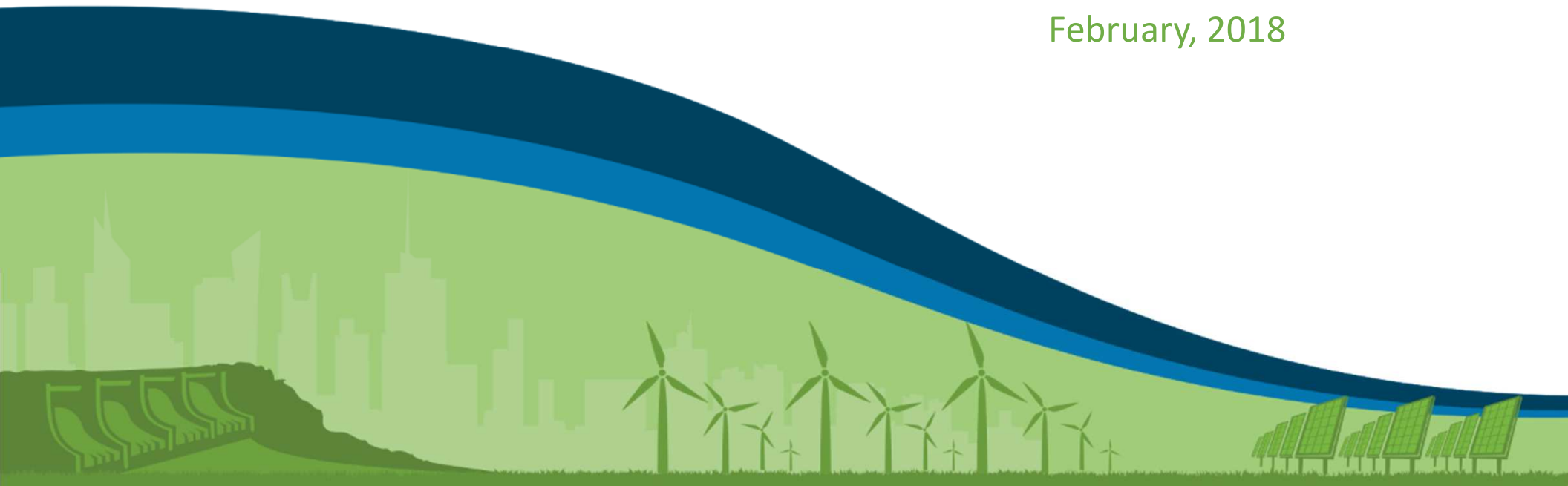




**2017 Results**

February, 2018





## 2017 Highlights



### GROWTH AND PORTFOLIO DIVERSIFICATION

- **Growth of 686 MW** in renewable energy, with **386 MW** already in operation
- Opening of the **new Operational Center**

### COMMERCIAL STRATEGY

- Active management of commercial margin, generated **R\$ 560 million** in value throughout 2017

### FINANCIAL RESULT

- **EBITDA of R\$ 831.0 million** with the contribution of Alto Sertão II's results as of August
- **Distribution of R\$ 337 million** with a **payout of 113%** in the year

A wide-angle photograph of a vast solar farm. Rows of blue photovoltaic panels stretch across the landscape towards a horizon where the sun is setting, creating a warm orange and yellow glow. The sky transitions from a pale blue to a soft pink near the horizon. The panels are arranged in neat, parallel rows, creating a strong sense of perspective.

