INVESTOR RELATIONS
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Tariff and the Tariff Flag system undergo revision

In view of the water crisis, between December 2014 and January 2015 several distribution companies requested ANEEL to carry out an Extraordinary Tariff Revision (RTE, in the Portuguese acronym). As a result, on February 27, 2015, ANEEL authorized an extraordinary tariff adjustment for distribution companies, which came into effect on March 2, 2015, and in the case of Light the average increase was of 22.48%, with different effects on the different consumption classes served by Light, as shown in the table below:

INCREASES BY CONSUMPTION CLASS	
Voltage Level (Consumption Class)	Average Increase Perceived
A2	25.14%
A3a	27.30%
A4	26.07%
AS	20.91%
B1 (Residential)	21.06%
B2 (Rural)	21.05%
B3 (Commercial/Industrial)	21.05%
B4 (Il. Public)	21.05%
High Voltage	25.68%
Low Voltage	21.06%
Total	22.48%

This adjustment managed to cover the new quotas of the Energy Development Account – CDE, the cost of energy purchased from Itaipu and other energy contracts, as shown in the table below:

Components	Tariff Impact
New CDE Quotas	18.19%
Itaipu Tariff and other Energy Contracts	4.29%
Final adjustment	22.48%

Another way of helping the distribution companies and showing consumers the real cost of energy production is applying the Tariff Flag system, which covers costs not considered in the RTE. Since January 2015, the distributors have been informing, on a monthly basis, through electricity bills, which Tariff Flag was in effect in that month. This measure was created by ANEEL to adjust the extra costs from energy generation by thermal power plants to the consumer's tariff in a dynamic manner. If this measure had not been taken, the deficit accumulated by the sector from the purchase of energy would be passed on to consumers all at once, through the annual tariff adjustment of each concessionaire. Consumers are being informed of the Tariff Flag values through a nationwide campaign which also aims to promote the conscientious use of energy and to combat waste. The table below summarizes what will be covered by the RTE and the Tariff Flag system.

At the beginning of March, ANEEL also revised the Tariff Flag values. The yellow and red flag underwent an increase of R$25 and R$55 per MWh consumed, respectively (previously, R$15 and R$30, respectively).

The proceeds from the Tariff Flag system will be allocated to the Centralizing Account for Tariff Flag Proceeds (CCRBT), created by ANEEL. The pass-through to distribution companies and vice-versa will be carried out by the net result between billed revenues and coverable costs, such as expenses with thermal power plants, ESS, involuntary exposure, etc.

During the first two months of application of the Tariff Flag system (still with the old values), Light raised R$87 million from its consumers. In view of the seasonality, Light had a negative balance and therefore received R$90 million from the CCRBT account.

Understand the new calculation under the Tariff Flag system

• Green flag
favorable energy generation conditions. No increase in the tariff.

• Yellow flag
less favorable energy generation conditions, selected when the Variable Unit Cost (CVU) is equal to or superior to R$200/MWh and lower than the ceiling of the Difference Settlement Price (PLD) of R$388.48/MWh.

• Red flag
higher energy generation costs, selected when the CVU is equal or more than the PLD ceiling of R$388.48/MWh.

	RTE	Tariff Flag
CDE quota	X	
Itaipu tariff and other contracts	X	
Expenses with thermal power plants		X
Hydrological risk associated with generation by CCGFs (Guaranteed Physical Supply Contracts) and Itaipu		X
ESS (System Service Charge) for energy safety		X
ESS for dispatch from plants by order of merit with a CVU (unit variable cost) of >R$388.48		X
Involuntary exposure to the spot market		X
Estimated surplus from Coner associated with Energy Reserve auctions		X

Check out the Company's 2014 results

• Total energy **consumption** grew by **3.0%** year-on-year, totaling 26,493 GWh, driven by the growth of 7.7% in the residential segment and 4.9% in the commercial segment.

• **Net revenue**, excluding construction revenue, was **R$8,289.9 million** in 2014, moving up 25.6% over 2013.

• Consolidated **EBITDA** closed the year at **R$1,809.7 million**, 6.7% higher than in 2013.

• In 2014, **net income** came to **R$662.8 million**, up **12.9%** in relation to 2013.

• Non-technical energy losses in the last 12 months, calculated as a percentage of billed energy in the low-voltage market (ANEEL criterion), posted a **reduction of 1.3 p.p.** when compared to the 12 months ended December 2013, reaching **40.9%** in December 2014.

