



**Conference Call Transcription**  
**1Q05 Financial Results**  
**CPFL Energia**  
**May 4<sup>th</sup>, 2005**





**Operator:**

Good morning ladies and gentlemen. At this time we would like to welcome everyone to CPFL Energia's 1st Quarter 2005 Earnings conference call. Today we have with us: Wilson Ferreira Junior - CEO; José Antonio A. Filippo – VP of Finance and Investor Relations; Reni Antonio da Silva - VP of Strategy and Regulation and Vitor Fagá de Almeida - Investor Relations Manager, and Antonio Carlos Bassalo – Accounting.

We would like to inform you that will be in listen-only mode during the Company's presentation. After CPFL's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press \*0 to reach the operator.

We have simultaneous webcast that may be accessed through CPFL's website: <http://ri.cpfl.com.br>. The slide presentation may be downloaded from this website; please feel free to flip through the slides during the conference call. There will be a replay facility for this call on the website.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of CPFL's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of CPFL and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the call over to Mr. Wilson Ferreira Junior, CPFL's CEO. Mr. Ferreira, you may begin your conference.

**Wilson Ferreira Jr.:**

OK, thank you. The plan is to be here announcing our results for this 1Q05. In page number 3 we have the main highlights of this quarter, the main one, the most important factor is that we are reporting a net income of R\$166 million in this 1st quarter, reporting a net loss of R\$12 million in the 1Q04, and these net results are due to the increase in our gross revenue by 14% and we have a 21% EBITDA growth in the same period when you compare the 1Q of '05 with the 1Q of '04.

We are also reporting the group's Energy Sold, increasing by 4.3%, that result includes all the sales that we are billing for the captive customers in the distribution concessionaries, and also the free customers served by CPFL Brasil, almost all from the distribution company, and in the area of our distribution company, the market increased by 7.3%, so the difference between those numbers are the free customers not served by CPFL Brasil. It is also important to emphasize that we have the final CPFL Paulista tariff revision approved last April 08, the total net debt consolidated amounted R\$3.7 billion, the net debt EBITDA by the ratio of



## 2.1.

The investment that the Group will accomplish by 2008, the CPFL Energia is around R\$2.6 billion, due to our expansion and maintenance in terms of the business that is concentrated in generation and distribution and, finally, to conclude this CPFL highlights, we have the free float increasing by IFC exercising, they arise to convert the loan into CPFL Energia's share. We announced this by Fato Relevante.

On page № 5 you have the main results of the Holding Company, comparing this 1Q05 with the 1Q04 the Group sales increased by 4.3%, as we came with a consumption of a rate of 5.1% for Residential, 8.7% in the Commercial and, finally, 2.3% in the Industrial sector. Our number of customers increased by 4.4%, which means an addition of almost 118,000 new customers connected with 1Q04 and the Energy sold to free customers by CPFL Brasil also have increased almost the double.

These sectors have impacted the Group Revenues which have increased by 14%. The tariff readjustments of Paulista and Piratininga, and also the Generation contract, and the use of our infra-structure in terms of distribution, in a term that we call TUSD, increased by 171% and also we have to consider in those results the start-up of Monte Claro, our 3rd hydro power start-up in the last quarter of '04. All these increased our gross revenues by 14%.

Our next page is number 8, we have the EBITDA net income analysis, the EBITDA has increased by 21%, mainly due to the growth of revenues, 14%, as I said before, efficient control of our expenses and the start-up of MonteClaro, which contributed to increase generation stake in the Group portfolio. The Group net income also has increased by almost 1,485% which can be explained by financial expenses reduction of 14%, and a reduction of costs of goodwill amortization around 98%.

And on page №7, in which we show the breakdown of CPFL Energia results, by their units, so you can see the net revenue increases in all the units, resulting in an increase of 15%, in the consolidated results. We underlined the CPFL Brasil growth through the sales force and its strategy. You can see here an increase in net income by 44%.

Our distribution segment due to sales performance shows a 24% EBITDA increase contributed to the 21% EBITDA increase of the Group, a more significant participation in the distribution. And, finally, the net income of the Group, as reported, reversed the net loss of the 1Q04, and net income in the 1Q05. The distribution business presented as well a net loss reversion in the 1Q of this year, in a comparison with last year, and the Generation unit has reported a 44% net income increase due to the operational efficiency and the reduction of the financial expenses, and goodwill amortization.

