Corporate Presentation

2017

AES Corporation
A Global Company

35 GW
installed capacity

Providing services to over **9 million customers**

19
thousand employees

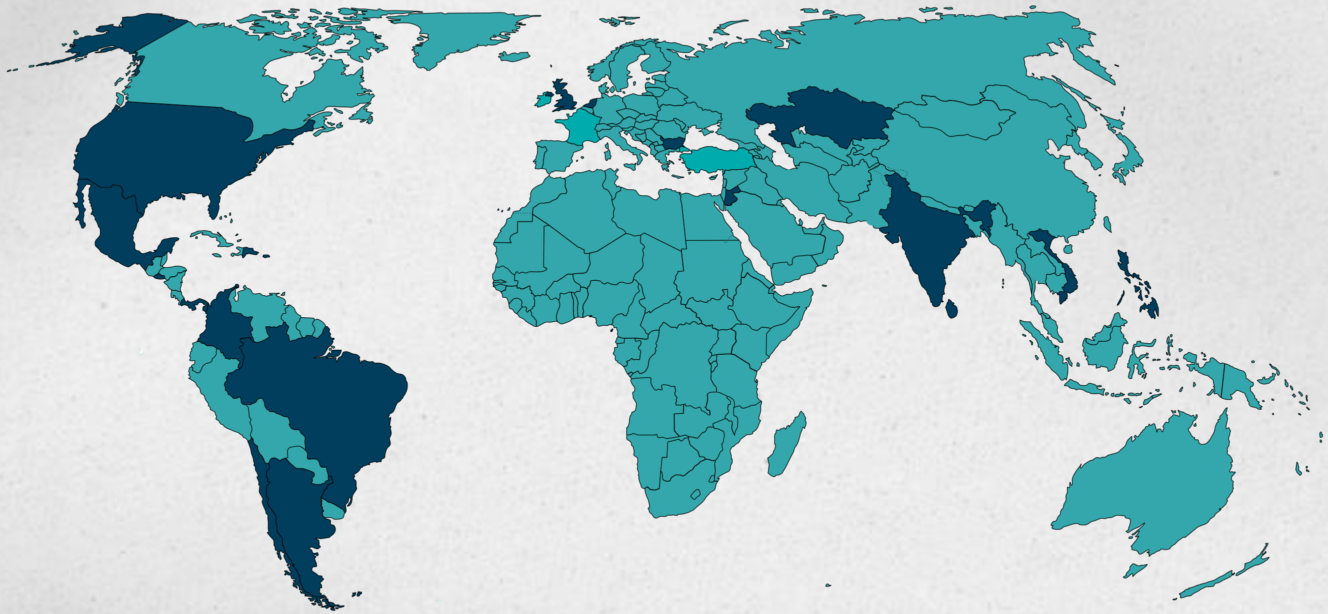
Natural gas and coal fired thermal plants
25 GW of installed capacity

Over 8 GW of
Renewable sources[1]

Distributed energy
+104 MW of solar PV[2]
projects in operation

World leader in
Energy Storage
Total of 476 MW[3]

AES Corp is present in **17 countries** and **4 continents**



1 – Includes hydro, wind, solar, energy storage, and biomass; 2 – PV – Photovoltaic; 3 – Operating and under construction

AES Corporation
History in Brazil

Solid participation in the Utilities sector in Brazil

AES Brasil +20 years of presence in **Brazil**

1995
Beginning of **AES Uruguaiana's** construction

1997[1]
AES Corp acquired **AES Sul** through privatization process

1998
Privatization of **AES Eletropaulo** by a consortium comprised by **AES Corp** and other local and international companies

1999
Privatization of **AES Tietê**

2000
AES Uruguaiana beginning of operation

2001 2002
AES Corp increases its interest in **AES Eletropaulo** and **AES Tietê**

2003
Incorporation of **Companhia Brasiliana de Energia** and execution of shareholders agreement with BNDES

2016
AES Tietê merged into Cia Brasiliana and was renamed **AES Tietê Energia S.A.**

1 – AES Sul was sold to CPFL Energia in June/2016

AES Brasil
Mission, Vision and Values

MISSION

To promote well being and development by providing secure, sustainable and reliable energy solutions

VISION

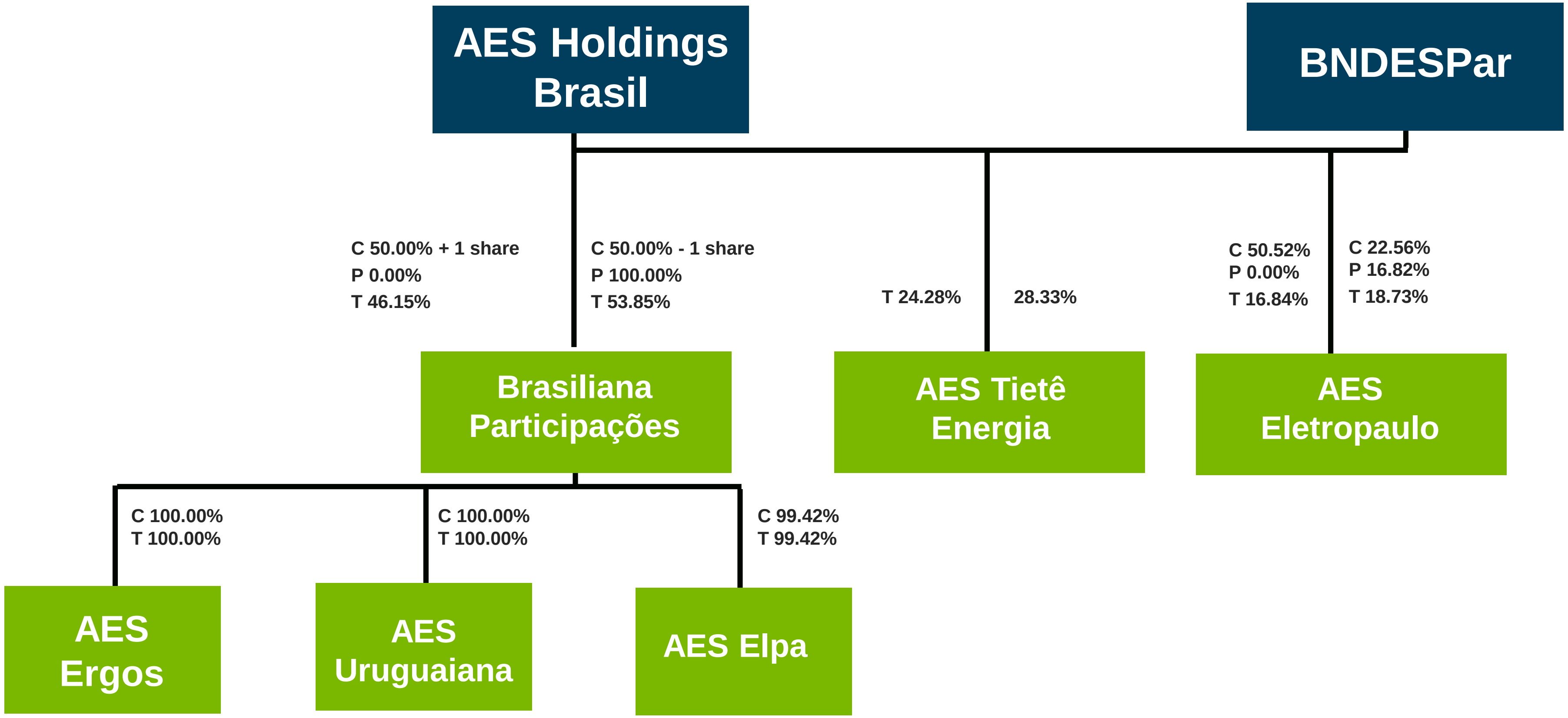
To be recognized by our customers and shareholders as a partner for safe, innovative, reliable and affordable energy solutions

VALUES

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

AES TIETÊ ENERGIA AT A GLANCE

Ownership Structure



	AES	BNDES	Others[1]	Market Cap[2]
AES Tietê	24.3%	28.3%	47.4%	US$ 1.6 bi

C = Common Share
P = Preferred Share
T = Total

1 – Includes 7.9% of Eletrobras shares; 2 – Base Date: 11/07/2017 (FX rate 3.271 BRL/1 USD)

We Have Strong Capabilities and Corporate Governance

1. **Asset Management - ISO 55001** certification, 1st Generation company in America
2. **AES Tietê Energia** is part of the **Corporate Sustainability Index** (ISE) since 2007
3. **Attractive** returns to investors**. Strong cash generation;** Maximization of payout
4. **Cost efficiency** and **optimized capital** allocation
5. Established **risk management capability**

Company Overview

One of the **largest private generation** companies in Brazil

PORTFÓLIO

14 ASSETS[1]

3.2 GW
INSTALLED CAPACITY

3 SOURCES
(hydro, wind and solar)

Growth Strategy:
50% of the Company's 2020 EBITDA to come from non-hydro sources

AES Tietê

1 –9 hydropower plants, 3 Small Hydropower Plants ("SHPPs"), 1 Wind Complex – Alto Sertão II and 1 Solar Complex – Boa Hora

CORPORATE STRATEGY

Pillars for sustainable growth and diversification, reinforcing the commitment to generate shareholder value

