

2014 Management Report

AES Uruguaiana Empreendimentos S.A

Dear Shareholders,

The management of AES Uruguaiana Empreendimentos S.A. ("AES Uruguaiana" or "Company") submits to your appreciation the Management Report and financial statements, accompanied by the Audit Report of independent auditors referring to the fiscal year ended on December 31, 2014. The financial statements are prepared in accordance with the accounting practices adopted in Brazil and applicable standards to Electric Power Public Service concessionaires and authorized companies, established by the Brazilian Electric Power Agency ("ANEEL").

Profile

AES Uruguaiana started its activities in 2000 in the city of Uruguaiana, in the State of Rio Grande do Sul and is authorized to operate as an independent producer for the term of 30 years, as from June 26, 1997. The power station has a capacity utilization of 639.9 MW (megawatts) and two combustion turbines with capacity of 187.5 MW each and a steam turbine with capacity of 265 MW.

The generator has its activities paralyzed since April 2009 due to the total shutdown of the gas supply by its sole supplier, the Argentinian company Yacimientos Petrolíferos y Fiscales S.A. ("YPF"), which occurred in May 2008. This disruption determined the shutdown of the operating activities of the power station in April 2009.

Still in 2009, the Company presented the application for arbitration against YPF for the termination of the export agreement, pleading for the payment of the damage. The favorable decision occurred in May 2013; however, the litigation is still under discussion at the arbitral court and its conclusion is expected for 2017.

In late 2012, the Ministry of Mines and Energy ("MME"), together with AES Uruguaiana, Petróleo Brasileiro S.A. ("Petrobrás"), Companhia de Gás do Estado do Rio Grande do Sul ("Sulgás"), TSB ("Transportadora Sulbrasileira de Gás") and Operador Nacional do Sistema ("ONS") started the negotiations to resume the power station operation. In December 2012, the Company was given authorization to resume the power station operation for the period of 60 days.

The operations partially started on February 06, 2013 with power, at this first period, of 164 MW and, at the second period, of 244 MW, with a combined cycle operation drive.

In 2014, the power station was authorized again by MME to operate in an exceptional and temporary manner, generating, from March 9, 2014 to May 16, 2014, the equivalent of 240MWh.

Operating Performance

Due to the disruption in the natural gas supply, in April 2009, AES Uruguaiana disrupted its operations and started the power plant maintenance and conservation program ("Hibernation"). This decision was made in view of the reduction of costs and preparation of the power station for any possible activity resumption in the future, in the event of gas availability.

Upon acknowledging the need for a power station generation, in an exceptional and temporary form, by MME in 2013 and 2014, the power station recorded a net generation of 322.1 GWh in 2014, an amount 35% higher than the amount recorded in the previous year (239.0 GWh).

When resuming the availability of the power station and return of operations, during the months of February and March of 2013, demanded investments from the Company to take the power station away from the Hibernation status. Such investments were reimbursed by means of System Service Charges ("ESS") in the amount of R\$ 22.5 million, in the accounting process of the Electric Power Commercialization Chamber ("CCEE"), in September of 2013.

In the operations of 2014, the amount equivalent to R\$ 259 million was received in the CCEE liquidation process, including fixed and variable costs and remuneration for the power station generation. Additionally, the reimbursement of R\$ 3 million, referring to these cost adjustments, was requested with ANEEL.

Commercial Performance

Currently, AES Uruguaiana remains with its activities paralyzed due to the gas unavailability.

The return of the commercial operation in 2013 and 2014 have a temporary and exceptional character. However, the Company's Management seeks for alternatives to make the power station commercial return and its long-term operations feasible.

Economic-Financial Performance

The return of the power stations commercial operation in an exceptional and temporary manner, during 2013 and 2014, resulted in the assessment of a gross income of R\$ 265.6 million in 2014 in comparison with R\$ 188.9 million in 2013. This increase is related to the power generation increase (322.1GWh in 2014 in comparison with 188.9GWh in 2013) and the increase of the natural gas price recorded over the period.

AES Uruguaiana's operating costs and expenses, including depreciation, amounted to R\$ 246.6 million in 2014 versus R\$ 49.5 million in 2013, particularly due to the reversion of the provision of the accounts payable due to YPF of R\$ 121.7 million, in the first semester 2013. Excluding such effect, the operating costs and expenses amounted to R\$ 171.2 million, representing a 44% increase in comparison with 2014, due to the higher volume and natural gas price acquired for the temporary power generation of energy over the period.

Ebitda amounted to R\$ 16.8 million in 2014, in comparison with R\$ 145.0 million in 2013, mainly explained by the effects previously mentioned.

AES Uruguaiana's net financial result amounted to an income of R\$ 13.4 million in 2014, in comparison with an income of R\$ 18.1 million in 2013. Such result is particularly due to the income with monetary variation on the reversion of accounts payable amount provision to YPF in 2013, as exposed above, in the amount of R\$ 10.3 million, compensated by the lower financial income (R\$ 8.6 million in 2014 in comparison with R\$ 12.9 million in 2013).

The Company recorded a net profit of R\$ 5.4 million in 2014, in comparison with a net profit of R\$ 138.4 million in 2013, particularly due to the reversion of provisions with YPF performed in the first semester of 2013.

Investments

The exceptional and temporary operation of the power station in 2013 and 2014 required investments to take the power station out of the hibernation status. In 2014, the Company recorded investments in the amount of R\$ 1.0 million, and, in 2013, in the amount of R\$ 1.9 million.

Socio-environmental Management

AES Uruguaiana was the first thermal power station to operate with natural gas in Brazil, in 2000. One of its commitments is the management of the environmental impacts of its activities, directly contributing to the sustainable development of the surrounding communities.

The Company adopts the guidelines of the Interconnected Management System ("SGI"), contemplating standards ISO 14004:2004 (Environment) and BS OHSAS 18001:2007 (Occupational Health and Safety) of the AES group in Brazil and even during shutdown periods, it maintains the environmental monitoring program, controlling in an effective manner, ensuring the fulfillment of the effective environmental law pursuant to UTE Uruguaiana's permit to operate.

The Company's SGI offers a system for continuous improvement by developing purposes, goals and management programs, standardizing, thus, the company's processes and activities, particularly those offering higher risks to collaborators' health and safety and to the environment.

Independent Audit

Throughout the fiscal year of 2014, AES Uruguaiiana used the independent audit services of KPMG Auditores Independientes ("KPMG") only for the audit of its financial statements and special review of its semester information.

In contracting other services of its external audits, the Company's policy is based on principles preserving the auditor's independence and consisting of: (a) the auditor must not audit his/her own task; (b) the auditor must not exercise management functions at the Company; and (c) the auditor must not promote the Company's interests.

Uruguaiiana, February 25, 2015.