

Operator:

We would like to inform you that this event is being recorded, and you will be able to listen, then we will start the Q&A, and further instructions will be given. If any of you need any help during the conference, please ask for help, and this is being also transmitted through the webcast, <http://ri.cpfl.com.br>, where you have the presentation, the slides will be controlled by yourselves.

Before we continue, I would like to say that any declarations that might be made during this teleconference regarding the business prospects of CPFL and financial and operational result, and based on available information. The future prospects do not guarantee the behavior, because they are involved with future events, depending on circumstances which cannot happen, investors must understand that operating conditions, conditions of the market can affect the performance of CPFL, and which will lead to the results, which refers to their forecast. Mr. Wilson Ferreira Junior, president of CPFL now has the floor, and will start the presentation, you may start.

Wilson Ferreira Junior:

Thank you very much, good afternoon, I would to greet you in this conference, and I would like to thank you all for your presence, giving the opportunity to the management of CPFL to make this presentation of the 4Q results, and the closing of 2005. We have a relatively long presentation, and we are doing this for the first time, simultaneously in Portuguese and in English, with simultaneous translation to English, so I will take about 40 minutes to make the presentation, and then we will have time to discuss the results.

On page 2, the agenda of our meeting, it has 3 basic topics: highlights and results of the year 2005, the second item, which has to do with the capital market performance, and the third item, which is the main tool for questions, a value creation agenda.

So now let's go directly to page 3, mentioning the highlights for 2005, starting with the net income of the company, which achieved R\$ 1.21 billion, and also this comes from an EBITDA of R\$ 2.12 billion. This result is due to the impact to the 4.6% growth in distribution proportion and net sales, the main business of CPFL Energia. Also in the case of distributors, the conclusion of the tariff review of the CPFL Paulista and CPFL Piratininga, in 2004 the RGE was completed, and all the distributors of the group have had their final tariff review.

A second element regarding operating results is the growth in the commercialization of total energy sales, of CPFL Brasil of 50%, and highlighted 114% growth to the free market, and finally the growth of our generation business, through the CPFL Geração, an increase of 11% of assured energy, and the results will be presented as we go.

And also we must highlight the hydroelectric plant of Barra Grande, which started November 1st of last year, also the beginning of the repowerment of the small

Gavião Peixoto hydroelectric plant, and the acquisition of 4 small plants in Rio Grande do Sul, which mixed up with CPFL Sul Centrais Elétricas.

During our presentation, we will talk also about the appreciation of the stock in 2005 in the Brazilian market, 65% in the Bovespa, or the New York Stock Exchange 85%, and with the increase of the free float of the company, which started 2005 with 15.65%, finished the year with 17.75%, therefore an increase of slightly more than 2%, and the [...] of the shares of the company on the main indexes. The Dow Jones Brazil Titans 20, the New York Stock Exchange, and the differentiated corporate governance indexes in Brazil, IGC, ITAG and IBX-100, the electric energy index, and the corporate sustainability index at the end of the year.

During 2005, the company made investments of R\$ 627 million, with R\$ 368 million invested in distribution, and R\$ 255 million invested in generation.

On page 4, we have the corporate structure of the company, after the migration of the minority shareholders, which determined the main growth of the float, where we can see CPFL Energia, we have 100% of the CPFL Paulista and distribution, which holds 100% of the CPFL Piratininga, two migration movements at the end of the year, and the maintenance of the 77.07% in the RGE.

We had 100% position in CPFL Brazil, in the area of commercialization, and in the generation activity, we also had a migration of the minority shareholders, making 100% of our activity, participating in the companies which are listed below, about 8 different companies, and the percentages which are showed. This is just to make clear that there have been a conclusion of the process increasing the float, with the participation of 100% of CPFL Energia, in the 3 different areas of activity.

On page 5, we have the first presentation here of the sales of energy in 2005, with all the details regarding the variation in the 4Q. On the left we have the total sales of energy, the sales of our 3 distributors to end consumers, and also the sales of the commercialized to free markets. So what we can see is that the 4Q presents a very important growth, 5.8% in the comparison, and in the year we have achieved 4.7% of growth in 2004 to 2005.

The two boxes on the right show in greater detail the activities of commercialization and also distribution. In the middle, free market sales of our commercialization organization, the same growth, the significant growth in the free market, which totaled 6.862 GWh, a growth of 114%.

And in the area of the distributors, the sales, the concession area sales, here are the highlights in blue, the energy and the total, adding the green part, the sales of the area of concession of the companies, and the green specifically is how much we profited with the sales of the usage tariff in the distribution system. The growth of 4.6% is the annual position, achieving 38,031 GWh in the concession, and we consider the growth of 2.1% in the 4Q, 9,742 GWh.

Also it is worthy to mention in the markets where the company acts, in the captive area, a significant growth in the residential area, which is low 08:57xx of the company's margins, and we have 6.3% growth in the residential sector, 8.3% in

the commercial area, and 8.1% in the rural area. Since CPFL was created, it has not experienced such growth. Therefore, showing what the increase of the number of jobs, a reduction of unemployment, increase of income per capita, has been producing from the point of view of personal activities, particularly in the residential and commercial sectors.

On page 6 we have the first consequence exactly of this significant variation of consumption for the distributors, and the commercialization area. The gross revenue is more than R\$ 10 billion, almost R\$ 11 billion, R\$ 10.907 billion, a 14% growth, and a highlight to a growth of 11% in distribution, 59% in the commercialization and 32% in generation. We can observe the comparison of the gross revenue with the 4Q, 13%.

One detail regarding what this income is made of, which went up R\$ 1.358 billion, a great amount of it coming from the distribution activity, almost R\$ 1 billion, and here a highlight both by the invoiced revenue coming from the usage of the distribution tariff system, TURD, with an expressive growth of 118%, naturally the composition of the 4.6% sales increase, and the annual ordinary tariff readjustments in each one of these distributors herein.

The commercialization company is the second greatest contribution for this result, It adds a R\$ 279 million revenue, a 104% growth in comparison with the free market sales, particularly. And, finally, the generation activity, with a R\$ 91 million growth, [...] essentially the start-up of two plants, the Monte Carlo Plant, at the end of 2004, and the Barra Grande plant, at the end of 2005. Naturally, the ordinary readjustments of our concessionaries, particularly SEMESA and the PCHs, the CPFL Centrais Elétricas, with the figures herein.

Therefore, the revenue varies according to the growth of sales, both in the distribution, commercialization and generation activities, and the ordinary readjustments that each one [...]. Naturally, a highlight for a higher growth in the commercialization activity.

Let's move now to page 7, and disclose our results. Starting from the EBITDA, the company's operating revenue, which has here basically two components, a 14%+ gross revenue growth, as mentioned, this implies around 14.9% in the net revenue, totaling around R\$ 1.3 billion, as shown the blue graph, and on the other side the increase of the company's costs, all of them lower than the revenue increase, which is the reason why we have a 26% growth.

It is worth highlighting the 3.4% energy costs increase, the 6% operational costs and expenses increase, highlighting here that we had the start-up of two plants, so we have costs that we did not have in 2004, we added R\$ 48 million of costs, out of it R\$ 7 million related to these mills, and, finally, adjustments made to the balance sheet, either because of ANEEL's deliberations, or the CVM and IBRACON acts, the entities that control these launchings, the event of RTS provision and free energy, a non-recurrent event, since this topic is set in an open public judgment which will be concluded by the end of this month, but it is an event that we have insisted on using a pro-forma EBITDA adjustment, it reaches R\$ 2.212 billion, a 26% growth compared to the last year, and considering this

non-recurrent adjustment for the composition of the analyst's series, it would be R\$ 2.212 billion.