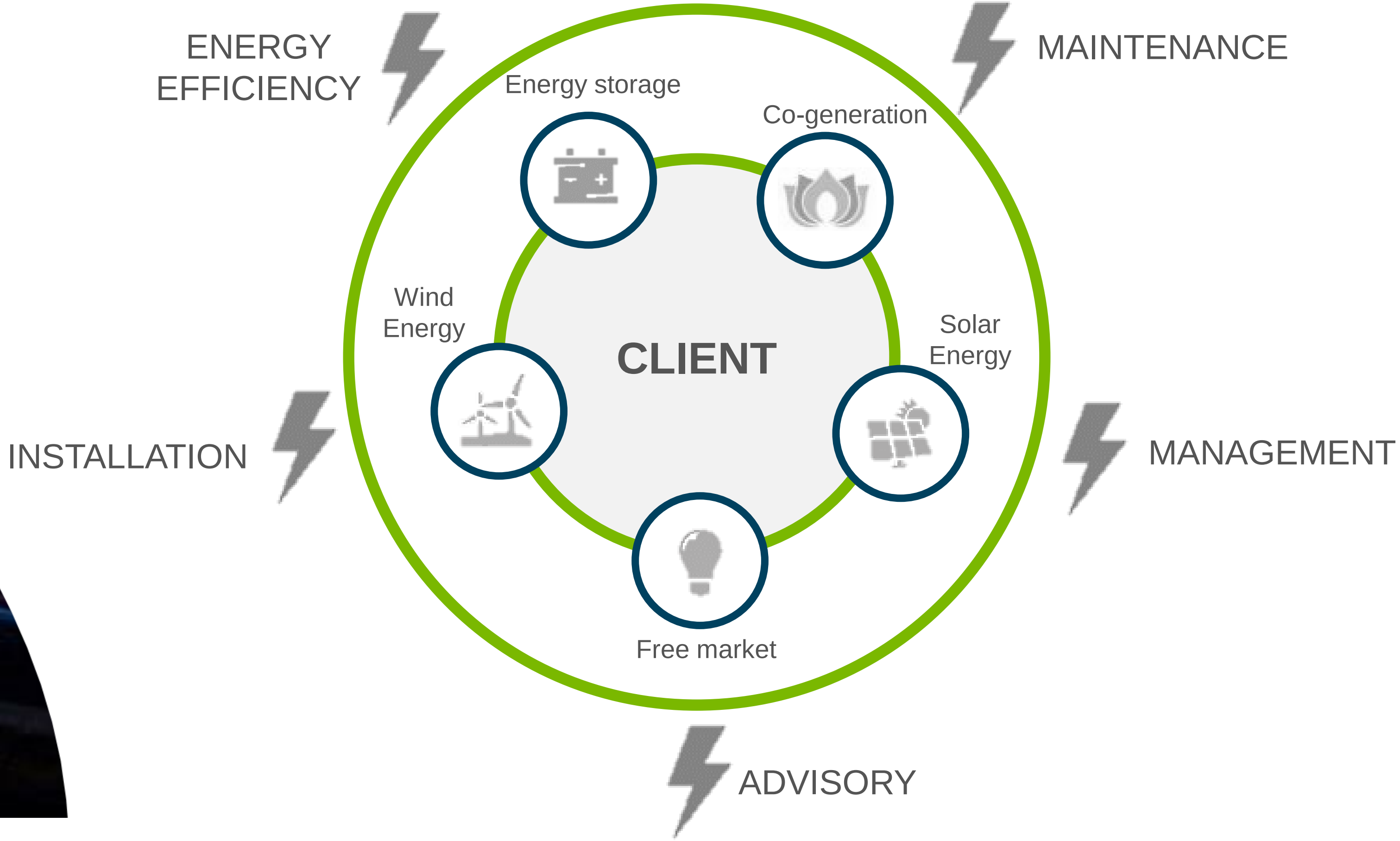
VALUE CREATION TO STOCKHOLDERS

- ✓ Sustainable growth
- ✓ Projects with attractive returns

Integrated Operational Platform

Centralized energy solutions for our client

SOLUTIONS AND SERVICES



Growth Perspectives

NATURAL GAS POWER PLANTS & COGEN (~ 1,5 GW)

- 2 natural combined power plants under development
- **Cogeneration:** solutions for Distributed Generation Projects
- **EMAE:** Partnership under development for a thermal plant in São Paulo's load center

RENEWABLE ENERGY – SOLAR & WIND

- 611 MW of renewable projects[1]
- **Distributed generation[2]**: AES owns globally 104 MW and Brazil's potential is 4.5 GW up to 2024[3]
- Assessing greenfield and M&A opportunities

ENERGY STORAGE

- AES Corp is the world leader in battery-based energy storage with operations in 7 Countries (+476 MW capacity[3]; + 10 years experience)
- Medium and large size systems: utilities and behind the meter (industrial and commercial)

AES Tietê

1 – 150 MW related to Bauru Solar Complex's investment agreement; 2 – Business model considers the payment of the plant using the economy from the distribution consumption; 3 – 228 MW in operation and 250 MW under contract or construction

Growth Strategy

Expansion with new solutions and non hydraulic sources

Renewable Energy: Solar and Wind

ACHIEVEMENTS

- **Acquisition** of Alto Sertão II
- **Acquisition** of Boa Hora Solar Complex

OPPORTUNITIES

- **Investment agreement** of Bauru Solar Complex with
- **Participation in energy auctions: 75** MW of solar projects located in São Paulo

Distributed Solar Generation

ACHIEVEMENTS

- **More than 160 kWp of celebrated contracts** since Dec/2015
- **Integrated operational platform**

OPPORTUNITIES

- **Market potential of 4.5 GW**[1] until 2024 in Brazil

Energy Storage

ACHIEVEMENTS

- **Pilot project in Bariri plant** with batteries with a total capacity of 200 kVA

OPPORTUNITIES

- **Participation in isolated auctions**
- **Market potential of 1.5 GW**[2] by 2020 in Brazil

1 – Source: ANEEL; 2 – Source: AES Tietê Energia

Alto Sertão II Wind Complex

Closing of the acquisition

- Closing of the acquisition process on August 3rd
- PPAs: LER[1] 2010 (valid until 2033) / LEN[2] 2011 (valid until 2035)
- Acquisition Price: R$ 600 million
  - Up to R$ 100 million as earn-out[3]
  - Assumption of R$ 1,150 million in debts

386.1 MW
installed capacity

Caetité – Bahia
asset location

1 – Reserve Energy Auction; 2 – New Energy Auction; 3 – Addition of up to R$ 100 million as earn out depending on the park's performance in comparison with a minimum reference

Boa Hora Solar Complex

- LER 2015 (until 2035) – R$ 318.65/MWh
- Acquisition Value: R$ 75 million
- Estimated CAPEX of R$ 300 million
- Distinguishing factor: synergy gains
- Transfer to São Paulo approved in Nov/17
- Next steps:
  - Beginning of construction planned for Dec/17
  - Commercial operation planned for Nov/18

91 MWp (75 MWac)
installed capacity

Ouroeste - SP
asset location

AES Tietê

Bauru Solar Complex

- LER 2014 (until 2037) – R$ 265.43/MWh
- Investment agreement: R$ 650 million
- Distinguishing factor: synergy gains
- Construction realized by Cobra do Brasil
  - 35% of physical advance of the construction
- Next steps:
  - Commercial startup expected for May/18

180 MWp **(150 MWac)**
installed capacity

Guaimbê - SP
asset location

AES Tietê

New Center of Operations

- Location: Bauru, São Paulo
- Center for monitoring and research of new technologies
- Operational efficiency: remote and centered operation of all assets and locks
- + R$ 20 million investments in technologies

AES Tietê

Contracting Environment and Opportunities

2016 and beyond

Regulated Market	Free Market	Spot Market
Existing Energy Auctions	**Bilateral contracts**	**Non contracted energy**
Via auctions organized by federal government	Via bilateral agreements	Exposed to Spot Market price
Distribution companies	Free Consumers[1]	CCEE Settlement

1 – Free Consumers (Conventional free consumer - demand above 3MW and connected to a line of 69kV – and incentivized/ special free consumer - demand above 0.5MW)

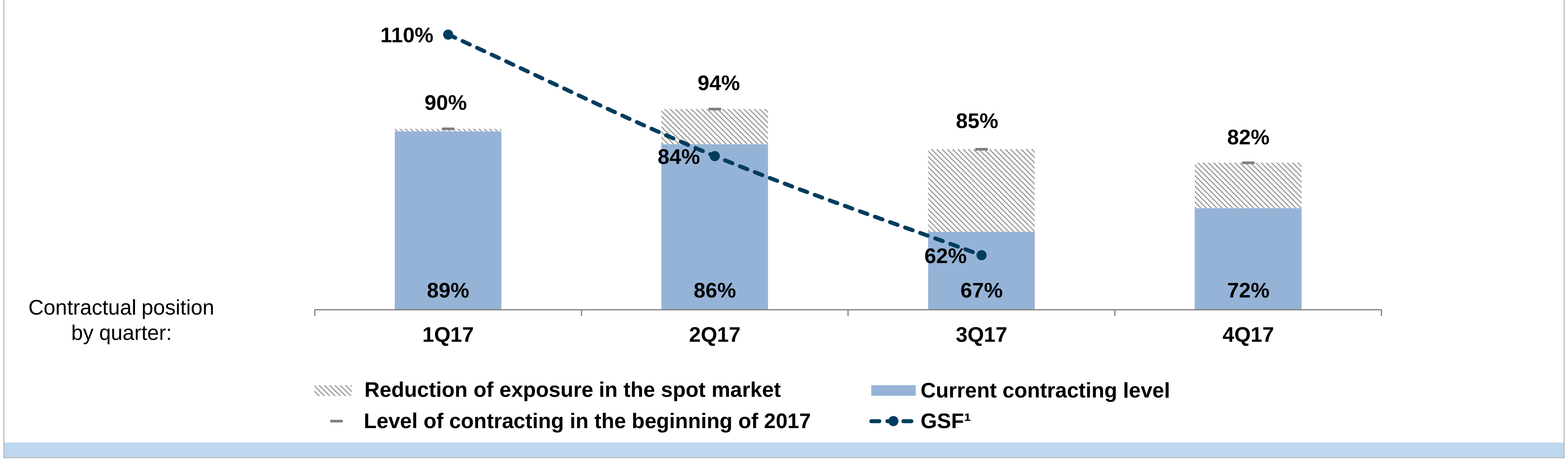
Free Market
Dynamic and competitive market

