



**Local Conference Call  
CPFL Energia S/A  
Second Quarter of 2016 Results  
August 12, 2016**

**Operator:** Good morning and thank you for waiting. Welcome to the conference call of the 2<sup>nd</sup> Quarter 2016 Results of CPFL Energia.

Today we have André Dorf, CEO of CPFL Energia, Gustavo Estrela, Chief Financial and Investor Relations Officer, and other company executives with us in the conference call.

This conference call is being transmitted simultaneously on the Internet on the Investors Relations site of CPFL Energia at [www.cpfl.com.br/ri](http://www.cpfl.com.br/ri), where the respective presentation can be downloaded.

We inform you that during the company presentation all participants will be on listen-only mode and, soon afterwards, the question and answer session will be held, when more instructions will be given.

If any of you needs assistance during the conference call, please type \*0 to get help from the operator. Note that this conference call is being recorded.

Before proceeding, we would like to clarify that any statement made during this conference call regarding the business prospects of CPFL Energia and its operating and financial projections and goals, are beliefs and assumptions of the Company's executive board and based on currently available information. Forward-looking statements are not guarantee of future performance. They involve risks, uncertainties and assumptions as they refer to future events and depend on circumstances that may or may not occur.

Investors must understand that general economic conditions, industry conditions, and other operating factors may affect the future performance of CPFL Energia and lead to results that differ significantly from those expressed in the forward-looking statements.

Now, we would like to turn the presentation over to Mr. André Dorf. Mr. Dorf, please proceed.

**Mr. André Dorf:** Thank you. Good morning everyone and welcome to another conference call of the results of CPFL Energia, where will discuss the results of the 2<sup>nd</sup> quarter of 2016.

Let's start with the presentation, which will be followed by the question and answer session.



Before going to the highlights on slide 3, it is worth mentioning that we have had, from the results standpoint, a very clean quarter in terms of extraordinary and nonrecurring items but, at the same time, the quarter was stirred by M&A initiatives. These topics will be addressed during the presentation.

Starting with the highlights, our concession area showed some stability over the quarter. We had a drop of 0.2%, considering that we grew almost 2% in the captive market and registered a 5% decrease in free clients.

We also maintained contracted demand, at 0.5% during off-peak hours and 1.1% during peak hours.

Other factors resulted in a 15% reduction in our net revenues. Note that the reduction in revenue was basically due to Parcel A. Therefore, the drop in energy acquisition costs is mainly related to the costs at Itaipu, thermal dispatch and reduction in charges. Bearing in mind that Parcel A is a tariff pass-through. So much so that we recorded an increase of more than 8% in EBITDA in the quarter over the same period in 2015.

Well, during this 2<sup>nd</sup> quarter, we also had the tariff adjustment of RGE, which accounted for an average effect of a 7.5% drop felt by consumers. Again, there was a negative adjustment in Parcel A and a positive one in Parcel B, which is the one that affects our results.

Also, on June 30, there was a drop in the regulatory asset. There was a drop of almost 80% in the CVA balance, which closed the quarter at R\$170 million, versus almost R\$740 in March this year.

During the quarter we invested more than R\$0.5 billion. The company continued to invest in its growth projects and closed the period with net debt of R\$11.7 billion, which resulted in leverage of 3.1 times our EBITDA. Hence, there was an important leverage reduction in the period.

From the growth standpoint, we had the operational startup of 36 generating units, of wind turbines in the Campo dos Ventos and São Benedito wind power complexes – these are 36 out of 110 machines that must start operating by the year-end – and 2 important announcements were made during the quarter: In fact, the first announcement was made on July 1, right after the close of the quarter, namely the communication made by Camargo Correa to the company that they received a proposal to sell their equity interest in the company for R\$25.00 per share and that they accepted the proposal.

The process is under way and we will address it during the presentation.



Furthermore, an important move for the company, which resumed its growth and the consolidation process in the distribution sector, namely, the acquisition of AES Sul. Well, during the presentation we will also discuss this issue.

Moving to slide 4, here we comment on the contribution made by each of the company's business lines to total EBITDA. We recorded EBITDA of R\$901 million in the period, to which the distribution segment contributed 45% in the period. Conventional generation contributed 37%, renewables 12% and trading and services 6%.

In the charts on the side, starting at the top with distribution, we monitor the changes in EBITDA by line of business.

On the left we can see that distribution grew almost 29% in the quarter compared to the same period last year.