In page 8 we have the repercussion of the 26% EBITDA growth, disclosing the net income results in the last line. In 2004 we reported a R\$ 279 million result, in 2005 we are reporting R\$ 1.21 billion. The main drivers of this 266% variation are, respectively: the R\$ 439 million EBITDA growth, it is a growth of the operating activities of the company, as previously highlighted, a R\$ 164 million growth related to the financial results of the company, which was to benefit both sides – the financial revenue side – due to a macroeconomic scenario favorable to investments, we had a high interbank interest rate (CDI) for most of the year, and the company with a cash [...] generation benefited, it had a 33% increase in its financial revenues.

On the other hand, it benefited also from the reduction of its financial expenses, from a higher quality of the company's leverage, particularly the increase of exposure to the IGPM indexes, [...] which is a natural indexer of our activity, and of Brazilian Long-Term Interest Rate (TJLP). We will be able to talk about it further on, but these indicators which had reductions last year, specially IGPM, [...] a little bit more than 1%, they benefited the company, mainly its debenture's, promoting a 22% reduction of the financial expenses. The balance between revenues and expenses was favorable to the company, which added R\$ 164 million in the last line.

We should highlight, as other factors, the increase of R\$ 140 million, and you know, the company holds around R\$ 500 million in fiscal credits, and was able to, at this moment, recognize R\$ 72 million, which are included in this R\$ 140 million. So we have here the utilization of a small part of the fiscal credits which the company has recognized in its balance, producing an effect, in the last line, this is why we achieved this expressive profit of R\$ 1.21 billion.

In page 9, we have here the company's investment perspectives for the next years, highlighting here 2006, in which we intend to invest R\$ 858 million, R\$ 496 million in the distribution activity, and about R\$ 362 million in the generation activity. It is important the generation expansion of what is responsible for the company's equity, it has the available cash, and the debt position, where it has obligations already signed with BNDES.

And on bottom side, in the distribution area, the highlights specially to the portion related to the expansion of this activity, we had in the last year an expressive growth of the consumer's connections, about 200 thousand new consumers, or almost 9% above the connections of the last year, which shows a greater dynamic in the economy, establishing a higher number of connections, a higher sales growth, and, as a consequence, the company making investments to support, either an additional number of connections, or especially its system's capacity to provide the sales increase the market has been experiencing lately.

In page 10, starting here a brief performance coverage of the company's shares in the capital market, and moving to page 11, where we have details of this valuation, in the left side box the comparison of CPFL's shares in the São Paulo Stock

Exchange, 65%, against 28% on Ibovespa, against the electric energy index of 43%.

And we have below an evaluation of the comparison of our share's performance against the main indexes which the company had already incorporated. So, the IBX-100 performs above Ibovespa, with a 37% valuation, a differentiated corporate governance index, with 44%, the ITAG with differentiated tag along, 48%, and CPFL beats all of them with 65%.

The same behavior is still positively influenced by the real appreciation against the dollar, it causes in the company's shares, in the company's ADRS in New York, a 85% variation, therefore superior to the Dow Jones Brazil Titans 20 index, of 48%, against a quite stable variation of the Dow Jones index, -0,6%.

So, all these efforts, the company's results, projects and investments delivery, are observed by the market, which established or provided a valuation above its comparables for the company's shares.

On page 12 we clearly see interest coming through the volume of our operations, with a highlight for the 30% growth in the shares from the 3Q to the 4Q, comprehending about R\$ 9 million in the year, 30% higher than the average throughout the year, with an inventory maintenance, since the IPO, which is composed of about 60% of the shares in ADR, 40% ordinaries at the São Paulo Stock Exchange, and the volume which varies between 55% and 45%, in determined [...], but there are also those issues related to the currency appreciation, which determine variations of this volume, but it is basically 50 – 50 the operations which are accomplished in [...] volume, in the terms herein.

And it also reflects the important contribution for this volume increase, of the float growth, particularly by the minority shareholder's migration of each one of the companies.

On page 13 we can see, something that is already this company's characteristic, it has differentiated policies for the dividend distribution, a minimum distribution of 50% of the profit, but executed twice a year, in the half-yearly form, a distribution practice of 95% of this profit in the last two years. The box shows the dividend payment every semester, with the proposition reported in our balance, and a R\$ 498 million payment relating to this 2S05, which will be put forwarded and deliberated by the Meeting.

With this we observe, relating to the 2005 fiscal year, we will be proposing a R\$ 899 million distribution, out of it R\$ 401 million already paid, R\$ 498 million will be deliberated, which would result the annualized dividend yield considering the R\$ 899 million payment, relating to the half-yearly average closing rate of the shares, in the total amount of the last two semesters. A 9.5% dividend yield, in a consistent and growing way, being a good pay of dividends.

In page 14 just a report of the main indicators in which the company is already listed, the highlight is its admission, at the end of the year, in the business sustainability index, composed of which only 28 shares. In page 15, a few

important recognitions related to the capital market, the analysts and shareholders, with a highlight specially for the APIMEC Quality Award, and the ABAMEC award for Best Publicly Traded Company, so two important recognitions, in addition to a set of recognitions from specialized magazines, particularly Institutional Investor and IR Magazine Awards, in 2005.

All this, naturally, was also recognized by the rating companies, highlighting Standard & Poors, which in last January upgraded the corporate rating of CPFL Energia and all its subsidiaries, establishing here a new rating benchmark, nationally assigned by Standard & Poors, the brA+ rating. Emphasizing the upgrade, the Standard & Poors recognition of the synergy of our group, this integrated performance of our distribution, commercialization and generation activities, with efficiency indicators above the market average, and an increasing cash generation herein.

Let's move now to page 18, showing our creation of value agenda, reminding you again, a value agenda corresponding to the strategy established by the company since its creation, a strategy which had the objective to promote the CPFL Energia asset in the IPO, the CPFL Energia assets, a recognition of value, liquidity and security. In that sense 5 basic strategies were established: one strategy for the operating efficiency, for the synergic growth, for financial discipline, for sustainability and corporate responsibility, this vision and differentiated corporate governance practice. We will cover each one of them in the next slides.

Starting here, in page 19, first it is an outline of this evolution, the company's importance regarding the future perspective, of disclosing growing and consistent results, establishing a trend for these results, we can observe the consistent growth in the gross revenue, reaching almost R\$ 11 billion in the year, a 35% growth in comparison with the last two years, followed here, in higher amounts, by the creation of operating profit measured by the EBITDA, the last two years growing about 37.6%, and finally the net income, with an important highlight, as previously mentioned, surpassing R\$ 1 billion, which would correspond to a 440%+ growth in the last two years. And all of this is strongly linked to market growth and efficiency gains in our distribution activity, the start-up of generation projects, in accordance with the schedule we had established during the IPO process, and the extraordinary performance of our commercialization company, which has been gaining market share and operating with a differentiated level of profitability.