PRICE FORMATION METHODOLOGY

Short term	**Spot price** (hydrology and reservoirs)
Medium term	**Supply and demand**
Long Term	**Marginal Expansion Cost** **Regulated Market price**

Agility in Commercial Actions with the Anticipation of the Hydrological Risk Avoiding Exposure in the Spot Market

2017 Energy Contracting

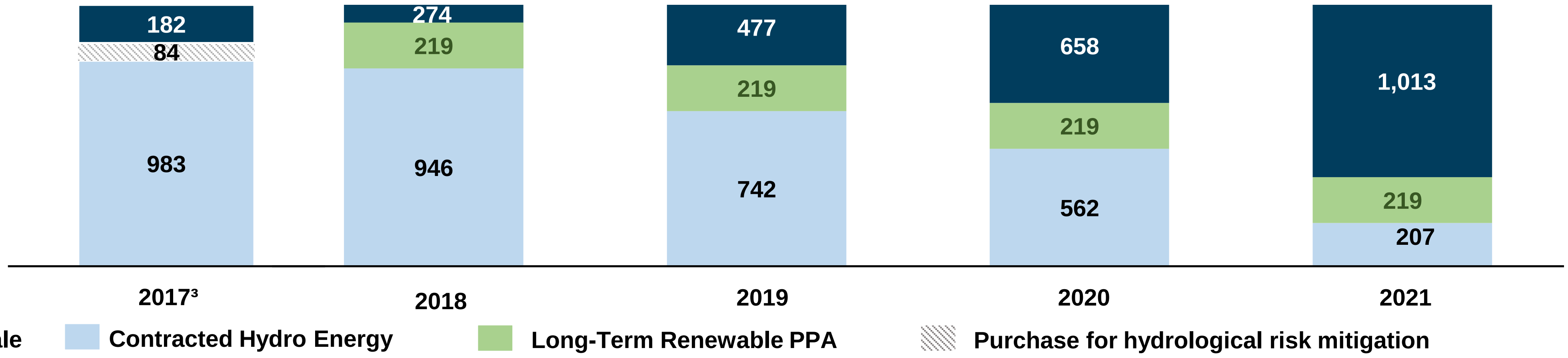


1 – Generation Scaling Factor (“GSF” or “hydrological risk” or “ERM adjustment”)

Commercialization Strategy Focused on Portfolio Management Aiming at Maximizing the Commercial Margin

Amounts contracted and Available for sale[1] (MWavg)

	2017[3]	2018	2019	2020	2021
Hydro contracting level	79%	78%	61%	46%	17%
Average Price[2] (R$/MWh)	162	168	162	160	162

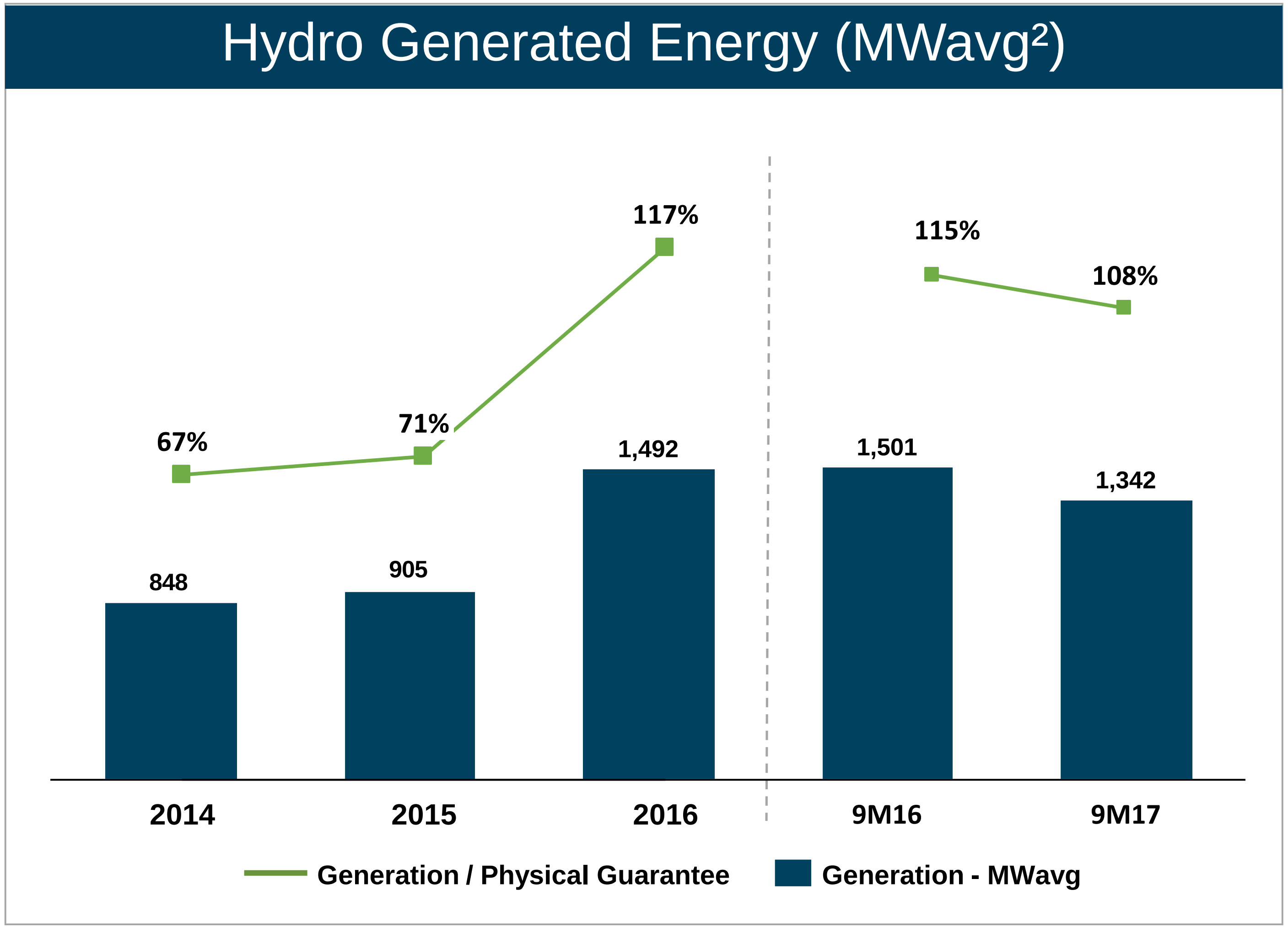


1 – Considers conventional and incentivized energy, excluding losses and internal consumption; 2 – Real values based on September 2017; 3 – Does not consider the Alto Sertão II PPA due to MCSD and contracted energy via bilateral contracts

OPERATIONAL PERFORMANCE

Lower Generation due to ONS' Lower Dispatch

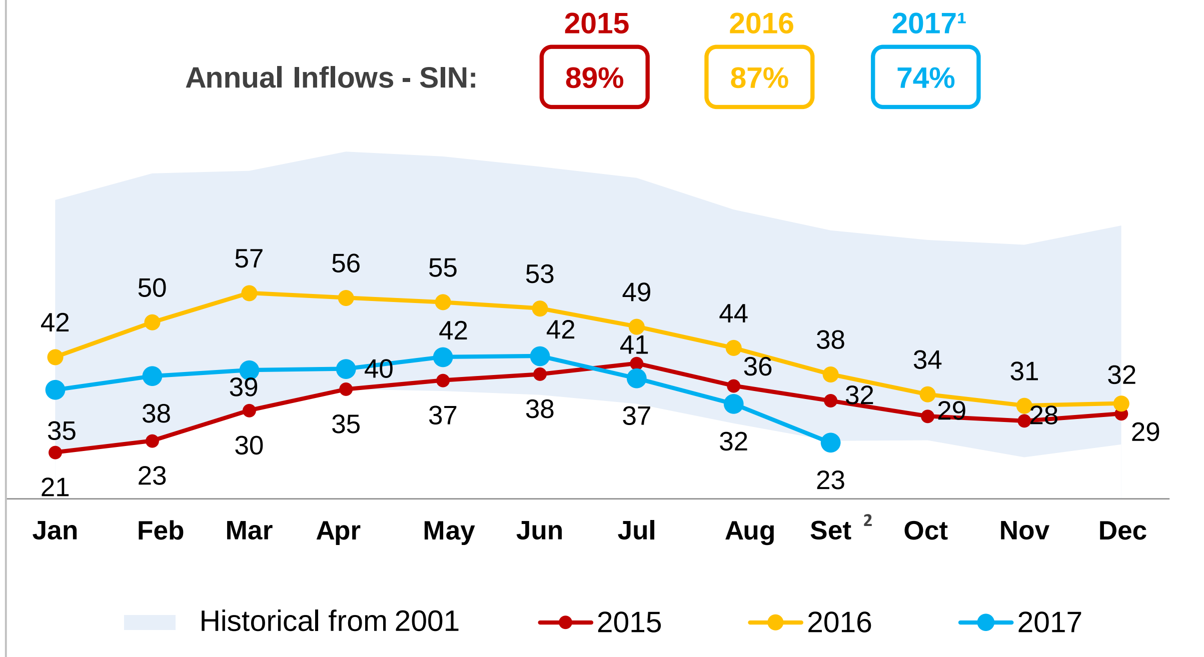
- **Hydropower** plants are **dispatched** by ONS[1]
- **Dispatch** is also related to **hydrological conditions:**
  - **Low hydrology** translates into **low generation levels**



