

**Local Conference Call**  
**CPFL ENERGIA**  
**Results for the First Quarter of 2012**  
**May 8, 2012**

**Operator:** Good morning ladies and gentlemen. Welcome to the conference call of First Quarter Earnings Results CPFL Energia for 2012

With us today are executives Wilson Ferreira Junior, President of CPFL, as well as other company executives.

This call is being simultaneously broadcast over the Internet on the CPFL ENERGIA Investor Relations Website at: [www.cpfl.com.br/ri](http://www.cpfl.com.br/ri), where the presentation also can be found and downloaded. Please be advised that all participants will be in a listen-only mode during the company's presentation, following which we will provide further instructions before beginning a question and answer session. Should anyone need assistance during the conference call, please request help from an operator by dialing asterisk - zero (\*0). It should be remembered that this conference is being recorded.

Before proceeding, let me mention that statements of forecasts may be made during this conference call regarding the CPFL's business prospects, projections, and operating and financial targets, and are based on the beliefs and assumptions of the management of the Company based on currently available information. Forward-looking statements are not guarantees of future performance. As they relate to future events, they involve risks, uncertainties and assumptions, and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors could affect the future of CPFL ENERGIA and may cause results to differ materially from those expressed in such forward-looking statements.

Now I want to pass the microphone to Mr. Wilson Ferreira Junior. Please, Wilson, you may proceed.

**Mr. Wilson Ferreira Junior:** The highlights of this first quarter, beginning with energy sales up 3.4% in the concession area of our distributors. We will detail the growth later on. The recent tariff adjustment submitted to Companhia Paulista de Força e Luz, our main distributor, amounted to 3.7%. The acquisition of Atlântica wind farms, which we announced in March this year. Investments this quarter totaling R\$ 555 million. Maintenance also of our credit rating, CPFL Energia's rating, by Fitch at 'AA+'.

A good thing for our shares was their return to the Dow Jones Brazilian Titans Index, of the 20 most traded Brazilian ADRs in New York — this from the listing of March 2012. In addition, as a result of the stock split we conducted last year,

we boosted our liquidity, increasing by 15.5% our shares on the both the Bovespa here and in New York, reaching average daily trading volume of 35.5 million.

Finally, as a result of all this, perhaps a perception of value, the shares appreciated 25.5% on the Bovespa, topping that Index (which was -5.9), and even the Electric Energy Index of 18% — this over the last twelve months. The appreciation of the ADRs was 9.9 p.p. in New York and has also surpassed our comparables, precisely the Dow Jones Brazilian Titans, which was negative by 13% and the Dow Jones, 7.2% positive. Important results early this year.

I'm going now to page 2 ... to page 4, sorry, where we detail the energy sales in the first quarter and also the behavior of the free market, evaluated here by using the distribution system. As we can see here, sales in the concession area increased 3.4%. It is composed of a captive market growth of 2.4% and 6.3% in the so-called "free market" in the concession area, measured here by sales volume in the rate of use of the distribution system, up 6.3%.

Importantly, in the concession area, looking at the latest assessment of sales in the concession area, such as the 3.4% growth distributed among various consumer segments, we find the continuation of significant growth in the residential and commercial segments, of 5% and 4.4% respectively. In addition too, as a highlight, the revival of the industrial sector, up 0.9%, and the others segment, at 7.3%. Here we are strongly emphasizing the subject of irrigation for the rural market, in view of the fact that this year we are seeing in the first quarter a lower level of rainfall in some regions that we serve, and so there is a greater use of irrigation systems. All this then to a value close to 14 000 GWh in the first quarter of 2012.

When we compare the total energy sales by the company that is sold directly to consumers, we see growth of 5.5%. It naturally corresponds to the 2.4% we talk about regarding the captive market and a further 15.4% in the activities of sales and generation outside the group, outside the PPAs we have between our generation and our distribution companies. One area of important growth can be seen in the chart on the right, where in the south region our RGE operation grew more than the volume of the overall south region, 6.8% compared to 5.5%. The same occurs in the southeast region, where we grew 2.7% against 1.1% for the region. In Brazil we grew 3.4% compared to Brazil as a whole, which was up by 3.9%; really, overall Brazil has shown particularly strong growth in the north region this year.

