



2Q06

Highlights and Results – CPFL Energia

Value Creation Agenda



Acquisition of 32.69% of PSEG stake in RGE, in May/06<sup>1</sup>



Acquisition of 11% of CEEE stake in HPP Foz do Chapecó<sup>2</sup>

Net Revenue 2Q06 x 2Q05



**10.0%**

R\$ 2,131 million (2Q06)  
R\$ 1,937 million (2Q05)

EBITDA 2Q06 x 2Q05



**18.9%**

R\$ 659 million (2Q06)  
R\$ 554 million (2Q05)

Net Income 2Q06 x 2Q05



**30.0%**

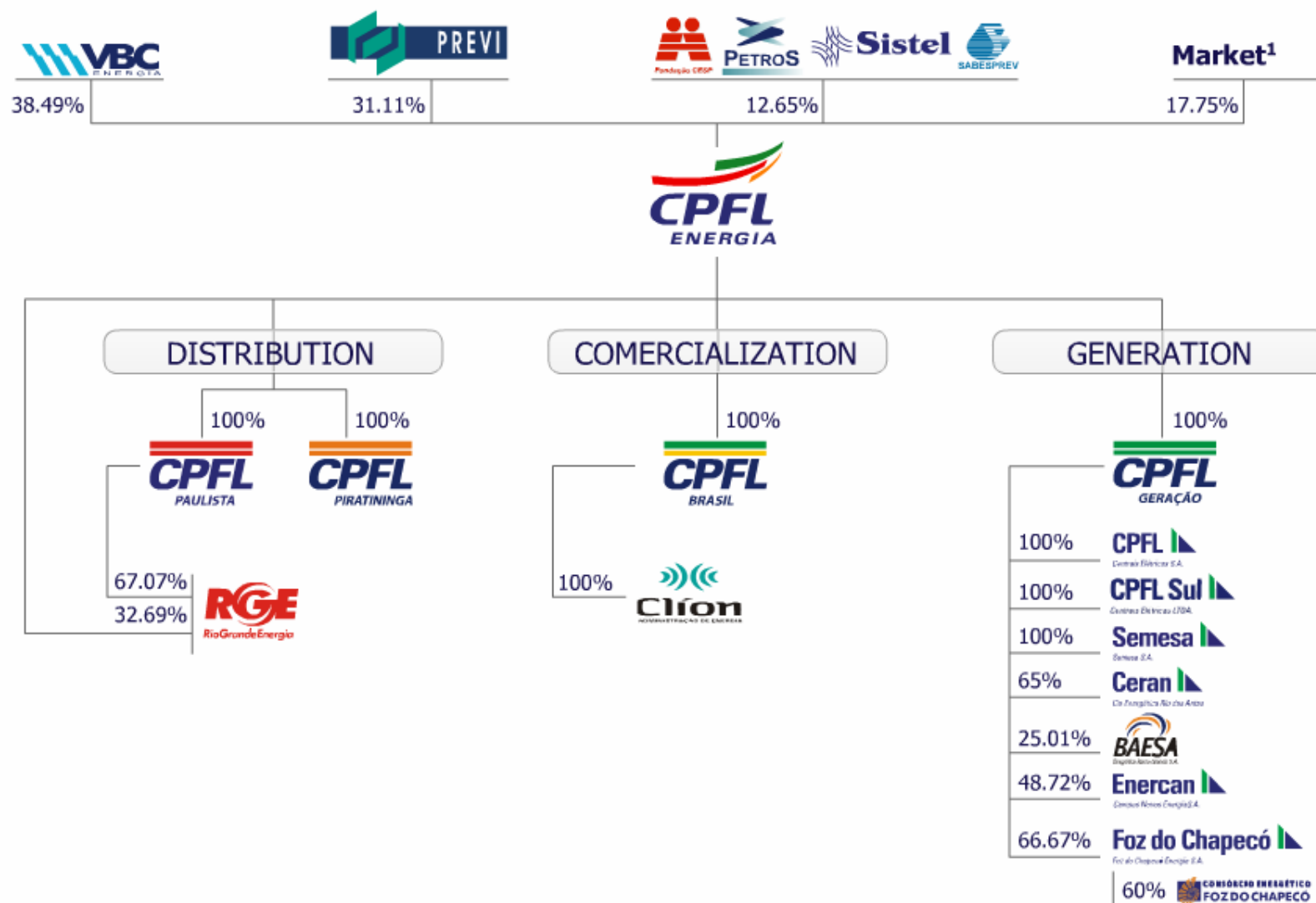
R\$ 305 million (2Q06)  
R\$ 235 million (2Q05)



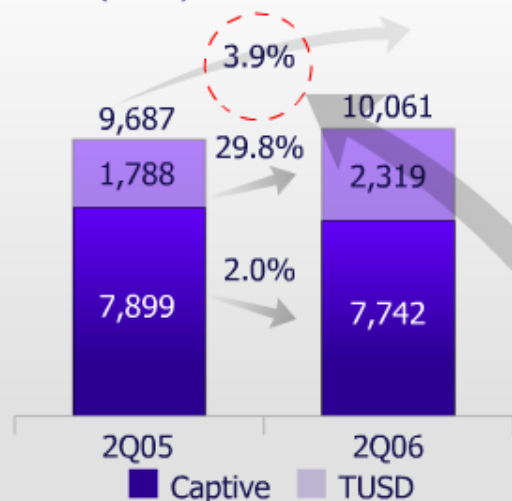
Dividends distribution of R\$ 612 million in 1H06, representing 100% of CPFL Energia 's net income



CPFL Paulista is awarded by ABRADÉE as Best Distribution Company in Brasil



## Concession Area Sales (GWh)



## Free Market Sales (GWh)<sup>1</sup>



## Total Energy Sales (GWh)<sup>2</sup>



### Concession Area Sales



### Captive Market

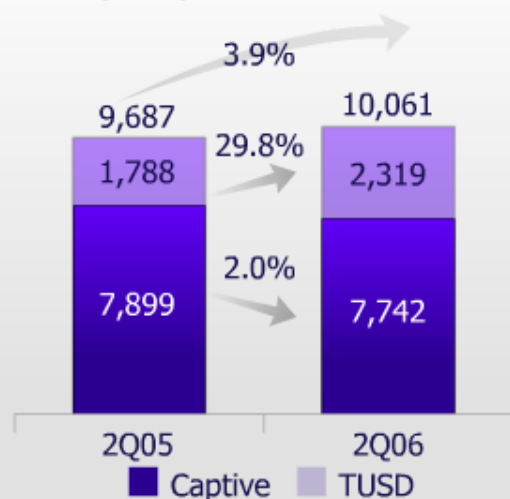


4.1% Concession Area Sales growth in 1H06

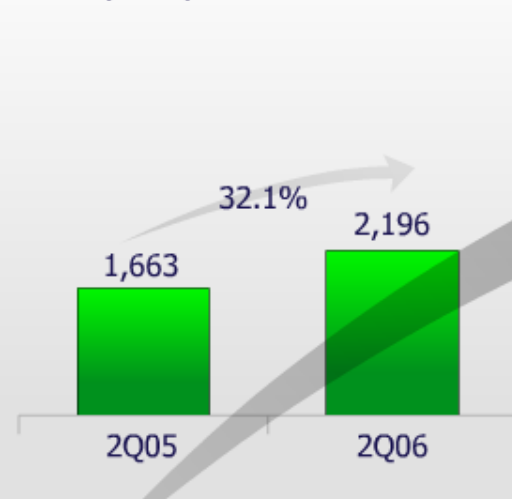
<sup>1</sup> Commercialization sales, excluding transactions between group's companies (consolidation accounting criteria) and CCEE

<sup>2</sup> Excludes transactions between group's companies (consolidation accounting criteria), CCEE and Generation sales

