2Q16 Results

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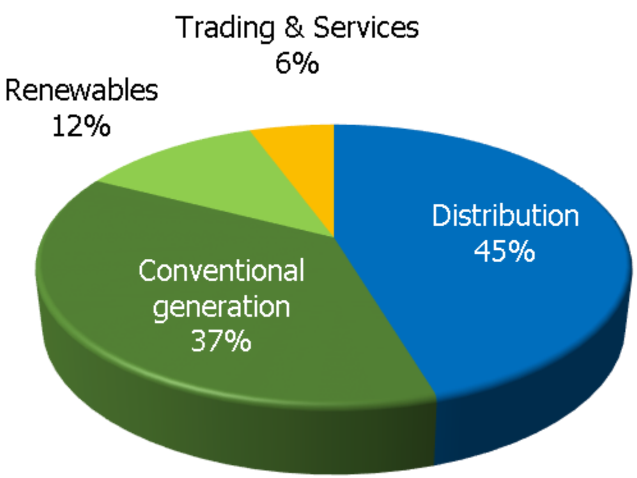
2Q16 Highlights

- Stability of the load in the concession area (**-0.2%**) – captive (**+1.8%**) and free client (**-5.1%**)
- **Contracted demand** preserved at the same level: **+0.5%** Off Peak and **+1.1%** Peak (Jun-16 x Jun-15)
- Decrease of **15.4% in Net Revenues**[1,2] and increase of **8.1% in EBITDA**[1]
- **Tariff adjustment of RGE**, in Jun-16, with an **average effect of -7.51%** to consumers
- Reduction of **77% in the balance of CVA** - R$ 737 million in Mar-16 to R$ 170 million in Jun-16[3]
- Investments of **R$ 504 million**
- Net debt of **R$ 11.7 billion** and leverage of **3.10x net debt/ Ebitda**[1]
- Commercial start-up of **36 generation units** in Campo dos Ventos and Sao Benedito wind complexes **(75.6 MW)** until Jul-16
- Announcement of the **proposal of acquisition of Camargo Corrêa's equity interest by State Grid,** for R$ 25.00/share - pending the due diligence process and Aneel and CADE approvals
- Announcement of the acquisition of **AES Sul distribution company** - pending Aneel and creditors approvals

1) Adjusted figures; 2) Disregard construction revenues; 3) Balance adjusted by special obligations

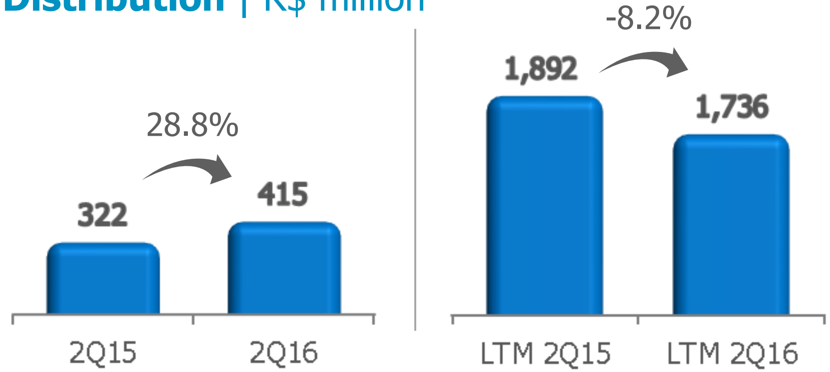
2Q16 Results | Adjusted EBITDA[1]