There was basically a rise in temperature in April and the effect of inflation, but when we look on the right side, the last 12 months of 2016 against 2015, we notice a reduction due to market dynamics and the macroeconomic scenario, besides a higher allowance for doubtful accounts.

In conventional generation, on the chart below, we notice a 6% drop in the quarter. GSF was recorded on 2015. Henceforth we will address the residual GSF (the GSF that was not renegotiated as a recurring item) and part of the company's operations, and we had a positive nonrecurring item in 2015.

So, this is the explanation for the decline in the quarter. And in the 12 months, we reverse the sign and verify an increase of almost 10% when the years are compared.

As for renewable generation, in the last 2 charts below on the right, we notice an increase in EBITDA, both in the quarter and in the last 12 months, largely due to power generation and the operational startup of new capacities.

On the left in yellow, we can see that trading and services declined in both the quarter and the last 12 months. It was mainly driven by the decrease in PLD and also by a less liquid market compared to previous periods.

Let's talk now about the company's main businesses. On slide 5, we have some distribution highlights. Starting with the comments table, we talked about load stability and this is seen on the chart on the right (load in the concession area), practically stable, and here we see a load drop. Then we will go to the sales chart, also regarding free clients, which don't affect the distributor.

Remembering that in the case of free clients, the distributor charges for the use of the distribution system. Captive market clients grew 1.8% and free market clients dropped 5%.



The residential and commercial segments once again recorded positive rates, but here very much due to the high temperature in April. It is early to say that there is any recovery or stability as a result of the macroeconomic scenario.

Here, for high-voltage clients, we maintained contracted demand; that is, 0.5% off peak, as I said before, and 1.1 during peak hours and losses. We are carefully monitoring losses in the company. There was also an increase from 8.84% to 9.01% and above the regulatory limit here.

The two main effects are worth noting here: Firstly, the mix change – we have more low voltage due to a decline in industrial activity, and the level of loss is higher in low voltage. It is the actual macro scenario that leads to an increase in the level of cuts and, therefore, thefts in our area and in other concession areas in Brazil.

So, I would basically say that the mix change here is a technical component and there is also a commercial component due to the macro scenario.

Well, let's go to the charts below. In the first one, on the left, there is a 2% sales drop in the concession area, also practically stable in the captive market and a steep decline in the free market client.

And remembering that the distributor charges for wires, so this decrease does not translate into any loss for the company.

In the middle chart, there is a breakdown by consumption segment, and here the major negative highlight is the industrial segment: it continues to drop and we saw a 9.3% sales drop in the industrial segment.

It is worth saying that during this period only one client in our concession area, in the steel sector, stopped its activities and, hence, consumption. If we disregarded this single client, this 9.3% drop would be 5.3%. So, this client is very significant in our concession area.

The pie chart on the right shows the market profile of our combined areas; a very developed industrial area accounts for 38%, followed by the residential area (29%), the commercial area (17%), and others (16%).

On page 6, we address a very important issue, which is delinquency. There was an increase in the allowance for doubtful accounts (PDD), which reached 0.9% of supply revenue of distributors. This topic deserves our full attention and so we have devoted a great deal of effort to it. Our comments will follow shortly.

Likewise, in the chart below we see the bills overdue up to 90 days, which have no recorded provision yet. These increased and today reach 1.04% of revenues.



I would like to point out that such dynamics are seen in several regions and concessionaries in Brazil. In the chart above, on the right, the comparison is made with companies or distributors or set of distributors that also show the same behavior, and below, we indicate some initiatives that strengthen collection actions.

Therefore, for you to have an idea, in the first half of the year we made almost 640,000 cuts. This means over 100,000 cuts per month. Telecollection numbered almost 11 million and nearly 4.5 million of negative credit reports, among other actions. The company is attentive and taking actions.

Let's remember that as PDD and the overdue accounts grow, so do revenue from fines, interest and installment payments and, in our case, they almost offset one another in the quarter.

On page 7, we discuss at length another topic concerning the distribution segment, which is over contracting. So, we saw market downturn, with distribution companies still contracted, which generated this surplus or overcontracting, which exceeds the regulatory 5%.

Therefore, it is important to highlight that CPFL Energia's consolidated figures are within the 105 limit, with 2 distributors exceeding this limit in our 8 distributors.

Here, in the first table, we highlight a few initiatives that have already been concretized and some that are well under way, which brought our distributors within the limit of 105% in 2016 and 2017.

