

Sustainability Report **2006**





Perfil das Usinas AES Tietê

Hydrographic Basin/River	Plant	Start-up of operation	Number of turbines	Installed capacity
Tietê	Barra Bonita	1963	4	141
Tietê	Bariri	1965	3	143
Tietê	Ibitinga	1969	3	132
Tietê	Promissão	1975	3	264
Tietê	Nova Avanhandava	1982	3	347
Grande	Água Vermelha	1978	6	1,396
Pardo	Limoeiro	1958	2	32
Pardo	Euclides da Cunha	1960	4	109
Pardo	Caconde	1966	2	80
Mogi-Guaçu	Mogi-Guaçu	1994	2	7
Total				2,651

Presentation

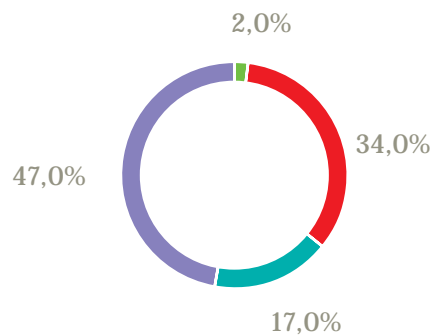
AES Tietê relates, in the next pages, the activities and events that marked the Company's operations during the course of 2006, a year of major accomplishments. In this Annual Sustainability Report, we sought to gather the main information about our work, which was translated into economic, financial, social and environmental results.

Enjoy your reading!

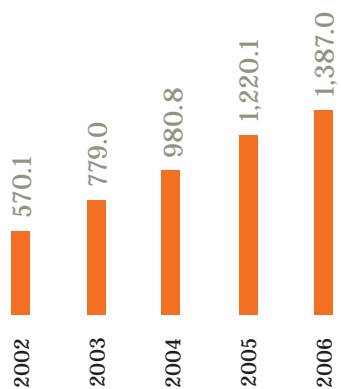
Distribution of Value Added

Government Personnel
Shareholders Financing Parties

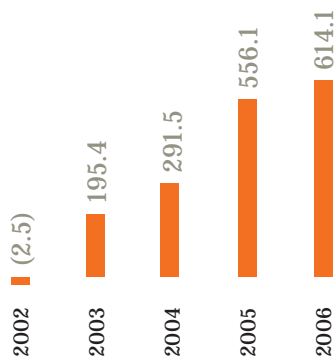
2006



Net Operating Revenue - (R\$ million)

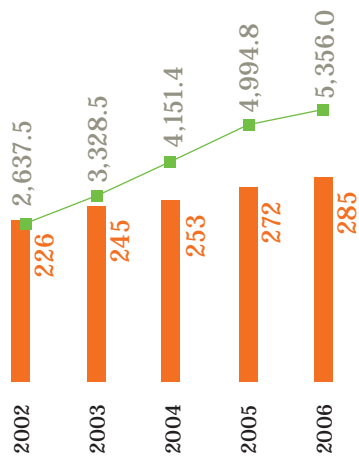


Net Income (Loss) (R\$ million)

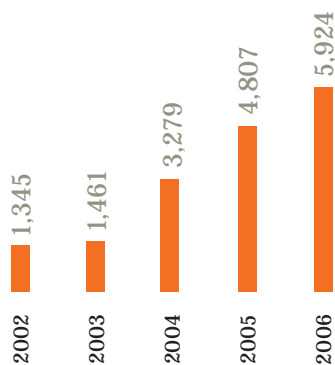


Number of Employees and Financial Productivity

Number of Employees
Gross revenue/Employee (R\$ '000)



Market Capitalization (R\$ million)



Sustainability Highlights

Results (R\$ million)	2002	2003	2004	2005	2006
Gross Revenues	596.1	815.5	1,050.3	1,345.0	1,526.5
Net Revenues	570.1	779.0	980.8	1,220.1	1,387.0
Operating Expenses	(194.3)	(231.4)	(267.9)	(344.9)	(357.0)
EBITDA	439.1	611.8	776.5	939.1	1,096.9
Net Financial Income	(379.9)	(251.2)	(293.2)	(64.2)	(110.6)
Operating Profit (Loss)	(4.1)	296.4	419.7	810.9	919.4
Net Profit (Loss)	(2.5)	195.4	291.5	556.1	614.1
Margins (%)	2002	2003	2004	2005	2006
EBITDA Margin	77.0	78.5	79.2	77.0	79.1
Net Margin	(0.4)	25.1	29.7	45.6	44.3
Economic and Financial Indicators (R\$ million)	2002	2003	2004	2005	2006
Fixed Assets	1,421.0	1,350.3	1,308.4	1,270.0	1,249.4
Shareholders' Equity	434.0	443.7	458.3	475.4	475.4
Current Liquidity	0.7	2.3	2.1	1.5	-
Return on Equity (%)	(0.6)	44.0	63.6	117.0	-
Gross Debt	1,478.5	1,519.8	1,585.7	1,471.7	1,372.2
Net Debt	1,405.8	1,253.5	1,096.3	676.5	681.9
Net Debt / EBITDA (times)	3.2	2.0	1.4	0.7	0.6
Capital expenditures*	30.5	12.4	21.9	27.5	46.5
Performance and Quality Indicators	2002	2003	2004	2005	2006
Number of employees	226	245	253	272	285
Productivity (GWh / employee)	48.8	49.8	47.2	47.2	43.8
Generating Unit Availability (%)	94.2%	96.1%	90.9%	92.6%	93.0%
Generating Unit Failure Rate	3.0	2.3	2.5	1.6	1.7
Environmental indicators	2002	2003	2004	2005	2006
Investments in operations	4,701,823.00	1,608,629.00	2,748,460.00	2,588,992.00	5,698,560.00
Social Indicators	2002	2003	2004	2005	2006
Productivity (Gross Revenues / employee) (R\$ thousand)	2,637.5	3,328.5	4,151.4	4,944.8	5,356.0
Stock Market Indicators	2002	2003	2004	2005	2006
Price at Bovespa – '000 common (ON) shares **	17.00	18.00	34.99	50.00	62.00
Price at Bovespa – '000 preferred (PN) shares **	11.50	13.00	34.99	50.90	62.30
Number of shares ('000 shares)	93,698,262	93,698,262	93,698,262	95,313,373	95,313,373
Profit (loss)/'000 shares	(0.03)	2.09	3.11	5.83	6.44
Market capitalization (R\$ million)	1,345	1,461	3,279	4,807	5,924
Shareholder remuneration for the fiscal year	225.0	185.6	276.9	539.0	614.1

* (Including investments in property, plant, equipment and deferred assets)

** At the closing of the last trading session in the year.

2006

Sustainability Report



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Profile

AES Tietê S.A. is one of the major power generators in Brazil. It ranks 9th in terms of installed capacity according to Aneel (Agência Nacional de Energia Elétrica, or Brazilian Electric Energy Agency). It operates ten hydroelectric plants on four rivers – Tietê, Pardo, Mogi-guaçu and Rio Grande – in Central, Northeastern and Northwestern São Paulo State. The total installed capacity for power generation is 2,651 megawatts (MW), which corresponds to 12% of all power generated in the State and 3% of the national power generation.

[2.1](#) [2.2](#) [2.7](#)

The Company was established in 1999 as Companhia de Geração de Energia Elétrica Tietê – after the split of Cesp (Companhia Energética de São Paulo) for privatization purposes – and its assets were Cesp’s power generation businesses. The Company was bought out at an auction by AES Corporation, one of the largest investors in the power business worldwide, with operations in 26 countries. The Company’s name became AES Tietê S.A. after this acquisition.

[2.5](#) [2.6](#)

Inasmuch as the Company is a power generator and a public utility concessionaire, its business is governed by the rules set up in a 30-year concession contract, starting from December 20, 1999. This contract allows AES Tietê to produce and market electric power as an Independent Power Producer.

[2.6](#)

AES Tietê is controlled by Companhia Brasileira Energia (“Brasiliiana”) – a holding company formed by AES Corp and BNDES (the Brazilian Economic and Social Development Bank) – which also controls Eletropaulo Metropolitana Eletricidade de São Paulo S.A. (“AES Eletropaulo”) and AES Uruguaiana Empreendimentos S.A. (“AES Uruguaiana”).

AES Tietê is a publicly-held corporation with shares listed on the São Paulo Stock Exchange (Bovespa) and Level 1 ADRs traded on the American over-the-counter market. The Company’s gross revenues were R\$1,526.5 million at the end of 2006, up 13.5% from 2005. A R\$614.1 net income was recorded in 2006, 10.4% higher than in 2005.

2.8

MISSION

To generate and distribute electric power and provide other services to fulfill the world’s needs in a safe, clean, reliable and socially responsible manner.

4.8

AES VALUES

Safety

AES Group will always prioritize safety – for its employees, outsourced personnel and the members of the communities served.

Integrity

AES people are honest, trustworthy and reliable. Integrity is at the core of all they do – how they conduct their activities, perform their duties, and interact with one another and all of their stakeholders.

Commitment

AES Group is committed to its stakeholders (customers, employees, communities, shareholders, suppliers and partners) and wants its businesses to make a positive contribution to society.

Excellence

AES Group strives to be the best in all it does. The group performs at world-class levels and provides reliable, high-quality services to its customers.

Self-fulfillment

AES Group wants its employees to enjoy what they do and appreciate the sense of fulfillment they get from being part of a successful team that makes a difference. People work because they feel fulfilled, useful and motivated.

4.8



Methodology

AES Tietê's 2006 Annual Report brings an innovation as a result of the decision to concentrate and put together economic, environmental and social information in a Sustainability Report.

This initiative is based on the belief that the sustainability and survivability of the core business – providing a utility – rests on three pillars: social development, the preservation of the environment and sound economic and financial practices, factors that should be incorporated into the Company's daily routine.

In line with this principle, AES Tietê has been regularly investing in the pursuit of operating excellence, with a view to distributing electricity in a safe and socially responsible manner. Consequently, this document includes information related to the Company's management practices, as well as the economic, social and operating data integrated with the Company's performance in the Social Responsibility and Environmental areas.

The issues addressed in this Report are not stringently divided into different fields, such as

operations, administrative, economic and financial, social or environmental management, since the routines in these areas are overlap in corporate activity. Commercial activities, for instance, include relationship with customers. Business Management, in turn, is based on the improvement of the Company atmosphere, just as operating activities always depend on environmental factors, as well as the interaction with the community and with local authorities. This integration and interdependence show AES Tietê's commitment to operating in a socially and environmentally responsible manner.

“The vision of sustainability

of AES Tietê and of the other companies of AES Group rests on an economic pillar, a social pillar and an environmental pillar, the three of which act and interact with one another. Viewed through this prism, the Company activities are based on sound economic and financial practices, with a view to contributing to the social development of the areas in which it operates as well as preserving the environment, maintaining and restoring the natural resources tapped in its activities. The Company believes that the balance between these factors will ensure the sustainability and the continuity of its core business, which is providing a utility service, namely power generation, to society in a responsible manner.”

AES companies in Brazil work towards continuously improving the reports of their social and environment-oriented actions and practices, a firm commitment to sustainable development that is reinforced by the fact that the group basically deals with renewable energy.

In line with this vision, two years ago a decision was taken to progressively adhere to the guidelines laid down by the Global Reporting Initiative (GRI), an organization that proposes the only model for sustainability reports that is accepted worldwide. The aim of the Company in following GRI guidelines is to publish a Report that provides accurate sustainability information that can be compared and used in practice.

GRI was created in 1997 as a joint initiative of the United Nations Environment Program (Unep) and of the non-governmental organization Ceres (Coalition for Environmentally Responsible Economies) to raise the standards of sustainability reports to a level equivalent to that of financial reports. With this in mind, investors, market analysts and the organized civil society are expected to start considering not only economic and financial information but also social and environmental data in their corporate performance assessments.

3.11

Sustainability is the pivotal point of this Annual Report, which is geared to the following stakeholders of AES Tietê:

Main focus:

investors, financial institutions, electric energy regulatory agencies, Third Sector organizations and government bodies;

Other constituencies

employees, customers, community, suppliers, press, universities.

The main focus was determined based on the major demand from these constituencies for information on the Company.

3.5 3.6 4.14

The guidelines for the preparation of GRI reports also seek to integrate a range of initiatives in line with sustainable development, such as codes of conduct, the Global Pact, performance standards (SA 8000), governance standards (OECD – Organization for Economic Co-operation and Development), management systems (ISO) among others.

Adherence to the international model is a voluntary act. Furthermore, it is essential that adherence to these practices follow a stage of planning, structuring and commitment of the corporation as a whole. The level of awareness brought about by these practices will be demonstrated throughout this report.

3.5

- 1. Água Vermelha Power Plant (Ouroeste-SP): more than 50% of installed capacity*
- 2. Generation Operations Center, located in Bauru*
- 3. Flora Management Program: 1 million seedlings per year*





Eduardo José Bernini
Chief Executive Officer

Message From The Ceo

The restructuring process of AES companies in Brazil started in September 2003 and reached maturity in 2006. This is seen in the results of AES Eletropaulo, AES Sul, AES Tietê and AES Uruguaiana, whose overall net income amounted to over R\$1 billion last year.

The good corporate performance in 2006 can be mainly attributed to measures such as the shareholding restructuring, debt reduction and the extension of debt maturity, coupled with the strict cost control and continuous efforts to increase revenues. The external situation, with more stable rules for the electricity sector (consolidated in the new model) and the upsurge in power consumption, also contributed to the positive results.

Nevertheless, these factors alone would not result in such positive indicators without the restructuring effort the Company has been engaged in since 2003, with the ultimate goal to consolidate the credibility of the AES Group in Brazil through better results for all its stakeholders.

The strategy involved administrative restructuring (redistribution of the decision-making power, creation of business areas and teamwork incentive), a financial restructuring and enhanced operations and services.

A continuous effort to revive and consolidate corporate image, both to internal and external stakeholders, is just as noteworthy. Also considered a strategic priority, it was based on specific action and the incorporation, by all 5,500 employees of AES Group in Brazil, of values (ethics, transparency and proactivity) and practices geared to social and economic development and the sustainable use of natural resources.

The most important factor for this result – and the greatest highlight of last year for AES Companies in Brazil as a whole – was people’s ability to develop themselves. The underlying reason for professional and personnel development programs was the awareness that each individual’s behavior determines corporate success or failure much more than machines and equipment. Consequently, the companies emphasize the Leadership Development Program (to improve staff management and team motivation), the BBS Program (which promotes safe behavior as a way to prevent accidents), besides a continual improvement in working conditions.

The commitment of the AES Companies in Brazil to sustainability was, therefore, a requirement of the restructuring program. The advances observed over these three years are further evidence that the introduction of practices and values geared to social and environmental responsibility – both concepts in their broadest sense here – are compatible with a strategy designed to achieve consistent economic and financial results. As a matter of fact, they are tactic elements of this strategy.

The annual investments in the upgrade and repair of AES Tietê’s plants with a view gaining more operating reliability should be seen through this perspective. In the field of power generation, the maintenance and upgrade of equipment are crucial to increase its service life and reduce operating costs. In 2006, investments totaled R\$46.5 million (69.1% more than in the previous year, mainly because of the revival of the investment program in Small-Scale Power Plants (SSPP).

