

An aerial night view of a city, likely São Paulo, with numerous illuminated buildings. The image is overlaid with a blue-tinted filter and dynamic blue light streaks that sweep across the lower half of the frame. A large white circle is positioned on the right side, containing the company name.

CORPORATE PRESENTATION 2017

Eletropaulo

Eletropaulo



Market Cap: US\$ 832.7 million¹

Concession Area

- **16% of Brazil's GDP²** in its concession area
- **4,526 km²** concession area
- **46 thousand km** of distribution and transmission lines
- **18 million** people served
- **10.6 TWh** distributed in 3Q17
- **7,384 employees** as of September 2017
- **24 cities** served in São Paulo metropolitan area
- Concession contract **expires in 2028**

Corporate Governance

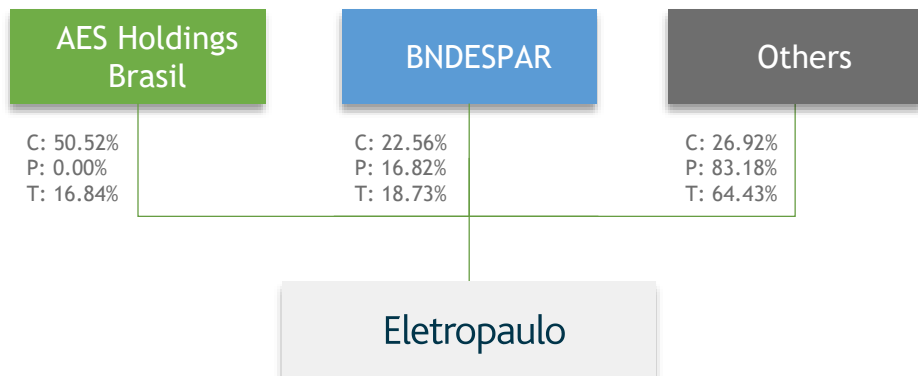
- **Listed under the Novo Mercado segment of B3: ELPL3**
- **ISE Corporate Sustainability Index portfolio since 2006**
- **High level of commitment, with monthly Board of Directors meetings**

Investment Grade:

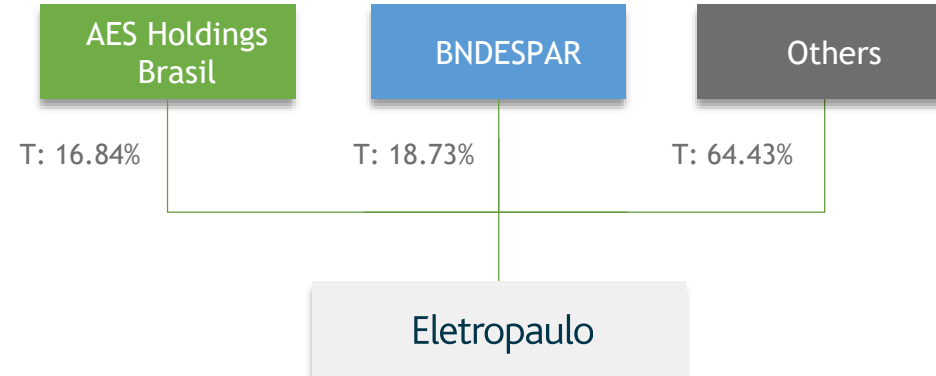
	Fitch	S&P	Moody's
National	AA-	A+	A3
International	BB	BB-	Ba3

Ownership Structure

Shareholder Structure Before Migration¹



Post-migration Shareholder Structure



Eletropaulo



16.8%



18.7%

Others²

64.5%

Market Cap³

US\$ 0.8 bi

C = Common Share
P = Preferred Share
T = Total

Our History

Eletropaulo Timeline Events

1998

Privatization of Eletropaulo by a consortium comprised by local and international companies

AES Corp increases its interest in Eletropaulo

**2001
2002**

2003

By the creation of Brasiliana Participações Holding, BNDES becomes a shareholder along with AES Corp.

2010

Company's preferred shares started being traded at BM&FBOVESPA under the ticker ELPL4

2017

Release of Value Creation Strategy

2017

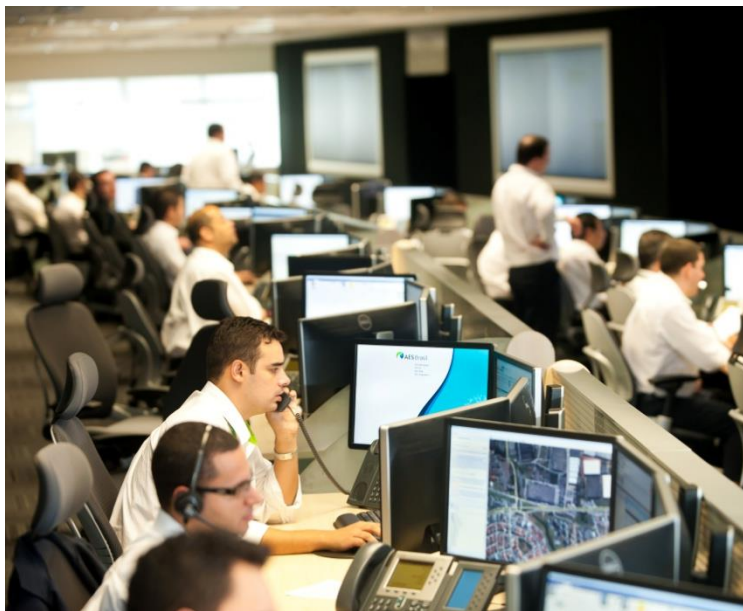


Conversion of preferred shares into common shares and migration to Novo Mercado

Mission, Vision and Values

Mission

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



Vision

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



Values

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



Eletropaulo Social and Environmental Responsibility



- Education for efficient and safe use of electricity
- Access to reliable energy through social development
- “Recicle Mais, Pague Menos” is a project related to our energy efficiency program that offers a discount on residential customers’ electricity bills in exchange for recyclable materials
- Regularization of illegal connections aiming to turn clandestine consumers into regularized consumers

Eletropaulo Recent Awards



Female empowerment



Best Companies



National Award for Innovation



One of the 150 most innovative companies

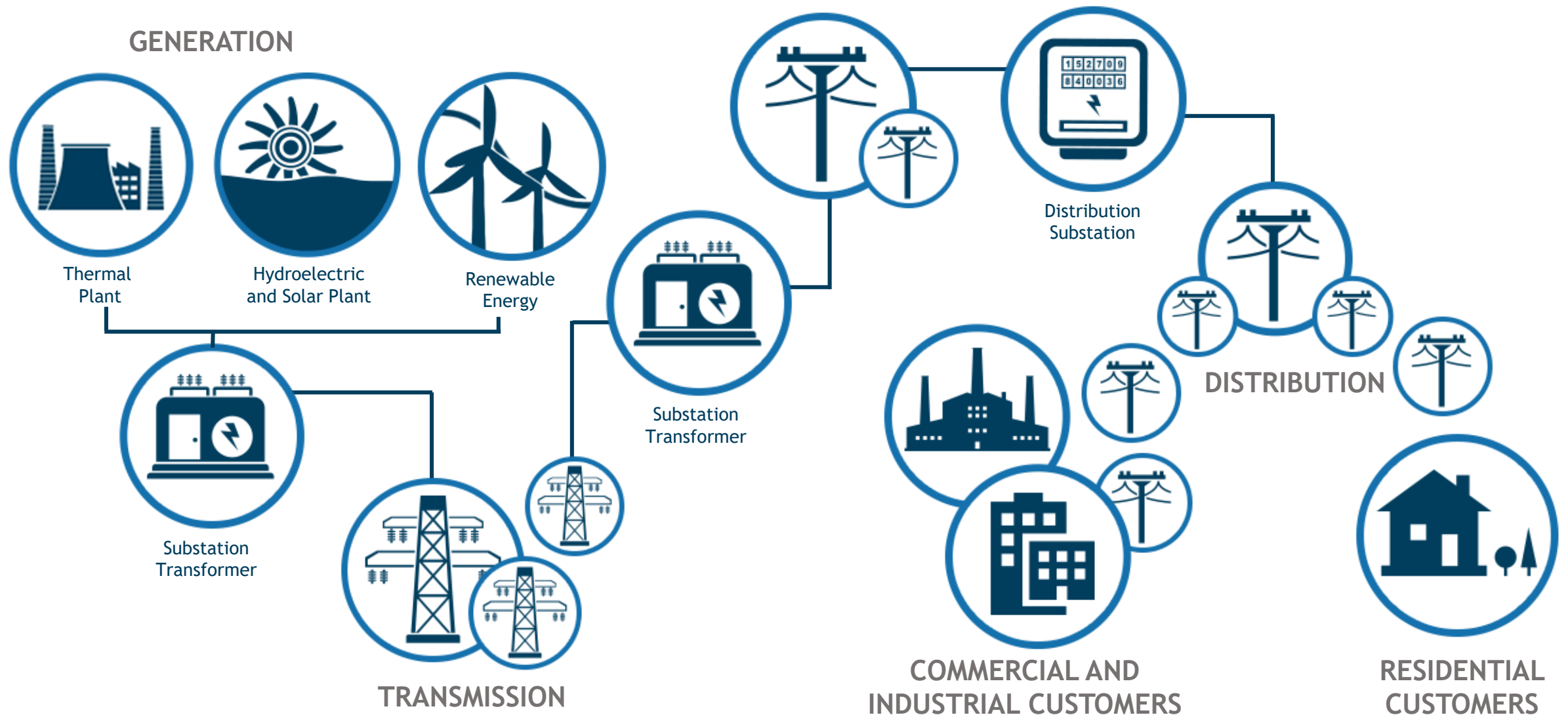


Award for better communication with journalists



Brazilian program GHG protocol: without greenhouse gases

National Interconnected System



Energy Sector in Brazil: Business Segments



Generation¹

- 4,750 power plants
- 156 GW of installed capacity
- System based on hydro plants (1,268³)
- Contracting environment: free and regulated markets



Transmission²

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



Distribution²

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

A nighttime photograph of the São Paulo skyline, featuring illuminated skyscrapers and a prominent tower with a spire. The city lights are reflected in a body of water in the foreground. A green banner with a white circle containing the text 'Eletropaulo' is overlaid on the right side of the image.

Eletropaulo

Value Creation Strategy

Strategy of Value Creation of AES Eletropaulo

A

1. Recovery of the Quality Indicators

2. Revenue Management

3. Customer Satisfaction

Investment and improvement of processes to ensure efficiency

- New level of investments in the network
- Productivity Program

B

Risk Management and Contingencies

- MoU with Eletrobras
- New amendment to the concession agreement
- Overcontracting below regulatory limit¹ in 2017 and 2018

C

Corporate Governance

- Migration to the *Novo Mercado*

Productivity Program: Company plans to materially reduce its operating expenses



A1

Recovery of the Quality Indicators

- New level of investments
- Smart Grid
- Digitalization of processes

A2

Revenue Management

- Development of system to anticipate consumers' behavior
- Bringing intelligence to the process
- Transformation of the meter reader into a commercial agent

