage capacity requires more flexible generation

Thermo São Paulo (503MW)
and Thermo Araraquara (579MW)



Storage capacity (months)



Current contracted energy is based on renewable (mainly Wind) and run-of-river hydro projects, which has reduced the energy storage capacity over the recent years.



AES Brazil growth perspectives

Natural Gas Power Plants

~1.5GW of dispatchable source

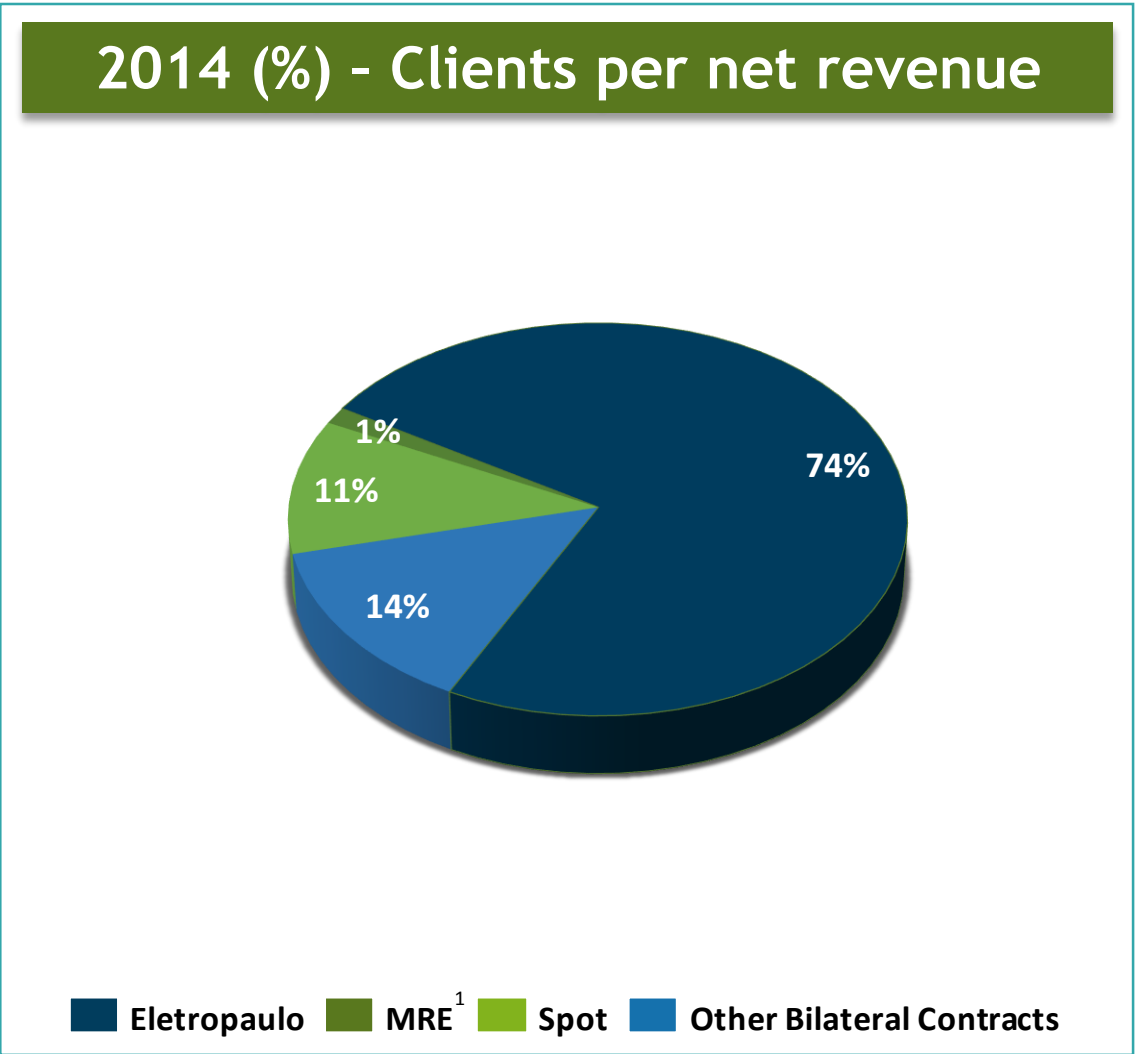
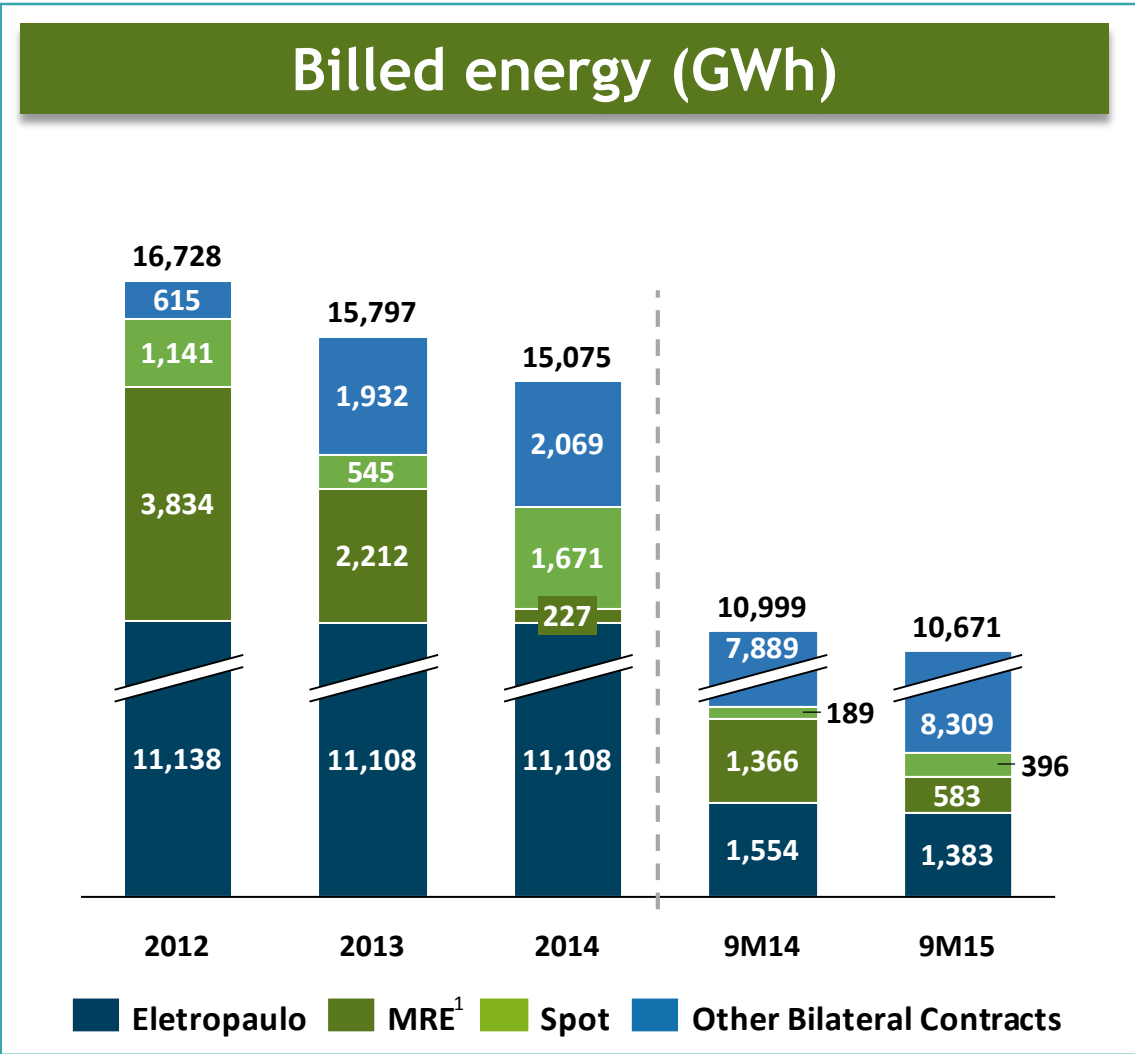
- **2 natural gas combined cycle** power plants ready to go to energy auctions
- **Peak generation:** short-term dispatch solution
- Assessing **M&A opportunities**

Renewable Energy Solar and Wind

- **180 MW solar project:** São Paulo and Minas Gerais state (close to HPP AGV¹). To participate in 2016 energy auctions
- **~150MW solar project:** Under development
- Assessing **M&A opportunities**



Currently, AES Eletropaulo is our main client



Contracting environment and opportunities

2016
and
beyond

Regulated Market

Existing Energy
Auctions



Via auctions organized
by federal government

Distribution
companies

Free Market

Bilateral
contracts



Via bilateral
agreements

Free Consumers¹

Spot Market

Non contracted
energy



Exposed to Spot
Market price

CCEE Settlement

Commercialization strategy post-2015 leveraging cash flow

Our goal is to sell the major part of Company' physical guarantee in the free market

- Customized energy with global experience
- Focus on long term contracts and off takers with a strong financial background aiming to ensure Company's cash flow
- Practices and policies to ensure an adequate risk-profile assessment
- Client relationship actions to promote AES Tietê and identify clients needs (i.e.: workshops, site visits, satisfaction surveys)

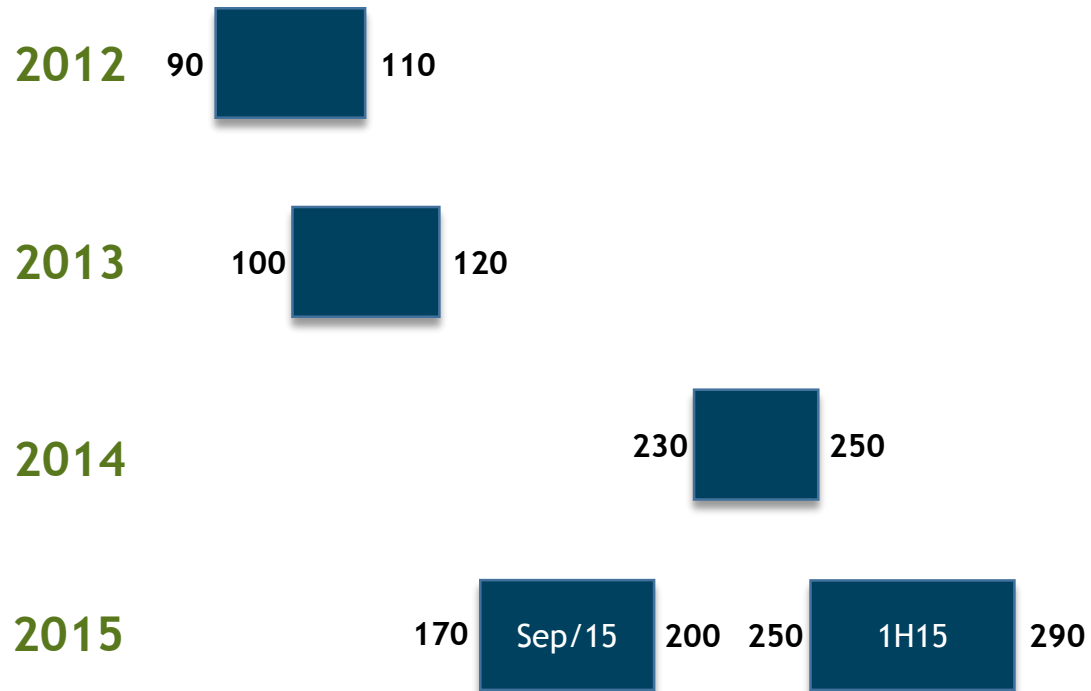


Free Market

Dynamic and competitive market

Avg energy price for 2016 (R\$/MWh)

Price Expectation
Year



Price formation methodology

Short term

- Spot price (hidrology and reservoirs)