All of this, naturally, benefiting from the financial result – as mentioned before – either for the higher cash generation, the company investing its funds in market which has been responding positively towards financial investments, and, in the other hand, benefiting from a strategy focused either in a higher adequacy of the indebtedness indexes, the main indexes, IGP-M, TJLP, CDI, either a more suitable debt period, which increases gradually.

In page 20 we start to see this movement, the first one we call the building of a solid distribution platform, which is the main and initial movement for the creation of the CPFL Energia Group. If we could quickly understand this movement, we started in 1997 the acquisition of CPFL Paulista, it is on page 20, following, in

page 21, the company, in the next year, first ingressed in Bandeirante's capital, together with [...], and, in 2001, obtained RGE shares, which, following, on page 22, can be observed when we, in 2001, made the decision recognized by ANEEL of splitting Piratininga, and with that, we formed these three companies, the biggest platform today in terms of sales in the Brazilian market, about 12.4% market share of the distribution Brazilian market.

And here I am disclosing – you can observe that it is the same figure in the right side of these presentations – the performance of this activity, comparing 2004 with 2005, so we have here a 11% growth in the net income, surpassing R\$ 10 billion, which is followed by a 23% growth in the operating profit by the EBITDA, which reaches R\$ 1.6 billion. And, in the last line, a 134% net profit growth, reaching R\$ 756 million.

All of this, naturally, is due to this improvement, which is consistent since the beginning of this operation, therefore since the beginning of the privatization, as shown in the graph on page 23. Therefore, we continued, in 2005, reducing our operating costs measured in the O&M cost per MWh distributed, as we can observe this cost, which in 1997, in the CPFL Paulista acquisition period, was about R\$ 64 per MWh, reaching now R\$ 20.86/MWh, an expressive reduction of almost 70%.

At the same time we strongly increase the productivity, measured here in MWh distributes per partner, it more than doubles in the period at a platform of consumers which more than doubles in the period, reaching 5.6 million clients, 200 thousand connections accomplished only in the last year, as I mentioned previously, about 8.6% higher than the 2004 average.

So, an activity which has been growing in a consistent way, and this is a consequence of the concession areas, the areas served by the CPFL Energia Brasil group, highlighting the states of São Paulo and Rio Grande do Sul.

In page 24, showing that this increase in productivity and reduction of costs is also followed by an improvement in the service quality, emphasizing here particularly the performance recognized by ANEEL at the end of 2005, in which CPFL Paulista and Piratininga, two out of the three distributors of the group, they hold here the benchmarks, either of the length, either of the frequency of the interruptions together with the consumers of the Brazilian concessionaries.

So, we are comparing here the performance of the two companies, relating to the Brazilian average, and you can observe that it is quite favorable for our operations.

I emphasize here the changes made, the company is going through a process of modernization and centralization of its activities, also showing the improvement of the working inventory, today this is very important, as a function of the new regulatory rule, so about a 40% increase in the working inventory of both concessionaries which share the distribution center.

In page 25, also a relevant figure, which is the monitoring of two indexes, which may not be clear for you, but the first one, of delinquency, in which the CPFL

group, through Paulista and Piratininga, holds today the Brazilian benchmarks, in other words, it is a strong level of delinquency observed on the history of these companies, and the highlight is the Companhia Piratininga, with 1.3% over the profits.

And in the bottom part, the work which has been developed for about three years, [...], of reduction of commercial losses, with a highlight for the importance, to cash intends, of this activity, the 7% reduction of the commercial losses of Paulista, the box in the left side, in the bottom, reaching 2.61%, so we have an important potential reduction.

These companies had, before the energy advisory period, about 1% of commercial losses. But only this 0.19%, in the case of Paulista, which we reduced, but they were obtained through 287 thousand inspections, and raised in the year R\$ 75 million.

Observe that in the case of Piratininga the reduction is slightly more expressive, of 10%, and it produces in the company a R\$ 38 million profitability. So we are talking about an activity which has potential reduction going forward, it added over R\$ 100 million to the cash of the Group, this comprehending only last year.

When we look at page 26, we can comprehend exactly what we mean by synergic growth, in other words, the platform composed of distributors, the biggest platform operating in Brazil, it supports an expressive growth in the generation area, because it provides PPAs, power purchase agreements, of all the growth from Geração CPFL Energia with our distributors, which is the reason why, now that we have started to deliver our plants, with highlights for the Usina do Monte mill at the end of 2004, the Barra Grande plant at the end of 2005, and now, by the end of this month, the Campos Novos operation, we will establish a growth process which will be very high, and will be observed already with contributions from 2005.

The company had a 32% gross revenue growth, and here I want to highlight not only the tariff readjustments and the production increases, but also the change of the PIS/COFINS taxation criteria, but in the bottom part we have a 22% EBITDA growth. So, as a reminder, we grew by 11% in assured energy during the year, we grew 22% the EBITDA, and we grew 65% the net income, without any commercial risk.

In the following pages we see exactly this upward movement. So, in page 27, the entrance, the creation of CPFL Centrais Elétricas, in page 28, that is when the company started, the company's ingression in other businesses, CPFL SUL Centrais Elétricas, plus 4 PCHs, Serra da Mesa, SeMesa, Ceran, already with the Monte Claro plant, it is a complex of 3 plants, 2 of them are under construction at this moment, Baesa, from Barra Grande, which started-up its operations in November, and Nercam, which is going to start-up within the next 30 days.

We also see Foz do Chapecó, a plant that we intend to begin its construction in the 2S of this year. With all that, in page 9 we can observe this solid, safe, and profitable growth process in the generation area of the CPFL Energia group. And the highlight for the next year is exactly the contribution coming from the start-up

of Barra Grande – the first turbine began its operations in November 1st, I would like to remind you that Barra Grande and Campos Novos are the biggest plants in working process, and they are being delivered now. These plants have three turbines, each one of them.

After the start-up of the second turbine, we will have 100% of assured energy in each one of them. So, Barra Grande, the first turbine started-up in last November, and the second turbine started up in January, with that we reached 100% of assured energy. And in the Campos Novos plant the first turbine will start up by the end of March, beginning of April, and following-up, in the mid-May until the beginning of July, we will start up the second turbine, with 100% of assured energy.

And this can be observed in this graph, this statement is relevant, I mentioned we grew 11% the assured energy, in the last year, and we grew 22% our EBITDA. Now, we are disclosing to you that we will grow about 65% our installed energy, reaching 1501 MW installed, by the end of this semester.

So, the generation activity has a very important contribution in the CPFL Energia group, in 2006 with the conclusion of these two businesses, and naturally it will keep the working process with another two plants. But you have here the forecast for Castro Alves and 14 de Julho, so that we will begin 2007, the beginning of 2008, with two plants that are in an accelerated working process at the moment.

On page 30, we have details exactly about the Barra Grande plant with photographs from the plant, it is an embedded plant, a plant that has a very tall dike, the second tallest in the world, with 185 m. As I said, in the November 1st 54% of the total assured energy with the first turbine, and in February 1st – already in operation - the second unit, with 100% of total assured energy. The third unit comes in at the end of April.

On page 31 we have the Campos Novos reservoir being filled, end of filling right now, with conditioning of the machines, a plant very similar to Barra Grande plant, a little taller, that is the tallest in the world, with 202 m, in which the first turbine alone puts 91% of the assured energy. Thus, that already impacts directly the results of our CPFL Generation.