# Growth and Portfolio Diversification





## Robust growth strategy

50% of the EBITDA with non hydraulic sources  
until 2020 with long term contracts



## Evaluation criterias for new assets guarantee adequate returns

Focus in projects that offer the Company opportunities to capture additional returns, according to:



**OPERATIONAL  
SYNERGY**  
centralized  
management of  
portfolio



**OPTIMIZED CAPITAL  
STRUCTURE**  
appreciation of the  
Company's returns



**COMPLEMENTARY  
SOURCES**  
reduction of  
hydrological risk



**FINANCIAL  
RETURN**  
adequate to the  
assets risks

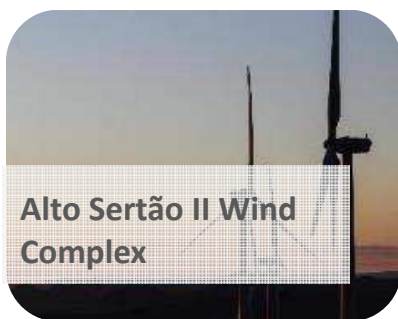


**RISK AND  
COMPLIANCE**  
attending to the  
Company's  
standards





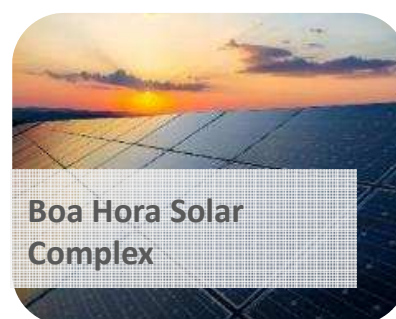
# 686 MW added to the portfolio, 386 MW in operation



Alto Sertão II Wind Complex



Guaimbê Solar Complex



Boa Hora Solar Complex



AGV Solar Complex

**Installed Capacity**

386 MW

150 MW

75 MW

75 MW

**Entry in operation**

Mar/14<sup>1</sup>

May/18

Nov/18

2019

**Average price<sup>2</sup>**

R\$ 167.29 /MWh

R\$ 269.25 /MWh

R\$ 323.23 /MWh

R\$ 146.38 /MWh

**Investment**

R\$ 1.75 billion

R\$ 650 million

R\$ 375 million

R\$ 280 million



# Portfolio Management



## Best hydrological risk manager



### SHORT TERM

Dynamic  
management of  
portfolio  
throughout the  
year

R\$ 188 million  
avoided cost



### MEDIUM TERM

Energy sale via  
PPAs in the free  
market

R\$ 267 million  
avoided cost



### LONG TERM

Portfolio diversification:  
contracting of non hydro  
projects with long term  
PPAs

R\$ 105 million  
EBITDA ASII since Aug/17

**R\$ 560 million** of value generated by  
energy management strategy





# Dynamic commercial management avoided R\$ 188 M of costs

- Strategy for the mitigation of the hydrological risk resulted in a raise in energy purchase during the period with more favorable prices than the spot market prices



