

Webcast 4Q13

Operator: Good morning, ladies and gentlemen. We would like to welcome everyone to CPFL ENERGIA 4Q13 Earnings Results conference call.

Today we have here with us the executives **Mr. Wilson Ferreira Júnior**, CEO of CPFL Energia, and other officers of the company.

This call is being broadcasted simultaneously through the Internet in the website: www.cpfl.com.br/ir. In that address you can also find a banner through which the presentation will be available for download. We inform that all participants will only be able to listen to the conference call during the company's presentation. After the presentation, there will be a question and answer session. At that time further instructions will be given. Should any participant need assistance during this conference, please press *0 for an operator. It is important to mention that this teleconference is being recorded.

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

Now, I'll turn the conference over to **Mr. Wilson Ferreira Junior**.

Mr. Wilson, you may proceed.

Wilson Ferreira - CPFL Energia SA - CEO

Good morning, all of you. Good morning, investors and analysts who are now with us in the presentation of the earnings results for the fourth quarter of 2013.

I would like to go straight to slide number 3. And we will start the presentation even before the highlights just to give you an update on the energy status of the system. We've been constantly asked about this topic, and so I would like to share the position of our equivalent reservoirs of NIPS. Currently with 40.2%, and we expect to reach the end of the month next week with a water storage of 41% in the month of March.

In the chart below, we see that the ENA, meaning the natural inflow energy which refer to the volume of water that circulates in the rivers, we see the problem that we are currently facing and we will probably face throughout the year of 2014. The expected amount -- and there is a gap in terms of LT average and rainfall, or the water of volume in the rivers. In the Southeast and in Northern region, we have almost 70% of the entire capacity of water storage in Brazil.

The same thing also occurred in 2013, starting in December 2012, with an energy gap of natural inflow energy when compared to the long-term average. The fact in 2013 -- I think if you look at

the chart in April, we had an above-average rainfall when compared to the long-term average, and the same behavior was consistent throughout the year. So that's why in 2013, despite the fact that we had a generation gap in the beginning of this summer, the average was above 100% of LTA -- to be more precise, 102% of LTA.

So then when we move on to page 4, you see the chart in more detail. As I said before, in the corresponding period going from January and even in March, we had 11% of last year -- 11% below LTA; however, due to an increased rainfall and therefore more water in the rivers, we had a dry season 18% above, which allowed then as I had previously said, despite starting below average, we finished slightly above average on annual basis.

So, by looking at the chart, you see that early this year the situation was aggravated -- particularly in February, when we had a higher inflow of an ENA, the interconnected system, and in March, when the volume was 37% below LTA. And this is a situation that should be looked after.

So, on page 6, we see that in the most recent period, the situation has been worse, but it is getting better. In the Southeast and Center West region, we have a forecast of 64% (we are at 63% now). The South is a positive surprise and we have the advantage that the system is more robust than in the past. So the South, in some way, allows the storage in the Southeast due to the transfers of large blocks of energy from the South (they have 70% of LTA today), and 166 is the ONS forecast for this month.

We also noticed, on the right-hand side, that there is an anomaly in terms of rainfall we see down below in the Southeast. And I would like to call your attention to the region that has bordered with the state of Minas, Goiás and Sao Paulo, in addition to the state of Sao Paulo itself -- we can see through the orange color that this is certainly -- this certainly represents a lower rainfall in March. But the situation has been reverted, especially in the last few days. So the Southeast is now experiencing greater rainfall levels. And the chart shows that in the South, which is in blue, the South has allowed us to make transfers, as I said before. The forecast of ONS for April for the two systems that I indicated is 83% for the Southeast region and 120% for the South region.

Another important piece of information, on page 6, refers to means of generating inflow energy. And for that to happen, all of the basins have to have water. In this situation of a lot of heat and very little rain, not only we will experience the evaporation in the reservoirs, but the margins will be very dry. And despite the fact that now we are having some rain, this prevents more water throughout the cascade.

This situation has to be monitored because of the two elements that I show in the chart that may be very clear when you look at the illustration. The available water in the soil, which is more superficial; then here, you can see that in February -- on February 28, and in this area that is being circled, we had more green and yellow and we were at about 40%. When you look one month ahead, on March 25, the measurement is much more favorable, so it will be approximately 70% to 80%, meaning that we already have surface water -- or water in the soil.

And this comes hand-in-hand with the soil hydro capacity, which is a different measurement. So it means that now the waterbeds are becoming more watery. That means that all the rains that are about to come will be able to generate natural inflow energy because of the flow. Before the soil is humid, they will be more -- they will permeate in the soil, and this will happen at the end of February of this year and the end of March of the same year. So now, with the current rainfall, the rain will be immediately transformed into natural inflow energy to fill up the reservoirs and generate power.

So on page 7 now, we are trying to show you the ENA of the dry period. In the last 10 years, the dry period has been more favorable on the point of view of the long-term average... as the humid period has been less favorable. But, in fact, when you look at what happened in the past 10 years in terms of natural inflow energy and the dry period in the months between May and November in the Southeast region, the average has been around 107%. There were some years with some peaks, like in 2009 with 135%, and the lowest percentage was 92% in that same period. So this certainly refers to the importance of the the Southeast reservoir. As I said, 70% of the volume comes from the Southeast region. When you look at the NIPS, we have 105% of LTA, and the lowest value was 89% and the highest was 136%.

Well, when you look at the chart and also taking into account the likelihood of reaching 41% of the integrated national system by the end of March, we have here three different circumstances for you to look at. Because I know that analysts and investors have tried to get this information from different sources. So we are just adding one more, trying to incorporate this view of what could happen during the dry period.

So if we were to consider the best period of 136% of LTA, by the end of November we would have 61% of water storage, considerably higher than the current numbers at the current volume. Now if, on the other hand, we look at the average of LTA for the past 10 years, we would be at 40%, which has been exactly the reference level of reservoirs for the end of the dry period. And then certainly if we experience the same situation we had in 2012, the reservoirs could be as low as 25%. So certainly, if we remain within the average of the past 10 years, heading into the dry period we would have approximately 40%, which would be a reference situation, as we could see on the first charts that I've showed you.

Therefore, to conclude this topic, I would like to say two things. First of all, concerning the issue of soil moisture. Now we can accumulate natural inflow energy which has been facilitated by rainfall in the period, which will lead us to a good flow of water which is capable of generating and also create energy.

And the second point is what I showed you on the previous slide. So, just like in previous periods, maybe we'll be surprised because recent history indicates that winter rainfall can also contribute to the maintenance of the reservoir. Well, certainly throughout that period, there will be thermal dispatch to ensure the safety that the system requires.