This vision of sustainability includes running important environmental programs, such as the reforestation of reservoir banks and fishing management, as well as sponsoring cultural projects in communities of the interior of São Paulo State.

It is, therefore, timely to include all three pillars of this concept in the 2006 Sustainability Report: economic and financial performance, social responsibility and environmental responsibility. Consistently with corporate strategy, actions are not described in isolation, but contextualized in the Companies’ activities. Moreover, the results of these actions are not only mentioned, but also shown in indicators (GRI – Global Reporting Initiative), which are used as parameters to assess how much and in what direction we have advanced and how far we still have to go.

The introduction of these practices and concepts is not a one-time project, but a permanent process that should pervade the routines of all the Companies more and more until it becomes part of corporate culture.

According to the corporate strategy outlined for 2007 and 2008, these routines will remain geared to society, the environment, technical and operating excellence, technological development and the improvement of our services, without losing the focus on cost control and revenue increase. If all these tools are used in a coordinated manner, they will certainly enable us to achieve consistent results for all our stakeholders.

1.1 **3.11**



Corporate Governance

AES Tietê's commitment to making its activities more sustainable can be observed in its transparent relationship with its different stakeholders. Management follows the best corporate governance practices, an attitude recognized by its shareholders and managers.

4.4

Since the Company focuses on long-term sustainable development, a new organizational structure was introduced in the second half of 2006. The model is designed to provide greater integration of different areas, introduce a process-based model for the whole organization, make the decision-making process quicker and better and focus more closely on both internal and external customers.

Board of Directors

The Board of Directors consists of eleven members, seven of whom represent the controlling shareholder. Of the remaining four, one represents BNDESpar, one represents the employees and two are independent members. The Board has a three-year term.

4.1 4.3

Statutory Audit Committee

It consists of up to five members, three of whom representing BNDES. The remaining two are appointed by the minority shareholders.

4.1

Committees

Management Committee

This is a permanent committee made up of six members, three of whom represent AES. The remaining three represent BNDES (the Brazilian Economic and Financial Development Bank).

It provides support and technical assistance to the Board of Directors and the Executive Board. The committee studies investment plans and follows up on the Company's performance and evaluates service quality according to the requirements of the regulatory body. It also follows up on the implementation of the Annual Business Plan and discusses relevant strategic issues of a technical, operational, legal, administrative, economic, financial, environmental or social nature.

Regulatory Risk Management Committee

For two years, the group has been holding weekly meetings to discuss procedures for AES companies in Brazil using a risk management methodology based on Basel's COSO framework.

4.1

Investor Relations

The mission of the Company's Investor Relations area is more than just to fulfill the demands of and provide information to investors and analysts. Its main goal is to ensure a relationship based on transparency and bring AES Tietê even closer to capital market players. This policy is a component of the Company's strategy to bring its activities in line with its vision of responsibility and sustainability.

The Company actively pursues its Policy of Disclosure of Relevant Information, approved by the Board of Directors in 2004 pursuant to CVM (the Brazilian Securities and Exchange Commission) resolutions.

In 2006, four conference calls to announce the year's results and several meetings with analysts and investors were held. In addition, Investor Relations took calls and answered emails from these stakeholders. There were also public meetings at the São Paulo and Rio de Janeiro chapters of Apimec (Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais, or Association of Capital Market Analysts and Professionals.)

The number of financial institutions regularly covering the Company's performance increased from ten in late 2005 to sixteen at the end of 2006.

Sarbanes-Oxley

Since it belongs to an American group with stock listed on the New York Stock Exchange, AES Tietê will promptly supply AES Corporation with any information required by the Sarbanes-Oxley Legislation.

4.12

Independent Audit

Ernst & Young Independent Auditors has been in charge of external AES Tietê audit since 2004, in compliance with the five-year rotation requirement. Complementary services or consulting were not hired from that company in 2006. Therefore, its services focused solely on accounting audit so as to avoid any possibility of interest conflicts.

4.10

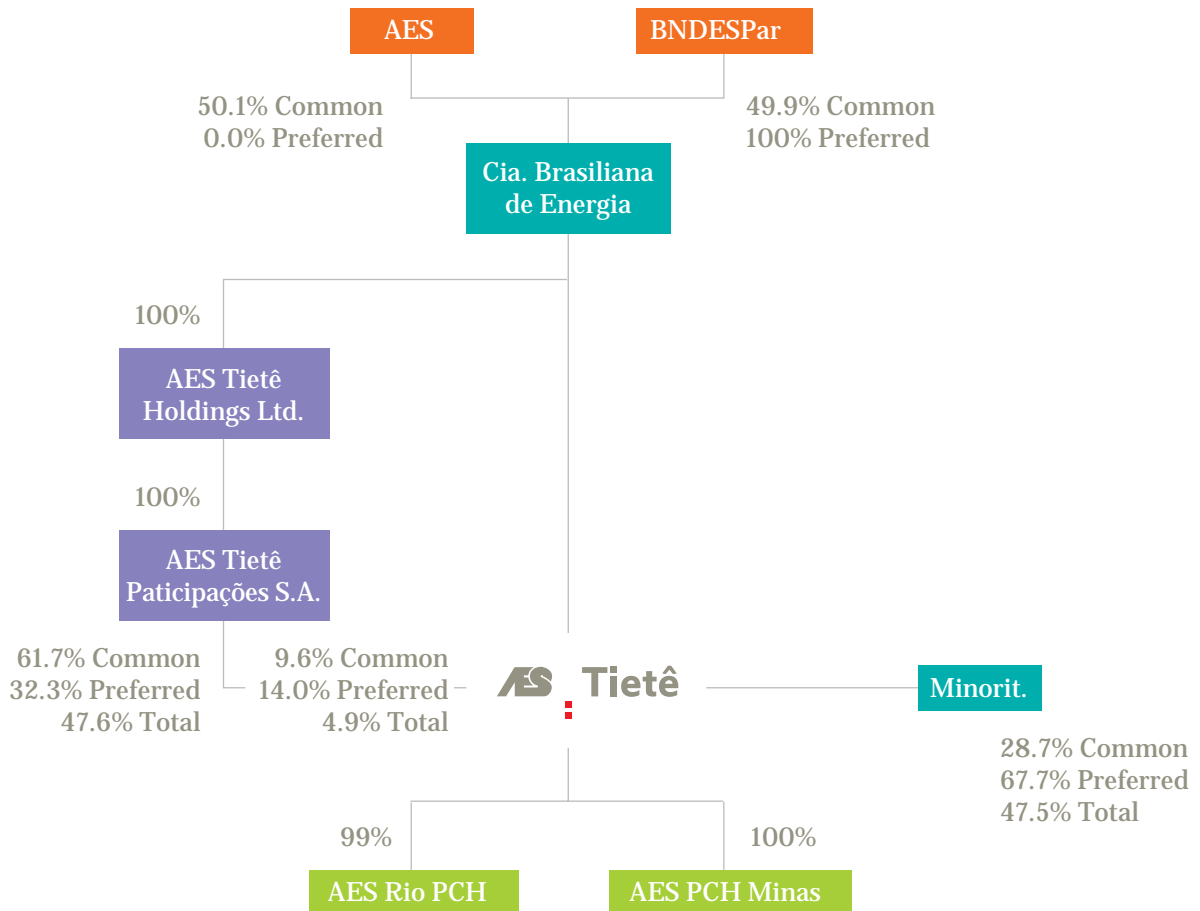
Shareholding Structure

In September 2006, Brasileira Energia (“Brasiliana”), an indirect controlling shareholder of AES Tietê, started a financial and shareholding restructuring process with a view to strengthening the capital structure of the group by reducing its indebtedness and restructuring its outstanding debt. Furthermore, it intends to eliminate inefficiencies arising from the existence of holding companies or intermediaries, some of which with overseas headquarters.

This effort involved a secondary offer of Class B preferred shares issued by AES Eletropaulo and controlled by AES Transgás, as well as the advance payment of Brasileira’s debt with BNDES. Afterward, Brasileira merged with Transgás, which in turn merged with Energia Paulista. The resulting corporation, controlled by AES Corporation and BNDES, was named Companhia Brasileira de Energia. A number of operations to eliminate intermediary holding companies – such as AES Tietê Holdings and AES Tietê Participações S.A. – between Companhia Brasileira de Energia and the operating corporations that it controls followed in order to streamline corporate structure.

Shareholding Structure 12.31.2006

2.3



2.3



Sector Environment

Economic Situation In 2006

In 2006, the Brazilian economy showed several positive indicators, such as a low inflation rate, high trade balance surplus, a better public debt structure, with the elimination of the net foreign currency public debt and a sharp increase in real wages and salaries, retail sales and credit. Moreover, expected financial indicators are also very positive. Brazil risk and long-term interest rates fell to a record low.

Basic interest rates have been falling steadily since September 2005. Selic rate was 13.19% at the end of 2006 in comparison to 18.05% at the end of 2005. This drop was one of the main contributing factors to the sharp rise in domestic demand in 2006, which followed the 3.7% rise in the GDP and rose by 4.3% in 2006 according to IBGE (Brazilian Institute of Geography and Statistics).

	2006	2005
Selic ¹	13.19%	18.05%
FX rate (RS x US\$) ¹	2.14	2.34
Real appreciation over US dollar ¹	8.66%	11.82%
IPCA ²	3.14%	5.69%
IGP-M ²	3.85%	1.20%

1. End of year

2. Accumulated over the year

According to data from the Monthly Employment Survey of IBGE, the unemployment rate in Brazil remained virtually flat throughout the year and changed from 9.8% in 2005 to 10.0% in 2006. However, real average income increased by 4.5%. There has been an upward trend of wages and salaries since January 2005, which resulted in greater purchasing power for the population.

Accumulated IGP-M (General Market Price Index) and IPCA (Broad Consumer Price Index) were 3.85% and 3.14% respectively in 2006. Concerning exchange rates, the national currency rate to the US dollar kept its upward trend and rose by 8.66% in 2006.

Power Generation Market – The Electricity Sector and its Regulatory Environment

The Ministry of Mines and Energy (MME) sets the guidelines for the Brazilian electricity sector, which is regulated by Aneel, the Brazilian Agency of Electric Energy. Besides these bodies, the following institutional agents also play a key role: The Electric System National Operator (ONS), which coordinates and controls the operation of the Interconnected System; the Chamber of Commerce for Electric Energy (CCEE), which is responsible for the accounting and liquidation of short-term market transactions and, under assignment of Aneel, holds electricity auctions; and the Energy Research Enterprise (EPE), which conducts studies and surveys for sector planning.

The current sector model was designed to ensure power supply and reasonable tariffs. It is outlined in Law N° 10.848 of March, 2004, which regulates the operation of generation, distribution, transmission and marketing companies.

According to Aneel, Brazil currently has 1,600 power generation businesses producing 96,970.8 megawatts (MW). The country's generation capacity is expected to rise by 26,180.1 MW in coming years, due to 86 new projects under construction and 499 others that have been authorized. Aneel data also show that 76.5% of all the electricity produced in the country comes from hydroelectric sources.

AES Tietê always seeks to improve its relationship with the regulatory body and other institutions in the sector, in compliance with its policy of proactivity and transparency to its stakeholders. The Company had active members at *Associação Brasileira dos Produtores Independentes de Energia Elétrica* (Apine) (Brazilian Independent Power Producers' Association), *Associação Brasileira dos Geradores de Energia* (Abrage) (Brazilian Association of Power Generators) and *Associação Brasileira dos Concessionários de Energia Elétrica* (ABCE) (Brazilian Association of Electric Energy Concessionaires) to further communication, share experiences and contribute to the development of the electricity market.

1. *Bariri Power Plant (Boracéia-SP): installed capacity of 136 MW*
2. *Reservoir bank of the Promissão Power Plant (Promissão-SP): reforestation area*
3. *Limoeiro Power Plant (Mococa-SP), located on Pardo River*





Business Management

Consistent action explains the achievement of good results for a company. Consequently, AES Tietê is managed so as to ensure the sustainability of its business by means of activities that maintain its economic, financial, social and environmental consistency. In addition, it places a great emphasis on training in order to motivate and value its employees.

AES Tietê's relationship with its internal and external shareholders, as well as its principles and work model, is based on its Code of Ethics, a document that guides the Company's activities. It also encourages Participative Management, so it accepts employees' suggestions for improving internal processes.

Management Tools

AES Tietê uses tools that support its methods and processes to ensure responsible, increasingly efficient and cost-effective management.

These tools are often reviewed and updated. The main tools are described below:

Information Technology – Genesis/SAP

Genesis is an AES Corporation global project, whose process design and configurations were made in Brazil, with the expertise of professionals from Brazil and seven other countries where AES Corp operates. Its base is SAP software, and it allows improved performance in the commercial, operating and administrative areas. This provides greater control over and reliability in information.

AES Tietê's SAP Management Systems were upgraded in important ways in 2006. This improvement made it possible to review the business processes in the financial and supply areas and to improve systems and productivity controls. Moreover, the Company implemented the new AES global processing platform for the SAP system. It used two latest generation international data processing centers, in Virginia, USA, and London, UK. This new platform allows better processing performance and enhances logical data security.

Operation

Greater synergy was observed in the services performed among AES companies in Brazil in 2006. For instance, border metering of AES Tietê, AES Uruguaiana and PCH Minas plants was introduced with the use of AES Eletropaulo's Metering Station.

Relationship With Internal Public

- LA1 LA2 LA3 LA4
- LA8 LA10 LA11 LA14

The adoption of the concept of best practices and its development by the Company's human resources is crucial to AES Tietê.

Number of Employees

Outsourced

Own

2006



2005



Total number of employees (including outsourced):
 2006 – 569
 2005 – 531

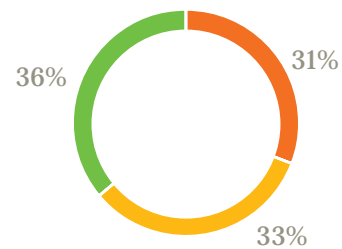
Job Position Breakdown

Administrative

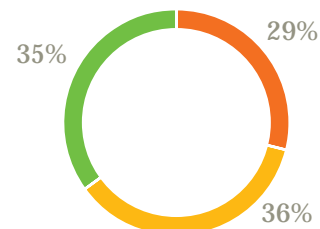
Operational

Technical

2006



2005



Number of Employees

	2006		2005	
	Own	Outsourced	Own	Outsourced
O&M Vice-Presidency	220	237	213	236
Internal Audit	2		2	
Regulatory Area	3		3	
Environment/Carbon	8	50	7	23
Commercial	6		7	
Legal Affairs	3		4	
Communications	4		1	
New Businesses	1		2	
Financial Control	11		10	
Treasury	3		3	
Internal Controls	1		1	
Tax Planning	2		0	
Financial Planning	4		2	
Investor Relations	1		2	
Human Resources	3		3	
Information Technology	3		2	
Supplies	10		10	
Total	285	287	272	259

As a result, the Company is deeply concerned about valuing its employees; it promotes leadership development and capacity-building. This policy was recognized by *Valor Carreira* magazine, which granted AES Tietê the seal of *Melhores na Gestão de Pessoas* (Best in People Management) for the second consecutive year.

AES Tietê has a very streamlined structure that allows high productivity rates. The average productivity of its 285 employees in 2006, calculated with the “gross revenues per employee” indicator, rose by 8.3% and totaled R\$5.35 million. Operating productivity was 43.8 GWh per employee.