Well, following up, on page 32, our new investments in repowerment, being Gavião Peixoto a highlight already. We are in the conclusion of the hiring process, the repowerment of Chibata and Capão Preto.

What is relevant in these cases is that the repowerment is the authorized exception of addendums to the valid contracts with the distributors, a very good price, and you have a very important effect in terms of internal return tax because of the increase in assured energy.

Therefore, we have a safe investment, additionally hired by our distributors already. With all this additional assured energy you sell more than 120% in the case of Capão Preto; around 140% in Chibata; 74% in Gavião Peixoto, all of which already pre-hired by our distributors.

And this synergic growth on page 33 naturally puts a larger distribution portfolio into action and has to worry about defending its market, and because of this expertise in market defense – reminding you that Grupo CPFL lost less clients to free market than its competitors, had a high retention capacity, superior to 80% - it developed an activity, an expertise to act together with other players. And we can observe that acting in a very profitable way; we see here the CPFL Brasil commercialization company, thus, with its results at the right side. The company was created at the end of 2002, when CPFL Energia was created, started up operating in 2003, and in the comparison between 2004 and 2005 grew 59% its revenues, 48% its EBITDA, reaching R\$ 225 million, and in the last line grew 51% in net income, reaching R\$ 154 million.

This expertise has allowed us, as seen in page 34, This expertise granted us, as seen in page 34, to grow our service portfolio to consumers in the free market reaching 86, 28 of which out of our distributor's coverage area, so a part of the retention is naturally linked to consumers that are now out of our platform, and we kept it under Grupo CPFL's flag, covered by CPFL Brasil, so these 58 consumers here – when I mention 80% I am talking about sales volume -, but we sought other consumers got 28, totaling 86. That caused, added the energy added – which is commercialized together with the own group's distributors and distributors throughout Brazil – to register a 27% of market share of the whole of energy commercialized in the free market, according to official data provided by Câmara de Comercialização de Energia Elétrica – CCE.

We see in page 35 a little bit of this free client movement in the year of 2005. We had potentially new clients, subject of negotiation, of contract renewal with our distributors, totaling around 4876 GWh; it is worthwhile to remind you that this energy volume is virtually the volume commercialized by RGE – therefore, we are talking about a significant amount of consumers, around half of them, 2082, were retained in the own distributors; 1024 we fought for and won, and we service them through our CPFL Brasil, and we sought other consumers, generating 2162 GWh of sales, therefore out of our concession area, totaling 5268 GWh. If we were to ponder, we would see positive balance for CPFL Brasil.

We see now in page 36 an approach to financial strategy we mentioned in the beginning, a strategy focused on adequacy to our debt profile, already well-behaved, with a debt-EBITDA relation of 1.7x. That shows the important recovery we had after the energy advisory period with contribution of IPO and shareholder capitalization, and with contribution of financial strategy, totaling, therefore – with a little reduction last year of almost R\$ 3.8 billion to R\$ 3,7 billion of net debt, in a moment in which we continue investing in generation, so the green section, down here, the TJLP indexer, are the generating financings, and growing the yellow part, which is exactly the IGP-M indexation, used preferentially by our distributors throughout 2003 and 2004, a reduction of the CDI installment. That allowed, as it can be seen, a reduction of the debt nominal cost of around 17.7% to 13.9%, and, when we compare 13.9% with the CDI of the period, grosso modo, we could be saying that the company around 70% leveraged in CDI.

By the end of the year, the company's capital structure corresponded to 45% of own capital and 75% of third party capital. It is important to highlight that these

results are reached because the company has a strategy and management leverage methods, by some indicators that are there listed, in order to always keep it able to have a corporate rating between AA BBB, today it is A+, as we have said in the beginning.

It is worth highlighting that in the funding front, the last funding we made now in January, to Piratininga, which price is a benchmark, in 5 years we had virtually 3x the offer, and it came out rated at 104% of CDI at Copom. Thus, this shows the market's recognition towards the CPFL quality of credit.

We should also highlight, in page 38, that the group as a whole and executives have shareholder generation value metrics, the metrics of the GVA in Brazil – Value Generation to the Shareholder -, which corresponds, as I already said, to an evolution of the DVA concept, which is more adaptable to the electric energy company, because it is measured not in the economic side, but in the cash side. And why is that important? Because in the Brazilian electric sector you have many regulatory assets that may correspond, therefore, to the economic result without corresponding to cash effects or with a differed cash. So, when we report our results in GVA, we are able to evaluate the real situation of the company under the addition of value to the shareholder point of view, and this value distribution, the various metrics are here with highlights to [...] Total Shareholder Return, the total return to the shareholder.

A company that, as it can be seen in page 39, is worried about corporate responsibility and sustainability in the long-term, with a set of programs linked to Ethics and Transparency, a set of programs linked to Internal Public, with highlights to Learning Project, the Environment front, the company is ISO 14000 certified, and a Supplier's front.

On page 40, a company committed to diversity and goals, with affirmative policies and with diversity goals to females, black people, handicapped workers in the company, elderly people, an extensive volunteering and community relations program, with highlights to its action in Santa Casa de Misericórdia institutions.

On page 41, reporting that it is one of the 60 members of Global Compact in Brazil committed, therefore, to spread UN's millennium goals; reported there. Thus, on page 42, the company is recognized by its corporate responsibility and sustainability, and by the ingression in the ISE, and highlighting the work developed by OCDE and by IFC in what concerns the evaluation of companies with good corporate governance, establishing the best 8 in Latin America, out of which 6 are in Brazil, and one of them is CPFL Energia.

Here, on page 43, our commitment with floating, the company is listed in Novo Mercado, it has a commitment with floating evolution of over 25%, up to September 2007.

It is reported herein the actions since the IPO, highlighting the Green Shoe, the migration of minorities of Geração, Piratininga, Paulista, capitalization [...] of IFC, and we had an extended IPO free float of 13.64%, and now we have one of 17.75%. And it is important that together with this free float growth, we also had

the appreciation of the shares, which caused that starting float, in absolute values, which was slightly superior to R\$ 1 billion, reaching now, according to the exchange rate as of February 24th, R\$ 2.724 billion, which corresponds to the largest private float in electric energy company in Brazil.

I wanted to conclude this talking about the importance, on page 44, of the recognition of CPFL Paulista, the largest distributor in the group, when it was recently awarded with the well-known National Quality Award. Such award is the most important prize for company management excellence in Brazil; it is an award comparable to Malcolm Baldrige in the USA, to Deming in Japan. Throughout the 13 years of this award in Brazil, only 23 organizations have been recognized, and CPFL Paulista is the first one in the electric sector to have this recognition, being able to have the World Class Company title, which is something that makes us honored and proud.

In general terms, these were the remarks, I would like to thank you all for your patience, I used a little more than 40 minutes, but I thank everyone and make ourselves and the directors available for additional questions you may have. We make ourselves available.

Sérgio Tamashiro, Itaú:

Good afternoon, everyone. The first question is in regards to investments. I had made a comparison with your last release, the 2006-2008 period, which was how much you disclosed, they amounted R\$ 1.9 billion, and now, in this same period, it amounts R\$ 2.4 billion, an increase of 28%, and it says that the focus is in the expansion. But I wanted to know what is new in relation to the previous guidance.

