



Earnings Results - 4Q14

March 27, 2015

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Highlights of the year

Challenges of 2014

Challenging issues on several fronts marked the year

Operations	❯ Plants with recurrent operational problems, impacting availability records
Regulatory	❯ Plants unprotected and penalized by hourly-based unavailability costs payment (ADOMP) ❯ Low visibility on reimbursement of overpaid unavailability costs (+R$315MM)
Capital Structure	❯ Unbalanced capital structure with low visibility of adjustment alternatives
Parnaíba II	❯ Parnaíba II deployment delayed due to restriction of available resources ❯ Material financial/regulatory exposure risk as a result of Parnaíba II delay ❯ Challenge on natural gas availability to supply the Parnaíba Complex

Main Achievements of 2014 (1)

The implementation of a financial, regulatory and operational stabilization program in 2014 helped create a more stable path to the Company's future

Operations and Regulatory

- **Implementation of an asset management system with effective reduction of technical problems and consequent plants' availability increase**
- **Positive understandings with the Regulator about the reimbursement of unavailability costs for Pecém I and Itaqui**

Capital Structure

- **Development with creditors and shareholders of a stabilization plan for the HoldCo's capital structure**
- **Launch of a cost saving program for the HoldCo, targeted to reach R$80MM/year of total expenses by 2015**
- **Conclusion in 2H14 of a capital increase and assets sale amounting to approx. R$850MM, which funds were used to strengthen ENEVA's cash position and develop remaining CAPEX**
- **Filed for judicial reorganization of the HoldCo in Dec/2014 in order to continue negotiations with creditors and to protect plants' operation**

Main Achievements of 2014 (2)

The implementation of a financial, regulatory and operational stabilization program in 2014 helped create a more stable path to the Company's future

Parnaíba II

- **Conclusion of Parnaíba II in Oct/14 and start of operation in substitution of Parnaíba I as of Dec/14**
- **Signing of an agreement with Aneel with balanced terms and condition to maintain the PPA of Parnaíba II**







Progress of works of Parnaíba II power plant, fully completed in 2014 and in which was invested approx. R$1.2 billion

ENEVA reached an operational company status and created strategies that clearly address the main challenges of 2014

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Highlights of the quarter

Highlights of 4Q14 (1)

- **Signing of the final agreement with Aneel to maintain the PPA of Parnaíba II**
  - A balanced negotiation preserved the PPA of the plant
  - Start-up of Parnaíba II postponed to Jul/16 and maintained for 20 years
  - Partial reduction of fixed annual revenue during PPA term: R$13.0MM/year (2022 to 2025) and R$25.6MM/year (2026 to 2036)
  - Commitment to close the cycle of Parnaíba I in five years, renewable for an equal period, subject to conditions precedent

- **Reimbursement by Aneel of approx. R$340MM due to overpayment of unavailability costs (ADOMP) of Pecém I and Itaqui**

Highlights of 4Q14 (2)

- **Sale of ENEVA's interest in Pecém I on 09/Dec**
  - Proposal received from EDP by the beginning of Dec/14
  - Transaction amount: R$300MM, consisting in the shares and the capitalization credits of ENEVA
  - Approved by Brazil's antitrust agency on 10/Mar and at final stage of negotiations with plant lenders

- **Judicial Reorganization filed on Dec/14**
  - Restricted only to the holding company (ENEVA and ENEVA Participações)
  - Aims to balance Company's capital structure
  - JR Plan submitted on 12/Feb

- **Plan to reduce holding Company's expenses speeding up**
  - Additional staff downsizing, in line with the current requirements and demands of the Company
  - Process of in-house IT services nearing completion, generating major savings