Medium Term

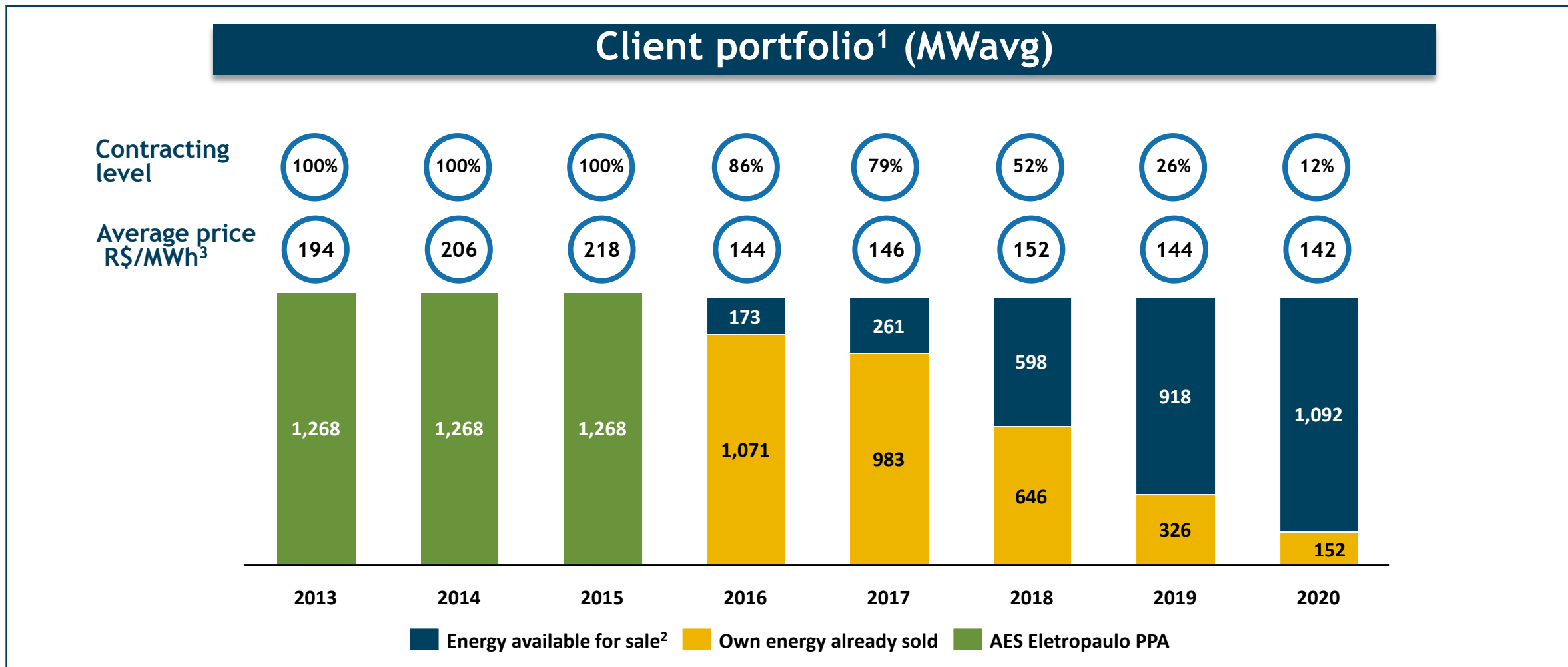
- Supply and demand

Long Term

- Marginal Expansion Cost
- Regulated Market price

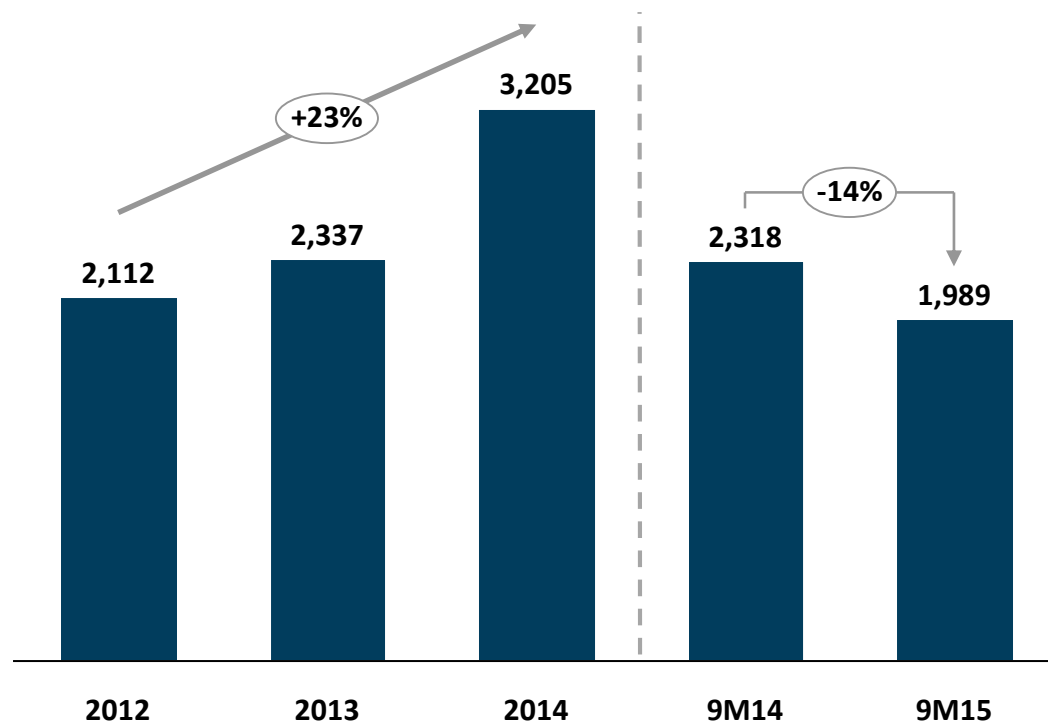
Commercialization strategy-

Consistent evolution of client portfolio

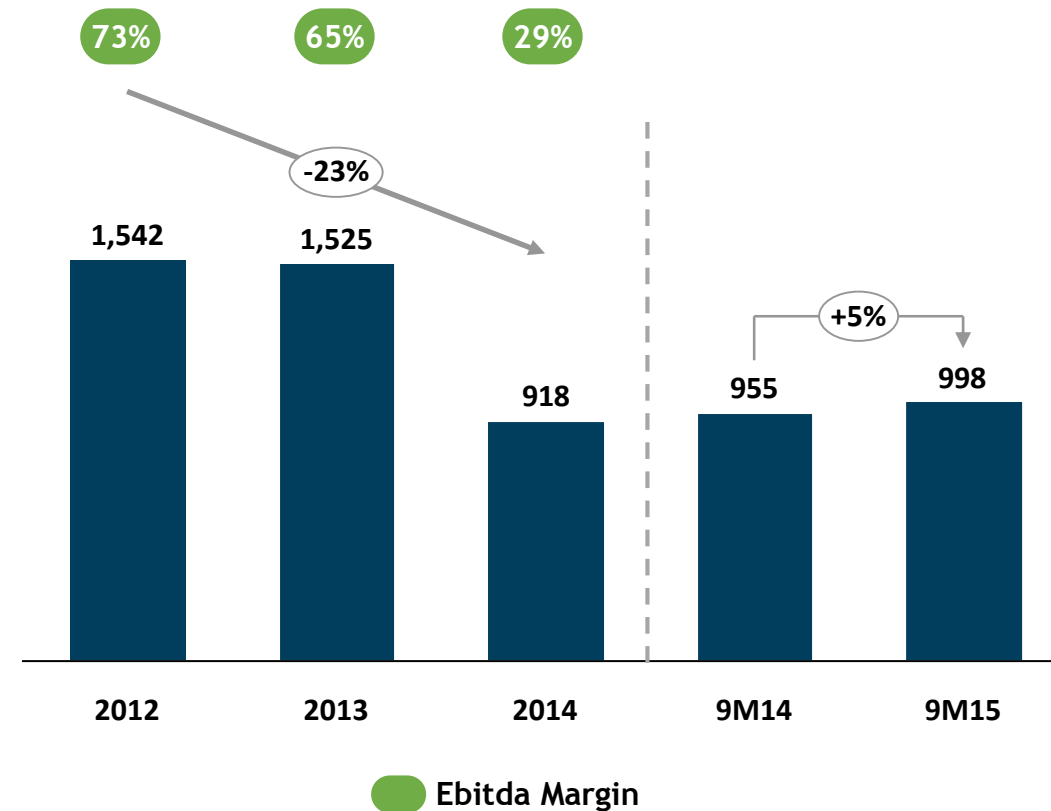


Consistent annual results

Net revenue (R\$ million)

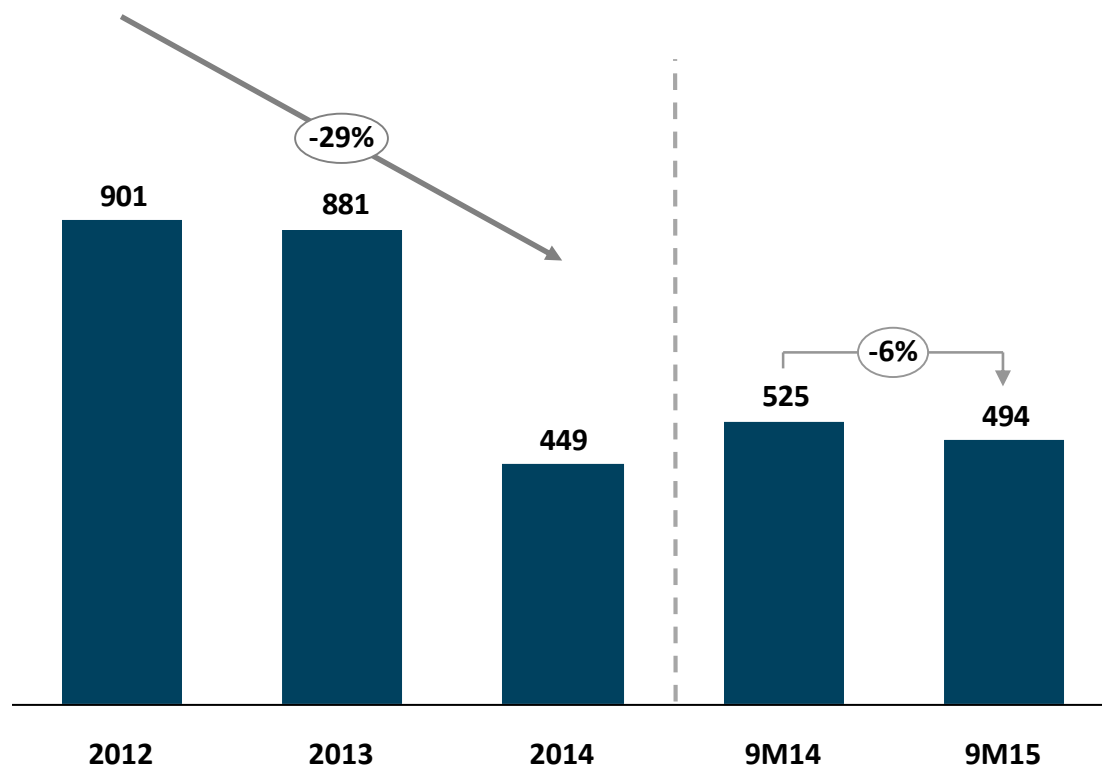


Ebitda (R\$ million)



And returns...

