



Notice to the Market– IR 18/15

## Renewal of Copel Distribuição S.A.’s Concession Agreement

Companhia Paranaense de Energia – Copel, pursuant to CVM Instruction 358/2002, hereby informs the market in general that today its shareholders, gathered at the 192<sup>nd</sup> Extraordinary Shareholders’ Meeting, supported by a recommendation of the Board of Directors, issued at its 140<sup>th</sup> Meeting, decided to approve the execution of the fifth amendment to Public Electricity Distribution Service Concession Agreement no. 46/1999 of Copel Distribuição S.A.

The new concession agreement, with a thirty-year term, imposes efficiency conditions on the distribution company that are treated in two dimensions: service quality and economic-financial sustainability. Non-compliance with the conditions for two consecutive years or any of the limits at the end of the first five years will result in the cancellation of the concession. As of the sixth year after the execution of the agreement, non-compliance with the quality criteria for three consecutive years or the economic-financial sustainability criteria for two consecutive years will result in the opening of the caducity process.

Additionally, non-compliance with the global collective continuity indicator targets for two consecutive years or three times in five years may lead to restrictions in the payment of dividends and/or interest on equity, while non-compliance with the economic-financial sustainability indicators may cause the need for capital contributions by the controlling shareholders.

The table below presents the targets defined for Copel Distribuição in the first five years after renewal.

Year	Economic and Financial Management	Quality (Limit Established) <sup>1</sup>	
		DEC <sub>i</sub> <sup>2</sup>	FEC <sub>i</sub> <sup>2</sup>
2016		13.61	9.24
2017	EBITDA ≥ 0	12.54	8.74
2018	EBITDA (-) QRR <sup>3</sup> ≥ 0	11.23	8.24
2019	{Net Debt / [EBITDA (-) QRR <sup>3</sup> ] ≤ 1 / (0.8 * SELIC <sup>4</sup> )	10.12	7.74
2020	{Net Debt / [EBITDA (-) QRR <sup>3</sup> ] ≤ 1 / (1.11 * SELIC <sup>4</sup> )	9.83	7.24

<sup>1</sup> According to Aneel’s Technical Note No. 0335/2015

<sup>2</sup> DEC<sub>i</sub> – Equivalent Time of Interruption Caused by Internal Source per Consumer Unit; and FEC<sub>i</sub> – Equivalent Frequency of Interruption Caused by Internal Source per Consumer Unit.

<sup>3</sup> QRR: Regulatory Reintegration Quota or Regulatory Depreciation Expense. This is the value defined in the most recent Periodical Tariff Review (RTP), plus the General Market Price Index (IGP-M) between the month preceding the RTP and the month preceding the twelve-month period of the economic and financial sustainability measurement.

<sup>4</sup> Selic: limited to 12.87% p.y.



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The decision to approve the execution of the fifth amendment to Copel Distribuição's concession agreement is based on the implementation of initiatives leading to the concrete possibility of achieving the quality and economic-financial sustainability targets, mainly supported by (a) an investment program focused on automation and new technologies, especially in the rural segment, (b) the full application of the tariff adjustments approved by the Brazilian Electricity Regulatory Agency - Aneel, and (c) the implementation of the corporate governance structure to be defined by the regulatory agency, ensuring Copel Distribuição's shielding and individualization.

Curitiba, December 2, 2015.

**Gilberto Mendes Fernandes**

Chief Corporate Management Officer interim as Chief Financial and Investor Relations Officer

For additional information, please contact Copel's Investor Relations Team:  
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