On page № 9, now we can start talking a little bit about each one of the



units, first one the distribution. Increase of distribution gross revenue is a result of the energy sales growth, tariff revision in the units and increase in the use of the net worth, the use of our cables, rise of free customers, tariffs that we call TUSD, and the effort of the distribution team to reduce the commercial loss. The gross revenue increase allied to the operating expenses control resulted on the EBITDA increase by 24%. Adding to all those facts, the reduction of financial expenses and the goodwill amortization, we have an increase in the net income by more than 600%.

On the next page we have the highlights for the commercialization business, following CPFL Brasil strategy. To keep the sales growing we can see an increase by 57% in the gross revenue, 25% in the EBITDA, and 26% in the net income. All the results reported by CPFL Brasil are based on the energy sales, and the value added services increase. Additionally, the plan of CPFL Brazil is to give all the support and reliability that is needed to gain new clients and keep the current ones. It is important to emphasize that we increased the base of free customers at the end 2004 from 50 to 62, and in April we had 8 more so now we have 70 free customers served by CPFL Company.

Next page, page № 11, we have some comments about the generation, that unit results, we are reporting the generating branch, which shows an increase of 16% in the gross revenue, 10% in the EBITDA, which includes R\$81million, and 44% in the net income with R\$24 million as a net income Those results were generated mainly by readjustments of Generation Project and Monte Claro power-plant initiating commercial operation at the end of 2004. EBITDA evolution was impacted by extraordinary expenses of Monte Claro launch again. The new project under construction will have almost 1,200MgWats average to the Group of sales capacity which will reach almost 2,000MWatts average by 2008. It is important we are expecting to start up Barra Grande next October, and also Campos Novos at the beginning of 2006.

Finally, in the last chart, page № 15, we have the perspective for distribution unit keeping the good results with energy sales. We have seen this month of April, an increase in sales in the area of concessions of Paulista by 10% and in the Piratininga by 7%. These numbers compare themselves to previous year, including the results of the CPFL Brasil, instead of 4.3% that we have in the 1Q by an operating net results by 5.2%.

For the Generation we know that Group perspectives keep growing, the installed capacity , as I said, by the set up of Barra Grande and Campos Novos, we expect to continue credit this EBITDA margin around 90%, shown efficiency of the Group, specially in capacity to operate at very low cost, and, finally, the commercialization unit will keep on working closely with these new clients, as we said before, connecting eight more clients during this month, month of April, keep increase of sales, of value added services, maintain our competitiveness of sales and purchasing.



Concluding, the Group is focused on the debt profile, seeking the optimal capital structure and reducing the debt cost and increasing debt average maturity.

So, these are the main results of CPFL Energia in the 1Q. As we announced we are followed by Filippo, our CFO, and by Reni Silva, our Strategy and Regulation Vice-president. And we are here to hear your questions, if you want, and clarify all the points. Thank you.

**Wilson Ferreira Jr.:**

Any questions?

**Operator:**

Thank you, the floor is now open for questions. If you would like to ask a question, please press \*1 on your touchtone phone. Once again, ladies and gentlemen, to ask a question, press \*1 on your touchtone phone. And we do ask that when posing a question to please pick up your phone to provide optimum sound quality.

Our first question is coming from Eduardo Haiama of Banco Pactual.

**Eduardo Haiama:**

Hi, good morning every one. Mr. Wilson, just two questions. The first one is regarding Piratininga set-up revision, if you see the possibility of getting the 2.5% difference between Bandeirantes set-up revision and Piratininga set-up revision by October, if you see that ANEEL could maybe split these two revisions that are going to separate, instead of just considering the lowest one, and the second question is regarding all the rumors that the Minister of Mines and Energy wants to renegotiate the contract of distribution and generation.

Do you see the possibility of any kind of renegotiation in terms of index, how do you see this issue, if it is more like a rumor or it could be a fact?

**Wilson Ferreira Jr.:**

OK, I need to answer the first question, before the second question. OK, for the first question, regarding Piratininga revision, we are discussing with ANEEL the possibility to readjust Piratininga tariff revision without considering this resolution of ANEEL that determines that the lowest index to be applied for both Companies.

It is possible but we cannot be sure right now that we will get the requested rules to succeed this job.

Well, regarding the cases and the index I think that in this moment the Minister of Mines and Energy is in this dispute also, I do not think they will officially announce this negotiation. We heard this from BNDES CEO, Mantega, in an event of last Monday.