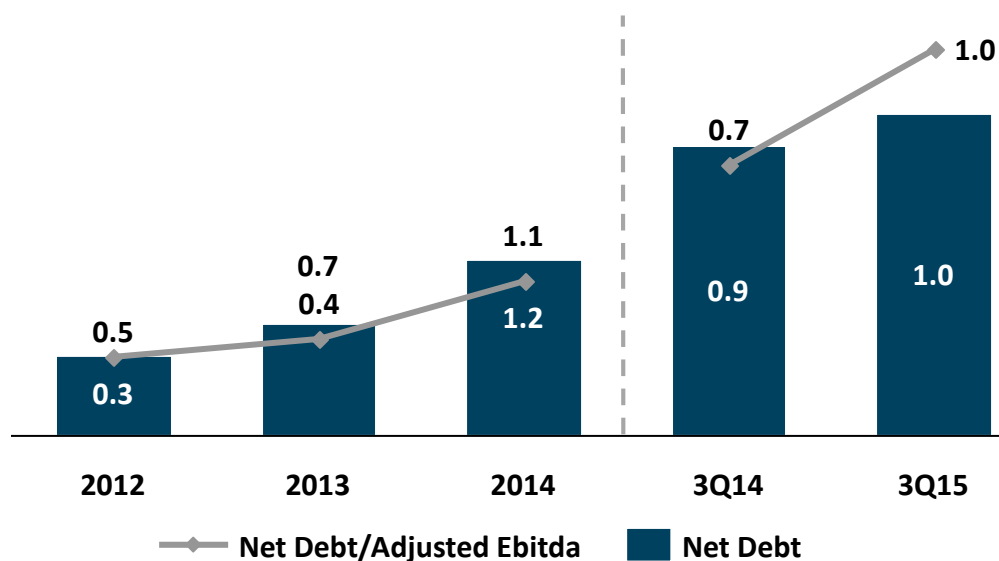
Net income (R\$ millions)



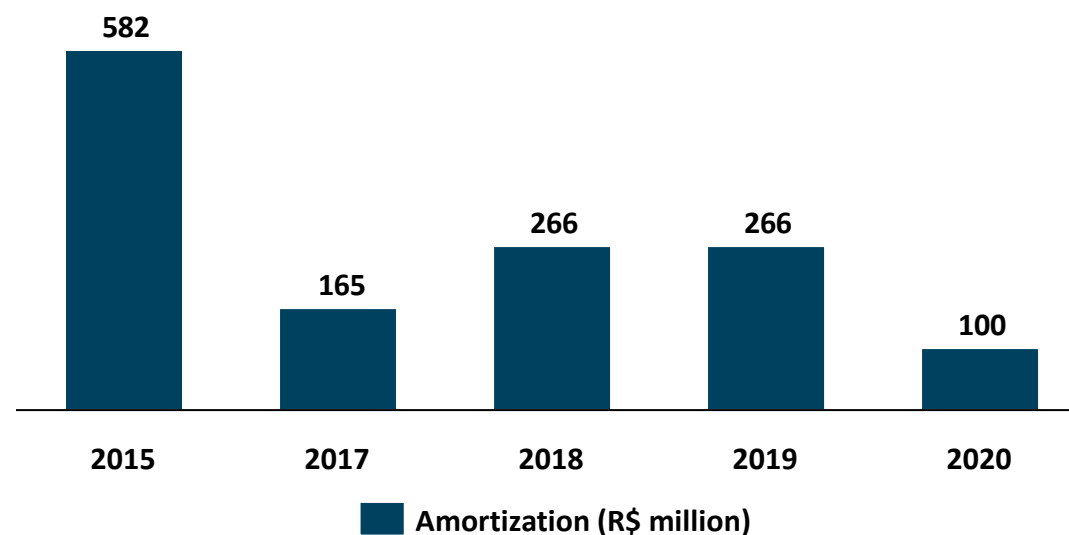
- Minimum of 25% dividend payout of annual net income according to bylaws
- Distribution practice: quarterly basis
- Average payout from 2008 to 2014: 112%
- Average dividends since 2008: R\$ 836 million per year¹
- AES Tietê's management decided to postpone the decision as for the distribution of the 3Q15 interim dividends
- R\$ 257 million distributed in dividends in 2015

Low leverage level...

Net debt (R\$ billion)



Debt amortization schedule³



Covenants

- Net debt/Adjusted Ebitda² < 3.5x
- Adjusted Ebitda²/Financial Expenses > 1.75x

Debt Cost

	3Q14	3Q15
• Average cost (% CDI) ¹	107%	106%
• Average term (years)	2.99	1.88
• Effective rate	12.7%	16.2%

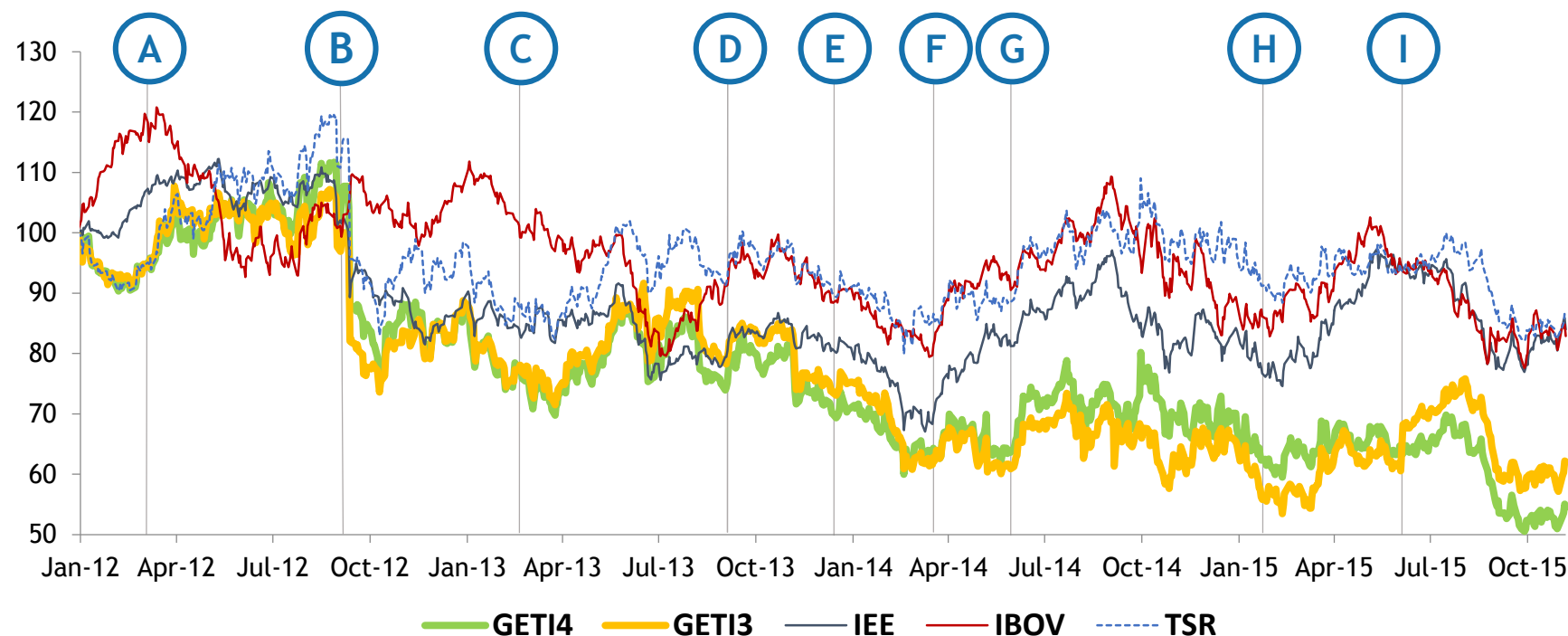


...and consistent cash flow

R\$ Million	9M14	9M15	2013	2014
Initial Cash	456.7	501.4	397.0	457.0
Operating Cash Flow	1,296.0	839.5	1,486.1	1,187.3
Investments	(131.9)	(95.3)	(188.0)	(173.0)
Net Financial Expenses	(55.6)	(69.0)	(62.0)	(94.0)
Net Amortization	(1.0)	(300.1)	192.0	499.0
Income Tax	(449.8)	(196.7)	(457.0)	(483.0)
Free Cash Flow	657.7	178.4	971.0	936.0
Dividends and IoE	(891.7)	(257.3)	(912.0)	(892.0)
FINAL CASH CONSOLIDATED	222.7	422.5	457.0	501.0

Capital markets

AES Tietê x IEE x Ibovespa¹



- **Market cap³:** US\$ 1.5 billion / R\$ 5.5 billion
- **BM&FBOVESPA:** GETI3 (common shares) and GETI4 (preferred shares)
- **ADRs negotiated in US OTC Market:** AESAY (common shares) and AESYY (preferred shares)

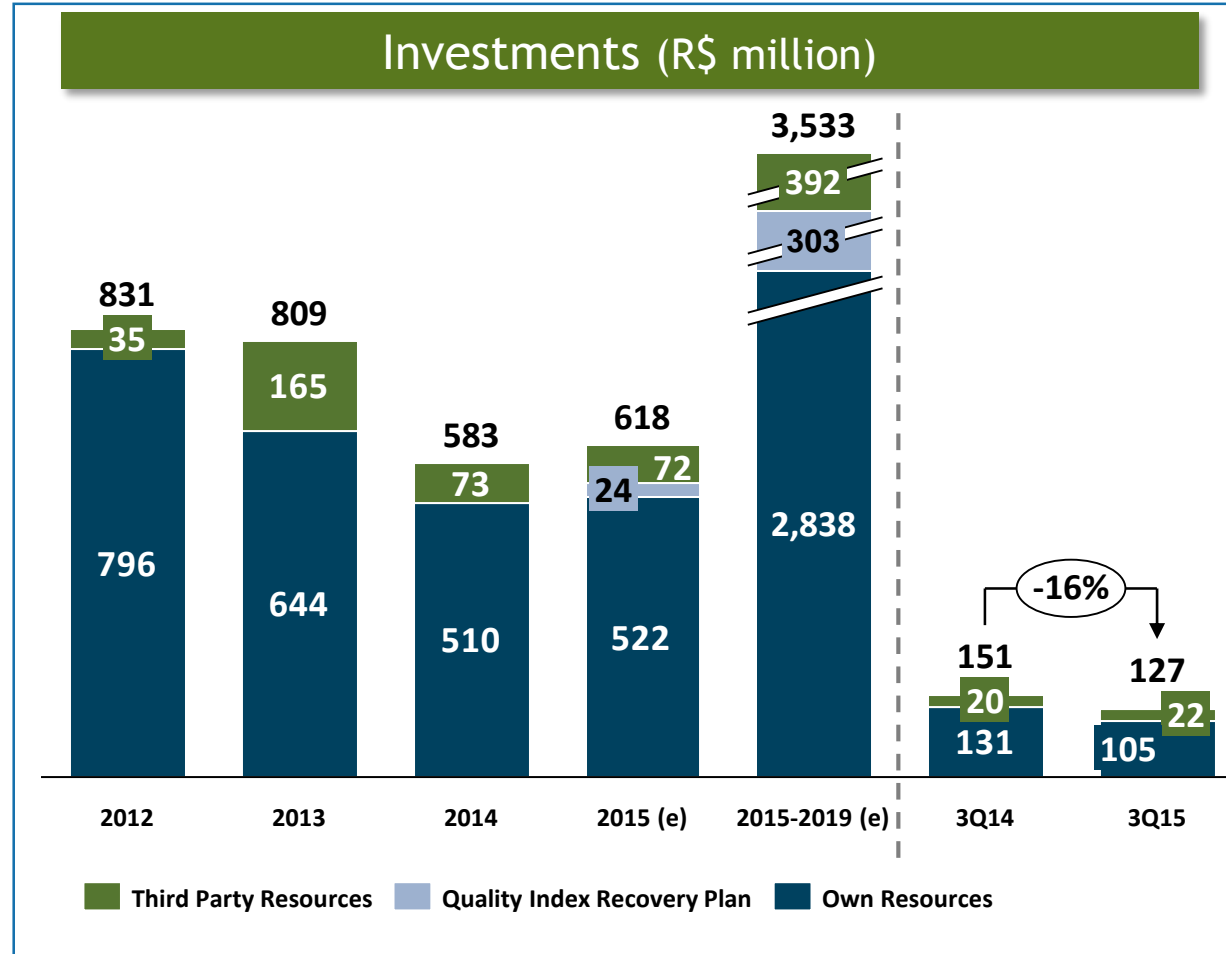


We have strong capabilities and business governance

- **Asset Management - ISO 55001** certification, **1st** Generation company in America
- **AES Tietê** has been included in the ISE since **2007**
- **Attractive** returns to investors. **Strong cash generation**; Maximization of payout
- **Cost efficiency** and **optimized capital** allocation
- Established **risk management capability**