Concession Area Sales (GWh)



Free Market Sales (GWh)<sup>1</sup>



Total Energy Sales (GWh)<sup>2</sup>



● Total Energy Sales



Free Market



32.1%

32.69% RGE 184 GWh – June/06

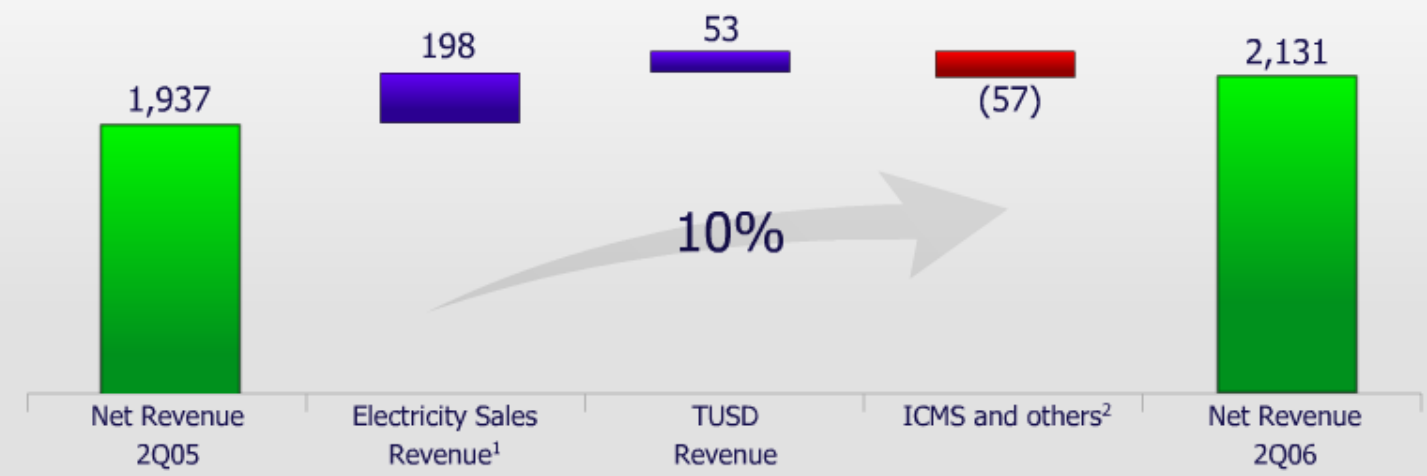


5.9% Total Energy Sales growth and  
47.9% Free Market Sales growth in 1H06

<sup>1</sup> Commercialization sales, excluding transactions between group's companies (consolidation accounting criteria) and CCEE

<sup>2</sup> Excludes transactions between group's companies (consolidation accounting criteria), CCEE and Generation sales

Net Revenue – R\$ million

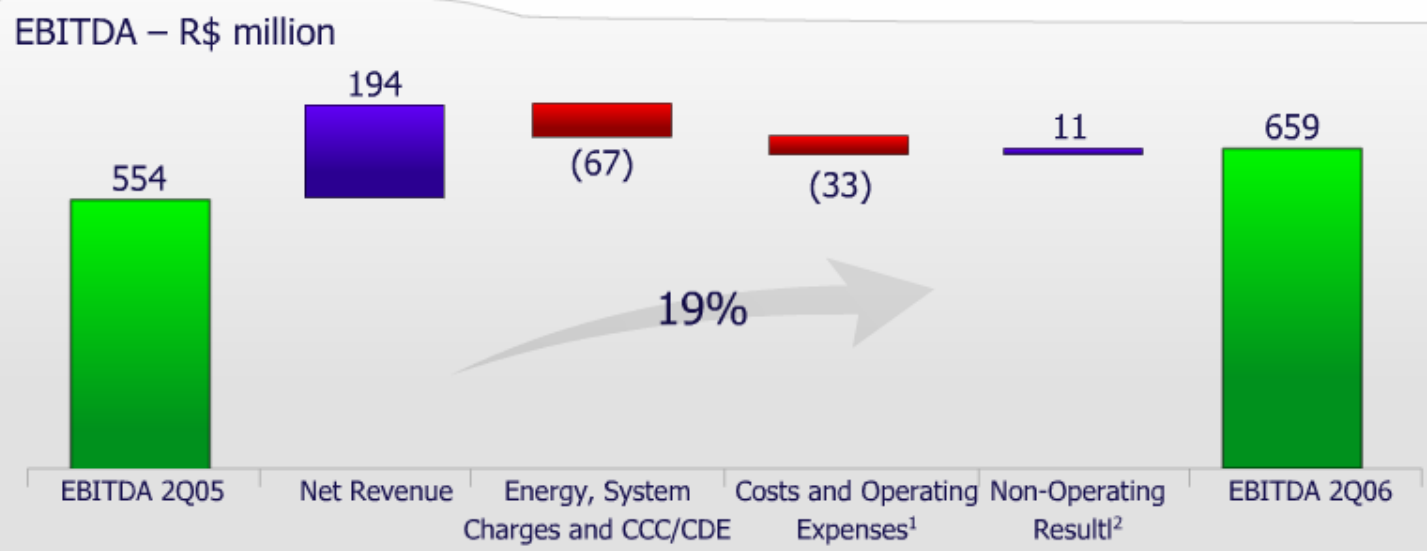


- 10.0% Net Revenue increase (R\$ 194 million)
- (+) 7.6% Electricity Sales Revenue increase¹ (R\$ 198 million)
- (+) 47.0% TUSD Revenue increase (R\$ 53 million)

In 1H06, Net Revenue reached R\$ 4,176 million, with 12% growth over 1H05 (R\$ 3,722 million)

1 In the calculation 2Q06 X 2Q05 it was excluded R\$ 69 million of emergency charges ECE/EAEE's revenue in 2Q05 – ANEEL determined the closing of charging from Jan,2006

2 Other revenues and revenues taxes



● 18.9% EBITDA increase (R\$ 105 million)

(+) 10.0% Net Revenue increase (R\$ 194 million)

(+) 0.1% Energy Cost decrease (R\$ 1 million)

(-) 42.1% CCC/CDE costs increase (R\$ 68 million)

(-) 16.3% Operational Costs and Expenses increase<sup>1</sup> (R\$ 33 million)

- Research and Development and Energy Efficiency Programs (R\$ 8 million)<sup>3</sup>