1 – National System Operator; 2 – Generation of AES Tietê Energia hydro power plants divided by the amount of hours in the period

3Q17 Hydrology at 60% of the Historical Average

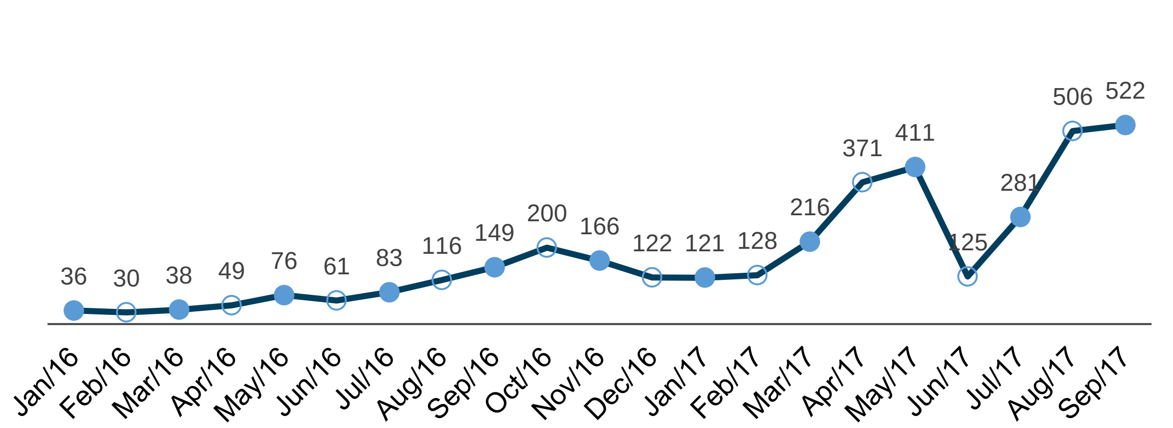
Level of Brazilian Reservoirs (%)



Evolution of PLD - SE/CW (R$/MWh)

Average PLD (R$/MWh)

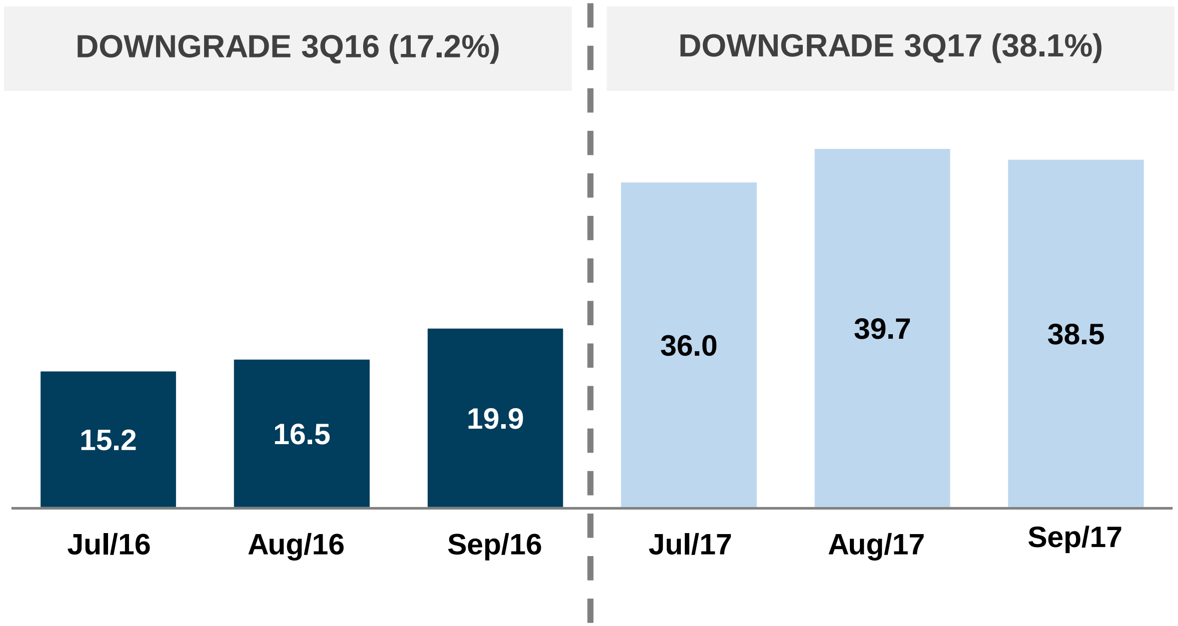
1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
35	62	116	163	156	304	435



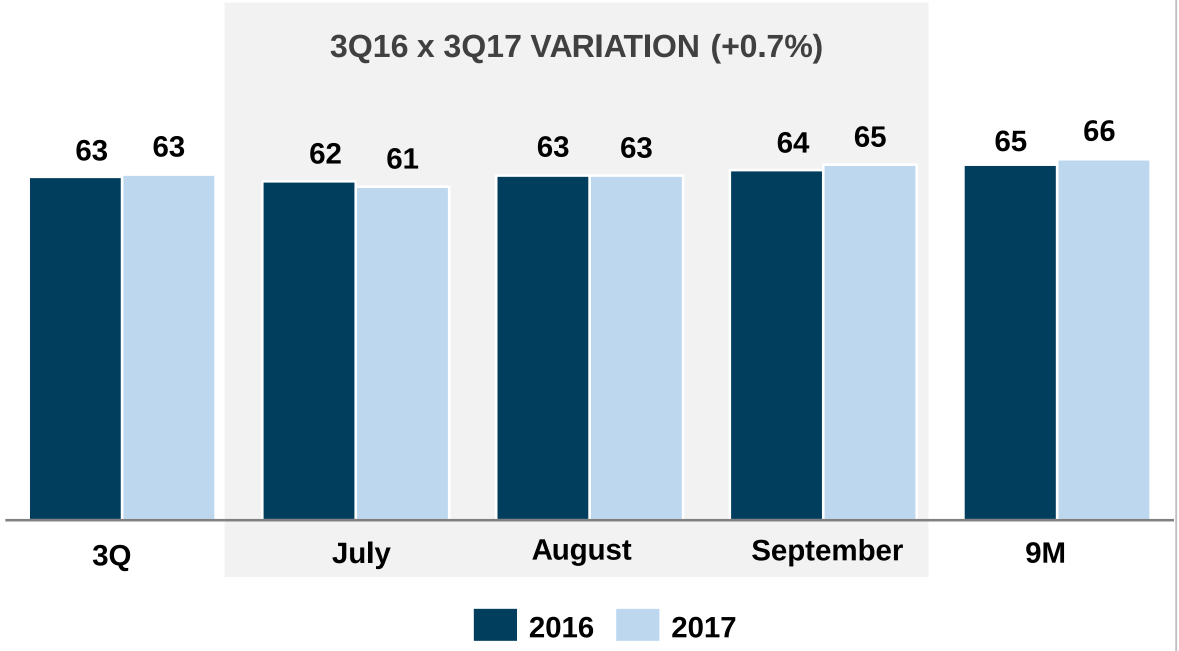
1 –Base date: Jan – Sep/2017; 2 – Preliminary data for Sep/ 2017

Average Downgrade of 38% in the ERM in the Quarter

ERM Downgrade 3Q16 x 3Q17 (%)



SIN Load (GWavg)[1]