2015 investments focused on system expansion and customer service



9M15 Investments focused on

- R\$ 176,5 million in **system expansion** for the addition of new clients and focus on **customer satisfaction**
- R\$ 74,3 million in **operational reliability** through the maintenance of **4,900 km** distribution and transmission lines

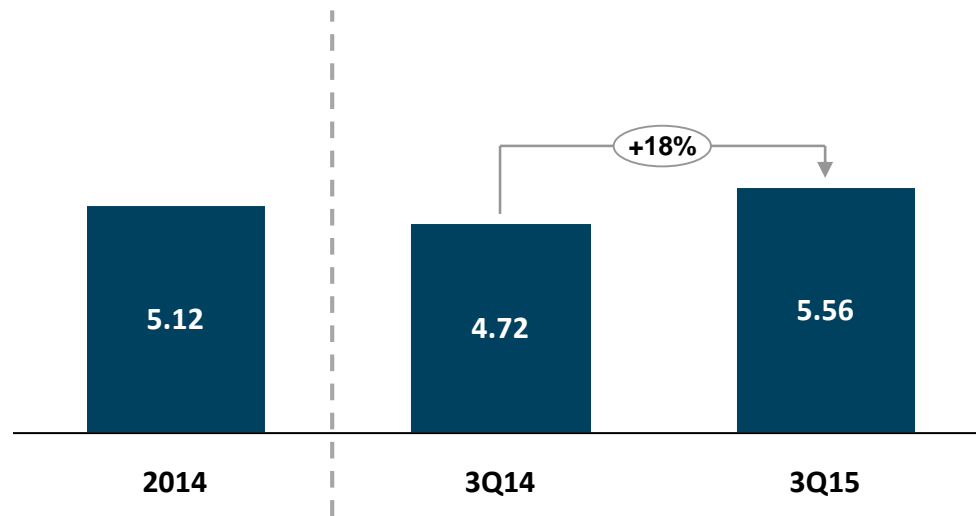
R\$ 303 million additional investment plan by 2017 seeking the **recovery** of the **Quality Indexes**¹

Plan to recover the quality indexes already in place

■ Recovery plan of the quality indicators:

- R\$ 303 Million of additional investments by the end of 2017
- Additional OPEX focused in the execution of +260,000 tree trimmings and +3,300 km of grid maintenance

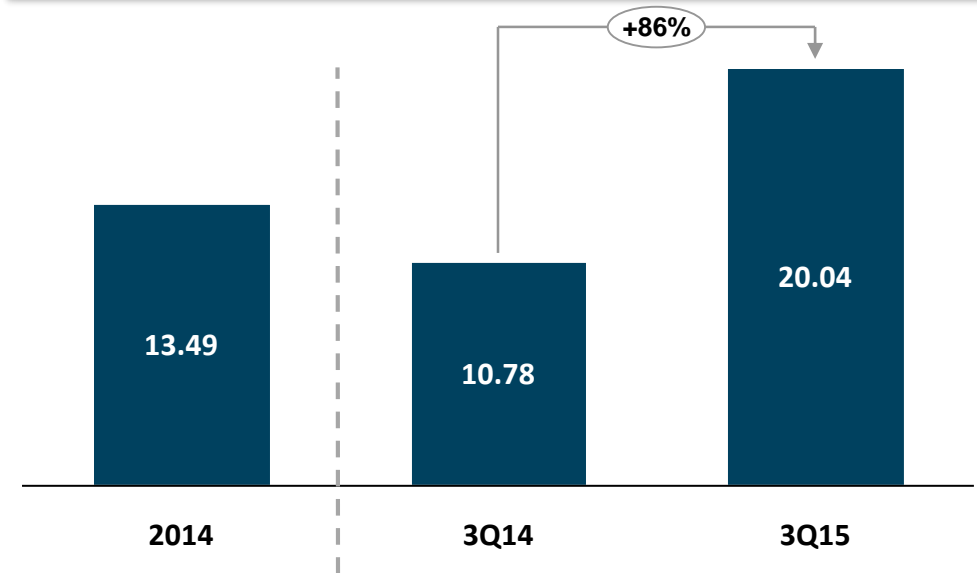
SAIFI¹ (times)



Aneel 2014 Reference: 6.36 times

■ SAIFI

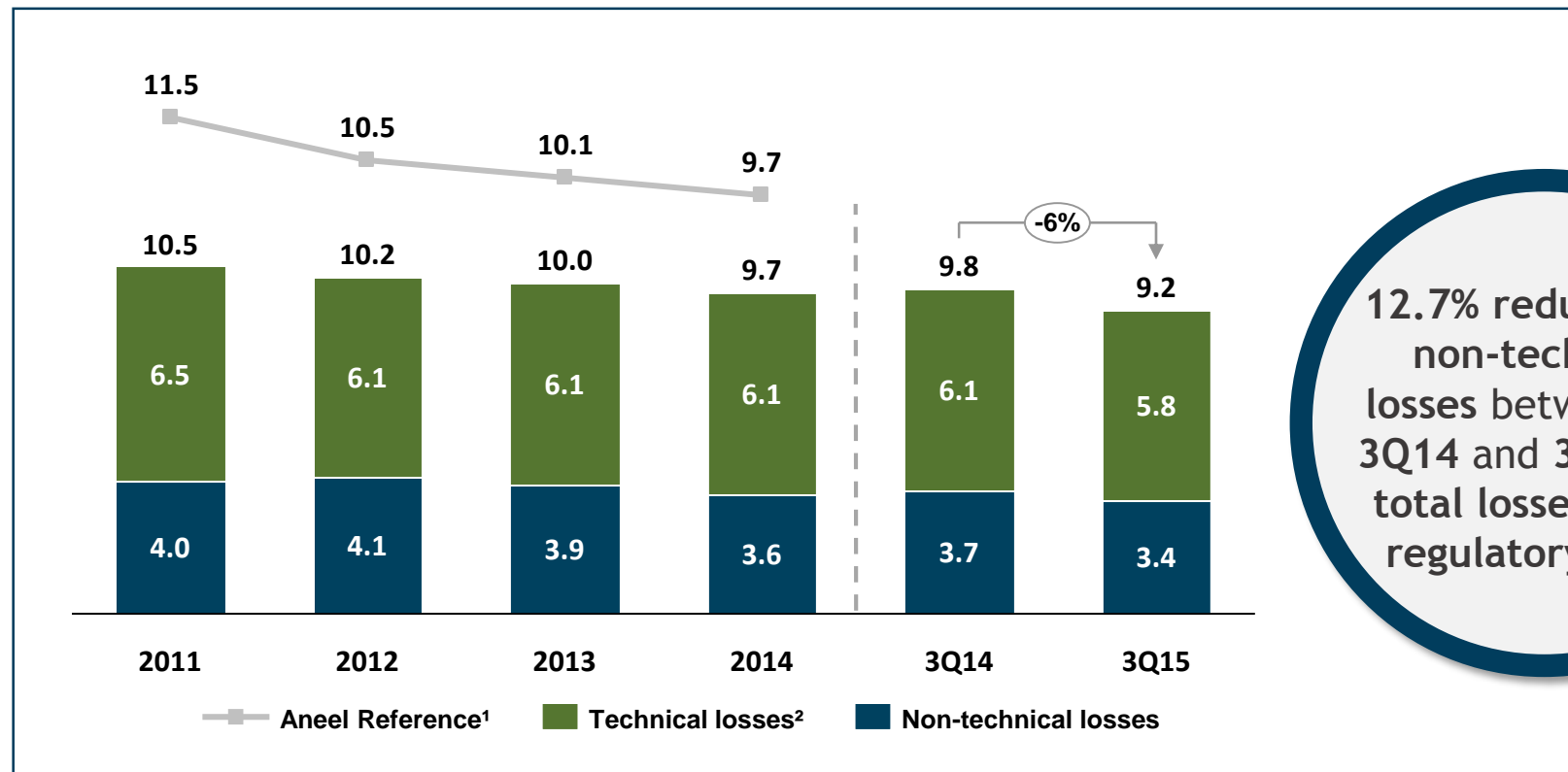
SAIDI² (hours)



Aneel 2014 Reference: 8.29 hours

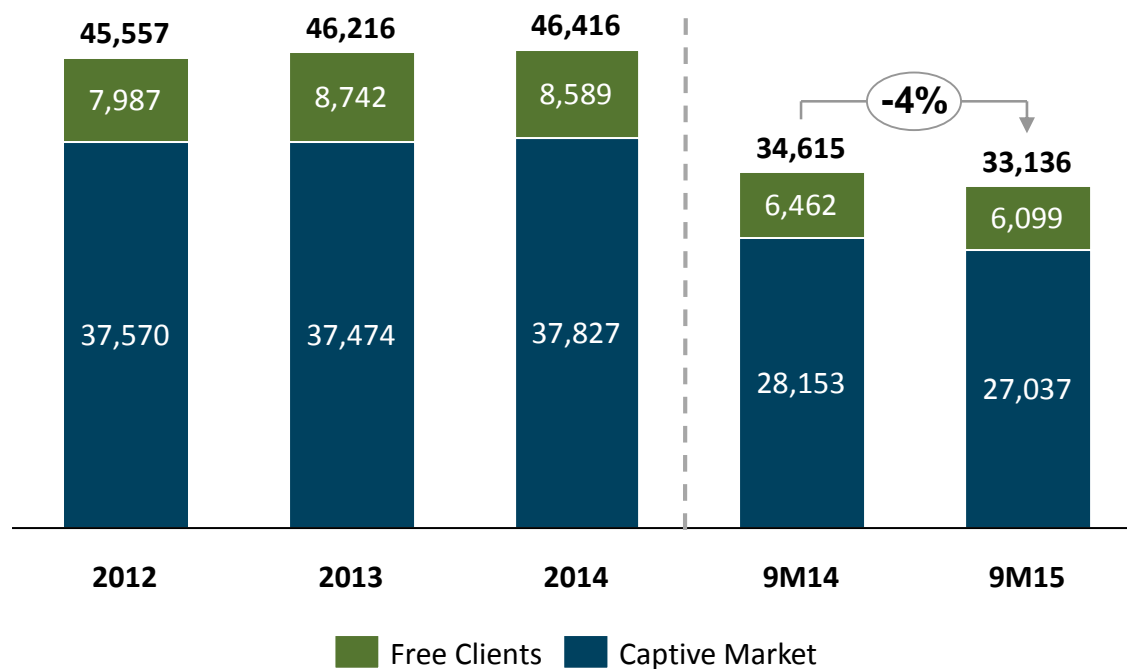
■ SAIDI

Efficiency in losses reduction over the last four years



Large concession area

Total Market¹ (GWh)