In keeping with the policy of valuing its human resources, AES Tietê strives to increase the satisfaction level of its employees more and more. This practice guides the Company’s human resources management, whose principles are:

Relationship policy

AES Tietê has formal policies and mechanisms to listen to, assess and follow up on attitudes, concerns, suggestions and criticisms, always with a view to acquiring knowledge and fighting sexual or moral harassment. Consequently, the Company cares for the well-being of its employees and avoids situations that might give rise to sexual and moral harassment. It follows, in addition, a strict policy of respecting the privacy of its employees regarding delicate information (including medical information) obtained and kept confidential by the human resources area.

AES Tietê's relationship with its internal public includes a general wage agreement with the union of the main occupational group. The Company also negotiates a minimum of benefits for all with the local Union in the area where it operates. Additionally, it always posts information that may affect its personnel in time for both the Union and the employees to take a stand.

Remuneration and Benefit Policy

It is based on the Total Remuneration concept, which includes base salary, benefits, bonuses and other types of variable remuneration. This policy includes all employees. AES Tietê's average salary achieved R\$5,528 in 2006, not including the earnings of chief officers and vice-presidents. This amount is 5.5% higher than that in the previous year. It includes all the benefits secured by law, besides a family health plan and a private pension plan for all the employees – regardless of gender or ethnicity – that perform the same duties in any hierarchical level.

In 2006, PLR (Profit Sharing Program), introduced after negotiations with an employees' committee, paid R\$3.7 million, which corresponds to 16.6% of total remuneration. Besides variable remuneration depending on the achievement of pre-established operating and financial goals, employees may receive additional bonuses for sustainability contribution, for example, if the Company achieves social or environmental performance goals.

Training and Capacity-Building

Besides offering training, AES Tietê believes it is essential to encourage corporate learning. The Company provided 25,886 hours of training to its employees throughout the year, 116% more than in the previous year. Employees were prepared to take on new positions, learn basic and strategic skills, eliminate performance flaws, adapt to new technologies, practice operating excellence, receive information about energy efficiency and raise safety levels.

Education, Capacity-building And Training	2006	2005
Amount invested (R\$ thousand)	727.7	1,100.0
Training hours per employee/year	90.8	37.5
Number of trainees	1,439	585
Number of scholarships granted to employees	41	42
Amount invested in scholarships (R\$ thousand)	117.0	120.0
Percentage of investments in relation to total revenues	0.05	0.1
Percentage of investments in relation to total operating expenses	0.2	0.5
Percentage of investments in relation to total payroll	2.4	7.4

The Company held the First AES Tietê Operation and Technical Journey Workshop, which government bodies (São Paulo State Energy Department), regulatory bodies (Brazilian Electric Energy Agency and Brazilian Water Management Agency), the Electric System National Operator, Abrace, Apine and representatives of AES Tietê and AES Uruguiana plants attended.

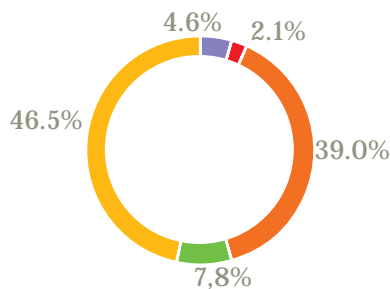
To consolidate the managerial culture, there were five meetings of the Leadership Development Program, in which officers and leaders of all AES companies participated. The program focuses on training leaders to act as facilitators of the development process of their subordinates.

The one-week 50-hour program covers management performance tools, self-knowledge and personnel management issues in great detail. An AES executive is the patron of each class, which meets periodically to discuss leadership-related issues and share their managerial experiences and best practices.

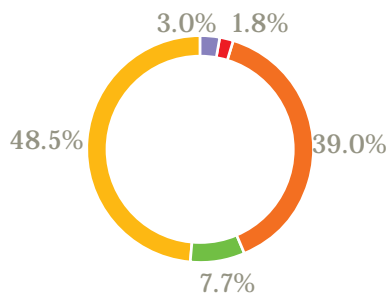
Employees by Educational Level

- Grade school certificate*
- High school certificate*
- Some college*
- College degree*
- Master's degree, Post-Graduation*

2006



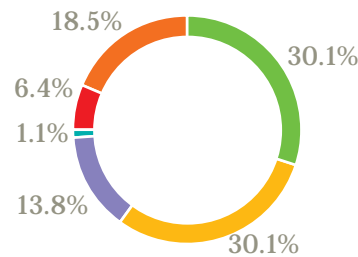
2005



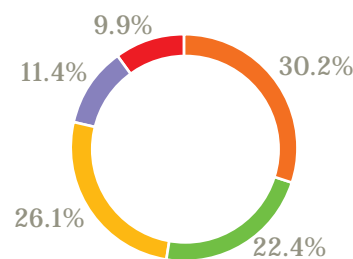
Employees by Length of Service

- Up to 1 year*
- From 1 to 5 years*
- From 5 to 10 years*
- From 10 to 20 years*
- From 20 to 30 years*
- Over 30 years*

2006



2005*

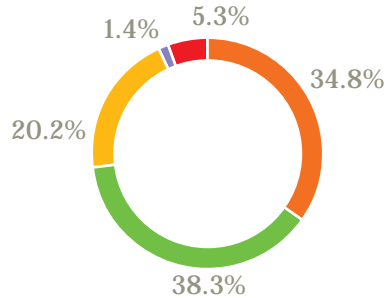


*There was no employee servicing the Company for over 30 years in 2006

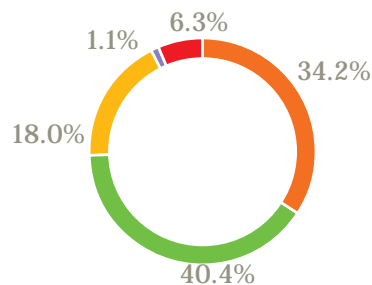
Employees by Age

Up to 25
From 25 to 35
From 35 to 45
From 45 to 55
Over 55

2006



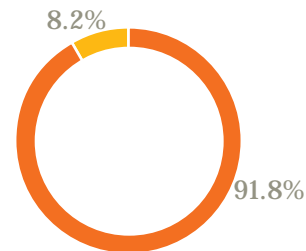
2005



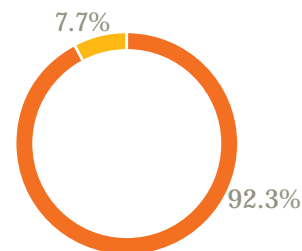
Employees by Gender

Male
Female

2006



2005



Up to now, about 500 leaders from all AES companies have participated in the program and 22 “program communities” have been created. These communities met at the end of the year at a convention to share experiences.

As it follows the learning organization concept, AES Tietê also held two large events in 2006:

- Emerging Leaders Course, originally developed by University of Virginia Darden Business School and offered in Brazil for the first time in a partnership with *Fundação Instituto de Administração* (FIA-USP) (Business Administration Foundation Institute of the University of São Paulo).
- “Leader Teacher” Program, where six executives delivered lectures to an audience of 1,200 people from AES group companies in Brazil.

Company representatives also attended the First Latam Conference on Operating Excellence to disseminate knowledge on the corporate level. 200 people from AES companies based in Latin America went to this event, which was held in São Paulo. They attended the presentations of 72 of the 118 pre-selected technical papers. The conference was intended to promote the production and dissemination of professional knowledge and make the best and most innovative technologies developed at AES Companies accessible.

Communication

Communication with all stakeholders – employees, suppliers, local communities, regulatory bodies, shareholders among others – is essential for AES Tietê because it is the basis of a relationship based on transparency and trust.

The Company's relationship strategy with the communities where it operates involves keeping these people informed and promoting its social programs among them. AES Tietê develops and runs institutional advertising campaigns on the radio, television, newspapers, magazines and billboards. It also sponsors several events related to environmental preservation and the promotion of local culture in the interior of São Paulo State.

The Company invests in its proactive and transparent relationship with the media to consolidate it. With this in mind, it holds meetings with local media professionals and disseminates financial data and information relevant to the communities where its power plants are located. In 2006, national and local media reported 362 pieces of news about the Company, 207 of which were positive, 49 were negative and 106 were neutral.

Furthermore, AES Tietê offers its professionals training to help them interact with the press, as well as find, prevent and handle any possible image crises. The first phase of a training program for spokespeople with all top leaders of the Company was held in 2006.

A Corporate Identity Manual was also developed in 2006. It is a publication intended to standardize visual communication of all AES group companies in Brazil, with guidelines for design and graphic standards. The manual also contains specifications for the use of the Company logo.

Internal news about AES Tietê and group companies is reported on Infogenco electronic newsletter, which is sent to all employees in the São Paulo and Bauru offices and in the plants. There were 201 editions in 2006.

The Company posts its annual reports on the Internet (on www.aestiete.com.br) in keeping with its transparency policy with its stakeholders. In 2006, electronic versions of the Annual Report for investors, the Environmental Sustainability Report and the Social Responsibility Report were available for the external constituencies.

In pace with this practice, this Annual Sustainability Report, which includes AES Tietê's economic and financial information as well as its social and environmental actions in 2006 is available for download on the Company's web site. This Report is intended to describe to our different stakeholders all our main activities, strategies and the main principles and beliefs that guide the Company's routine. For further information, please contact our Communications Department or Investor Relations by or email (comunicacao@aes.com) or (riaestiete@aes.com), respectively.

3.4

AES Tietê is deeply concerned about communicating with its different stakeholders in an effective and transparent manner. With this in mind, it is determined to always enhance its interaction with them. As a result, it has made available a questionnaire to collect readers' opinions and comments about this Sustainability Report. Those interested in taking this questionnaire can answer it anonymously. It is available on the same link to the file of this report, in a pop-up window.



Operating Activities

Power Plants and Power Generation

AES Tietê is responsible for the operation of ten hydroelectric power plants, all of which are located in São Paulo State, and its operating activity is focused on the perfect maintenance and operation of this infrastructure.

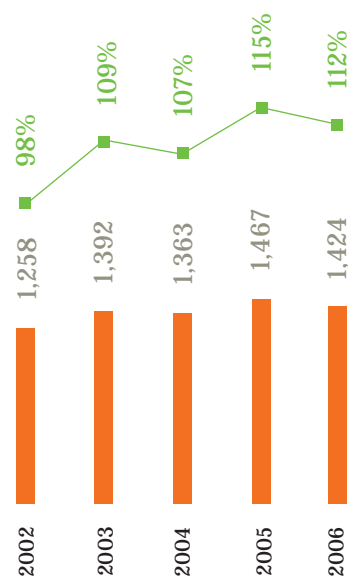
The largest of all these plants, Água Vermelha, is located on Rio Grande, on the border of São Paulo and Minas Gerais States. It accounts for over 50% of the Company's total generation capacity. Five other plants – Barra Bonita, Bariri, Ibitinga, Promissão and Nova Avanhandava – are located along Tietê River, which crosses São Paulo State. The combined production of these five plants is 1027 MW, or 38.7% of the Company's installed capacity.

AES Tietê also has three hydroelectric plants on Pardo River – Caconde, Euclides da Cunha e Limoeiro – and a Small-Scale Power Plan (SSPP) on Mogi-Guaçu River (Mogi-Guaçu Plant.)

Power Generation

Generation/Assured Energy

Generation – MW average



Plant reservoirs are a part of the landscape and the life of the areas where they are situated. They are used not only for power generation, but also allow flood control, irrigation projects, waterway navigation and a series of business and leisure activities, such as tourism, entertainment, professional fishing and sports fishing.

According to AES Tietê's concession contract, the Company has a quota of 1,275 median MW of assured energy – the amount available for sale in long-term contracts and generated by its ten hydroelectric plants. These plants in São Paulo State have a total generation capacity of 2,651 MW.

The effective generation of AES Tietê plants was 12,500 GWh in 2006, 12% over the 11,100 GWh of secured power set by Aneel, but 3% less than in 2005. Productivity gains have resulted in power generation greater than what the concession contract initially set as secured power every year. They reflect the effective maintenance program, which ensures a reliability rate among the highest in Brazil's electricity sector for the plants.

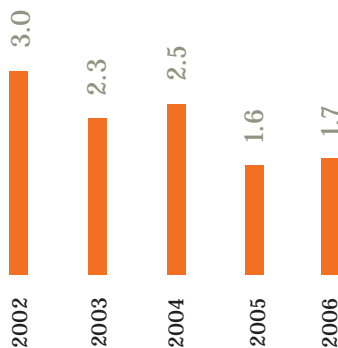
In view of its historical operating performance above the levels set by Aneel, AES Tietê has requested a greater amount of assured energy from the Granting Power. Nevertheless, the Ministry of Mines and Energy decided in 2004 that this capacity would not be reviewed before 2014.

Quality and Reliability

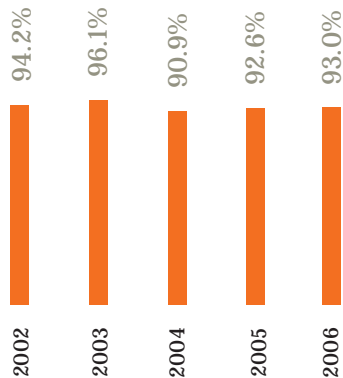
As a result of the operating management program adopted at the units, the 2006 quality and reliability rates of the plants in the system surpassed those of the previous year. The availability of the generating unit (AGU) rose from 92.6% in 2005 to 93.0%. In terms of plant failure rate, results were also excellent in 2006: as low as 2.0.

The Company finished introducing the Reliability Centered Maintenance System (RCM), a tool intended to develop an effective schedule for preventive maintenance, in 2006. The system was designed to allow better planning of plant maintenance and repairs. This program makes it possible to assess the resistance of the parts of each hydroelectric plant to improve the cost-benefit ratio.

Generating Unit Failure Rate



Generating Unit Availability



Eight of the ten AES Tietê plants set a critical system in the Generating Unit, for which they performed a risk analysis, laid down maintenance policies and put equipment maintenance procedures in writing. Consequently, these eight plants can now introduce and set in motion the new reliability-based maintenance plans.

HILP (High Impact Low Probability) project was also developed for all AES Tietê generating facilities in 2006. It is intended to improve operating management and keep availability and performance levels in power generation high. This tool involves the evaluation of safety items and the analysis of the financial impact of low-probability but high-impact events that might happen in the plants in order to adopt preventive action.

Waterway

Besides power generation, AES Tietê is responsible for operating and maintaining six locks located in its plants on Tietê River, as well as improving the canals of the Tietê – Paraná Waterway. This activity does not generate revenues for the Company, but it contributes to the social-economic development of the area in which it operates. It was included in the Public Notice of the privatization of the Company and is required by a contract with the São Paulo State government.

These locks enable ships to go over dams up to 30 meters high and complete the connection between Greater São Paulo and the area of Itaipu Plant, in Paraná State. The waterway is mainly used for cargo transportation. In 2006, ships sailing through the locks operated by AES Tietê carried about 8 million metric tons of cargo, especially fuel, sugar cane, soybeans, soy bran and sand.

AES Tietê fulfilled all the requirements concerning the Tietê/Paraná Waterway set in its concession contract in 2006. It allocated R\$2.6 million to repairing and maintaining the locks, as provided in the concession contract for even-numbered years.