Whatever they are, we recognize the allocation of energy quotas as involuntary surplus and, in our case, there is a positive impact of 4%. We had the possibility of entering into bilateral agreements with generators. We also had the excess and deficit offset mechanism for new energy, which in our case created a lower impact of 0.2%. There is also an issue that is being discussed and is under way – the migration of free customers. Therefore, it is the recognition of this migration to the free market.

With this, all of our distributors would be within the limit, thus reducing any costs with overcontracting.

We also have new actions for 2017. For A-1 auctions, the introduction of the reduction clause for customer migration. Also, the decree that released distributors from the obligation of purchasing 96% ... the distributors' automatic contracting in the A-1 auctions.

Now, on slide 8, we address energy generation, which is another important business line of the group. Let's start with the pie chart on the right. Here, we



have an overview of our 3.2 GW installed capacity, of which 63% are big hydroelectric power plants, 19% are wind farms, 7% are small hydroelectric power plants, 6% are biomass power plants and 6% are thermoelectric power plants.

On the left, we highlight the adverse hydrological situation mainly in the North and Northeast regions. We can expect a potentially worrying situation at the end of the year.

In our case, there was a 2.8% increase in the installed capacity against the same quarter in 2015, which, due to the startup of the Mata Velha SPP and the gradual startup of the wind turbines in the wind power complexes mentioned at the beginning of the presentation.

The GSF cost was much lower this quarter due to the renegotiation and the actual price of PLD. So, we had R\$8 million against R\$134 million in the 2<sup>nd</sup> quarter of 2015.

It is worth noticing that the remaining exposure to GSF corresponds to 12% of our hydroelectric capacity, thus, from now on the GSF risk is highly mitigated.

In the chart below on the left, we show our contracting level in generation. The company is almost fully contracted until 2020, with current average price of R\$209.00 per MW/h, which is very good, and an average term of 12.8 years for the contracts.

Now, I turn the presentation over to Gustavo Estrela, the company's Chief Financial Officer, to talk about the results.

**Mr. Gustavo Estrela:** Well, as André said, the results this quarter are very clean. In the table below, we can see that there is no adjustment for nonrecurring items in the result and that we basically restore the proportionate consolidation of generation and Itaipu's foreign exchange operation for compensation in the financial result.

Basically, the adjustments we made in the 2016 results, but obviously preserving the adjustments made to the result of the 2<sup>nd</sup> quarter of 2015. So, comparing the results, page 10 shows a decline in the company's net revenue of 15.4% or R\$745 million.

This drop basically arises from the reduction of items of Parcel A in the distributor. Therefore, there is an important cost reduction for the purchase of energy from Itaipu and also of charges, especially the CDE (Energy Development Account) charges, which end up adversely affecting our revenue, but which, per item of Parcel A, do not affect our EBITDA.



So, we can see here that EBITDA goes up in the same period, by 8.1% or R\$68 million, and also there is a positive effect on net income, of 18.4% or R\$41 million.

When we analyze the variation in results by business, we see that “distribution” is the main business contributing to EBITDA growth, with R\$93 million, basically producing two important effects: The first, which I think was discussed by Andre before, is the captive load performance, going up 1.8%, essentially caused by the temperature effect.

This data is interesting, for the first time in history, market consumption in April was higher than in March.

Usually, temperature in April is lower, thus the energy consumption is also lower. But this year just the opposite happened. We had a rise in energy consumption in April compared to March.

I think this is not a trend that we will see until the end of this year, and the market is still highly affected by macroeconomic indicators, be it the GDP, or the income levels specifically in the residential market, but this quarter there is the temperature component, which contributed significantly to the company’s results and performance this quarter.

And the other effect obviously is the inflation pass-through. The inflation pass-through above two digits positively affects our results. It does not affect the entire 2<sup>nd</sup> quarter yet, but there are adjustments of Paulista’s main companies in April and of RGE in June. But we expect the incorporation of 100% of the impact of such increase, of the inflation pass-through in our results, with the 3<sup>rd</sup> and 4<sup>th</sup> quarters producing better effects in this regard.

The effect on renewable generation was also positive, of R\$7 million. We had highlight that in the 1<sup>st</sup> quarter of this year, wind volume was below the P50 curve. In the 2<sup>nd</sup> quarter just the opposite occurred. So, the result ends up being very positive regarding wind generation, almost 20% above the P50 curves, going up 128.5 GW/h in relation to the P50 curve. So, there is also a positive impact on the company’s results.

I think that André already commented on conventional generation, that is, there is the GSF negative effect. This year we have the GSF premium that brings an impact of R\$8 million on our results and also the recurring GSF on the 12% exposure that the company’s hydroelectric generation has to GSF, which also brings an impact of R\$7 million.