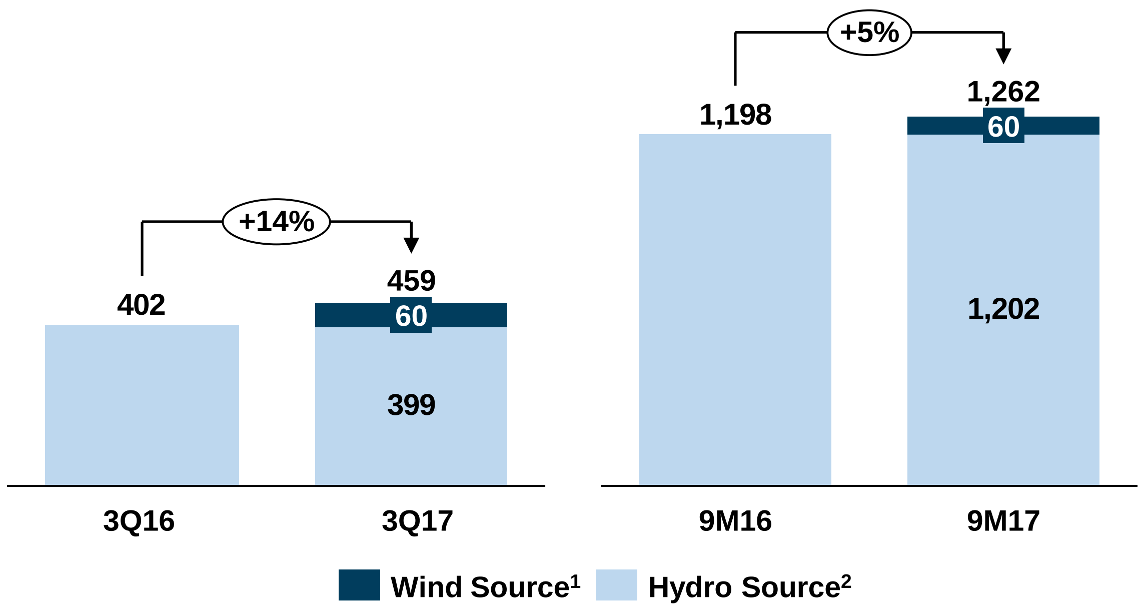


1– Values obtained from the power generation of the plants programmed and dispatched by ONS added to the plants not monitored by ONS (Source: ONS)

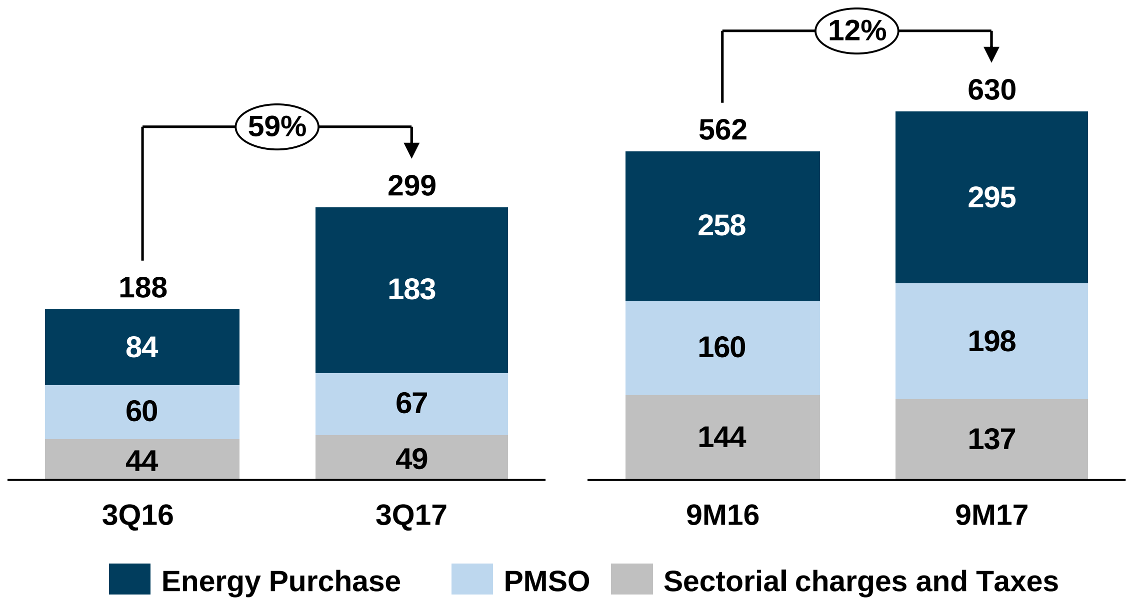
FINANCIAL PERFORMANCE

Alto Sertão II and Hydrological Performance Influence Results

Net Revenue (R$ million)



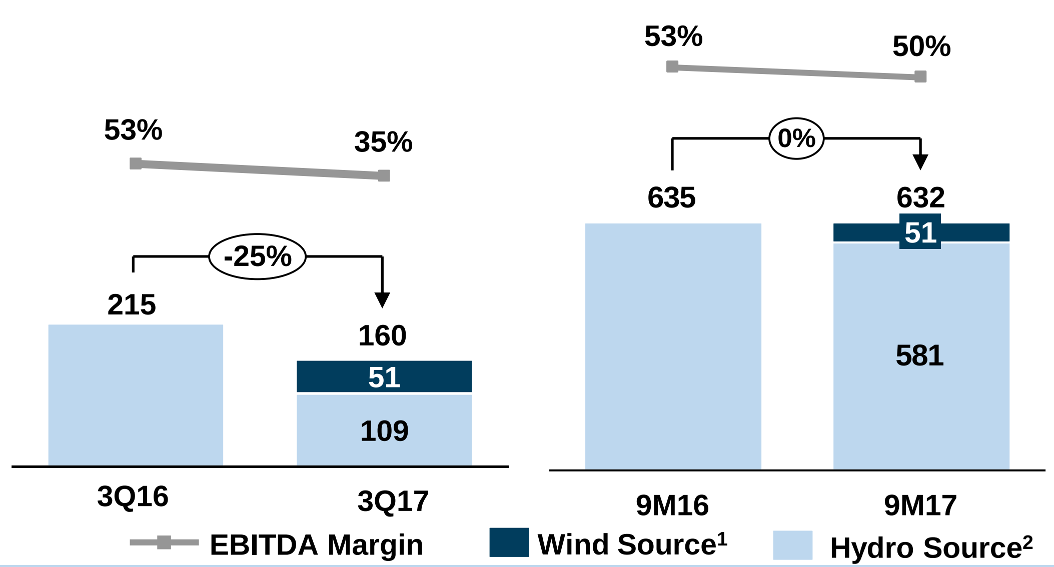
Operational Costs and Expenses³ (R$ million)



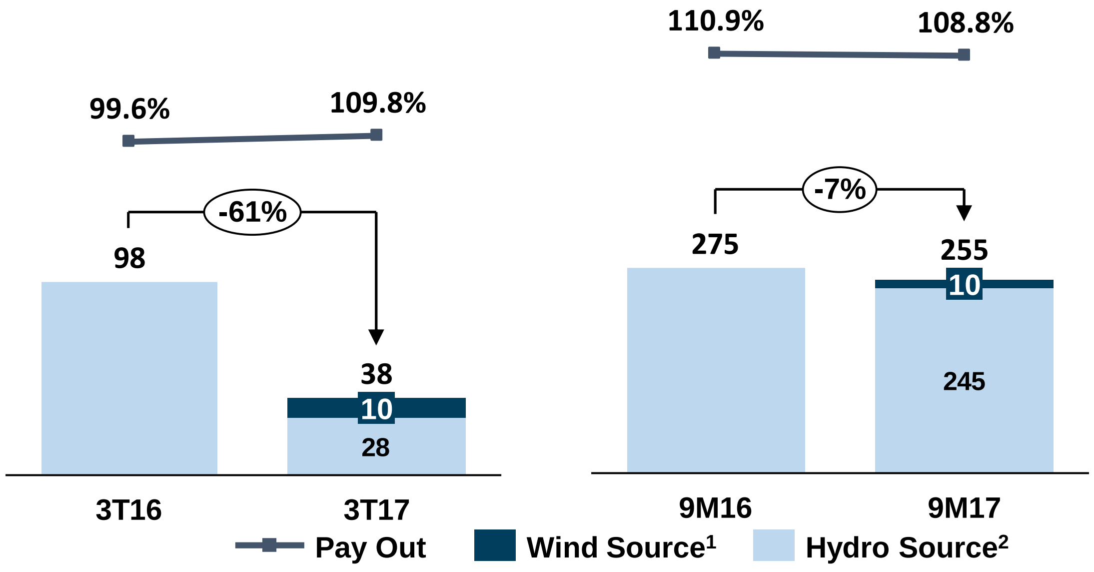
1 – Considers results of Aug/17 and Sep/17, due to the closing of the operation; 2 – Considers AES Tietê Energia's holding company's net revenue and one of its wholly-owned subsidiaries; 3 – Excludes Depreciation and Amortization

Distribution of R$ 42 million of Proceeds

EBITDA (R$ million)



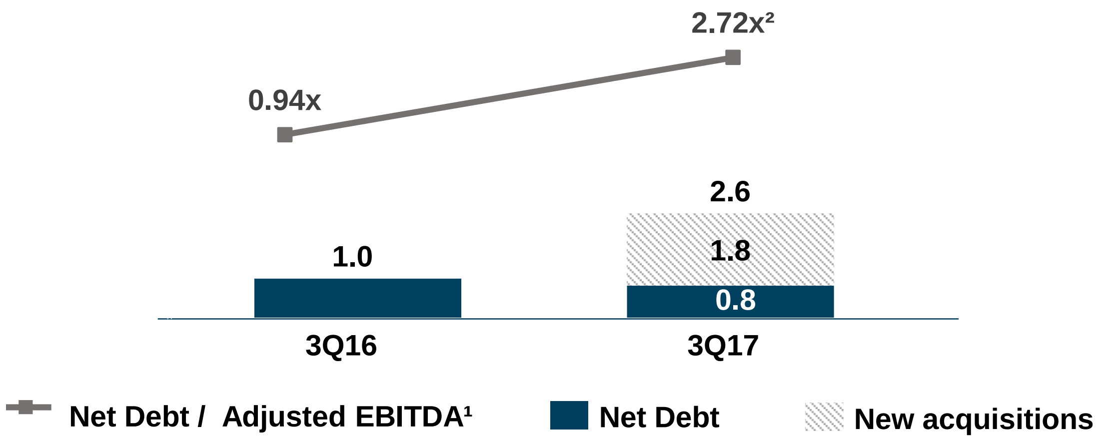
Net Income (R$ million)