So, also, for all of these considerations to take place, I'm just listing all of the positive and negative aspects just to say that by no means we can predict what will happen in the near future, so as to say that we will have this or that scenario.

But first of all, because there is a very high degree of uncertainty in the weather forecast. We have a level of accuracy of around 50% for a period of about a week. Anything beyond that will be merely speculation. And deal with all of that, considering also the fact that our system needs water and there is a very typical behavior on the timeline that have been measuring that since 1931. So, certainly, we are referring to a phenomenon that most likely, I would say, it's impossible to predict with 100% certainty that there will be a negative event or a positive event in the near future.

But if you look at the likelihood of the average and also by looking at previous charts, I can also say that the situation is certainly one that requires caution. And, if we work exclusively with the average, we can just probably say that, throughout this period, we will be able to be in a comfortable position.

On the other hand, it will be crucial in this dry period be accompanied by the intense use of the thermal power plants. This is a negative aspect. Brazilian thermal plants represent 25,000 installed megawatts of capacity; one-fourth of them have availability and complex logistics status for fuel oil, diesel oil. And this is something that has to be monitored carefully, due to the dispatch for a long period of time.

So there may be some failures, like failure of some of the engines, in these plants that also should be -- should be included in our considerations when we talk about generation.

It should be considered, I'm not saying that they will be materialized, but there is a possibility of failures because these thermoelectric power plants work with a large set of engines. We have one of these thermal plants, there are 40 engines powered by fuel oil. Therefore, we may think that 95% of these engines will be fully operational, and the remaining 5% will be in constant maintenance process.

I think that it's important that I mention the doubt about the feasibility of system's operation. And I'm only telling you what the press is reporting, and I do not believe that we would reach a chaotic situation, which is like 10% of capacity. I think we should certainly work towards preventing that situation from happening. It happened -- and not even completely -- in 2001.

And just to add to that negative potential scenario, we have the start-up of emergency thermo electrical power plants, which will take some time to start operations.

I pointed out the negative aspects and now I will show the positive aspects. Of course, we tend to look at the glass half empty, and I would like just to say that in our Company, we tend to look at the glass half-full rather than half empty. And there are some negative aspects which are only related to the current situation. People are talking about the reservoirs of Itaipu that are now being replenished. With the rainfall in the South -- we've been having a lot of rain in the South - and in the Southeast region, we are beginning to see some rainfall in the Parana River. And that water goes to Itaipu.

And then also we have the plants at the Madeira River. There are many machines installed, but the record water flow is limiting the generation. This is something that we've seen for some time. The water flow situation should be normalized shortly and sooner we will be counting on a large amount of energy from the Madeira River.

On the other hand, it's also important to say that if we work with a high PLD, especially when it comes to large energy consumers, now they have some good prospects for higher profitability with lower production. And this happens naturally because electric power accounts for more than 50% of the cost. And then you have electric power being sold in the short-term market at amounts that are 6, 7 or even 8 times higher than the current purchase on them.

Therefore, the possibility of getting results through the sale of these contracts is something that is already happening regardless of anything else. And certainly the corporate activity looks for opportunities like that. And we certainly are working with the spot price at a high level, and this has allowed industrials -- I mean, you see that when we look at the behavior of volumes sold to the industrial market. The free market, which is a market that has that possibility, accounts for 30% of all of the energy volumes sold in Brazil in the recent years.

On the other hand, if we look at the risk of rationing, which has been widely announced by the press, it considers the need for cutting 4% of the load...Certainly the volume of 4% also encloses some risk -- I've heard of 17%, 20%, 25% - but 4% could be achieved with measures of rationalization. And as I said, at that level, with probably the demobilization of some intensive industrial plants that do that due to corporate decisions.

So, mainly the current moment when we have the conditions to have more natural inflow energy; second, the dry period as happened in other recent periods (in the last 10 years), tend to present higher average volumes, if compared to LT average. This is a climate characteristic, as in the wet period, that have been delayed or may be smaller.

There is a whole set of positive and negative elements that were now mentioned so that we could have a reference in terms of our predictions. But the most important is: we have 70% of our capacity coming from hydroelectric power plants, and that requires a good volume of water. And in terms of that water, it's very difficult to make any prediction at the moment; and certainly

will be much more adequate for us to trust the long-term averages rather than jumping to conclusions.

It's also important to mention that we are still in the last month of the wet period, which is April.

Then if you look at the first chart I showed you, you will notice that in April, we usually have that curve filling the reservoirs remains steep. So, given the fact that we already have minimum conditions of inflow because of the soil moisture, it is very likely that we will see a better water storage at the end of April.

So to conclude this topic on page 9, and also if you look at the two-year capacity -- well, certainly that there was some delay. If you look on the right side of the chart, this system has a demand of 67,000 average megawatts for a capacity of 70,000 so that there is an oversupply of 2.9 -- something like 4% of our supply -- and that this supply, based on the growth that we see here of 7.6 for next year, against a demand of 3.4, it increases and it becomes stable with an oversupply of 6 gigawatts -- or 6.5 gigawatts, giving a supply of 75. So we will have an oversupply of about 10% of the demand.

So certainly we do have here a tightening due to some hydrological conditions. An example is the Madeira River. Given the prospect for increase in supply, we may have an oversupply, which can be even higher.

And so I would like to conclude on page 10 when we have a package for the electric sector. So first to share with you our comfortable position vis-a-vis the measures that have been announced, with Treasury resources of BRL 4 billion (which started in January with this 1.2 million). And certainly we will have enough resources to the end of the operation in February

The funding to be provided through CCEE has the merit of allowing an industry solution that can be used in a perennial way. So the industry starts to -- I'm not saying that will be totally independent from the Treasury Department - but it would be bad if it were to stay permanently dependent on it. So this is an intelligent solution, but it has to evolve and it has to develop further. And if it is adequately developed, it can be a very interesting instrument to be used in the future to avoid situations like this one we are encountering currently.

And also, the A auction, to take place in April 25. It'll be able to attract, giving the price situation, large investors -- our own case with Serra da Mesa HPP -- I mean, an operation of 5.5 years and also a good possibility attracting thermal power plant with variable costs capped to BRL300 per megawatt hour. We know that there is a set of thermal plants from Petrobras that may, in time, be attracted to this option.

Now down below we have the challenge we must face: to reduce the frustrated amount of 1.8 GW and an additional amount of 1.5 GW average estimated by the Government totaling a demand of 3,200 average megawatts. And certainly there are assets in power generation that have conditions to participate pricewise. And the auction rules should also be released 15 days prior to the auction. Therefore, April 10 is the date that we should have the numbers. And the government is pretty much focused on establishing conditions that would attract investors, generators. And therefore, I do believe that we will see an important and considerable reduction in that amount which did not happen in December.