A3

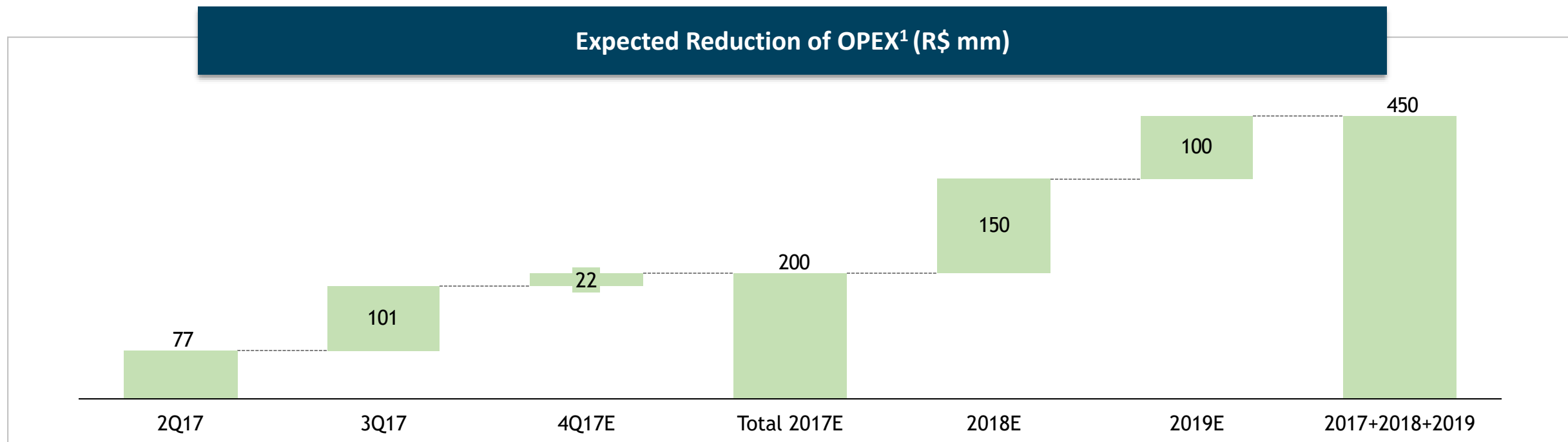
Efficiency

- Multitasking Teams
- Dispatch Process optimization

Reduction of OPEX by R\$ 450 milion¹ by 2019, in comparison with 2016

Productivity Program: OPEX Reduction Schedule

Reduction of OPEX through investments focused on the recovery of quality indicators revenue management and efficiency

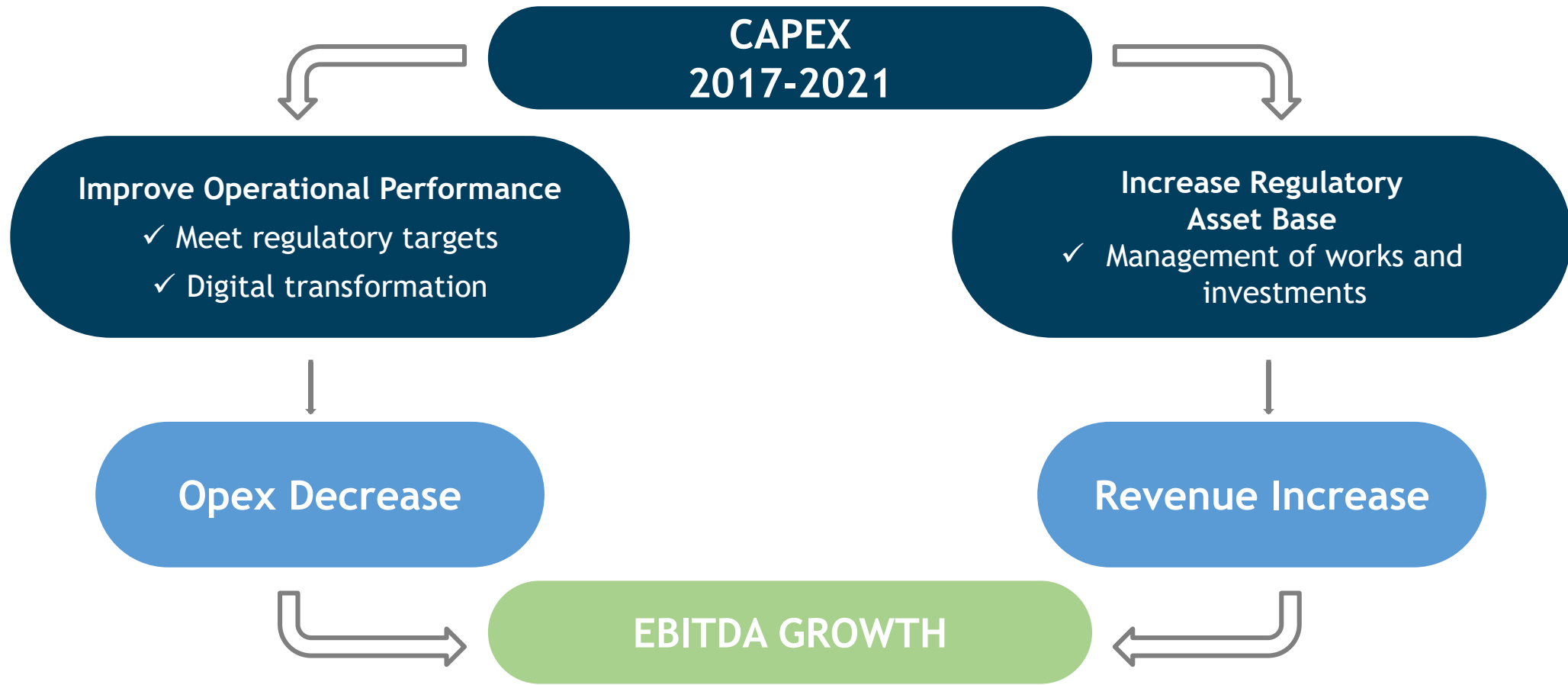


Reduction of OPEX by R\$ 450 million by 2019, in comparison with 2016

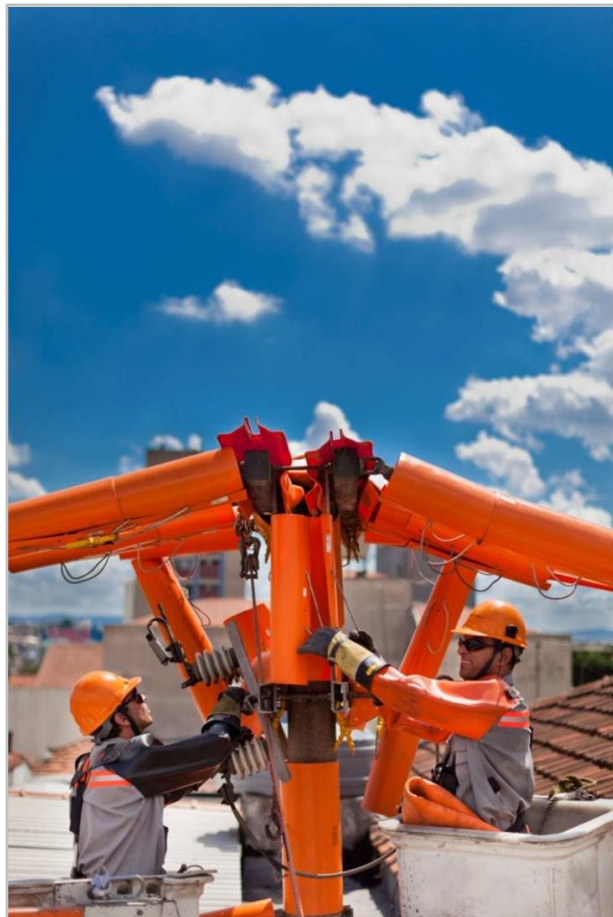
EBITDA Increase Through Opex Reduction

A1

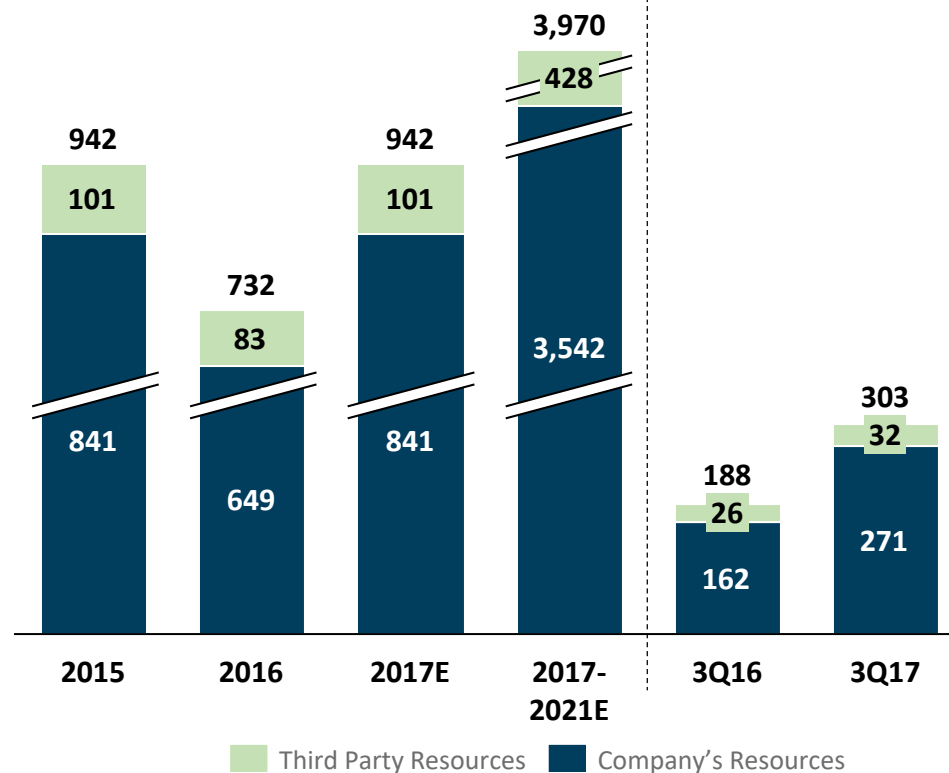
The replacement of OPEX by CAPEX and increase of revenues aim at obtaining a more profitable Company in the long term



New Level of Investments in the Network



Investments (R\$ mm, nominal value)



3Q17 Investments focused on:

- R\$ 151.0 million in **system expansion** for the addition of new clients and focus on **customer satisfaction**
- R\$ 70.6 million in **operational reliability** through the maintenance of distribution and transmission lines

Improvement of Processes and Application of New Technologies

A1

Pillars for SAIDI Reduction

Innovation in the Dispatch Process

New procedures to ensure process efficiency

Productivity Management

Improvement of processes, technology and equipment

Communication

New tools to improve team communication



- Tools to optimize emergency services
- Multitasking teams
- Greater flexibility in team communication

Pillars for SAIFI Reduction

Expansion and Maintenance

Intensification of preventive maintenance

Automation and Innovation

Investment in the modernization of the distribution network

Technology

Focus on digital transformation



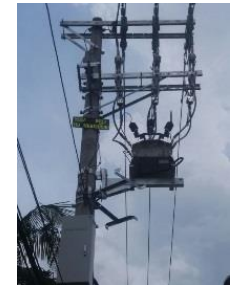
750 km of Compact Network in 2017



7,200 Fault Detectors in 2017



2,500 Reclosers in 2017



Construction and Investments Portal

Portal web address: <http://investimentoaeseletropaulo.com.br/>

- Informs the investments made by the Company
- Timeline of scheduled interruption
- Check the work being performed in the region



Example: Analytics

A1

Analytics system allows the real time follow-up of the distribution network status, thus reducing the reaction time of the dispatch teams