Wilson Ferreira Jr.:

I would like to put it in these terms, Sérgio: first of all, we have not started last year Foz do Chapecó plant, so we are, in this period, with reinforcement in this plant because of the chronograms of the hydrologic embedment of this section of [...], but we should also highlight two things.

First of all, we changed our growth level in terms of number of consumers, as it can be seen, this is already adjusted in this new budget in terms of number of consumers, the level of around 200 thousand additional consumers a year, which corresponded to around 9%, more than the initial versions, it already incorporates, thus, the recognition of this new trend that has been verified in our market, but more than that, the volume of energy that has been commercialized, and because of that it is important not only the energy billed on the [...], but especially, being that it is the provider of infra-structure to the consumers, including the free ones, and an improvement in our infra-structure, with a capacity to provide this energy already aligned with our future commitments, highlighting the building of 7 new substations, starting only in the year of 2006 at an additional R\$ 80 million investment rate, besides a modernization process in our whole commercial activity in respect to the introduction of the SAP CCS systems, directed to billing of consumers and relations with consumers via call center and CRM.

You know that is also an important thing to do as well, even so because you have the recognition of these investments to effect of the asset base that will be considered by ANEEL in Piratininga's tariff readjustment, which is at the end of 2007, and of Paulista and RGE, which are only in 2008.

So, clearly, if you are able to put these processes into action previously to this recognition process, it is a benefit to the company, so there is the recognition of a recorded effort, and these additional investments guarantee the provision of more energy quality and trustworthiness, compatible with new market growth rates and especially allowing the [...] modernization of its systems, which will allow cost reduction. Reminding you that billing systems and consumer service, this is the only system that was not modernized; it is our only system that still operates in mainframe. It will, thus, be totally modified by this acquisition, with a low platform, [...] that unites to the SAP R3 multi-platform version, in the administrative and financial areas, and the geographical information system, in the projecting, operating a distribution network maintenance areas.

Sérgio Tamashiro:

Complementing, exactly in the case you had expectations for a higher growth tax, you could disclose now the growth expectations for 2006-2007. And then, a last question about the privatization event of Transmissão Paulista. I have heard comments here about the consideration of the impossibility of the concession extension for the term until 2035, if that continues to be interesting, how is this process going, and who continues to be your main competitors?

Wilson Ferreira Jr.:

Well, only in regards to the market, on the year of 2006, we are expecting a growth on energy volume in the distributor concession sector of around 7.5%. This reveals a continuous growth in the residential and commercial sectors, which were highlights this year, but an important recovery of the industrial segment, it should be a year in which there is recovery already, so it is a very important highlight in that sector, besides a recovery in RS, which was our platform of smallest growth last year.

So, these are the values we are projecting in terms of volume to the year of 2006. I do not have the 2007 data here, I can try to send it to you later.

Sérgio Tamashiro:

But what would be the reason if the government is putting a 3.4% GDP more or less, it is almost 2x superior to the GDP.

Wilson Ferreira Jr.:

Look, this had been happening because of elasticity indexes verified. We have here sets of consumers that we have there, even so because of the contract renewals that were signed, so it is easier to calculate the industry ones. What we have today is a larger capacity of evaluating, and the expectation is very positive,

and we should look at that too carefully, Sérgio, the sectors that the company is operating, I mean, we are from the countryside of the state of São Paulo. The state of São Paulo grew 13.8% last year while we grew 4.7% in our area.

And you also have the aspect in regards to our commercializing company's service in relation to the contracts already firmied, so this is something specific to the CPFL group, because of the characteristics of its distributors' consumers, particularly the consumers serviced by the commercializing company.

Well, if you could repeat your question...

Sérgio Tamashiro:

It is about Transmissão Paulista, how is the process going, do you think it will occur despite of the change of government, when Alckmin, who is leaving now, how is this process going? You know more about it.

Wilson Ferreira Jr.:

Well, I think the process will occur, it can have... It shows some signs of delay, but I remember that the substitute to Geraldo Alckmin's government is the vice-governor Cláudio Lembo, and he is exactly the coordinator of the [...], Programa Estadual de [...]. So, he has a big commitment to this program, and I sincerely do not believe, for all that we have been in touch with, the government's entity evaluating that program – this is a government decision, and it has as its main supporter the vice-governor, and I believe he was maybe conservative regarding the term, even so to keep the quality of the asset and to be able to eliminate a set of risks, which are the ones that have risen lately, in particular when ANEEL spoke on tariff readjustment.

I mean, this readjustment event has not yet been discussed. It has been proposed, there is a set of propositions, you must be following along the page, along the own manifestations at ANEEL's public judgment, I mean, there is a set of controversies in there, either in respect to the way of considering the base, asset earning, or – as it occurred with the distributor – the consideration of OIM recognized costs; I always remember that when ANEEL proposed the first cost to Paulista, Paulista had at that time reduced virtually 50% of its costs, it had OIM costs at around R\$ 480 million, and ANEEL – this was already half ANEEL's cost at the time of privatization – and at that time ANEEL proposed R\$ 220 million, which was absolutely sustainable.

I think the same thing is happening. It is important that this issue be debated thoroughly and that no error is captured, so you will be able to see the company's predictability capacity regarding its main costs. On the other hand there is that recognized consideration of yours about the 48-19 contingency costs, which are those invested [...] of the government, of assets that are in there and [...] also subject to a serious study of the licensing of the CESP group, of Cetep on the company. So I think the delay, in the sense that we have an asset for the buyer with lesser risk is a positive thing, with a better predictability capacity, and I think

that even though it is delayed, it be carried through due to a compromise by the government, and not only a compromise by the governor alone.

Sérgio Tamashiro:

And there is also the possibility of Cemig joining you in minority participation.

Wilson Ferreira Jr.:

No, Cemig is refrained of doing that, and the auctions rules are very clear with regards to that.

Sérgio Tamashiro:

As a controller, right?

Wilson Ferreira Jr.:

No, it cannot even join with 20%.

Sérgio Tamashiro:

OK, thanks.

Wilson Ferreira Jr.:

It is not allowed to join. We maintain, just to make it clear, you asked if Grupo CPFL is interested, of course it is, even so because Grupo CPFL is today the biggest distribution player, the biggest commercialization player; and with the conclusion of Campos Novos it is the fourth biggest private player, but a [...] result than the third, and the biggest investor in the generation sector today. The only segment we are not present at is the transmission one. I would surely tell you that this is an asset that makes much sense to the group, either because of its value, we enter it as the biggest [...], or by the growth possibility in the future and the expertise that built this [...].

It can be allied to CPFL's capacity and experience in company restructuring. So, we are interested.

Sérgio Tamashiro:

OK. Thanks.

Eduardo Haiama, Banco Pactual:

Good afternoon everyone. My question is, now that it talking about the next cycle and tariff readjustment, I wanted to know how you are seeing this process, the [...] regulatory issue, bad debt, losses, asset base, how you are seeing all this manifestation that is starting the debate at ANEEL, what is your view on this process and what do you expect for 2007 with the first readjustments.

Only a quick overview on it.

Wilson Ferreira Jr.:

Well, I believe that maybe the prime [...] contribution in three ways: the first related to the asset earnings base, we hypothetically had the closing of the first cycle, we certainly remain with some imperfections in this process, and it is worth highlighting basically two – the first one with respect to the price that is used as reference for the total asset base. If you [...] an asset base throughout time, and particularly in these last private participation cycles.