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Economic and financial data

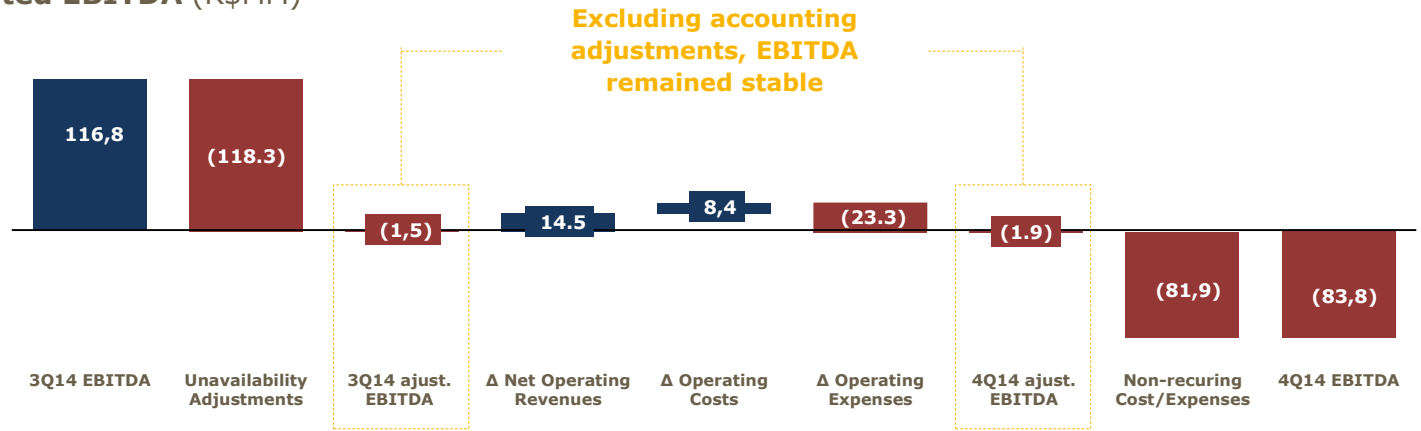
Main Indicators

(R$ millions)	4Q14	4Q13	%	2014	2013	%
Net Operating Revenue	368.2	530.3	-30.6%	1,798.1	1,438.8	25.0%
Operating Costs	(397.4)	(472.3)	-15.9%	(1,579.3)	(1,507.0)	4.8%
Operating Expenses	(92.5)	(38.4)	140.5%	(173.0)	(167.3)	3.4%
EBITDA	(83.8)	76.3	N. A.	216.3	(88.9)	N. A.
Net income in the Period	(1,362.0)	(280.3)	386.0%	(1,517.2)	(942.5)	61.0%
Net Debt	5,006.4	5,932.9	-15.6%	5,006.4	5,932.9	-15.6%
Net Energy Sold (GWh)	1,821	2,330	-21.8%	7,885	6,430	22.6%

- Decrease in energy sold of 21.8%, despite the sale of 132GWh from the test generation of Parnaíba II (Net Revenue of R$91.0MM)
- Increase in Operational Costs due to the booking of unavailability costs provision to be paid as of 2015
- Operating Expenses inflated by accounting adjustments and provisions, in addition to HoldCo one-off effects
- Net Income for the year impacted by assets revaluation (R$421.3MM) and provision booking for loss on the sale of Pecém I (R$560.7MM)
  - Excluding these effects, the Net Income for 2014 improved by 43.2% over 2013

EBITDA Development

Consolidated EBITDA (R$MM)



- 3Q14 EBITDA includes part of the costs/expenses of Pecém II, which was deconsolidated as of Jun/14
- Adjusted EBITDA remained in line in 4Q14, primarily consisting by:
  - **Revenues:** As a result of the increase in variable revenues of Parnaíba I, driven by higher CVU in the period
  - **Operating Costs:** Reduction primarily caused by the decrease in the fixed leasing cost of Parnaíba I, which was inflated in 3Q14
  - **Operating Expenses:** Increased due to IT provider contract termination fee and judicial reorganization expenses
  - **Nonrecurring costs/expenses:** Comprised unavailability cost provision by Itaqui (R$38.4MM) and non-cash expenses and accounting adjustments by HoldCo (R$43.5MM)
- **Positive consolidated annual EBITDA for the first time in ENEVA's history**

NOTE: Adjusted consolidated operating expenses and costs do not include nonrecurrent effects and/or non-cash effects, such as provisions for the cost of unavailability of Itaqui and expenses shared by HoldCo/subsidiaries, IT provider contract termination fee and with stock options.