So now we'll go to page 11, and now I will talk about the major highlights for the fourth quarter of 2013 for CPFL Energia. The main highlights are an increase of 3.3%, especially in the sale of the concession area (1.8 in accounting figures). We should highlight the low voltage segments, improving Company's mix: growth of 6.7 in residential, 5% in commercial and industrial, even though it had a different behavior, it posted increases of 1.1%.

The main highlight of last year - and the fourth quarter is just an illustration of that - was the very efficient management of costs. Our adjusted PMSO posted an improvement of 13.3%, which was part of the Company's strategy to make adjustments (ZBB, shared service centers, Tauron

project). And all of that resulted in cost efficiency so as to neutralize partially or completely all of the effects of the tariff review.

This Tauron program is another example of that: EBITDA was BRL52 million in 2013, referring to many activities that are yet to be completed throughout 1H14, and that refers to tablets and mobile workforce and tele-measurements that will take place throughout this first half of the year. And this will also allow us to post more significant reductions in terms of operating costs.

For CPFL Renováveis, good news: we sold a project in the A-5 auction, we just announced our joint venture with DESA and we saw the start-up of some delayed operations. And then finally, this week we were able to conclude the start-up of Atlantica wind complex.

Investments of BRL374 million in the fourth quarter of 2013, amounting to BRL1.735 million in 2013. And certainly here we see the delay of some operations of renewable energy, which did not allow us to reach BRL2 billion, which was the original plan.

So dividend payouts, BRL931 million related to 2013 being BRL568 million related to the second half of 2013.

So the maintenance of our AA plus rating for Fitch Ratings to CPFL Energia and subsidiaries.

So for the ninth consecutive year, we are one of the very few companies which were able to maintain that important index of the Sao Paulo stock exchange called ISE, Corporate Sustainability Index.

Also we were ranked as a member of the Sustainability Yearbook 2014, released by RobecoSAM. That's the same company that conducts the evaluation of the Dow Jones Index for corporate sustainability. So CPFL is one of the three Brazilian companies that are listed in that Yearbook.

CPFL Piratininga and RGE were granted the 2013 IASC award as one of the best companies in the Southeast and South regions. We were voted as the best distributors by consumers. Our process is not about cost savings to the detriment of the population; it has to be done by improving the quality and that's what we're getting, and this is the efficient management of CPFL.

On the next page, we have energy sales for the fourth quarter. We saw a growth in the concession area of 1.8%, and this really reflects growth in the captive market of 0.5% and in the market of large consumers, which pay the tariff to use the system (TUSD), 5.1%. So, this -- the chart per market segment is well below. I would like to highlight commercial and residential segments.

Now when we also include sales of commercialization and CPFL Renováveis, total energy sales, on the box here to the right down below, grew by 1%. That reflects a growth of 71% in CPFL Renováveis due to the ramp-up in delivery of projects. And there was a decrease of 9.2% when it comes to the commercialization and free market, and that was mostly due to an exceptional trail in 2012 in that quarter. There was a short-term PPA. So we would say in terms of the accumulated number, the situation is different. And also we have a 0.5% growth in distribution in that quarter.

And so next stage, page 13, I show you sales for 2013. There was a growth of 3.1% in the concession area of distributors, 8% in large consumers, and 1.1% in captive market. And then the highlight is still in the residential area was 5.9%, 3.6% for commercial, but you see that in terms of the industrial figure there was a growth of 2%.

Now when we go to total sales, as I just showed you on the previous slide, there was a growth of 4.8%, 61% in the renewable sector, 6.5% in commercialization, and 1.1% in captive market.

In the Southeast region, our seven operations in Sao Paulo are growing more than the average; approximately the same in the South. And Brazil grew to 3.5% and CPFL 3.1%, but we should highlight the very strong growth in the North because of the integration of the systems this year.

Now we go to page 14. And probably just to justify our outlook and our positive outlook in terms of the future. On the first chart, we see the Brazilian GDP growing since 2010 on the green bar. And on the blue bar, we see the growth of the market when it comes to the concession area of CPFL Energia, which has been slightly above that of Brazil (since 2011, a pattern quite different than the GDP growth itself).

We see the same pattern in the charts down below, that show the difference between household consumption and residential energy consumption. Same thing with industrial GDP and industrial energy consumption. Since 2011, we have experienced higher growth in energy volumes vis-a-vis industrial GDP. This is due to the potential of consumption expansion.

GDP does not adequately capture this change in consumption pattern, especially when we take into account income levels, household appliances ownership and the government programs which were focused on these activities. And the demographic profile with a number of people living alone is growing as well. So we have also less people living per domicile. And also the Brazilian industry that we have a lot of sectors that are energy intensive and Brazil has some competitive advantages in this area. So the impact of the crisis is not very high when compared to industrial GDP.

In addition to the fact it was important to mention that there are some restrictions due to certain stops in energy intensive sectors. So everything has to be carefully planned, given the fact that the cost for machine set-up, mainly furnaces, is high.

On page 15, we also show other highlights. As they insure or show to some extent the potential of the three segments. Now, our average is from 2003 to 2013, the last decade basically. They can see growth in addition of residential consumers of 3% per year. Now, here's the new level, so to speak. Brazil installed something around 2% in the previous decade. Growth rate was from 2% to 2.5%. So we changed levels, and it is shown in the demographics.

Now, there is no doubt that what is driving more specifically that increased consumption is the actual total income growing by 4.9% per year (and now we're also speaking of the last 10 years); retail sales growing by 7.5% per year; furniture and home appliances, which take energy, 3.6% per year; and credit, which is about five years, with credit growing at 18.9% per year for the last five years. Housing credit or loans, which set the high-end number of residential consumers, growing by 42% per year for the last five years.

So these are important drivers. On the right of the slide, we can see ownership of equipment. Significant increase, therefore, when it comes to TV sets, refrigerators -- by the way, you'll begin to see, and we have already seen earlier this year, higher consumption rates or rates higher compared to the levels we had the previous year.

And this is basically due to the sale of refrigerators. That's a piece of equipment, a device --for instance, if it's 18 degrees, the refrigerator has to maintain the temperature at 8 degrees. So it is working to go down 10 degrees. So there is stability in this kind of equipment. And when temperature is around 28 degrees, it has to lower 20 degrees rather than 10, so it will work twice as much. And it's size and consumption; we don't turn refrigerators off. They are on silently and consume more to remove this amount. Over this quarter, temperatures were higher than 30 degrees and more than tripling consumption due to the number of times that we eventually open the refrigerator for ice water, for instance. So this does explain the higher home appliances ownership, leading to higher residential consumption.