Prices could fall down, it is not fair that you do not recognize that in the past they did not have this price. So there is a recognition that this is a process that has to evolve in real cost of that asset. You should also recognize that there assets in operation today – particularly in older companies, like ours – that are completely depreciated, demand maintenance, because they are not worth anything in this base. You would rather throw it in the trash and redo it, and the consumer will pay for that. So, it is reasonable that you do not send out mistaken economic signs.

What we have perceived throughout time is that there is a sensibility of the entity, and it establishes an interaction program with the main agents through its connections so we will an evolution particularly in this process with regards to base, and I believe these debates are already taking place in a positive way, I would say, I am very optimistic about the base reporting better the value of the company's assets that are in service than the 493 methodology, even with the improvements that were made to it with time.

So, this is the first thing; this would be a positive sign that the base should increase. We should also recognize that even the reference company has some flaws; I will highlight only a few, that represent old Brazilian labor union flags and, more than that, they are even government stimulated activities in what concerns the profit participation payment. The companies have goals linked to the quality of service, are supervised by ANEEL etc., and these costs are simply not recognized; and worse than that, they are costs you are not able to have because they are part of the law today, you are obliged to negotiate participations with labor unions.

So, there also are developments to be made in the reference company. That ought to oppose performance developments that are taking place in companies throughout time. So, I would say, differently from what I mentioned about the base, that I believe there might be a positive evolution; in the cost of reference it might stay quite stable, opposing jointures that were not put in this first cycle, together with manifestations of productivity development recognition that were verified among the [...].

And, finally, with respect to the [...], right? We may have had a reaction about the manifestation of [...] proposed to the transmission activity, reminding you again that it is in debating process, this is not the definitive [...], and it also has not got the same capital structure which was used to effect of the distributors, which is 50-50. There are developments that may be further recognized concerning interest

rate, but it also carries other factors, particularly the differentiation of [...] distribution business.

Therefore, they would never be the same, they would never have the same structure. I believe we can have a development in that too, although I would say that from now on, my best guess is that we maintain it the way it is.

Eduardo Haiama:

But then do you believe – another issue, concerning bad debt. Could not you be reconsidering those 0.2% of regulatory bad debt on the net income and put a higher value on your gross revenue?

Wilson Ferreira Jr.:

It is possible. Look, we, from the beginning, that value could be used in that occasion, but our experience shows that no company does that. If you look at our case, of being a benchmark in the sector, you have 1.3% of bad debt opposed to 0.5% recognition from net income, right? It is unlikely that you get to lower it further.

So, I think it is going to be subject to discussion with ANEEL, even so because this declining index proposed does not happen – not only in Brazil, but also in the world, right?

So I believe it is going to be subject to discussion, as well as the losses, in terms that you have put. I forgot to point it out, but the losses which occurred in the first cycle were also included in the tariff using the companies' histories. I believe ANEEL will evolve to establish bearable levels of loss especially to incorporate that in the price of the wire, which is already subject of some discussions.

But, in any case, Grupo CPFL's situation is very favorable. We have the lesser commercial losses, and also the lesser bad debt. So, this should not raise the group any kind of problem – it may raise a problem to other groups that have [...] larger than ours.

Eduardo Haiama:

That is great, thanks.

Eduardo Kirschner, Omaha Investimentos (through the Internet):

Where is the company's largest investment potential concentrated at, in commercializing or in generation? And what would bring the company a bigger profit in the year of 2006?

Wilson Ferreira Jr.:

Well, the activity that should grow more in the year of 2006 is, undoubtedly, the generation activity, because it has been adding significant assured energy

volumes to the portfolio, considered it is fully contracted [...], this is what will establish the main growth result this year.

The commercialization activity has been growing since 2003 in levels which are not verified in this business of ours, those are sales growth rates superior to 100% in the year, but they reveal an availability, also abundance of energy in which larger players like our end up being benefited in a commercial strategy of interaction capacity with the consumers, a very big experience. We do not see this activity presenting [...] the next year, 2006, a growth as we have verified in 2003, 2004 and 2005. This was already forecasted, I mean, we were seeing more settled levels, either in total volumes, which will be inferior to 50% no doubt, or the energy volumes to free consumers.

We grew 100%, but they should stay between [...]. I would like to remind you that this segment of market closed last year, 2005, representing around 17% of all Brazilian sales; but we should also consider that part of the consumers [...] along 2005. We do not believe there will be bigger volumes or changes.

If we consider only all consumers there were there by the end of the year, that, in an annualized basis, would mean something close to 23%, 24%. From the total volume of commercialized energy in Brazil, 24% would be occurring in the free market. Then, I believe the agents' positions are maintained, you are establishing contracts of 3 or 4 years with free consumers, but that you will not verify, there are no more consumers to enter this market massively.

Then, answering your question: the main contribution for the results of Grupo CPFL in terms of variation will be through CPFL Geração. The second contribution still is, of course, the growth of this commercialization activity when we compare it with distribution, but as it represents little as a whole, even though it grows in a well-behaved manner, for instance, around 20% to 30%, we could verify a contribution to the results of CPFL Energia.

The distributors not, it is a bigger volume of operations of the company, 70% of our movement is made in distribution, and with higher growth rates, markedly in residential and commercial segments. I am not sure if I was clear on my answer.

Gustavo Gattass, UBS:

Good afternoon, Wilson. Let me ask three questions here. The first one is I'd like to come back a little on the business that Sergio was arguing about, and ask for a little of information on your CAPEX, that has shifted a little more than I was expecting, and I only want to confirm a few points. First one, is the CAPEX schedule totally adjusted for coming into being later on?

Wilson Ferreira Jr.:

That is correct.

Gustavo Gattass:

OK. Have you guys had any cost increase or reprogramming of CAPEX for generation for 2006, in particular, because I was expecting to see this figure drop, speaking frankly.

Wilson Ferreira Jr.:

No, but in 2006 we have... No, we don't; rigorously, we don't have.

Gustavo Gattass:

OK. All right, I can check that later on with you about to what plant it concerns. And the other point about CAPEX I wanted to ask you is: can you give us a breakdown of the distribution CAPEX for each distributor, later on maybe?

Wilson Ferreira Jr.:

All right, no problem.

Gustavo Gattass:

OK. Thanks. On my send point, along with the extraordinary expenses issue, was there any sort of cost that had that to be booked, any provision that had to be booked because of the tariff of Piratininga, or not?

Wilson Ferreira Jr.:

No.

Gustavo Gattass:

OK. Then, everything that has been effectively booked covered all the liability?

Wilson Ferreira Jr.:

Exactly. But on Piratininga you always have to consider what its position was, theoretically because of an agreement – that would be that 366 resolution - we had 9.67% index that was the lowest index verified by Bandeirante. But it only works during the first cycle.

Our figure is higher than this one, it is around 11%, I am not sure accurately what the figure herein is. I mean, theoretically, when you come back in the next cycle, then you have this component forever.

Gustavo Gattass:

Alright. My doubt was basically that I thought you had provisioned before the figure related to one year or so, and that you would still have something that one would have to consider in this extraordinary year and the referring cost to it, but, as far as I understand, one does not have to.