Operating Costs Development

- 4Q14 Operating Costs impacted by:
  - Unavailability cost provision for Itaqui (+R$38.4MM), to be paid in 60 installments commencing Jan/15
  - Decrease in the Rental and Leases cost (-R$41.7MM), which was inflated in 3Q14 due to a *prorata* adjustment to the fixed leasing cost of the Gas Treatment Unit that supplies Parnaíba I (+R$23.4MM)
  - Accounting adjustment due to unavailability cost (-R$18.1MM)
  - Increase in Outsourced services and Material Costs deriving from the scheduled maintenance of Itaqui (+R$9.7MM)
  - Personnel costs at the operational plants rose due to provisions for employee bonus and related payroll charges (+R$7.3MM)

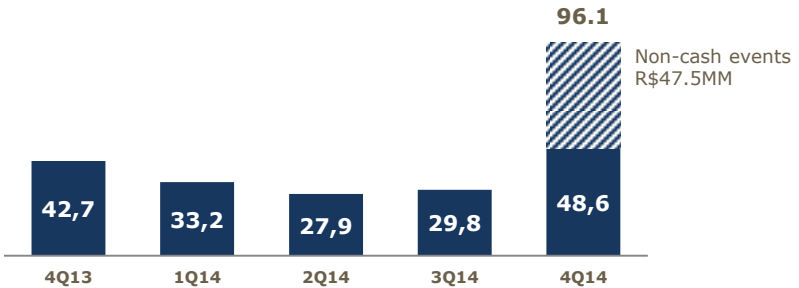
Operating Costs	4Q14	4Q14 (Adjust.)	3Q14	3Q14 (Adjust.)	4Q14 (Adjust.)/ 3Q14 (Adjust.)
Operating Costs[1] (R$MM)	360.4	322.0	212.1	330.4	*-2.5%*
Gross Energy Generated (GWh)	1,764.3	1,764.3	1,866.5	1,866.5	*-5.5%*
Operating Costs by Gross Energy Generated (R$/MWh)	204.3	182.5	113.6	177.0	*3.1%*

4Q14 (Adjust.) does not include the provision for unavailability cost of Itaqui (R$38.4MM)
3Q14 (Adjust.) does not include the adjustment to the unavailability costs (R$118.3MM)

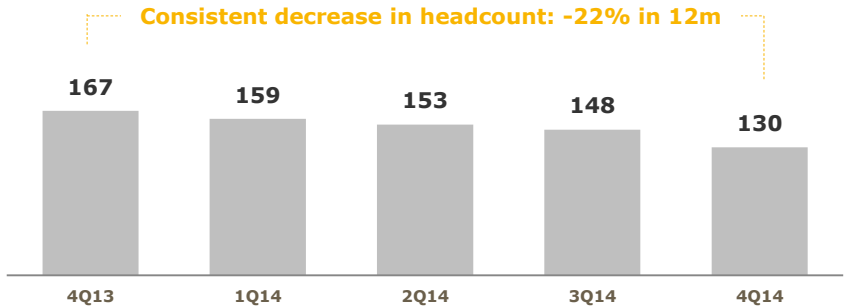
NOTE: 1) Does not include Depreciation & Amortization.

Holding Expenses

Operating Expenses[1/2/3]



Headcount[3]