These are important results, encouraging results this quarter and with very good prospects, as can be seen on page 5, particularly in the regions where we operate. We are here along with assessments we have from the BNDES, and I think starting with the last bullet point on this page, there is a resumption of major investments in Brazil. A thermometer of this is precisely the number of new

projects under consideration by the BNDES, which showed an increase of 37% this quarter compared to the first quarter of last year - new projects worth almost R\$ 56 billion.

Another important prospect in our region is the major investment prospects in a high-speed train, to absorb some R\$ 35 billion, and it will affect in a very positive way the region of Campinas, the largest city our eight distribution companies serve. Also, naturally, through the recent process of expansion of airports; the Viracopos airport was one of three airports put out for tender recently and has planned investments of nearly R\$ 1 billion by 2014.

We highlight here some other investments between this year and next year — a total of R\$ 3 billion — and affecting some of our regions: expansion of the container terminal at the Port of Santos, the setting up of the gas concessionaire network in Jundiaí, Piracicaba and Hortolândia; expansion of the telecommunications network in the region of Ribeirão Preto; construction of ethanol terminals in Paulínia; and construction of a service center for transportation equipment in Sorocaba. Just these investments alone are worth more than R\$3 billion. What we're doing, here, of course, is highlighting the major ones, but there is a resumption of investments in every area of services to which we are providing power.

I turn now to page 6 where we detail the results reported and the recurrent results. This analysis of the recurring results, I'd like to mention again, is very important in view of the effects of not booking the regulatory assets and liabilities under IFRS. Starting with what has been reported, here we are showing a growth of our net revenues from 13.2%, reaching to R\$ 3.4 billion. Our IFRS in EBITDA hit 1.084 billion, an increase of 6.2%. The reported net income, a decline of 9.2%, reaching R\$ 423 million, was naturally due to the increase in our expenses, the result of a very large set of acquisitions that you all have been following.

It is important to also explain that despite them, when we look at the company's recurring results, here excluding the effects of regulatory assets and liabilities, these numbers are slightly different, but an 11% increase in net revenues and nearly 18% in EBITDA, and 9.5% in the last line, reaching R\$ 411 million. The profit would be in the direct recurring comparison, without the regulatory assets and liabilities, rising 9.5%.

There are some details beneath these effects. The non-recurring total is quite small, relating mainly to adjustments to the UBP and depreciation of plants that occurred last year, and the physical inventory in the distribution companies' assets, a non-recurring event for the purpose of the tariff reviews being completed now. We detail naturally CPFL Piratininga's provisional rhythm in terms of its net revenues. This already is a regulatory measure that corresponds to amounts incurred in the first quarter.

Finally, the variation — and this is certainly the major change in the regulatory assets and liabilities between this year's first quarter and that of last year. So, both the comparison of EBITDA as well as net income is what determines the recurring amounts posted on the second line of this slide.

Let's move then to detail these results. As I said, in the first column we have here EBITDA that we called "adjusted," which would be without the non-recurring regulatory effects, and these effects totaled 114 million; then we see the published EBITDA, reporting 1,020 billion. We will detail three important variations here, the biggest of which is growth of net revenues of 12.2%, or 342 million, due primarily to increased sales in the concession area of insurance, in addition to the tariff increase between the first quarter of last year and this year, totaling 7.5%.

The additional revenue from the plant at Foz do Chapecó and CPFL Renováveis — Foz Chapecó for starting up last year and CPFL Renováveis through the consolidation effect — with, additionally, a slight increase in TUSD revenue of R\$ 6 million, and revenue increases in conventional generation and sales totaling 58 million.

We exclude here only revenue deductions, of 134 million, which are basically taxes, and sector charges totaling 54 million. Therefore, vigorous growth is important for our net revenues, and from it we exclude for the purpose of the EBITDA variation the increase in energy costs and charges, which have risen higher than our net revenues by 17.4% here, being 18% with purchased power, which is not only the result of the adjustments in the cost of purchased power, but also the volume, as well as 14.2% in charges, mainly basic network charges.

The good news, importantly, which is a testament to the effectiveness of our management team's efforts, was a lower increase than the rise in net revenues, an increase of 8.6% in operating costs and expenses, totaling 32 million. Here it is important to first highlight the net effect of non-recurring inventory. This is because the inventory that is mandatory for the purpose of evaluating the asset base is a non-recurring event and is reimbursed in the tariff review. So, here we are only reporting changes with last year, where we were already doing this kind of work, since we have eight distributors.