Analytics System

Team Management

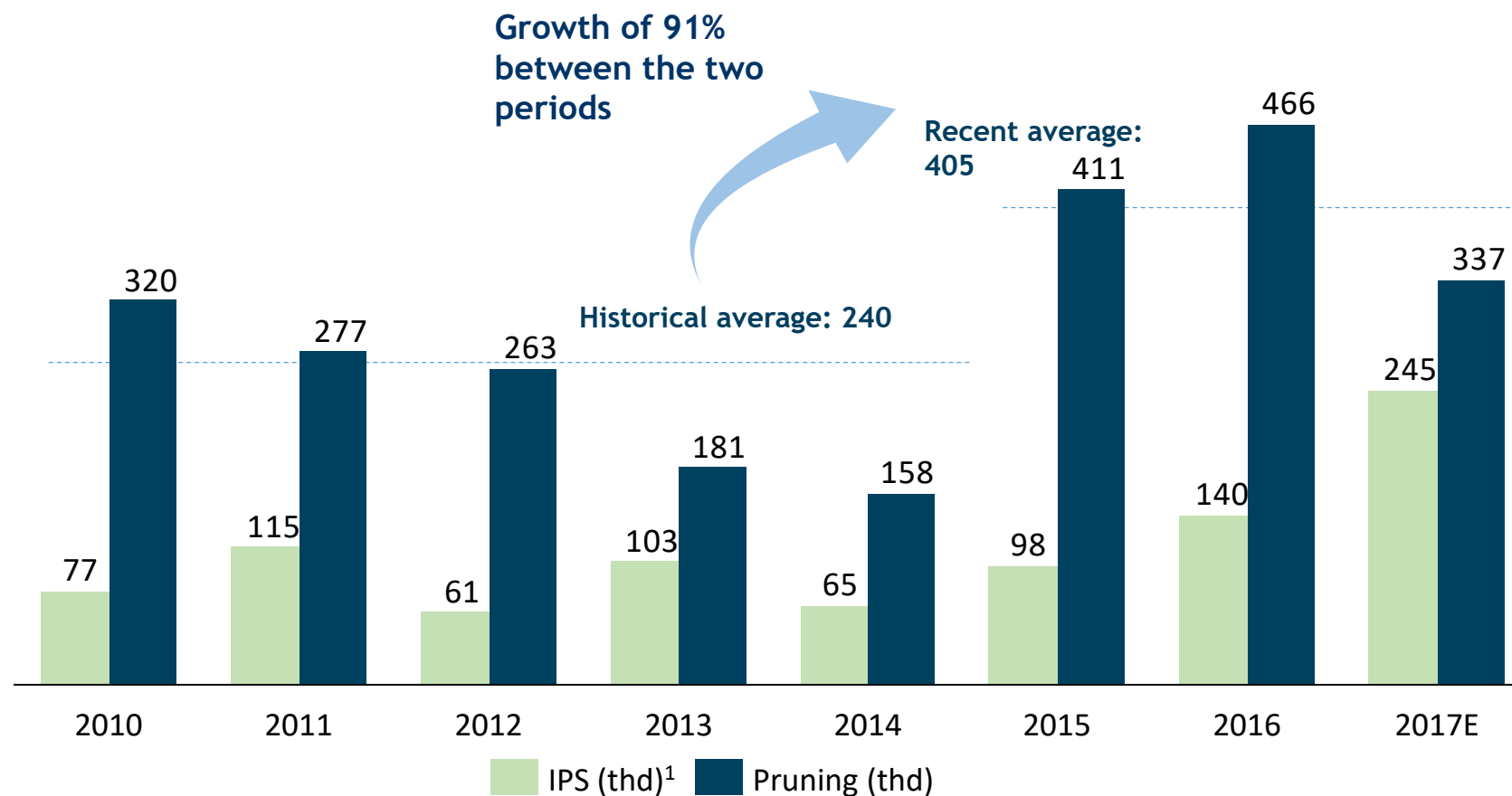
Order Priorization

Failure Anticipation



Maintenance and Pruning Plans

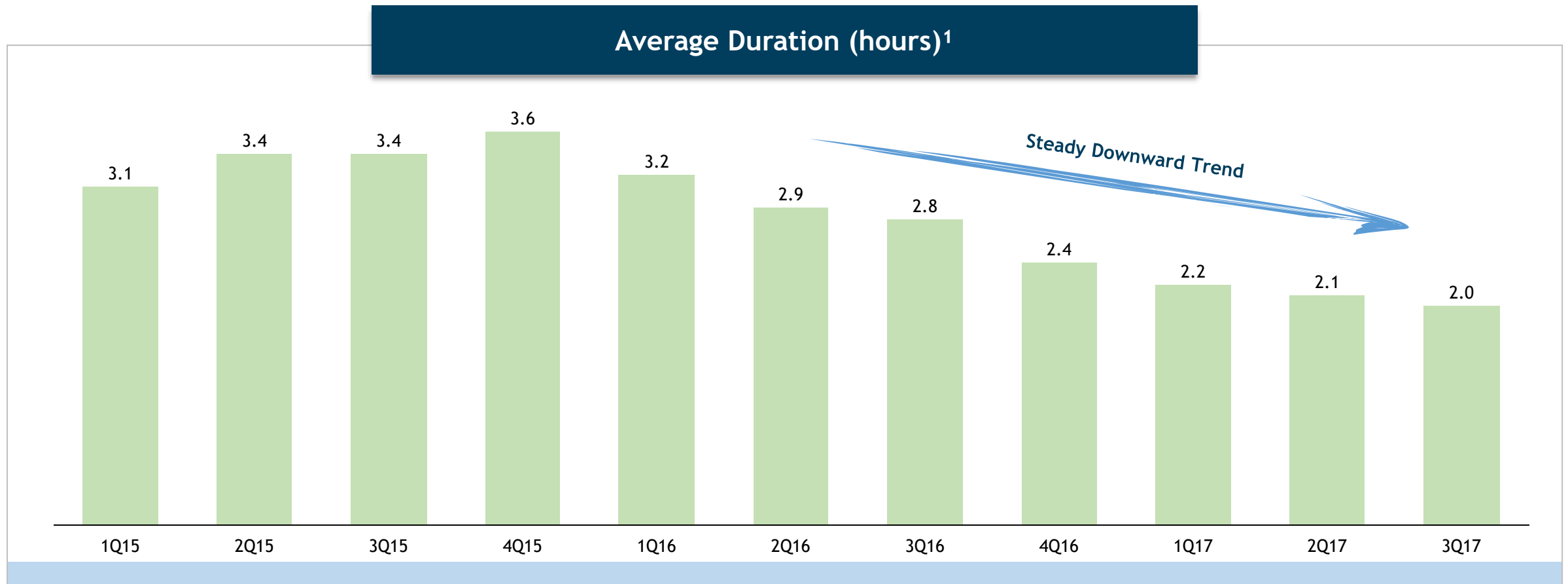
Material increase of the volume of maintenance and pruning services since 2015



Average Duration of the Events

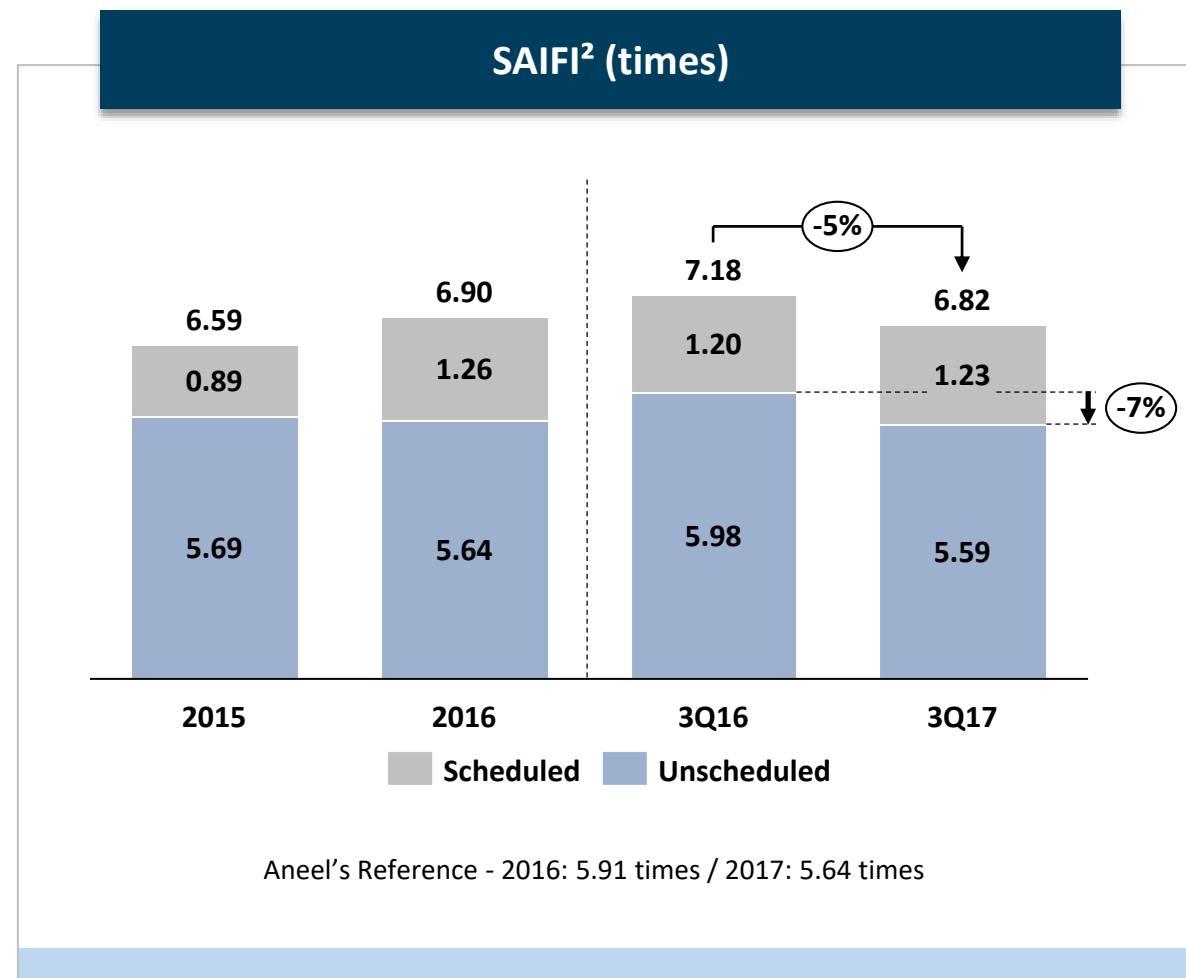
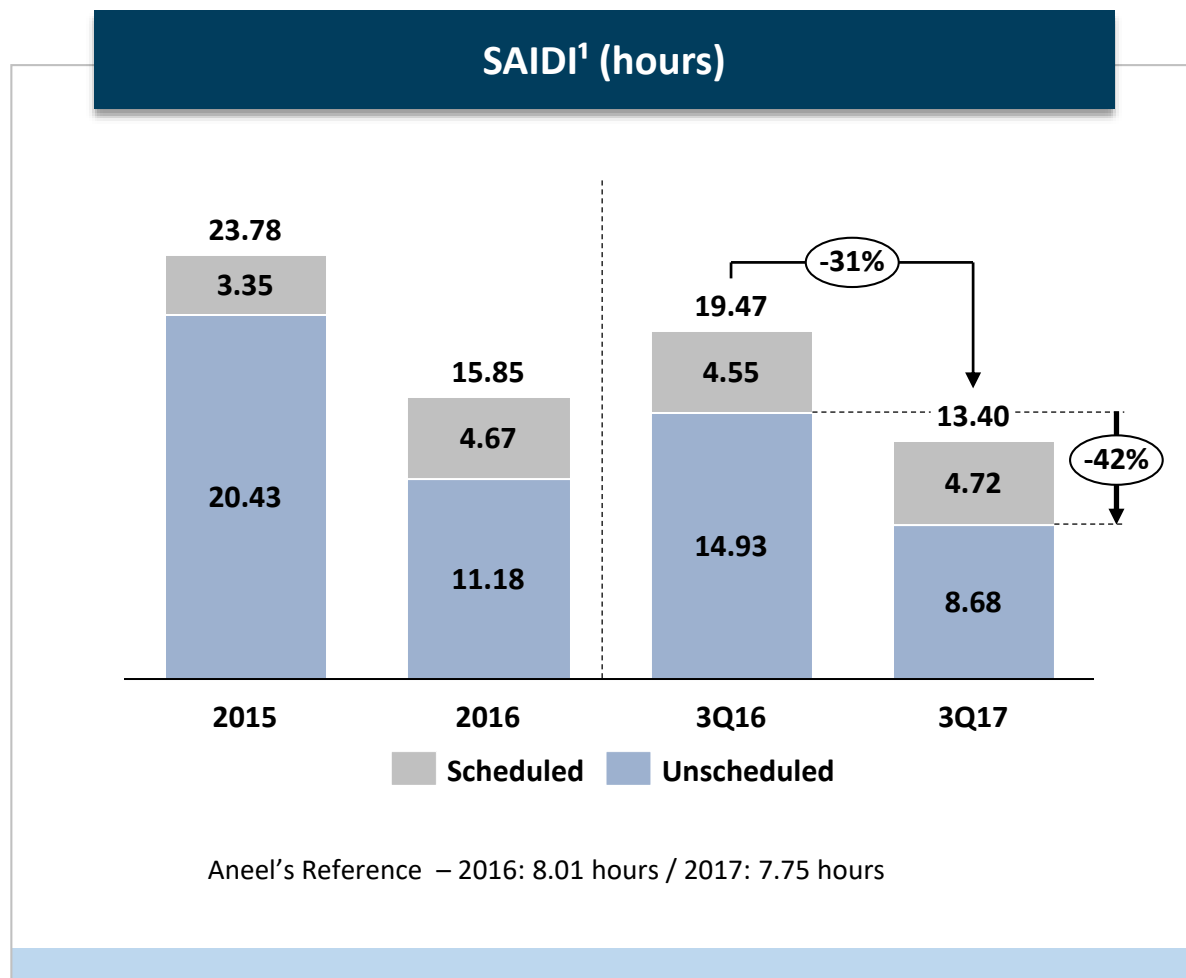
A1