EBITDA Breakdown[2] | 2Q16 | R$ million

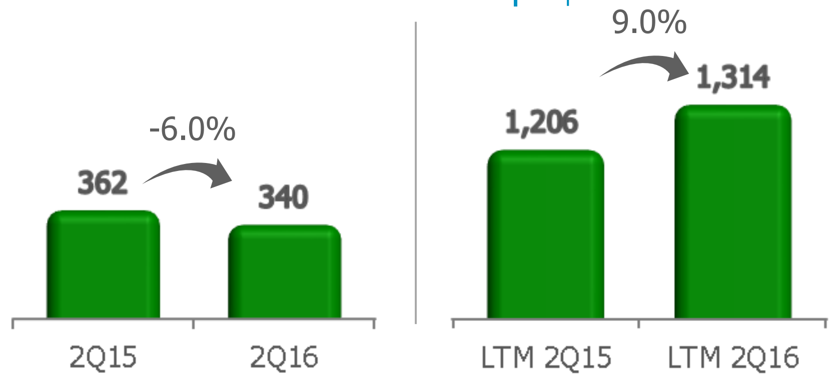


Total: R$ 901 million

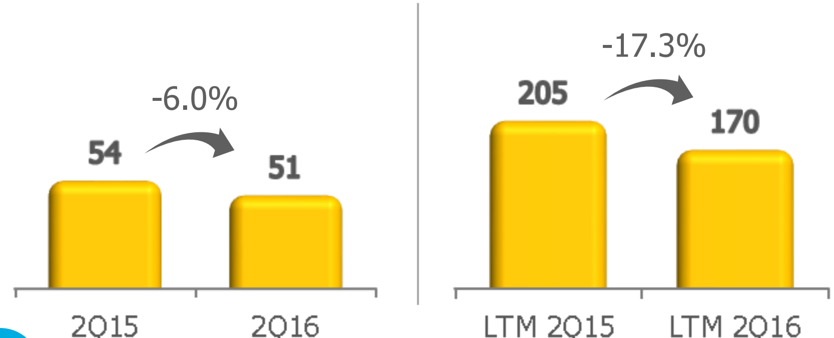
Distribution | R$ million



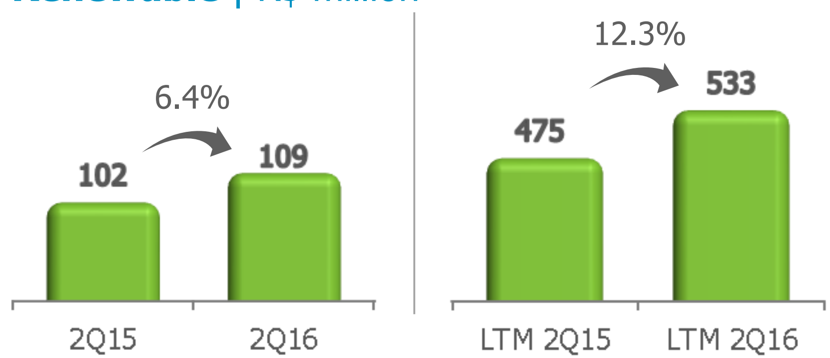
Generation - Conventional | R$ million



Trading & Services | R$ million



Renewable | R$ million



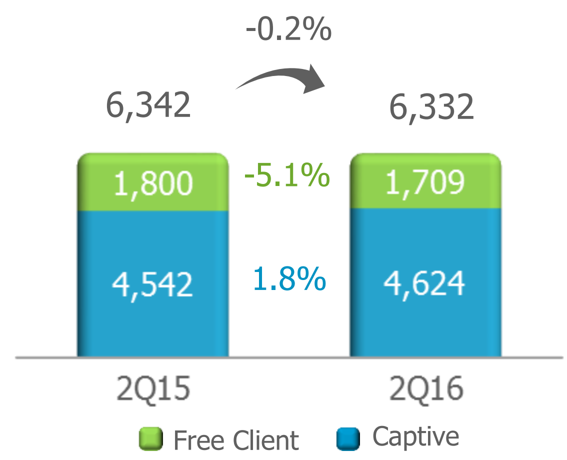
1) Adjusted by proportional consolidation of generation assets, exchange variation in Itaipu invoices and non-recurring effects; 2) Do not consider Holding's Ebitda.

Distribution: 2Q16 Energy sales

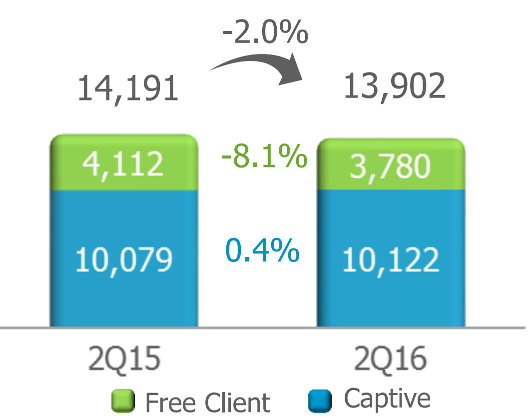
Highlights

- ✓ **Stability of the load** in the concession area (**-0.2%**)
- ✓ **Residential** and **commercial** classes presenting positive rates again, influenced by **high temperature in April** (**+4.2%** and **+1.0%,** respectively)
- ✓ **Contracted demand** is being preserved: **+ 0.5%** peak and **+ 1.1%** off peak (Jun-16 x Lun-15)
- ✓ **Losses[1]**: from **8.84%** in 1Q16 to **9.01%** in 2Q16 (change in the market breakdown, higher number of energy cuts)

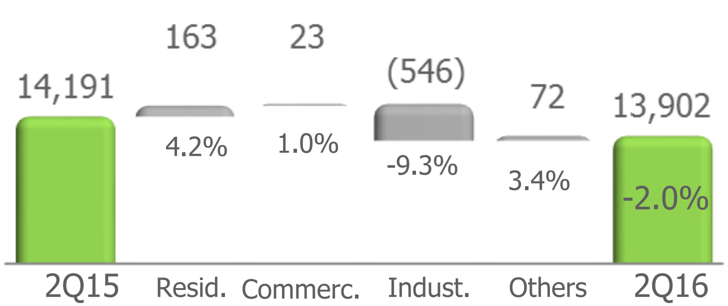
Load in the concession area[2,3] | MW average



