

4Q15/2015 Results



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Issues that were **solved** during **2015** and **concerns for 2016**

2015



Hydrology

GSF

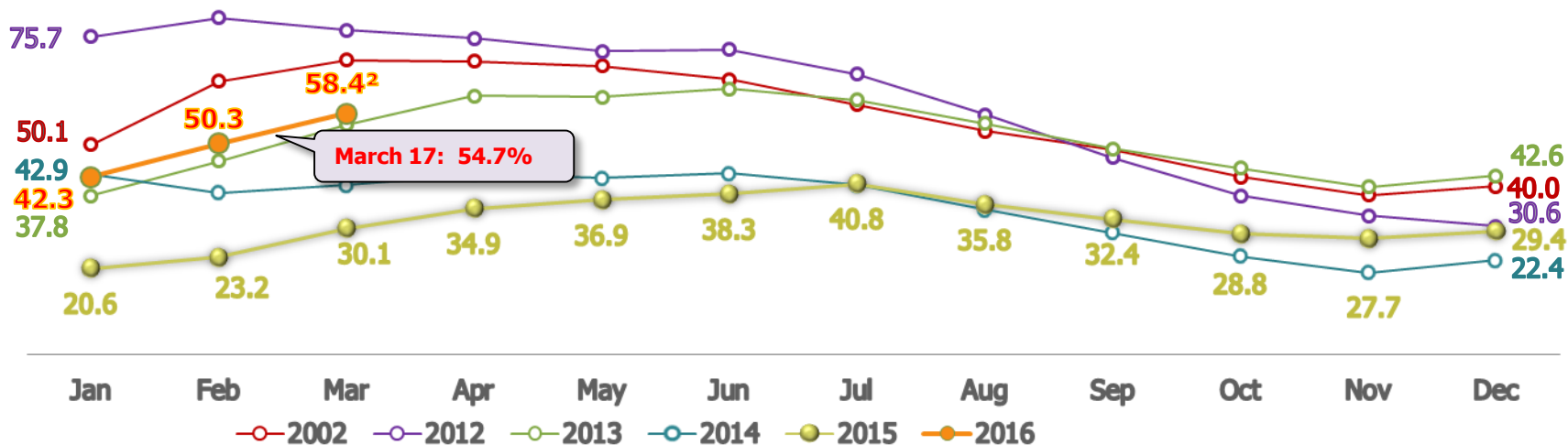
Pressure on
disco's cash flow

2016

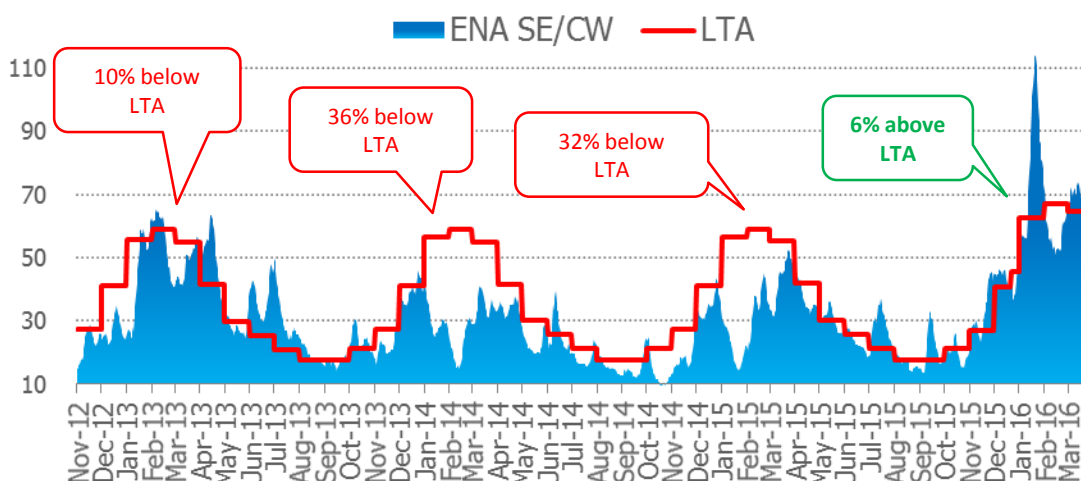
Disco's over contracted position

Macroeconomic Scenario

► NIPS Reservoir Levels | %



► Natural Inflow Energy (ENA) | SE/CW | GW average

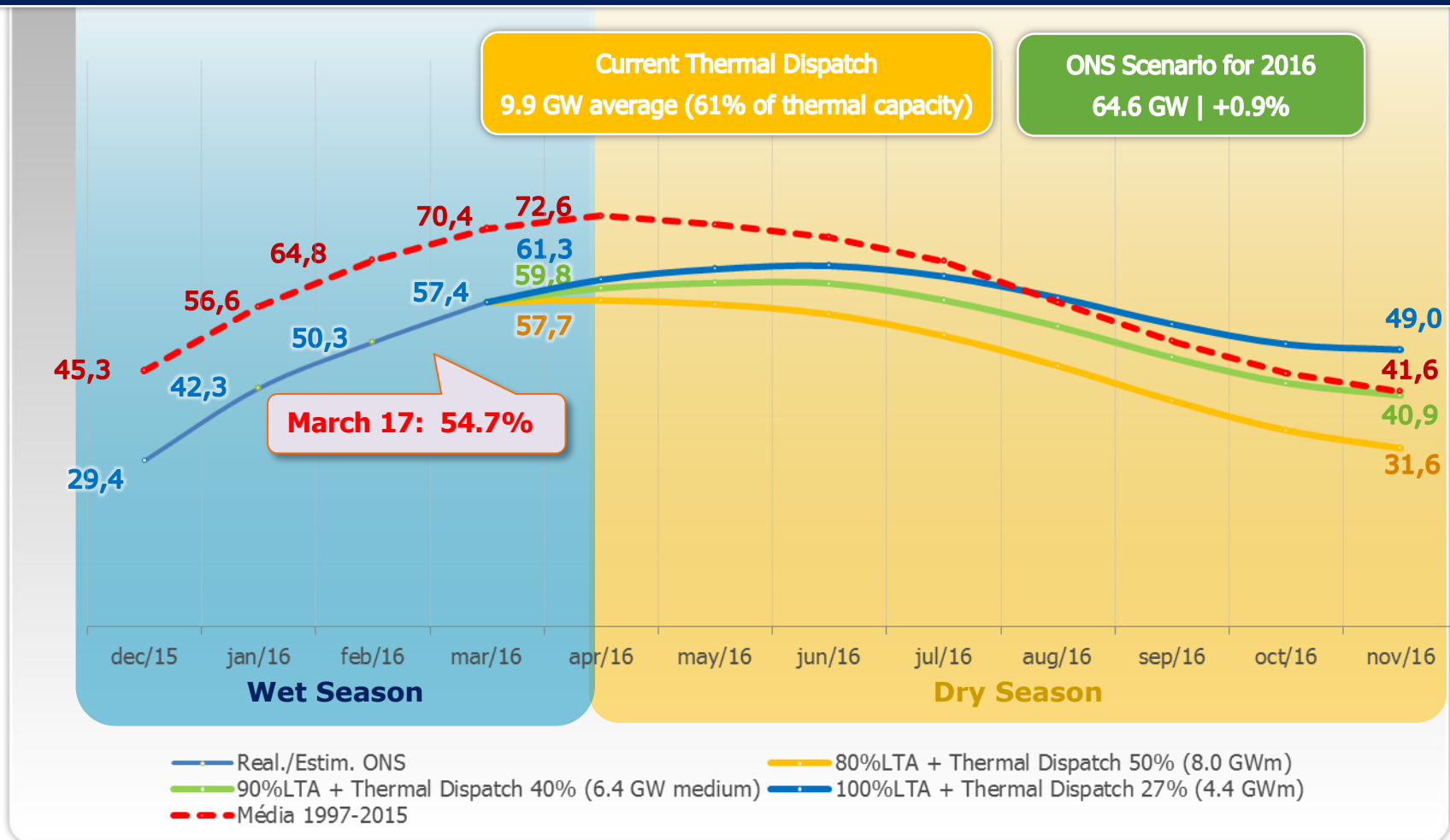


► ENA | % LTA

Sub system	2015		Jan 2016	Feb 2016	Mar 2016 ¹
	wet	dry			
SE/CW	60%	92%	127%	86%	100%
South	137%	161%	204%	166%	185%
NE	40%	44%	39%	94%	33%
NIPS	64%	103%	111%	91%	91%

► Scenarios for reservoir levels for 2016

Considering ENA of 90% of LTA and 40% of thermal dispatch, the expectation is to reach Nov-16 with the reservoirs levels in line with the average of the period 1997-2015