As a consequence of maintenance and pruning plans, the average duration reduced



Investments and Technology

Decrease of fines due to the reduction of SAIDI and SAIFI



Workstreams of the Action Against Bad Debt

The Company's efforts directed to fight the bad debt are concentrated in three main workstreams

Development of system to anticipate the consumers' behavior

- New, more efficient model of collection based on the use of new technologies
- Implementation of debt negotiation through the portal

Bringing intelligence to the process

- Program of Registration Improvement, making the collection measures more assertive
- Hiring of new collectors under the new incentive model
- New intelligent collection system

Efficiency

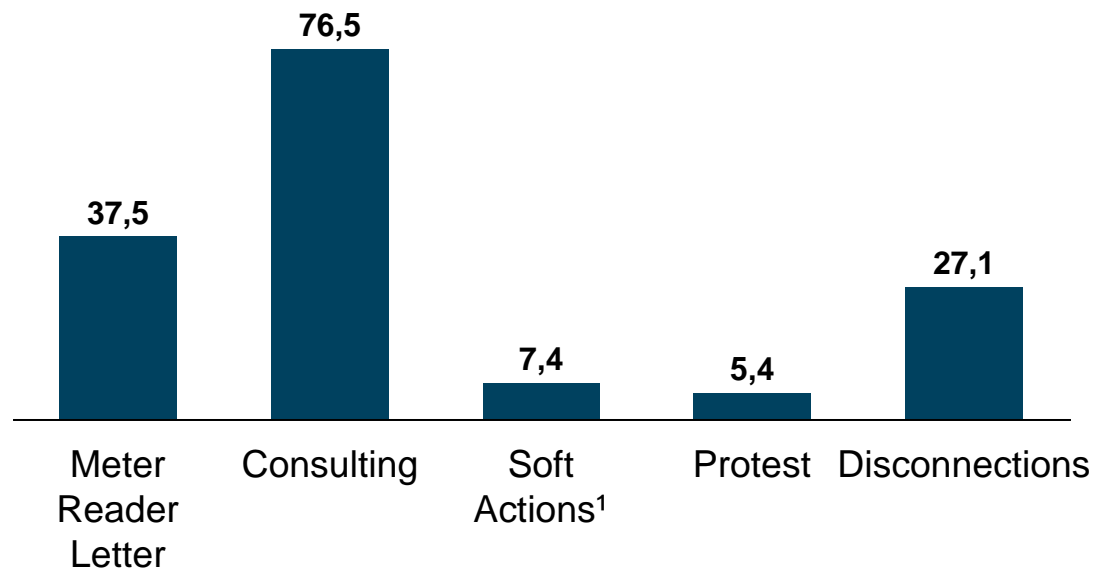
- Efficiency and assertiveness: new role of meter readers as commercial agents

New Collection Model

New collection model that identifies the best action to be applied to each client, avoiding costs and increasing assertiveness

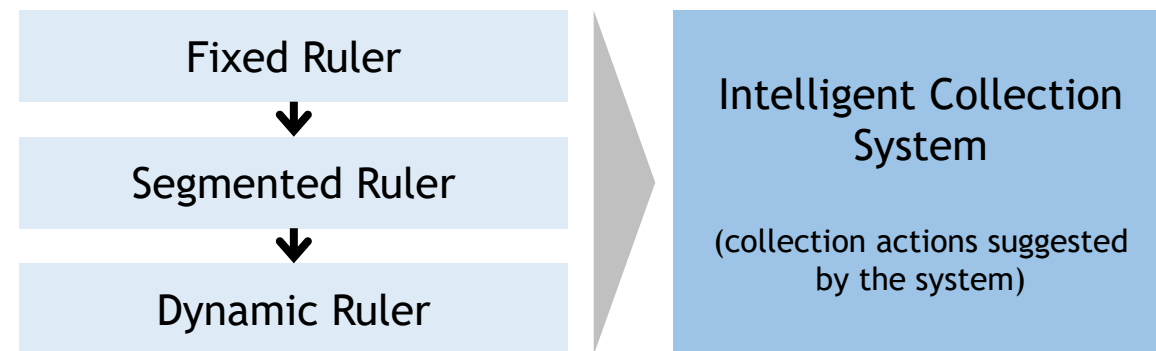
Result of R\$1 Spent by Type of Collection Action²

(R\$)



New Initiatives

- Development of a new client segmentation will allow more efficient collection actions
- New hiring model that also stimulates competition between the hired consulting firms



There is a trend of reduction of the “disconnection” action that generates lower returns

Meter Readers as New Commercial Agents

A2

Multitasking teams formed by meter readers that can perform energy disconnections due to the failure to pay

54%

Of disconnections avoided due to the payments immediately made

3,172

Disconnections per day performed by the meter readers

63%

Of saving per disconnection service

18%

Growth potential: only 18% of the disconnections are currently performed by the meter readers

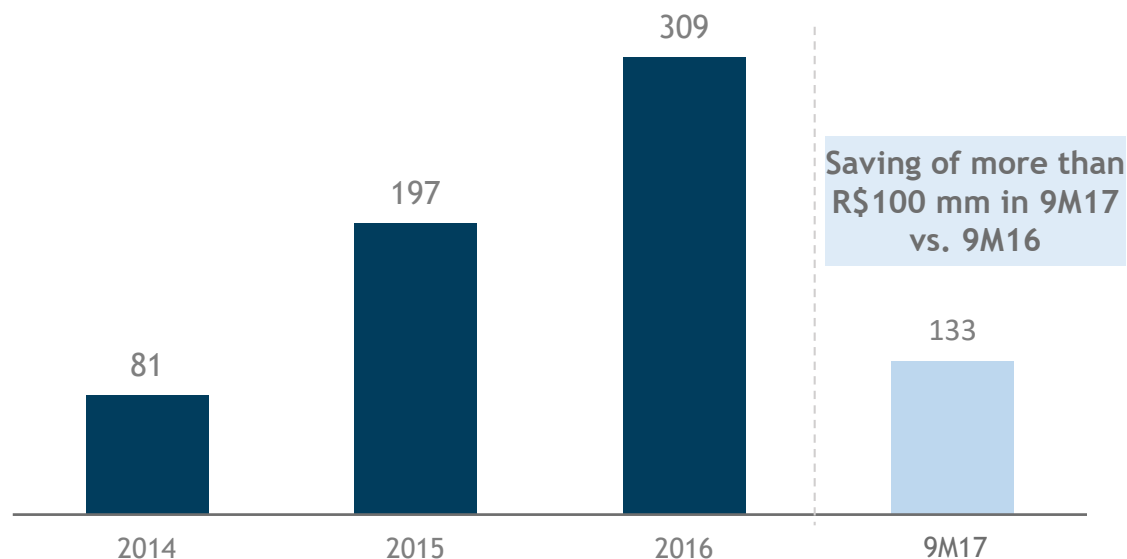


Reduction of costs of Eletropaulo due to the lower cost per disconnection operation and immediate renegotiations, decreasing the reconnection costs

Reduction of bad debt reflects Revenue Management and Customer Satisfaction initiatives

Eletropaulo has implemented a range of measures to reduce bad debt...

Expenses related to Bad Debt (R\$ mm)



Main Initiatives

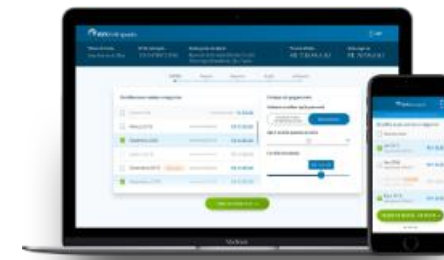
Transformation of the Management Model

- Specialized collectors with new metrics
- Management of field teams and online audit
- Process digitalization



Negotiation Portal

- Launched in March/17
- Flexibility for customers
- R\$ 104.7 mm negotiated (9M17)



...such as the Recycle More, Pay Less Project that offers a discount to the electricity bill of residential customers in exchange for recyclable materials

Risk Management and Contingencies: Amendment to the Concession Agreement



Eletropaulo has already requested the evaluation of the amendment to the concession agreement from ANEEL and it expects that the regulatory agency will answer throughout the first half of 2018

New Amendment to the Concession Agreement

- The Company disclosed, in a Notice to the Market in May, 2017, the beginning of the negotiations with the regulator regarding a potential amendment to the concession agreement
- The amendment will address specific issues of Eletropaulo's concession area
- The Company believes that the new amendment can generate value to the customers, community and shareholders

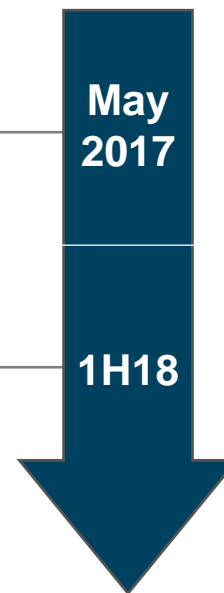
Next Steps

May-2017
Formal Request of
Amendment Evaluation

**May
2017**

1H18
Expectation of ANEEL's
answer

1H18

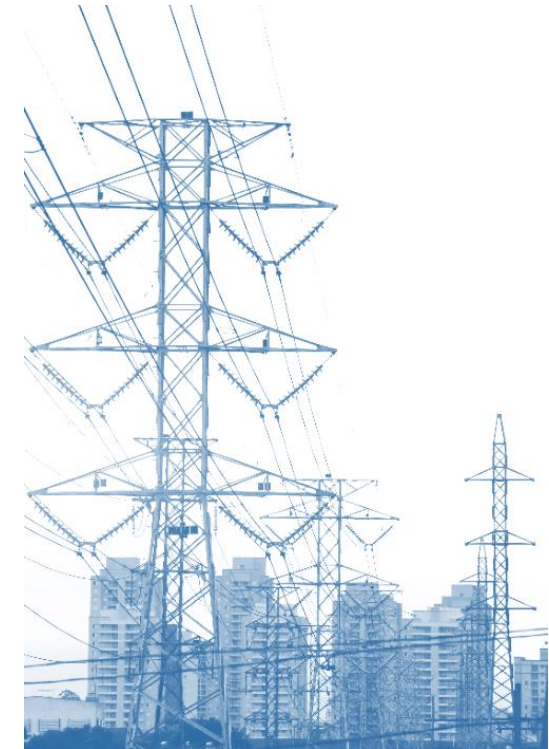
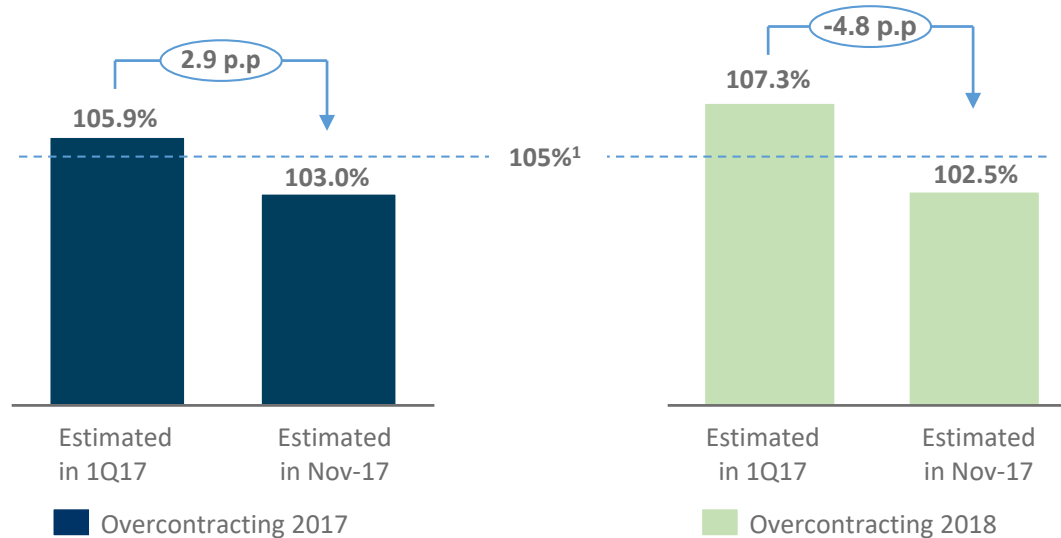