1. AES Tietê operates six locks at the Tietê-Paraná waterway
2. Nova Avanhandava Power Plant Lock (Buritama-SP)
3. Barra Bonita Power Plant Lock (Barra Bonita-SP)

Maintenance

Plant maintenance follows a long-term schedule designed according to a thorough technical assessment of equipment service life and hours of operation.

The main maintenance procedures in 2006 were:

- Restoration and Upgrade of Generating Unit n° 3, in the city of Bariri. The project began in 2006 with the restoration of Generating Unit n° 2 and should be finished in 2007, when the plant will go into operation again. The effort will allow the full recovery of the two units as far as generating capacity and operating reliability are concerned. It involved the upgrade of some peripheral support systems and the supervision and control systems, and it will result in a new equipment life cycle;
- Introduction of supervision and control systems in generating units, support services and spillways in Limoeiro Plant. This will make it possible to operate the plants remotely from the system operations center as of the first quarter of 2007;
- Implementation of the Bauru Operations Center;
- Development of back-up sites between AES Tietê and AES Eletropaulo.

Sales – Market

The power generation sector follows the rules established by Aneel, which set the maximum amount of power to be marketed (assured energy) and regulate the whole power trading process. All the power generated above assured energy levels is transferred first to the Energy Relocation Mechanism (MRE) and to the Electric Energy Trading Chamber (CCEE).

The Company sold 12,500 GWh in 2006, an amount of power enough supply more than 1.8 million consumptions units or about 5.3 million people. The whole amount corresponding to the Company's assured energy (11.1 thousand GWh) was sold to AES Eletropaulo through the Bilateral Contract entered into with this company and approved by the regulatory body in 2000. Pursuant to this contract, the amount of power sold to AES Eletropaulo gradually increased between 2003 and 2006, whereas the annual supply for the remaining power sale contracts in effect (Power Purchase Agreements) fell gradually by 25%.

Contract Portfolio				
	2003	2004	2005	2006
Elpa – BI	2,759,400	5,536,320	8,370,963	11,216,397
Elpa – CI	2,765,970	1,843,980	921,990	-
CPFL	1,734,480	1,156,320	578,160	-
Elektro	1,504,530	1,003,020	501,510	-
Band	900,090	602,948	305,806	-
Brag	440,190	293,460	146,730	-
Nac	295,650	197,100	98,550	-
Pirat	873,810	583,250	292,689	-

In this process, 75% of the assured energy in 2003, 50% in 2004 and 25% in 2005 was allocated to the distributors contracted before the privatization. As of 2006, all the power available for sale has been allocated to the Bilateral Contract with AES Eletropaulo.

The bilateral contract with AES Eletropaulo (“Bilateral Contract”) will be effective until

December 2015. On October 30, 2003, AES Tietê and AES Eletropaulo entered into an add-on contract that extends it to June 14, 2028.

This add-on was submitted to Aneel for approval when it was signed. On August 24, 2005, Aneel officially denied approval on the grounds that the add-on is against Law 10.848 (New Electricity Sector Model), published five months later, on March 15, 2004.

Gross Generation vs. Billed Power in GWh

Caconde	344.6	2.8%		
Euclides da Cunha	463.8	3.7%		
Limoeiro	132.0	1.1%		
Água Vermelha	7,498.1	60.1%		
Barra Bonita	495.2	4.0%		
Bariri	565.6	4.5%		
Ibitinga	655.9	5.3%		
Promissão	964.2	7.7%		
Nova Avanhandava	1,323.5	10.6%	89.0%	Eletropaulo Bilateral 11,107.7
Mogi-Guaçu	31.7	0.2%	11.0%	MRE/CCEE* 1,366.6
Total	12,474.6			BILLED 12,474.6

**After the Company's own consumption and transmission losses are deducted, all the power is transferred first to the Energy Relocation Mechanism (MRE) and then to the Electric Energy Trading Chamber (CCEE).*

Safety, the first value

of AES Tietê, is part of the Company's culture, work routines, and everyday activities. A landmark of such commitment is the Ibitinga Plant, where there have been no medical leaves due to labor accidents for 18.5 years at the end of 2006.

AES Eletropaulo appealed against Aneel's decision on October 28, 2005 to defend its rights. The Company is still waiting for a trial court decision.

AES Tietê chose this commercial structure, with the supply of virtually all the assured energy (currently 1,275 median MW) in the long-term through a single contract, as a business strategy that makes processes simpler and more predictable. The assurance of sales and revenues until 2015 means a greater sense of security in the development of long-term management strategies, without credit risk. It also guarantees funds to honor financial obligations, brings benefits for shareholders and enables the Company to invest in its operating structure.

Prices were set upon signature of the Bilateral Contract in 2000, based on the effective rules, which used the Standardizing Value (VN) as a parameter for this type of contracts. This tariff has been corrected by IGP-M (General Market Price Index) since then, as provided in the contract.

Health and Safety

Safety is AES Tietê's basic premise and one of its first values. Since it is aware of the risks of its activities, AES Tietê is firmly committed to preventing accidents involving its own employees, contractors, the population and the environment. This culture is fully consolidated in the Company's personnel, as can be observed in the excellent safety performance of the plants. Six AES Tietê plants have not recorded any labor accidents for more than 6 years. At Ibitinga Plant, for example, there have been no medical leaves due to labor accidents for 18.8 years.

In 2006, the Company recorded safety indicators measured by accident incidence rate and severity rate according to the criteria of NBR 14.280 (Brazilian Legislation) of 1.95 and 19.50 respectively. Average rates of sector companies with over 2,000 employees are 3.52 and 546.00. This performance reflects AES Tietê management's firm commitment to safety and occupational health issues.

LA7

Power Plant	Number Of Years W/out Accidents*
Barra Bonita	6.3
Bariri	1.0
Ibitinga	18.5
Promissão	4.8
Nova Avanhandava	9.0
Caconde	3.7
Euclides da Cunha	3.3
Limoeiro	6.3
Mogi-Guaçu	11.9
Água Vermelha	8.4

* Accidents without absenteeism of own personnel as at 12/31/2006.

LA7

To perform their duties, the professionals working for the Company follow Work Procedures Manuals that make operating routines more adequate and uniform.

BBS – Behavior-Based Safety

The BBS (Behavior-Based Safety) Program was introduced in Ibitinga Plant in 2006. The program involves developing leaderships, training employees to pay constant attention to their peers' activities and encouraging analyses of and discussions about work routines. It is intended to improve service quality safely by improving internal processes. This is done with a view to finding and promoting positive behaviors to strengthen the safety culture among all employees. This method makes it possible to recognize good work, collect information about risks that can be eliminated and, therefore, to prevent accidents. BBS was introduced in other facilities after the Safety Atmosphere and Culture Survey was conducted and new observers

were trained at Euclides da Cunha, Limoeiro, Caconde, Mogi Guaçu, Água Vermelha and Nova Avanhandava plants.

All health and safety procedures are being outlined and brought in line with AES Corp Management System, based on the OHSAS 18001A requirements. This system focuses on the prevention of occupational illnesses and injuries. It further includes checking whether all activities are performed in a safe and healthy manner to ensure continuous improvement.

The Company's actions were recognized by ABCE (Brazilian Association of Electric Power Concessionaires). AES Tietê ranked third among all generators in ABCE's Medalha Eloy Chaves Award. This award is given to the companies that stood out in terms of accident prevention in 2005. In the previous year, AES Tietê had been ranked fourth.

LA8 LA11

Capital Expenditures

In the operation of power generation, the maintenance and upgrade of equipment are crucial to increase its service life and reduce operating costs. In 2006, investments totaled R\$46.5 million (69.1% more than in the previous year, mainly because of the revival of the investment program in Small-Scale Power Plants (SSPP).

Main investments made in 2006:

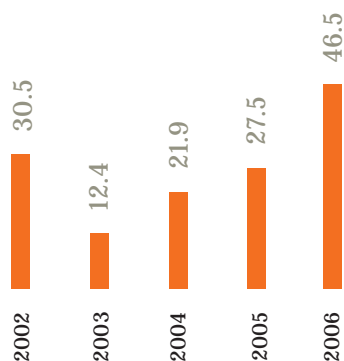
- Hydroelectric power plants were serviced, highlighting the full upgrade of Generating Unit 2 of Bariri Plant, concluded in July 2006, and of Generating Unit 3, which started in August 2006 – R\$19 million;
- Limoeiro Plant automation – R\$2.5 million;
- Purchase of a new transformer for Generating Unit 3 of Nova Avanhandava Plant – R\$2.6 million;
- Purchase of new voltage regulators for the three Generating Units of Água Vermelha Plant – R\$ 2.0 million.

Investments planned

R\$75.5 million is expected to be invested in 2007. R\$22.4 will be allocated for the construction of three SSPPs, which already belong to AES Tietê and whose installed capacity is 8 MW, on Jaguari Mirim River, in the interior of São Paulo State. The other R\$53.1 million will be mainly allocated to:

- Concluding the restoration and upgrade of Generating Unit n° 3 of Bariri Plant;
- Concluding the restoration and upgrade of Generating Unit n° 2 of Bariri Plant; and
- Reforestation projects.

Capital Expenditures (R\$ million)



Distribution of Capital Expenditures

Equipment

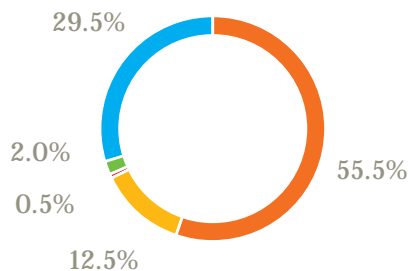
Environment

Waterway

IT

Small-Scale Power Plants

2006



New Businesses

AES Tietê has been striving to spot new business opportunities. With this in mind, it makes use of the most sophisticated technological resources even though it is always concerned about not damaging the environment. As a result, significant strides were made in MDL (Clean Development Mechanism) methodology and reforestation project, and new investments opportunities were found in the Carbon Market in 2006. This business venture involves two other group companies in Brazil (AES Eletropaulo and AES Sul) besides AES Tietê, and it totals 5.2 million metric tons of CO₂ equivalent.

In addition, AES Tietê is investing in its own segment, power generation, by building SSPPs – Small-Scale Power Plants. The Company signed the License Purchase & Sale Agreement for the Exploitation of Water Resources on October 23, 2006. AES Tietê intends to build three SSPPs in Rio de Janeiro State, with a total installed capacity of 52 MW and 28.97 median MW of assured power through its subsidiary AES Rio PCH Ltda. The total investment is expected to R\$225 million over two years.

4.12 EN14 EN18

Expansion Requirement

Pursuant to the Public Notice of Privatization of AES Tietê, the Company is required to increase the installed capacity of its generation system (“Expansion Requirement”) by no less than 15% (about 400 MW) over 8 years starting from the signature of its concession contract, in December 1999. Nonetheless, it will be impossible to fulfill this requirement owing to physical and regulatory restrictions imposed after privatization, especially Law n° 10.848/2004, which introduced the New Electricity Sector Model (“New Model”).

In view of that, AES Tietê has put forward a proposal for the São Paulo State Government to suspend the requirement for five years. For that period, the Company would be free to analyze investment projects regardless of their location. The Company further suggests that this requirement be eliminated if restrictions for its fulfillment remain after that period of time. São Paulo State Government and Aneel had not responded to this proposal by the time this report was concluded.

- 1. Água Vermelha Power Plant, located on Grande River (Ouroeste-SP) started operations in 1978*
- 2. Limoeiro Power Plant (Mococa-SP): investment of R\$2.5 million in automation*
- 3. Renovation of generation unit 2 of the Bariri Power Plant (Boracéia-SP)*





Intangible Assets

AES Tietê always seeks to improve its management and operations by setting new relationship standards with its stakeholders. The Company fosters innovative solutions and continuously invests in operations, technological tools, communications, environment, training and the quality of life of its employees and of the population in the areas where it operates.

This approach brings important benefits, which have an impact on corporate image and employee and customer satisfaction. They also add value to the Company and ensure good results for its shareholders. Much of the work done cannot be

measured in financial terms, and therefore, does not reflect directly on economic and financial performance.

An example is the effort to consolidate the image of the Company and of AES Group as an investors/operators the electricity sector. Throughout the year, many actions were taken based on proactivity and transparency: the Company was closer to opinion shapers and was able to expose its brand.

Among the Company's intangible assets are:

- Quality and reliability in operations;
- Demand for all the assured power until 2015, as provided in the bilateral contract with AES Eletropaulo. This enables the Company to outline long-term management strategies with a greater sense of security and to focus on streamlining and continuously improving its processes;
- Efficient management tools;
- A transparent and ethical relationship with all its stakeholders;
- Professional development, experience gain and knowledge acquisition for its personnel;
- Having as controlling shareholders AES Corporation, one of the largest investor groups in the electricity sector worldwide, with generation and/or distribution operations in 26 countries, and BNDES, an investor committed to the best business management and the transparency of the activities;
- Management based on broad sustainability, with a responsible performance in the economic, financial, social and environmental areas; and
- Being recognized in different areas.

Knowledge Management

AES Tietê recognizes the talent of its employees and always tries to encourage them to have new ideas and seek new work methods. The electricity sector, due to its peculiarities, requires professionals with specific technical and sector-related skills. Due to this, the Company contributes to knowledge management among its employees and fosters their professional development. With this in mind, it offers opportunities and encourages projects and experience sharing.

LA11



1. AES Latam Conference: exchanging and sharing experiences in Latin America
2. Continuous investment in technology related to electric power generation
3. Best Utility Company in 2006



Economic and Financial Performance

Gross Revenues

AES Tietê's 2006 gross revenues were R\$1,526.5 million, a 13.5% rise when compared with those of 2005.

2006 net revenues totaled R\$1,387.0 million, a 13.7% increase in relation to 2005. The two contributing factors to these figures are as follows:

- An increase in the amount of power sold through the bilateral contract with AES Eletropaulo, from 948 average MW in 2005 to 1,268 average MW in 2006; and
- The 0.9% price adjustment for power sold through the bilateral contract in July 2006, from R\$132.73/MWh to R\$133.87/MWh.

Operating Costs

Operating costs were R\$357.0 million in 2006, a 3.5% rise in comparison to 2005. This is mainly due to:

- Third-party services: rose by 23.2% (R\$6.3 million), especially because of plant maintenance, upgrade and automation costs, as well as projects related to Rouanet Law for Cultural Sponsorship;
- Transmission and connection: a 50.1% (R\$26.1 million) rise was recorded owing to the increase in the amount of power sold through the bilateral contract, which provides that the transmission and connection costs be shared between generators and distributors;

- Operating Provisions: a 54.6% drop (R\$34.7 million in 2006):
 - R\$17.7 million, corresponding to interests (Selic) charged on the receivable balance from power distributors related to RTE (Extraordinary Tariff Reset). The same amount was entered in the books as financial income, and this offset the accounting effect. There was a 69.2% drop in comparison to 2005, when R\$58.3 million was provided, because in 2006 there was only a provision for interests (Selic) on the receivable balance from power distributors related to RTE.
 - R\$15.8 million corresponding to provisions for PIS (Social Integration Program)/Cofins (Tax for Social Security Financing) on the initial contracts, which should be cumulative at a 3.65% rate according to Aneel's Technical Note 224/2006—SFF/Aneel;
- Personnel: 2006 personnel expenses totaled R\$31.6 million, a 1.2% increase in relation to the 2005 amount (R\$31.2 million). This rise resulted from the 4.0% wage adjustment set in the June 2006 collective bargaining and from the larger number of employees in the last 12 months (from 272 to 285) in view of the restructuring of the operations and administrative areas. On the other hand, there was a net actuarial gain of R\$10.0 million in Fundação Cesp's Private Pension Plan in 2006. If this actuarial gain is not considered, personnel expenses rose by 23% and totaled R\$41.6 million in 2006, up from R\$33.8 million in 2005; and
- Other expenses: a 102.9% increase (R\$19.0 million) mainly because of the larger amount allocated to Research and Development. The amount allocated to Research and Development by power generators rose from 0.25% to 1.0% of their net operating income pursuant to Law 9.991/2000 of January 2006.