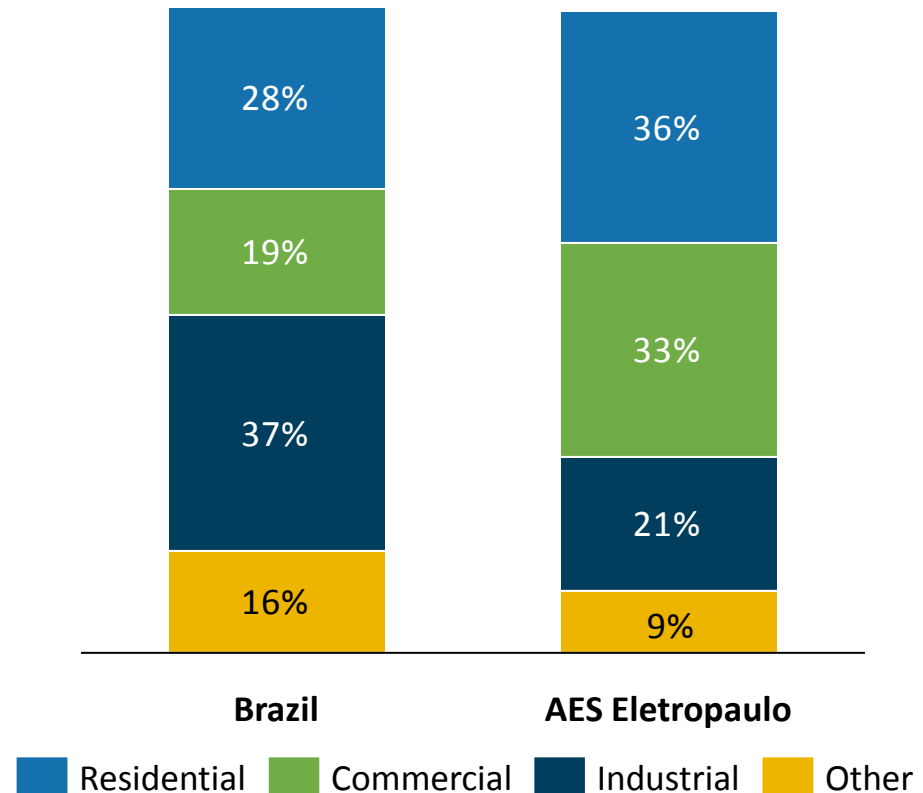
- AES Eletropaulo concession area consists of a mature market, representing approx. 16% of national GDP²
- State of São Paulo's GDP average growth of 2.0% p.a. for the last 5 years³



Consumption expansion is mostly in residential and commercial classes

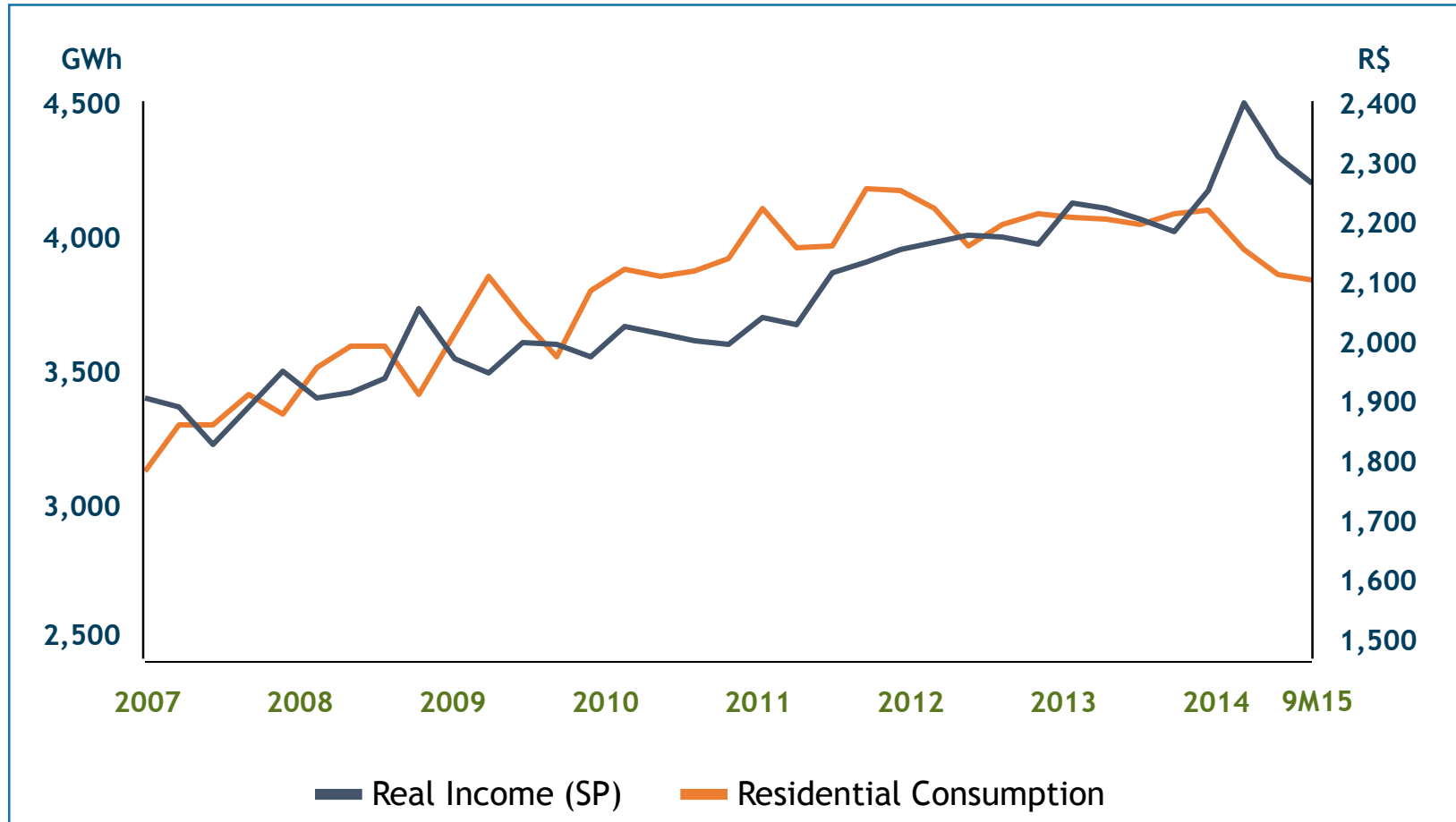


Consumption by class¹



Residential Class

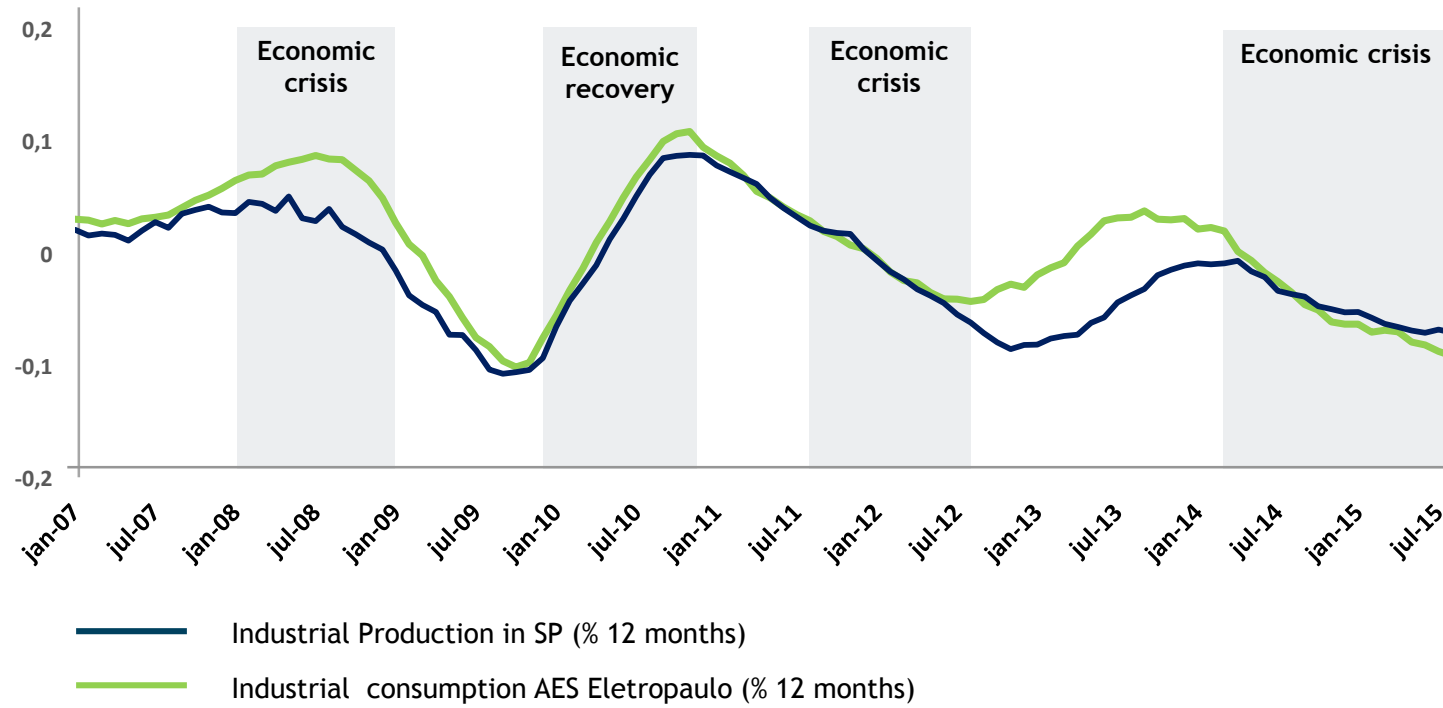
consumption in line with
São Paulo state real income



Residential
consumption
per client grew
an average
of 0.9% in the
last 8 years¹

Industrial class consumption tied to the industrial production growth in the state of São Paulo