Risk Management and Contingencies: Reduction of the Overcontracting Level



Eletropaulo has implemented several initiatives to maintain overcontracting within the regulatory limit of 105%

2017 and 2018 Overcontracting



Reduction is a result of the Company's efforts, through measures such as:

- Participation in the auctions of the Surplus and Deficit Compensation Mechanism
- Bilateral negotiations with energy generators

Corporate Governance

Recent Initiatives



Committees already in Place

Committee of
Compensation and
Personnel

Committee of
Related Parties

Sustainability
Committee

Audit Committee

Composition of the Board of Directors¹

5²

Independent or not appointed by the
AES Holdings Brasil shareholder

6

Appointed by AES Holdings Brasil shareholder

New By-Laws

- Board of Directors compound by at least 5 and a maximum of 9 members, without alternates
- Creation of Committees of (i) Compensation and Personnel, (ii) Related Parties (iii) Sustainability³ and (iv) Audit.
- Inclusion of the poison pill - OPA 30 (rules about relevant interest acquisition)

Main Pillars of the Migration to Novo Mercado



Superior Corporate Governance

- Better corporate governance practices
- One share, one vote
- 100% tag along

Broader Access to Capital Markets

- Increases flexibility to raise capital in the equity capital market
- Potentially sets the ground for the deleverage of the company
- Improves investment capacity

Increased Attractiveness to Investors

- Enhances liquidity levels for the shares
- Potential re-rating of share price

 **AES Eletropaulo**



Migration to Novo Mercado to be concluded by the end of November 2017



Approvals

Shareholders

- Approval of the preferred shares conversion into common shares ✓

- Migration approved by 60.4% of the total Preferred Shareholders

- 359 shareholders exercised their withdrawal rights, totaling R\$ 49.2 million disbursed

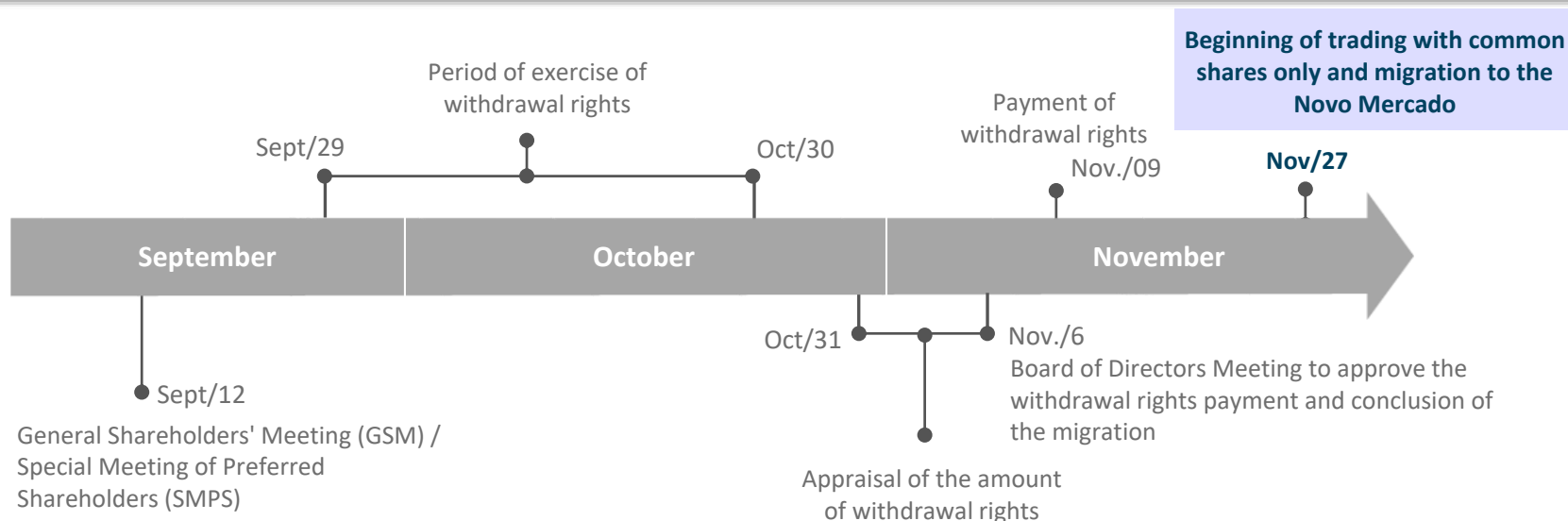
Board of Directors

- Approval of the new bylaws required by the Novo Mercado ✓

- High approval rating reinforces the perception of value creation with Migration

- Board of Directors approved the Migration to Novo Mercado

Indicative Transaction Timetable



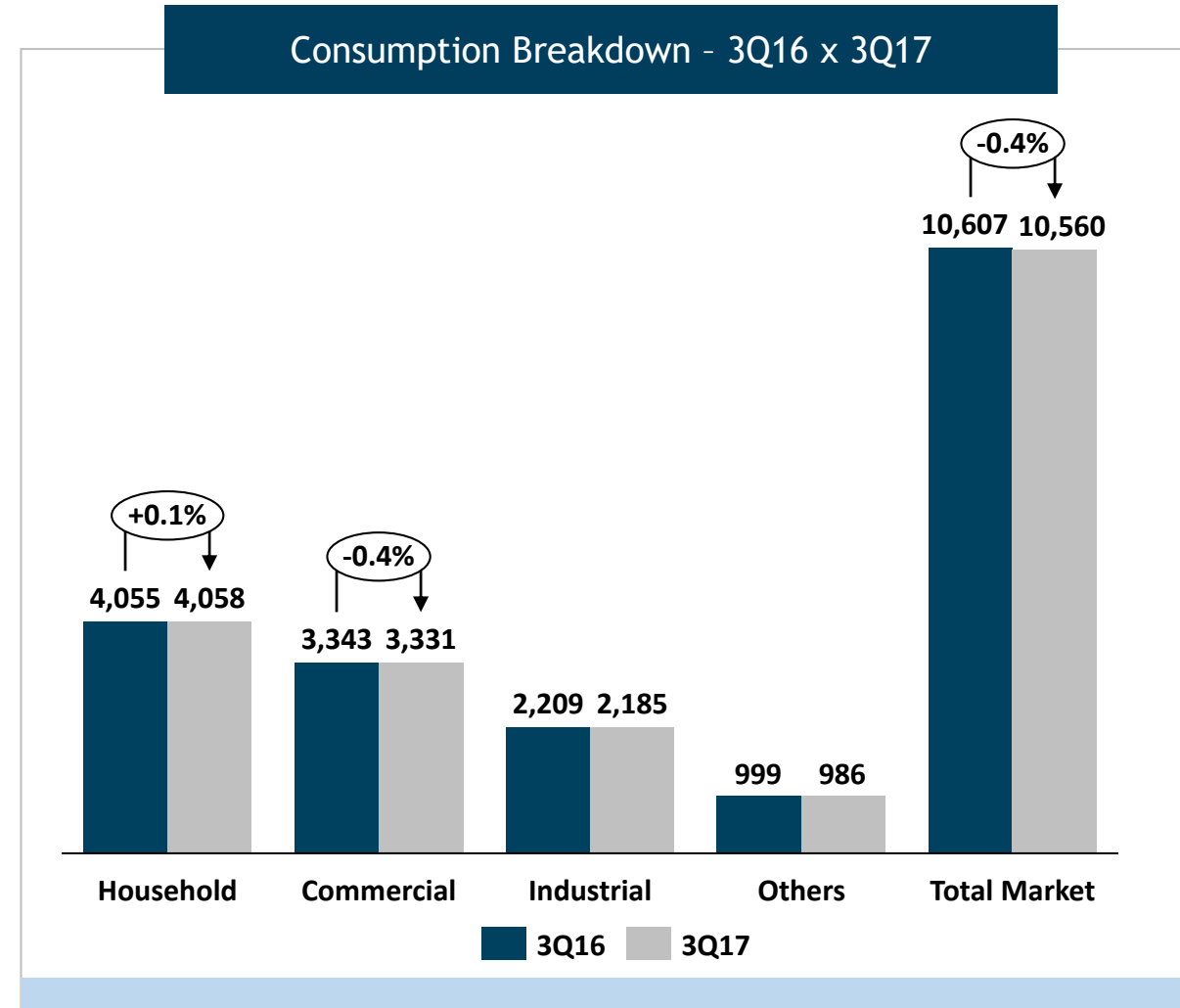
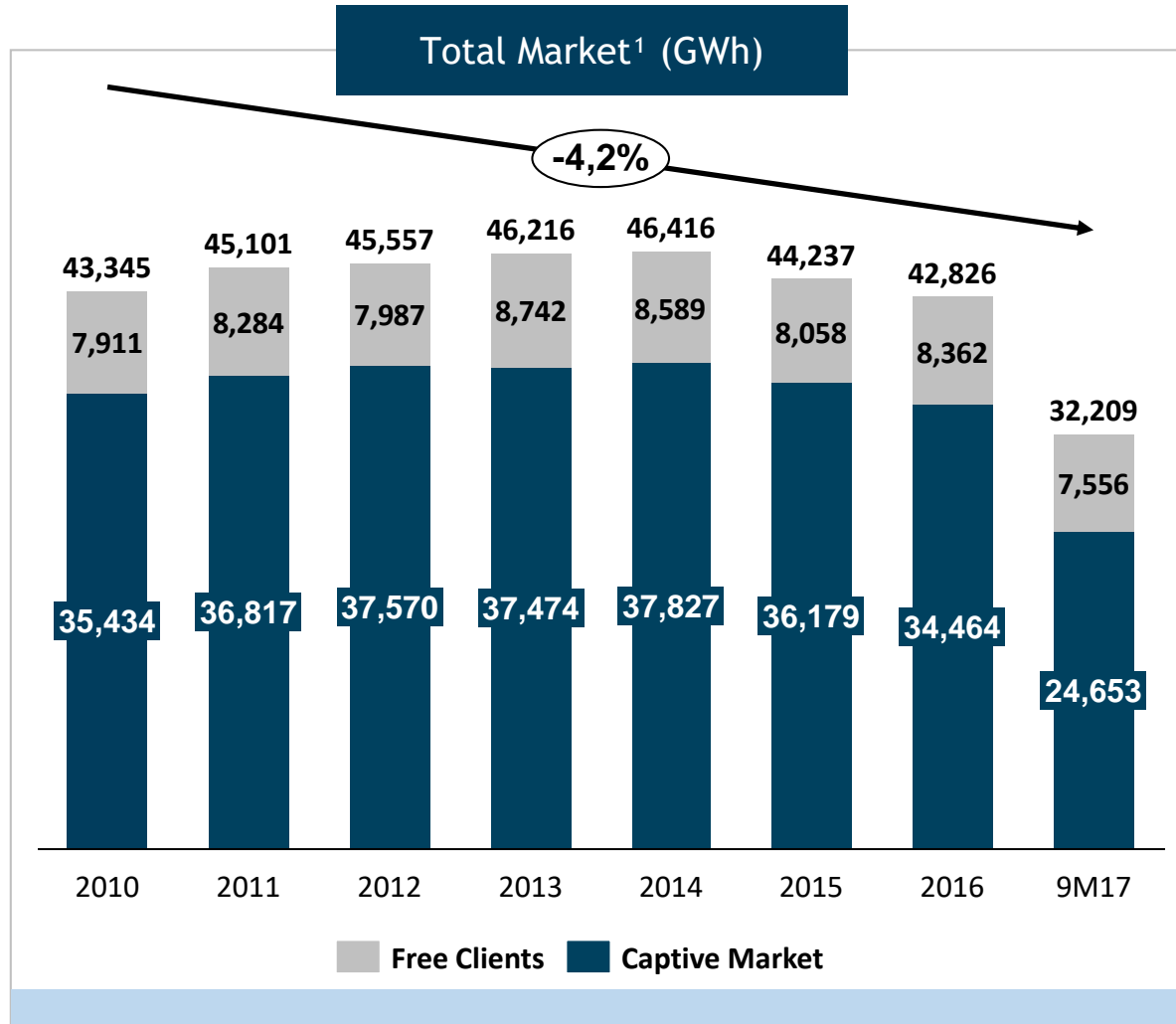
A nighttime photograph of the São Paulo skyline, featuring illuminated skyscrapers and a prominent tower with a spire. The city lights are reflected in a body of water in the foreground. A green banner with a white circle containing the company logo is overlaid on the right side of the image.