The effect of the consolidated CPFL Renováveis operation, a total of 28 million, led to a variation of the recurring events in that quarter of 2011 compared with this quarter, where we would have a cost of personnel, equipment, services and others, adjusted and recurring on the same basis, showing an increase of 2.2%. Therefore, we're talking here about a 12% growth in net revenues, as counterpoint to the 2.2% increase in our manageable operating expenses.

Highlighting, including in terms of manpower, a decrease in the comparison of the quarters of about R\$ 3 million, which already shows some important effects, either of the measures we took, the retirement incentive program, and also of our ZBB, Zero Based Budgeting, thus leading to some reduction in head count and an increase in total costs of only 2.2% against the IGP, which changed in the same period by 3.2%.

So we reach 1.084 billion in IFRS EBITDA — as I said, a growth of 6.2% — and when we consider the regulatory and non-recurring effects, we reach a growth of 17.9%, 906 million last year and 1,067 billion this quarter.

Next, on page 8, we'll do a breakdown of net income. In net income, as I said, we are reporting a decline of 9.2%. And here, beginning from R\$ 466 million, we are adding the change we just detailed in EBITDA of 64 million, and the deterioration in our financial results by R\$ 83 million. This poorer result is due to the increase in financial expenses by R\$ 100 million, here being the main effect of the consolidation CPFL Renováveis; as you know, we own 63% of the company, but we consolidate 100% of the result.

Moreover, the effect of currency exchange on Itaipu's invoices to the distribution companies contains CVA, but under IFRS it is reported directly. The net increase in the debt burden by increasing the debt, is detailed in our report, and represents R\$ 36 million. Accounting adjustments in the recalculation of the UBP at the plants is a non-recurring event last year totaling 13 million.

On the other hand we also had increased availability of cash, although the CDI was paying a bit less. It is a much larger volume, about 2.7 billion against 1.5 billion in the quarterly comparison. We saw growth of our financial income of 14% or 18 million. On the other hand we had an increase in depreciation and amortization, the result naturally from start-up ventures as EPASA, as well as the consolidated effect of CPFL Renováveis. The non-recurring adjustments, as I said, of the depreciation of plants in the first quarter of last year, and the change in the Agency's depreciation rates for distribution assets, where we are depreciating over a little longer period of time, led to the gain shown in this report.

On the other hand we saw a lower gain on the part of our pension fund entity. Last year we earned about 20 million more than we're seeing this year; we are positive, but with lower gains than we had last year. In the last line, as a result of the decline in net income, we have a reduction in income tax in the direct comparison with the previous year. It is important to look at both ends, comparing recurring events, removing the regulatory and non-recurring effects, for a growth in profits of 9.5%, reaching R\$ 411 million.

Now on page 9, we have the details of the debt profile. Its breakdown is practically unchanged. We are here with 59% of the CDI, 33% in TJLP, the

currency of the BNDES, 5% in pre-fixed debt, which also is BNDES financing. So we're reaching here our entire debt composition of 38% through the BNDES, with the remaining 3% tied to the IGP, which is the index of our debt agreements with CESP Foundation.

We also are reporting here the cost of the debt. It showed a slight rise in first quarter from 4.3 to 5.2, in real terms. We've seen here in nominal terms a decrease from 11.1 to 10.7. Finally we see here below the net debt at the end of last year rising to R\$ 10.9 billion, R\$ 200 million, a net debt to EBITDA ratio of 2.8. When we exclude the projects under construction, which already have their funding but no EBITDA, we are at about 2.5 times.

On page 10 there also in an amortization schedule of this debt. Our cash availability can be seen to the left. This cash is sufficient here for almost twice the short-term amortizations. In two months we are here with a debt maturity profile of 4.2 years; short-term debt is only 11.6% of overall indebtedness.

A very comfortable situation, which allowed, as stated on page 11, the maintenance of our 'AA+' rating with a stable outlook. Here it is worth detailing some of the arguments used to maintain this rating. In addition to the group's diversification, it is a group integrated with distribution, generation, renewable generation, energy sales, and with an important market leadership position, and its own ability to generate cash. And recognized moderate net leveraging with high liquidity, nearly R\$ 3 billion in the quarterly variation. There is also recognition of the group's business strategy, with growth in power generation activities.

In the assessment of the rating agencies, there is a moderate negative impact of the third cycle of tariff review - remembering that out of our set of distribution assets, in the only the tariff process for this year of 2012 the assets of Piratininga and the small concessionaires five small utilities, are up for review, which represents from the point of view of our total asset base in this sector something like 25%.