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GSF

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2016

Disco's over contracted position

Macroeconomic Scenario

Renegotiation eliminates GSF risk and restores the predictability and stability in generators' cash flows

CPFL Energia

- **# Plants:** 41 (7 HPPs and 34 SHPPs)
- **Exposure Level:** 760 MW average
- **Regulated Market:** 65%/ **Free Market:** 35%

GSF Accounting

- **Chosen Product:** SP 100
- **GSF estimated by ANEEL:** R\$ 43.05/MWh
- **Risk Premium:** R\$ 9.50/MWh
- **Reimbursement:** R\$ 33.55/MWh²

CPFL Energia opted to renegotiate only the portion related to **Regulated Market:**

459 MW average¹

Plant	Renegotiated MW average
Ceran	72
Enercan	89
Foz do Chapecó	214
Paulista Lajeado	35
CPFL Renováveis (9 SHPPs)	48
Total	459

Positive effect in Adjusted EBITDA:
R\$ 134 million

1) Baesa – waiting for Aneel approval; 2) Amortization in 54 monthly installments (up to June 2020)

Issues that were **solved** during **2015** and **concerns for 2016**

2015

Hydrology

GSF



**Pressure on
disco's cash flow**

2016

Disco's over contracted position

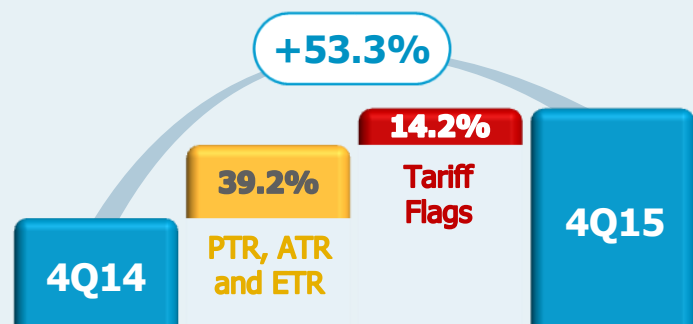
Macroeconomic Scenario

CVA Balance, that pressured the discos' cash flow during 2015, begins to be reversed



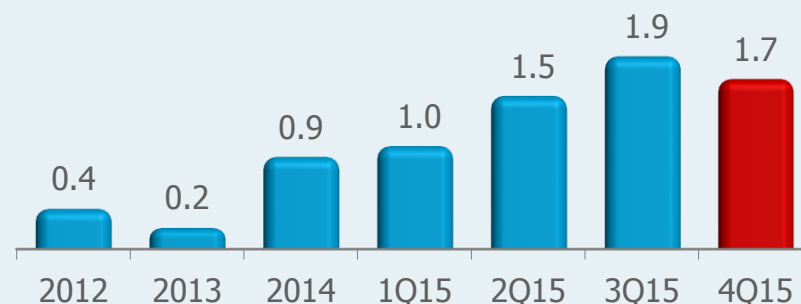
The "tariff realism" (ETR and tariff flags) partially mitigated cash unbalance

► Evolution of average tariff of CPFL's discos



However, high costs of energy purchase, mainly Itaipu, continued raising CVA Balance

► CVA behavior in CPFL's Discos¹ | R\$ billion



For 2016, is expected the recovery of accumulated regulatory assets, that will be incorporated to cash of the distributors

- ✓ Lower Itaipu costs (energy purchase)
- ✓ Lower CDE quota
- ✓ Lower thermal dispatch

► Expected behavior for CVA Balance



Issues that were **solved** during
2015 and **concerns for 2016**

2015

Hydrology

GSF

Pressure on
disco's cash flow

2016



**Disco's over contracted
position**

Macroeconomic Scenario

CPFL Energia over contracted position

ANEEL Proposal | PH 004/2016

- ✓ Proposes methodology for the recognition of involuntary overplus deriving from energy quotas
- ✓ Over contracted position in 2016 to be solved

Final stage of approval by ANEEL

For CPFL discos, the over contracted position is **mitigated** in the short term

Reduction \approx 4%

Other actions to mitigate over contracted positions

Postponement and annulment of new energy agreements (PH 0012/2016)

- ✓ **Resolution 508/12:** already allowed the suspension or postponement of the entry of new plants
- ✓ New PH aims to **reduce bureaucracy** to supplement agreements
- ✓ CPFL **is contributing** for these negotiations

Deadline for submission: March 21, 2016

Special customers migration

- ✓ Currently **there is no regulation** about this issue
- ✓ In 2013, **PH 085** discussed the rule to adjust disco's contracted position due to the migration of special customers
- ✓ One of the points of discussion was the potential **devolution of existing energy agreements**

Under discussion with ANEEL

Rules to contract power need to be structurally reviewed

Issues that were **solved** during
2015 and **concerns for 2016**

2015

Hydrology

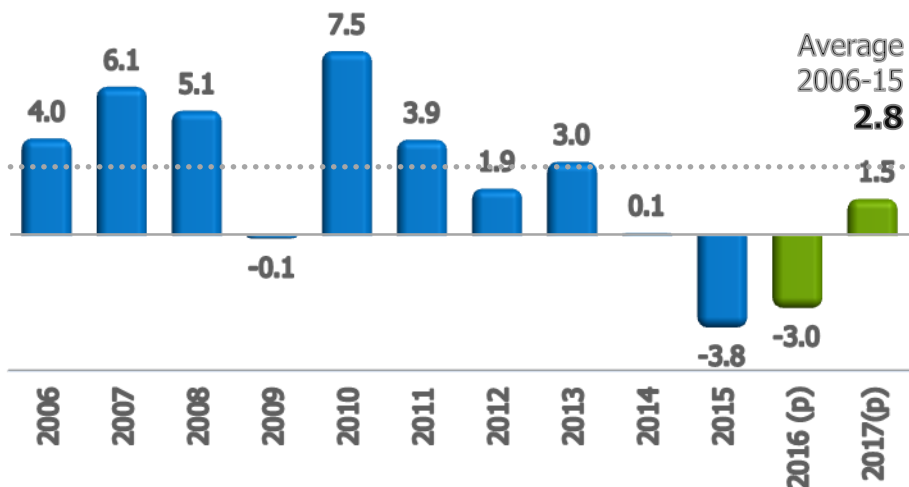
GSF

Pressure on
disco's cash flow**2016**

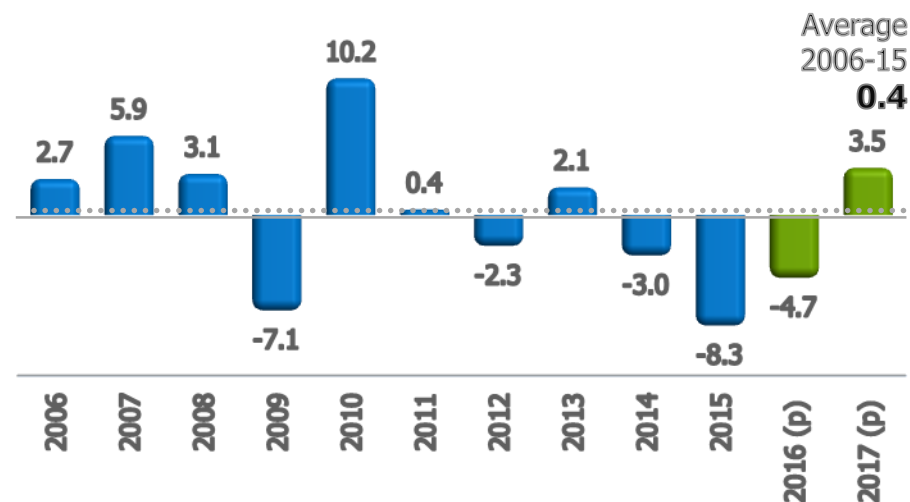
Disco's over contracted position

**Macroeconomic
Scenario**

► GDP | YoY change (%)



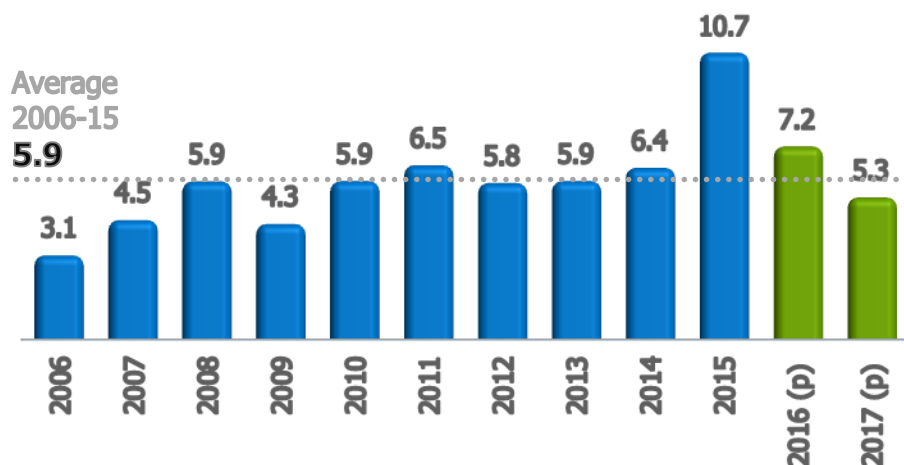
► Industrial Production | YoY change (%)