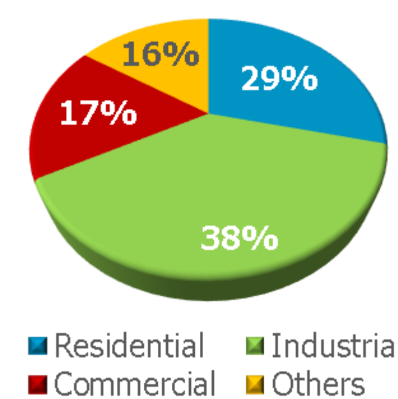
Sales in the concession area[3] | GWh



Sales by consumption segment[3] | GWh



Sales breakdown in concession area | 2Q16



1) The reported values were adequate to ANEEL criteria (customers connected in A1 voltage are disregarded in load); 2) net of losses; 3) disregarding the consumption of a large client in the steel industry - Load on the concession area: + 0.6% and free client: -2.6%; Sales in the concession area: -0.2%, free account: -2.0%, Industrial segment: -5.3%.

Delinquency | Strengthening of ADA[1] and focus on D90 costumers

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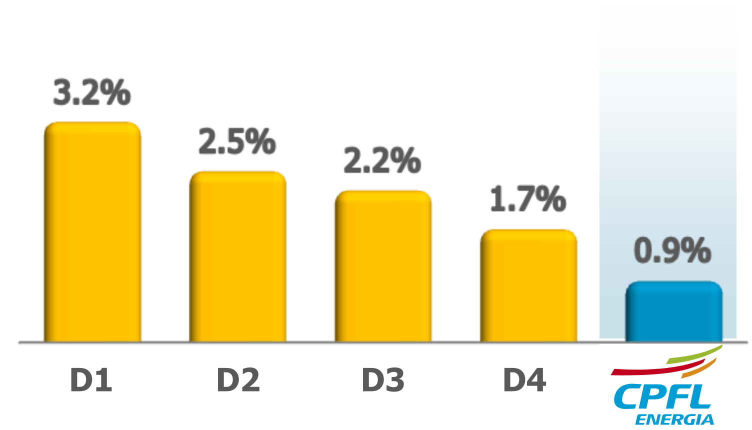
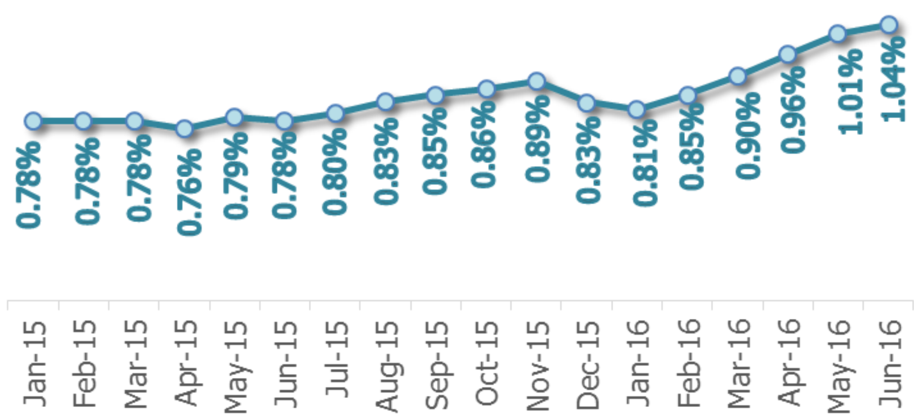
▶ **ADA Evolution** | % of Gross Revenues[2]

▶ **ADA (% Gross Revenues)[2]** | *Peers*



▶ **Total overdue bills** | % in revenues in last 12 months



Strengthening of Collection Actions 1H16 x 1H15 (thousand actions)

- ✓ Cuts: **637 (+99%)**
- ✓ Telecollection: **10,900 (+34%)**
- ✓ Negativity: **4,400 (+11%)**
- ✓ Other actions:
  - E-mails: **907 (+58%)**
  - Electronic protest: **136 (new initiative)**
  - Mass Campaigns

1) Allowance for doubtful accounts; 2) PDD / Revenue from sales to final consumers

Over contracted position | Measures to mitigate discos' over contracted position in 2016 and 2017

CPFL ENERGIA

With actions undertaken, CPFL Energia consolidated over contracted position for 2016 is placed within the limit of 105%

Actions in order to mitigate the over contracted position	2016
✓ **Involuntary overplus deriving from energy quotas (PH 04/16)**	Recognition of involuntary overplus deriving from energy quotas **Mitigation ≈4%**
✓ **Bilateral agreements with generators (PH 12/16)**	Potential of mitigation depends on the possible deals with generators **No impact for the consumer**
✓ **New Energy MCSD (Excess and Deficit Compensation Mechanism) (PH 24/16)**	Allows reduction in PPAs with generators, including projects with delays. **July 2016 processing represented a reduction of ≈0,2%. There will be a new round in August.**
✓ **Free Customers migration**	Making efforts through available mechanisms, as recommended by ANEEL, in order to eliminate the risk. For CPFL Energia, m**igration in 2016 is already ≈2%.**