## SIN's Annual Inflows (% of the LTA)

2015

89%

2016

87%

2017

76%



## Spot price (R\$/MWh)

2015

R\$287.20

2016

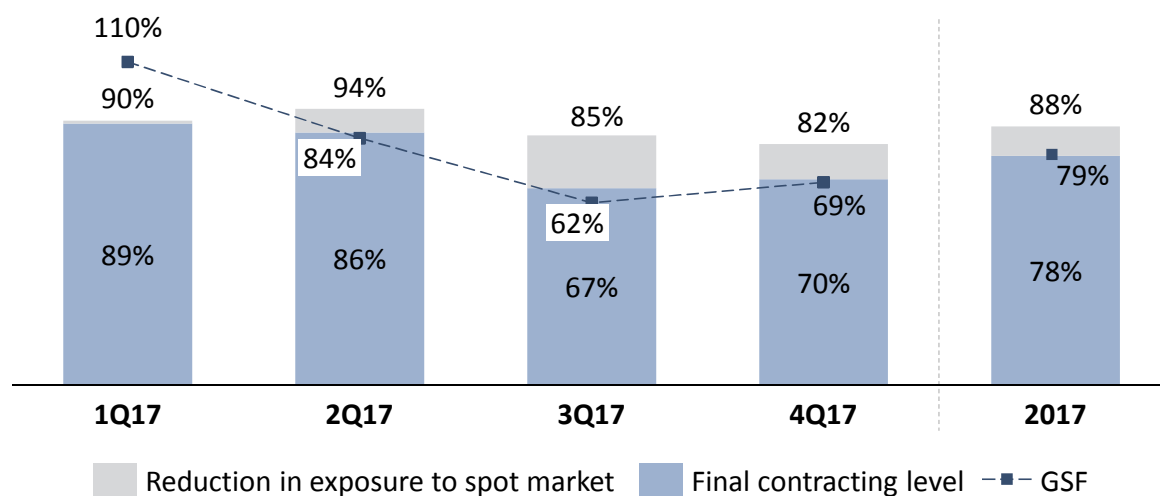
R\$94.10

2017

R\$324.17

+ 244%

## Contracting of Hydraulic Energy - 2017

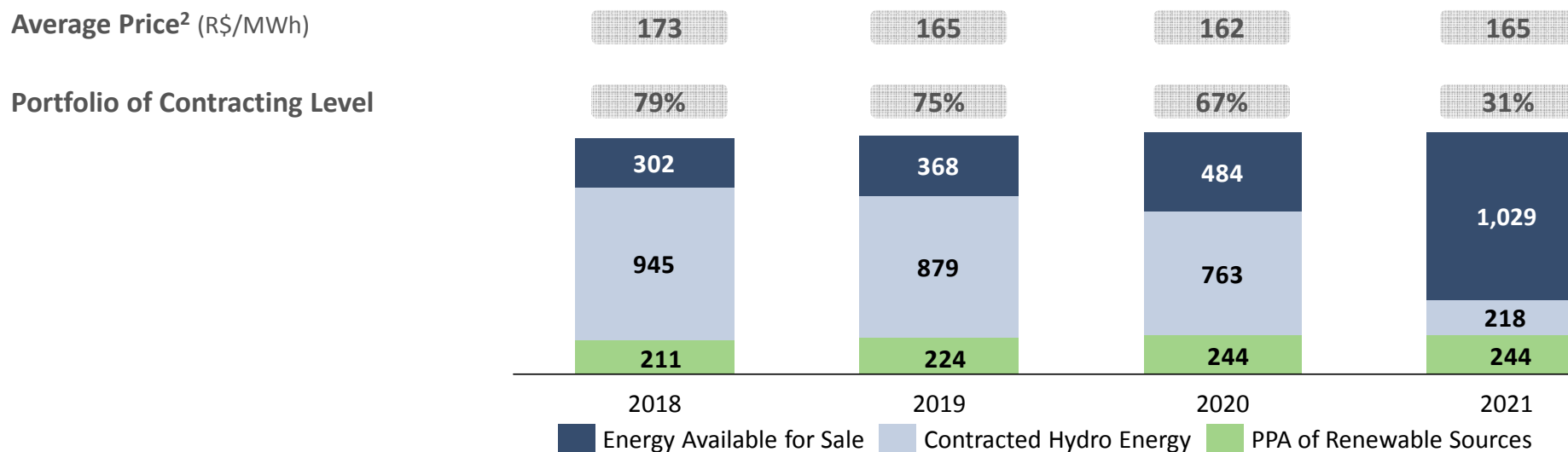