► Payroll | YoY change (%)



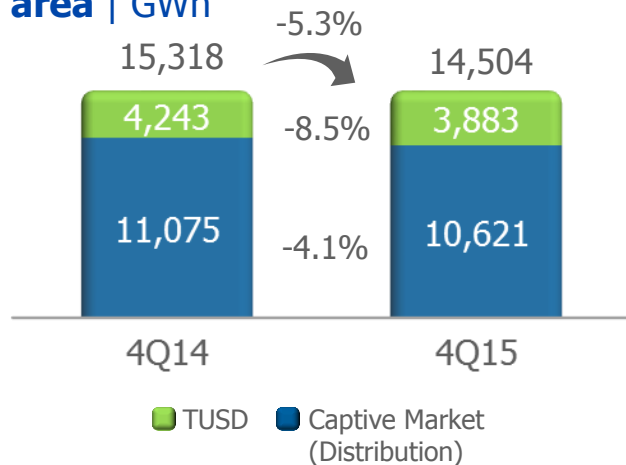
► Inflation | IPCA - YoY change (%)



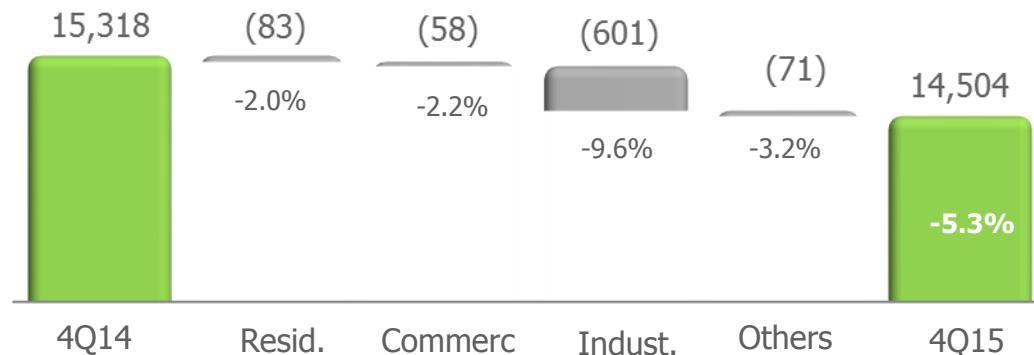


- Sales dropped **5.3%** in the concession area in 4Q15 - residential (**-2.0%**), commercial (**-2.2%**) and industrial (**-9.6%**)
- Sales dropped **4.0%** in the concession area in 2015 - residential (**-2.0%**), commercial (**-1.0%**) and industrial (**-6.9%**)
- Investments of **R\$ 496 million** in 4Q15 and **R\$ 1,428 million** in 2015
- Renegotiation of the **hydrological risk**, represented by the **consents granted by ANEEL** in Dec-2015 to Enercan, Ceran, Paulista Lajeado, Foz do Chapecó and projects controlled by CPFL Renováveis and negotiated in the Proinfa; the total renegotiated was of 458.8 average MW
- **brAA- rating** defined by **Standard&Poor's** Rating Services to CPFL Energia and its subsidiaries
- **AA(bra) rating** defined by **Fitch Ratings** to CPFL Energia and its subsidiaries
- Entry of **CPFL Energia's shares** in the **IBrX-50** of the BM&FBOVESPA and, consequently, becoming a component stock of the **ICO2** (Carbon Efficient Index) in January 2016
- **CPFL Energia's shares** were maintained in the **ISE** (the BM&FBOVESPA's Corporate Sustainability Index), for the **11th consecutive year**
- **CPFL Energia** was classified as a member in **Sustainability Yearbook 2015**, prepared by **RobecoSAM**, responsible for review of the DJSI

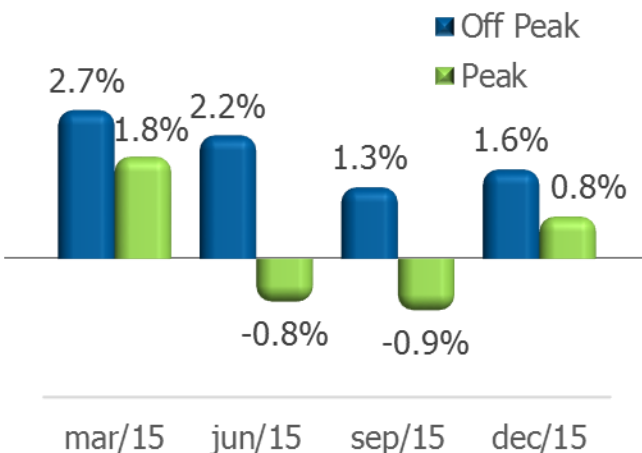
► Sales in the concession area | GWh



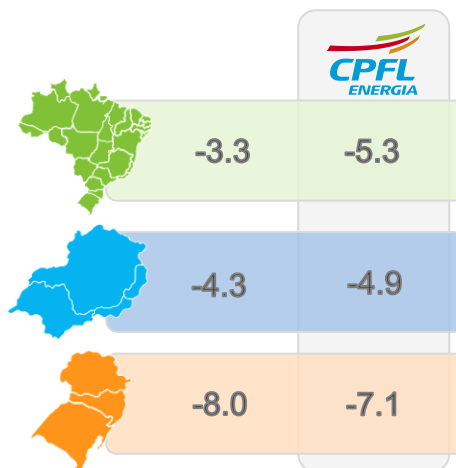
► Sales by consumption segment | GWh



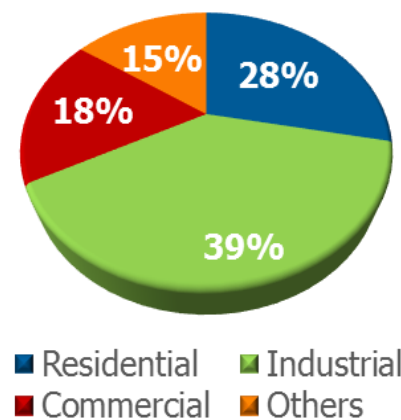
► Contracted Demand | % ove same month of 2014



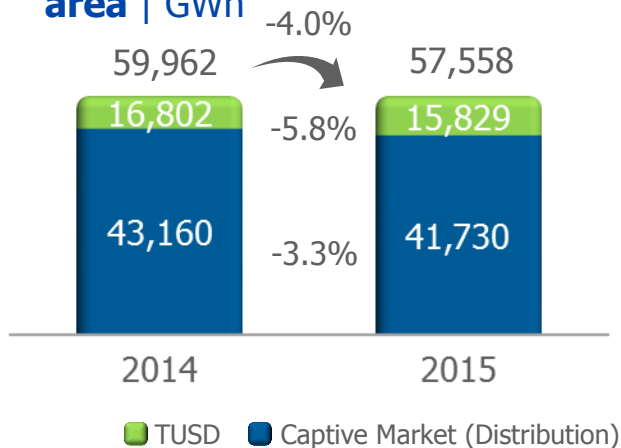
► Sales growth in the concession area | Comparison by region | %



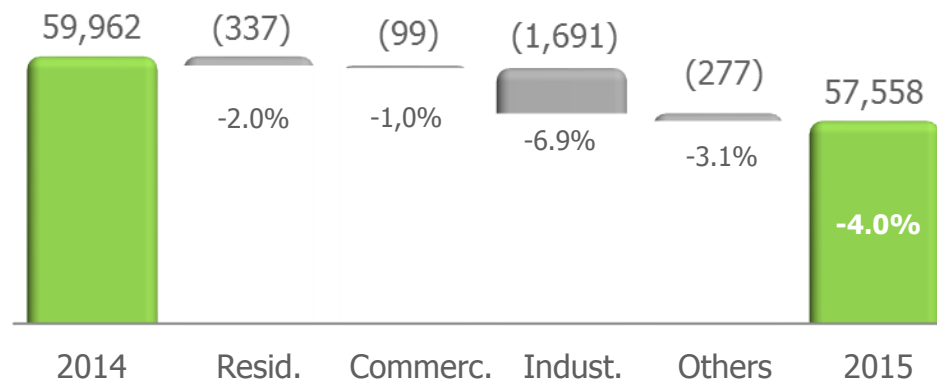
► Market Breakdown in the Concession Area | 4Q15