↑ 12.3% excluding Research and Development and Energy Efficiency effects

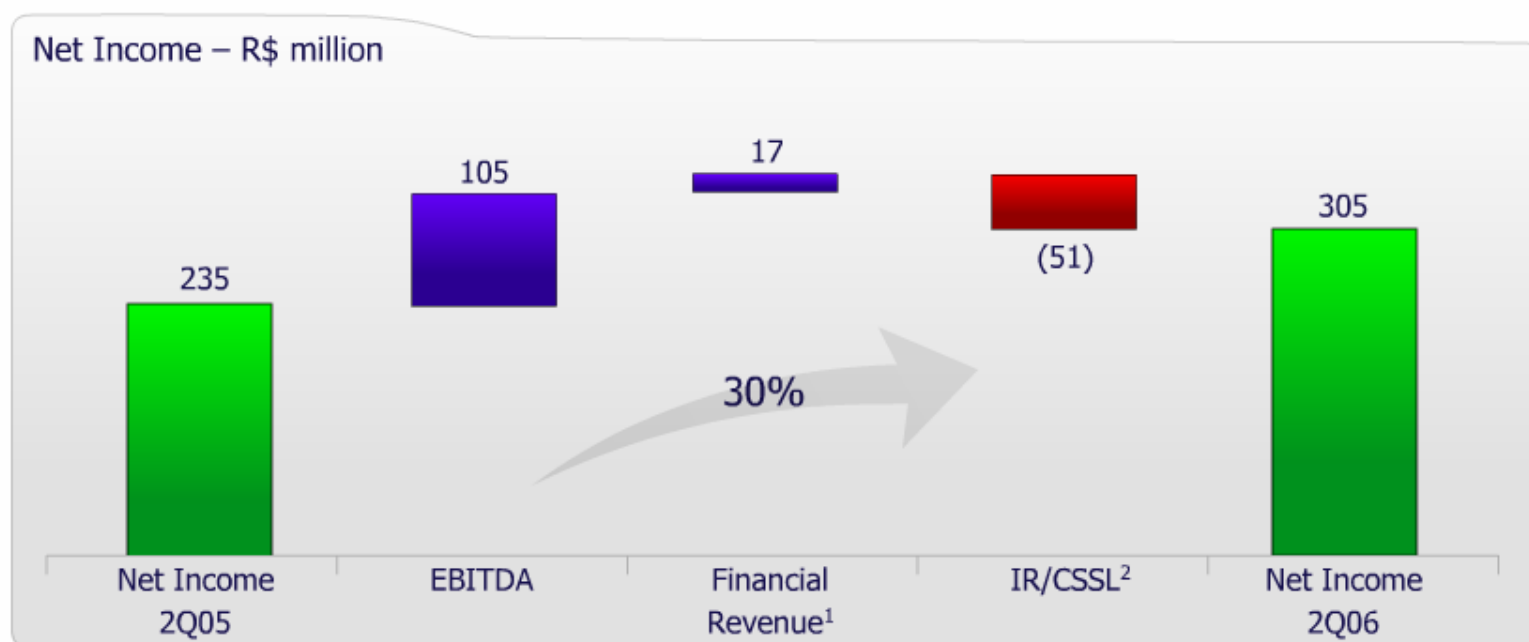
In 1H06, EBITDA reached R\$ 1,313 million, with 24% growth over 1H05 (R\$ 1,061 million)

<sup>1</sup> Include Personnel, Materials, Outside Services and Others

<sup>2</sup> Include Minority Interest

<sup>3</sup> ANNEL Resolution 219 (May,2006) and 176 (Dec,2005) establishes that 1% of Net Operating Revenue must be account for operating expenses

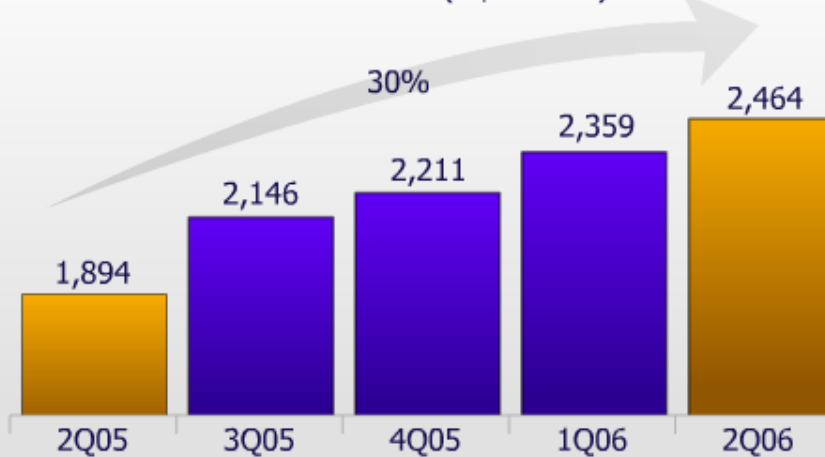




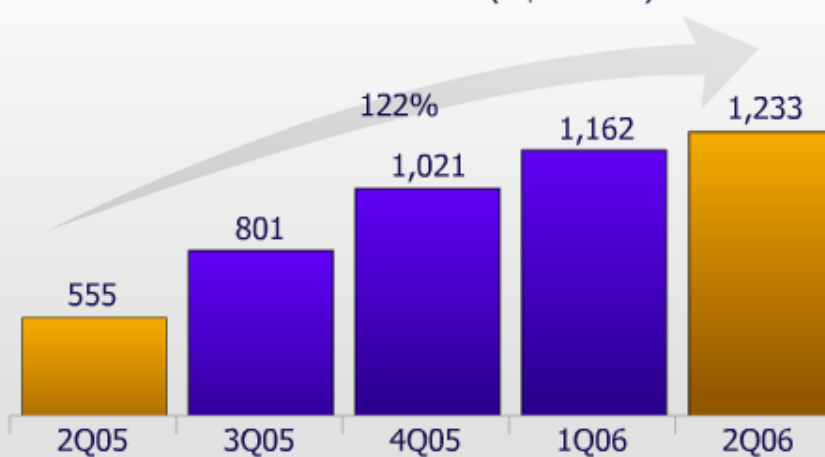
- 30.0% Net Income increase (R\$ 71 million)
  - (+) 18.9% EBITDA increase (R\$ 105 million)
  - (+) 15.6% Financial Income improvement<sup>1</sup> (R\$ 17 million)
  - (-) Income Tax, Social Contribution tax and Others<sup>2</sup> (R\$ 51 million)

In 1H06, Net Income reached R\$ 612 million, with 53% growth over 1H05 (R\$ 401 million)

EBITDA<sup>1</sup> – last twelve months (R\$ million)

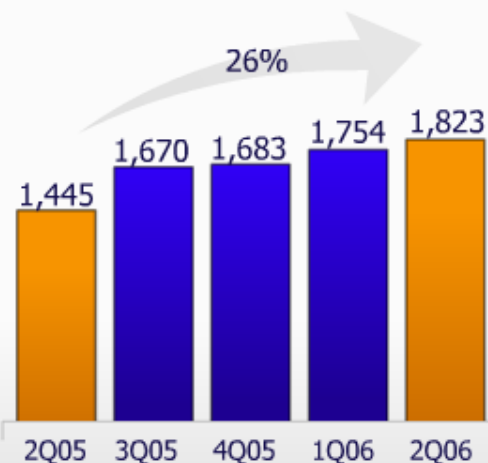


Net Income – last twelve months (R\$ million)