## Raise in medium term contracting

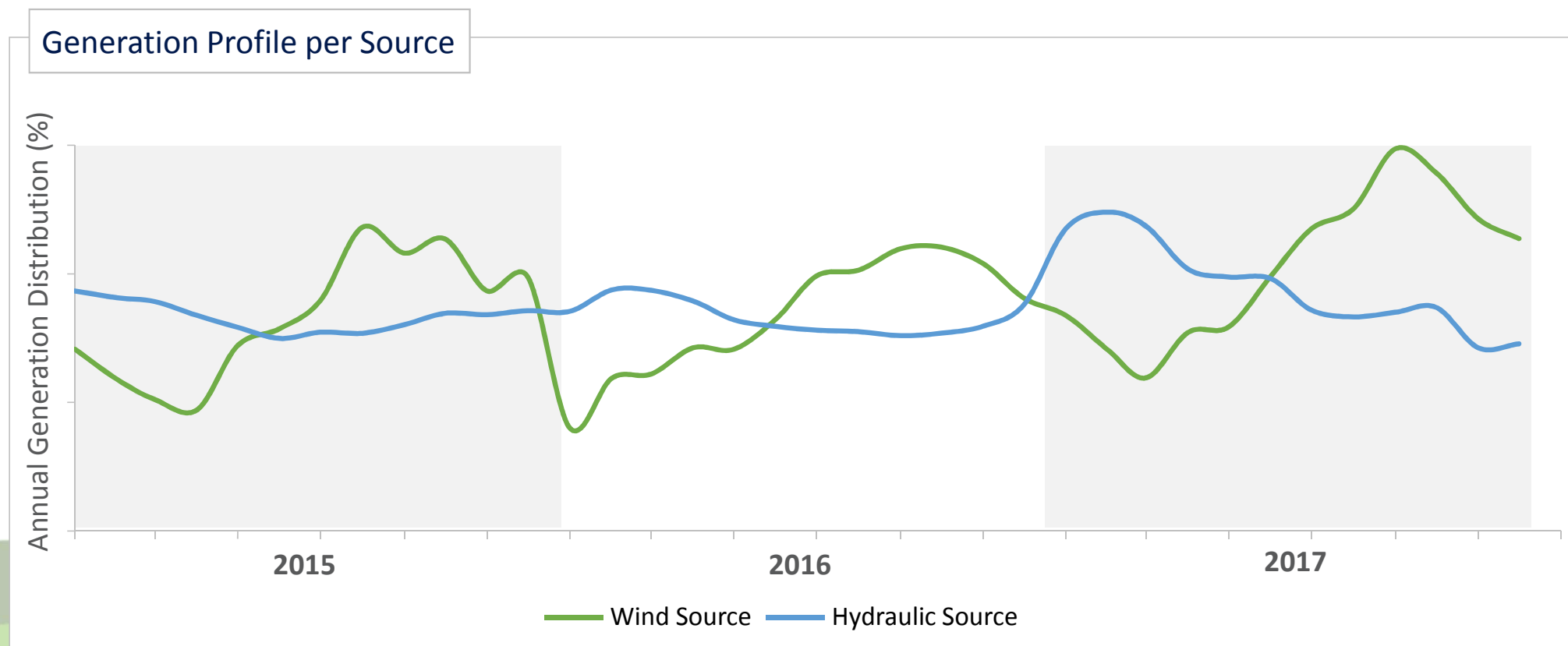
- Addition of 339 MWavg of long term regulated contracts of renewable sources with an average price of R\$ 190/MWh
- Capture of Alto Sertão II value by means of the 2018 MCSD and resale at more favorable prices