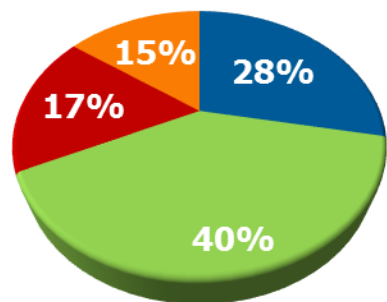
► Sales in the concession area | GWh



► Sales by consumption segment | GWh

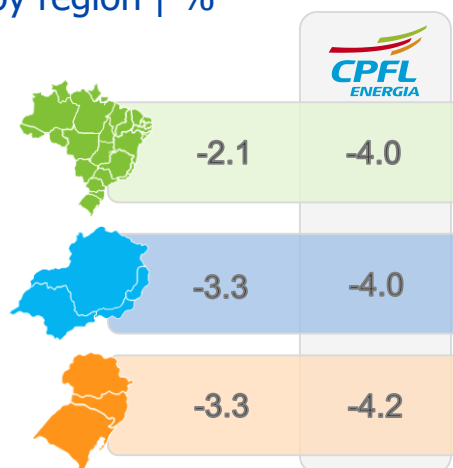


► Market Breakdown in the Concession Area | 2015

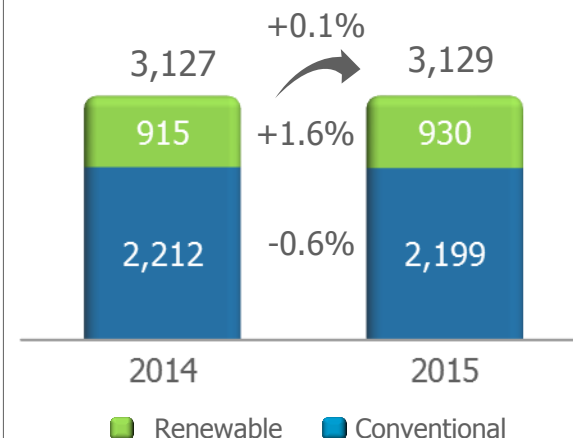


■ Residential ■ Industrial
■ Commercial ■ Others

► Sales growth in the concession area | Comparison by region | %



► Generation Installed Capacity¹ | MW



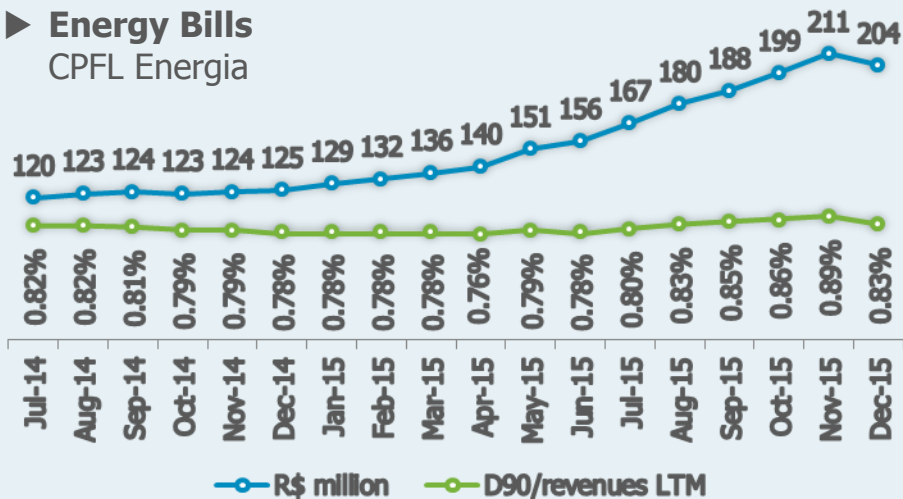
1) Take into account CPFL Energia's 51.6% stake in CPFL Renováveis

Delinquency Evolution

R\$ million in D90/Revenues (LTM)

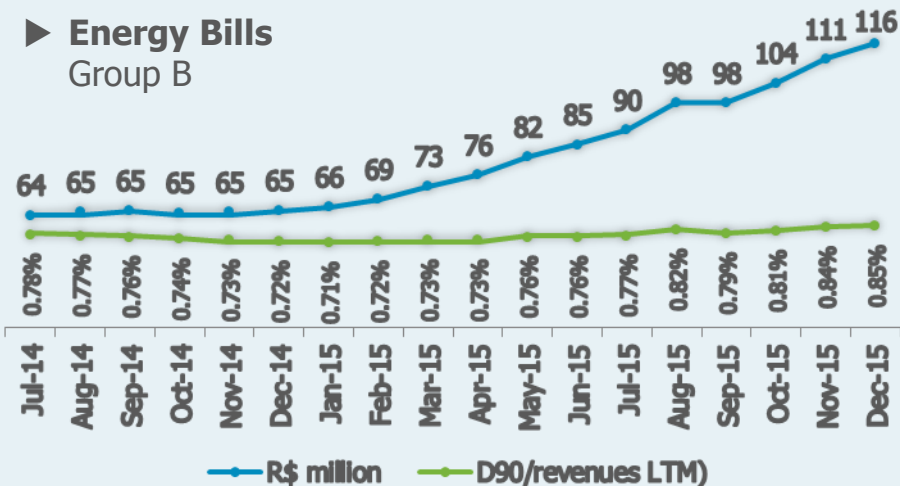
► Energy Bills

CPFL Energia

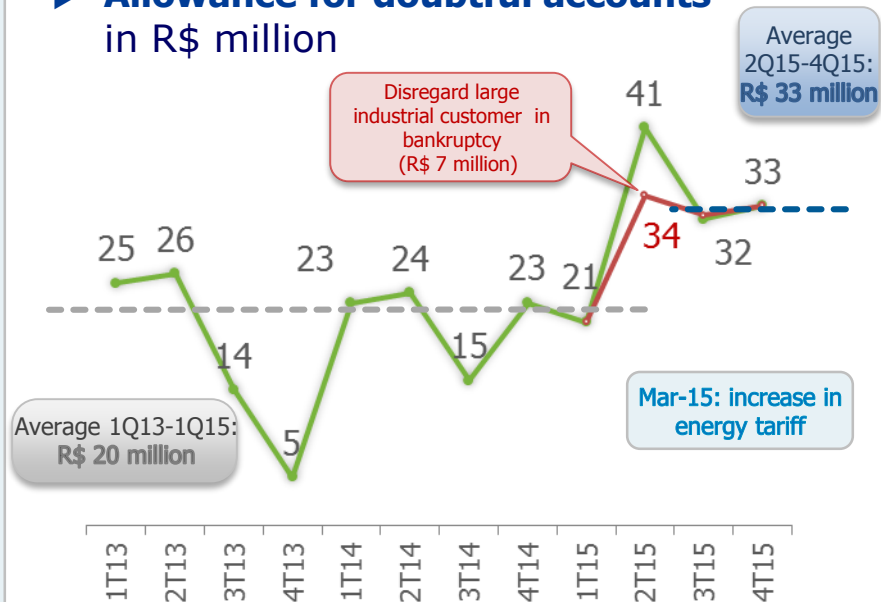


► Energy Bills

Group B



► Allowance for doubtful accounts in R\$ million



Strengthening of collection actions to avoid the advance of delinquency

% Recovered Revenue / Revenues in 12 months

4Q14
2.90%

4Q15
4.25%

IFRS

Proportionate Consolidation of Generation + Sectoral Financial Assets & Liabilities + Non recurring items