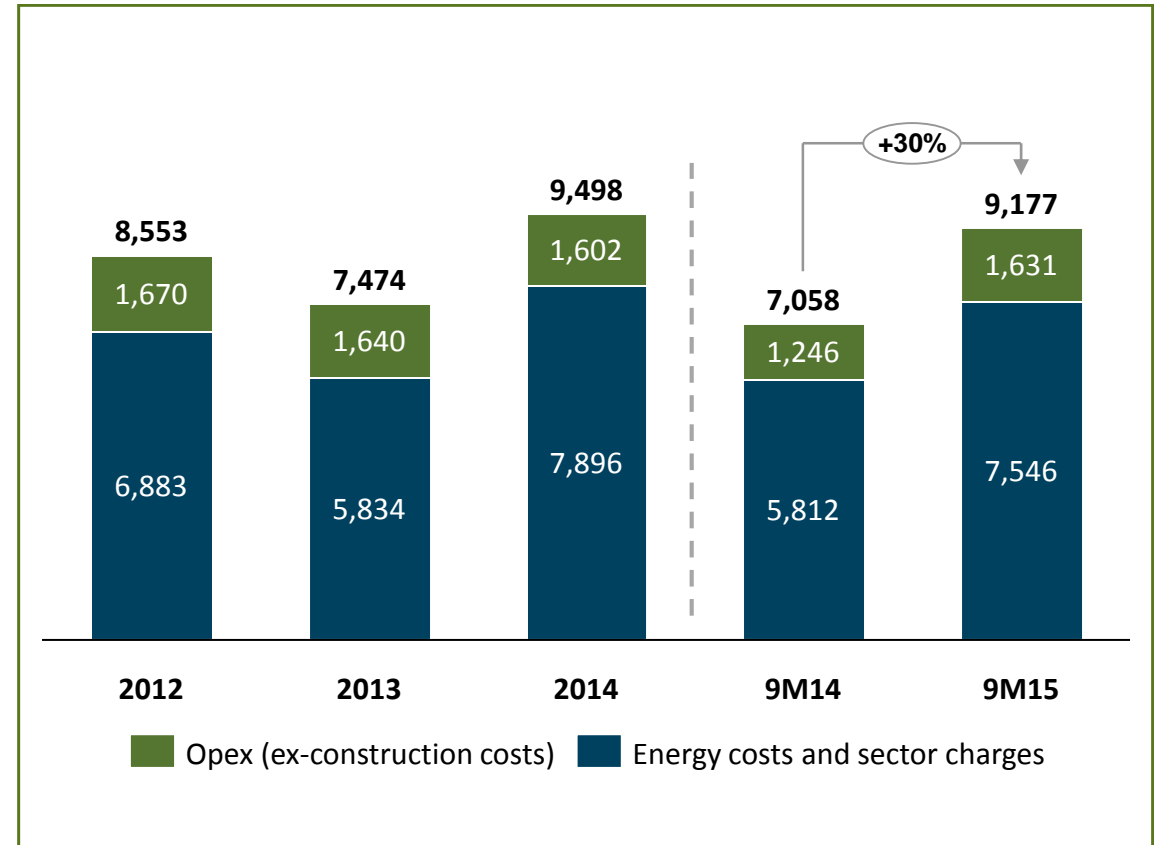
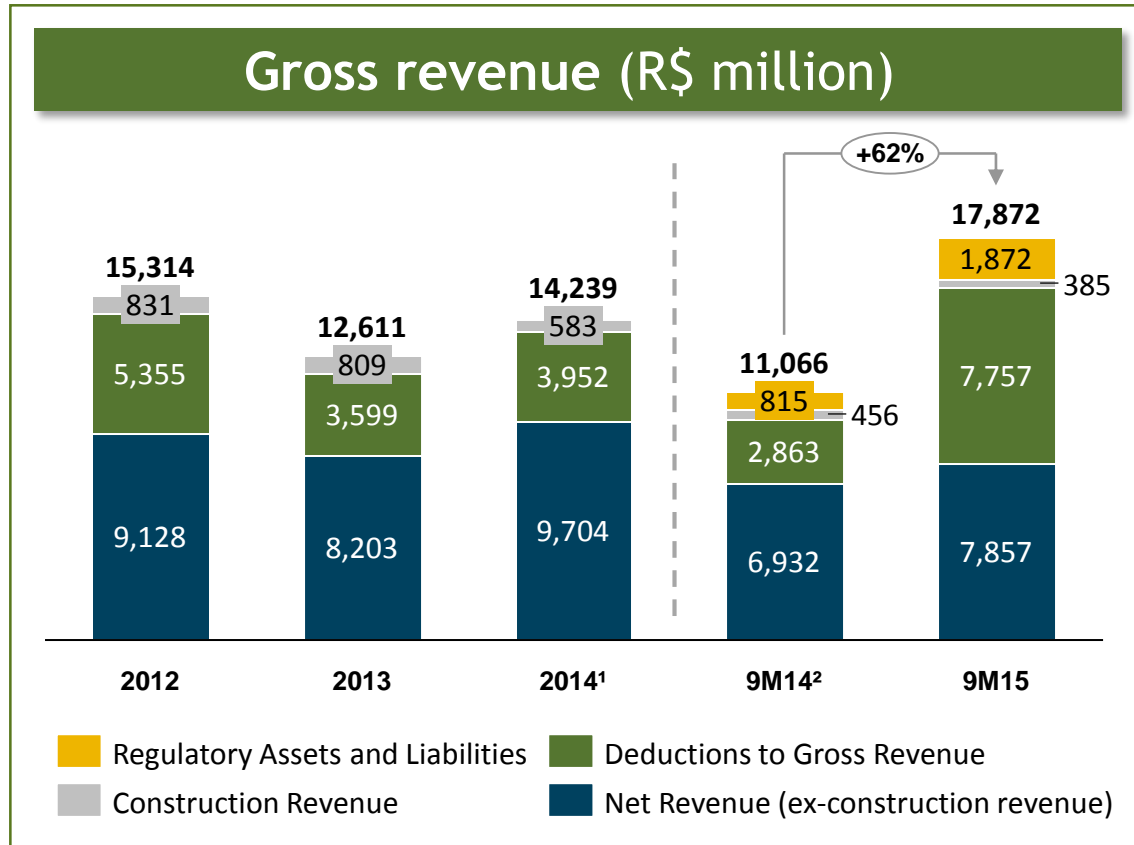
Industrial class X Industrial production in SP¹



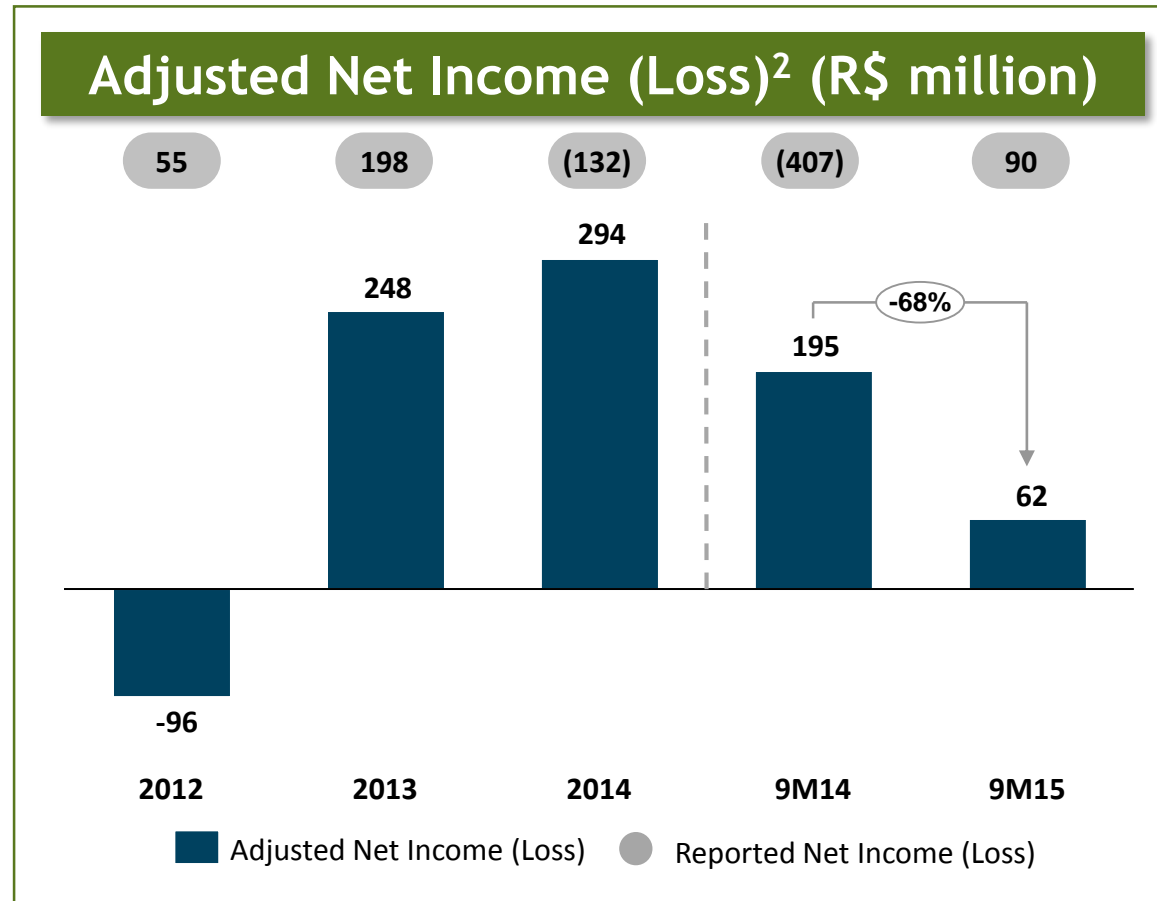
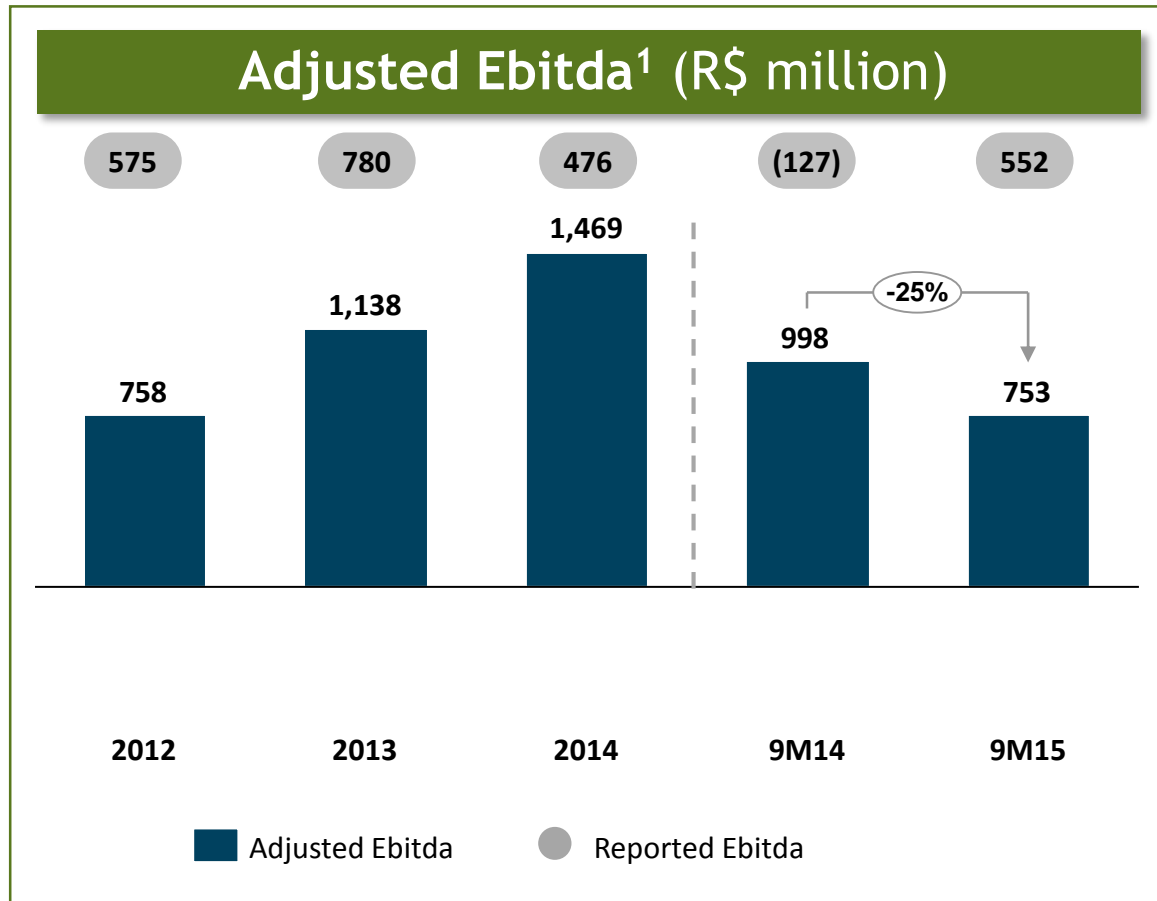
- Industrial consumption impacted by lower industrial production in Brazil
- Consumption focused on more resilient segment (residential and commercial classes)



Gross revenue 62% greater in 9M15 mainly due to tariff readjustment and extraordinary tariff resets



25% reduction of the Adjusted Ebitda mainly due to non manageable non recurrent expenses



Cost management projects generated R\$ 1 billion¹ in savings until 2014

1st wave - 2007-2010

- Headcount reduction
- Support functions centralization - shared services
- Overhead reduction - management and contracts renegotiation
- Leadership headcount reduced by 44% from 2008 to 2013
- Currently operating at the same PMSO level as in 2007 while every quality indicators have improved

2nd wave - 2010-2012

- Benchmark approach
- Process review and IT tools to increase performance
- Development of strategic sourcing capability
- Continuous overhead reduction
- Administrative and operational activities centralized in a new site
- Real Estate Plan: sale of assets and maximization of occupancy rate

3rd wave - 2013-2015

- Efficiency gains through process transformation and IT tools integration
- Cost management and innovation as part of the Company's culture
- Consider the total cost of ownership for CAPEX/OPEX allocation decisions
- Sustainability driving value (e.g., ABS initiative with suppliers)