EC1

2006 results

continued to grow. AES Tietê closed 2006 fiscal year with net revenue of R\$1,387.0 million, EBITDA margin of 79.1% and net income of R\$614.1 million.

EBITDA

Greater sales through the Bilateral Contract (which is more profitable for the Company) and the recognition of the actuarial gain in Fundação Cesp's Private Pension Plan resulted in a better operating performance for AES Tietê in 2006. EBITDA (earnings before interest, taxes, depreciation and amortization) was R\$1,096.7 million, a 16.8% rise when compared with the previous year's. EBITDA margin increased by 2.1 percentage points, from 77.0% in 2005 to 79.1% in 2006.

Financial Expenses/Income

AES Tietê's financial expenses basically correspond to the payment of the financial charges on the debt with Eletrobrás, incurred before privatization and adjusted by IGP-M. The impact of IGP-M variations on the loan is minimized to a certain extent by the higher price in the bilateral contract, which is adjusted by the same index. In 2006, the Company had a negative net financial result of R\$110.6 million, 72.2% greater than the year before, mainly due to the increase in IGP-M, from 1.21% in 2005 to 3.85% in 2006.

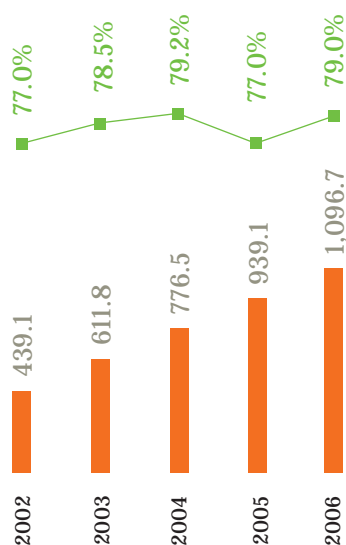
Net Income

Net income was R\$614.1 million in 2006, up 10.4% from the R\$556.1 million of the previous year. Net margin fell slightly by 1.3 percentage point, from 45.6% in 2005 to 44.3% in 2006.

EBITDA

EBITDA Margin (%)

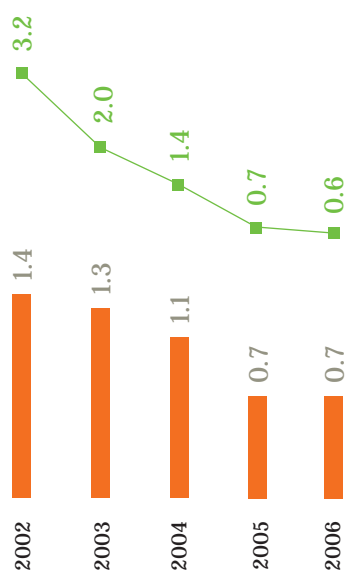
EBITDA (R\$ million)



Net Debt and Multiple

Net Debt/EBITDA (times)

Net Debt (R\$ million)



Acknowledgements

- The Company ranked first on the Platinum List 2005 of *Forbes Brasil* magazine, which ranks the best 200 Brazilian publicly-held corporations, according to criteria like profitability, dividends, liquidity and stock performance of companies with shares traded at Bovespa;
- AES Tietê was chosen the Best Public Utility by *Exame Magazine*, in its *Melhores e Maiores 2006* (2006 Biggest and Best) for the second consecutive year. The survey covered the companies that stood out the most in 20 economy sectors in 2005. In terms of profitability, AES Tietê ranked first in its sector and ninth among the 500 biggest companies in the country; and
- The Company was awarded the *Destaque Agência Estado Empresas* Award because it achieved the best performance for its shareholders of all power companies. It ranked fourth among all companies with stock traded at Bovespa.

2.10

Debt

AES Tietê does not have any bank loan agreements. Its main liability is a debt recognition with Eletrobrás, which it inherited in the privatization process. It matures on May 15, 2013, and is adjusted by 10% per annum and by IGP-M. The outstanding balance of this debt was R\$1.4 billion on December 31, 2006.

The other debt of the Company corresponds to the debt recognition agreement with Fundação Cesp (the institution responsible for the Company's benefit plans) to finance the actuarial deficit from the Liquidated Proportional Supplemental Benefits (BSPS), whose maturity date was extended from 2017 to 2027.

The balance of this agreement is adjusted according to the actuarial cost variation or IGP-DI, whichever is highest, plus 6% per annum. The balance was R\$20.7 million at the end of 2006.

Available cash at the end of the year totaled R\$690.3 million, down from R\$795.3 million in December 2005. Therefore, net debt at the end of 2006 was R\$681.9 million, 0.8% greater than the R\$676.5 million in 2005. This marginal increase is due to the rise in IGP-M, from 1.21% in 2005 to 3.85% in 2006, and to the R\$104.9 million drop in available cash. The rise in the generation of operating cash flow positively affected the "net debt/EBITDA" ratio, which fell from 0.7x in 2005 to 0.6x in 2006.

Cash Flow

The complete Statement of Cash Flow for FY 2006 is shown in details on page 8, at the Financial Statements section.

Our Shares as an Investment

AES Tietê is a publicly-held corporation, and its shares are traded at Bovespa (São Paulo Exchange Market) as GETI3 (common shares) and GETI4 (preferred shares). The Company also has a Level 1 ADR program, under which its stock is traded over-the-counter in New York under the ticker symbols AESAY (common shares) and AESYY (preferred shares).

AES Tietê common shares (GETI3) appreciated by 24.0%, and its preferred shares (GETI4) appreciated by 22.4%, whereas Bovespa Index (Ibovespa) rose by 32.9% in 2006.

About 7.1 billion common shares were traded in 8,045 transactions in 2006. The average daily trading volume was R\$1.6 million, virtually the same as in 2005. About 18.3 billion preferred shares were traded in 16,878 transactions in 2006. The average daily trading volume was R\$4.2 million, 132% greater than that in 2005. The Company's market value was R\$5.9 billion on December 31, 2006. AES Tietê stock was traded in 98% of all Bovespa sessions in 2006.

Investors are becoming increasingly interested in AES Tietê stock because there has been a larger number of shares on the market (free float) since the 2005 public offer, which was very successful. In addition, the Company follows a very attractive shareholder remuneration policy and has been recognized by the securities market for its good communication strategies.

Shareholder Remuneration

With positive results, great generation of cash flow and its capital structure all fully in line with one another, AES Tietê has been paying shareholder remuneration far above the minimum 25% secured by law. Accordingly, the payment of Dividends and Interest on Equity in 2004 and 2005 amounted to 95.0% and 96.9% of net profit respectively.

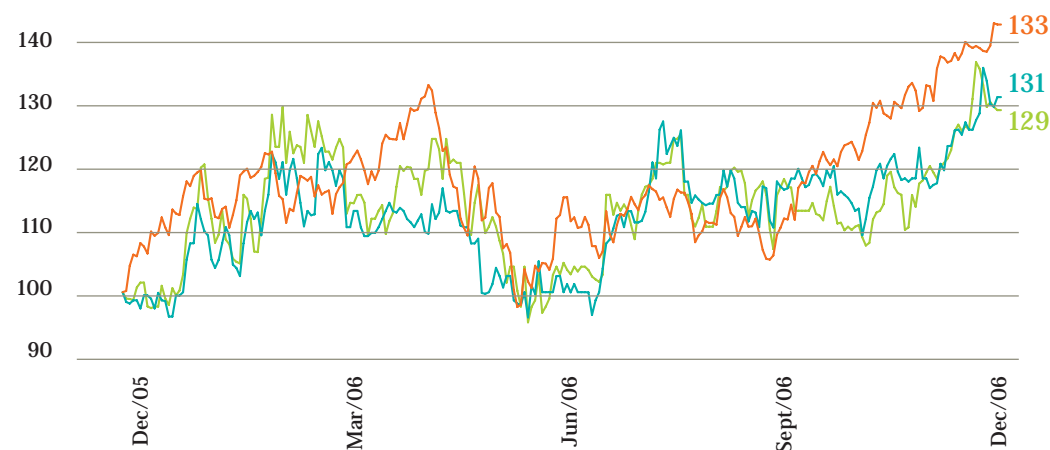
The Company paid interim dividends in 2006 as an advancement to the year's results. AES Tietê's Board of Directors approved the R\$305.5 million payment of dividends on 1Q06 profit – R\$3.06 per one thousand common shares and R\$3.36 per one thousand preferred shares – at the August 8, 2006 meeting. Payments started on August 29, 2006.

AES Tietê x Ibovespa – Base 100 (Dec/05)

Ibovespa

Get 13

Get 14

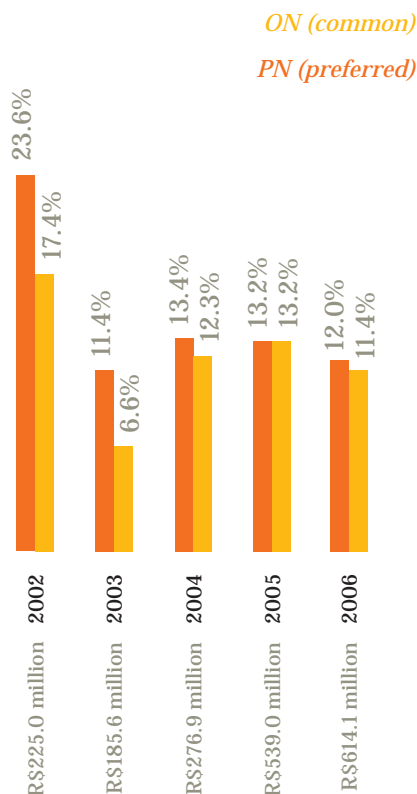


On November 8, 2006, the Board of Directors approved the R\$143.4 million payment of shareholder remuneration. Of this amount, R\$37.2 million was interest on equity, and R\$106.2 million was interim dividends based on the profit recorded up to September 30. R\$1.43 was paid per one thousand common shares, and R\$1.58 was paid per one thousand preferred shares. Shareholders were paid as of November 30, 2006.

4Q06 dividends were approved at the March 5, 2007 Board meeting and ratified at the April 9, 2007 Shareholders' Meeting. The proposed amount is R\$165.1 million; R\$1.65 per one thousand common shares, and R\$1.82 per one thousand preferred shares. With these payments, total remuneration for 2006 totals R\$614.1 million, which corresponds to 100% of the net profit in the year.

2.6

Dividends Paid vs. Dividend Yield



Strong cash generation

and capital structure all fully in line with one another have allowed AES Tietê to keep an aggressive policy of dividends and interests on equity. Shareholder remuneration for FY 2006 totaled R\$614.1 million, which is equivalent to 100% of the net income.



Risk Management

AES Tietê has a specialized team and different tools to constantly monitor each and every factor that may represent a potential risk factor for the Company, among which:

1.2

Risks Related To Operating Activities

Product Risk

AES Tietê runs no risk of having a technologically obsolete product or facing different market conditions due to competition since it is a power generator and, as such, is in a regulated sector and has a long-term sales contract.

Market Risk

The supply contract serves as a hedge both for sales amounts and prices. There might be unanticipated expenses, which is usual, but the marketing margin enables the Company to meet the need for these expenditures with a great impact.

The bilateral contract with AES Eletropaulo will be effective until 2015, and AES Tietê is expecting a court decision as to the validity of the add-on contract signed in October 2003, which extended the contract until 2028 and was not approved by Aneel in March 2004. If this add-on is not approved, AES Tietê will be subject to electricity auctions from 2016 on.

Operation Risk

The Company has insurance on the dams that pose greater risk for the reservoir and the equipment. Possible operating failures are covered. In terms of the power generated, the Brazilian energy system itself offers protection by means of the Energy Relocation Mechanism (MRE). MRE is a risk sharing mechanism through which all the power generation that exceeds assured power levels is “transferred” to the plants that performed below the assured level, at the minimum cost set for the water.

Environmental Risk

The Environmental Management System, introduced in 2002, and the adoption of cutting-edge technologies minimize the environmental risks entailed in plant maintenance and operation, such as river contamination by oil spills and/or incorrect waste disposal.

Reservoir banks, which are considered Permanent Preservation Areas, may be damaged by third parties. To avoid this problem, AES Tietê is introducing a Geographical Information System that allows checking for and following up on any possible illegal occupation.

Climate/Disaster Risk

Contingency plans, insurance policies and backup systems considerably mitigate the risks arising from climate changes. An action plan for water release was made in the case of natural disasters, such as floods that might damage structures. There are no feasible contingency plans for more serious situations or other disasters. In order to reduce losses caused by these risks, the Company has Operating Risk insurance, which covers property and the facilities, and Civil Responsibility insurance, which is intended to minimize losses caused to third parties.

System, Management or Control Risk

Generating units can be operated locally, independently from Operation Center coordination, in order to avoid failure risk in operating support systems. Concerning management systems, there are hierarchical level-based access controls and backups.

The Environmental Management System,

introduced in the Company in 2002, and the adoption of cutting-edge technologies minimize the environmental risks entailed in the plant operations.

Regulatory Risk

All sector rules and concession contract requirements are continuously followed up on and fulfilled. Alongside with representatives from other AES group companies in Brazil, the Company has participated in a Risk Management Committee for two years. It meets every week to outline strategies and assess control methods. Additionally, it measures the impact of the strategies adopted, both on the finances and on the image of the Company.

The main regulatory risk AES Tietê is facing at the moment is the Expansion Requirement of its capacity, established in the Public Notice of Privatization. Failure to comply with this requirement may result in penalties for the Company imposed by São Paulo State Government and/or Aneel. In this case, AES Tietê will take appropriate legal measures to secure its financial health inasmuch as there has been a major change in electricity sector rules since the requirement was set. Owing to this change, it has become impossible to fulfill this requirement as provided.

Image Risk

AES Tietê's communications department works both with the media and directly with its stakeholders. It acts proactively or promptly fulfills requests for information.

The Corporate Identity Manual sets standards for communication, corporate image building and logo use.

Community Risk

AES Tietê believes its relationship with communities can have an either positive or a negative impact on its power generation activity. Accordingly, it is firmly committed to operating so as to ensure maximum safety for the communities near its facilities.

Labor Judicial Risk

The Company follows all effective rules, and it is determined to promote the well-being of its employees to minimize labor lawsuits.

1.2



1. Euclides da Cunha Power Plant (São José do Rio Pardo-SP), in operation since 1960
2. AES Tietê: assured energy is enough to supply electricity to 5 million homes
3. Discussion of best practices during safety behavior program

Intellectual Capital Risk

In order to recognize and encourage the talents that make up its personnel, AES Tietê offers opportunities for growth and career building and holds training programs on a regular basis.