Net Revenue¹

-8.7%
R\$ 427 million

4Q14	4Q15
R\$ 4,934	R\$ 4,507
million	million

0.3%
R\$ 15 million

4Q14	4Q15
R\$ 4,414	R\$ 4,429
million	million

EBITDA

-25.1%
R\$ 337 million

4Q14	4Q15
R\$ 1,342	R\$ 1,005
million	million

-7.7%
R\$ 70 million

4Q14	4Q15
R\$ 914	R\$ 844
million	million

Net Income

-22.8%
R\$ 107 million

4Q14	4Q15
R\$ 470	R\$ 363
million	million

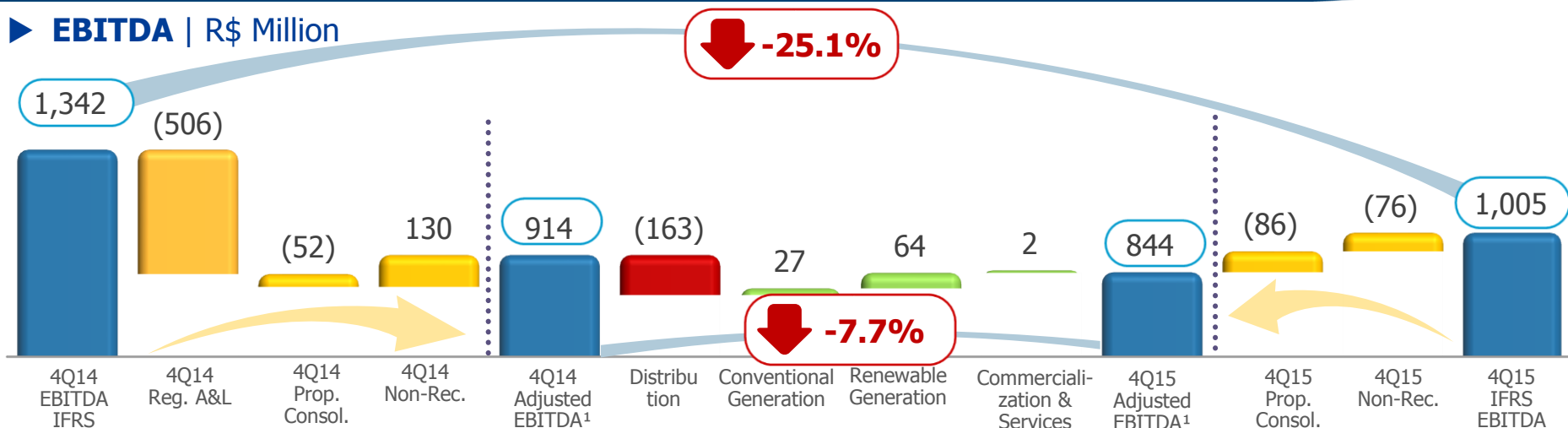
-10.7%
R\$ 29 million

4Q14	4Q15
R\$ 284	R\$ 255
million	million

	EBITDA		Net Income	
	4Q14	4Q15	4Q14	4Q15
Proportionate Consolidation of Generation (A)	52	86	39	51
Sectoral Financial Assets & Liabilities in 4Q14 (B)	325		219	
Sectoral Financial Assets & Liabilities	831		549	
GSF and Energy Purchase (CPFL Geração and CPFL Renováveis)	145	27	101	19
Renegotiation of the GSF (net of risk premium)		134		93
Insurance reimbursement - Bio Pedra TPP		8		8
Impairment of assets		39		26
Non-recurring effects - CPFL Renováveis	15		3	
Non-recurring items (C)	701	76	444	56
Total (A+B+C)	428	161	186	107

1) Excluding construction revenues. 2) Effects not reported as non-recurring in 4Q14, now aligned with CPFL Renováveis report: (i) Agreement with equipment supplier for indemnity regarding the delay in plant construction - CPFL Renováveis work (4Q14); (ii) Reversal of capitalized borrowing costs - Atlântica wind farm (4Q14), (iii) Adjustment to present value - Baldin TPP (4Q14), and (vii) Contract termination with wind equipment supplier (4Q14).

EBITDA | R\$ Million



– Distribution → -32.1% (-R\$ 163 million)

- Itaipu currency variation (R\$ 50 million)
- 10.9% increase in manageable PMSO (R\$ 39 million)
- 5.3% decrease in sales in the concession area (R\$ 33 million)
- ETR / CVA Santo Antonio adjustments (R\$ 30 million)
- Allowance for doubtful accounts (R\$ 12 million) and collection actions (R\$ 4 million)
- Sale of assets in 4Q14 (R\$ 15 million)
- + Legal and judicial indemnities (R\$ 17 million)
- + PIS/Cofins pass-through (R\$ 15 million)²
- Others (R\$ 12 million)

+ Conventional generation → +10.4% (+R\$ 27 million)

- + Seasonality strategy (R\$ 9 million)
- + Epasa's better performance (R\$ 21 million)
- Others (R\$ 3 million)

+ Renewable generation → +57.7% (+R\$ 64 million)

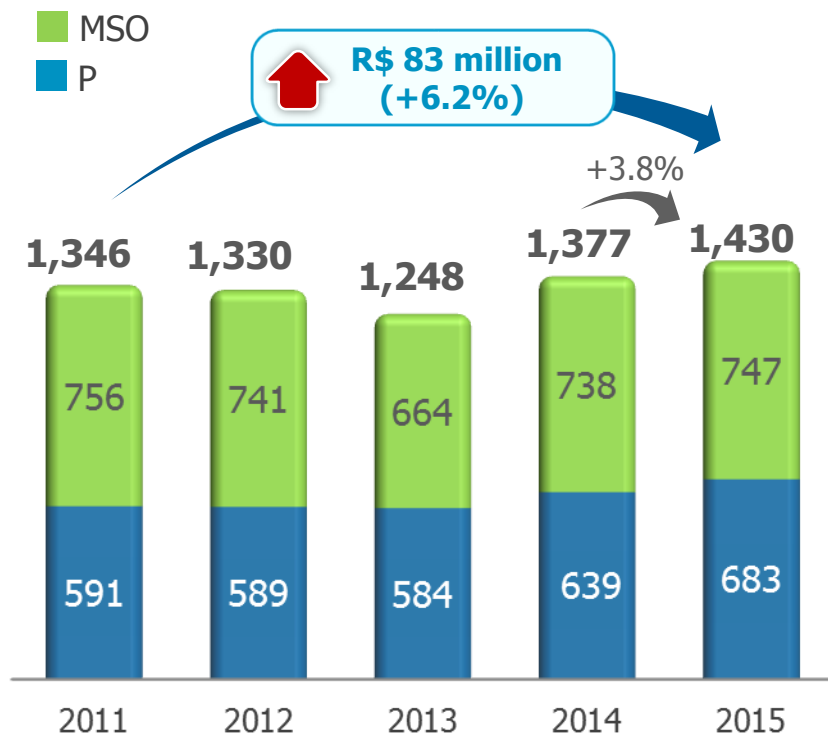
- + Lower energy purchase – SHPPs/biomass plants (R\$ 15 million)
- + Lower fine in Bio Formosa TPP (R\$ 11 million)
- + Asset write-off in 4Q14 (R\$ 5 million)
- + Morro dos Ventos II commercial start-up and other effects (R\$ 33 million)

+ Commercialization, Services and Holding → +6.2% (+R\$ 2 million)

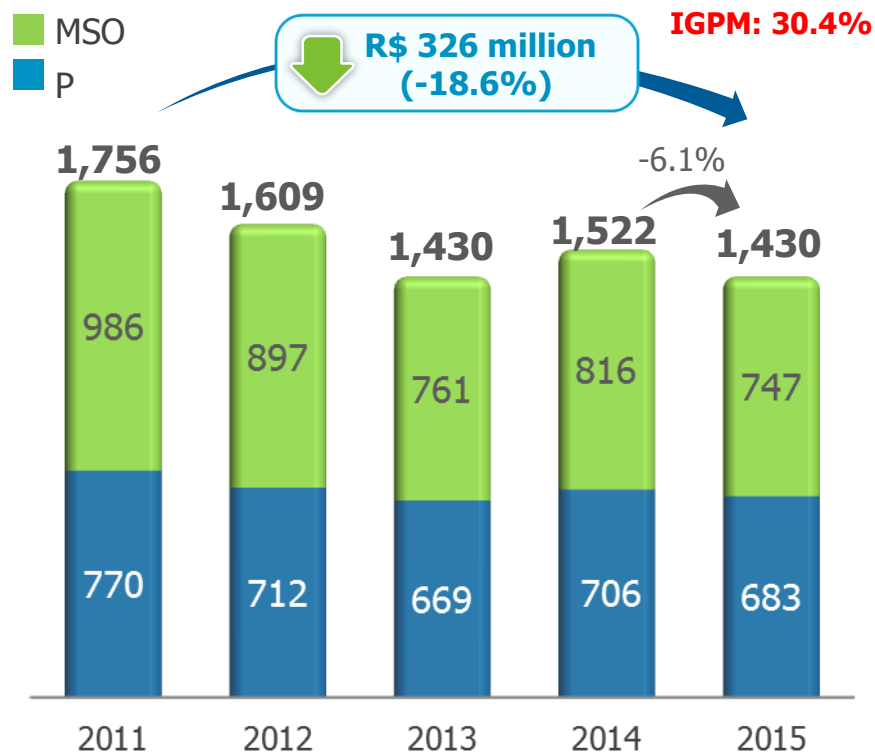
	LTM	PLD (R\$/MWh)¹	
IPCA	10.7%	4Q14	4Q15
IGP-M	10.5%	727.54	177.09

1) Average PLD in SE/CW; 2) Variations in PIS/Cofins pass-through will be neutralized as of 1Q16.