Now, for the industrial production, there is a growth of 2.4% per year. And now we have a more recent event, which is the effective actual exchange rate going down 28%. And naturally, it will bring more competitiveness to Brazilian imports.

In addition, we also have a set of incentives, tax relief, and labor cost reduction. And just to give another example of a sector that has been greatly supported by government incentives is the vehicle area -- growing by 8% per year since 2003. Today, Brazil, therefore, is one of the largest manufacturers and consumers of vehicles worldwide.

And we also have rainfall. We don't have less water; we end up having more irrigation. And we have record harvests -- 2013 was one of them, and it affects one of our concessions.

On page 16, we show RGE in Rio Grande do Sul. The record harvest that is confirmed by IBGE in 2013 was 26 -- or additional 26 million tons, 16% vis-a-vis 2012. We highlight here a 13% additionally for corn and another 24% for soybeans. And Rio Grande do Sul is the third largest agricultural producer in Brazil.

As you can see, this has affected all the segments: the industrial production in Rio Grande do Sul grew by 6.9% last year. And some highlights now. Machinery and equipment growing by 9.4%. Rubber and plastics, 9.8%; automotive vehicles (a large plant of General Motors is installed in Rio Grande do Sul) was 17.2.

And notice that in employment conditions Brazil has a low unemployment rate of 5.4, while Porto Alegre has a 3.5% unemployment rate. We have a lot of jobs that you can see and this is followed by an increase in income. On the right-hand side of this slide, we can see the total income improved in Porto Alegre vis-a-vis total metropolitan regions in Brazil. There is even a decoupling effect. Regarding agricultural machinery, on the right of the slide we can see growth of 19% over the last year alone.

So it is a whole set of positive news for the state and, naturally, this is captured in our concession area.

On page 17 we'd like to share the result stemming from sales. Results for the fourth quarter of 2013 and are also mentioned in the full-year. As you can see on our net revenue, we have the reported amount in IFRS. And in the second line we have the amount you understand to be the best comparison from the managerial standpoint or just the IFRS plus proportional consolidation of our amounts. You know there is a new IFRS rule that does not allow the proportional consolidation. So just to give you a clearer view of our assets of the Company, that's why we do this inclusion. And also -- well, not captured by IFRS -- our regulatory assets and liabilities. So the recurring result is at the bottom of the slide.

You can see net revenue going down in both measurements, both IFRS and adjusted. And certainly, this time affected by lower energy carriers right at the beginning 2013. Next, we have a growth of 25% of EBITDA in IFRS and a drop of 13.8%, which we consider to be the most proper. And this shows to a large extent the events of CPFL Paulista's tariff review after April and RGE's after June.

Net income in the recorded IFRS grew by 68%, reaching BRL323 million. However, in the recurrent base there was a drop of 14% from million BRL72 million down to BRL425 million. So, as you can see, this is a current amount which is higher than the reported amount.

Now, we have a set of elements that leads to this variation between IFRS and the adjusted value. The first one, like I said before, you can see the effects of the proportional consolidation of assets -- in our case, particularly for our generation assets where we have shared control, even though we have the majority stake in terms of percentage.

And the regulatory assets and liabilities with significant amounts in the fourth quarter, we are speaking of 102 regarding the proportional consolidation and 75 of regulatory assets and liabilities. The impact has been followed up on a net income basis.

Now more highlights of non-recurring events, basically the purchase of energy to offset delays in some CPFL Renováveis projects. These projects have already been concluded today. And the sale of assets, some properties that we sold during the fourth quarter of 2013. Remaining events are non-recurring events that took place in the fourth quarter of last year, particularly the write-off of assets and reinforced provision, doubtful debt provision adjustments, et cetera.

It does bring a big difference of BRL223 million. in the upper part from 912 to 135 and from net income 102 additionally. In the fourth quarter, BRL323 million vis-a-vis the reported amount of BRL425 million in the recurrent basis.

Now let me explain this amount now on page 18. Basically we're explaining on this slide the variation of 25% or 13% if we consider the adjusted base. But basically we are addressing a growth of 25% in the recorded base. First of all, it comes from reduced net revenue: BRL333 million – the main contribution standing from distribution, and that's precisely the reduction of tariffs that took place in January 2013. This is the main driver in the captive market. It's almost BRL400 million with an addition related to TUSD of 48.

Commercialization -- I don't know if you remember what happened last year until we have a regulation of the new price for spot price, the market was put aside, so to speak. We had a reduction of BRL64 million compared to the previous year. And in addition of conventional generation (basically CPFL Geração indexed contracts) and for CPFL Renováveis, besides the additional contracts, we also had the start-up of new projects at BRL57 million. We highlight 8.9% reduction in charges and energy costs, following tariff reduction and sector charges reduction, 50%. And now a lower net income in acquired energy cost, and this is net of BRL107 million as CDE. So we had additional BRL 23 million of acquired energy. And then we also had manageable, or PMSO, expenses of BRL303 million.

Some non-recurring events, like the sale of assets, as I said before, BRL25 million; legal expenses from the fourth quarter of the previous year, BRL164 million; and write-off of assets, which also happened in the previous year at BRL42 million. For this year we highlight cost-reduction personnel expenses, BRL28 million this quarter. Third-party surface BRL23 million. So these are activities stemming from the implementation or consolidation of our Zero-based budget. Equity income will have another BRL18 million, and minor events or other events negative at BRL6 million. To some extent we highlight a reduction in PMSO, and later on we'll be breaking it down.

What about net income? Now on page 19. There was an increase in Ebitda of 25.5% that we just explained (BRL727 million in the fourth quarter of 2012 and 912 in the fourth quarter of 2013, growing BRL185 million). However, we also have an increase in the net financial results which is negative of BRL33 million. The basic explanation is on the right. CDI, the average of the fourth quarter of 2012 was 6.8% and in the fourth quarter of 2013, it was 9.6%. In addition, there is an effect of foreign exchange: the average in 2012 was 2,03, and in the fourth quarter of 2013, it was BRL 2,23/US\$. So these two events altogether are on the first line.

And we also have monetary and FX variations of BRL49 million and a net increase of charges over debt of BRL32 million. The rest are minor amounts, reduction of penalty of bills overdue (people were more timely in their payments), BRL16 million; and then a set of other events, totaling BRL29 million which involved updating of financial assets, UBP, and others.