Wilson Ferreira Jr.:

No. All of it was recognized this year, and, by the way, we recognize almost all of it during the 3Q and left only 22 days for the 4Q, it is even different from [...] of that period.

Gustavo Gattass:

OK.

Wilson Ferreira Jr.:

Gustavo, CAPEX for 2006, wrapping it up, is Paulista: R\$ 229 million; R\$ 146 for Piratininga; and R\$ 120 Million for RGR.

Gustavo Gattass:

Perfect. It is excellent.

Wilson Ferreira Jr.:

That adds up to the R\$ 496 million that we showed in the presentation, OK? And going back to the index I told you about, that index, which would be ours, was 11.52% and the 9.67% index prevailed for Piratininga. Then, if you are to recompose, you should add 52 from 2007 on.

Vitor Pereira, Banco Espírito Santo:

Good afternoon. My question relates to CAPEX, a tiny doubt here. In 2005, as I remember it, the previous estimate was R\$ 723, then you have already carried through the smaller one, R\$ 626, around R\$ 100 million [...] for 2006. I would like to know if this is relevant to Ceran. That is it, because the remaining issue has already been debated.

Wilson Ferreira Jr.:

It shows, surely, a variation of Ceran; we had an event in the tunnels that have been postponed, and there is the opening of it that, that it would be the beginning of the construction of Foz do Chapecó, which we postponed to 2006. These are the major differences that we had in 2005 and we postponed to 2006, which corresponds exactly to the replacement in terms of Ceran's schedule, due to this event we experienced in one of the tunnels and especially the beginning, in the 2H, of Foz do Chapecó.

Vitor Pereira:

OK. And in relation to [...], if, by chance, the [...] regulates free consumer billing, I know it is positive for distribution, and the consumer, in general, is better than extending time. But I would like to know the effect of commercialization; do you

think that it speeds up the return of free consumers as bound, and what would be the effect of it in CPFL Energia?

Wilson Ferreira Jr.:

The effect in CPFL Energia is the R\$ 92 million that you put as non-recurrent.

Vitor Pereira:

The return would be in the commercialization segment, then. I know it is positive in the case of RTE billing for free consumer. It must come back to R\$ 96, and, in 2004, I think that there was some provision of RTE.

Wilson Ferreira Jr.:

The balance that we had as for 12/31 was R\$ 117 million, plus R\$ 7, R\$ 125 million. That would be the effect in the group. The decision that the free consumers made was on the commodity side, and I am sure they had had an additional advantage what concerns RTE not-payment.

But one must take into account that the commodity for the free consumer was cheaper, we were not talking about differences that led to free market, of only 7%, which was the tax charged of RTE. They were greater values than this one, we used to talk about the 25% range.

I would say that it obviously reduces the leverage a little, but it does not eliminate the advantage, and, again, they are particular consumers in relation either to the use of energy during the period, either to what concerns the quality standards, and I believe that the service of commercializing companies along with the free consumer continues with a larger burden in services, and in advisement services you can give these consumers, and some sort of facility in terms of customization of such supply, either in relation to its values, stated periods, etc.

But it is an activity that has been made feasible, Vitor, in the past three years, because of a spare commodity. It has been expected the return of the not so big free consumers to the distributors, and I believe this is a natural movement, for such cheap energy doesn't exist.

Vitor Pereira:

OK, thank you.

Wilson Ferreira Jr.:

Thanks, Vitor.

Gustavo Gattass, UBS:

Wilson, one of my questions remained unanswered. On the P&D provision side, what is ANEEL's positioning so far considering repassing, will you have to spend

this, will they be returning it to the consumers when they enter, do you have any forecast of what the timing of this business will be?

Wilson Ferreira Jr.:

No, we don't have any forecast. It is something that ought to be subject to discussions, Gustavo, we sometimes do not spend not because we do not want to, but because they are not able to approve the programs in due time. Then, we are raising funds, but we do not use it sometimes because we have already submitted but didn't get it though. When you hire a project, you hire the project with fixed price, you do not hire it indexed. Then, it is going to generate some deformation, it will have to be subject of a serious study with the agency.

There is no clearer definition besides the one that I am placing here, that would be the provision determination which has been carried through that has to be subject of study. And there is also the index issue, you know that all the recognized regulatory assets by the agency have been indexed to the IGP-M, never to the SELIC rate, and they have a proposition, I mean, they recognized that it was not SELIC in the past, but still insist on the SELIC position this year. Wider definitions and serious studies are being subject of discussions by the private associations of ABRADÉE with the agency

Gustavo Gattass:

Alright. Quick question to Filippo. In the 4Q, on the financial side, was there any extraordinary event in the financial performance, or was it all ins and outs? Did it have anything from derivative, anything that helped at all?

José Antônio de Almeida Filippo:

No, nothing special.

Gustavo Gattass:

Excellent.

José Antônio de Almeida Filippo:

The launch of these provisions, adjustments that impacted [...] that have been activated, as a function of the credit supply that you have, but – in a general way – excepting the indexation of the RTE, the SELIC on RTE, there was nothing material.

Gustavo Gattass:

Great. Thanks, Filippo.

Sérgio Tamashiro, Itaú:

Quick question. Still relating to income tax, the credit of 72, I thought that was some sort of [...], but according to what you spoke early, Wilson, you said something like an extra R\$ 500 million, I mean, there is some R\$ 440 million plus. Then, at least in these two first quarters, we still should expect to have lower fees for income tax, is it right?

José Antônio de Almeida Filippo:

Actually what happens is that you have this reserve of R\$ 500 million, which is in fact 1/3 of R\$ 1.5 billion, there exist rules one must consider in order to be able to use it, I mean, it must have a check list which is to be observed, be it growth perspectives and profit consistency, utilization in 10 years, these rules must be observed so that you can credit it.

What went on was that we had worked on these premises, and as a function of forward-looking projections, we have activated this volume. The trend is that you activate it gradually; I don't really think there is necessarily any acceleration in it.

Wilson Ferreira Jr.:

And such a sharing is done annually not quarterly. It will be subject of a new consideration, probably by the end of the 2006 fiscal year, and all the future fiscal years, given the possibilities that the company has, its volume of credits.

Sérgio Tamashiro, Itaú:

I've tried to find [...], it is a volume quite lower. Are you saying that you are activating of which is still not accounted?

Wilson Ferreira Jr.:

No, it is in CPFL Energia that you are to find it. And yes, it is in the book but not activated. It is this volume that has been activated.

Sérgio Tamashiro, Itaú:

Then, the total amount still unrecognized is some R\$ 1.5 billion?

José Antônio de Almeida Filippo:

For the base, from which you utilize one third of it, then it would sum up to R\$ 500 million.

Wilson Ferreira Jr.:

Sérgio, I am sorry, I gave you some information quite incorrect what concerns market growth, I just wanted to correct to figures. I do not want to dwell on the commercialization company, but rather on the distributor. Our growth estimate for the market for 2006 is 3.7%. And for 2007 it is 4.5%.

The 7.5% we had was observed in the two first months of this year, which incorporates a growth in our commercialization company comparing the same period of last year, of 70%. Once you get the 7.5% in the set of sales to end consumers, then the impact of growth [...], and this impact is a little more prominent in the commercialization company

Sérgio Tamashiro, Itaú:

Great, thanks.

Operator:

We have a question from the internet.