As you know, the concession contracts, we have some amendments of them, just to incorporate in the contract, is the changes in CVA, including the changes of sales in the initial contract, in a contract that you replace the initial contract, and we just tried two weeks ago, so I do not believe they are intending to lose.





It is important to emphasize we have an event discussing the project financing of the electrical sector last Monday, and this possibility was asked to some people there and all the Banks present refused completely and I think they will be with some people of the government, if they want they will be very careful to consider increase that especially because they need to be successful in the auctions of the old energy and especially of the new energy, and I think that is not the right moment to treat this subject.

Also, you have the experience of this Telecom Companies last year when they were entitled to change the index. And they, in a very strong concern by the judge, they lost all the points and maintained the official index of the budgets, and I think they will do the same thing for the electrical sector, that is our view.

**Eduardo Haiama:**

Just the second question again regarding the trading dividends. Taking into account the R\$62 EBITDA for the 1Q, what sort of expectation for the year, can you analyze this, what is your expectation for the full year for the trading dividends?

**Wilson Ferreira Jr.:**

We are expected to, as you know, the composition of the results of CPFL Brasil, almost 70% of them is related to the sales, with sales to our distribution Companies served by ANEEL, so this is not going to change to be an increase, I think I announced it to the market, we are expecting to have for the year increase in our sales and distribution, something around 4 to 4.5% of our business' served by electricity that we are buying from CPFL Brasil and 70% of this have to do, it is from the result of CPFL Brazil is to resale of this electricity to our distribution center.

So if you have an increase that we are observing in our sales and distribution we can have a not much strong some increase in the sales of these 70%. The other part is related to the sales to the free clients. We are expecting to have an increase of sales by 50% in the amount of GWh.

We have in this 1st quarter an increase on the sales to the free customer by more than 100%, so this market is continuing to grow in a better way than we are expecting it to grow, but we maintain our market share we have 19% , we are projecting to increase by 50%.

I believe, considering this trend of the 1st semester we will be a little bigger than this 50% we forecasted, something around 65% just considering this prospective in net sales in this 1st quarter and also consider that we increased eight new free customers in this April and also a consecutive result from this.

So the growth of sales to the Distribution Company Resulting in 50% of the result of CPFL Brasil plus 50% increase in net sales to the free customers with some changes reaching 65% up to now.



**Eduardo Haiama:**

OK, thank you.

**Operator:**

Thank you, our next question is coming from Sergio Tamashiro, of BBVA.

**Sergio Tamashiro:**

Hi, good morning, everyone, I just have two questions. The first one is regarding the dividend policy, capital structure, and the CAPEX Program, as they are all link and last year, 2004, you had a payout ratio of 94% and, this year, CAPEX is already peaking, peaking in 2005, and your capital structure, due to this huge cash generation is decreasing and getting very close to this level of 50 to 50%, currently, you said this is 55% to 45%.

Therefore, what I see is, very soon you will not be optimizing the capital structure, the WACC, for they might be at the inflexion point; therefore, what I want to hear is what is your policy regarding the new CAPEX.

You mentioned in the previous conference call that you do not want necessarily just to increase market share in the distribution business. Therefore, you are concerned with the return on equity – in this sense, if you could just open the possibility to buy Light, Electro, whatever, which is a distribution Company that you are sorting.

You also commented on the ....The other shareholder in RGE and ..., new energy and also, besides this opportunity in Brazil, if you are looking for expansion abroad Brazil, like in other countries, and also, if you do not have this CAPEX program, if you are trying to, or willing to adopt a share buy-back program and what could retrigger this the buy-back program, the capital structure or what?

**Wilson Ferreira Jr.:**

I will ask Fillipo to answer this beginning of this question.

**José Fillipo:**

OK, Sergio, if you do something with this capital structure; first of all, regarding the debt equity, since you mentioned, we as will be indicated in our optimum debt equity structure, it will be between 50-50 and 65-35, we still inside that range, so I think that you have to take into account that the generation projects, most of the generation projects were funded on the equity issue so far and most of the loans time long projects will be disbursed going on with a high dividend in the equity extent.

I mean, we have already put most of the equity and now we are receiving the debt fee so that will mean somehow increase the debt piece of our capital structure.

We have been in proceeds of the IPO to fund the needs for the equity, for the main piece, which is not the biggest part, and also for the distribution for CAPEX that will be needed. This will have to be combined with the cash generation that has been strong, so, combining this will be the dividend policy, we don't anticipate that we can not meet the pay-out of 35% in case we do not have another specific need to use for the cash. So this is what we expect.