From 2017 new actions were implemented

A-1 Auction

- ✓ New agreements will have a reduction clause in case of customer migration

Decree 8,828 Aug-16

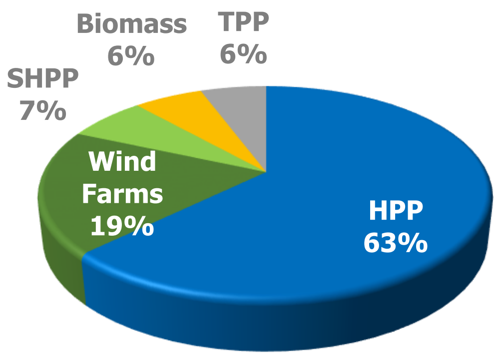
- ✓ Discos that carry overplus are not obliged to purchase existent energy, respecting the limit of at least 96% of Replacement Amount (MR), in the A-1 auctions
- ✓ Eliminate unnecessary energy purchase by distributors
- ✓ Effective as of 2017

Generation: Performance in 2Q16

Highlights

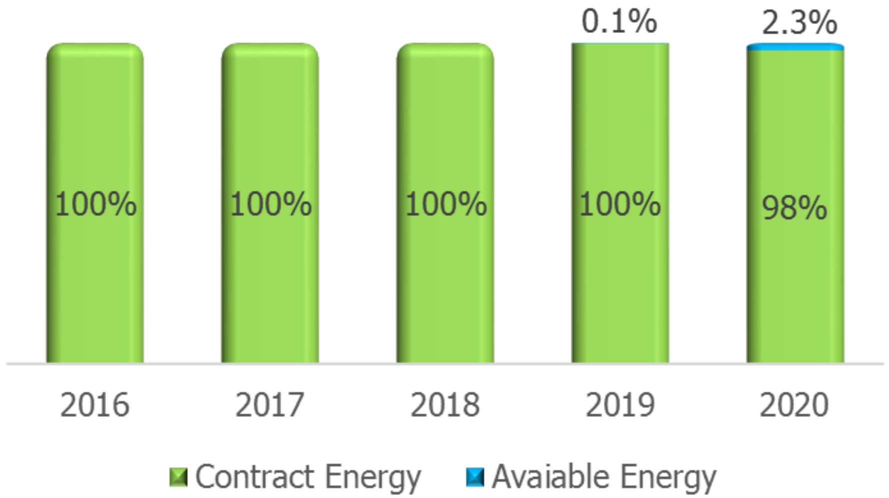
- ✓ **Unfavorable hydrological situation** in the North and Northeast regions
- ✓ 2.8% increase in **installed capacity** compared to 2Q15
  - Start-up of **Mata Velha SHPP** (24 MW) on 05/09/2016
  - Beginning of the gradual start-up of **Campo dos Ventos/São Benedito** wind complexes **- 36 wind turbines (75.6 MW)**
- ✓ GSF 2Q16: **R$ 8 million** vs GSF 2Q15: **R$ 134 million**
- ✓ **Remaining exposure to GSF:** 12% of the Company's hydro capacity

2Q16 Installed Capacity | %



Total: 3,215 MW

Contracting level | %



Contract Profile

- ✓ Contracted portfolio **in the long term** with low risk exposure
- ✓ Agreements average price: **R$ 209/MWh**
- ✓ Agreements average tenor: **12.8 years**

2Q16 Results

	Net Revenue[1]		EBITDA		Net Income	
IFRS	**-15.1% R$ 736 million**		**30.2% R$ 209 million**		**166.1% R$ 150 million**	
	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16
	R$ 4,878 million	**R$ 4,141** million	**R$ 692** million	**R$ 902** million	**R$ 90** million	**R$ 240** million
Proportional Consolidation of Generation + Itaipu Foreign Exchange Variation + Non-Recurring Items	**-15.4% R$ 745 million**		**8.1% R$ 68 million**		**18.4% R$ 41 million**	
	2Q15	2Q16	2Q15	2Q16	2Q15	2Q16
	R$ 4,834 million	**R$ 4,089** million	**R$ 834** million	**R$ 901** million	**R$ 221** million	**R$ 261** million

	EBITDA		Net Income	
	2Q15	**2Q16**	**2Q15**	**2Q16**
Proportionate Consolidation of Generation (A)	- 6	- 29	+ 35	+ 21
Itaipu Foreign Currency Variation (B)	+ 13	+ 28		
GSF and Energy Purchase (CPFL Geração and CPFL Renováveis)[2]	+ 78		+ 57	
Labor contingences	+ 50		+ 33	
Provision for asset write-off (Bio Pedra TPP)	+ 6		+ 6	
Non-Recurring Items (C)	+ 133		+ 95	
Total (A+B+C)	+ 141	- 1	+ 130	+ 21

1) Excluding Construction Revenues; 2) Net of seasonality effect.