# The three business units contribute positively for the Group's results

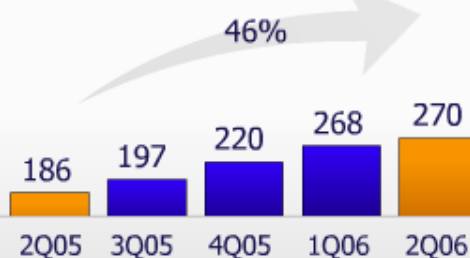
## Distribution



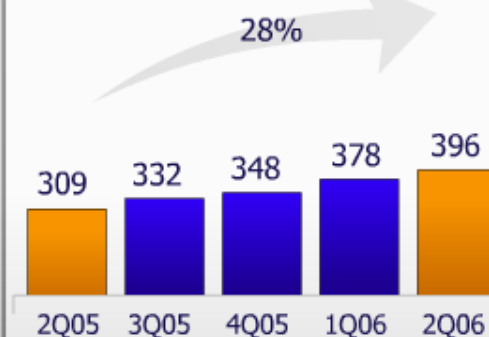
## Comercialização



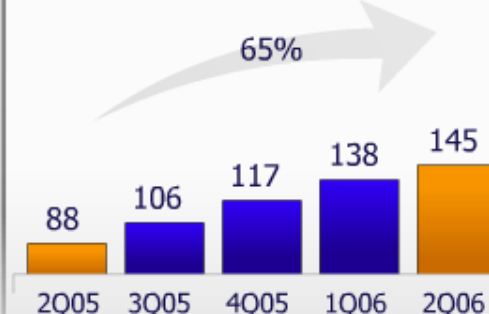
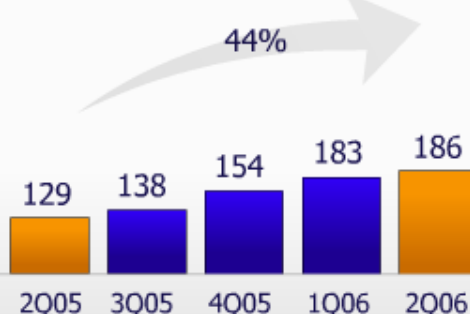
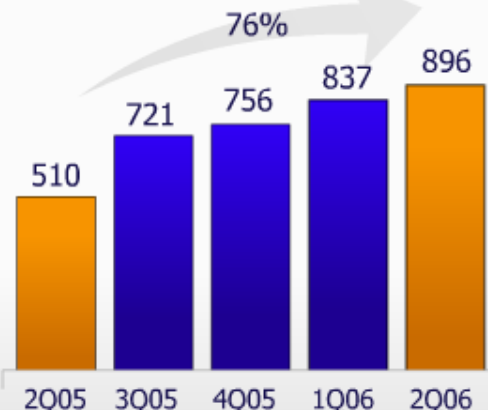
### EBITDA<sup>1</sup> last twelve months (R\$ million)



## Generation



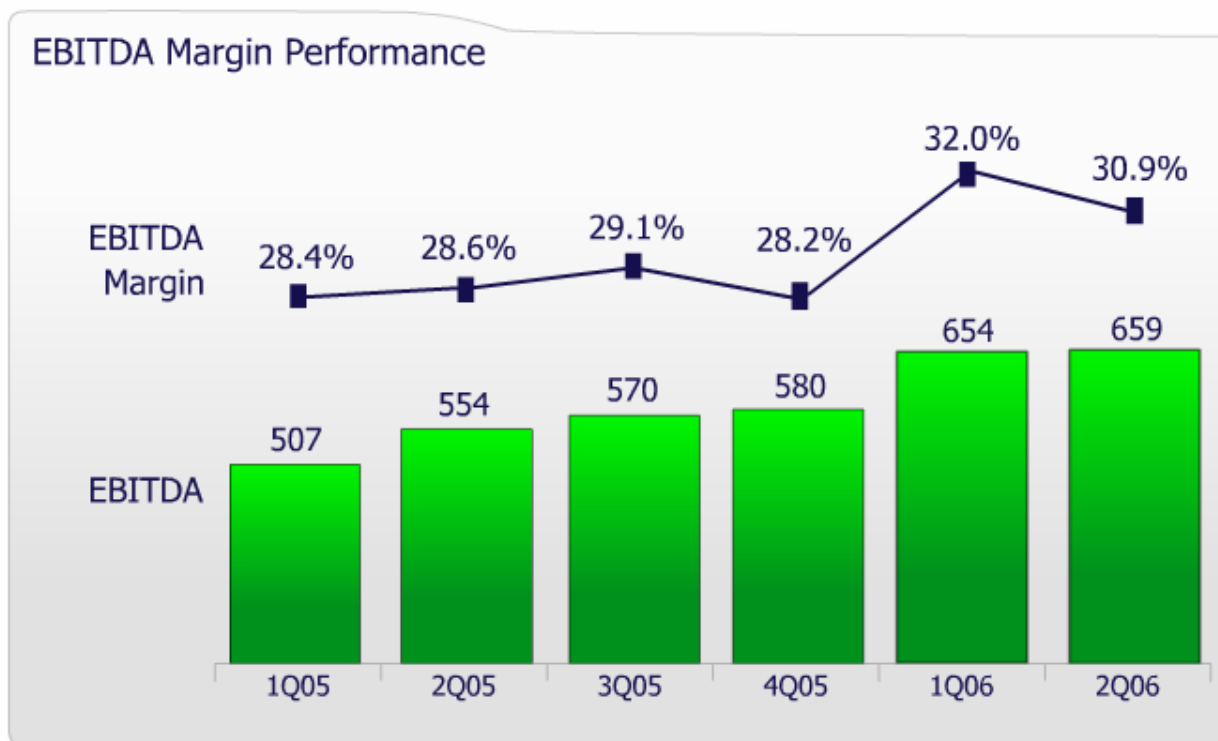
### Net Income last twelve months (R\$ million)



<sup>1</sup> 4Q05, 1Q06 E 2Q06 EBITDA excluding non-recurrent effects from 4Q05 (distribution and generation)

In 2006, CPFL Energia's EBITDA margin exceeded 30%

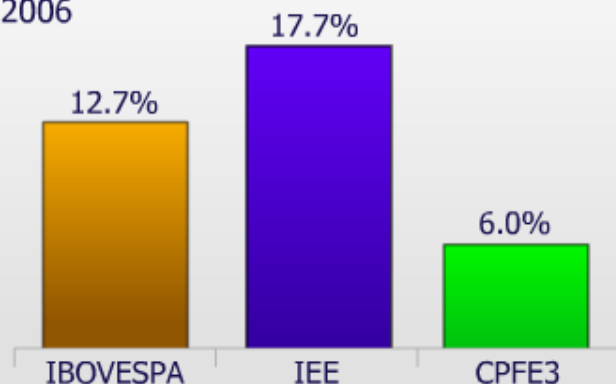
Highlights and Results – CPFL Energia



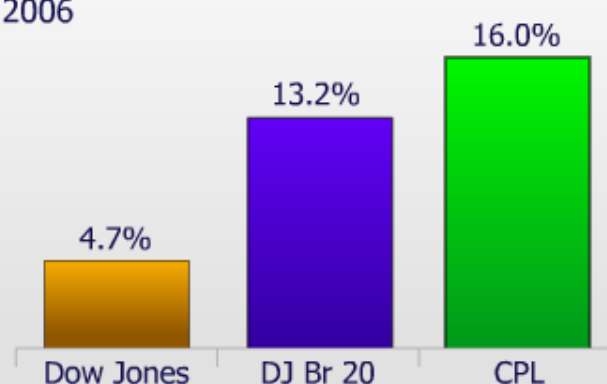
	2005	1H06
<b>CPFL Energia</b>	<b>28.6%</b>	<b>31.4%</b>

## CPFL Energia share's performance in capital markets

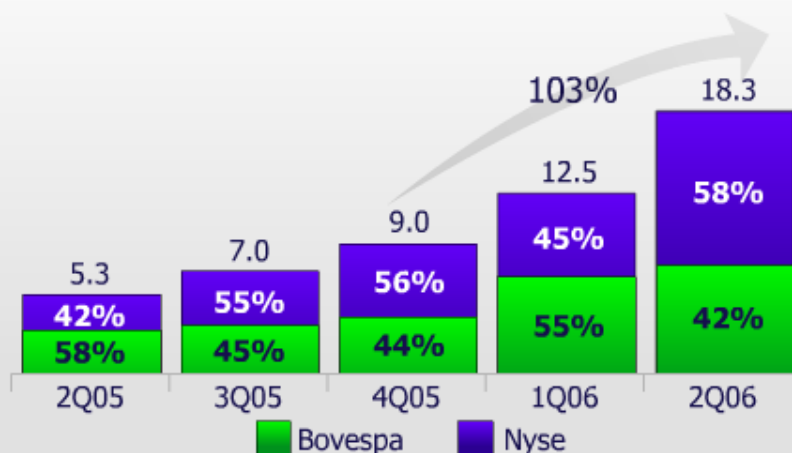
Shares Performance BOVESPA<sup>1</sup>  
2006



Shares Performance NYSE<sup>1</sup>  
2006



Daily average volume - R\$ million



- 103% increase in daily average traded volume and 73% growth in number of trades in 1H06
- In 2Q06, daily average traded volume represented 1.2% of the free float<sup>2</sup>, compared to 0.7% in 2005