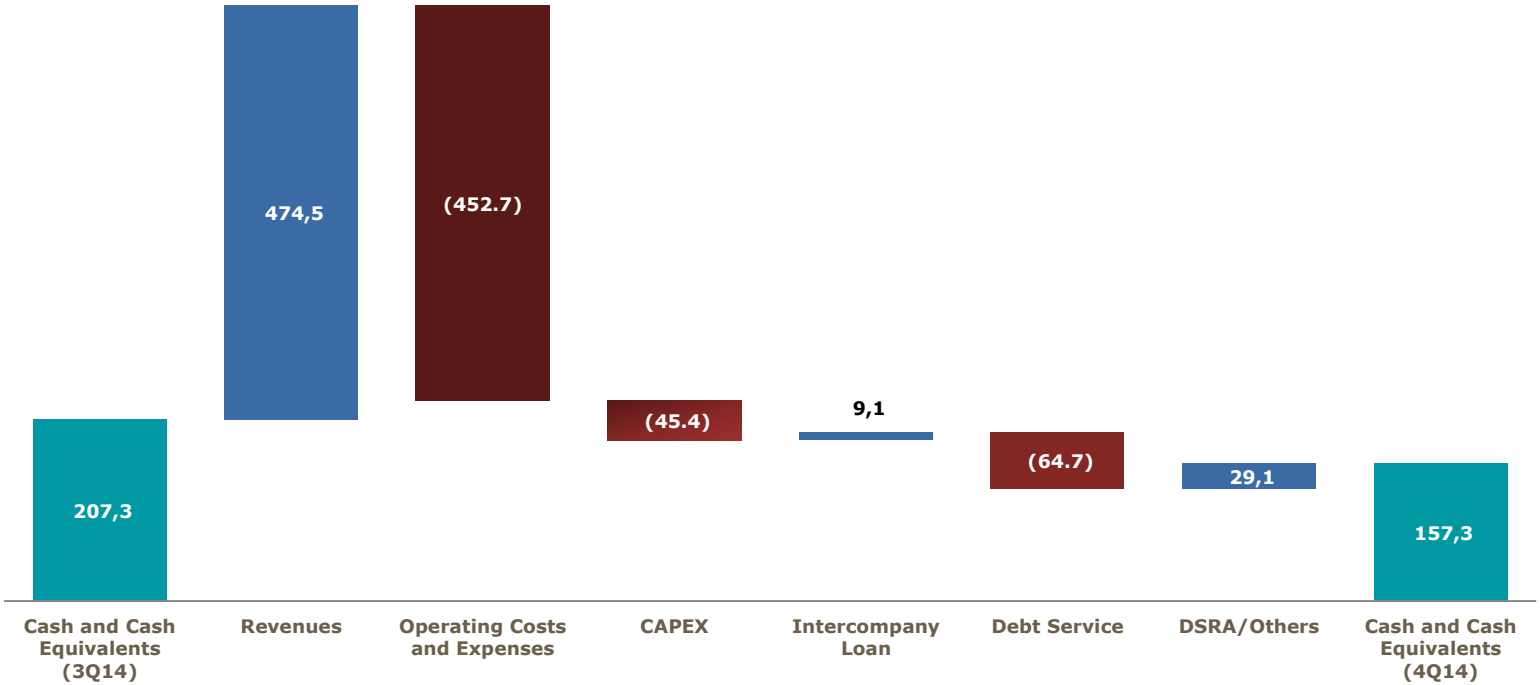


- Increase in expenses compared with 3Q14, primarily due to non-cash events, consisting of the following accounting provisions:
  - Shared expenses with subsidiaries, to be paid as of 2015 (+R$37.5MM)
  - Employees performance bonus (+R$10MM)
- Contract termination with former IT provider (+R$6MM), whose activities were brought in house
- Increase in expenses on legal and financial advisory services, primarily related to the judicial reorganization (+R$4.5MM)

- HoldCo cost-cutting program continuation
  - Payroll expenses decrease in 4Q14 by 13.2%
  - Ongoing staff downsizing, with 28 senior positions eliminated in the last 12 months
  - Corporate head office lease termination for three floors, generating an annual saving of approx. R$3.5MM

NOTES: 1) Does not include Depreciation & Amortization; 2) Does not include expenses on Stock Options; 3) ENEVA and ENEVA Participações

Consolidated Cash Position

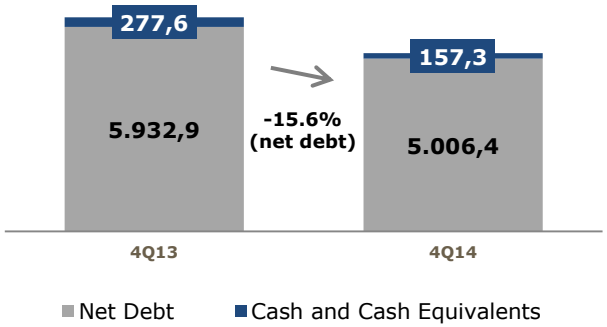


HoldCo standstill agreement with creditors and judicial reorganization request in 4Q14 prevented additional funds disbursed to debt service

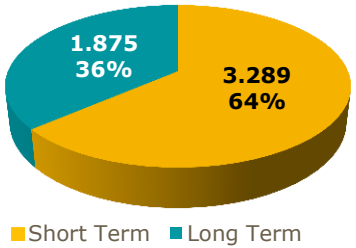
Consolidated Debt (4Q14)

Decrease in net debt principally due to Pecém II deconsolidation as of Jun/14

Consolidated Debt (R$MM)

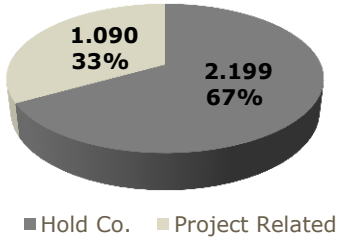


Profile of the Consolidated Debt (R$MM)