2Q16 Results

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Key factors

EBITDA:

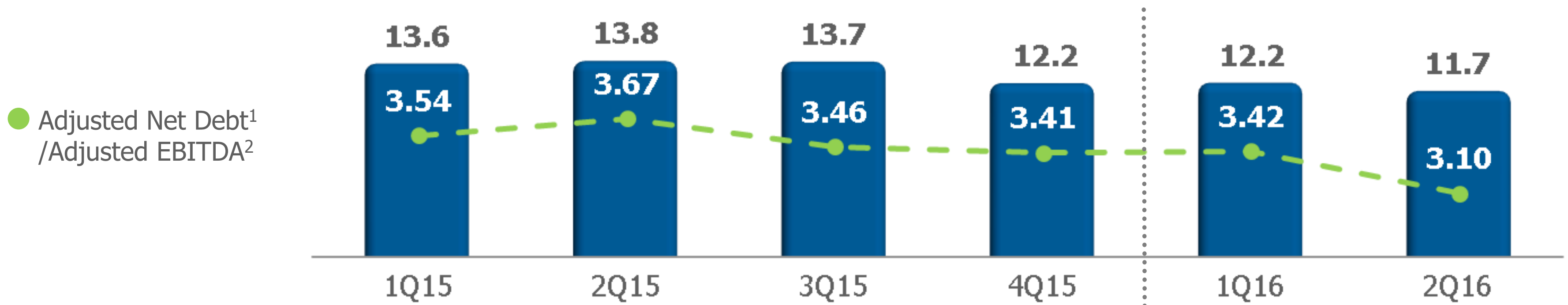
- **Distribution: +R$ 93 million**
  - Captive load performance (+1.8%): temperature
  - Inflation pass-through to the tariff adjustments
- **Renewable Generation: +R$ 7 million**
  - Higher wind farms generation (+19.8%; +128.5 GWh)
- **Conventional Generation: -R$ 22 million**
  - GSF Risk Premium (R$ 8 million) / Free market GSF (R$ 7 million)
  - EPASA – positive effect in 2Q15

Net Income:

- **Financial Result: -R$ 11 million**
- **Depreciation/Amortization: +R$ 14 million**
  - change in the curve of goodwill amortization

1) Excluding Construction Revenues.

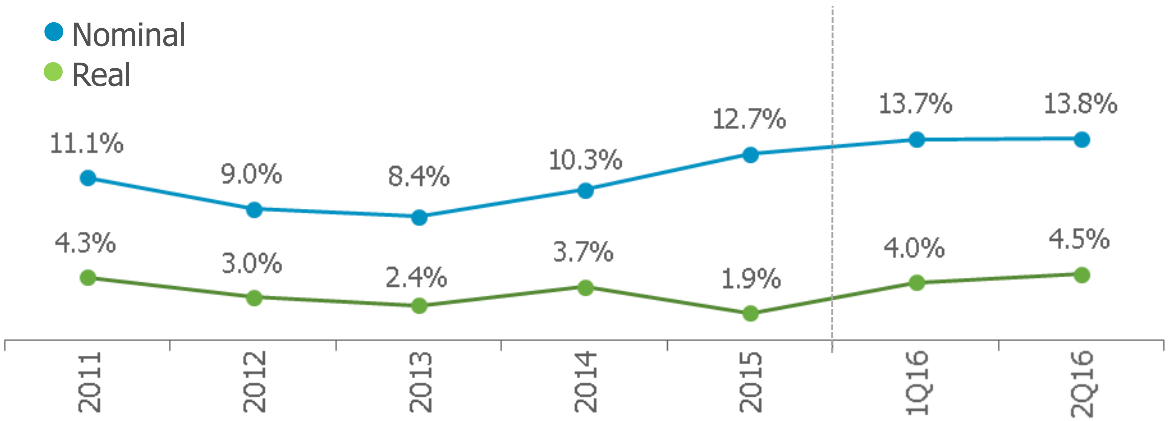
Leverage[1] | R$ billion



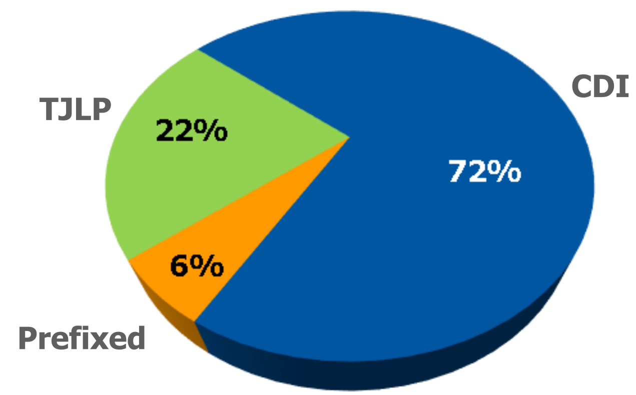
Adjusted EBITDA[1,2] R$ Million	3,835	3,755	3,971	3,584	3,577	3,764