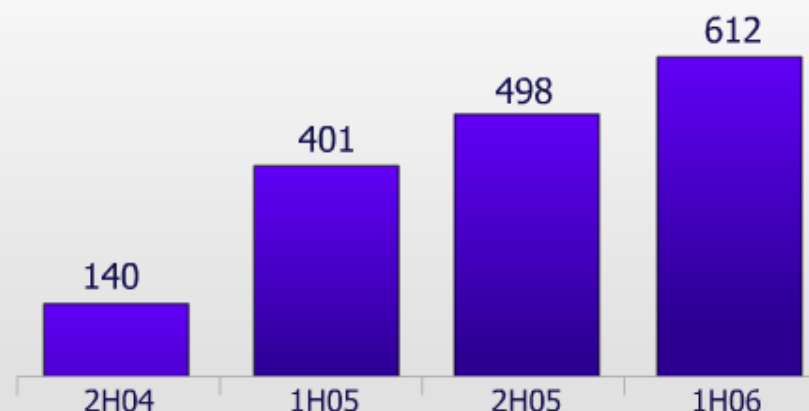
## Shareholder's Return Commitment

100% of CPFL's net income is distributed as dividends,  
R\$ 612 million in 1H06

Dividend pay-out of 95% of the net income exceeds minimum payment policy of 50% on a semi-annual basis

Since the IPO (2H04), CPFL Energia's dividend yield has reached 20.3%<sup>1</sup>

Dividends Paid - R\$ million



Six-month Dividend Yield

Average price 1H06: 4.3%

End-of-period price 1H06: 4.8%

Dividend Yield combined with the group growth make CPFL an attractive investment option

Wide analyst coverage, with 16 institutions issuing reports on the Company



IR Magazine Awards Brazil  
2006 – Best Investor Relations Performance by a CEO/CFO  
Honorable Mention – Best Corporate Governance



Agência Estado Corporate Rankings  
8<sup>th</sup> Best Company in which to invest



Selo Assiduidade APIMEC - SP – 4 years



Selo Assiduidade APIMEC - Sul – 1 year

Highlights and Results – CPFL Energia

Value Creation Agenda



## Synergic Growth

- Distribution: Strong market basis
- Generation: Guarantee of PPA's
- Commercialization: Free clients retention and maintenance of the results

## Differentiated Corporate Governance

- Single class of shares: 100% tag along
- Commitment to float increase
- Dividend policy



## Operating Efficiency

- Distribution scale gains
- Standardization and processes certification
- System automation and modernization
- Call Center

## Sustainability and Corporate Responsibility

- Internal public development, capacity and mobilization
- Contribution to the social, economical and cultural communities development

## Financial Discipline

- Leverage management: rating between BBB and AA
- Management focused on value creation for the shareholder, using GVA® methodology

## Synergic growth with the acquisition of 32.69% stake in RGE and the company's control

Process approved by ANEEL in May/06



### Consolidation of results:

- Balance Sheet from January 01<sup>st</sup>, 2006
- Income Statement from June 01<sup>st</sup>, 2006

### Plan to capture synergies to be concluded in Oct/06, with the implementation of CPFL processes standards :

- Scale gains: management, engineering, supply and corporate processes
- Gains from improvement operational and administrative procedures
- Improvement in service quality
- Gains in cash management
- Reduction of commercial loss and delinquency levels
- Tax credits

The above initiatives should have a positive impact on the Group's results, generating short and mid-term gains

# Acquisition of CEEE's 11% stake in Foz do Chapecó □HPP

Payment of R\$ 8.8 million for the acquisition

Value Creation Agenda

## Stockholders' Equity

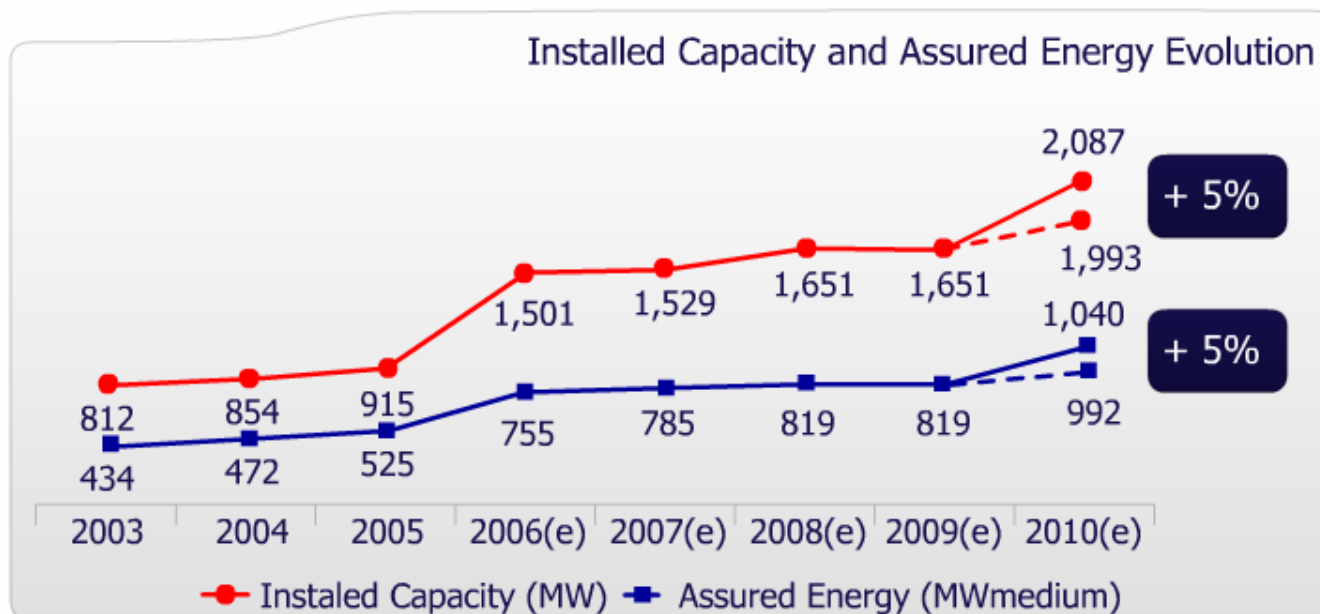
	Before Acquisition		After Acquisition
CPFL Geração	40%	11% →	51%
CEEE	20%		9%
Chapecoense	40%		40%

## CPFL Energia Impacts

	Before Acquisition		After Acquisition
Installed Capacity – MW	342	94MW →	436
Assured Energy – MWmedium	173	48MW →	220
Capex <sup>1</sup> – R\$ million	833	230 <sup>1</sup> →	1,063

If this amount of energy was sold in the last energy auction (R\$ 130/MWh), it would generate an annual revenue of around R\$ 55 million

With this acquisition, the Group's installed capacity will reach 2.1 thousand MW in 2010



With the beginning of the construction in 4Q06 and the commercial operations start-up scheduled for 2010, this acquisition increases the Group's assured energy for 1,040 MWmedium, 120% above 2004