Total Gross Debt
R$5,164MM

Short-term Consolidated Debt (R$MM)



Short-term Gross Debt
R$3,289MM

- R$1,090.0MM of the short-term debt total balance was allocated to project as follows:
  - **R$243.6MM:** refers to the current portion of the short-term debts of Itaqui and Parnaíba I;
  - **R$846.4MM:** refers to the bridge loans of Parnaíba II, which should be paid with the long-term financing loans disbursements
- As a result of HoldCo judicial reorganization request, its debt services were suspended
- Successful negotiations with Itaqui and Pecém II lenders: Grant of additional grace period for interest and principal amortization and amortization tailored to the operational cash flow of the projects
- Debt maturities of Parnaíba I and Parnaíba II adjusted

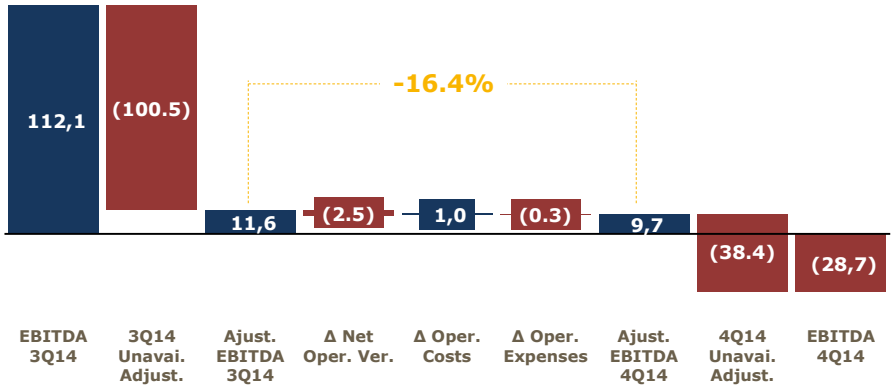
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Operational highlights

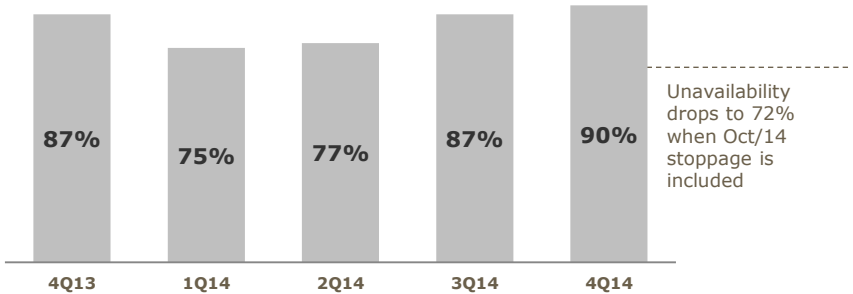
Operational Performance (Itaqui)

Despite in line Operational Costs, scheduled maintenance stoppage impacted EBITDA

EBITDA (R$MM)



Availability



Sources: ONS and the Company

Operating Costs

Operating Costs	4Q14	4Q14 (Adjust.)	3Q14	3Q14 (Adjust.)	4Q14 (Adjust.)/ 3Q14 (Adjust.)
Operating Costs[1] (R$MM)	159.0	120.6	21.1	121.6	*-0.8%*
Gross Energy Generated (GWh)	577.6	577.6	679.5	679.5	*-15.0%*
Operating Costs by Gross Energy Generated (R$/MWh)	275.3	208.9	31.1	179.0	*16.7%*

4Q14 (Adjust.) does not include the provision for unavailability cost (R$38.4MM)
3Q14 (Adjust.) does not include the reminbursement of the unavailability costs (R$100.5MM)