Current CVA balance is at the same level of 2014, improving the cash position and positively impacting our financial covenants

Gross Debt Cost[3,4] | LTM



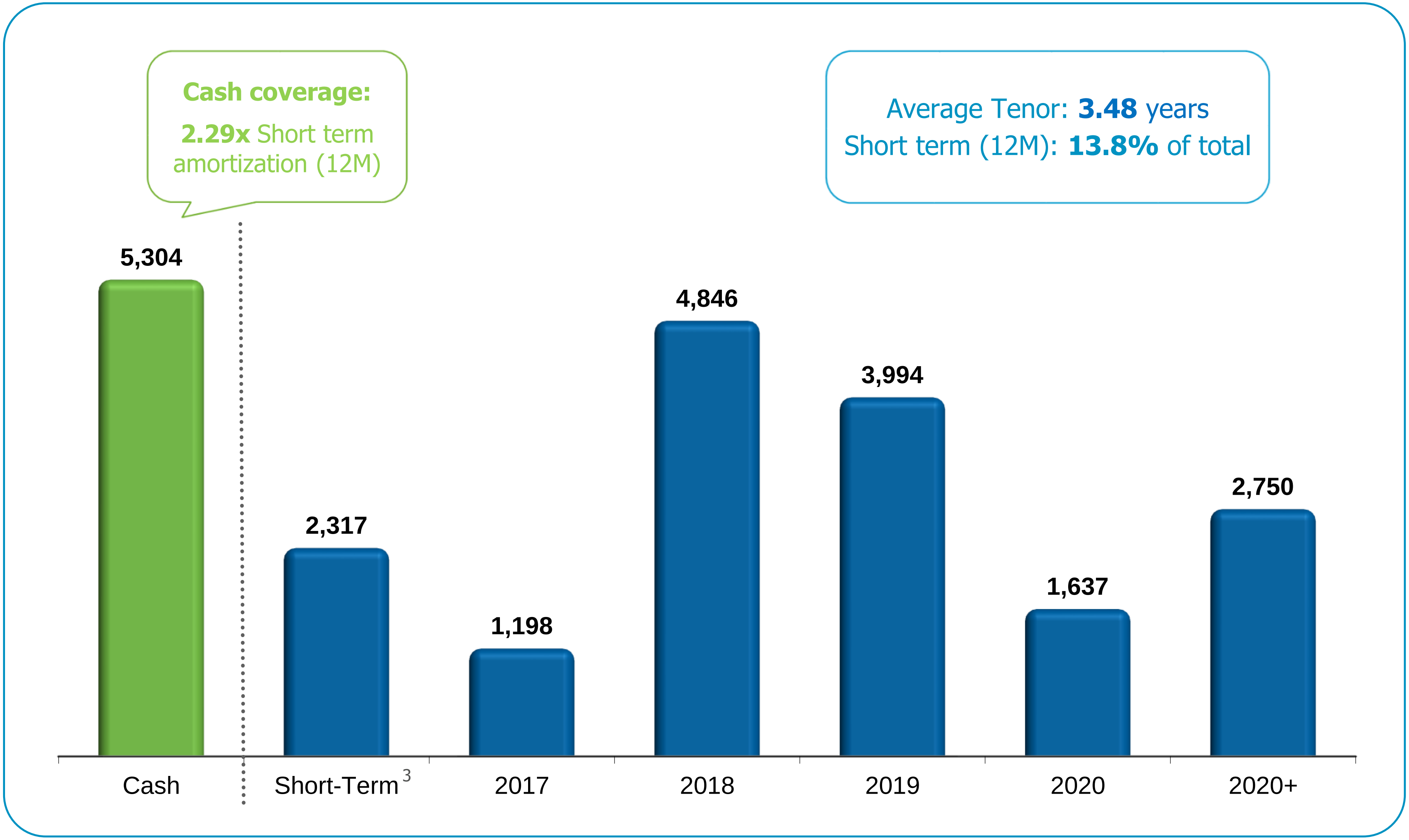
Gross Debt Breakdown by Indexer | 2Q16[1,4]



1) Financial covenants criteria; 2) LTM recurring EBITDA; 3) Adjusted by the proportional consolidation since 2012; 4) Financial debt (-) *hedge*

Debt Profile | On June 30, 2016

Debt Amortization Schedule[1,2] I Jun-16 | R$ million



1) Considers Debt Principal, including hedge; 2) Financial covenant criteria; 3) Amortizarion from July-2016 to June-2017