► Nominal Adjusted PMSO | R\$ Million



► Real Adjusted PMSO¹ | R\$ Million



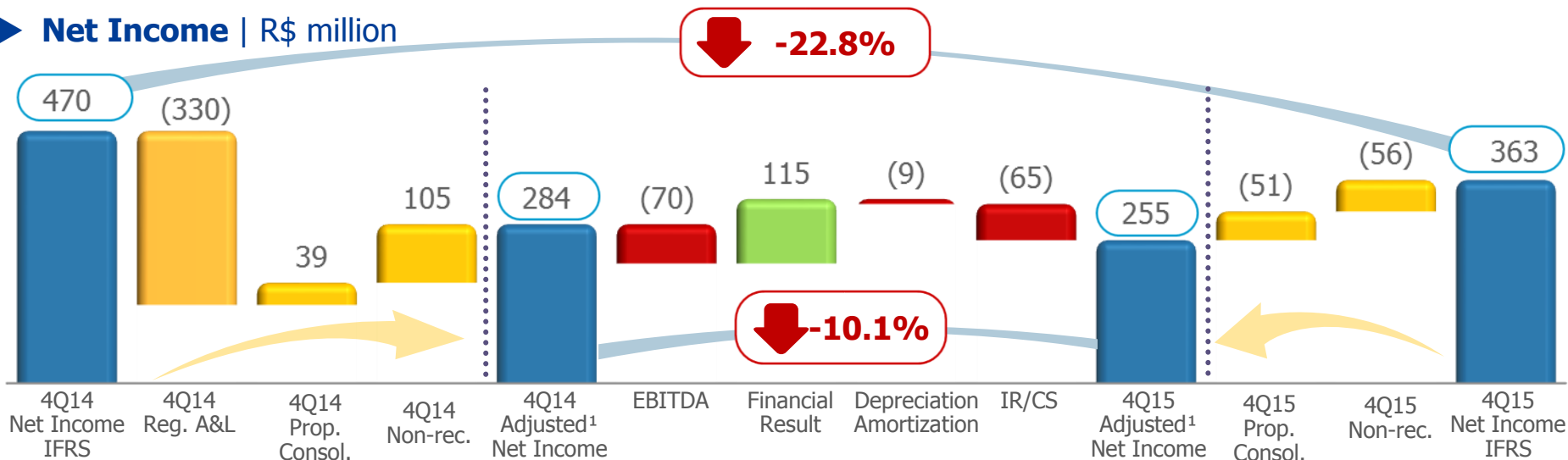
Aneel CSV² increased 7.8% in the same period



PMSO decreased by 18.6% (R\$ 326 million) in real terms

1) Dec-15 figures. Variation of IGP-M in the period 2015 x 2011 = 30.4%; 2015 x 2012 = 20.9% and 2015 x 2013 = 14.6% and 2015 x 2014 = 10.5%. 2) CSV (Composite Scale Value), variable that weighs network length (12%), number of consumers (28%) and market (60%), used by OFGREM and a proxy of ANEEL new methodology. PMSO disregarding Private Pension Fund. Excludes non-recurring items, acquisition of fuel oil for EPASA power plants, PMSO of Services and CPFL Renováveis segments, Legal, Judicial and Indemnities and Personnel capitalization costs since January 2014, due to the new methodology established by Aneel.

► Net Income | R\$ million



➖ **7.7% increase in EBITDA (R\$ 70 million)**

➕ **54.7% decrease in Negative Net Financial Result (R\$ 115 million)**

➕ Variation of discos' concession financial asset (R\$ 96 million)

➕ Restatement of sectoral financial assets/liabilities (CVA) (R\$ 59 million)

➕ Itaipu currency variation (R\$ 50 million)

Compensated by sectoral financial assets (Revenue)

➕ Arrears of interest and fines / installment payments (R\$ 50 million)

➖ Net financial expenses (R\$ 59 million)

➖ PIS/Cofins over financial revenues (R\$ 32 million)

➕ Others (R\$ 17 million)

➖ **3.2% increase in Depreciation and Amortization (R\$ 9 million)**

➖ **Increase of Income Tax and Social Contribution (R\$ 65 million)**

	4Q14	4Q15
CDI	11.7% p.a.	14.4% p.a.
R\$/US\$ ²	2.65	3.90

IFRS

Proportionate
Consolidation of
Generation + Sectoral
Financial Assets &
Liabilities + Non recurring
items

Net Revenue¹

 **17.1%**
R\$ 2,798 million

2014	2015
R\$ 16,361 million	R\$ 19,159 million

 **20.3%**
R\$ 3,191 million

2014	2015
R\$ 15,724 million	R\$ 18,915 million

EBITDA

 **-0.3%**
R\$ 11 million

2014	2015
R\$ 3,761 million	R\$ 3,750 million

 **1.2%**
R\$ 47 million

2014	2015
R\$ 3,901 million	R\$ 3,948 million

Net Income

 **-1.3%**
R\$ 11 million

2014	2015
R\$ 886 million	R\$ 875 million

 **-3.2%**
R\$ 38 million

2014	2015
R\$ 1,162 million	R\$ 1,124 million

Main effects observed in IFRS:

2015

-  **GSF renegotiation (estimated GSF (-) Risk premium):** R\$ 128 million
-  **GSF expenses:** R\$ 365 million

2014

-  **Accounting of sectoral financial assets and liabilities:** R\$ 831 million
-  **GSF expenses:** R\$ 333 million

Capital Increase and Stock Dividend

Constitution of statutory reserve - strengthening of working capital in the amount of **R\$ 393 million**

Proposal of reversal of statutory reserve - strengthening of working capital and increase of capital through stock dividend

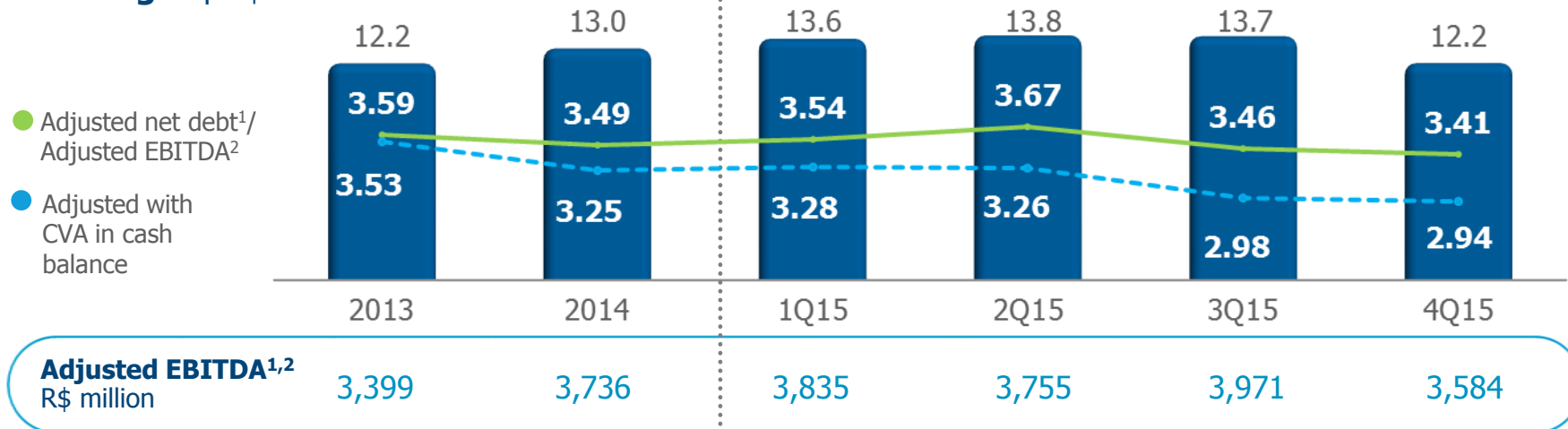
- ✓ **Stock dividend¹** proposed is of **2.507570448%**, in the ratio of 0.02507570448 new share, of the same type, for each share
- ✓ **Total number** of shares that make up the capital stock will go from 993,014,215 to **1,017,914,746**, with the issuance of **24,900,531 shares**, to be distributed to shareholders under Article 169 of Law 6,404/76
- ✓ **Subscribed and paid in capital stock** will go from R\$ 5,348,311,955.07 to **R\$ 5,741,284,174.75**

	R\$ million
Net income of the fiscal year - Individual	865
Results from previous years	26
Prescribed dividend	6
Net income base for allocation	897
Legal reserve	(43)
Statutory reserve - concession financial asset	(255)
Statutory reserve - strengthening of working capital	(393)
Minimum mandatory dividend	(205)