**Sergio Tamashiro:**

Is there any chance that you adopt this share buy-back program?

**José Fillipo:**

No, there is no reason why we should go to buy back because we want to increase our free float. We have commitments with Novo Mercado to get 25% by 2007, so it should not be a natural move to buy back shares, you understand that these shares will get valued and capture all these growth of the Company going forward.

**Sergio Tamashiro:**

Thank you very much. And how about this foreign expansion in Latin America, is there any possibility or is it just focusing on the Brazilian market?

**Wilson Ferreira Jr.:**

In this moment we are focusing on the Brazilian market. We are expecting opportunities for the new energy next semester, the auctions, we have a possibility to have a, even if with the acquisition of Ceterp in São Paulo, a stake in a transmission Company, we expect to be in this market, basically in the auction of transmission and also, if we have amortization we will be there.

So, at this moment it makes no sense to go out of Brazil, we are consolidated, we are very committed with the country, we are having a very good moment in the country, with the growth of the economy so we think that there are a lot of opportunities here to continue investing in Brazil at this moment, maybe in the future but not now.

**Sergio Tamashiro.:**

And exactly regarding this expansion in new generation, in previous conferences you mentioned that the new price for the new electricity would be around R\$120, and you just mentioned today that it would be now, currently it would be around 35 Euros, which is almost the same, R\$120 or 35 Euros. And that might be the price you are willing to accept.

But on the other hand, due to the currency appreciation, the Real appreciation, and if we look back to 2000 and the thermal electricity was a reasonable expansion plan because it cost some US\$40 per Megawatt hour, and considering a cost of US\$400,000 per MegaWatt and a US\$2.5 per million PTUs for the gas, then the electricity would have cost around US\$40 and with the current exchange rate 2.5 would have been around R\$100, therefore much lower than this expansion cost.

What do you think, is there any chance that the government will again return to the thermal capacity and if yes, if you are willing to increase your CAPEX in thermal generation other than hydro capacity?

**Wilson Ferreira Jr.:**

That is a good question, Sergio. I think, as you mentioned, in the 2000 we had to consider due to this increase in the sale of electricity and also if we had some delays in terms of power of the options of new energy, consider by the Regulation a possibility to have options for the thermal generation. I think, in that case, this will be for the next year and I think that it could be one of the opportunities.

The only thing that I disagree with you is related to the price, so





R\$100/MWh for thermal is a situation that you have specifically today with this R\$2.50/US\$, so that is not a sustainable situation, I guess. It would be bigger than this, at least 20% bigger than this. So it will be almost the same price if you consider currency US\$ to finance this thermal, even in the price of gas and also if the cost of gas is related with investments in the thermal that is imported basically by the US.

So I believe to complement, if the government has some problems to have options of having hydropower plants in their plans, I believe that will be a little lower than this, more or less 14 power plants which will mean something around 2,000MegaWatts instead of almost 3,000 that they have been putting off, so they could complement next year by an option of thermal and the difference of this serving the same demand in 2009 and 2010. So, if these expectations are confirmed, this probably will be in the option of thermal next year when expecting the price will be bigger than the US.

**Sergio Tamashiro:**

And, in this case, if they open the bids for thermal plants, are you going to participate or just focus on the hydro expansion?

**Wilson Ferreira Jr.:**

We will be participating, I think you remember, two or three, at that time in 2000, we are developing a project here called Carioba II, in replacement of Carioba I, which is what we have in operation today, as you know we had this environmental license two years after this, so we continue to have this opportunity to invest there. If we have market for this, we will be participating in the auction, and we will have the possibility of this project with the license at this moment.

**Sergio Tamashiro:**

All right, and my 2nd question, I have a couple of questions, just to let you know, the contract levels, due to the failure over the second of all the electricity auctions, and the level of contracts for 2008 and 2009 for most of your distributors, Paulista, Piratininga and RGE, if they are fully contracting?

**Wilson Ferreira Jr.:**

We are contracting, it is a little part with something as less than 5% of the needs, so

**Sergio Tamashiro:**

For both years or....?

**Wilson Ferreira Jr.:**

For both years, yes.

**Sergio Tamashiro:**

OK.