I'm going now, as of the next few pages, to display a breakdown of the status of our projects under construction, notably in the area of renewable generation. On the first page, on page 12, the projects under construction, nearing completion, totaling 283 MW. Starting with the Bio Ipê, which now comes into operation next month, has installed capacity of 25 MW, already financed by BNDES, almost 80% of the investment coming from the BNDES.

The TPP Bio Pedra, another co-generating company already with 94% of works completed, that will be starting up at the end of June with (inaudible) capacity, and with a sale through LER at R\$ 154, value from August 2010. Finally, our major launch this year, the Santa Clara wind farm, the first we've built, now enters the third quarter exactly within its contracted timetable with the Agency,

totaling 188 MW, already funded 65% by the BNDES. Also in the Reserve Auction in December 2009, with an updated value to the currency of December last year, to R\$ 168.32. The projects are fully on schedule, and we are quite satisfied with the first of the group's wind farm start-ups.

On the next page we have here the details of the projects that are entering into operation in 2013. Starting with the SHPP Salto Goés, initiating operations in the first quarter of 2013. It also is financed by BNDES, 63% of this amount, a 20-MW plant, with a tariff of R\$ 160.41. And two co-generators we started building this year, each 9% completed. They will start up in the second quarter of 2013, each with 50 MW. They were contracted at the same time. We rationalized our investments, which are now under review by the BNDES for release of funding. These are two plants that will operate on the free market.

Finally on page 14 we still have a complement of 2013, the Macacos Complex, which is a wind facility, scheduled to start up in the third quarter, rated at 78 MW; 23% of it is concluded, and the tariff is R\$ 137. Campo dos Ventos II is the only park that we won at the LER auction in August 2010 with a value of R\$ 133, and 7% completed. And the Atlântica complex, which we recently acquired and that is starting up in the second half of 2013, a wind farm rated at 120 MW in the south of the country, which gives us regional diversification in terms of wind power at the alternative source auction, with a PPA value of R\$ 147.44.

We are concluding on page 15 with the project start-ups in 2014, a total of 254 MW. Here the highlight is the Campo dos Ventos I in the second quarter of 2014, 138 MW, operating in the free market. The complex of São Benedito in the second quarter of 2014, represents more than 116 MW in the free market, and both are under review by the BNDES.

I also wanted to highlight on page 16 an important initiative. We received recognition of the Agency of the use of the R&D resources of our distribution companies for this project. You see a picture of our largest Campinas substation, Tanquinho. We are installing 5,300 solar photovoltaic panels. This plant will have 1 MW capacity, able to supply 657 clients/month with an average consumption of 200 kWh/month. This investment of 13.8 million, as I said, using the company's R&D investment capacity to thus make it feasible, will be the first solar power plant in São Paulo of this size. It's an important advance, something that will diversify our energy sources.

I also wanted to quickly comment on page 17 about our continued work on the Tauron Project, which is the most important project from the point of view of raising the group's operational efficiency, of reducing operating costs in the distribution activity. The smart grid is in phase one, incorporating three activities here - the part of mobile workforce management for managing our workforce. Also the portion regarding remote measurement; we are installing remote metering for all consumers in Group A, large consumers. These are smart meters

that will let us conduct measurements much faster, more accurately and, especially, cheaper. And self-healing, which are processes for the automation of our distribution network, involving installing 5,000 reconnecting switches.

Notice the status on the right, of the mobile workforce. We have hired all the suppliers, with an estimated investment of R\$ 33 million, with annual gains of 42 million through our better management of the workforce. With remote measurement in its early stages, as of May of this year, investments are in the neighborhood of R\$ 57 million, with annual gains of around R\$ 15 million. In self-healing, of the 5,000 scheduled switches, almost 2,900 are in operation, involving investments of about R\$ 125 million, and it is an important enabler for other processes.

In management of processes, commercial partners, operations and logistics, we are very strong, higher than the ZBB itself, etc., and we are revisiting a number of processes in this area — antitheft, armored cars and so forth. And here we should have an additional gain of R\$ 49 million. And we have begun, we are now making available for all our Paulista and Piratininga customers, a digital light bill, where we send out the bill through electronic media, the Internet, and we can also not send this bill to customers this way.