Eletropaulo

Recent Results

Market performance

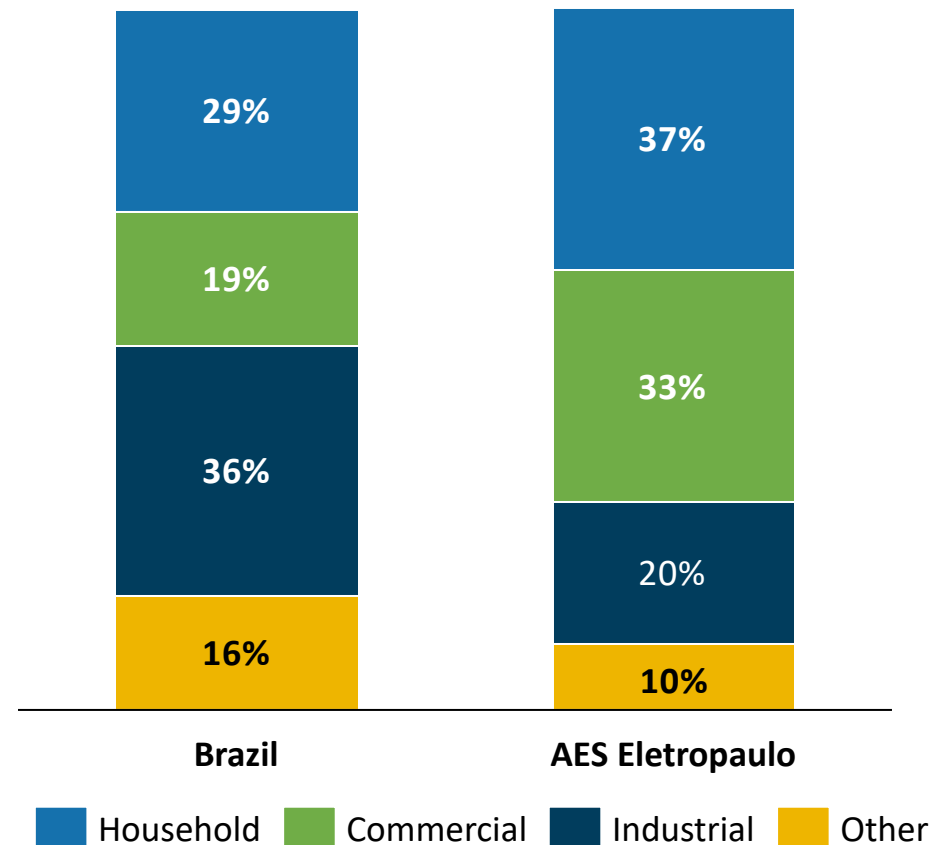
Consumption show signs of recovery on QoQ comparision



Consumption is concentrated in residential and commercial classes

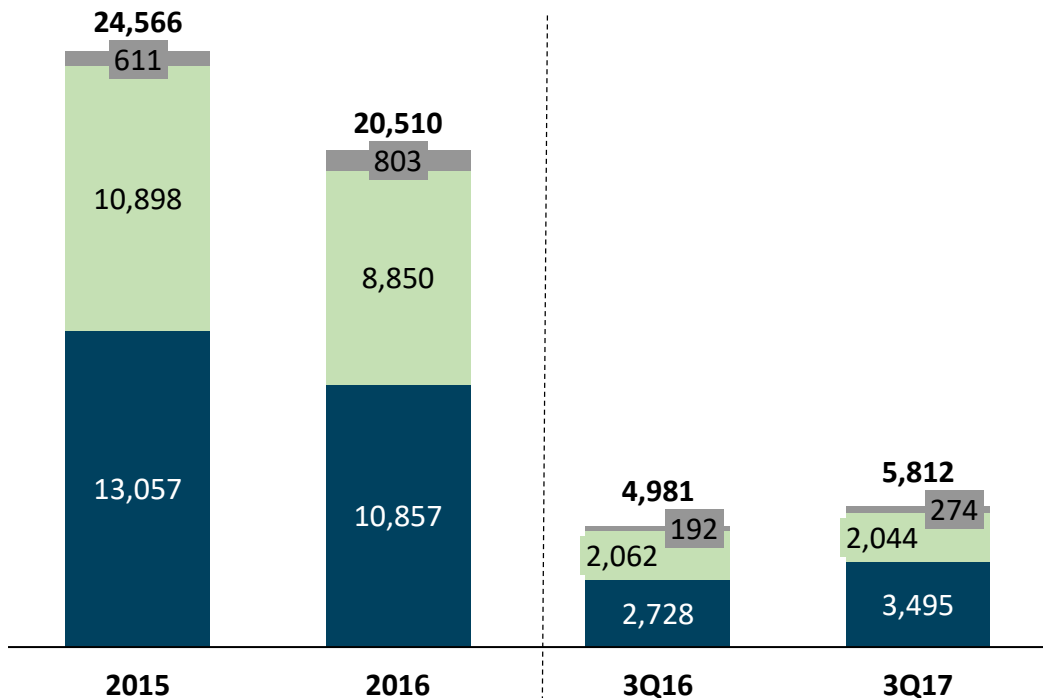


Consumption by Class¹



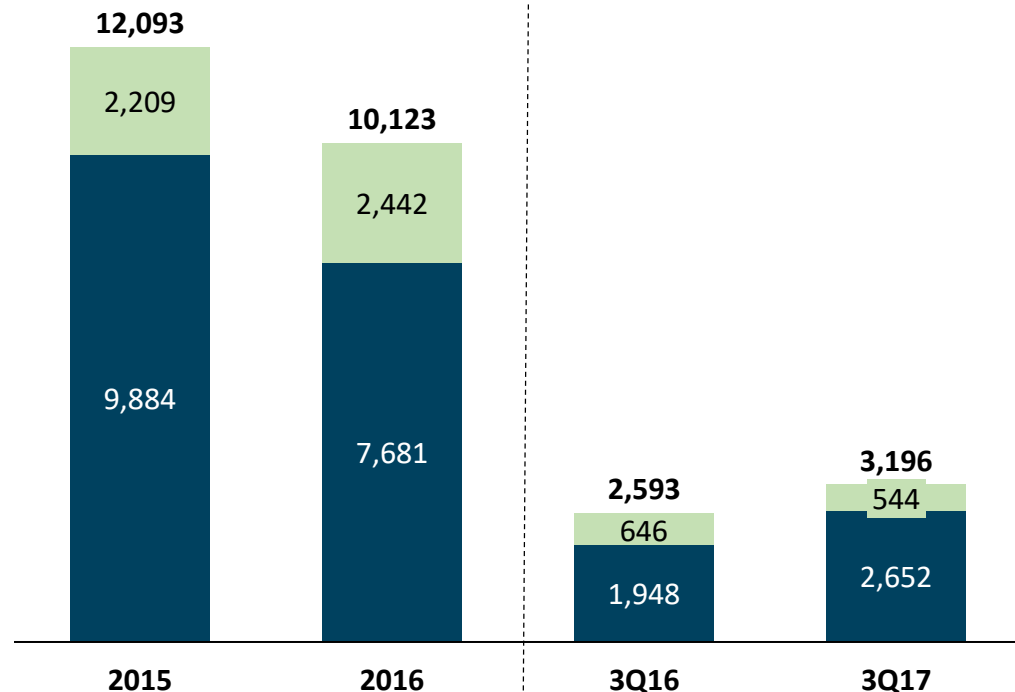
Higher gross revenue due to regulatory financial asset

Gross Revenue (R\$ million)



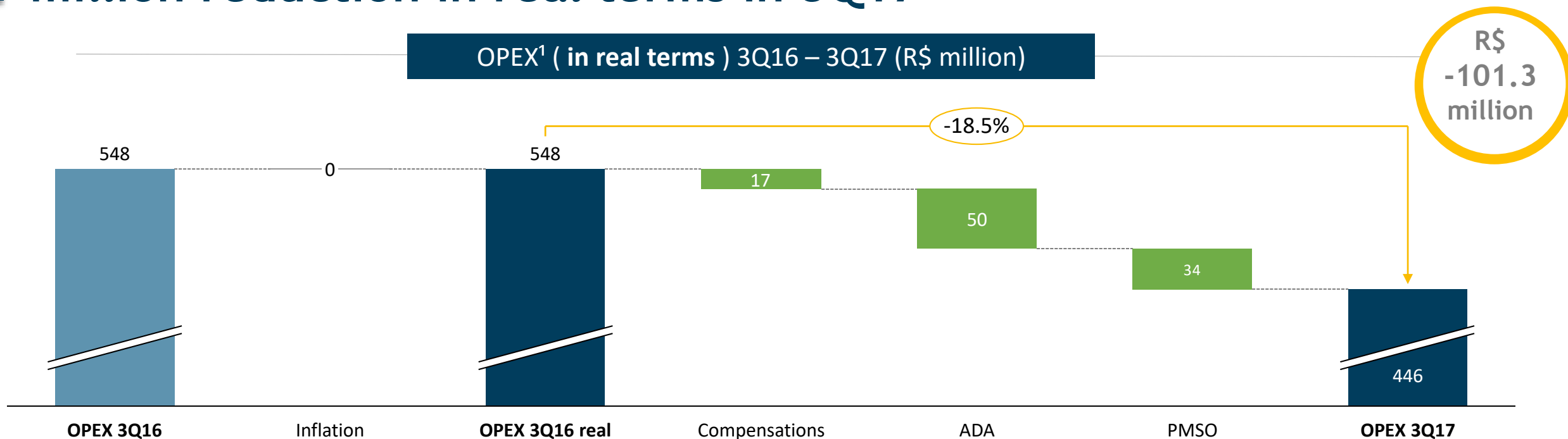
Construction Revenue
 Net Revenue (ex-construction revenue)
 Deductions to Gross Revenue

Costs and Expenses (R\$ million)



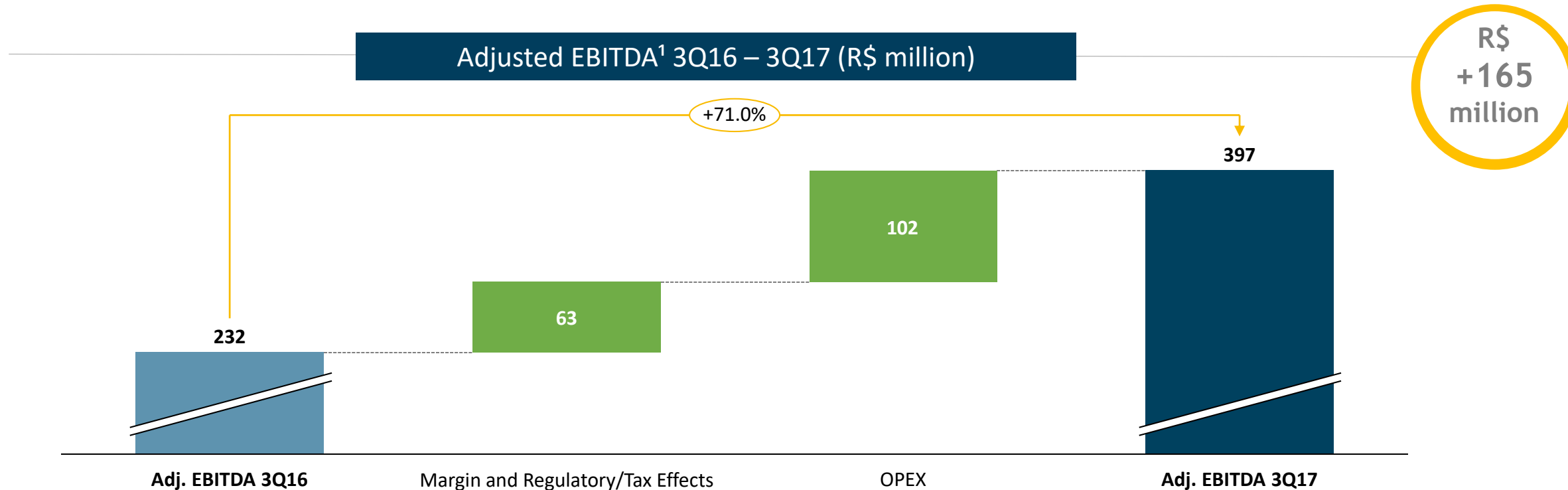
Opex¹
 Energy costs and sector charges

Productivity Program exceeds expectation, reaching a R\$ 101.3 million reduction in real terms in 3Q17



