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Investors & Analysts' Briefing

INVESTOR RELATIONS DEPARTMENT

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ANEEL CONCLUDES BANDEIRANTE'S 2003 TARIFF REVISION PROCESS AND DEFINES 2005/06 TARIFF ADJUSTMENT

The Brazilian electricity regulator, ANEEL, established yesterday the final 2003 average tariff increase granted to Bandeirante – previously defined within Bandeirante's quadrennial tariff revision in October 23, 2003 – which had already been amended from 18.08% to 10.51% in October 2004, and was now definitively set at 9.67%.

In the 2003 tariff revision process, ANEEL temporarily defined an average 18.08% tariff increase, from which 14.68% became immediately effective, while the remaining would be recovered in three annual portions in order to smooth possible economic impacts that could affect electricity consumers.

In October 2004, ANEEL made a provisional amendment to the average increase previously defined in the 2003 tariff revision process, from 18.08% to 10.51%. This correction resulted from the provisional revision of Bandeirante's regulatory asset base considered in October 2003.

Yesterday, ANEEL corrected, definitively, Bandeirante's regulatory asset base, from R\$1,092 million to R\$998 million, considered for the October 2003 tariff revision, as well as the depreciation rate and operating costs of the reference company. In consequence, the 2003 average tariff increase was revised from 10.51% to 9.67%.

As such, the total retroactive impact, between October 2003 and October 2005, regarding the amendment from the initial 14.68% increase to the final 9.67% increase, amounts to R\$102 million (€38 million at yesterday's exchange rate), which will be reflected through electricity tariffs, for a period of twelve months, starting October 23, 2005.

Nevertheless, in 2004, Bandeirante had already recognized a R\$64 million provision (€18 million at 2004 average exchange rate), for the excess revenues received from October 2003 to October 2004, which result from the difference between the 14.68% initial tariff increase and the 10.51% tariff increase defined in the provisional amendment.

In addition to the conclusion of Bandeirante's 2003 tariff revision process, ANEEL defined a -8.86% change related to the annual tariff adjustment of October 2005, which reflects the following:

- -5.56% relative to the impact of the conclusion of the 2003 tariff revision process (only for a twelve months period);
- -7.66% reflecting the change, within the past twelve months, of non-controllable costs (Part A) and the adjustment of controllable costs (Part B) to inflation. This percentage is mostly explained by a decrease in energy acquisition costs, which are a pass-through to the tariffs; and
- 4.36% regarding the recovery of past costs which were not covered by the tariff (only for a twelve months period).

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