Financial Risks

Credit

The guarantee of sales and prices for all the power generated until 2015, provided in the Bilateral Contract with AES Eletropaulo, serves as a hedge for AES Tietê.

Interest and inflation

The cost of AES Tietê's debt is set at a fixed interest rate and adjusted by IGP-M. On the other hand, the same index is used to adjust the power sale contract, and this is a sort of protection for the debt cost.

Liquidity

The Company's financial structure is subject to a minimal liquidity risk, in view of its low debt, great generation of cash flow guaranteed by the long-term Bilateral Contract and the little expenditure on fixed assets.

Foreign Exchange Risk

The whole of the Company's debt is denominated in the local currency. All revenues are in local currency as well. Foreign exchange risk only relates to investments denominated in foreign currency, which were no more than 13% of the available cash on December 31, 2006.

1.2



1. Mogi-Guaçu Power Plant, in operation since 1994
2. Safety and efficiency at the Caconde Power Plant (Caconde-SP): underground machinery room
3. Promissão Power Plant (Promissão-SP): modernization estimated for 2007





Environmental Management

Environmental management is an essential aspect for AES Tietê, in line with the concept of sustainability and responsibility that guide the Company's business. AES Tietê directly interacts with the environment since it is responsible for ten hydroelectric power plants, their reservoirs and banks. It also operates and maintains six locks in Tietê River. The concern about maintaining the environment and its ecosystems is, therefore, one of the priorities of the Company, which has been taken initiatives that go beyond what is required in its concession contract.

AES Tietê believes an awareness-raising effort is one of the main tools for it to meet this commitment. Accordingly, the Company has communication and training programs designed to capacity-build, prevent, influence and raise awareness of its stakeholders. In addition, it has been improving processes and procedures to eliminate or minimize the impact that its operations may cause on the ecosystem.

Actions related to its environmental management are also a reference for other AES companies. AES Tietê was one of the first power generators in the country to introduce SGA (Environmental Management System). This System, based on ISO 14001:2004, focuses on the prevention of environmental impacts and ongoing monitoring of operating activities. The goal is to ensure the correct use of natural resources, for example, by reducing water and power consumption in Company facilities. One of AES Tietê's basic guidelines is to contract only suppliers or companies with which AES Tietê has a partnership that present initiatives to mitigate the environmental impact from products and services and the extension of the reduction of such impacts.

EN26 EC6

Tapping AES Tietê's experience in reforestation, AES group is engaged in designing projects in line with the Kyoto Protocol. AES Corporation supports AES Tietê in developing a technological methodology for reforestation projects with native species. This will enable the Company to be active in the

carbon market. If this methodology is approved by IPCC (Intergovernmental Panel on Climate Change, established by the United Nations), the Company will be able to implement a R\$72 million reforestation project to recover and maintain an area of about 8,500 hectares.

4.12

In 2006, the Carbon Capture Projects, as established by the Clean Development Mechanism (MDL), in the Permanent Protected Area (APP) under responsibility of AES Tietê, showed very little progress, because they were still under analysis and can only start after winning approval of the evaluation committee that was designated for this purpose.

4.12 EN14 EN18

In 2006, corporate environment management was consolidated, which resulted in a greater synergy among AES group companies in Brazil. The use of professional talent in joint activities and the optimal use of resources are a means to achieve greater efficiency and cost reduction.

EN18 EN30



*1. Seedling nursery at Promissão
2. Production and release of 2.5 million fish fry/year
3. Monitoring of fish population on the reservoirs*

The maintenance of the environment

and its ecosystems are AES Tietê's priorities. Initiatives such as the production of native species seedling, the reforestation project of reservoir banks and the recovery of damaged land are some of the activities that have been carried out.

AES Tietê started designing a plan to use reservoir areas in December. This is one of the main requirements for environmental licensing. Besides complying with environmental legislation for licensing, the Company tries to fulfill the community's expectations. With this in mind, it strives to come closer and closer to these people. Making use of its experience with the plan for the use of reservoir areas, AES Tietê will hold a public hearing with people and organizations interested in these areas. Afterward, the plans will be submitted to Ibama (Brazilian Institute for the Environment and for Renewable Natural Resources) for approval.

A detailed analysis of potentialities and environmental risks inherent to AES Group companies' facilities in Brazil was made. It is shown in an environmental report according to the GRI ("Global Reporting Initiative") standards. This report was presented to external shareholders at a specific event, and this enabled the companies to open important communication channels with specific community groups.

The impact of power plant activities on vegetation is offset by three actions: seedling production, the reforestation project of reservoir banks and the recovery of damaged land, actions that contributed to the preservation of biodiversity, control erosion and silting, as well as protect water resources and decrease their contamination.

EN14 EN18 4.14 4.16

Main programs developed in 2006

– total investment spent on environmental protection during the year: R\$8,227.7 thousand.

EN30

AES – Tietê 2006 Environmental Programs

Action	What?	How?
Flora Management Program	<p>The nursery in Promissão Plant produces about 1 million seedlings for reforestation. Some of the seedlings are planted in Company areas, mainly reservoir islands and banks. The remaining seedlings are for the Forestation Incentive Program, a voluntary collaborative initiative of AES Tietê, city governments and landowners in reservoir influence areas.</p>	<p>AES Tietê supplies the technical project and native species seedlings. The other interested party supplies basic input and labor and obtains the environmental license at the government bodies.</p>
Fishing Management Program	<p>This Program contributes to the maintenance reservoir fish to preserve ecologic biodiversity and ensure sustainable, rational fishing. Fishing management necessarily involves knowledge of the water environment and local species.</p>	<p>Only native <i>piracema</i> species (piracema is the upstream fish migration for reproduction) or species from each river basin.</p>
Environmental Education	<p>Promoting the AES its actions in environmental preservation to highlight its commitment to environmental issues and further environmental preservation.</p>	<p>Guided visits to hydroelectric plants.</p>
Environmental Management System	<p>Development and introduction of Environmental Management procedures.</p>	<p>Employee guidance and training.</p>

Target Public	Status	Figures	Results	Investment (R\$ thousand)
Influence areas of reservoirs and tributaries.	Since 2000	1,459 hectares have been reforested since the program was introduced in 2000. This corresponds to 3 million seedlings.	Maintenance of native tree species of the Atlantic rainforest and creation of protection areas for the local fauna.	R\$972.2 in 2006
Influence areas of reservoirs and tributaries.	Since 2000	AES Tietê has two fish nurseries at Promissão and Barra Bonita Plants. They produce 2.5 million fry (young fish) of seven species annually. The fry are released in the 10 reservoirs when they are 8 to 10 centimeters in length.	Management of reservoir fish to preserve ecologic biodiversity and ensure sustainable, rational fishing.	R\$718.7 in 2006
Serves schools and the general public that is interested.	Since 2000	In 2006, 5,542 people visited AES Tietê plants.	Raising children's awareness of the best use of mineral resources and energy conservation.	R\$46.1 in 2006
Internal public	Since 2002	17,303 bulbs and 20,000 liters of hydraulic oil were correctly disposed of.	Better activity control, which minimizes environmental impact risks.	R\$30.6 in 2006

Waste disposal

Hydraulic oil used in equipment operation is the main waste generated from AES Tietê's operations. Its final destination is the re-refining, which is carried out by an outsourced company. In 2006, 20,000 liters of oil were processed. Apart from this, a further 1,900 kg of solid residues were taken to incineration and 17,303 lamp bulbs were forwarded to recycling.

EN22

Energy Consumption

In 2006, AES Tietê presented 24,512.62 MWh of total direct energy consumption related to the Support Service, discriminated by primary energy source, which in this case refers to electric energy.

EN3

Biodiversity – Use and Occupation of reservoir banks

AES Tietê owns the large Permanent Preservation Area around its reservoirs. They cover more than 10,000 hectares in area and 4,800 kilometers in length, which corresponds to half the Brazilian coast.

Banks have been the object of more and more legal impositions for protection and preservation whereas there has been an increase in their occupation for leisure, social and economic activities, as well as for public use.

AES Tietê inspects and manages these areas. 3,232 properties were expropriated when the plants were built, totaling 193.6 hectares in 77 cities and towns in São Paulo State and seven in Minas Gerais State. The construction of plants and reservoirs affected biodiversity in those areas. This impact was later minimized by AES Tietê programs, in compliance with legal requirements. A part of Ibitinga Plant is in an Environmental Protection Area (EPA).

As for the location and size of protected or adjacent to protected areas, and areas of high biodiversity value outside protected areas, AES Tietê is responsible for the preservation of the following areas:

- Bariri Hydroelectric Plant – navigation canal of the Tietê-Paraná Waterway, plant downstream – 38.60 ha.
- Ibitinga Plant – plant building site – 242.53 ha.
- Promissão Plant – plant building site – 407.36 ha.
- Água Vermelha Plant – plant building site – 60.00 ha.

In 2006, no significant impacts in the above-mentioned areas were reported by environmental or regulatory bodies – only by AES Tietê's technicians. Moreover, the programs related to the recovery of Atlantic rainforest areas and defense and restoration of protected habitats were maintained.





EN11 EN12 EN13 EN14

Environmental Licensing

The requirements for the concession of power plant operation are connected to those for environmental licensing, which are natural resources management programs, existence of multiple uses for reservoirs to ensure their environmental integrity and many others summed up in the chart below. These notations refer to the actions taken in 2006.

	Barra Bonita	Bariri	Ibitinga	Promissão	Água Vermelha	Caconde	Nova Avanhandava	Limoeiro	Mogi-Guaçu	Euclides da Cunha	Observations
Fishing Management Program											Ok
Erosion Control Program											Negotiations with Ibama and SMA/SP underway
Silting Control Program											Negotiations with Ibama and SMA/SP are underway
Annual Water Quality Report/ Water Quality Program											Ok
Permanent Protection Area Recovery Program/Flora Management Plan											Sapling production phase complete
Environmental Plan for the Continuity of the Use of Reservoir Areas											Negotiations with Ibama are underway, but the measures have already been introduced in Água Vermelha, Caconde, Limoeiro and Euclides da Cunha plants.
Fauna Conservation Program											Negotiations with Ibama and SMA/SP underway
Operating Risk Management Plan											The projects have been submitted and are currently being analyzed by Ibama technicians.
Macrophyte Control and Monitoring Program											Negotiations with Ibama and SMA/SP underway
Location Map of Stream-Flow Monitoring Stations											The projects have been submitted and are currently being analyzed by Ibama technicians.
Grant of a Permit for the Use of Water Resources											Aneel Administrative Rule approving the grant has been submitted (Resolution 131/03).
Program for the Seismological Effects on the Reservoir Influence Area											Negotiations with Ibama and SMA/SP underway
Periodical Population Moves in the Influence Area											Negotiations with Ibama and SMA/SP underway
Environmental Compensation Program											Ok
Surveys on Fauna and Flora											Negotiations with Ibama and SMA/SP underway
Fauna and Bioindicator Monitoring Program											Negotiations with Ibama and SMA/SP underway
Program for the Analysis of the Genetic Diversity of the Main Local Fish Species											Negotiations with Ibama and SMA/SP underway

	Barra Bonita	Bariri	Ibitinga	Promissão	Água Vermelha	Caconde	Nova Avanhandava	Limoeiro	Mogi-Guaçu	Euclides da Cunha	Observations
Damaged Land Recovery Program											Negotiations with Ibama and SMA/SP underway
Reservoir Embankment Monitoring Program											Negotiations with Ibama and SMA/SP underway
Environmental Education and Social Communication Program											Ok
Hydrosedimentological and Hydrogeological Monitoring Program											Negotiations with Ibama and SMA/SP underway
Master Plan for the Multiple Uses of the Plant											First introduced in Água Vermelha, Caconde, Limoeiro and Euclides da Cunha plants.
Sending Program Reports Twice a Year											Consolidated reports from each site and with the results of all the programs underway have been sent.

	In compliance
	Under study/negotiation
	Partial compliance
	Not introduced

EN14

Non-Compliances

The operations of AES Tietê and its plants were closely monitored by environmental regulatory bodies and the community in 2006. The Company was not fined for non-compliance with environmental laws and regulations.

EN23



Social Management

Relationship With The Community

One of the aspects of AES Tietê's Mission is to act in a socially responsible manner, interacting with communities, participating in their sustainable development and nurturing its relationship with its different stakeholders. With actions focused on transparency and in line with its strategic planning, the Company strives to come closer to and to integrate with the communities of the cities and towns where its plants are located.

In view of its operation area, the Company keeps close ties with communities, and it is always seeking solutions that enable it to perform its duties in a fair and consistent manner, in line with public interest.

Therefore, it supports organizations and local events and combines these actions with communication efforts. New projects started, such as the Company's first advertising campaign in the interior of São Paulo State, to promote its institutional image through information and services for communities.

Among the actions adopted by AES Tietê are the adhesion to the Global Pact and the Millennium Goals, the preparation of social and environmental reports based on Ethos-Abradee Indicators and the guidelines of the Global Reporting Initiative (GRI), respectively. The Company seeks to fulfill the ten commitments of *Programa Empresa Amiga da Criança da Fundação Abrinq* (Abrinq Foundation's Company that is A Friend of Children Program), including the donation of 1% of the income tax due to the Children's and Teenagers' Rights Municipal Funds of cities that fulfill their obligations. These funds give financial support to worthy organizations in the field.

The close ties with the communities

located in its operation area is one of the Company's main characteristics.

AES Tietê acts in a socially responsible manner and one of the pillars of its social policy is to sponsor education and culture.

One of the pillars of AES Tietê's social policy is to sponsor education and culture. An internal committee made up of professionals from several areas of AES Tietê and other AES companies in Brazil (AES Eletropaulo and AES Uruguaiana) makes decisions as to the allocation of funds to sponsor cultural activities. All programs and projects submitted to high management levels meet the requirements of the Cultural Policy, which favors actions in underprivileged communities on the outskirts of the concession area. The Company's goal is to use all the funds coming from tax incentives to sponsor music and reading projects mainly intended to promote citizenship in needy communities.

Another activity that started in 2006 as a result of the corporate integration of AES companies in Brazil was the assessment of the companies concerning sustainability issues. The survey conducted by BSD consulting aims to improve indicators related to this issue through a collaborative effort among all areas.

4.15

Main Projects Developed in 2006 Citizenship Generation

AES Tietê followed up the implementation of six cultural, educational and/or human development projects proposed by the community and selected in 2005 in five cities where the Company is based.

Selected projects:

- (Humming Bird), in Mococa – courses in dancing, motor coordination development, posture and mental and physical skills for low-income children and teenagers.
- (Music and Art), in São José do Rio Pardo – A music school was opened and an orchestra for needy children and teenagers was later created.
- (Concerts for Children), in Buritama – arts, music, drama, dancing and handcraft workshops and tutoring for children, teenagers and young adults in risk situation.
- (Inclusion through Eco Art), in Mogi-Guaçu – music, recycling and handcraft workshops for people with visually and hearing impaired people.

- (Moving Library), in Ibitinga – A bus was turned into a lending library that will travel from school to school and around poor suburbs.
- (Recycling Life), in Ibitinga – paper recycling workshops and environmental awareness-raising for children and teenagers.