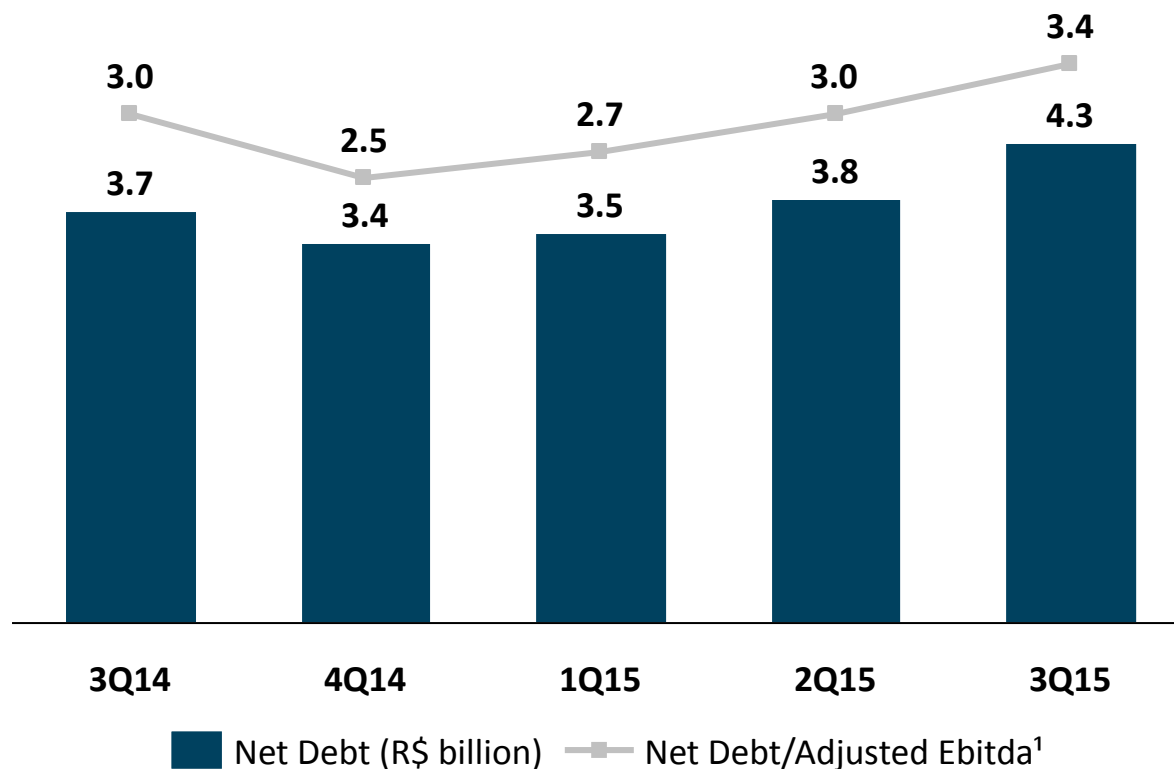


Operational cash flow generation

R\$ Million	9M14	9M15	2014	2013
Initial Cash	974	909	974	814
Operating cash generation	316	302	724	1,480
Investments	(434)	(455)	(501)	(741)
Net Financial Expenses/Net Amortization	360	193	211	(312)
Pension fund expenses	(166)	(143)	(166)	(221)
Income Tax	(47)	(71)	(47)	(25)
Disposal of assets	(61)	31	24	49
Cash restricted and/or locked	(33)	(143)	(61)	26
FINAL CASH CONSOLIDATED	942	766	909	974

Leverage level within financial covenants

Net debt (R\$ billion)



- **Average maturity of debt reaching 5.0 years**
- **Covenants within the limits established by debt contracts:**
 - Net Debt/Adjusted Ebitda < 3.5x
 - Adjusted Ebitda/Financial Expense > 1.75x

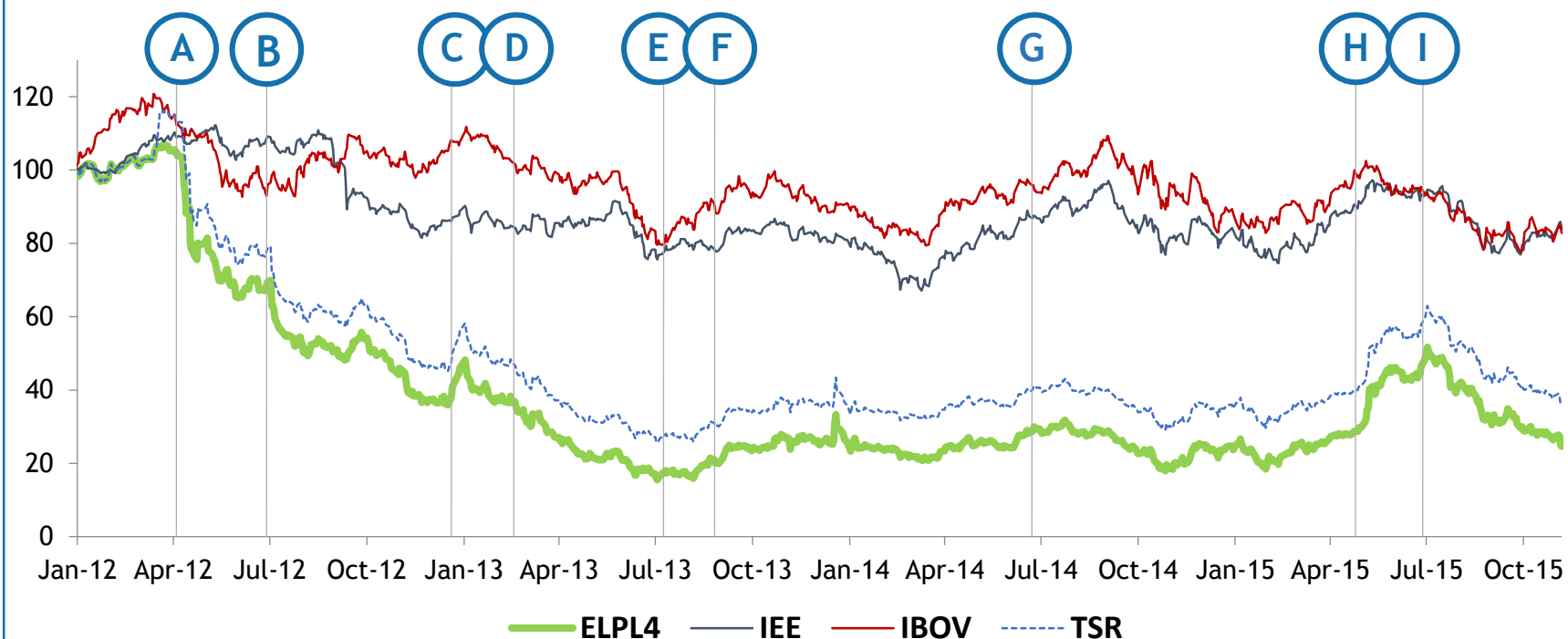
Debt Cost

- Average cost (CDI +)
- Average term (years)
- Effective rate²

	3Q14	3Q15
Average cost (CDI +)	1.51 %	1.70%
Average term (years)	5.27	4.80
Effective rate ²	12.88%	14.98%

Capital markets

AES Eletropaulo x IEE x Ibovespa¹



- **Market cap³:** US\$ 0.4 billion/R\$ 1.6 billion
- **BM&FBOVESPA:** ELPL3 (common shares) and ELPL4 (preferred shares)
- **ADRs at US OTC Market:** EPUMY (preferred shares)



We have strong capabilities and corporate governance

- **AES Corporation and BNDES as major shareholders:** long-standing reputation in the market
 - Consumption focused on **more resilient segment** (residential /commercial market)
 - **First power distribution company** in the Americas to obtain **ISO 55001** certification of the Asset Management Program
-
- **2015-2019 investment plan of R\$ 3.5 billion** mainly focused on **customer services** and **better quality indicators**
 - **Efficiency** on recognizing investments on the RAB

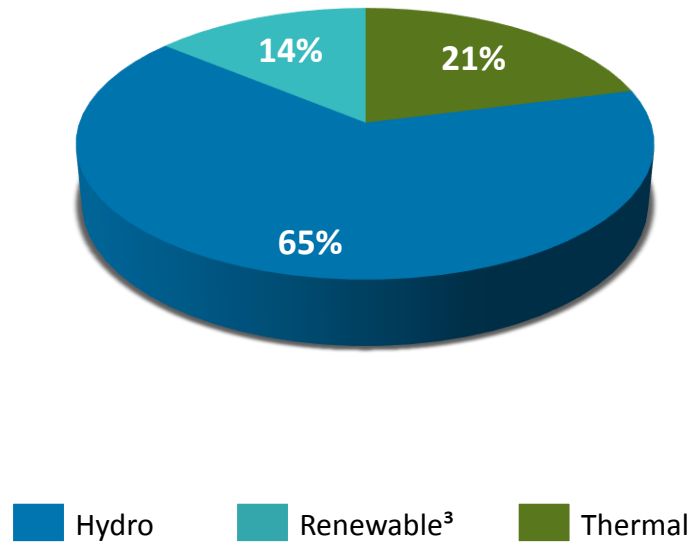




Brazilian Opportunities

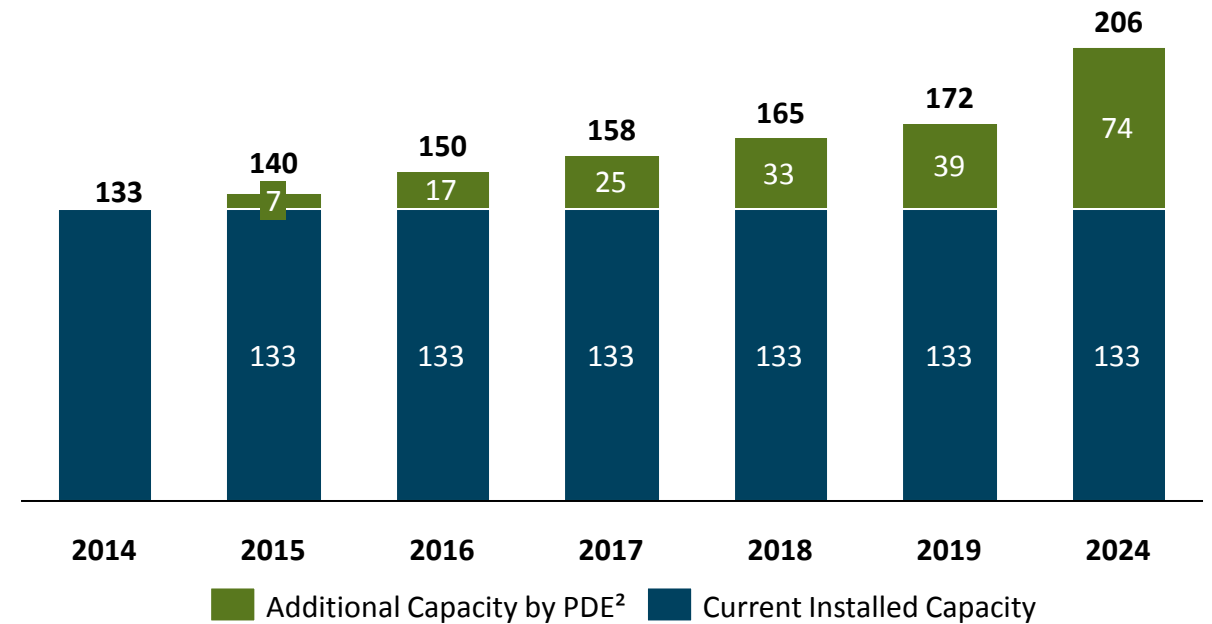
Brazilian Energy Matrix and perspectives

Brazilian Energy Matrix¹



- Energy matrix based on hydropower plants
- Thermal source is responsible for system reliability