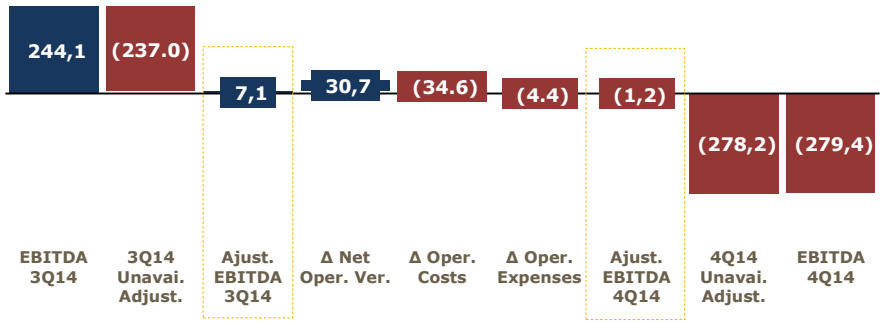
- EBITDA impacted by lower availability due to 18-day stoppage in Oct/14 for plant's scheduled maintenance
- Operating Costs and Expenses remained in line when unavailability costs adjustments are excluded in 3Q14 and 4Q14
- Booking of provision for unavailability costs amounting to R$38.4MM to be paid in 60 installments commencing Jan/15. The provision is reviewed annually in August, in accordance with calculation methodology using 60-months rolling average unavailability data
- EBITDA 2014: R$139.6MM

NOTE: 1) Does not include Depreciation & Amortization.

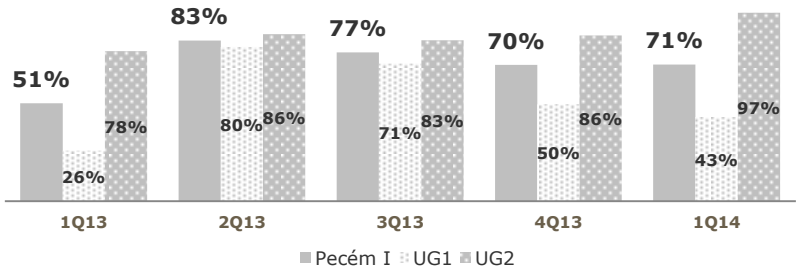
Operational Performance (Pecém I)

GU01 operations resume in Dec/14 allowed to increase variable revenue and Operational Costs optimization

EBITDA[1] (R$MM)



Availability



Sources: ONS and the Company

NOTES: 1) Includes 100% of Pecém I; 2) Does not include Depreciation & Amortization

Operating Costs

Operating Costs	4Q14	4Q14 (Adjust.)	3Q14	3Q14 (Adjust.)	4Q14 (Adjust.)/ 3Q14 (Adjust.)
Operating Costs[2] (R$MM)	576.2	298.0	26.4	263.4	*13.1%*
Gross Energy Generated (GWh)	1,127.8	1,127.8	965.2	965.2	*16.8%*
Operating Costs by Gross Energy Generated (R$/MWh)	510.9	264.2	27.4	272.9	*-3.2%*

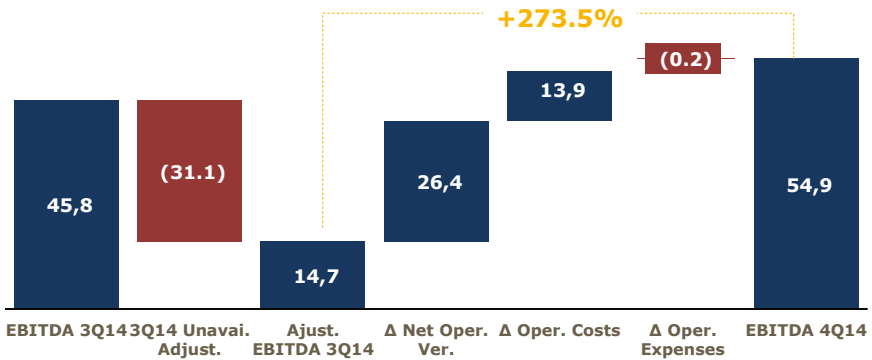
4Q14 (Adjust.) does not include the provision for unavailability cost (R$278.2MM)
3Q14 (Adjust.) does not include the reminbursement of the unavailability cost (R$237.0MM)

- 4Q14 availability affected by GU01 stoppage for corretive maintenance, concluded at the beginning of Dec/14
- Highest historic availability recorded in Dec/14: 97.1%
- Material and Outsourced Services mainly impacted by cost of parts and technical advisory for GU01 repairs (+R$10.3MM)
- Increase in Fuel cost (+R$32.2MM) deriving from higher energy generation in the period (+16.8%)
- Booking of provision for unavailability costs amounting to R$278.2MM to be paid in 60 installments commencing Jan/15. The provision is reviewed annually in August, in accordance with calculation methodology using 60-months rolling average unavailability data
- EBITDA 2014: R$46.0MM

