

ANEEL APPROVES THE 2016 ANNUAL EDP BANDEIRANTE'S TARIFF READJUSTMENT

São Paulo, October 18th, 2016 - EDP - Energias do Brasil S.A. ("EDP" or "Company") ("BM&FBOVESPA: ENBR3") announces to the market that National Electricity Agency ("ANEEL"), in public meeting held on this date, approved the 2016 annual tariff readjustment for Bandeirante Energia S.A ("EDP Bandeirante"), to be applied as of October 23rd, 2016.

When compared to the current tariff, the average effect to be notice by customers will be -23.53%, being -28.64% to high and medium voltage customers and -19.51% to low voltage customers.

The component B was adjusted by 9.54%, resulting in R\$ 828,863,354.57. The IGP-M (inflation index) calculated for the tariff period was 10.66% and the X-Factor was 1.12%. The X-Factor consists of portions "Pd" (gains of productivity) of 1.14%, "T" (trajectory to adequacy of operational costs) of -0.24% and "Q" (incentives of quality) of +0.22%.

The financial items adjustments recognized by ANEEL in this process was - R\$ 308 million referring to the difference between the non-manageable costs (energy, transport and charges) approved and costs actually incurred by the company in the tariff period from 2015 to 2016.

During the tariff adjustment process, ANEEL updates the regulatory costs that can be managed by the distributor (Component B), while the non-manageable costs (Parcela A)¹ and the financial items are adjusted based on the last 12 months' price and the forecast of the next 12 months.

EDP Bandeirante: Composition of 2016 Tariff Repositioning

Description	Result
Sector Charges	R\$ 1,147,429,976.55
Transport	R\$ 214,364,219.05
Electricity Purchase	R\$ 1,734,563,493.89
Total of Component A	R\$ 3,096,357,689.49
Pd X-Factor (Productivity index of Component B)	1.14%
Q X-Factor (Incentives to quality)	0.22%
T X-Factor (Trajectory to adequation of operational costs)	-0.24%
Total of Component B	R\$ 828,863,354.57
Required Revenue (Component A + Component B)	R\$ 3,925,221,044.06
Financial Components	-R\$ 307,915,775.15
Average Effect to be notice by customers	-23.53%

¹ Component A includes energy purchases from generators, cost of energy transportation and sector charges.



Additionally, on the same date, ANEEL partially approved the pleading from EDP Bandeirante regarding the Administrative Appeal of 2015 Tariff Review (Case No. 48,500,006,203/2014-17), resulting in a new regulatory index for Non-Technical Low Voltage Losses for the 2015-2019 tariff cycle, as follows:

Description	Starting Point	2015	2016	2017	2018
Regulatory Referential PNT/BT (2015 tariff review)	10.43%	9.83%	9.31%	8.85%	8.45%
Regulatory Referential PNT/BT (New - Annual Tariff Readjustment 2016)	10.43%	9.96%	9.55%	9.19%	8.87%

The difference between the new rate and the rate approved in 2015 tariff process for the last 12 months, has been recognized as a financial component in the amount of R\$ 2,253, 086.27.

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