Judicial deposits are positive in BRL 81 million and nonrecurring events in the fourth quarter of 2012 basically asset write-off and incorporation of networks. A small reduction of BRL1 million in amortization and depreciation, and income tax of BRL22 million positive. This explains the growth of 67% in the reported net income this quarter.

Now, on page 20, just to briefly cover the results of 2013. In 2013, our net revenue is slightly growing mainly due to two events. One is the reduction of tariffs in January; and on the other

hand there was a growth in revenues, particularly due to the addition of new projects at CPFL Renováveis in addition to indexation of generation contracts in general.

When we look at EBITDA in the reported base, growth of 3.2% reaching BRL 3,547 million. When we go to the adjusted base, which is the better base to assess, a drop of 8.3% (BRL380 million). So we had BRL4,600 million in 2012 and BRL4,225 million in 2013. The main negative event here is precisely the tariff review.

Net income was a drop of BRL258 million in the reported base, reaching BRL949 million. Or in the adjusted or recurrent base, a drop of BRL280 million, reaching BRL1,358 million. To a large extent, variation from reported to adjusted at the same. The proportion on consolidation of generation and regulatory assets and liabilities accounted for an addition of BRL510 million, BRL678 million in the EBITDA base and BRL409 million in recurring income for the Company.

And actually nonrecurring events are those that are on the slides. Basically these are the major events and the delay leading to exposure to energy purchase and adjustment of legal expenses and other contingencies. These are the main drivers behind this assessment.

Now on page 21, it's important to show this. It is important to share with the markets our strategy to cut down our costs. We started back in 2011 when we had the third cycle of tariff review in some of our concession companies. At that time, we needed to have a simultaneous reaction to each one of these events.

We already have here a reduction of BRL236 million (on the right). On the left side, on a nominal basis, a reduction of BRL53 million. As you know, expenses to a large extent are tagged to inflation rates. So when we have the actual index base, there was a reduction of BRL236 million vis-a-vis 2011, or BRL107 million vis-a-vis 2012. And this is made up both of a reduction of 12% in personnel expenses between these two years and also a reduction of 17% in MSO.

It's important to mention the leadership by the financial department of the Company when it comes to the implementation of the system. And this has allowed us to have a far more efficient management of our costs, and you can see the results. The company closes the year at BRL1,353 of comparable expenses with growth in operations and also with improved quality of the services provided to consumers.

The result that we've just shared about the net income in the second half of the year will be distributed as dividends. We can see on page 22, we will be paying BRL568 million, which corresponds to BRL0.59 per share, yield of 4.8% on a half-yearly basis. It's important to say that the Company has this significant distribution rate since the IPO in late 2004. We have already paid more than BRL11 billion as dividends.

And it's a company that is constantly growing. On page 23, you can see our CapEx for the next four years. In blue, we have our obligations for the distribution segment, our eight concessionaires. The expectation in five years is to invest BRL 5,8 billion. In 2014, BRL 875 million, and next year the reinforcement of the asset base of distributors, BRL1.3 billion, moving the level of investments.

In green we show investments in generation, remarkably renewable, with the projects that we already started up, because we won auctions or because PPAs are already granted. So obviously, the amount in green is lower in the future due to the little visibility. The company has been involved in auctions, and also in free-market projects; and this amount should also increase. So we only add here in the budget once we close the project. But maybe this is one of the few companies with investments of BRL7.7 billion on a reported basis, or BRL7.2 billion related to our stake in these operations. So with this robust investment of almost BRL1.5 billion per year.

Page 24, with indebtedness. We closed the year with net debt of BRL12.2 billion, adjusted EBITDA of virtually BRL3,4 million, ratio of 3.59 -- therefore, below our limit of 3.75. The highlight for the year is the lower debt cost of 2.4% real term at 8.4% on a nominal base. So in both cases the lower indicators ever since we started measuring. And this naturally stems from the breakdown of the debt: 62% CDI, 28% long-term interest rates, and pre-fixed, 7%. IGP corresponds to the debt with Fundação Cesp pension fund.

Cash flow management is comfortable, on page 25. We closed in December with BRL4.2 billion cash, allowing us to cover 2.7 times short-term amortization. Remember, this is properly well distributed. Average term is four-year maturity. Short-term, we only have 11% of the total debt.

Just a highlight on page 26 of the joint venture with the Dobrevê Energia, or DESA. This operation was recently announced. It is one of the major companies in Brazil, with 330 MW of total capacity, contracted capacity.

As you can see, there is a lot of synergy with CPFL Renováveis' assets. So the number of assets in the state of Rio Grande do Norte, Minas Gerais, Mato Grosso, mainly Santa Catarina, combining small hydropower plants, wind farms, SHPPs where we already have SHPPs and wind farms where we have a lot of wind farms.

So we will have a lot of synergy for these assets. They are listed here. The first four are already operating, and Morro dos Ventos is under construction and will start up in the first quarter of 2016, with 29 MW, Mata Velha in the second quarter of 2016, with more 24 MW. Of the 330 MW, 280 are under operation. And this association maintains CPFL in this partnership as a leader of renewable energy in Latin America, with approximately 1,700 MW operating and another 436 under construction, totaling therefore, 2,131.

Just breaking down these two parts of projects that we just concluded: Atlântica complex concluded over March, so four wind farms, Atlântica in Rio Grande do Sul. We have been installing these since November 2013, and delays are due to the complexity of installation of large turbines. They are the largest in Brazil with 3 MW 120-meter towers. So since November, we have been installing them, but we had a lot of gusts of wind, we had to install them in the dawn, and have just concluded the last farm, which is Atlântica IV. This project has a PPA until 2033 and estimated revenue of BRL 76.7 million.

So we have the closing of Rosa dos Ventos, an operation that we announced in the IPO. And we are speaking of approximately 14 megawatts of installed capacity, with revenues close to BRL15 million on an annual basis.

On page 28, just to cover the events that are under construction, Macacos is the next wind farm to be completed in April. So we are in the second quarter, and we already have 14 towers assembled and 20 wind turbines. And in other projects like Campo dos Ventos, São Benedito, and Pedra Cheirosa complex that we recently won, with deadlines, signed contracts, all approved by BNDES.

On page 29 let us talk about our stock performance. The electric sector, particularly, faced over 2013 a depreciation. It also happened to us. We went down 7%, IEE almost 9%, the Ibovespa, 15%. Note that in the last two days, we had a significant improvement.

We increased the number of daily trades. We had a drop in the daily trading volume, particularly in New York, stemming from the exchange rate. Our ADRs due to the depreciation in *reais*, had a drop of 19% vis-a-vis 12.5% of Brazilian ADRs Dow Jones. Dow Jones went up 27%.