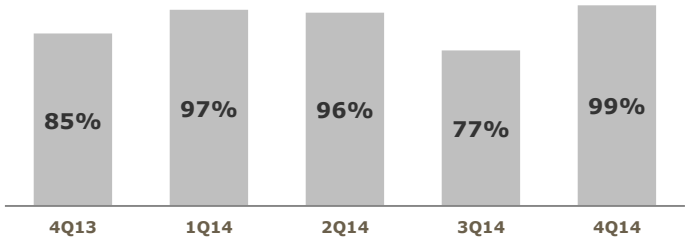
Operational Performance (Pecém II)

High availability drove revenue increase and reduction in Operational Costs by generated energy

EBITDA[1] (R$MM)



Availability



Sources: ONS and the Company

Operating Costs

Operating Costs	4Q14	3Q14	3Q14 (Adjust.)	4Q14/ 3Q14(Adjust.)
Operating Costs[2] (R$MM)	96.2	79.0	110.1	*-12.6%*
Gross Energy Generated (GWh)	804.9	618.3	618.3	*30.2%*
Operating Costs by Gross Energy Generated (R$/MWh)	119.5	127.7	178.0	*-32.9%*

3Q14 (Adjust.) does not include unavailability cost adjustment (R$31.1MM)

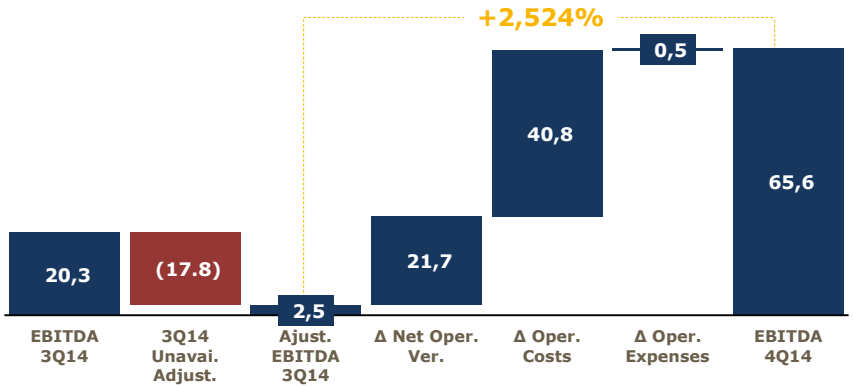
- Revenue growth in line with higher availability in 4Q14 (+29.0%)
- Highest historic availability recorded in Nov/14: 99.9%
- Increase in Fuel costs (+R$22.5MM) as a result from the higher energy generation in the period (+30.2%)
- Unavailability cost has been booked in accordance with calculation methodology using 60-months rolling average unavailability data (-R$39.2MM)
- EBITDA 2014: R$180.4MM

NOTES: 1) Includes 100% of Pecém II; 2) Does not include Depreciation & Amortization

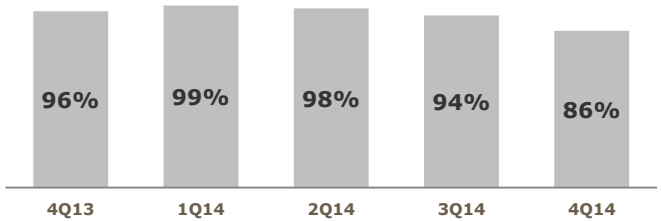
Operational Performance (Parnaíba I)

Higher CVU and fixed lease cost normalization contributed to EBITDA growth

EBITDA (R$MM)



Availability



Sources: ONS and the Company

Operating Costs

Operating Costs	4Q14	3Q14	3Q14 (Adjust.)	4Q14/ 3Q14(Adjust.)
Operating Costs[1] (R$MM)	166.8	189.8	207.6	*-19.6%*
Gross Energy Generated (GWh)	852.4	1,172.8	1,172.8	*-27.3%*
Operating Costs by Gross Energy Generated (R$/MWh)	195.7	161.8	177.0	*10.6%*

3Q14 (Adjust.) does not include the adjustment to the unavailability costs (R$17.8MM)