1 – Considers the results of Aug/17 and Sep/17, due to the closing of the operation; 2 - Considers net income of AES Tietê Energia controlling company and one of its wholly-owned subsidiaries

Financing Capacity Supports Portfolio Growth and Diversification Strategy

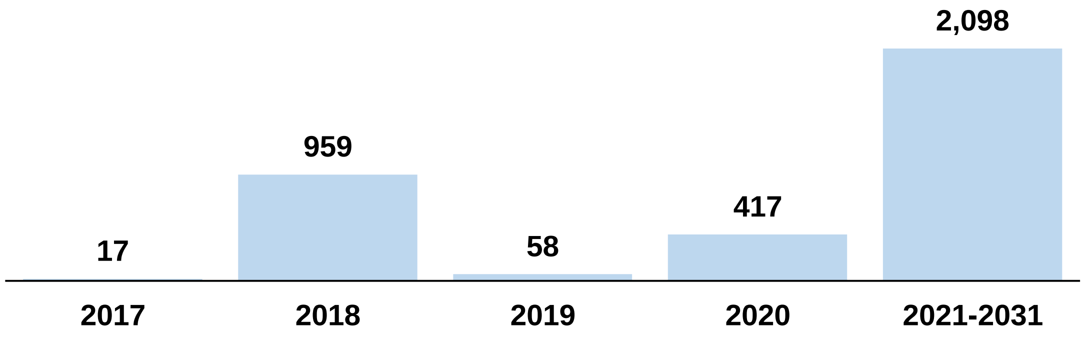
Net Indebtedness (R$ million)



Covenants:

- Net Debt / Adjusted EBITDA < 3.85x[3]
- Adjusted EBITDA / Financial Expenses > 1.5x

Amortization Schedule[4] (R$ million)



Debt Profile	3Q16	3Q17
Effective rate	13.8%	10.0%
Average term (years)	2.2	4.1
Average cost (% CDI)	110%	121%

1 – Related to debt service; 2 – 3Q17 Adjusted EBITDA considers EBITDA of Alto Sertão II in the last 12 months; 3 – In case of the acquisition of assets, for 36 months or until the end of the respective issuance, whichever comes first; 4 – Flow composed of the amortization of the principal

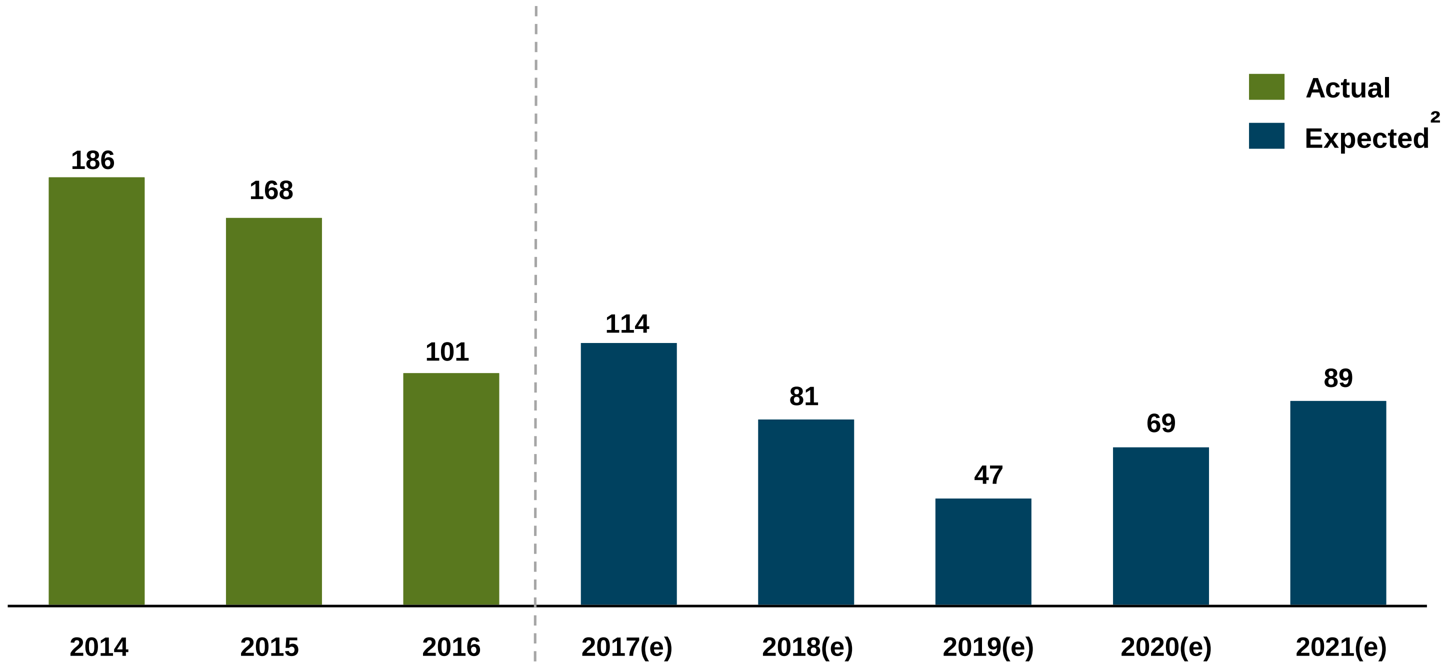
Cash Flow

R$ million	3Q16	3Q17
Initial Cash	**346.6**	**1,579.4**
Operational Cash Flow	275.7	223.0
Investments	(12.7)	(17.8)
Subsidiaries and Affiliates Investments	**-**	**(682.1)**
Net Financial Expenses	(10.1)	22.4
Net Amortization	-	(0.1)
Income Tax and Social Contribution	(14.8)	(17.1)
Free Cash Flow	**238.0**	**(471.8)**
Dividends and IoE	(118.6)	(102.3)
Parent Company Cash Ending Balance	**466.0**	**1,005.3**
Subsidiaries and Affiliates Cash	**-**	**24.7**
Final Consolidated Cash[1]	**466.0**	**1,030.0**

1 – Excludes restricted and/or trapped cash

Investment Focused on Power Plants Modernization

Investment Program[1] (R$ million)

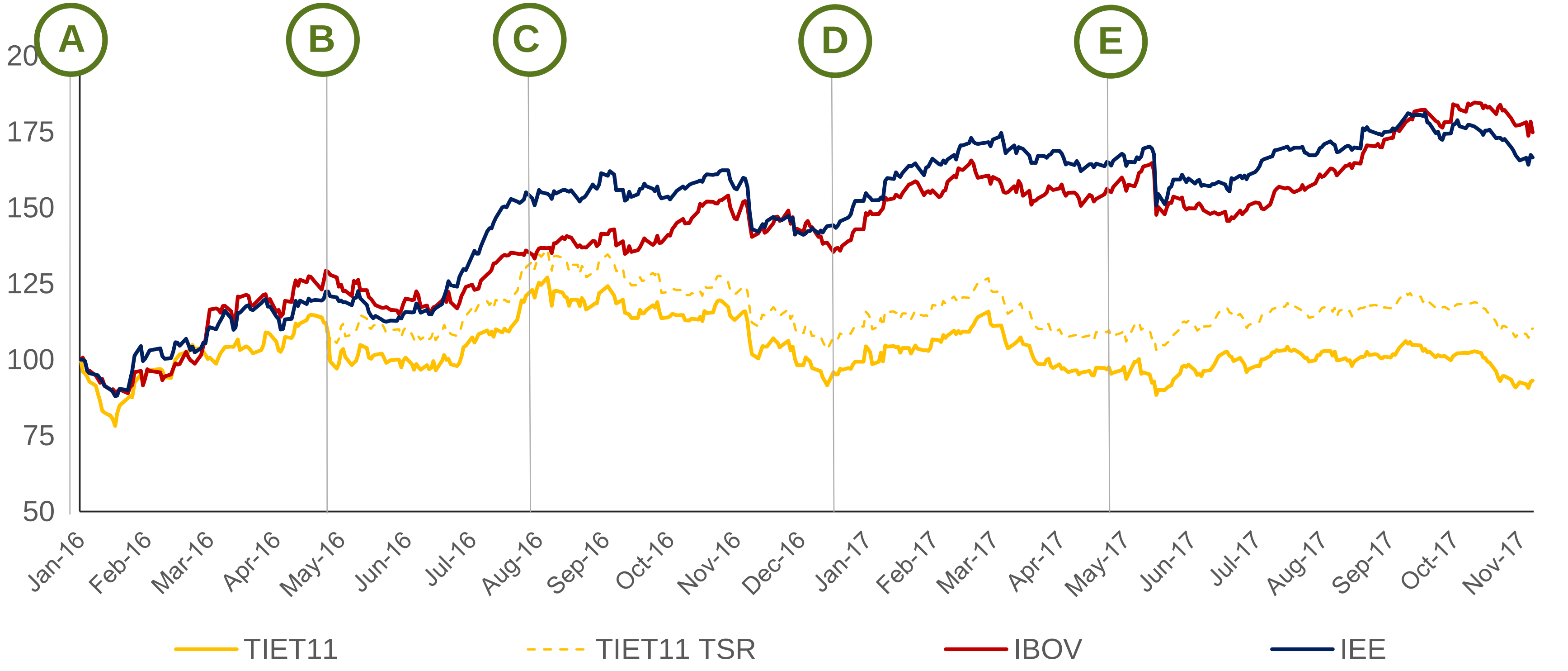


Power plants modernization process**, aiming** for **continuous improvement** in **operational conditions** and **ensuring availability** in its **generation plants**