We see here a total base investment of R\$ 50 million, a total of 215 million, where we expect a benefit at around R\$ 100 million annually, slightly more than R\$ 100 million annually. Our investments in this are moving along quite quickly, synchronized naturally with the start up of the so-called "fourth cycle of our distributors."

Now on page 18 to show you the behavior of the free market, in particular the question of price. We tried to put in this blue box below exactly what we are undergoing during a dry year or a less rainy one ... I think it would be more correct to say "less rainy." Then we can see the Southeastern System with about 78% of energy flowing here, the year has varied around 80%. The south region is the lowest, but this is not the rainy season in the south. It is between 60 and 70% of the long-term average. In the northeast over the past two months, more worryingly, it's about 50%. In the north, the reservoirs are now virtually full, but April still was only 70%.

On the right we are reporting the effect of this on the curves, and especially that necessary to give peace of mind with respect to this behavior. We are here reporting the curves of energy stored in the National Interconnected System (SIN), then we can see, especially the curves over the last few years, we are slightly below the curve up to about 75% of total capacity stored.

You can see that it is far removed from the curve in 2001 when there was rationing. The system is robust. It is true that today the system is much more secure in the sense that it has thermal contingency and that is what ends up



determining the top graph, the price change, the rapid price signal today at about R\$ 190. We have an expectation that this price is maintained in this range between 150 and 190, depending of course on the level of future precipitation, particularly resulting from El Niño. It just shows the strength of the system. It is a system that naturally requires technical skills to operate and we are certain about that.

Let us now turn to page 19 just to report our stock performance, it's our last slide. Here only in the upper part is the performance of our shares on the Bovespa SP and NY in the last twelve months. The company beat its own comparables and the Stock Market itself with 25% on the Bovespa, compared to a 6-point decline of the Ibovespa, and almost 10% in New York, against a fall of 13 points by the Dow Jones Brazilian Titans.

He who rises faster in the first quarter rises slower in the second, so we're still up 5.5% compared to 13 in the Bovespa, up 10 in New York against a 13 point drop in the Dow Jones Index. The daily trading volume is the highlight here, as I said, now at R\$ 35 million, especially a growing number of trades, at some 2,500 per day. And the entry, re-entry of our ADRs on the Brazil Titans 20 index, which should also lead to an increase in our daily volume.

This is what I wanted to say about the first quarter and now I, along with my team, will now be available for questions. Thank you."

### **Question and Answer Session**

**Operator:** Ladies and gentlemen, we will now begin the question and answer session. To ask a question please press asterisk (\*) one (1). To remove the question from the list, press asterisk (\*) two (2). Excuse me, once again, to ask questions, just type an asterisk (\*) one (1). Remember that to ask questions just type an asterisk (\*) one (1). Please, if you have questions, please press asterisk (\*) one (1).

At this time we have ended the session of questions and answers. I would to give Mr. Wilson Ferreira Junior the floor for final considerations. Please go ahead.

**Mr. Wilson Ferreira Junior:** I want to thank you again for participating in our reporting of earnings results. I want to reaffirm that in terms of our strategy we are quite certain and confident about the performance of the market, and we had here an example of a recovery in the first quarter. We are quite confident in the measures that the government has made towards making a recovery with a focus on industry - which is the segment that has shown the poorest performance - and we can naturally benefit from this resumption of growth by industry, in particular the effects related to the industry financing.

It is important to emphasize the prospects for completion of our projects, our renewable energy assets especially performing with great strength. And I think that above all we need calm for negotiations and interactions required in the tariff revision process, the third round of tariff revision. Where the company also ... only to emphasize that in this quarter, on the recommendation of Embrakon, we made a provision with respect to Piratininga regarding other revenues totaling nearly 10 million since October 23 last year until now. I have not been emphasizing this throughout the presentation but it is important to mention, this has been provisioned in our regulatory statements by recommendation of Embrakon and on the recommendation of our auditors.

Otherwise, I believe it is the first quarter of the year, I think it has started with good prospects and, given the company's strategic positioning in distribution, particularly with efficiency gains measures that we are introducing, reporting to you a very calm performance with respect to our large-scale generation operations, and the good prospects that we share here regarding renewable generation, as well as power sales. So what we have is another important year, an important year for the CPFL Energia group. We want to again thank you for your attention to our company this morning. Thank you very much.

**Operator:** The CPFL Energia conference call has ended. We appreciate the participation of all and have a nice day. Thank you.