Then, the EPASA effect here is basically the impact of last year’s nonrecurring effect. We had an adjustment on fuel price level for EPASA, which produced a temporary effect of R\$26 million last year. Clearly, there is no such effect this year. So, in comparison, our result is worse than last year.



... affecting here our net income, the financial result with an impact of R\$11 million; we have here... remembering that more than 70% of our debt is indexed to the CDI, an effect of the CDI increase in this period, going from 13.1 to 14.1 on the average of each quarter.

Obviously, this here produces an effect on the result; also, the effect of a smaller inventory of CVA items in the regulatory assets produces a small adjustment effect on our results and the two effects are partially offset by the increase in the revenue from fines and interest in this period.

Now, depreciation and amortization record an increase of R\$14 million. Here the criterion is basically goodwill amortization, the new criterion introduced this year by the IFRS. Until last year, goodwill was amortized considering our future result curve. This methodology here was established by Aneel. Now, in accordance with the IFRS, goodwill amortization is made using a linear curve.

Therefore, there is a difference in the result of each year, but obviously in the whole period the amounts offset one another.

Let's go to slide 11. I think that perhaps here is the greatest news of this quarter's result, that is, leverage. We had a very clear expectation of reduction, a trend for leverage reduction during 2016.

I believe that we effectively decreased leverage this quarter, going from an average of close to 3.4 times in recent quarters to 3.1. That means an important leverage reduction in the company, which was basically affected by the two indexes comprising this indicator: The first one is a decrease in net debt from R\$12.2 billion to R\$11.7 billion; and an increase in EBITDA from R\$3.6 billion to R\$3.8 billion. These two effects end up significantly affecting the company's leverage, taking it to 3.1.

As to our debt profile, there was little change. The debt is much indexed to the CDI, at 72%, and here not only our expectation, but that of the market in general, is of a drop in interest rates in the country in the next months. Naturally, this produces a significant benefit to the company's results.

Also, an indexation by the TJLP at 22% and our prefixed rate here, which is basically BNDES, at 6%.

When we look at our debt cost, the small increase from 4% in the 1<sup>st</sup> quarter to 4.5% in the 2<sup>nd</sup> quarter is basically caused by the variation in inflation, that is, with a stable interest rate at 14.25% such as the rate we have today, any reduction in inflation produces an increase in the real cost of debt and this is what is happening here.





On slide 12, we focus on another important issue for the company, which is closely monitored by us and is related to liquidity. Our cash position today is R\$5.3 billion, which is more than sufficient to cover all of the company's short- and medium-term maturities until the end of 2017. But the challenge presented to the company when we look at 2018 and 2019 is very clear - how will we reduce such concentration of maturities in these two years?

Obviously, we won't wait until 2018 to sort this out. Actually, we've already started to address this issue and the idea is that we manage to reschedule our debt over the coming years, extending the terms in order to decrease the concentration of maturities in these two years.

Now I turn the presentation back to André.

**Mr. André:** Now let's talk about growth projects. Before addressing the Greenfield projects, it is worth highlighting that the company today has projects for growth and value creation in all the business lines and segments in which we operate.

So, beginning with generation projects, the Greenfield projects, we had the commercial startup of 36 wind turbines and we have more 230 MW of installed capacity to start operating by 2020.

This year we must conclude the Campo dos Ventos and São Benedito wind farm complexes with an installed capacity of 231 MW. By 2018, the Pedra Cheirosa complex in Ceará, with 48 MW, will start operations and by 2020, the Boa Vista SHPP in Minas Gerais, with 26.5 MW of installed capacity, will start operations.

On the next page, we address a distribution project – the acquisition of AES Sul. Starting with the map on the left, we can see the geographic convenience and synergy potential of the two distributors, RGE and AES Sul. Next to the map there are some highlights of the transaction.

The acquisition price announced was R\$1.7 billion, with assumption of debt of R\$1.1 billion. Therefore, the enterprise value for the acquisition is R\$2.8 billion. Note that the approval by Aneel and creditors is still pending. Recently, we got CADE's approval.

Here are some regulatory data: the remuneration base of AES Sul is approximately R\$1.7 billion; the tariff revision date is April 18; and the regulatory EBITDA is R\$330 million.

Some financial data are shown below. I'd like to emphasize the EBITDA of R\$259 million and investments of R\$214 million, which generated a loss of R\$5 million in 2015.