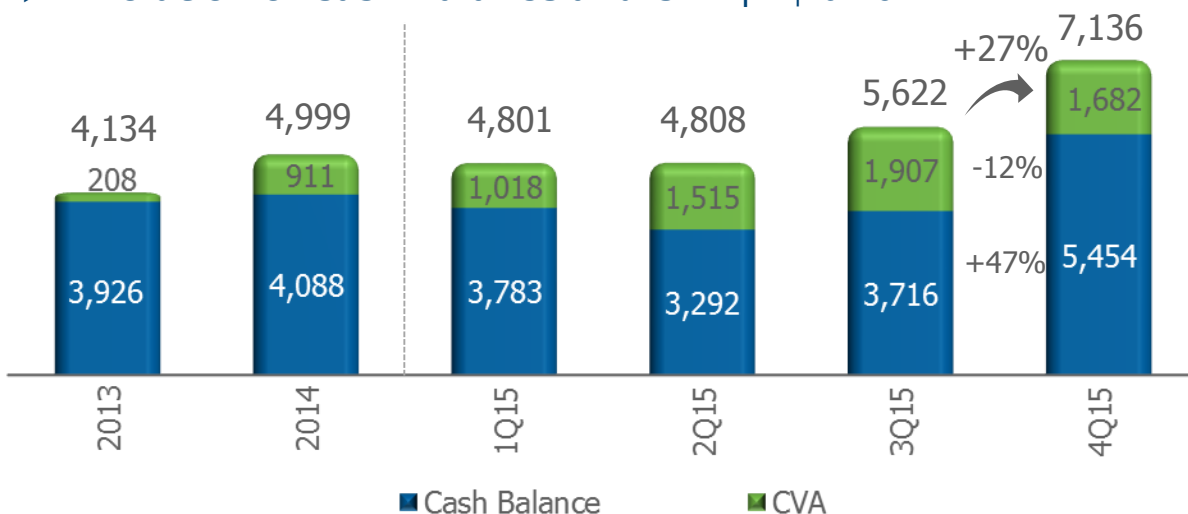
Minimum mandatory dividend of **R\$ 205 million (25% of net income of the fiscal year - individual)**, equivalent to **R\$ 0.206868475** per share

1) The cost attributed to the bonus shares is of R\$15.781680012 per share. The stock dividend is equivalent to R\$ 0.395736752 per share

► Leverage¹ | R\$ billion

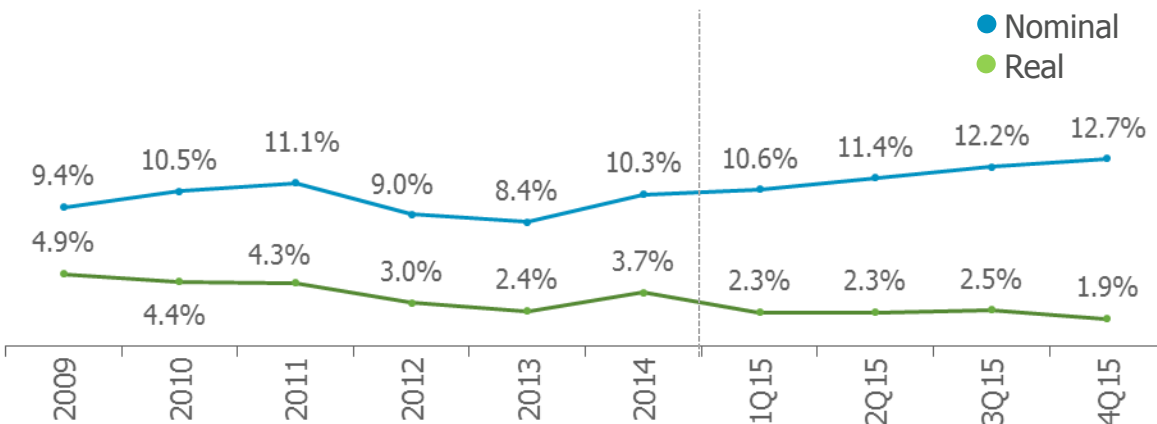


► Evolution of Cash Balance and CVA | R\$ billion

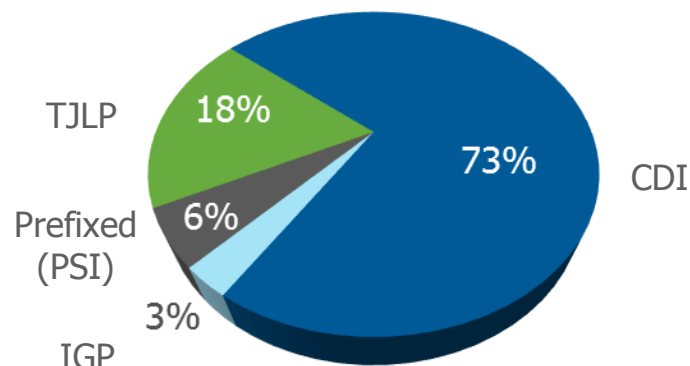


Adjusting the cash balance with the CVA asset (until 4Q15), the net debt / EBITDA would reach **2.94x**.

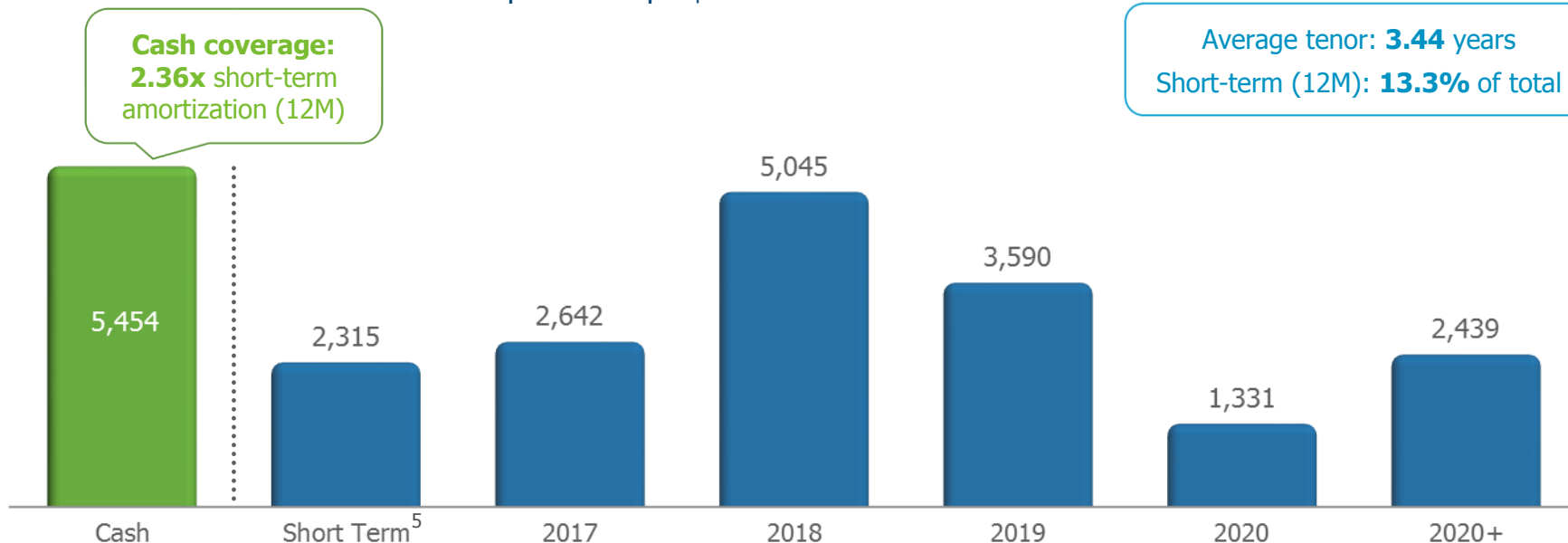
► Gross debt cost^{1,2} | LTM



► Gross debt breakdown by indexer | 4Q15 ^{2,4}



► Debt amortization schedule^{3,4} | Dec-15 | R\$ million



1) Adjusted by the proportional consolidation since 2012; 2) Financial debt (+) private pension fund (-) hedge; 3) Considers Debt Principal, including hedge; 4) Covenants Criteria; 5) Amortization from January-2016.