1 – Does not include projects under construction; 2 – Nominal terms

Capital Market

AES Tietê Energia x IEE x Ibovespa[1]



A **Dec/2015:** Corporate Restructuring concluded

B **May/2016:** AES Tietê's stock returned to the MSCI Index

C **Aug/2016: Announcement of** Capital Increase

D **Jan/2017:** Company announced the offer to acquire Alto Sertão II Wind Park

E **May/2017:** Political Event in Brazil

May/2017: AES Tietê's stock excluded to the MSCI Index

Market cap[2]: US$ 1.6 billion / R$ 5.1 billion

B3: TIET3 (common shares), TIET4 (preferred shares) and TIET11 (units)

ADR program: AESTY: Level I of OTC Market

Índice de Sustentabilidade Empresarial ISE

NÍVEL 2 BOVESPA BRASIL

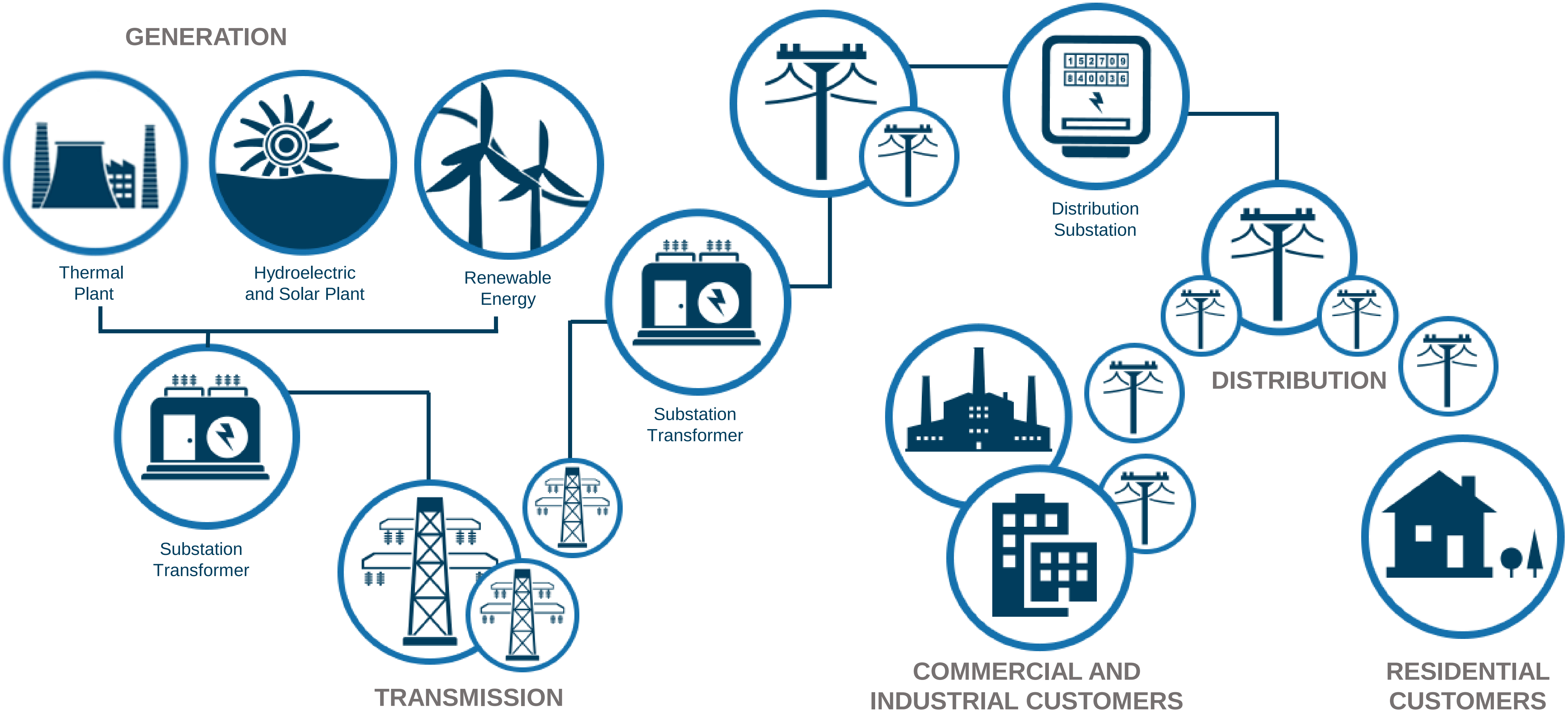
Índice de Ações com Tag Along Diferenciado ITAG

AES Tietê

1 – Base 100: from 01/01/2016 to 11/09/2017 (stock price in 11/09/17: R$ 13.12); 2 – Base Date: 11/09/2017 (FX rate 3.271 BRL/1 USD)

ENERGY SECTOR OVERVIEW

National Interconnected System (“SIN”)



Energy Sector in Brazil: Business Segments

Generation[1]

- **4,750** power plants
- **156 GW** of installed capacity
- System based on hydro plants (**1,268 MW**[3])
- **Contracting environment: free** and **regulated markets**

Transmission[2]

- **77** agents
- High voltage transmission **(>230 kV)**
- **+ 100,000 km** of lines (National Integrated System)
- Regulated tariff (annually adjusted by inflation)

Distribution[2]

- **63** distribution companies
- **327 TWh** distributed energy
- **81** million consumer units
- Annual tariff adjustment
- Tariff reset every four or five years
- Regulated contracting environment

Sources: EPE, ANEEL, ONS, ABRADEE and Instituto Acende Brasil.
1 – Refers to Nov/2017 data; 2 – Refers to 2016 data; 3 – Includes HPP (hydro power plants) and SHP (small hydro plants)

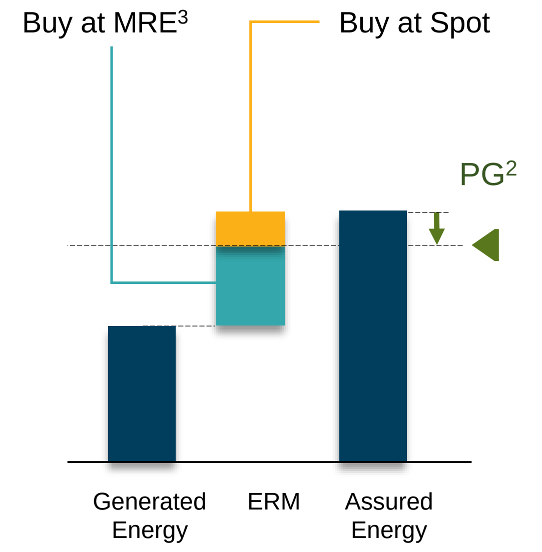
Energy Reallocation Mechanism
(ERM) for hydrological risk sharing

1) Equilibrium (GE[1] = PG[2])

Genco A

- System GSF = 1.0
- PPA = PG

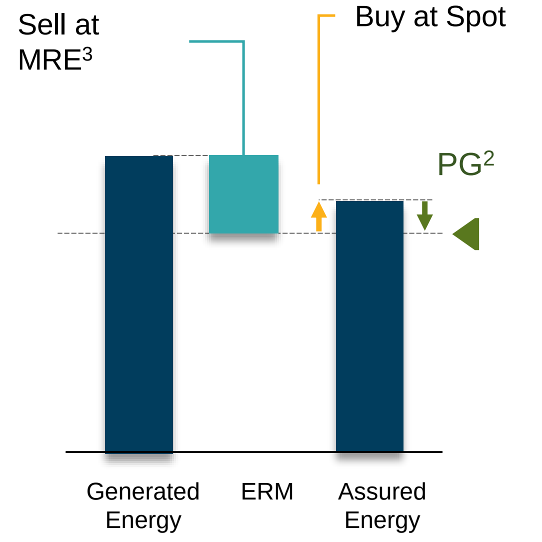
2A) Deficit (GE[1] < PG[2])



Genco A

- System GSF < 1.0
- PPA = PG

2B) Surplus (GE[1] > PG[2])