Looking at the pie charts, beginning with the first one on the left, we notice that AES Sul brings to the company a market share of 31% in Rio Grande do Sul, which is added to RGE's 34%.

And when we compare the consumption segments of the two companies, AES Sul on the left and CPFL on the right, we notice great comparability in the industrial segment, 33% against 40%, and in the commercial segment, 14% against 17%. The highlight here is the rural segment predominance of AES Sul when compared to that of CPFL Energia.

Now, some qualitative highlights. It is a company that serves the Porto Alegre metropolitan area, where the Triunfo Petrochemical Complex is located and where strong agricultural activity is present, with emphasis on rice and soybean, and especially soybean for exports. The most important municipalities are: Canoas, Novo Hamburgo, São Leopoldo, Sapucaia do Sul and Uruguaiana.

On slide 15, we have some quantitative highlights. I won't go into all the numbers, but I'd focus on the number of cities, which increased from 561 in the whole group, at CPFL Energia, to 679 municipalities, for growth of 21%.

Regarding the number of clients, we go from 7.8 million to 9.1 million, a 17% increase. This reflects on the market share, which goes from 12.4% to 14.3% in the Brazilian market. Also, presence in the cities of Rio Grande do Sul, from 53 to 77 cities, that is, 24 percentage points.

Here, the last indicator, the FIRJAN Municipal Development Index, which measures... reflects the quality of life in the municipalities, taking into consideration employment, income, education and health. Here we served... we serve 42 of the 100 best municipalities in Brazil, and with AES Sul we will start serving 47 of these 100 best municipalities in Brazil.

Well, all this to say that AES Sul is well positioned in a very attractive region and with good prospects for organic growth in the future.

On slide 16, we focus on the corporate structure. On July 1, we were informed by Camargo Correa that it accepted the proposal it received from State Grid for selling all of its shares in CPFL Energia.

The transaction price is R\$25.00 per share and we have a timeline of milestones for this transaction. So, starting from the left here, the proposal was received on July 1 and State Grid is currently performing due diligence, which should culminate with the execution, or not, of the share purchase agreement.

Once the agreement is signed, if that is the case, the same offer shall be extended to other controlling shareholders, that is, PREVI and Bonaire, which will have a period to exercise their preemptive rights, or follow up and joint the



offer and exercise their tag along right, or simply, not take any action and remain as shareholder of the company.

Regardless of this, whether or not other shareholders adhere to the offer, this process will be submitted for approval by the regulatory bodies, antitrust and sector regulatory bodies. It is only then that it can be concluded.

On page 17, we comment on the performance of the shares. Noting that this is a picture of the quarter, up to June 30, and that we had important events after this date.

So, until June 30 and in the 2<sup>nd</sup> quarter, CPFL's shares went up 8.8% in comparison to 10.5% of the IEE and 2.9% of Ibovespa. We see a larger flow of funds and attention to the energy sector companies as a result of the expectation of a drop in interest rates and of recovery of trust and economic activity in the coming periods.

Likewise, our ADRs on the NYSE increased 19.3%, versus 11.6% of the Dow Jones BR 20 and 1.5% of the Dow Jones in this period. And here at the bottom left, daily volume went up from R\$43 million to R\$57 million in the periods compared.

With this, I conclude my presentation and offer the floor to start the Q&A session.

### **Question and Answer Session**

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. To ask a question, please, type asterisk and one. To remove your question from the list, press asterisk and two.

Our first question from Luís Leite, Bank of America.

**Mr. Luís:** Good morning everyone. Thanks for the call. I have 3 brief questions here. In relation to State Grid, when will this proposal be open to PREVI and Bonaire? Do you have any idea?

The impediment here is that they would have 30 days to say yes or no. If they say yes, the approval by Aneel and CADE would have to be obtained to open the offer to minority shareholders, then they would be able to exercise the right. Is this assumption correct? And the time that you have to wait for Aneel and CADE, do you have any estimate on this?

My second question is: You talked about the acquisition of AES Sul. CEEE is active, and may it come to the market at some point given the difficulty of the

state government? I wanted to know if you have any indication that it could be sold this year, next year, or not.

And, lastly, how much... what is the range of rollover cost of your debt today in the market? That's it. Thank you.

**Mr. André:** OK, good morning Luiz. About the State Grid transaction, the sequence of facts is more or less like this. So, once due diligence is finished, if the purchase and sale agreement is actually signed by Camargo Correa and State Grid, Camargo has a deadline to inform the Chairman of the Board, who will inform other controlling shareholders. They have some time, then, to evaluate the options of first refusal, tag along or to remain as they are, and then, if this occurs, if the option chosen is for adhesion and exercise of tag along right, we will have a change of control and then starts the Aneel and CADE process.