Eduardo Kirschner, Omaha Investments (through the internet):

What are the main clients of the industrial segment, and does the growth [...] depend on the commercial strategies of CPFL, or demand from customers?

Wilson Ferreira Jr.:

I can give you a list with main clients of the company later; I would not know them all by heart now.

But our main client is from the food industry, textile industry, and metallurgical industry, this in Paulista. As for Piratininga, they are clients from the metallurgical industry, non-metallic ore and chemical industry. The food industry segment in Paulista represents around 20%, similar to the textile industry segment, and some 6% in the metallurgical industry. These three consumer categories together represent over 50% of our market.

In Piratininga – and we are talking about the metallurgical industry which responds for about 35% of sales in Piratininga, and the chemical industry some 20%, and the non-metallic ore industry, 10% – these three segments respond for about 70% of the volume. And in CPFL Brasil, the metallurgical, chemical, and textile industries are responsible for 17.7%, 15%, and 10%, respectively.

The second part of question relates to the commercial strategies, is that right?

Operator:

Commercial strategies of CPFL, or the demand from customers.

Wilson Ferreira Jr.:

In this case, it is always directed by the customer, I mean, the customer strategy determines it; the distribution company has a contract with the consumer, which requires it to supply energy according to established bases previously negotiated, in terms of contracted demand. And it is where we can, of course, have additional costs if we do not meet that demand, either up or down. On the up side there onus

is on the consumer, given the company's unpredictability; on the down side the onus is also on the consumer, because they are obliged to keep in sight what they originally contracted.

But it is the customer that directs the contract process; the contract parameters are established by the consumer, and there are rules, and regulations from the agency ensuring that the demand is carried out. On the volume of energy, measured in GWh or MWh, this is the result the invoicing, and it will be associated, of course, to the strategies of the market segments, where the company does not have any influence, it has obliged by contract to supply this energy and to observe all the regulations established by ANEEL in order to set the fixed prices.

[...]

Complementing this question, the main drivers that determine the greater or smaller success of commercialization companies, their sales of energy to industrial consumers, are, in the case of distributors, their operating markets. This year, for instance, we are particularly quite influenced, with greater dynamics of the State of São Paulo, in particular the interior of the State, where the characteristic of the segments that I have just mentioned, as a function, also, of strategies focused on exporting, and exporting regions, benefited, and the company also benefited from it because the segments grew and it served this growth with its energy.

On the other hand, in the commercialization company segment, those are contracts with greater flexibility negotiated on a bilateral way, then the strategy therein is diffuse, of course; but we are talking about bigger consumers, and we had, last year – just to illustrate –, I mean, while industrial growth, in terms of results, of energy volume, was in the 3.1% gross, in our commercialization company it grew almost 15%.

Then, this reflects the potentiality of these great industrial groups, with defined strategies and with, of course, the own company. The participation of the industrial segment, in the case of the Piratininga, is around 57% of sales; in CPFL Paulista and RGE it is about 40% of sales, totaling about 44% in the group.

Do we have a question from the internet? Go ahead.

Participant, JP Morgan:

Could the one third activation of fiscal credits, out of the R\$ 1.5 billion, be made from the best perspective of profitability, incoming from the fusion or incorporation of transmission assets of generation that today do not belong to the CPFL Energia?

Wilson Ferreira Jr.:

Actually, specifically this fiscal credit that has been activated, it is in CPFL Energia and, if I remember it correctly, it is derived from financial expenditures incurred in the time when CPFL Energia carried through debts and accumulated these financial expenditures.

Obviously the company seeks also optimizing its fiscal assets, then, having the possibility of making some sort of movement towards the incorporation of companies and thus generating some profit, this will always be considered; It is important to remember that the companies that operate in the segments of generation, transmission, and distribution, are regulated through bidding, then within the regulatory possibilities these alternatives always are evaluated and certainly will be used when possible, but we have to wait for these biddings.

Then, this specific loss is not the case when dealing with CPFL Energia, rather there are other possibilities we can use to take advantage of the operating situations of the company and optimize the fiscal aspect.

Operator:

There are no further questions at this time; we would like to pass the floor over to the speaker for his final remarks.

Wilson Ferreira Jr.:

I wanted, once more, to thank you all for participating in our conference call. I think it is important, again, to emphasize the profit of the company, it is the first time that a private company in the electric energy industry tops the R\$ 1 billion range.

It is an important recovery in the history of the group, which has been presenting excellent growth along time, in particular during last the three years, time when CPFL Energia was created. It reflects the rightness of a strategy focused on the consistent and safe growth in the generation segment. We are delivering projects, and, of course, our results are affected positively by the start up of these projects and by their magnitude; and this also evidences a very important regulatory stability in the industry.

The relevant data is that, at the time the tariff adjustment had been proposed, they were proposed 4 months prior de adjustment event; then, we still have two years ahead and I believe that both ANEEL and the government's own orientation is toward one bringing and consolidating this regulatory stability as an instrument, mainly, of private initiative mobilization in order front the very great chances of investment in this industry, which start to show up with the new energy and transmission auctions that started last year.

I believe that this is the positive sign and it has been followed along with clear manifestations, either from ANEEL as an institution, either from the directors, in general, the many conferences and possibilities of manifestation through the press, and also its will to establish justice in the process, in other words, that we have compensations that allow Brazil to be competitive in energy terms, and that it also promotes social justice along with tariff diversification.

In other words, this commitment, this trade off has been the main instrument used by the regulator, and I believe that the regular also has a commitment, even personal, about such stability and the recognition of issues that occurred in the

past that can be solved, and also about the recognition of the advances observed so that the consumer can recognize them too, however, our 'dictum' is stability, and it has been recognized by the capital market, and the biggest evidence of this is not only the situation of the companies itself - in our case, that it is a little different because they are higher values, they are performed a little better -, but this is a widespread issue in the industry.

The electric energy industry has improved a lot, and its risk perception improved a lot and it mainly reflects the improvements of the companies and the regulatory stability. And if we are to live here for 2-3 years being competitive, allowing the industries to be competitive through power surplus; it is necessary to recognize that we have an important agenda of increase for this segment in the means of private new investments, either in the segments of generation, transmission, and, surely, also of distribution, because some 'dammed' capacity has been used in the past due to the energy advisory event, capacity that is run out now; New investments will have to be made especially because the regulatory instrument that constitutes the assets earnings base imposes this situation, that is, it is advantageous to the company make the necessary investments in order to be recognized in the due date of its tariff readjustment.

Then, the strategies of the companies and our own, as well, of course, consider this in the generation segment, in the distribution segment, and, obviously, we have good perspectives also on the transmission segment. I think that such stability, this such good performance of the segment establishes herein an important agenda for a consolidation moment when the capacity and the experience of each group and their interests in creating a better scale in order to produce better results are going to start determining a background scene to the industry, and it is probable going to be attract more private capital as well as more investments, and will surely be more profitable.

I think that the example of Grupo CPFL, in this context, is an example that must be recognized, and I think that the trend of results, the consistency of results, is what inspires us to continue strengthening our strategy, our commitment to the country, and to this particular activity.

Well, we thank you very much for your attention and are always at your disposal for any sort of clarification for any doubts you may have, and also emphasizing here a very good year that confirms the right choices we have made on the strategy side.

Thank you very much.

Operator:

This thus concludes CPFL Energia's conference call. Thank you for your participation and have a good night.