Books

Over the last three years, AES group companies in Brazil have donated 123,500 books. Among the cultural actions taken by AES Tietê to encourage reading are:

- The creation of 25 Reading Rooms in schools, cultural centers and organizations as a means to increase the access of underprivileged people to books and information and to value the Portuguese languages. Initially, each room received a collection of 1,000 books, 500 of which for consultation and the other 500 for loan. The project is a partnership with Instituto Oldenburg de Desenvolvimento, Record publishing house and municipal governments. Cities and towns benefited: Boracéia (2 rooms), Ibitinga (2), São José do Rio Pardo (2), Igarapu do Tietê (1), Mococa (2), Mogi-Guaçu (2), Caconde (2), Buritama (2), Birigui (1), Barra Bonita (2), Promissão (2), Ouroeste (2) and Bauru (2, now closed);

- The opening of the *Embarque na Leitura* library, at Luz Metro station, with a collection of 3,000 books for loan free of charge for Metro riders. The São Paulo Metro Company offered the space and AES Tietê (jointly with another group company, AES Eletropaulo) sponsored facility building and the maintenance of the project, devised by *Instituto Brasil Leitor*;
- São José do Rio Pardo City Library – In a partnership with São José do Rio Pardo Municipal Government, the City Council and municipal departments, AES Tietê sponsored the renovation of the old Jailhouse and City Council Building to open the Monteiro Lobato City Library. It has a collection of 6,000 books and nine computers with Internet access donated by Programa ACESSA São Paulo, of the São Paulo State Government; and



1.

1. *Citizenship Generation sponsors the community's social and cultural projects*
2. *25 Reading Rooms were sponsored in 2006*
3. *Each Room received an initial collection of 1,000 books*



2.



3.

- The internal public is also benefited by these reading encouragement actions. They have access to the 16,000 books of AES Eletropaulo's technical library, just as all the employees of the other AES companies in Brazil. Book loans are made by pouch, and new book acquisitions are periodically posted in Infogenco electronic newsletter.

2007 projects: a new updated edition of *Almanaque Socioambiental* (Social-Environmental Almanac) jointly with *Instituto Socioambiental* (Social-Environmental Institute), the release of Braille books (in a partnership with Dorina Nowill Foundation) and the sponsorship of the book *Energia não se aposenta* ("Power Doesn't Retire") with Associação dos Aposentados da Fundação Cesp (Fundação Cesp's Retirees' Association).

Music

- Sponsorship (jointly with AES Eletropaulo) for the Mozarteum season. Mozarteum is a cultural organization that holds excellent performances of music, classic and contemporary dance. 19 concerts attended by 45,640 people were sponsored in 2006. The goal for 2007 is to increase sponsorship and make it possible for internal stakeholders to attend the performances;
- *Acorde para o Meio Ambiente* (Wake Up to the Environment) – symphony orchestra performances – sometimes along with Brazilian Popular Music performances – in parks.

4.16

Attendees are encouraged to bring one kilo of non-perishable food as a symbolic admission fee. The food collected is sent to municipal food banks. This program is organized by Pró Cultura Marketing Cultural in a partnership with the State Environmental Department and private companies. The 12 events held in the interior of São Paulo State drew 31,120 people and collected 2.5 metric tons of food donated to local charities in 2006; and

- *O Consumidor é Show* (The Consumer is a Show) – a joint event with *Jornal da Tarde* (a newspaper) that aims to bring the population closer to government bodies, companies and NGOs that advocate consumer rights. Participants can ask questions about the rights and duties at the participating organizations' stands. They also receive pamphlets and gifts. A large concert with famous Brazilian singers is another attraction. Admission is free. The 2006 event was attended by 50,000 people and 3.3 metric tons of non-perishable food was collected. 2007 goal: to hold the event again with the same quality and collect food.

Theater

A Pecadora Queimada and *Anjos Harmoniosos* plays were sponsored.

4.16

Cinema

5th Ecocine sponsorship – Environmental Film Festival and *Ecos do Planeta* (Echoes of the Planet) event, an exhibition of movies with environmental themes and debates at Espaço Unibanco de Cinema. Audience: 6,150 people.

Childhood

- Donation to Fumcad (CMDCA) – in 2006, AES Tietê donated an amount corresponding to 1% of its tax liability (R\$999,999.00) to the Children's and Teenagers' Rights Municipal Funds of Promissão, São José do Rio Pardo, Mococa, Mogi-Guaçu, Igarapu do Tietê, Ibitinga, Barra Bonita, Bariri, Buritama, Brejo Alegre, Caconde, Bauru, Ubarana, Ouroeste and Iturama. This donation is one of the requirements for receiving Abrinq Foundation's seal *Empresa Amiga da Criança* (Company that is A Friend of Children).
- *Projeto Guri* (Children Project) – a partnership between the São Paulo State Government, municipal governments and AES Tietê sponsorship intended to re-socialize children and teenagers from 8 to 18 from Caconde area through music. The Company will also sponsor the project in Barra Bonita, Boracéia, Brejo Alegre and Igarapu do Tietê in 2007.

Others

- Support and promotion of AES Tietê employees' volunteering initiatives, posted in Infogenco electronic newsletter, and warm clothing and food collection drives, for winter, Easter and Christmas.
- Sponsorship for the release of the G3 version of GRI in Brazil and participation in a study group consisting of sponsoring companies and experts. 2007 goal: to promote GRI in the Company.

Relationship With The Government

The Company is often in contact with city, state and federal officials and representatives of regulatory bodies. These contacts are always made with mutual respect and transparency.

AES Tietê's relationship with government officials is based on ethical and transparent principles. The Company follows anti-corruption practices and has a direct communication channel with its executives for any kind of violations to be reported. The Company has also set punitive measures for any employees involved in bribery of public officials and has a clear policy of not supporting and not participating in processes to manipulate public or private invitations to bid.

S04 S05



1. Show with Bibi Ferreira
2. Projeto Guri (Children Project): re-socialization of children and teenagers through music in Caconde
3. In 2007, this project will be extended to other towns

AES Tietê – Cultural Projects in 2006

Date	Event	Venue	Total Number of Attendees
1/13/2006 to 1/22/2006	Bibi In Concert III	SÃO PAULO (Frei Caneca Shopping Theater)	2,610
1/19/2006 to 1/29/2006	A Pecadora Queimada (theater play)	SÃO PAULO (Sérgio Cardoso Theater – Paschoal Carlos Magno Room)	1,291
3/19/2006	O Consumidor É Show (The Consumer Is a Show)	SÃO PAULO (Ipiranga Park)	50,000
3/31/2006	Acorde para o Meio Ambiente (Wake Up to the Environment)	BAURU (Celina Lourdes Alves Neves Theater)	450
4/9/2006	Acorde para o Meio Ambiente	MOGI-GUAÇU (Francisco Marchese Square)	2,500

Performers	Investment (In R\$)	Tax Benefit (Rouanet Law For Cultural Sponsorship)	Results
Bibi Ferreira	150,000.00	100%	
Dora Pellegrino, Rosa Douat, Rogério Freitas, Franco Almada, Marco Audino, Kate Hansen, Giovanna de Toni e Teresa Montero, Karan Machado, Alexandre Moffati, Chico Lá, Leandro Santana, Leonardo Britto, Érica Menezes	105,000.00	100%	
Daniel IRA Band	85,681.58	64%	3.3 metric tons of food was donated to the following organizations: Congreg. Irmãs Carmelitas Miss Sta Tereza Menino Jesus - IASE, Associação Beneficente Educacional Lajeado, Centro Comunitário Jardim Japão, Associação Pro Moradia União e Vida, Associação Beneficente Jardim Lapena, Grêmio Recreativo Dimensão Esporte Clube, Associação dos Moradores da União de Vila Nova, Centro Comunitário São Gabriel, Clube de Mães Tereza Teixeira do jardim Robru, Associação de Mães Boas Novas, Ass. Apoio Idoso/Menor Carente Jd. Robru e Adj., Inst. Cultural Esp. Ed. E de Captação Comunitária, Grupo Apoio Morad. Sta. Etelvina e Adj. - SANME, Instituição de Fraternidade Terceiro Milênio, Associação Beneficente Estrela Nascente, Associação Benef. Comunitária Mãos Estendidas
Poços de Caldas Symphony Orchestra and Abel Degli Angeli	200,000.00	100%	250kg of food was collected and donated to Associação das Entidades Assistenciais de Bauri
Poços de Caldas Symphony Orchestra with soprano Abel Degli Angeli – 65 musicians	200,000.00	100%	43Kg of food was collected and donated to Associação Espirita Jesus chama-te no caminho para a luz

SO1 4.16

AES Tietê – Cultural Projects in 2006

Date	Event	Venue	Total Number of Attendees
4/30/2006	Acorde para o Meio Ambiente	BOTUCATU (Camillo Fernandez Dinucci Muniपाल Theater)	560
6/16/2006	Acorde para o Meio Ambiente	ARAÇATUBA (UNIP Theater)	580
6/17/2006	Acorde para o Meio Ambiente	FERNANDÓPOLIS (Merciol Viscardi Municipal Theater)	330
6/25/2006	Acorde para o meio ambiente	SÃO PAULO (Vila-Lobos Park)	1,500
6/25/2006	Mozarteum	BOTUCATU (Botanic Garden)	1,400
10/7/2006	Acorde para o Meio Ambiente	FERNANDÓPOLIS (Main Square)	3,000
10/28/2006	Acorde para o Meio ambiente	BIRIGUI (People Square)	8,000
TOTAL - Acorde para o Meio Ambiente			18,320
5/7/2006 to 10/25/2006	Mozarteum	SÃO PAULO (Ibirapuera Park, São Paulo Hall and São Paulo Municipal Theater)	40,188

* A bonus was granted to the Company.

Performers	Investment (In R\$)	Tax Benefit (Rouanet Law For Cultural Sponsorship)	Results
Poços de Caldas Symphony Orchestra and Abel Degli Angeli	200,000.00	100%	386Kg of food was collected and donated to Núcleo Assistencial Joanna de Angelis
Poços de Caldas Symphony Orchestra and Abel Degli Angeli	200,000.00	100%	523Kg of food was collected and donated to 70 needy families registered at Secretaria de Ação Social
Poços de Caldas Symphony Orchestra and Abel Degli Angeli	200,000.00	100%	238Kg of food was collected and donated to Fundo Social de Solidariedade
Poços de Caldas Symphony Orchestra and Grupo Bachorando	60,000.00	100%	71kg of food was collected and donated to NGO Ação da Cidadania, which distributes it to registered charities.
Botucatu Orchestra + viola players + Joanna de Angelis Choir	200,000.00	100%	245Kg of food was collected and donated to Rubião Jr. community (Botucatu)
Tom Jobim Orchestra	200,000.00	100%	215kg of food was collected and donated to Fundo Social de Solidariedade
Poços de Caldas Symphony Orchestra	200,000.00	100%	394kg of food was collected and donated to the local Food Bank
	1,660,000.00	100%	5.3 tons of food
Several renowned artists	110,000.00	100%	

SO1 4.16

Relationship with Suppliers

AES Tietê follows strict quality standards in choosing its partners and, among other procedures, requires all companies to adopt safety standards and equipment similar to its own.

In line with its commitment to the sustainable development of its business, AES Tietê includes specific environmental provisions in all contracts it enters into in order to ensure quality and suppliers' full compliance with environmental legislation while performing their services. The logistics and supplies area has a central policy for product and service acquisitions, with standard requirements and criteria to hire suppliers and service providers.

Two of the requirements for suppliers and service providers that may cause environmental impact are a permit granted by environmental agencies and proof of the correct disposal of the waste produced in their activities.

AES Tietê also has a clear policy of not using raw materials produced by the illegal exploitation of natural resources (like wood, other forest products and animals), nor does it approve of the use of slave and child labor in compliance with Abrinq Foundation's requirement. The Company also gives importance to local manpower and suppliers.

The environmental and ethical commitments also follow the principles outlined by AES concerning US legislation. Due to this, the Company regularly checks the veracity of the information given by its service providers.

PR5 HR6 HR7 EC6



1. Acorde para o Meio Ambiente (Wake Up to the Environment): music and environmental awareness-raising

2. In 2006, this project sponsored 12 concerts and shows in the interior of São Paulo

3. Environmental education for children and teenagers





Strategies and Outlook

The year of 2006 was marked by the major structural adjustments in the Company, which included the shareholding restructuring of AES Tietê's holding company, internal leadership development and management restructuring. These adjustments also emphasized work processes and methods, essential due to the nature of our activity. After this period, AES Tietê is now better prepared to improve and modernize its processes more and more, in order to achieve greater efficiency and, consequently, better results.

Based on the belief that the basis of sustainable development is the continuity of its actions, AES Tietê will continue to improve its services and internal processes, always through actions geared to social and environmental responsibility. The Company's methods made a technological leap with the new structure. This evolution process started with a preparation for the introduction of Genesis Project in 2007. With the groundwork laid, the Company is now better structured and equipped to develop new projects and, therefore, pursue its goals.

AES Tietê is also seeking greater synergy with other AES companies by strengthening its commitment to keeping and improving operating efficiency. This will result in an efficiency gain, cost reduction, and will make the Company's actions sustainable and long-lasting.

AES Tietê is focusing on the search for new investment alternatives to expand its operations. It will assess the potential of new investments in power generation in 2007. One of the alternatives to be considered is medium-scale power plant projects, with an output between 250 MW and 500 MW, due to their profitability, quick construction and potential customers.

With the guarantee to sell 100% of its assured power until 2015, given by the contract with AES Eletropaulo, economic and financial performance is expected to be very good. Additionally, the Company has been consistently producing more than its assured power. Even though the review of this assured amount has been postponed, it is possible to transfer the power surplus to MRE or to the spot market.