CapEx(e) 2016-2020 | R\$ Million

Total:

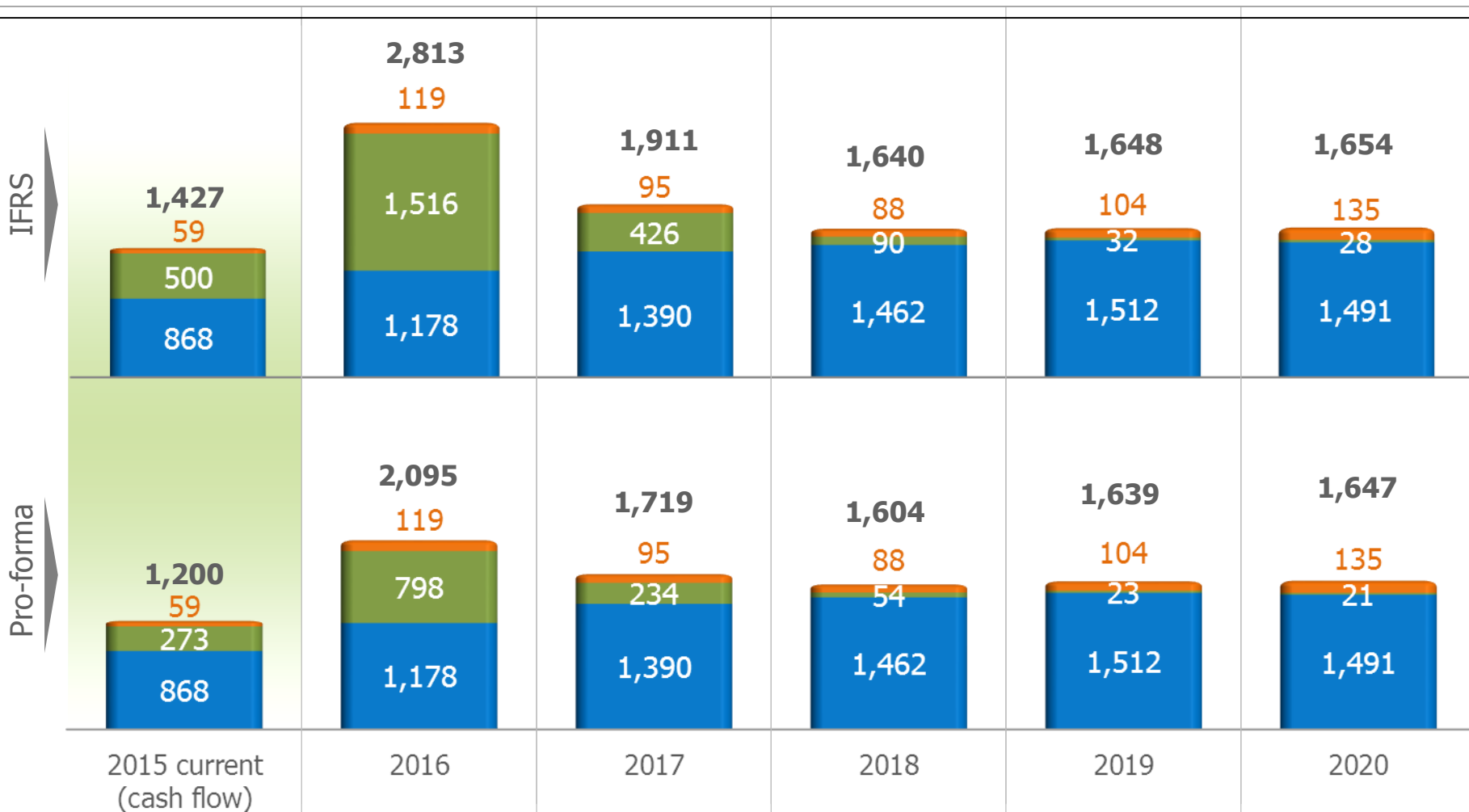
R\$ 9,666 million² (IFRS)

R\$ 8,704 million³ (Pro-forma)

■ Distribution⁴:
R\$ 7,033 million

■ Generation⁵:
R\$ 2,092 million (IFRS)
R\$ 1,130 million (Pro-forma)

■ Commercialization and Services⁶
R\$ 541 million



1) Current investment plan released in 4Q15 Earnings Release on March 26, 2016. 2) Constant currency. Considers 100% interest on CPFL Renováveis and Ceran (IFRS); 3) Considers proportional stake in the generation projects; 4) Disregard investments in Special Obligations (among other items financed by consumers); 5) Conventional + Renewable.



ROBECOSAM

We are Sustainability Investing.

- ✓ Since **2004**, it ranks the **most sustainable companies** in the world
- ✓ **CPFL Energia** is, for the **3rd year**, a member of the 2016 Sustainability Yearbook, in the Electric Utilities sector

Índice Brasil 50 **IBRX 50**

- ✓ Reference for **investors**
- ✓ One of the **main stock indexes** of local market
- ✓ It is composed by the **50 most traded shares** in BM&FBovespa Stock Exchange in terms of **liquidity**
- ✓ **CPFL** joined the index in **January 2016**

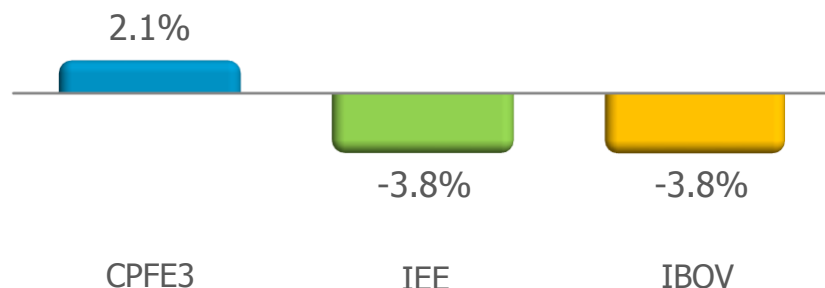
Índice Carbono Eficiente **ICO2**

- ✓ **BNDES** initiative
- ✓ The index comprises the most traded shares that adopted transparent practices with respect to their **GHGs emissions**
- ✓ **CPFL** has adopted transparent practices since **2010**, joining the index when it was included on **IBrX-50**

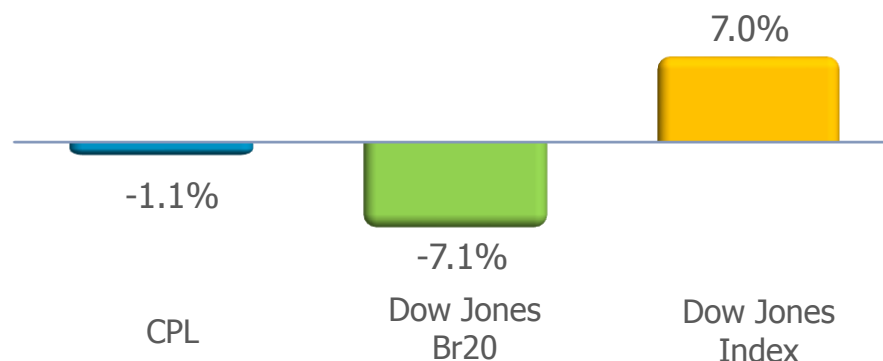
Índice de Sustentabilidade Empresarial **ISE**

- ✓ CPFL Energia is part of the ISE **since its first edition in 2005**
- ✓ Presence of CPFL for the **11th consecutive year**
- ✓ **35 companies** representing **16 sectors**
- ✓ Market Cap of **R\$ 967 billion** (equivalent to 44.75% of the BM&FBovespa – 11/24/2015)

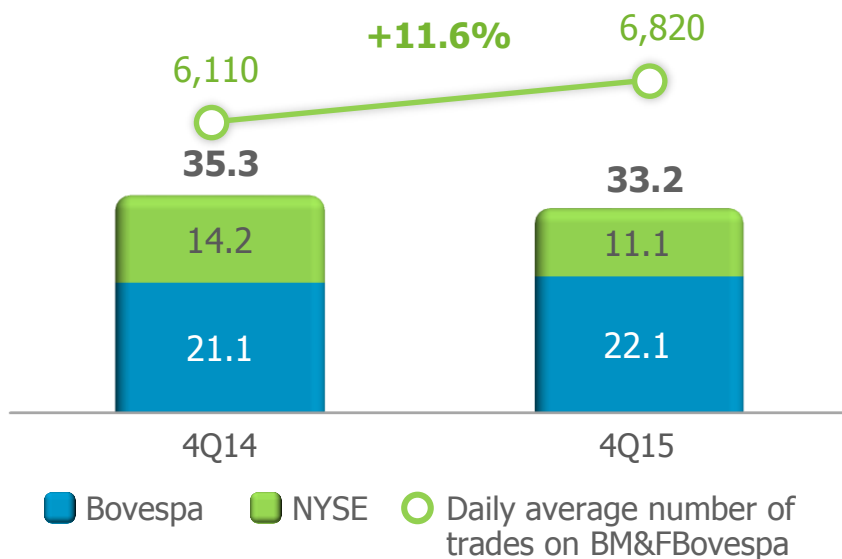
► Shares performance on BM&F Bovespa | 4Q15^{1,2}



► Shares performance on NYSE | 4Q15^{1,2}



► Daily average trading volume on BM&FBovespa + NYSE² | R\$ Million



► CPFL Energia is included in the main indexes





CPFL
ENERGIA