Growth Projects: Generation | Greenfield projects

CommercialStart-up
2016-2020(e)

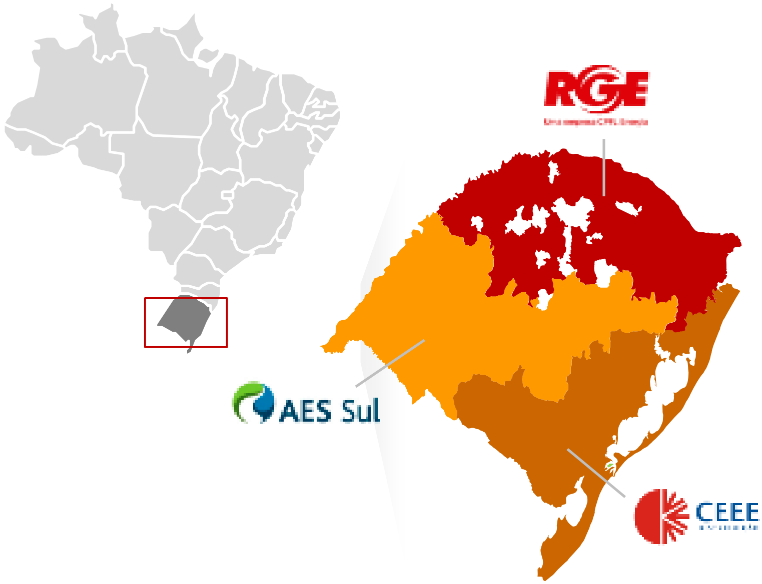
230 MW
of installed capacity

126
average-MW
of assured energy

	Campo dos Ventos and São Benedito Wind Farms	Pedra Cheirosa Wind Farms	Boa Vista II SHPP
Commercial Start-up	2016[1]	2018[2]	2020
Installed Capacity	231.0 MW	48.3 MW	26.5 MW
Assured Energy	125.2 average-MW	26.1 average-MW	14.8 average-MW
PPA[3]	ACL 20 years	18th LEN 2014 R$ 138.39/MWh until 2037	21st LEN 2015 R$ 228.67/MWh until 2049
Financing	BNDES (approved)	BNDES (being structured)	BNDES (being structured)

1) Gradual commercial operation from 2Q16; 2) Gradual commercial operation from 1H18; 3) Constant Currency (Jun-16).

Growth Projects: Distribution | AES Sul Acquisition



Transaction

- Acquisition price: **R$ 1.7 billion** (to be adjusted until the operation closing)
- Debt Assumption: **R$ 1.1 billion**
- **EV = R$ 2.8 billion**
- Status: **Pending of approval : ANEEL and creditors**

Regulatory Figures

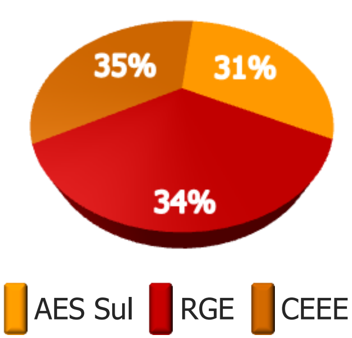
- Net RAB: **~R$ 1.7 bi**
- Tariff Revision Date: **April, 2018**
- Regulatory EBITDA: **R$ 330 million**

Financials Figures (2015)

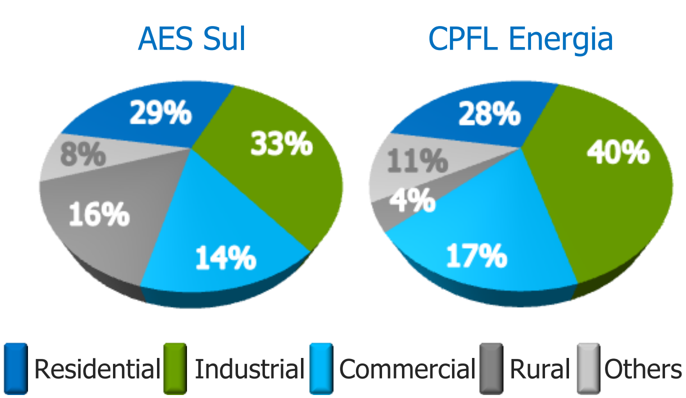
- Net Revenue: **R$ 3,028 million**
- EBITDA: **R$ 259 million**
- Net Loss: - **R$ 5 million**
- Investments: **R$ 214 million**

Concession Area Sales: 8.9 GWh

Market Share RS



Breakdown by Segment



- Serves the Porto Alegre Metropolitan Area (excluding the state capital): **50% of the market and 60% of customers**
- **Triunfo Petrochemical Complex**
- Strong presence of **agricultural production** with relevants crops for the domestic market (rice) and external (soybean)
- **Relevant municipalities**: Canoas, Novo Hamburgo, São Leopoldo, Sapucaia do Sul and Uruguaiana (34% of population)