Social Performance Indicators

AES Tietê S.A. Social Report Statement (in R\$ th)

1 Basis For Calculation	2006 Value (R\$ thousand)			2005 Value (R\$ thousand)		
Net revenues (NR)	1,381,804			1,202,710		
Operating result (OR)	1,029,200			920,367		
Gross payroll (GP)	30,880			30,705		
2 Internal Social Indicators	% of			% of		
	R\$ th	GP	NR	R\$ th	GP	NR
Nutrition	1,880	6.09%	0.14%	1,654	5.39%	0.14%
Mandatory payroll taxes	6,929	22.44%	0.50%	6,050	19.70%	0.50%
Private pension plan	(7,346)	-23.79%	-0.53%	(369)	-1.20%	-0.03%
Healthcare	2,238	7.25%	0.16%	1,359	4.43%	0.11%
Occupational Safety	619	2.00%	0.04%	549	1.79%	0.05%
Education	516	1.67%	0.04%	457	1.49%	0.04%
Training and professional development	704	2.28%	0.05%	800	2.61%	0.07%
Profit Sharing	6,504	21.06%	0.47%	3,417	11.13%	0.28%
Transfer allowances	(2)	-0.01%	0.00%	26	0.08%	0.00%
Total	12,042	39.00%	0.87%	13,943	45.41%	1.16%
3 External Social Indicators	% of			% of		
	R\$ th	OR	NR	R\$ th	OR	NR
Culture	4,140	0.40%	0.30%	2,747	0.30%	0.23%
Donations and contributions	14	0.00%	0.00%	17	0.00%	0.00%
Total contributions to society	4,154	0.40%	0.30%	2,764	0.30%	0.23%
Taxes – excluding social charges	138,114	13.42%	10.00%	124,470	13.52%	10.35%
Total	142,368	13.82%	10.00%	127,233	13.53%	10.35%
4 Environmental Indicators	% of			% of		
	R\$ th	OR	NR	R\$ th	OR	NR
Special programs/external projects	8,227	0.57%	0.42%	4,750	0.52%	0.39%

5 Employee Indicators	2006 Value (R\$ thousand)	2005 Value (R\$ thousand)
Employees at the end of the period	285	272
Employees' education		
College education and postgraduate qualification	147	140
High school diploma	132	126
Primary school diploma	6	6
Employee age group		
up to 25	15	17
from 25 to 35	100	93
from 35 to 45	108	110
from 45 to 55	58	49
More than 55	4	3
Employees hired during the period	20	27
Women working at the Company	23	21
% of managerial positions occupied by women in relation to the total number of women	26.0%	19.05%
% of managerial positions occupied by women in relation to the total number of managers	28.5%	nd
Number of African Brazilians working at the Company	24	
% of management positions occupied by African Brazilians in relation to the total number of African Brazilians	0%	nd
% of management positions occupied by African Brazilians in relation to the total number of managers	0%	nd
Number of handicapped employees	4	nd

Statement of Added Value

For the years ended December 31, 2006 and 2005 (in thousands of reais – R\$)

	Parent Company		Consolidated	
	2006	2005	2006	2005
Revenues				
Sale of energy and services	1,519,919	1,343,414	1,526,572	1,345,622
Non-operating gain (loss)	519	(1,638)	(106)	(1,638)
	1,520,438	1,341,776	1,526,466	1,343,984
(-) Inputs acquired from third parties				
Electricity purchased for resale	103,026	80,059	103,058	80,582
Outsourced materials and services	35,447	29,399	36,313	29,399
Payment for the use of water resources	46,984	45,563	46,984	45,563
Other operating expenses/provisions	72,144	77,312	72,256	77,332
	257,601	232,333	258,611	232,876
(=) Gross added value	1,262,837	1,109,443	1,267,855	1,111,108
(-) Repossessing portion	66,691	63,830	66,860	63,920
(=) Net added value	1,196,146	1,045,613	1,200,995	1,047,188
Financial income	106,340	124,424	106,531	124,435
Equity method result	2,567	487	-	-
(=) Added value to be distributed	1,305,053	1,170,524	1,307,526	1,171,623
Added value distributed				
Personnel				
Compensation	18,545	15,953	18,937	16,236
Social charges (other than INSS)	3,641	3,252	3,683	3,285
Private pension entity	(9,431)	(1,944)	(9,430)	(1,944)
Meal/transportation voucher	1,878	1,679	1,890	1,682
Provisions and others	2,921	3,186	2,923	3,253
Medical assistance	2,238	1,359	2,329	1,379
Profit sharing	6,504	3,417	6,547	3,417
	26,296	26,902	26,879	27,308
Government				
PIS/Cofins	138,114	124,470	139,507	124,930
INSS	4,422	3,804	4,556	3,905
Income tax and Social Contribution	305,082	253,241	305,328	253,362
	447,618	381,515	449,391	382,197
Financing parties				
Financial expenses	157,913	177,056	158,030	177,067
Currency variation – net	59,099	28,999	59,099	28,999
	217,012	206,055	217,129	206,066
Shareholders				
Interest on equity/TJLP	411,751	44,000	411,751	44,000
Dividends paid	37,242	199,831	37,242	199,831
Dividends proposed	165,134	295,122	165,134	295,122
Legal reserve		17,099	-	17,099
	614,127	556,052	614,127	556,052
Value added distributed	1,305,053	1,170,524	1,307,526	1,171,623

AES Tietê has used the guidelines of Global Reporting Initiative – GRI-G3 (third generation) for the first time to produce this report.

The application level of the guidelines was “C”, which includes the Profile indicators 1.1, 2.1, 2.10, 3.1, 3.8, 3.10, 3.12, 4.1, 4.4, 4.14 and 4.15, besides a minimum of ten performance indicators including at least one Social indicator, one Economic indicator and one Environmental indicator according to the protocol designed by GRI (www.globalreporting.org).

The abbreviation “NA” (not available) was used in many indicators in this first edition. In some cases, this should be interpreted as a difficulty in gathering data and information related to these indicators. The Company is committed to increasing the level of application of the guidelines to “B” in the next edition. With this in mind, it will further disseminate the concepts of sustainability among its employees and managers, review the current programs and invest both in new programs and in more accurate data collecting systems and processes.

Profile

1. Strategy and Analysis		Chapter/Section	Page
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Message from the CEO	8, 9
1.2	Description of key impacts, risks, and opportunities.	Risk Management	39, 40, 41, 42, FS32, FS33
2. Organizational Profile		Chapter/Section	Page
2.1	Name of the organization.	Profile	2
2.2	Primary brands, products, and/or services.	Profile	2
2.3	Company's operational structure, including main departments, operating units, subsidiaries and joint ventures.	Corporate Governance/Shareholding Structure	11, 12
2.4	Location of organization's headquarters.	Corporate Information	70
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Profile	2
2.6	Nature of ownership and legal form.	Profile Economic and Financial Performance/Our shares as an Investment	2 36, 37, 38, FS10
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Profile	2
2.8	Scale of the reporting organization.	Profile	3
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		NA
2.10	Awards received in the reporting period.	Economic and Financial Performance/ Acknowledgements	36
3. Reports parameters		Chapter/Section	Page
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Corporate Information/General Information	71
3.2	Date of most recent previous report (if any).	Corporate Information/General Information	71
3.3	Reporting cycle (annual, biennial, etc.).	Corporate Information/General Information	71
3.4	Contact point for questions regarding the report or its contents.	Business Management/Communication	21

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 NA (Non applicable)
 ND (Non available)

3.5	Process for defining report content, including: a) determining materiality; b) prioritizing topics within the report; and c) identifying stakeholders the organization expects to use the report.	Methodology	6, 7
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Methodology	6
3.7	State any specific limitations on the scope or boundary of the report.		NA
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		NA
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.		NA
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Methodology Message from the CEO	6 8, 9
3.12	Table identifying the location of the standard disclosures in the report.	GRI Index	65
3.13	Policy and current practice with regard to seeking external assurance for the report.		FS36
4. Governance, Commitments, and Engagement		Chapter/Section	Page
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance	10, 11
4.2	Indicate whether the chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).		NA
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance	10
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Corporate Governance	10
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).		ND
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.		ND
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.		ND
4.8	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Profile/Mission/Values	3
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		ND
4.10	Self-evaluation processes of performance conducted by the highest governance body, especially with regard to economic environmental, and social performance.	Corporate Governance/Auditors	11
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.		ND
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Corporate Governance/Sarbanes-Oxley Operating Activities/New Businesses Environmental Management	11 30 44
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies; b) participates in projects or committees.		ND
4.14	List of stakeholder groups engaged by the organization.	Methodology	6
4.15	Basis for identification and selection of stakeholders with whom to engage.	Social Management	52
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Social Management/Music/Theater/Cultural Projects 2006	54, 55, 56, 57, 58, 59
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.		ND
Economic Performance Indicators			
Aspect: Economic Performance		Chapter/Section	Page
Essential	EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Economic and Financial Performance/ Operating Costs	33, 34, FS29
Essential	EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change.		ND
Essential	EC3 Coverage of the organization's defined benefit plan obligations.		FS30, FS31, FS32
Essential	EC4 Significant financial assistance received from government.		NA

Aspect: Market Presence			Chapter/Section	Page
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		ND
Essential	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Environmental Management Social Management/Relationship with the Suppliers	44 60
Essential	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.		ND
Aspect: Indirect Economic Impacts			Chapter/Section	Page
Essential	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.		ND
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.		ND
Environmental Performance Indicators				
Aspect: Materials			Chapter/Section	Page
Essential	EN1	Materials used by weight or volume.		NA
Essential	EN2	Percentage of materials used that are recycled input materials.		NA
Aspect: Energy			Chapter/Section	Page
Essential	EN3	Direct energy consumption by primary energy source.	Environmental Management/Energy Consumption	48
Essential	EN4	Indirect energy consumption by primary source.		NA
Additional	EN5	Energy saved due to conservation and efficiency improvements.		ND
Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		NA
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		ND
Aspect: Water			Chapter/Section	Page
Essential	EN8	Total water withdrawal by source.		ND
Additional	EN9	Water sources significantly affected by withdrawal of water.		NA
Additional	EN10	Percentage and total volume of water recycled and reused.		NA
Aspect: Biodiversity			Chapter/Section	Page
Essential	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Environmental Management/Biodiversity	48
Essential	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Environmental Management/Biodiversity	48
Additional	EN13	<i>Habitats</i> protected or restored.	Environmental Management/Biodiversity	48
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Operating Activities/New Businesses/ Environmental Management Environmental Management/2006 Environmental Programs/Environmental Licensing	30 44, 45 46, 47 48, 50
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		NA
Aspect: Emissions, Effluents, And Waste			Chapter/Section	Page
Essential	EN16	Total direct and indirect greenhouse gas emissions by weight.		NA
Essential	EN17	Other significant indirect greenhouse gas emissions by weight.	Environmental Management	44
Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Operating Activities/New Businesses Environmental Management	30 44, 45
Essential	EN19	Emissions of ozone-depleting substances by weight.		NA
Essential	EN20	NO, SO, and other significant air emissions by type and weight.		NA
Essential	EN21	Total water discharge by quality and destination.		ND
Essential	EN22	Total weight of waste by type and disposal method.	Environmental Management/Waste Disposal	48
Essential	EN23	Total volume and number of significant overflows.		NA
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		NA

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NA (Non applicable)
ND (Non available)

Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.		NA
Aspect: Products And Services			Chapter/Section	Page
Essential	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Environmental Management	44
Essential	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		NA
Aspect: Compliance			Chapter/Section	Page
Essential	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Environmental Management/Non-Compliance	50
Aspect: Transport			Chapter/Section	Page
Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		NA
Aspect: Overall			Chapter/Section	Page
Additional	EN30	Total environmental protection expenditures and investments by type.	Gestão Ambiental Social Performance Indicators/Environmental Indicators	44 62
Labor Practices and Decent Work Performance Indicators				
Aspect: Employment			Chapter/Section	Page
Essential	LA1	Total workforce by employment type, employment contract, and region.	Business Management	16
Essential	LA2	Total number and rate of employee turnover by age group, gender, and region.	Business Management	16
Additional	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Business Management	16
Aspect: Labor/Management Relations			Chapter/Section	Page
Essential	LA4	Percentage of employees covered by collective bargaining agreements.	Business Management	16
Essential	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.		ND
Aspect: Occupational Health And Safety			Chapter/Section	Page
Additional	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.		ND
Essential	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Operating Activities/Health and Safety/ Aoperating Activities/BBS	27, 28 16, 28,
Essential	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Business Management	16, 28
Additional	LA9	Health and safety topics covered in formal agreements with trade unions.		ND
Aspect: Training And Education			Chapter/Section	Page
Essential	LA10	Average hours of training per year per employee by employee category.	Business Management	16
Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Operating Activities/BBS/Intangible Assets/ Knowledge Management	16, 28, 32
Additional	LA12	Percentage of employees receiving regular performance and career development reviews.		ND
Aspect: Diversity And Equal Opportunity			Chapter/Section	Page
Essential	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.		ND
Essential	LA14	Ratio of basic salary of men to women by employee category.	Business Management	16
Human Rights Performance Indicators				
Aspect: Investment And Procurement Practices			Chapter/Section	Page
Essential	HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.		NA
Essential	HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.		NA
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		NA
Aspect: Non-discrimination			Chapter/Section	Page
Essential	HR4	Total number of incidents of discrimination and actions taken.		NA
Aspect: Freedom Of Association And Collective Bargaining			Chapter/Section	Page

Essential	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		NA
Aspect: Infant Labor			Chapter/Section	Page
Essential	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Social Management/Relationship with the Suppliers	60
Aspect: Forced And Compulsory Labor			Chapter/Section	Page
Essential	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	Social Management/Relationship with the Suppliers	60
Aspect: Security Practices			Chapter/Section	Page
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.		NA
Aspect: Indigenous Rights			Chapter/Section	Page
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		NA
Society Performance Indicators				
Aspect: Community			Chapter/Section	Page
Essential	SO1	Nature, extent and efficacy of any programs and practices to evaluate and manage the impact of operations on the communities, including entry, operation and exit.	Social Management/Cultural Projects	56, 57, 58, 59
Aspect: Corruption			Chapter/Section	Page
Essential	SO2	Percentage and total number of business units that are subject to risk evaluation related to corruption.		ND
Essential	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		ND
Essential	SO4	Actions taken in response to incidents of corruption.	Social Management/Relationship with the Government	55
Aspect: Public Policy			Chapter/Section	Page
Essential	SO5	Public policy positions and participation in public policy development and lobbying.	Social Management/Relationship with the Government	55
Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		NA
Aspect: Anti-competitive Behavior			Chapter/Section	Page
Additional	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		NA
Aspect: Compliance			Chapter/Section	Page
Essential	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		NA
Product Responsibility Performance Indicators				
Aspect: Customer Health And Safety			Chapter/Section	Page
Essential	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		NA
Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		NA
Aspect: Product And Service Labeling			Chapter/Section	Page
Essential	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.		NA
Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		NA
Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Social Management/Relationship with the Suppliers	60
Aspect: Marketing Communications			Chapter/Section	Page
Essential	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		ND
Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		NA
Aspect: Customer Privacy			Chapter/Section	Page
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		NA
Aspect: Compliance			Chapter/Section	Page
Essential	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		NA

FS (Financial Statements): This represents the page of the Financial Statements where the G3 indicators can be found
NA (Non applicable)
ND (Non available)

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Effective Members

Eduardo José Bernini

Jeffery Atwood Safford

Cyro Vicente Boccuzzi

Marcelo de Carvalho Lopes

Eduardo Daniel Dutrey

Britaldo Pedrosa Soares

Charles Lenzi

Roberto Mário Di Nardo

Lucio da Silva Santos

Antonio Carlos de Oliveira

Statutory Audit Committee

Effective Members

Antonio Carlos de Andrada Tovar

Ricardo Berer

Tatiana Esteves Natal

Isabel da Silva Ramos Kimmelmeier

Egon Handel

Executive Board

Chief Executive Officer ■ Eduardo José Bernini

Chief Operation Officer ■ Vito Joseph

Mandilovich

Finance & Investors' Relations VP ■ Britaldo

Pedrosa Soares

Legal Affairs VP ■ Pedro de Freitas Almeida

Bueno Vieira

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Communication & Social Responsibility VP

■ Maria Angela Jabur

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Brazil

Bolsa de Valores de São Paulo (São Paulo Stock Exchange) – Bovespa

Common (ON) and preferred (PN) share trading

Tickers: GETI3 (ON) and GETI4 (PN)

USA

Over the Counter – OTC

Trading of Level I ADRs for common (ON) and preferred (PN) shares

Tickers: AESAY (ADRs for ON shares), AESYY (ADRs for PN shares).

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Diário Oficial do Estado de São Paulo

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General information

This Sustainability Report collects the actions and programs undertaken by AES Tietê between January 1st and December 31, 2006.

The present edition substitutes the previous one, published in 2006, with information relative to the year of 2005 and maintains the annual cycle of the Company's issuance of reports.

This publication has been developed for the electronic media and it is available at <http://www.aestiete.com.br>

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