Like I said, we still are in the 9th edition of ISE in our portfolio. CPFL is one of the top companies out of the 40 companies listed in this index.

I would like to conclude showing acknowledgment by several areas. Quality of service is one of them by Aneel. RGE, our southern concessionaire, was awarded the best electric energy distribution company in Latin America from CIER. As to security and safety, RGE, CPFL

Geração, Santa Cruz and Sul Paulista) were acknowledged when it comes to occupational safety and awarded the Eloy Chaves medal. And sustainability, like I said before, we are part of the Sustainability Yearbook by RobecoSAM. CPFL was one of the top three utilities companies in Brazil.

I apologize; we spoke too long. But I think it was necessary to provide this explanation. But my team and I are happy to take your questions now. Thank you.

Q&A

Operator: Ladies and gentlemen, we are starting now the question-and-answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press (*2) star two.

Our first question comes from Mr. Pedro Manfredini, Credit Suisse.

Pedro Manfredini: Good morning, Wilson, thanks for the call. I have a series of questions, but I will try to focus on two most important ones. The first one regards Serra da Mesa power plant. We know that there is a contract, expiring in the short-term contract. And I think that you have a decision to make, especially in view of what the government has recently determined for the A-0 auction.

So what are you going to do in terms of pricing? I think that this is a very strategic issue, but how are you going to price it when it comes to deciding whether you will allocate or not part of the entirety of Serra da Mesa energy in a contract in the auction or any other type of contract?

Will you be more inclined of having a long-term contract, or maybe something with Furnas that you were thinking about at a lower price? Or if Serra da Mesa's price is more adequate, maybe higher, we could think in terms of a spot price for the next five or six years... Would you take that into account? Or what I want to know is, what is your strategy to sell that energy?

And the second question regards Opex. I see all distributors are having a hard time to make reductions. And in that quarter, once again, you were able to report significant results. But my question is how far that Opex reduction could go on? Will there be a point when there is not much else to do? Or do you think that there is still work to be done, and whether in CPFL and the subsidiaries, you can even get further discounts? Thank you.

Mr. Ferreira: Pedro, thank you for the questions. In terms of Serra da Mesa, our strategy for generation assets was always the focus on long-term -- this is the choice of the Company. But we are in a comfortable situation when it comes to define alternatives, as far as we do believe, first of all, that the government will set a price good enough to attract asset holders like us for the 5.5-year-long operation that it will offer.

I think this is our expectation... I mean, I cannot speculate about the government pricing, but we already told the government that we are interested in participating. Certainly, everything will depend on the price. I think that last year the government already signaled at the A-1 auction with a price improvement, maybe detaching from past averages.

But I think that today the government has a very important responsibility to cover that involuntary exposure with assets that are currently in the market. And they are looking at the spot price. And as I said, the spot price will be high throughout the year; but just as I said

before, it should go down significantly next year, mainly because of the introduction of a large volume of energy.

Therefore, I think that the Company should not just look at the short-term price, but rather -- and I wanted to show you that oversupply curve for the next few years. So if we do not have a hydrological problem, prices tends to be low. Therefore, the choice of being in the auction at a reasonable price, higher than what we had in last year A-1 auction. So this would be the choice of the Company in this moment.

Will we evaluate the alternative of being more exposed? This is not really part of our Company's logical strategy. Therefore, we try that with Furnas, but in view of the circumstances, considering that the contract will expire next 30th (next week), the Company prefers to put 345 megawatts average of Serra da Mesa in an auction that will take place next week. So this is our choice.

In terms of Opex, you put it well: obviously there is a certain residue for further cost reductions that haven't yet been totally captured last year. As I said, the Tauron program, that involves automation of our field operations and tele-measurements of consumers... the project is still underway. That's why I say that we still see some potential for reduction, once 100% of that technology is already consolidated through our eight distributors.

So after that, we will reach a point of extremely high efficiencies. Maybe looking at the current prices, maybe we should get close to BRL300 million. This was a goal for us to pursue. From then on, only with gains of scale in the operations; so consolidation events are important. You know that there are some important events related to the renewal concession coming in 2015 involving smaller concessionaires. So that is why we think that we can continue to grow in this area with high efficiency levels.

With the depreciation of shares in companies, we see some good opportunities. So our Company is very comfortable in this moment. We have a very strong cash position. Our operating efficiency is also at high levels. in every activity that we are involved: generation, renewable generation, distribution -- allow us to say that when it comes to Opex, we are reaching a point of maximum efficiency. But I cannot -- to say that from then on we will just have natural gains of scale because of the growth of the operations; but I can't say that we will just have to go up a big step as we had to cover in the past few years.

In terms of yield, we have seen a growth of 3% to 4% in actual terms throughout the year. So maybe that's a figure that we can have in mind in the near future in terms of cost reduction, because this is mandatory for us. But in terms of more disruptive processes, the introduction of OBZ, Tauron program and shared services center -- we cannot envision such drastic reductions in the coming years as we just had before.

Pedro Manfredini: Thank you very much for all your answers.

Operator: Our next question comes from Felipe Leal from Bank of America.

Felipe Leal: Good afternoon. I have two questions. First, about the government measures, do you believe that the CCEE loan is already guaranteed, and also, all of the guarantee is already insured? Do you see any risks to companies eventually if tariffs do not meet the contracted amounts?

I remember in 2001, in the rationing, the extraordinary tariff (RTE) in some instances did not cover the total, and some of the companies had to pay for that difference. But in your view, do you think that this issue has been solved this time?

And the second question is about the regulatory WACC, for distribution, whether you have any idea about Aneel's decision related to the renewed generators, that 7,16% of WACC, whether you have any reading when it comes to the distribution, in your view.

Mr. Ferreira: Felipe, thank you for your question. Well, regarding that measures, we like them. First of all, because you have got again a market solution rather than a solution of continuity or dependency on the government. Certainly, this is a process that requires caution, because the purpose of the package is to mitigate large tariff increases that will then be followed by reductions in the following year.

So it has the merit of establishing, like, a liquidity cushion that would allow increases to be more gradual and escalated. And the second point is that this will generate enough cash to cover for the water issues that we are experiencing. So it was ingenious enough to set up an intra-sectorial structure to allow us to face moments like that.

Is it feasible? Totally. Problems, do we envision any problems to receive these resources? No, we do not see any problems ahead. Maybe what we have talked to the government about -- and the government is talking a lot to the companies. We have weekly meetings with the government. So therefore, I say that we have to keep a very tight record of all of these interests, especially at the level of distributors, because of IFRS.

So when it comes to accounting for all of these regulatory aspects, you have to be very attentive. And this attention has to come from regulating agencies and other agents, so that we can keep a better interaction with CVM and Ibracon.