Governmental Expansion Plan



- Expansion based mainly on renewable and run-of-river hydropower plants

Appendix



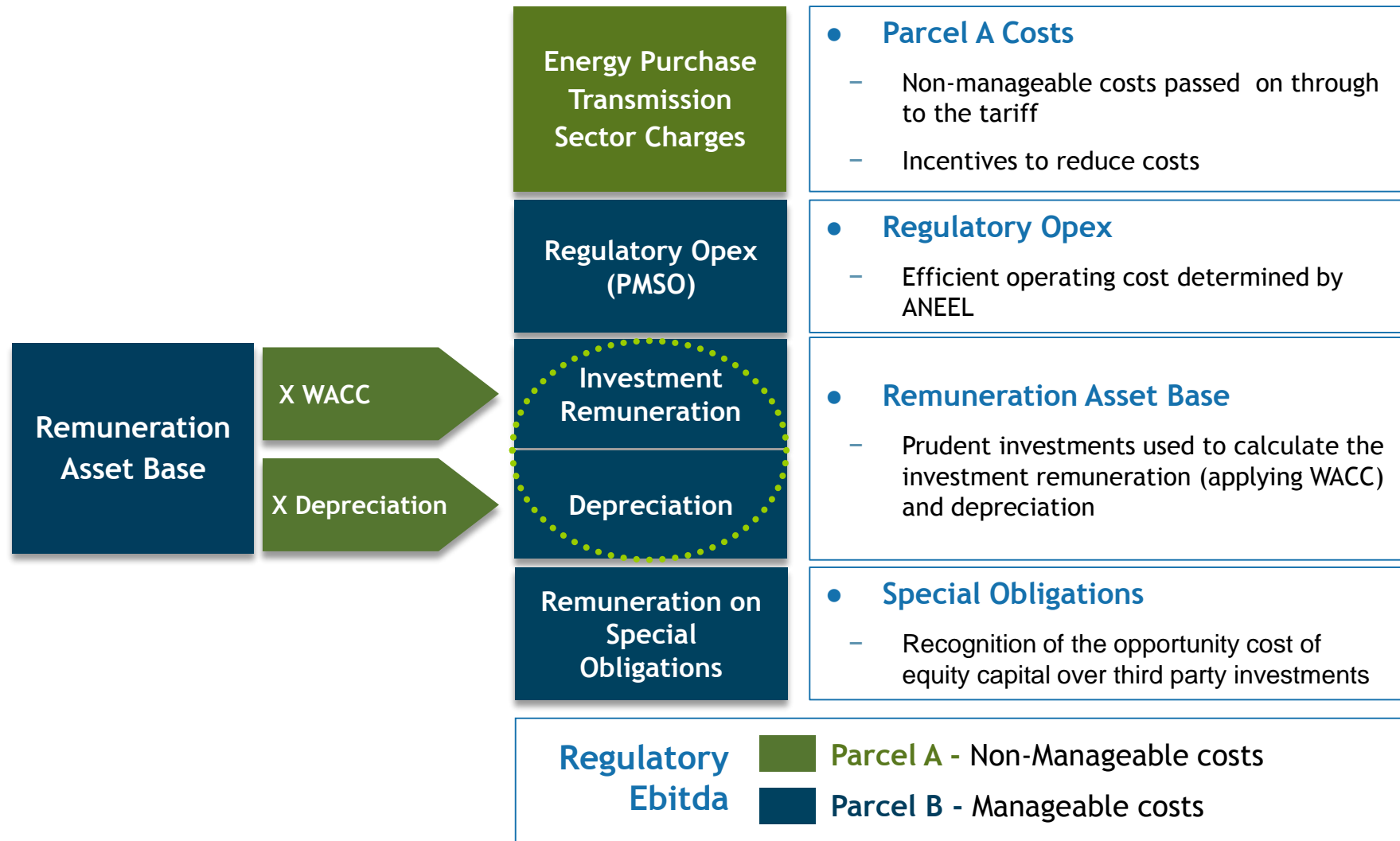
Tariff methodology for distributors

- **Tariff Reset is applied each 4-5 years**

- AES Eletropaulo next Tariff Reset: Jul/2019;
- AES Sul next Tariff Reset: Apr/2018
- Parcel A: costs are passed on through to the tariff
- Parcel B: costs are set by ANEEL

- **Annual Tariff Adjustment**

- Parcel A: costs are passed on through to the tariff
- Parcel B: costs are adjusted by IGPM +/- X Factor¹



X Factor methodology

	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 the sector adjusted by market growth and consumption variation		Defined at each Tariff Readjustment, considers variation of SAIDI and SAIFI and comparative performance of discos. Includes commercial indexes		Defined at Tariff Reset, makes the transitions to operational costs verified in the last 12 months to the one set in the benchmarking models

4th Tariff Reset Cycle

Parcel A + Financial Components

13.96%

R\$ 1,936m

- Energy CVA including FX rate variation associated with Itaipu
- CDE charge increase (loans and CDE share)
- Reduction of AES Tietê's energy participation due to end of contract in Dec/15
- Involuntary exposure in 2015

Parcel B

1.27%

R\$ 176m

- WACC of 8.09%
- Special Obligations remuneration
- Opex adjusted to match the concession area's reality

Tariff Reset Effect

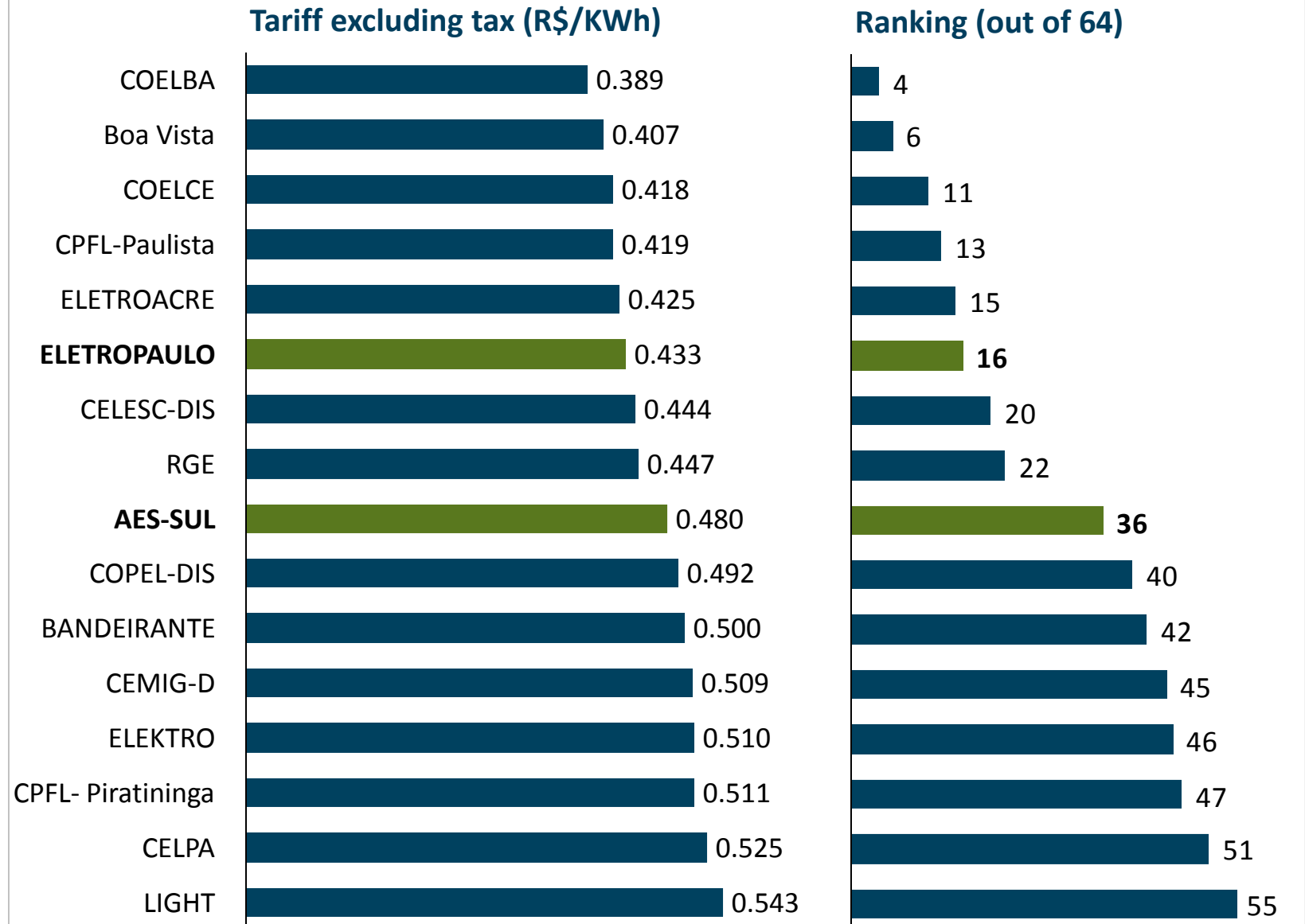
15.23%

R\$ 2,112m

Breaking down the Parcel B

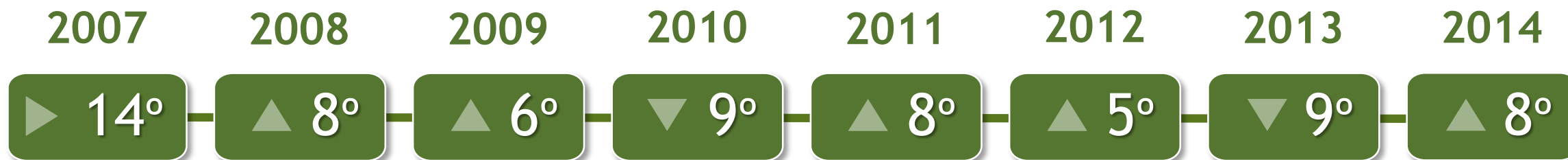
Remuneration (RAB)	R\$ 732m	<ul style="list-style-type: none"> Net RAB of R\$ 6.0 billion WACC of 8.09%
Depreciation	R\$ 458m	<ul style="list-style-type: none"> Gross RAB of R\$ 12.2 billion Depreciation Rate of 3.75%
Special Obligations	R\$ 39m	<ul style="list-style-type: none"> Remuneration of 3.34%
Annuity (Other Assets)	R\$ 134m	<ul style="list-style-type: none"> Remuneration and depreciation of IT, vehicles and administrative assets
Operational Expenses	R\$ 1,373m	<ul style="list-style-type: none"> Xt Factor of -2.37%; Inclusion of labor liabilities, São Paulo salaries and underground network
Bad Debt	R\$ 198m	<ul style="list-style-type: none"> 0.85% of bad debt, considering Tariff Flag revenues
Other Revenues	- R\$ 88m	<ul style="list-style-type: none"> ~60% of non-distribution revenues
Productivity Gains	- R\$ 33m	<ul style="list-style-type: none"> Xp Factor of 1.13%
Parcel B	R\$ 2,812m	

Ranking of distribution tariffs in Brazil

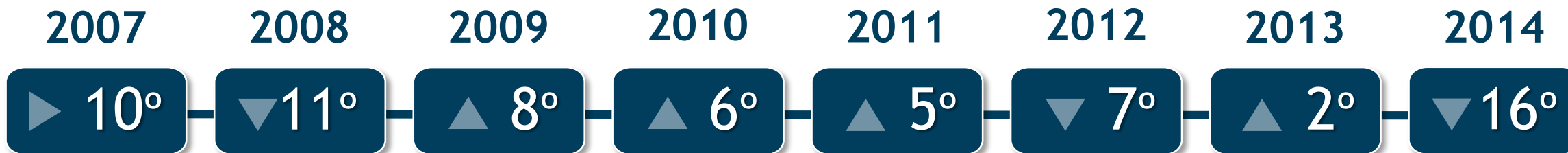


Abradee's¹ Ranking

AES Eletropaulo



AES Sul



Latin America's most modern distribution and sub-transmission operations center allows efficiency gains

Modern layout maximizes the dispatch efficiency and decision making during the outage power restoration

- Integration of DOC¹ and SOC² technicians into a modern and collaborative workplace:
 - enabling to rearrange positions at any time optimizing the use of resources
 - improving operational efficiency
 - encouraging a multifunctional profile



Modern and integrated systems contributes to the best allocation of resources

Integrated and automated systems allow the monitoring of sub-transmission and distribution grid and the best allocation of resources for operational efficiency gains

- State of the art in technologies for management of events and teams, providing a global vision of emergency teams location throughout the concession area
- Service orders transmission through data devices, dispatching service teams that are closer to the location, minimizing attendance time
- Innovative technology for forecasting and monitoring of summer rains, strategically located in the Company's substations anticipating the resources allocation