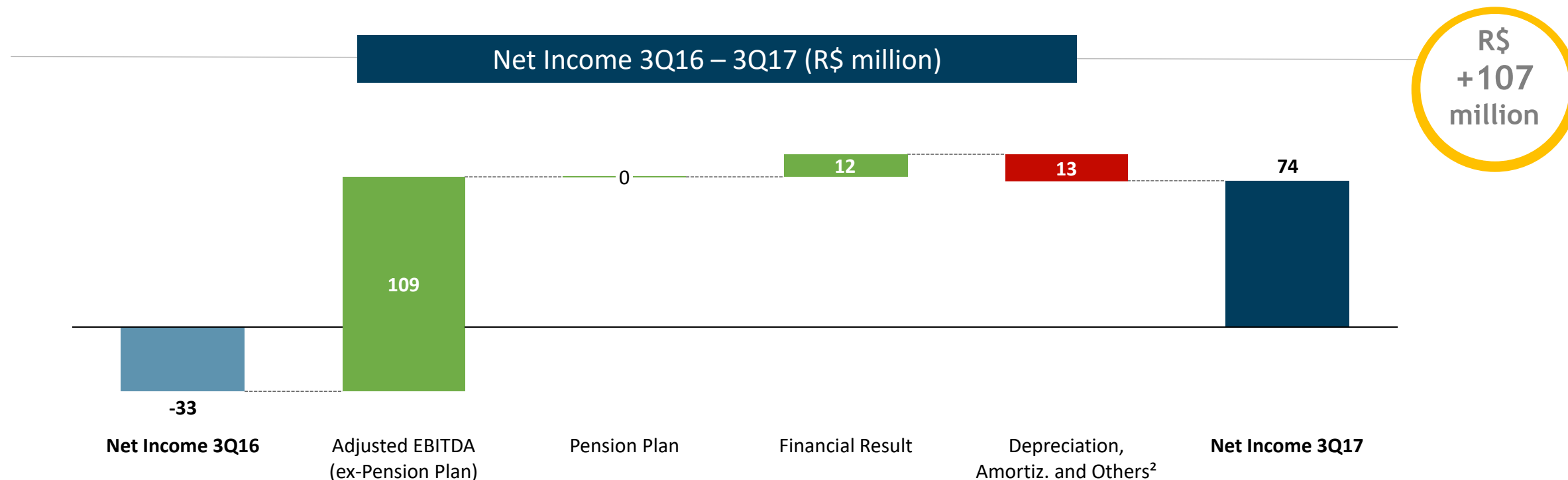
- **Reductions in Fines of 52%**, as a result of investments and consequent improvement of SAIDI/SAIFI indicators
- **Bad Debt with a 63% reduction**, showing progress on the strategy to fight bad debt
- **PMSO**: increased productivity due to multitasking teams in network maintenance processes

71% increase in the EBITDA due to gains with Productivity Program



- **Margin:** reduction in the captive market, **offset by higher tariff (Parcel B)**
- **Regulatory/Tax Effects:** mainly changes in tax calculation basis, updating of financial assets, overcontracting effects (3Q16)
- **Productivity Program:** improvement in quality indicators and operational efficiency

Net income advances R\$ 107 million as result of the Value Creation Plan



□ **Better Financial Result** is mainly due to the **reduction of debt charges** and exchange variation related to Itaipu's energy

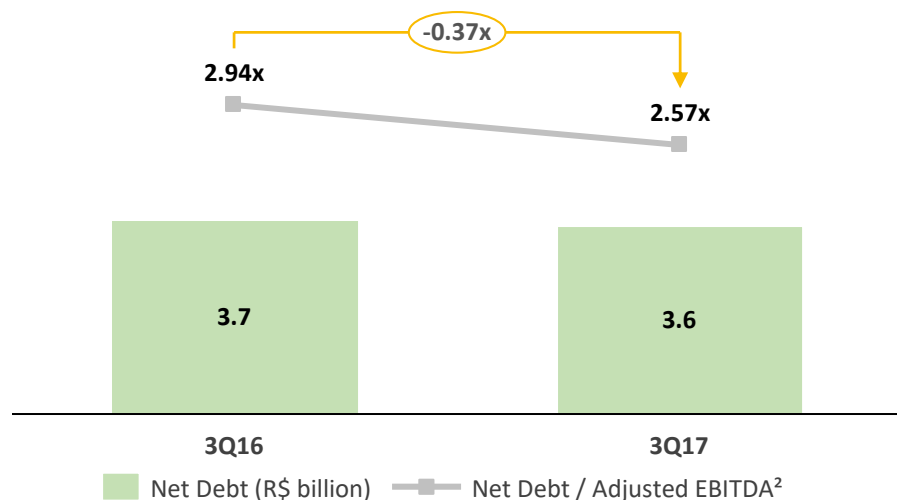
□ **Depreciation** reflects **increase in asset base**, due to higher investments

Better Operating Cash Flow

R\$ Millions	1Q17	2Q17	3Q17	9M17
INITIAL CASH	1,068	1,264	932	1,068
Operating Cash Flow	610	171	532	1,312
Investments	-259	-296	-245	-800
Net Financial Expenses/ Net Amortization	-97	-117	38	-177
Pension Fund Expenses	-113	-108	-111	-331
Income Tax	0	0	0	0
Cash Restricted and/or Locked	56	18	-80	-5
Free Cash Flow	197	-332	134	-2
Dividends and Interest on Capital	0	0	0	0
FINAL CASH CONSOLIDATED	1,264	932	1,066	1,066

Reduction of Gross Debt by 7% (R\$ 253 million) and leverage improvement by 0.37%

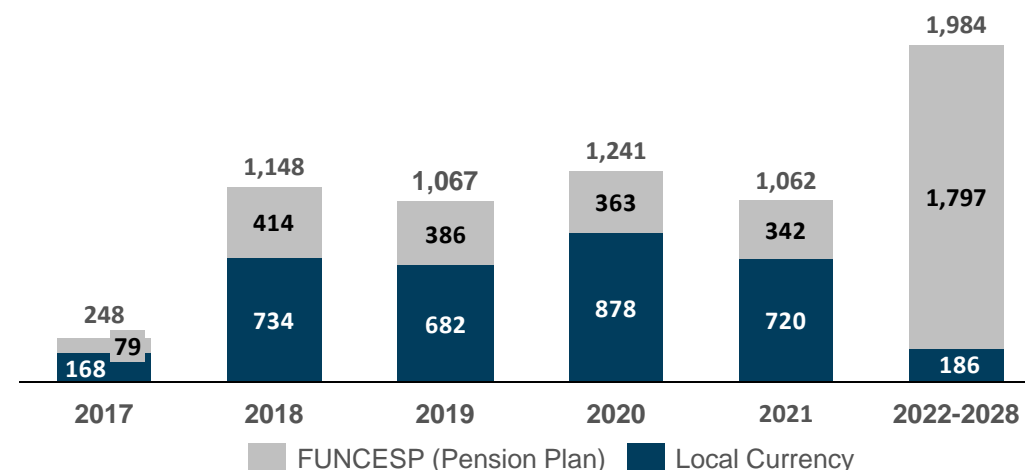
Net Debt¹ (R\$ bn)



Covenants

- Net Debt / Adjusted EBITDA² < 3.5x
- Adjusted EBITDA² / Financial Expenses > 1.75x

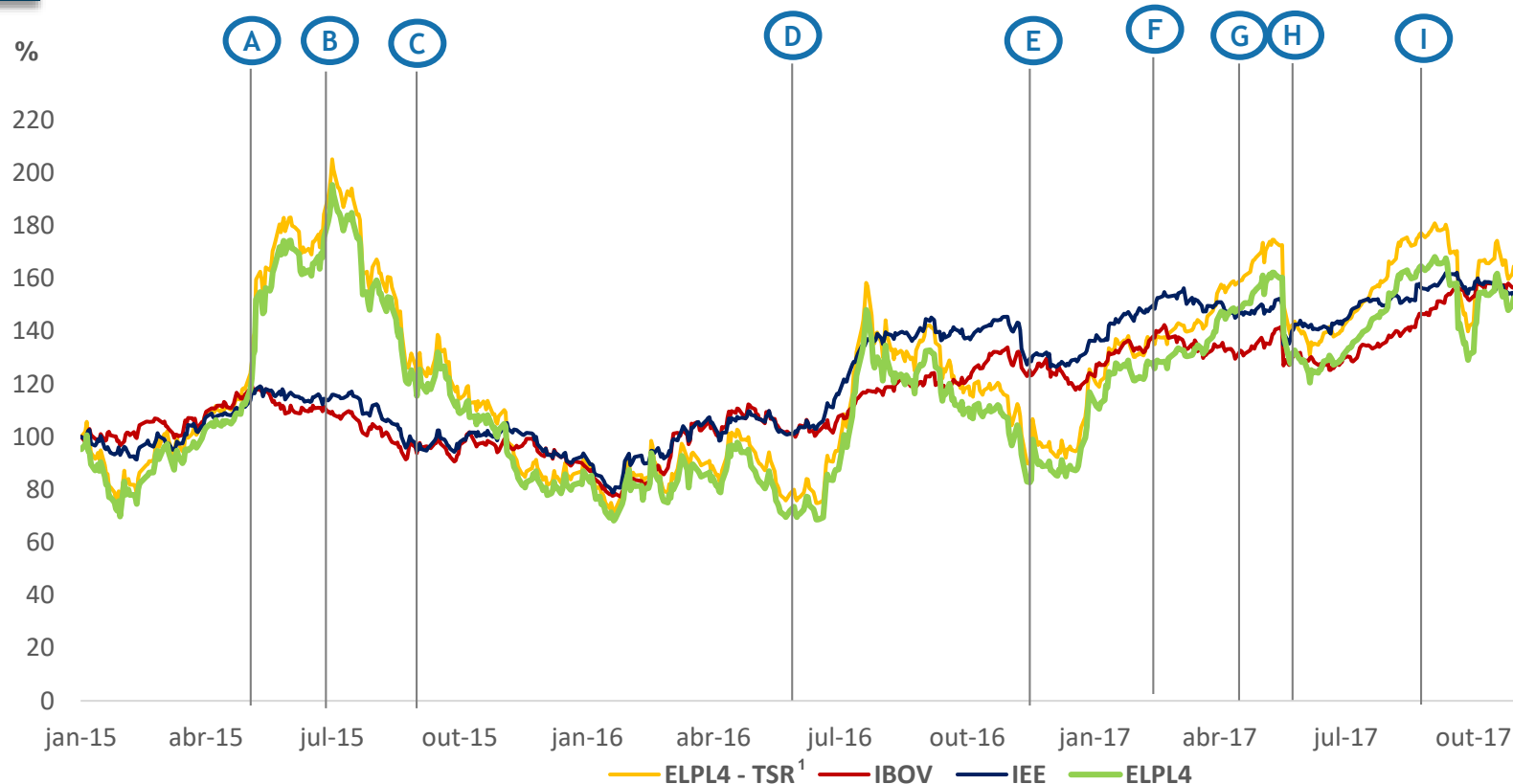
Amortization Schedule (R\$ mm)³



Debt Profile

	3Q16	3Q17
▪ Average maturity (years)	4.5	4.2
▪ Effective rate ⁴	13.4%	9.9%
▪ Average spread (CDI +) ⁵	1.85%	2.09%

Capital Markets



Market cap¹: US\$ 0.8 billion / R\$ 2.7 billion

B3: ELPL3 (common shares)