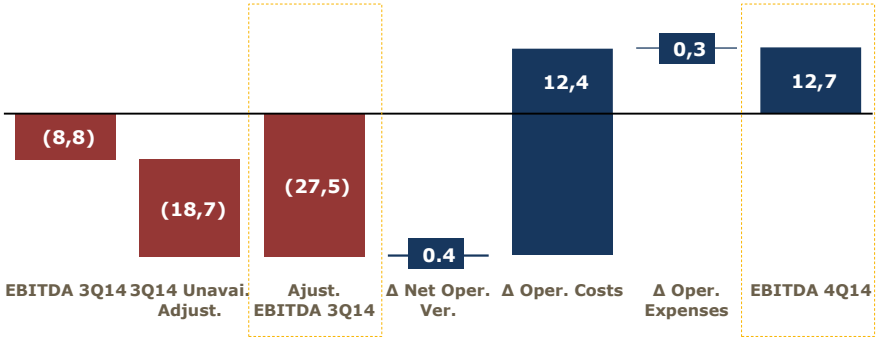
- Availability impacted by the gas optimization strategy of Parnaíba Complex and occasional stoppages in 4Q14 to allow Parnaíba II testing and commissioning
- Despite energy generation reduction, variable revenue increased as a consequence of higher CVU in the period (+7.2%)
- Decrease in the Rental and Leases cost (-R$30.0MM), which was inflated in 3Q14 due to a *prorata* adjustment to the fixed leasing cost of the Gas Treatment Unit that supplies Parnaíba I (+R$23.4MM)
- Accounting the transfer of operating generation costs of Parnaíba II steam turbine (R$11.7MM), as a result of operation in substitution of part of Parnaíba I, as agreed with Aneel
- Unavailability costs inflated in 3Q14 by R$17.8MM due to accounting provision of *prorata* overpayment reimbursement
- EBITDA 2014: R$181.0MM

NOTE: 1) Does not include Depreciation & Amortization.

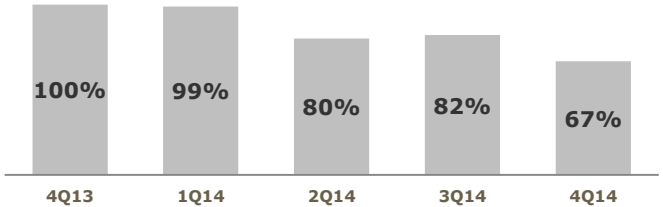
Operational Performance (Parnaíba III)

60-month rolling average unavailability calculation methodology reduced the impact on EBITDA from Parnaíba Complex's gas optimization

EBITDA[1] (R$MM)



Availability



Sources: ONS and the Company

Operating Costs

Operating Costs	4Q14	3Q14	3Q14 (Adjust.)	4Q14/ 3Q14(Adjust.)
Operating Costs[2] (R$MM)	42.6	63.4	82.1	*-48.2%*
Gross Energy Generated (GWh)	227.4	233.1	233.1	*-2.4%*
Operating Costs by Gross Energy Generated (R$/MWh)	187.1	272.2	352.4	*-46.9%*

3Q14 (Adjust.) does not include unavailability cost adjustment (R$18.7MM)

- Availability reduction in 4Q14 (-18.9%) due to: (i) occasional stoppages for Parnaíba II testing and commissioning; and (ii) maintenance of the Gas Treatment Unit
- Unavailability cost has been booked in accordance with calculation methodology using 60-months rolling average unavailability data (-R$37.9MM)
- Unavailability cost inflated in 3Q14 by R$18.7MM due to accounting provision of *prorata* overpayment reimbursement
- EBITDA 2014: R$9.8MM

NOTES: 1) Includes 100% of Parnaíba III; 2) Does not include Depreciation & Amortization

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Closing remarks

Main Takeaways

- **Efforts focused in judicial reorganization plan and other related measures approval**
  - Negotiations in course with the main creditors to expedite the approval of a JR plan
  - Next steps: Call of creditors meeting in the weeks ahead and JR plan implementation

- **Commitment to continue HoldCo expenses reduction**
  - Additional staff downsizing in 1Q15
  - Plans to further reduce leased area to corporate head office

- **Positive expectations for 2015**
  - Approval of JR plan in 2Q15
  - Potential new governance structure without a shareholders' agreement
  - Ongoing optimization of HoldCo and plants G&A expenses
  - Continuation of the plants' operational stabilization plan, targeting performance and costs


Thank you.
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