Growth Projects: Distribution | AES Sul Acquisition

CPFL Energia (Distribution)

	Before AES SUL	AES Sul	After da AES Sul	Variation (%)
Municipalities (#)	561	**118[1]**	679	**+21**
Concession Area (thousand km²)	204	**100[1]**	304	**+49**
Distribution Network (km thousand)	247	**65[1]**	312	**+26**
Customers (million)	7.8	**1.3[1]**	9.1	**+17**
Concession Area Sales (GWh)	58	**9[1]**	67	**+16**
Market Share (%)	12.4	**1.9**	14.3	**+1.9 p.p.**
Presence in the RS Municipalities (%)	53	**24**	77	**+24p.p.**
IFDM Municipalities[2]	42 in 100	**5**	47 in 100	**+12**

1) Source: 2015 Regulatory Financial Statements – AES SUL 2) FIRJAN Municipal Development Index - Ranking based on life quality criteria : i) Employment and income; (ii) Education and (iii) Health

Corporate Structure | Camargo Corrêa - State Grid Transaction

Camargo Corrêa	Previ	Fundação CESP, Petros, Sistel, Sabesprev	Free Float
23.6%	29.4%	15.1%	31.9%
23.0%[1]	19.3%[1]	11.0%[1]	

CPFL Energia

Proposal Date:
July 01, 2016

Current Status

Due diligence

Proposal extended to Previ and Bonaire

State Grid Proposal

Shareholders Agreement Acquisition

Right of first refusal exercise

None movement

Follow up

Conclusion of Transaction

Proposal to acquire the totality of CPFL Energia's bound shares

Acquisition of 234 million shares of the CPFL Energia (23% of total)

R$ 25.00/ share

Transaction Requirements:

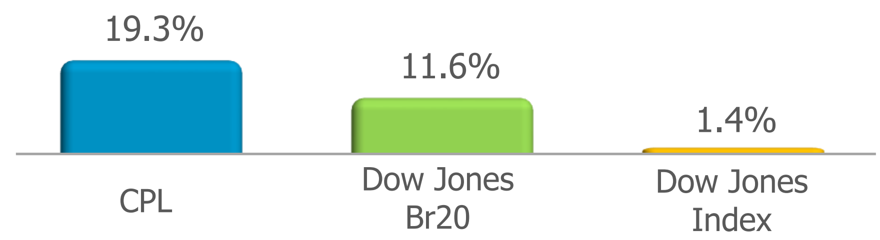
Approvals by Regulators and Competition Agencies

1) Bounded shares, according to the Shareholders Agreement

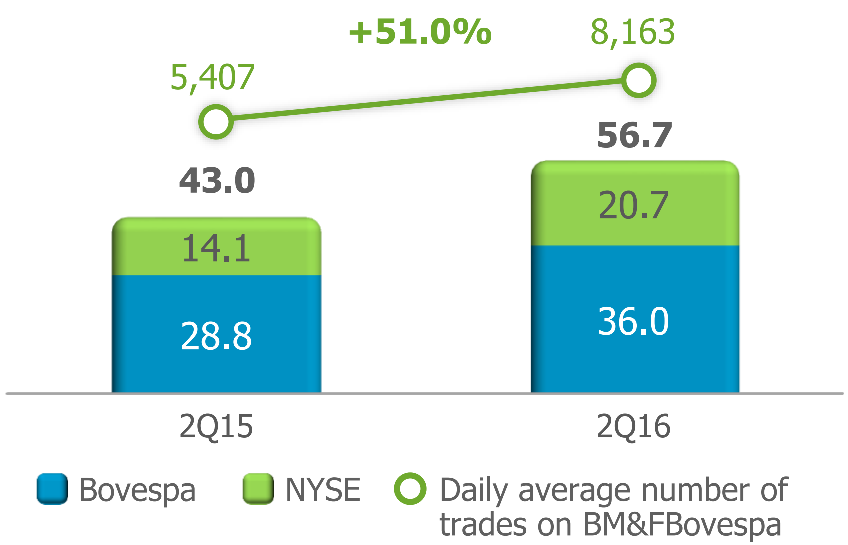
Stock Market Performance

Shares performance on BM&F Bovespa | 2Q16[1,2]

ADRs performance on NYSE | 2Q16[1,2]



Daily average trading volume on BM&FBovespa + NYSE[2] | R$ million



CPFL Energia is included in the main indexes

Included in January - 16

Índice Brasil 50 IBRX 50

Índice Carbono Eficiente ICO2

CPL LISTED NYSE

CPFE3 NOVO MERCADO BOVESPA BRASIL

ISE

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Emerging markets

MSCI Indexes

DOW JONES BRAZIL TITANS 20 ADR

IBOVESPA

IEE

IBRX

ITAG

IGC

IGCT

Source: Economática; 1) Adjusted by dividends; 2) Up to 06/30/2016