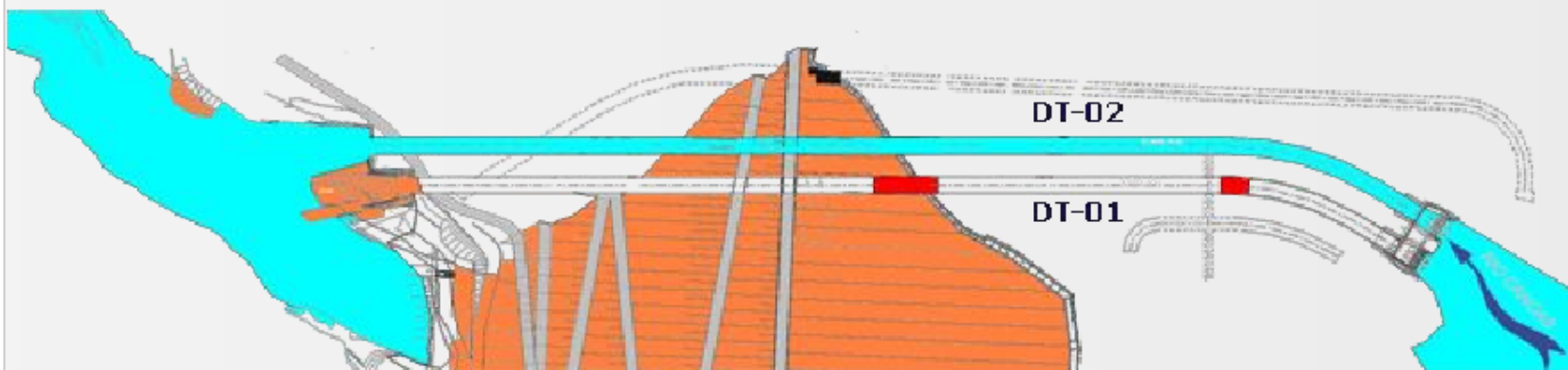


General view of dam and diversion tunnels

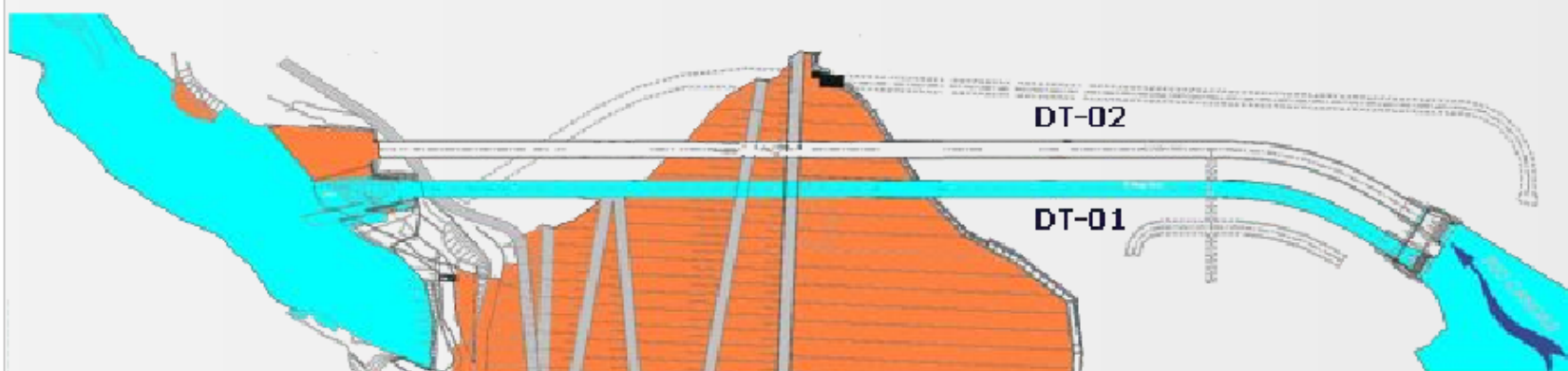
- The Diversion tunnel is a temporary structure made to deviate the river and enable the dam construction
- After the dam construction, the entrance of the tunnel was closed with steel gates and then the reservoir filling was initiated
- The next step would be the definitive closing of the tunnels, filling part of them with concrete. The work on closing tunnel 01 was almost complete, when the leakage in tunnel 02 occurred, which emptied the reservoir



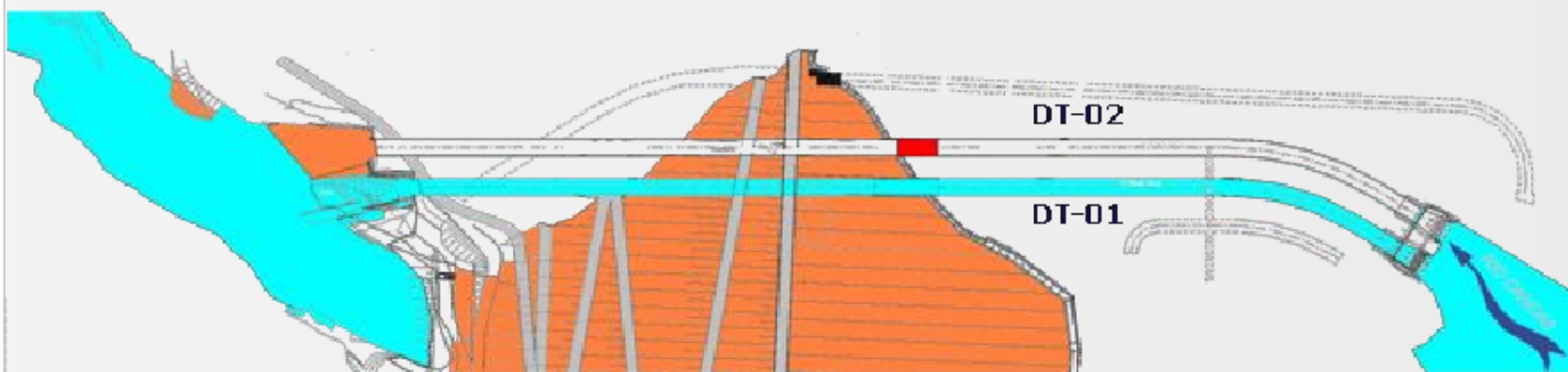
01 – Tunnel 01 blocking removal - Conclusion Aug 11<sup>th</sup>, 2006



02 – Redirection of the river to tunnel 01 and tunnel 02 closing - with concrete - Aug 14<sup>th</sup>, 2006

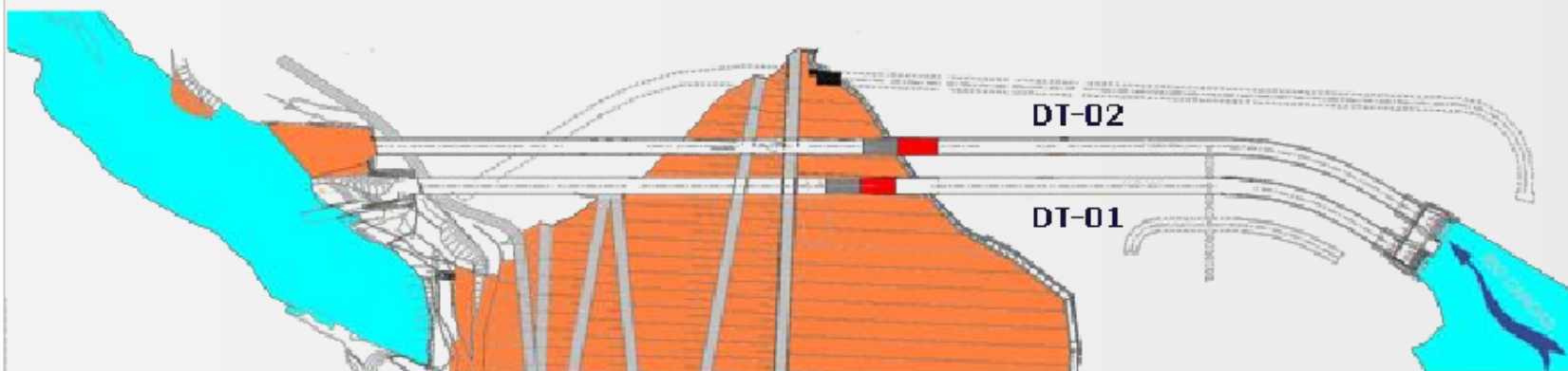


03 - Tunnel 02 Blocking - Conclusion expected Oct 14<sup>th</sup>, 2006



04 - DT-01 Steel gate closing and start-up of reservoir's filling - Expected for Oct 15<sup>th</sup>, 2006