**Wilson Ferreira Jr.:**

But on those years that we are replacing each contract by our own generation like Campos Novos, Ceran we are expecting to start up in the 2nd and 3 plants in Ceran 2007, in 2008 we are starting up Foz do Chapeco, in 2009 we need to buy some electricity for, if you compare into 2008, 2009 the needs we have, less than 5% of the our forecasted in terms of sales.

**Sergio Tamashiro:**

OK, OK, and my next question is in regard to the new consumers that



you said you are expecting to obtain, to conquer 8 new free consumers but, just a few days ago, we saw in the newspaper that one free consumer had wanted to return to your captive base, therefore, what I see, I do not see many reasons now for a captive consumer to become a free consumer and is valid for all distributors and, therefore, what is the reason behind it to leave a captive base now?

If we might have a sort of electricity in 2009, therefore, most of these generators will be selling electricity at a much higher price.

**Wilson Ferreira Jr.:**

Well, at this moment, we have to consider that we are in the middle of the period of four years that ANEEL is realigning the prices of high voltages clients and the low voltages sold, and the result of this, even today, even considering that the spot price is increasing, you will have more opportunities to this service as a free customer, free client, in terms of prices, we are very competitive in this market today.

I am expecting obtaining and I think some customers, I am considering the increase in there up to 2008 and considering this trend of increase bigger than the inflation rate and that they are adopting this and becoming free customers.

And this ratio, after 2008, will change a lot and also they will return as captive customers, lots of them, this will be a positive point in the distribution Company. The trend is they will continue to become free; they have a lot of opportunities in the market to buy electricity at lower prices than the regulated ones.

**Sergio Tamashiro:**

In this sense, your TUSD revenue was R\$191 million, at which level are you expecting for the next quarters, which increase by which rate?

**Wilson Ferreira Jr.:**

I didn't understand, you'll have to repeat.

**Sergio Tamashiro:**

Your transmission revenue, TUSD, all the revenues with TUSD was R\$191 million, therefore, if you are getting new free consumers your TUSD might increase again, to which level could be sustainable?

**Wilson Ferreira Jr.:**

Well, you will have to follow the trend of our free customers, it is difficult to make a strict valuation, but when we are expecting to increase our sales for free costumers around 50 to 60% during this year, we are not expecting to lose on our distribution a certain amount of the sales, so we are increasing, trying to capture for our distribution our loss but also in the other areas.

So we will continue to grow in this trend because you are comparing the seasonal TUSD in this year against last year, so you have to effects here the movement is still, in that case, Sergio, it is important to emphasize, at the end of 2003 we had only 14 free costumers.

When you are comparing this revenue with TUSD, you are comparing the 1Q for instance, the application of this TUSD for around 16 free



customers, against the application of TUSD for more than 60, or something three to four times.

This movement will continue this year, considering these possibilities and the prices we have in the market for this free customer. But in response, I believe last year at a level equal application of TUSD, so we are not expecting increases of this amount, but the number, as you know, today the free market means 20% of the total sales in Brazil. If you have this increase by 50% or 60 we are expecting, if you are going to reach to something around 18 to 20% of the total sales in Brazil.

So, what does this mean? It means that almost 70% of this total potential free market will be served now as a free market. So, the increase of this after TUSD in that period, which means starting by next year, is much more a risk than today, and with this evolution specially the prices in the spot market and even the prices of the new energy, some of the customers, and we are having this, some of the potential free customers are changing to captive customers now.

So, some of them are not taking that risk, so the trend in terms of growth is slow and the trend is to be able stable next year.

**Sergio Tamashiro:**

OK, and my last question is if you could give a guidance on year and '05 EBITDA and/or EBITDA margin, and as you have got to this over R\$500 million in the 1Q if here you are assuming that your EBITDA for 2005 might probably close above the 2 point something, if you could give a guidance.

**José Fillipo:**

Yes, it is difficult to read an information, but I have a suspicion that the EBITDA margin will continue to grow...(noise) is that those EBITDA margins will be growing, maybe strongly... (noise) and we will see some improvements regarding some generation that we have not seen.

**Sergio Tamashiro:**

OK, OK, thank you very much and sorry for being so long.

**Wilson Ferreira Jr.:**

Thank you.

**Operator:**

Thank you, and as a reminder to everyone, if you would like to ask a question, please press \*1 on your touchtone phone. Your next question is coming from Gustavo Gattass, from UBS.