Remembering that a change of control (it is not confirmed, but naturally it depends on the options of each controlling shareholder), but a possible change in control is subject to approval by Aneel and CADE, which have deadlines that we cannot establish or know now. We have an internal estimate, but we cannot give you reliable information now regarding these regulatory deadlines.

Once the change of control is approved, the process for extending the offer to minority shareholders starts, according to the Corporations Law and the *Novo Mercado* rules.

About AES Sul and CEEE, it would be logical the observance and desire on the part of the company to take part in a process by CEEE, but we have no indication that this will take place in the short term.

So, what I can state is that the company, as it has always done, will assess all the opportunities and, if the opportunity arises, we will analyze it very carefully.

I'll let Gustavo talk about the cost of debt.

**Mr. Gustavo:** Well Luís, the average cost of debt of recent funding operations by the Company during this year was around 112% to 115% of the CDI. This is more or less our average cost.

Here I think it is worth highlighting something important: Henceforth, the distributors can issue infrastructure debentures.

So, given our investment volume and this guarantee, it goes back two years and also goes two years forward; we have here a significant guarantee for us to access this market, and we are already considering this possibility and, no doubt, we don't expect much lower costs than those of today in the usual market instruments.



So, we should access this market in the coming months with a lower long-term financing cost.

**Mr. Luís:** Perfect, excellent. Thank you.

**Operator:** Our next question is from Marcelo Sá, Banco UBS.

**Mr. Marcelo:** Good morning, everybody. I have two questions. One is to verify your understanding of Decree 8828, which comes into effect from 2017, as you mentioned in the presentation. I want to understand the following: Do you understand that for someone that already contracted energy in the last A-1 Auction, will such effect be retroactive or not? Especially because when you sign a contract in A-1, it's for 3 years. So would this effect be cancelled for 2017?

And the other question is, will you take part in the CELG auction? Thank you.

**Mr. André:** Well, the first question will be answered by Rogério, our Energy Planning Officer.

**Mr. Rogério:** Marcelo, regarding the decree, the publication of this change regarding the acquisition of existing energy, we understand that the possibility of the distributor being exempted from contracting existing energy is only effective from 2017, for the coming auctions. So, it is not applied retroactively for 2016.

Regarding 2016, which refers to the auctions held in 2015, when the distributors contracted this replenishment volume for 2016, the discussion will be addressed within the ambit of Aneel.

Therefore, it is up to each distributor that made the acquisition in the energy auction A-1 (has effect in 2016) to negotiate or submit its proposal regarding the involuntary exposure with regard to the energy acquisition for 2016.

The effects of the decree will be clear as from 2017.

**Mr. André:** Very well. Regarding CELG, Marcelo – good morning – we are attentive and analyzed this whole process, and our position has already been mentioned here, which is that the price is above our expectations, but we are going to avoid commenting on our participation in each deal.

We know that there are some deals in the pipeline here, but what I want to emphasize is that the company evaluates, as it has always done, all the opportunities, just like we assessed CELG. But we have no official position yet whether we will take part in the auction.



**Mr. Marcelo:** Excellent. Thank you.

**Operator:** Remember: to ask any questions just press asterisk and one.

The question and answer session is now finished. I would like Mr. André Dorf to give his final remarks.

**Mr. André:** Very well. We are experiencing a very different moment in the energy sector, everyone has been following it up, and this new moment is much better compared to previous years.

The electricity sector companies in Brazil are experiencing a very challenging period from the regulatory, economic and financial standpoint, a situation that has changed significantly this year.

We have already started to deal with important issues regarding the future of the electricity sector in Brazil, such as consolidation, attracting foreign investments and many other important issues for developing the electricity sector in Brazil.

Similarly, CPFL is in a new cycle; our financial situation is solid, as Gustavo showed here; our operations are efficient and, at the same time, we are aware of the issues of loss and default. We have a very interesting corporate platform, which is well prepared and allows us to be more audacious from now on – a good example is the acquisition of AES Sul, which we announced during this quarter.

I would like to end the conference call by reinforcing the message that our team remains highly motivated and enthusiastic about this new scenario and that it will continue to work hard to deliver increasingly better results, okay?

Thank you and have a nice day.

**Operator:** The conference call of CPFL is concluded. We thank you all for your participation. Have a nice day.