### Contracted amounts and Availability for sale<sup>1</sup> (MWm)





## Long term strategy supported by complementarity between sources





# Financial Result

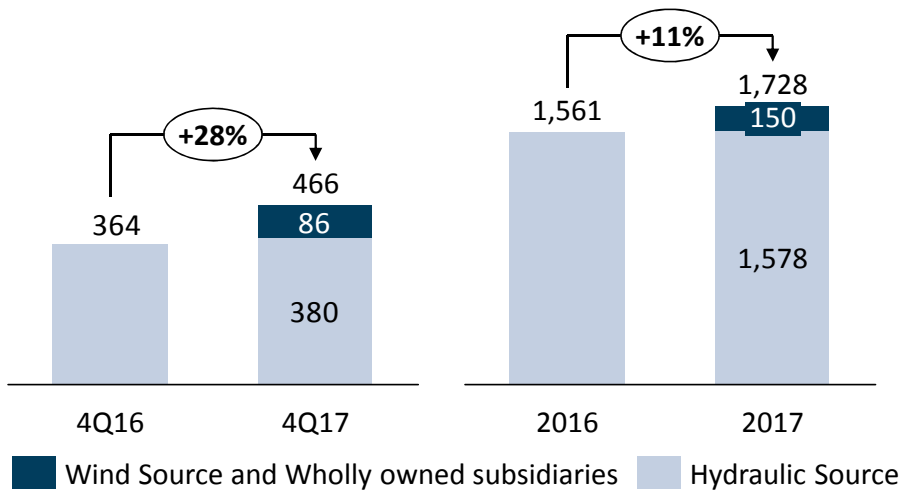




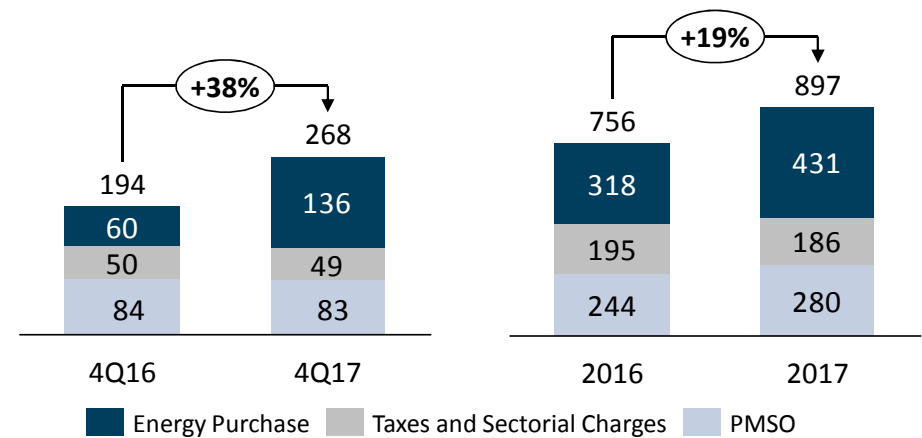
## R\$ 147 M Revenue from Alto Sertão II since August

- Increase in energy costs reflecting the fast reaction of the commercial team to cope with the increase in GSF in the year