Genco B

- System GSF < 1.0
- PPA = PG

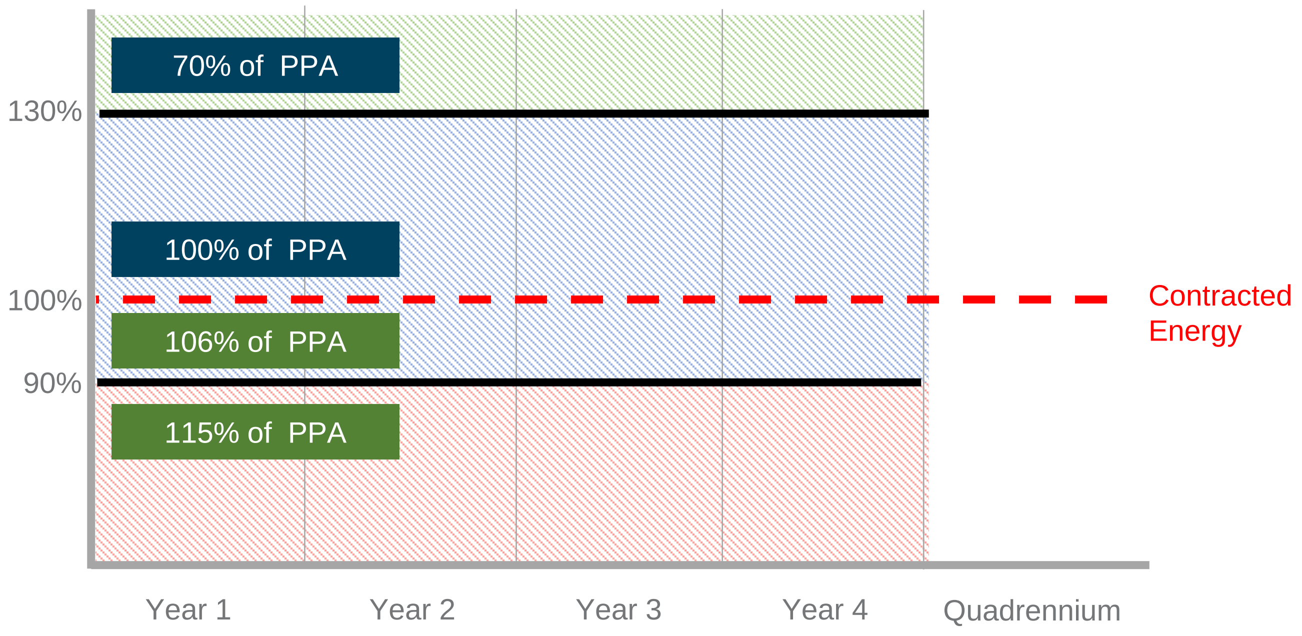
A physical guarantee (assured energy) is assigned to support contracts

Energy dispatch optimized by ONS in a tight pool

Key drivers for hydrological risk

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

Wind LER – Energy Reserve Auctions



Energy is sold to the system, who then resells that energy to distributors as a charge. **Contracts last 20 years** but broken down in five 4-year verification periods ("quadrennium").

PPA Mechanism

ANNUAL

Energy generation outside the band thresholds are liquidated the following year:

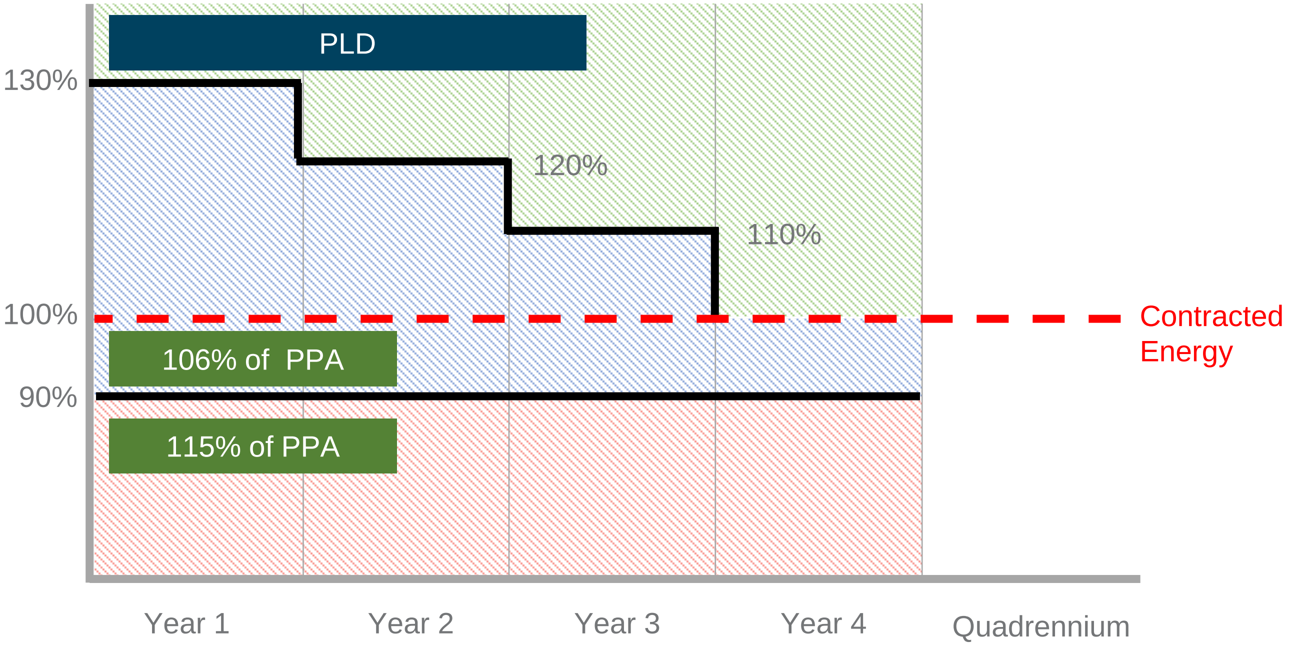
- Above 130% of the contracted energy: priced at 70% of PPA price
- Below 90% of the contracted energy: priced by 115% of PPA price

QUADRENNIAL

Accrued energy generation within the band is liquidated every four years:

- If surplus: priced at 100% of PPA price
- If deficit: priced at 106% of PPA price (if choose to receive in 24 installments) or 100% of PPA price (if choose to receive in 12 installments)

Wind LEN – New Energy Auction



Energy is sold directly to distributors. Contracts last 20 years but is broken down in five 4-year verification periods ("quadrennium"). In this case, the liquidation that occurs at the end of the four years is determined in a scale every year.

PPA Mechanism

ANNUAL

Surplus energy within the band carries over to the following years as "credit". If generation surpasses the annual threshold limit, the energy is liquidated at the spot price (PLD).

Threshold limit has a 10 p.p. step-down per year then resets:

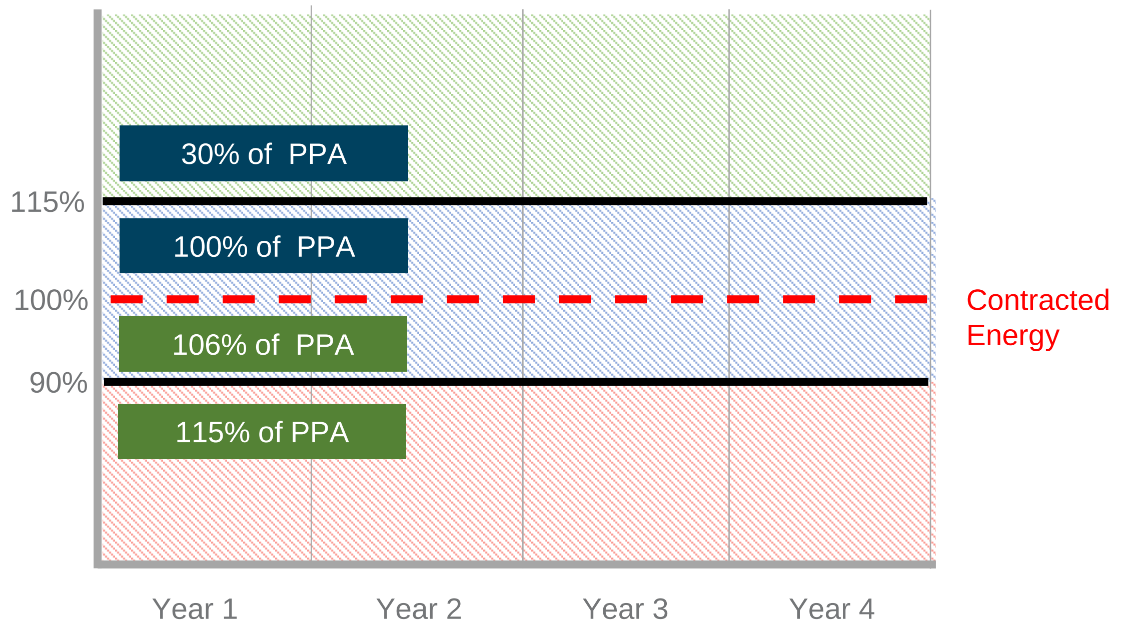
- 1st year: 130%
- 2nd year: 120%
- 3rd year: 110%
- 4th year: 100%

- Less than 90%: priced at the 4-year PLD average or PPA price, whichever is greater. Reimbursed over 12 months

QUADRENNIAL

- Energy generated between 90% and 100%: deficit accumulated until the end of 4th year is valued at 106% of the PPA price. Reimbursed over 12 months

Solar LER – Energy Reserve Auctions



Energy is sold to the system, who then resells that energy to distributors as a charge. **Contracts last 20 years**.

PPA Mechanism

ANNUAL

- Energy generated above 115%: priced at 30% of PPA price. Payments received over the following 12 months
- Energy generated between 90% - 115%:
  - If surplus: it can be transferred to the next year, sold to other generators or value at 100% of PPA price
  - If deficit (until 90%): valued at 106% of PPA price
- Energy generated below 90%: priced at 115% of PPA price and reimbursed over 12 months

Investor Relations

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AES Tietê