**Gustavo Gattass:**

Hi Wilson, hi Reni and Filipo, hi Vitor, I just got two questions. One for Reni, there was basically a discussion in the Portuguese Call, and I think it is something that goes back for a little while, on the possibility that the annual review of Piratininga might take the approach of looking at total revenues instead of basically the distribution revenues excluding the TUSD charge.

I was wondering if you could give us just an idea of what happens if only that changes as far as the Piratininga tariff goes? If it would be relevant to increase already to the numbers or if that is almost ignorable?



**Wilson Ferreira Jr.:**

Gustavo, could you repeat please?

**Gustavo Gattass:**

Yes, sure. The Piratininga tariff increase, which is expected to be recalculated this year, has among one of its points the application of revenue-to-revenue in the calculation of the tariff increase, instead of distribution revenue-to-distribution revenue as an approach.

It is something that you guys even went into on the Brazilian call. I was wondering if you could clarify for us just how much of a higher increase would Piratininga have gotten if the rule of revenue-to-revenue was used instead of the rule revenue to distribution revenue only?

**Reni Silva:**

OK, it is about 0.8% of the tariff increase. We could go from 10.5 to 11.3.

**Gustavo Gattass:**

OK.

**Reni Silva:**

Only this is the small change in the interpretation of the ANEEL Resolution. But if they agree to make the revision without this Resolution we could get 2.5 more.

**Gustavo Gattass:**

OK.

**Reni Silva:**

Did you get this?

**Gustavo Gattass:**

OK, 2.5 without that change and ...

**Wilson Ferreira Jr.:**

Without the application of the Resolution, yes, and 5.8 without a change in the interpretation of the Resolution.

**Gustavo Gattass:**

OK, perfect, and Wilson, I had one for you and this is something that I wanted to ask on the other call, but I think now is just as good as before. The impression I got from this call and the last call is that we are seeing a little bit of a change in your focus, from expanding in distribution to expanding in either generation or transmission. Is that a fair assessment or is it just an impression from the assets that are available?

**Wilson Ferreira Jr.:**

We are focused again, in continuing growth in generation and, as we always mentioned, we are considering to start in transmission and, we will only acquire companies in distribution if we can add value but, as you know, none of the small ones that are focused in this moment is for sale, so, we are positioning to be one of the consolidated in that case but also we have to buy a Company that is in condition to add value to our existing assets and using our energy to make more money or to produce more money for our shares. But the strategy is the same, as we showed during the items.

**Gustavo Gattass:**

OK, thank you.

**Wilson Ferreira Jr.:**

Thank you.

**Operator:**

Thank you, and once again, ladies and gentlemen, to ask a question



please press \*1 on your touchtone phone. Ladies and gentlemen, as a final reminder, for any questions press \*1 on your touchtone phone.

There will be no other questions. Do you have any closing remarks?

**Wilson Ferreira Jr.:**

OK, well, I want to thank everyone for being with us following our results of this 1Q. I have to say that we are very happy with the results and with confirming our expectations to continue the good results as a consequence of the increase of sales, I gave some numbers for you but we have some sales in the distribution part.

Also, it is important to emphasize that even Brazil is slowing down in terms of growth, we are not having this behavior in our area exactly because we have major part of our industrial segment which is focused on the export goods and also the agribusiness, and all of them are very hot at this moment in terms of growth.

We are expecting to continue reducing our commercial losses and we have very good expectations in terms of the start-up of Barra Grande, all the procedures, we are expecting to have our operation license in the next 20 days to fulfill the reservoir and to operate this hydro after next October.

So this will be very important to increase our EBITDA margin, as you know we are operating our generation assets with an EBITDA margin of 90%, that is why we are expecting, to continue to increase our EBITDA margin for the Group, and I think the surprise, the good surprise of this first results of CPFL Brasil, at this moment performing as a leader in this market, is the increase in our sales in an amount bigger than we expected.

So this market also is very competitive and our acquisition in this moment is unique if you compare with the other trading companies commercialization companies. It will be very important to follow this market in the next semester considering the happenings in terms of amounts of electricity that is not more considerate in the South Region and also the variations of the stock market.

I think with this environment the situation of CPFL Brasil as compared with their peers is much better than we had until this moment, so we will be with you in the next quarter and I expect to confirm some of these positions. The main message is very optimistic in terms of perspectives for CPFL in each one of the business units we are positioned. So, thank you everyone for being with us.

**Operator:**

Thank you ladies and gentlemen, this is the end of this teleconference. Have a great day and you may disconnect your lines.