### Net Revenue (R\$ million)



### Costs and Operational Expenses<sup>1</sup> (R\$ million)

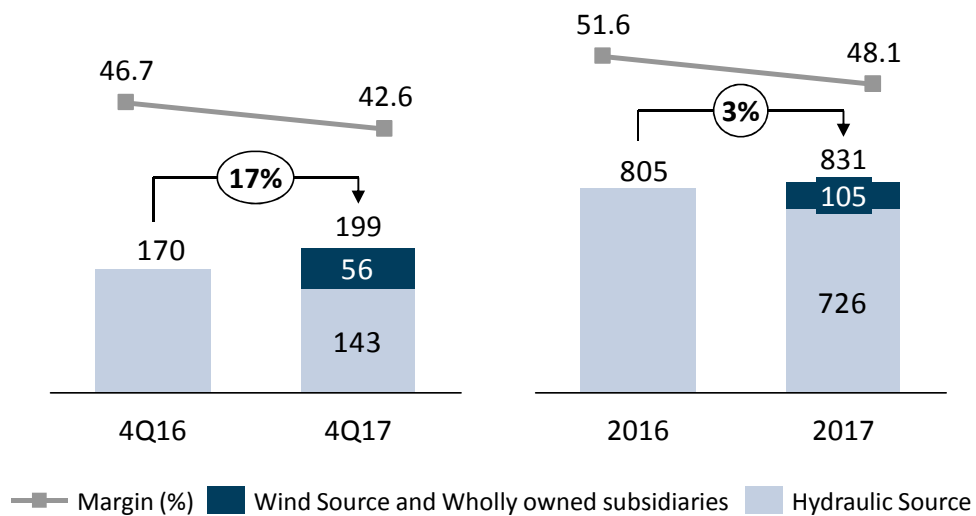




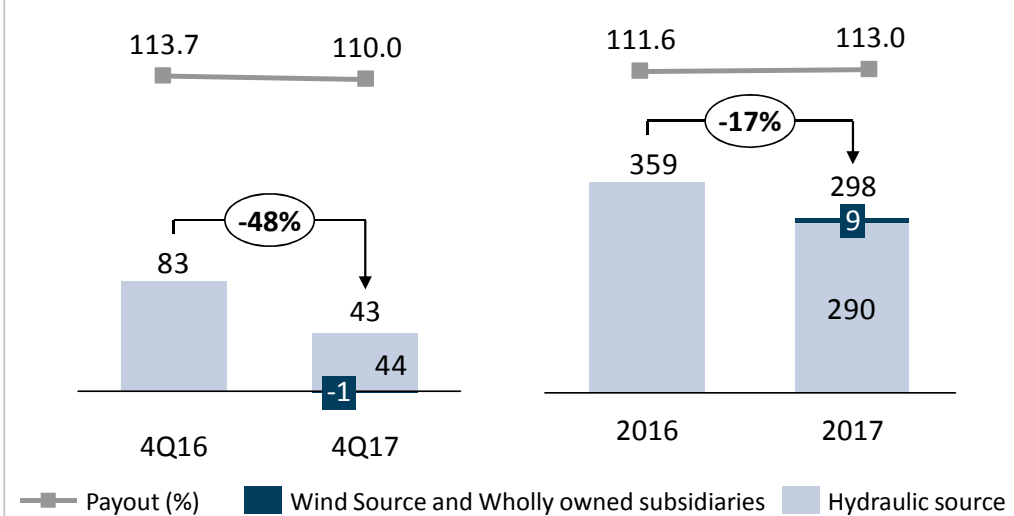
## Distribution of R\$ 48 M of dividends in 4Q17

- Larger EBITDA due to growth strategy and mitigation of risks
- Net income reflects more efficient capital structure