ADRs at US OTC Market: EPUMY (preferred shares)³

- A** May/15: 4th Tariff Reset Cycle preliminary numbers released
- B** Jul/15: 4th Tariff Reset Cycle final numbers released
- C** Sep/15: Market expectation on the Eletrobras Court Case outcome
- D** Jun/16: Utilities sector intense M&A activities followed by signal of economic recovery
- E** Nov/16: Corporate Restructuring announcement
- F** Feb-Mar/17: 2016 Results Release: Migration to Novo Mercado, Productivity Plan and Investment Plan
- G** May/17: 1Q17 Results Release
- H** May/17: Brazilian Political Events
- I** Sep/17: Approval² of Migration to Novo Mercado concluded on Nov/17

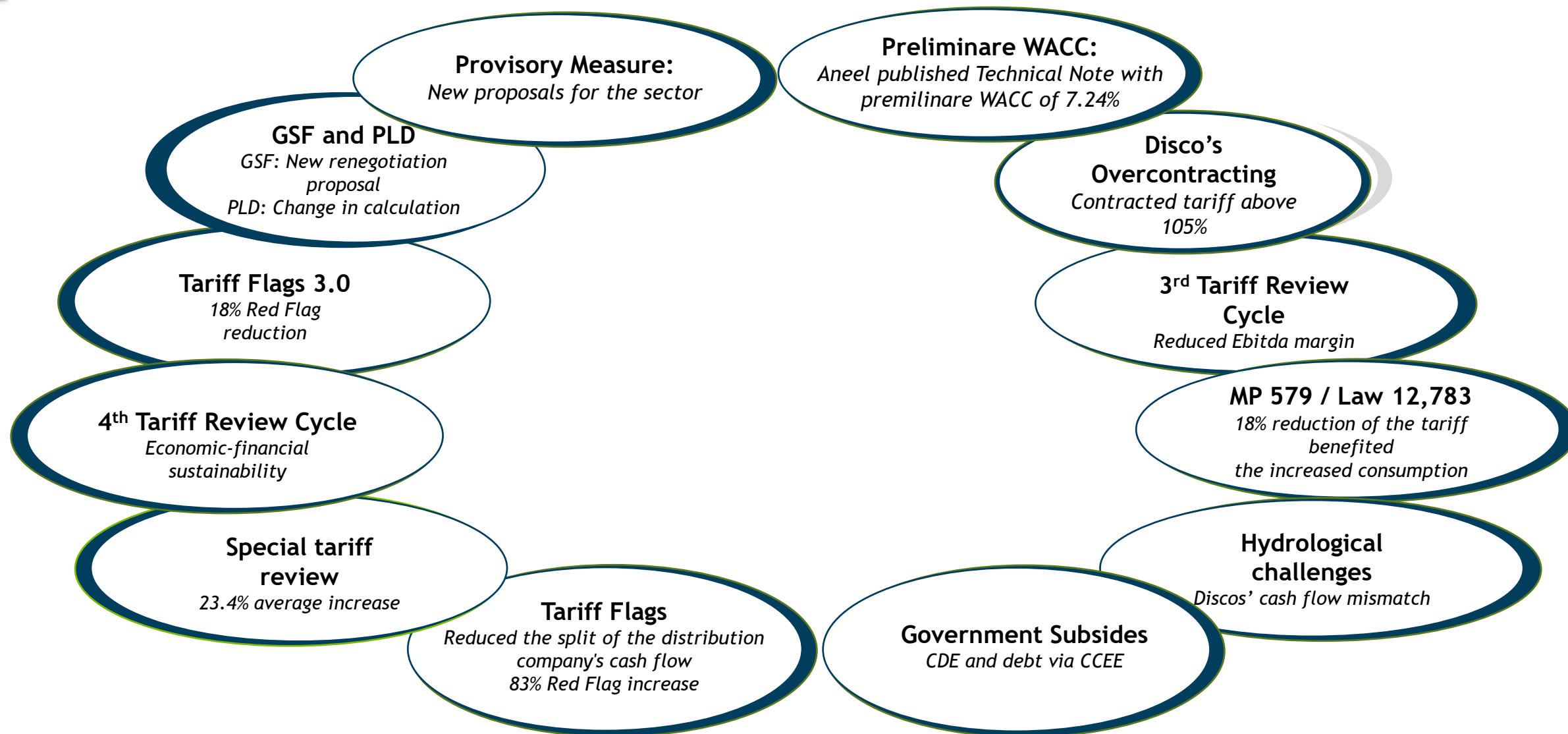


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Eletropaulo

Brazilian Opportunities and Recent Events

Recent events in course in the energy sector



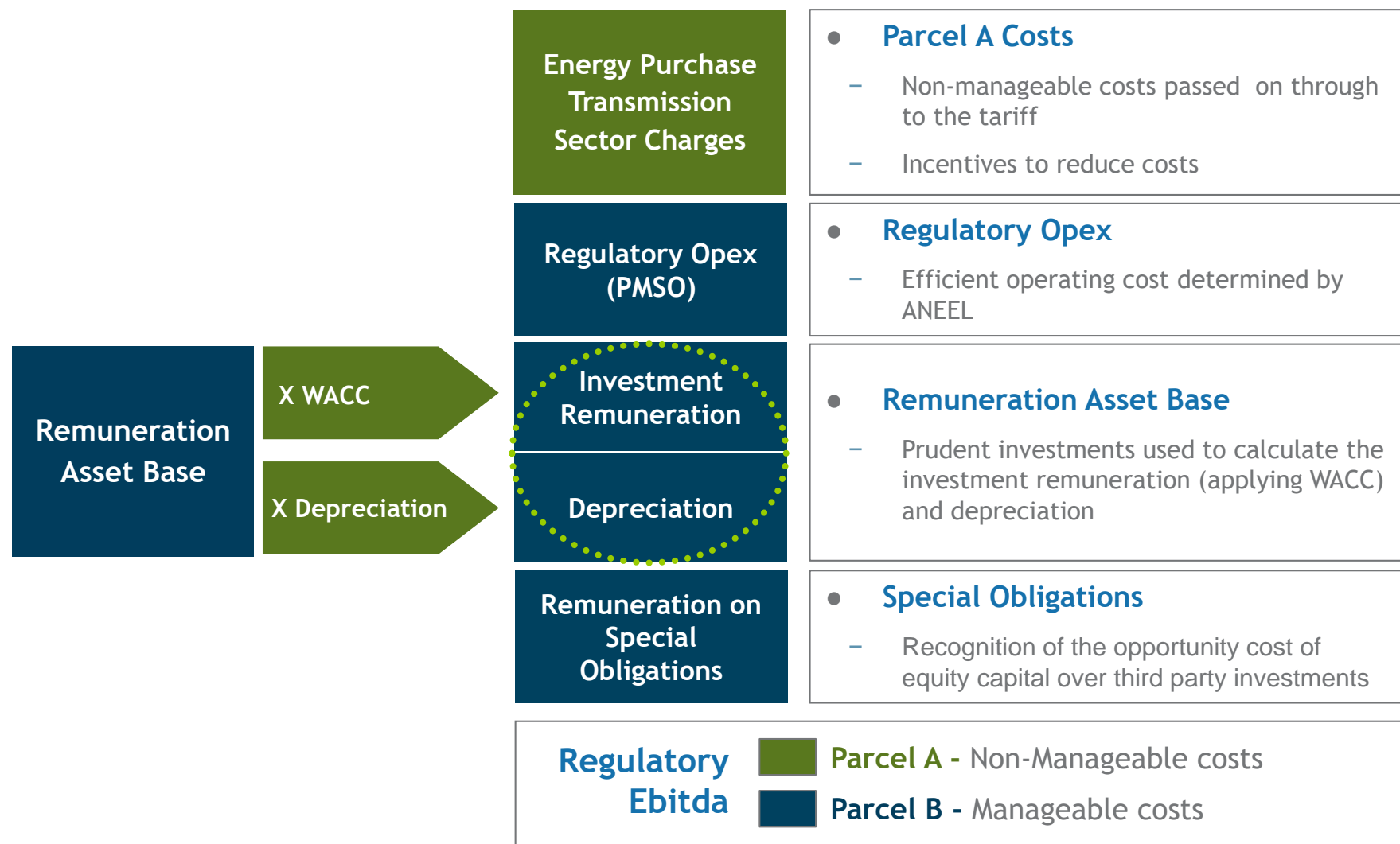
Tariff methodology for distributors

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

- AES Eletropaulo next Tariff Reset: Jul/2019;
- 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

	$\text{X Factor} = \text{Pd} + \text{Q} + \text{T}$			
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

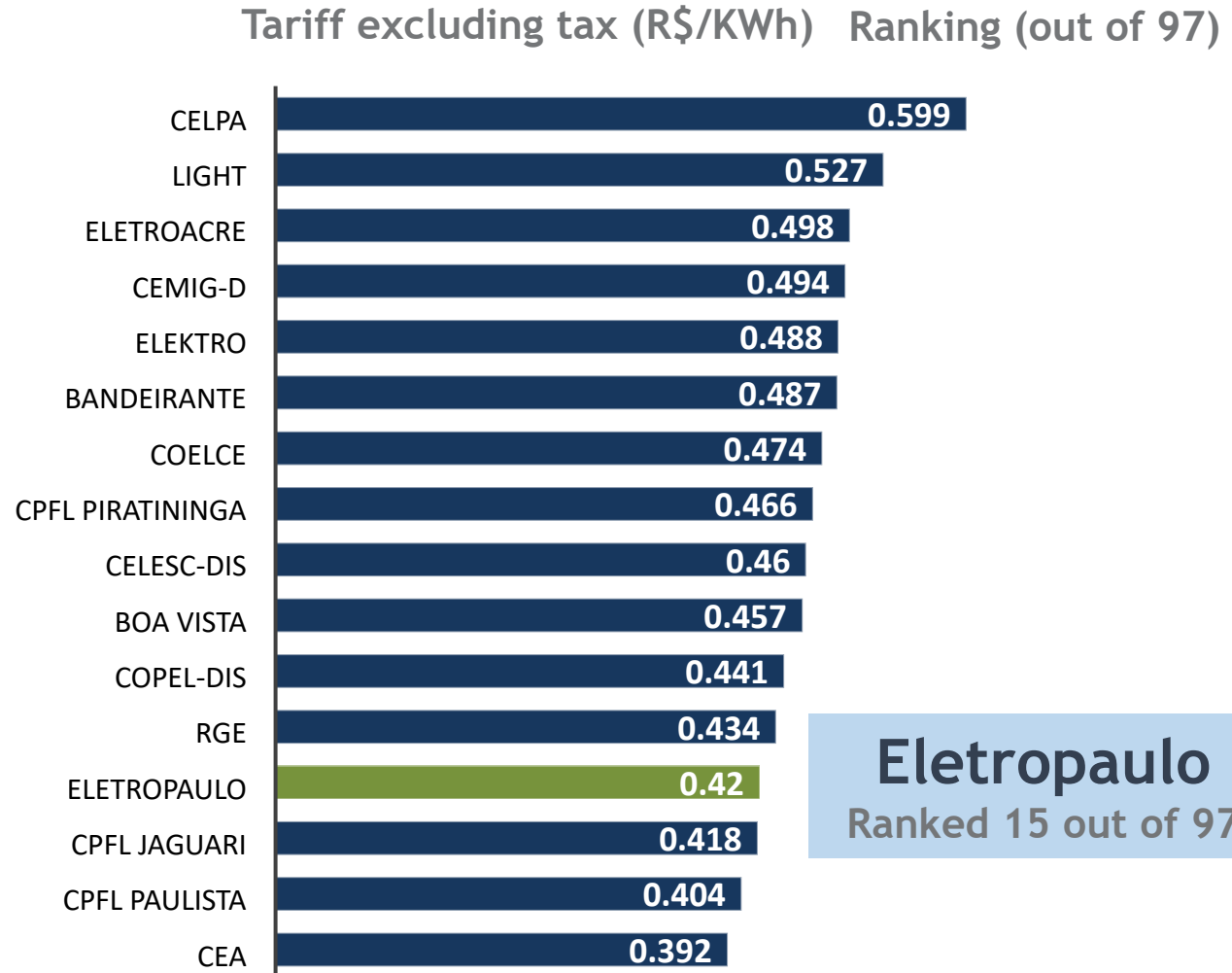
4th Tariff Reset Cycle

Parcel A + Financial Components	13.96%	R\$ 1,936m	<ul style="list-style-type: none">▪ 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	<ul style="list-style-type: none">▪ 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 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%¹
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



Eletropaulo Investor Relations

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