• In the last 12 months, the Operating Quality Indicators **DEC** (equivalent length of interruption indicator) and **FEC** (equivalent frequency of interruption indicator) came to 12.35 hours and 6.60 times, respectively, an improvement of **32.9%** and **20.6%** in relation to the same period last year.

• **Collections** stood at **98.6%** of billed consumption in 2014, down 2.0 p.p. from 2013. **Provisions for Past Due Accounts (PCLD)** represented **1.3%** of the distribution company's **gross billed energy** in 2014.

• At the close of December, the Company's net debt was R$6,076.5 million, 9.6% above the net debt recorded at the end of September 2014.

• On March 6, 2015, the Board of Directors proposed the distribution of dividends in the amount of R$157.4 million, or R$0.7719 per share, referring to the results of fiscal year ended December 31, 2014. This proposal was approved by the Annual Shareholders' Meeting to be held on April 10, 2015.

Light's first international patent

Granted in recognition to a R&D project, the international patent is pioneering and unprecedented for the Company. The product—a polymeric sheath—is a coating developed to protect wooden poles against termites and fire, which cause serious damages to the structure and lead to power outages, in addition to exposing Light's workers and the population to risks of accidents.

"The idea came from the need to improve the performance of grids that use wooden poles, reduce costs and operational and maintenance risks, increase operational and occupational safety and to contribute to environmental conservation," said Fabrício Nunes, manager of Light's R&D project.

The polymeric sheath, which is non-toxic and does not harm the environment, increases the poles' useful life from around 15 to 25 years, representing a 40% decrease in demand for maintenance and replacement. "This benefit is very important, since replacing wooden poles entails high operational cost and often the need to cut power supply during the process in the field," added Nunes.

According to Fabio Barcia, from Polinova, manufacturer of the polymeric sheath, the fact that the project was granted an international patent shows its level of innovation and originality. "This patent ensures Light's market leadership in this segment, since only Light will be able to produce or license the product in the coming years," explained Barcia. Currently being applied on a trial basis, the product is expected to be sold still in 2015.

Fabrício Nunes, manager of this R&D Project | Photo: Humberto Teski

Light is among the best companies in which to invest

Light won the 2014 edition of the "Best Companies for Shareholders" award, granted by the Capital Aberto magazine in partnership with Stern Value Management, ranking first in the "Companies with market cap between R$2 billion and R$5 billion" category. The award acknowledged the companies that stood out in four criteria of great relevance to shareholders: Corporate Governance, Sustainability, Wealth Generation and Economic Return on the Stock.

The Corporate Governance criterion was based on a quiz containing 32 questions related to transparency, Board of Directors, shareholders' control and rights. Light has a well-structured and transparent business model focused on reaching harmony among shareholders, the Board of Directors and the Board of Executive Officers. The Board of Directors is assisted by committees which are solely composed of Board members and have no decision-making powers, making recommendations about discussions and matters to be resolved by the Board of Directors. There are five committees: Audit, Finance, Management, Human Resources, Corporate Governance and Sustainability.

In the Sustainability criterion, Light had the highest score. Its inclusion in the portfolio of the Corporate Sustainability Index (ISE) since 2007 was the point tha counted the most. Also, in 2014, Light received an award for the second best annual report, granted by the Brazilian Association of Publicly-Traded Companies – Abrasca.

With reference to the Wealth Generation criterion (% EVA – Economic Value Added, which is an estimate of economic profit less the opportunity costs of the capital invested in the business), for the ranking purposes, the EVA's variation in 2013 over 2012 was considered.

To calculate the Economic Return on the Stock, which measures the performance of stock price plus dividends and other gains, the interval considered was from May 31, 2013 to May 31, 2014.

One of the reasons why Light has become so attractive to investors is the upturn in its score as a result of initiatives to combat non-technical losses. The "Smart Grid" project is one of these initiatives, aiming to implement one million smart metering devices. By 2018, the smart grid is expected to be available to more than 1.6 million consumers, approximately 40% of all Light's clients.

LIGHT	EVA variation	TSR-Ke*	Governance	Inclusion in the ISE index
Absolute result	4.80%	20.30%	5.89	Yes
Score in the category (0-10)	10	9	7.1	10
Median in the category	-0.60%	-23.40%	5.18	0

Ke = Cost of own capital – this is the opportunity cost of the shareholders of a company
TSR: Total shareholder return | TSR – Ke: Shareholder return above the cost of own capital

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