And we have to be careful and avoid what would happen back in 2001, as you noted. The cost, whatever that is -- and it could decrease now with the success of the A-0 auction -- the cost belongs to the consumer. It's not in the hands of the distributors if they are contracted within adequate levels. Recently, our possibility is between 100% to 105%.

So the concessionaires have no problems today when it comes to their level of contracting -- none of them. So what we need is to be very accurate when we compute the regulatory assets. And after that, intermediated by the distributors, but it's all in the hands of the consumer. The bill will be handed to the consumer.

So in terms of the regulating WACC, we have been talking to you about that for quite some time. I think that we are at an inflexion point, because the regulating assets were no longer capable of attracting rational investments.

You say that that exchange rate fluctuates. The WACC follows a methodology that has consolidated throughout the world. And we saw that in the last tariff review, Brazil disregarded some components of this methodology and we should not have done that.

So I think that the 7.16% event, which was an increase when compared to the recent past, has a power of once again attract capital, allowing higher rates of return at the equity level. And I think that the same thing will happen to distributors. So the amounts that are being considered here and the parcels are increasing more due to the increase of paying more, of higher remuneration on their own equity capital, whether they are in third-party.

And I think it's now time for us to become more attractive and to make the sector more attractive to investors. This is not something that only occurred in this energy sector. I think it was initiated by this sector, by introducing more attractive WACCs in the highway sector and other infrastructure industries. This is something that is out here to stay. And from now on we are able to be more attractive, and to attract more capital to the entire infrastructure sector; and, more particularly, to the energy sector.

The message that we had from auctions with no participants was something important that made regulatory area more alert. And now what we see is just the acknowledgment for that.

Felipe Leal: Thank you.

Operator: Our next question comes from Pedro Manfredini from Credit Suisse.

Pedro Manfredini: Going back to my list of questions here, I just want to revisit the topic of WACC. Investors were invited to go to Brasilia to talk to Aneel. I think the main topic was about the fourth cycle. When do you think companies should expect a conclusion about that cycle?

I think that we are close to a deadline or maybe a conclusion, so that we can avoid what happened in the third cycle, when the process was delayed and generated some confusion for the companies, because there were higher tariffs to be amortized.

When do you think that we should expect the parameters -- or when do you expect to get more information from Aneel, and a more clear idea of what will happen in the fourth cycle?

And a second question... you also talked about M&A and consolidation. And CPFL is always involved in issues related to consolidation; you are one of the largest players in this industry. So can you tell me the current situation now when compared to the last quarter -- whether there are changes in that landscape? And also, in terms of generation, whether we are looking at something else in addition to the renewable energy?

Mr. Ferreira:

I think it's easier to answer your first question related to WACC. I think that there are two important things to mention. For the first time, this process of developing parameters resulted in a public hearing from Aneel and this will take place throughout the year of 2014.

We are not expecting to have all of the definitions immediately or in a short term. This questions not only the scope of what will be evaluated or reevaluated throughout the year. So this public hearing has the power of lifting all of the scope of the project.

The fact that you were called -- it's important that we establish closer relationships with the agents from the market, and also investors, and also agents -- or, better yet, the operators of the concessions.

Pedro, this is not a problem to us as long as, throughout this year and the process will be initiated next year, there is enough time to a mature discussion. And it's important that we discuss this with time, taking our time.

So then to make it more relevant, I think that the country is interested in attracting investors so that the investment will indeed occur. Certainly, all of the conditions of returns on the investment and capture, I think we exaggerated in the last cycle. And I think they should be revisited to ensure the investment, to make the investment materialize. Sometimes it seems to be cheap, but then things do not happen. It doesn't happen in terms of the quality of the investment or the financial health of the operators.

That's why we are now experiencing an important moment. This is a turning point in our discussion. That's why I think that we have to discuss it at length to be able to make improvements in that negotiation. Our industry is, like, the basis of the entire development, and I think that we can -- whatever we decide can be pulled over to other industries in the infrastructure sector.

Regarding M&A, Pedro, it is hard to tell you about the landscape; in the last few months is a landscape that made agents retract a little bit but did not prevent us from announce the transaction with DESA in the case of Renováveis. And in this case we will use the shares of CPFLRenováveis, as payment.

In the renewable generation sector there is certainly a very high amount of small assets. It is important that they be consolidated because if we have a perspective that the renewable energy will assume a greater role, it more than doubles stake, almost triples the participation in energy matrix, if we see the Ten-year Plan, this will require these companies to be very competitive on the auction process itself and the development of projects for the free market.

And it is just impossible to imagine that there would be very small players. I don't think this will happen. And in view of that scenario, given the need of investors to have more liquidity, then we believe that what we will see is the continuation of the consolidation process. And certainly we are -- we see a possibility of continued growth to add more value to shareholders.

Our purpose is not to grow market share. What we want is to grow, but at the same time, adding more value. We want to keep our platform, but at same time, we want to grow with adequate rates of return and also share with the market how much value is being created with the transactions.

This is possible, because back then all of the investors -- they came in with different conditions. But now, if they want to, they can exit with a good position. So we are making our positions with adequate returns. That's how I see generation. I do not see consolidation in large generation activities, even because there are very few private players involved.

Now, as regards to distributors, the events are the same. We do not have an outline of what will happen with Eletrobras' distributors. It's not very clear what will happen, or whether more distributors will be interested in renewing their concessions. I think that in the next six months or even less, I think that we should see changes in that landscape.

But after that, we will experience a new consolidation cycle, which is, again, very important for the country. Why? It is a distribution concession that already operates at a very large efficiency level. CPFL is putting a lot of efforts to recover for the EBITDA losses that it had in that tariff process. But we have a big enough scale; we have large investments in technology and innovation that allow us to do that; but certainly a small or midsize company is not so robust.

Well, SAP, R3, version 6 -- if it's not CPFL to operate these small distributors, they have no breadth to deploy the sophisticated technology, because they can't afford it. The only ones who could do it are those who operate in large-scale and can operate. We are operating 30 platforms, not only distributors.

And I will say that, given the fact that there are 30 out of the 40 concessions are small concessions, there will be some movement. And after that period, we will see what will happen in the fourth cycle. And then we will see that the large agents will come up with new definitions.

Therefore, I believe that there will be further consolidation in the second half of the year, based on the set parameters; and also, after we know what will happen to the smaller ones.

So once again, that is part of our strategy: on the one hand, innovation and processes capable of generating the levels of efficiencies that I just showed you; and on the other hand, we have that ambition to grow more. I would probably put more focus on using the shares to come through the operation this year, as we did with CPFL Renováveis.