05 - DT-01 Blocking







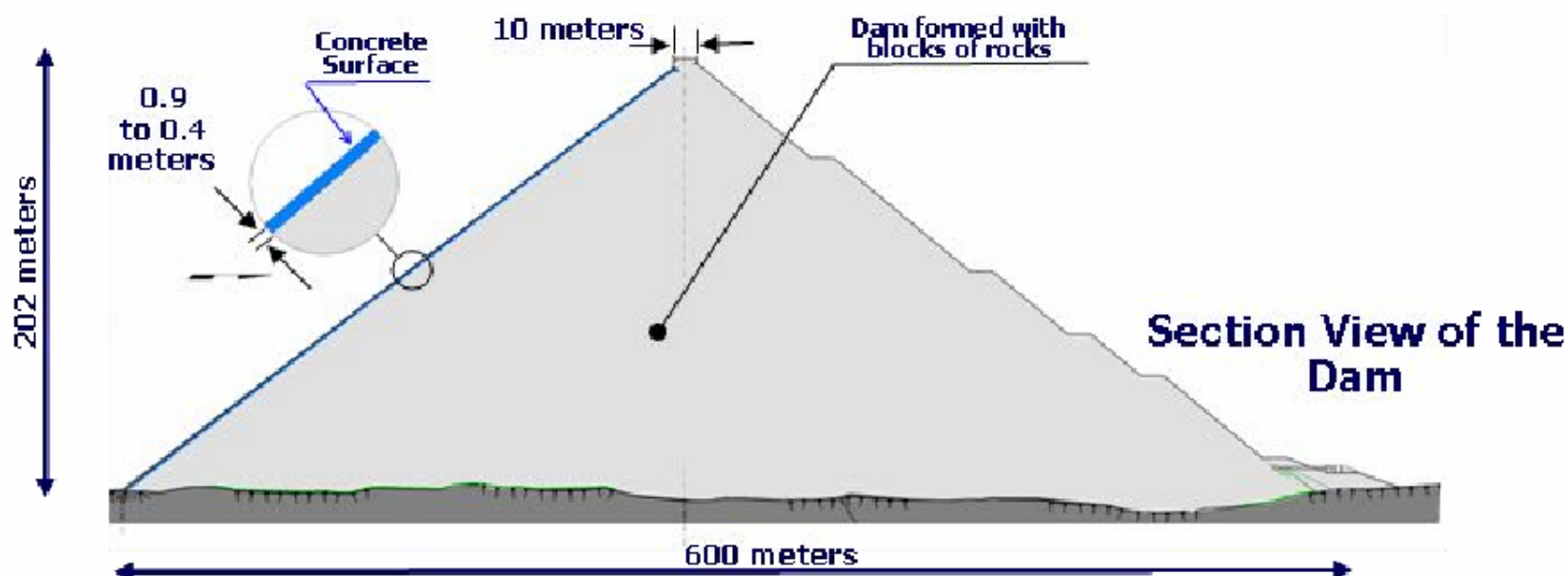
Internal view of the DT1 - removal of the final blocking concrete

- Restart the reservoir's filling: Oct 15<sup>th</sup>, 2006
- Commercial Operation: Nov 22<sup>th</sup>, 2006



Internal view of the turbine room

- The concrete surface has the unique function of stopping the water flow, not has a structural function
- The fissures do not represent risk for the dam's structure
- If the reservoir had not been emptied, it would be totally possible to carry on with this fissure in the dam's concrete surface
- It will be possible to eliminate these fissures by increasing the width of the concrete structure in this region and with the application of elastic sealants







View of the dam's concrete surface

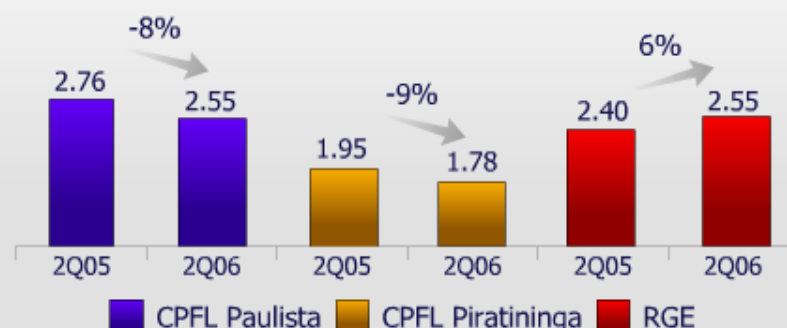
- EBITDA / month: R\$ 12 million
- Net Income / month: R\$ 3.6 million
- Insurances:
  - Engineering Risks: limited in US\$ 233 million
  - Signed Damage Guarantees: limited in R\$ 123 million
- Financing – Grace Period:
  - The financing contracts set the beginning of amortization payments from April, 2007. In this month, the hydro plant should be in commercial operations with sufficient cash to afford the payment

# The solidity achieved by CPFL Energia reflects its operational efficiency and the quality of the markets in which it operates

## Consolidated Distribution

- 73,924 new connections in 2Q06 – average of 24,641 connections/month: 5.3% above the 2Q05 average

Commercial Losses (%)  
last twelve months



- 138 thousand inspections

R\$ 35 million<sup>2</sup> revenues recovery, 38% increase over the 2Q05

Continuous management of delinquency levels

Delinquency<sup>1</sup> (%)  
last twelve months



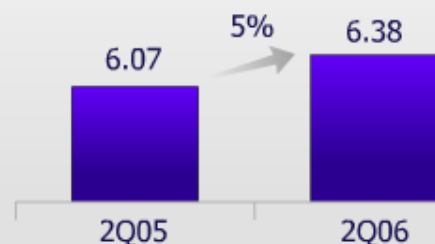
<sup>1</sup> Bills overdue for more than 30 days - % of billing

<sup>2</sup> Considering 100% of RGE

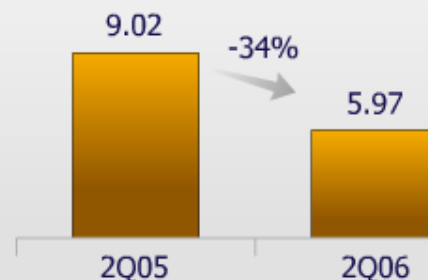
# The solidity achieved by CPFL Energia reflects its operational efficiency and the quality of the markets in which it operates

## Value Creation Agenda

DEC (hours)  
CPFL Paulista



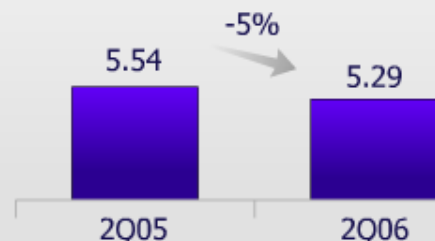
DEC (hours)  
CPFL Piratininga



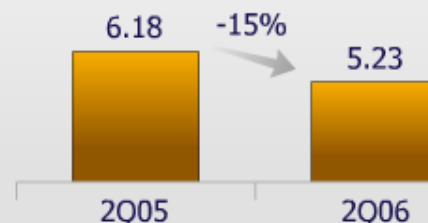
DEC (hours)  
RGE



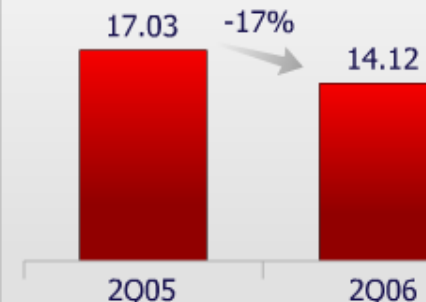
FEC (times)  
CPFL Paulista



FEC (times)  
CPFL Piratininga



FEC (times)  
RGE



CPFL Piratininga has the best DEC and FEC rates in Brazil1  
and CPFL Paulista is in second place in both indexes