### EBITDA (R\$ million)



### Net Income (R\$ million)



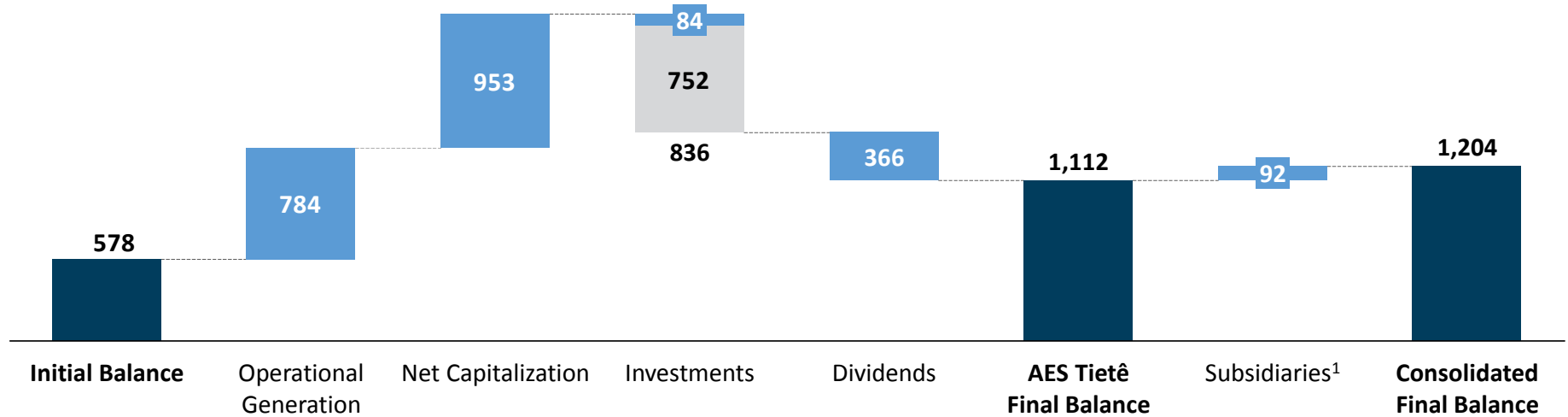


# Investment of R\$ 752 M in growth with renewable sources

- Issuance of Promissory Notes in Jun/17 for acquisition of ASII, Boa Hora and investment in Guaimbê
- Debt issuance in the beginning of 2018 to guarantee optimized capital structure

## Managerial Cash Flow (R\$ million)

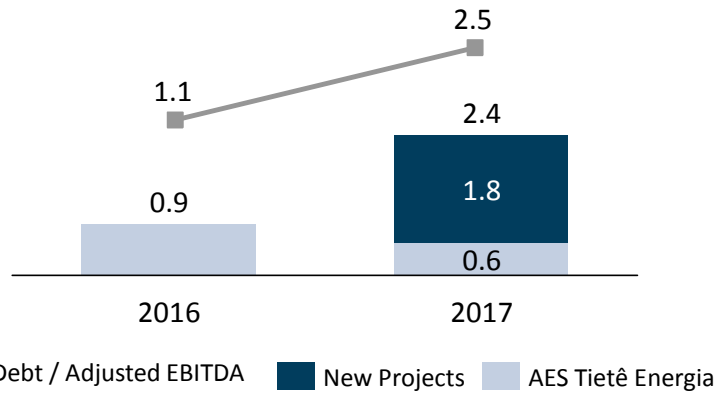
■ Growth





# Growth and extension of debt to support long term strategy

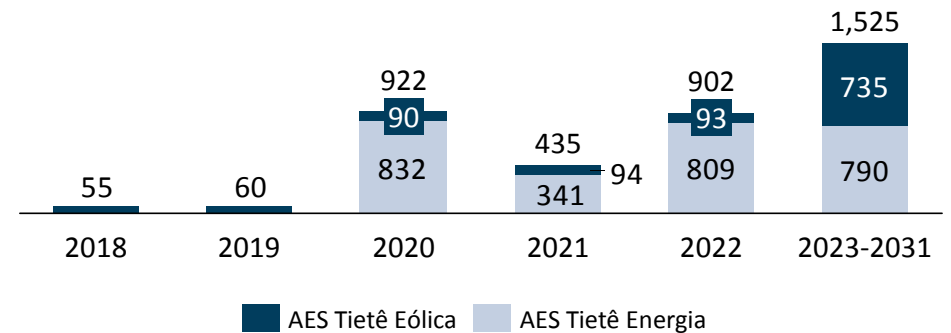
Net Debt (R\$ billion)



## Covenants:

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

Amortization Schedule<sup>1</sup> (R\$ million)



## Debt Profile

	2016	2018
Effective rate (% a.a.)	13.1%	10.0%
Average term (years)	2.7	4.8



# + 686 MW

of installed capacity



Alto Sertão II



Boa Hora



Guaimbê



AGV II

# + 9 solutions

created custom made for our clients



# R\$ 560 M

of generated value

Execution of short, medium and long term strategy for **hydrology management**



Distributed generation



Energy storage (batteries)



RECs

## Investor Relations

[ri.aestiete@aes.com](mailto:ri.aestiete@aes.com)

+55 11 2195-2210

[ri.aestiete.com.br](http://ri.aestiete.com.br)

Statements contained in this document regarding the business perspective, the projections of operating and financial results and the growth potential of the Companies are mere forecasts and were based on management's expectations regarding the future of the Companies. These expectations are highly dependent on changes in the market, the economic performance of Brazil, the electric sector and the international market, and are therefore subject to change.