Pedro Manfredini: Fine, thank you very much.

Operator: Our next question comes from Lilyanna Yang, UBS.

Lilyanna Yang: My question is related to investments. I don't know if you have had any comments already, but investment in the fourth quarter was below the expectation. And I also can see a drop in investments for future years in distribution. Could you explain if this is related to any potential, less heated economy or any other driver?

And I wonder if we -- considering your presentation on the levels of reservoirs and hydrology that is very volatile -- I wonder if in Brazil we should consider some kind of rationing... or not rationing, but in some case, a preventive lower consumption, and particularly in the residential market? Thank you.

Mr. Ferreira: Let me start talking about investments. What is actually happening here is that, certainly last year you see we had BRL850 million in distribution. And this has been expanding throughout this year, too. In 2015 we will begin, to close the remuneration asset base and other investments that will be concluded in the first half of the year. That's the addition to close Piratininga's base, which is our Company that will be subject to tariff review by 2015.

And then we also have these values maintained to close the base for Paulista and RGE, which are our major companies. So we are changing levels.

However, this level is taking into account this case, basically closing off Piratininga's base in the first half of 2015, and then our efforts to close the base for Paulista and RGE (which are five-year and not four-year bases). So it gives us the chance to close at a longer time frame.

Naturally, we have also been managing this, because the Company grew less. You are right. And eventually we have lower needs for some investments. However, this is not significant to the extent that we might justify a change in behavior due to economic factors.

We grew more than we first imagined. If we consider customer connection, because we connected more customers last year. But when it comes to substation reinforcements, we even had a slight adjustment in the startup of the substations, because we felt the system had a slight relief, therefore allowing us to have a proper schedule to the Company in terms of its financial status.

But I wouldn't say that there is a change in strategy. The strategy is to invest more than the regulatory depreciation and invest in technology, so we can also gain higher efficiency and operating cost reductions.

Now, when I look at the green area, which is renewable generation. We are only focusing on projects that we have decided to invest already. If we look at this chart, you can see five-year of full distribution and only two years of full generation. If we had to maintain the same level of investment in CPFL Renováveis, we would be speaking of virtually another BRL2 billion invested or almost BRL10 billion invested this period. So that's the scenario right now.

As for the topic that you mentioned, I don't know if I got your question correctly. But you wonder if it wouldn't be proper under the current circumstances to do some rationing in the residential segment. Right?

My answer is no. Let me tell you why. There are two reasons. Firstly, our consumption level is atypical in the first two or three months of the year, precisely due to temperatures starting in April. Once we start autumn or fall, naturally there will be a reduction in consumption levels, which were high in some concessionaires and also here.

And I tried to explain that, basically, due to temperatures, that, first, you have the main equipment that uses energy in your home, which is the refrigerator, consuming sometimes twice

or three times more without allowing you to manage it. So this is proper consumption (refrigerators today are very energy efficient), they only have trigger consumption due to the temperature effects. And now we are going to have mild temperature, and certainly there will be a better standard behavior.

Now, second point. If we look at the number of devices homes have today, compared to 2001, when we had an effective rationing, we will find more devices and appliances that are far more efficient compared to the past. So rationing, so to speak, is it mandatory? Well, the Ministry has said we do need to try and be moderate with our energy consumption, trying to prevent waste. But I don't think we should reduce lower than the waste level that we should avoid. Our consumption, well, we are using energy at a time in which the cost of energy is high. Naturally, everything that you manage not to use rationally by eliminating waste only -- that's something that will be positive even to our pockets.

On the other hand, it's always important to consider that we we'll be generating, going forward, a higher thermal energy. So reducing consumption may unconsciously generate a higher GSF, which is not proper. So if we were to come to a decision, I would go for rational, efficient use. As a consumer and also as an operator, we know that the cost that we are charging today is lower compared to what will be charged or considered due to involuntary exposure and thermal generation. Obviously, involuntary rationing might increase GSF for generation companies, which would not be appropriate right now.

Lilyanna Yang: Ok, thank you.

Operator: This concludes our Q&A session. I would now like to give the floor back to Mr. Wilson Ferreira, Jr., for the closing remarks.

Mr. Ferreira: Once again, I would like to thank you for joining our earnings conference call and highlight on our behalf the importance of the results that we have reported today. We have concluded another important investment phase at CPFL Renováveis. And this sets the new level of results to the Company from now on. And obviously, as controller parties, there is an impact on CPFL Energia.

On the other hand, we communicate a very consistent and permanent effort by the Company when it comes to cost efficiency, so the ability to share this input is something important to us. We are strongly focused on efficiencies. And the important news is that we haven't concluded yet all our efforts. And particularly when it comes to operations, we have more tasks to be concluded by year end.

I understand that the topic of the Company's growth remains important. The Company is to make an effort in strong moves -- Renováveis and distribution. We will eventually come to consolidation.

We strongly believe in our interactions with the regulator, either for financial health purposes, the involuntary exposure and thermal power plants, or related to the construction of a new annual tariff review cycle.

And naturally, the most controversial topic in recent months -- we would just like to let you know that we may close the year very well. And we may also finish the year not doing so well. Once again, the decision is not under our control, not even ourselves nor investors.

I always try to back on whatever we can do in order to improve the picture, improve the scenario for the sector, to our companies, consumers, and investors. If I were to cheer for something,

well, let's try to have more rainfall. Because rainfall will manage to make this scenario viable and better to all of us.

We always prefer to consider that the glass is half-full. I think we have come to a solution with the government for the financial health of the sector. It is something important. The sector is involved with a lot of funds, more than BRL1 billion per year, and that is why it was important not to have any liquidity risk, particularly at discos that are the guarantors for the whole electric sector. They guarantee the PPAs, the transmission agreements. They serve consumers.

So this segment should not be impaired. So we are very happy to see that the solution was generated fast, and once again, a solution intra-sectorial and that can be used whenever is necessary.

I think there are lessons to be learned. Maybe we should have more thermal energy in our system. Some TPPs haven't even started yet. So there have only been signs that we need an optimum level of our hydrothermal complex.

And we have to learn from other agents in the process of developing auctions, qualifying entrepreneurs and investors to make an even more robust system.

On our part, we understand these lessons are being addressed and are being considered by all those who have conditions to develop the sector even further.

We see a significant outlook in terms of energy sales. We still see as opportunities future auctions. Like I said, our main asset is expected to be in this auction on the 25th next month. So we close this quarter very bullish vis-a-vis the future outlook. And thank you very much for being with us this call. Thank you.

Operator: CPFL Energia conference call has concluded now. Thank you all for joining us. Have a good afternoon.