## CPFL Paulista is awarded by ABRADÉE as Best Distribution Company in Brasil

CPFL Paulista was chosen for the third time as the **Best Distribution Company in Brazil** and won for the second time in a row the premium of **Management Quality**



### Evaluated Elements:

- Management Quality
- Operating Performance
- Economic and Financial Management
- Customer Satisfaction
- Social Responsibility

### Evaluating Institutes:

- ABRADÉE
- FIPE-USP
- Rio Grande do Sul Quality Institute
- Vox Populi Institute
- Ethos Institute

### Participants:

- 51 electricity distribution companies, which together reaches 99% of electricity consumers in the country

CPFL Piratininga and RGE were all finalists in the "Best Distribution Company in Brazil"<sup>1</sup> category

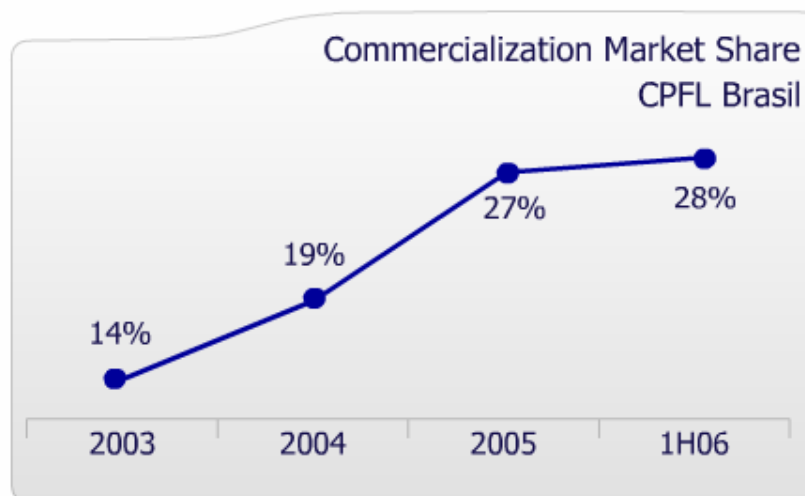


Winner of the Aneel Customer Satisfaction Index 2005 award (IASC)  
Best Distribution Company in the Southeast of Brazil



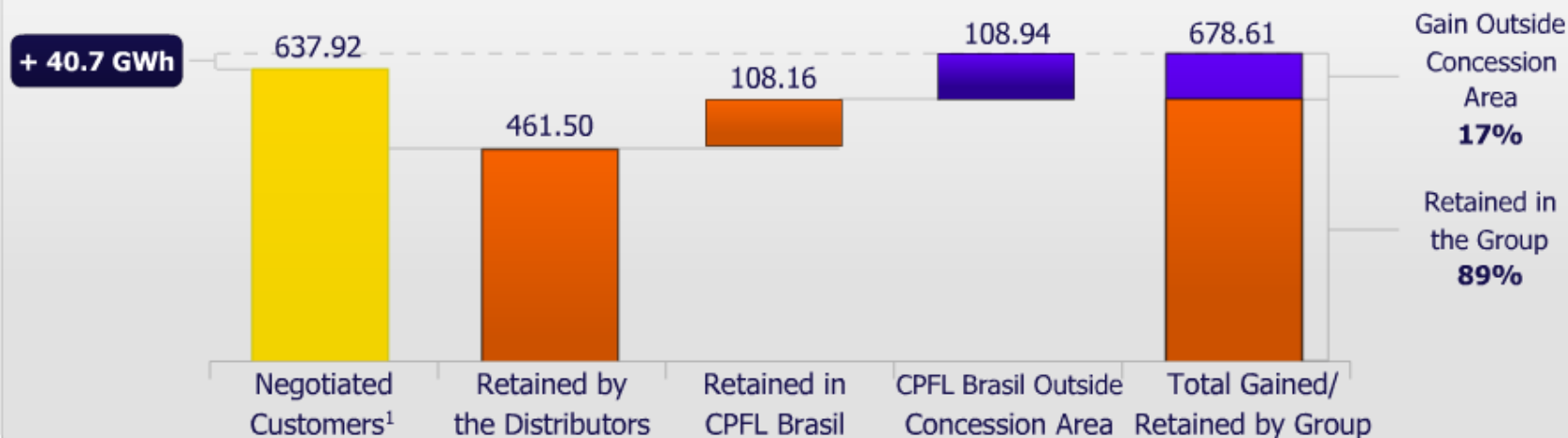


# Commercialization's market-share increase and positive free customers flow balance



Source: CCEE (May, 2006)

## Free customers flow in 2Q06 (GWh)



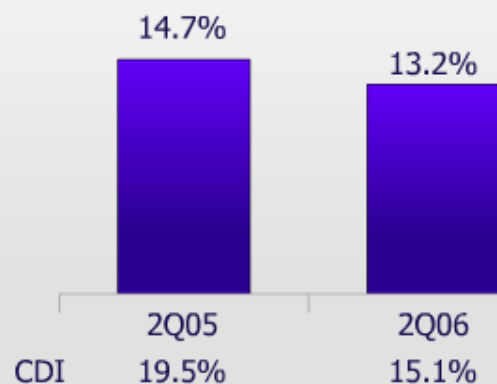
Adjusted net debt<sup>1</sup>  
R\$ million



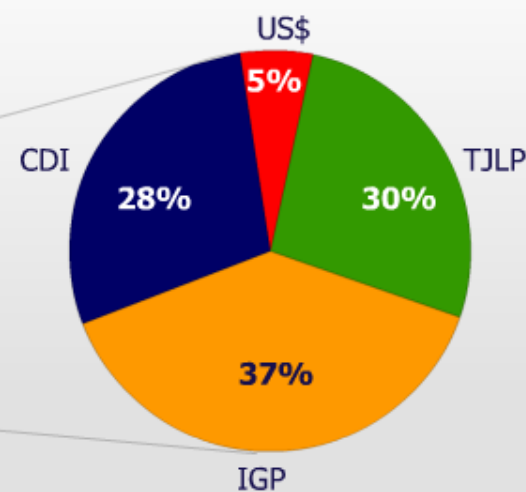
Adjusted net debt<sup>1</sup> / EBITDA<sup>2</sup>  
R\$ million



Nominal cost of debt<sup>3</sup> (% p. a.)



Debt Breakdown – Jun, 2006<sup>3</sup>



<sup>1</sup> Adjusted net debt = total financial debt + private pension fund – cash and cash equivalents – regulatory asset

<sup>2</sup> EBITDA last 12 months

<sup>3</sup> Debt without RTE

## CPFL underlines its commitment to social responsibility and sustainability by promoting two new programs

CPFL Energia innovates with the creation of Programa CPFL Conhecer e Crescer – Managerial Excellence Program for Small and Mid-sized Businesses, and participates as anchor-company in Programa Tear developed by Instituto Ethos and IADB



- Disseminating the Excellence and Social Responsibility Criteria for small and mid-sized businesses located in CPFL Paulista and CPFL Piratininga areas
- Focus in competitiveness and profitability increase to assure business sustainability
- 14 seminars in 2006
- 3000 participant companies

### Institutional Partners



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- Programa Tear aims at fostering and increasing sustainability, productivity and market opportunities for small and micro-sized Brazilian companies, sharing CPFL's good social and corporate responsibility practices.
- 8 large companies of electricity, steel, retail, oil and gas, civil construction, mining and sugar and alcohol sectors, adhered to the program.
- Reaching entrepreneurs from more than 800 companies

# Outstanding features of a Group focused on value creation

CPFL Energia: the largest private sector company in the industry

## Value Creation Agenda



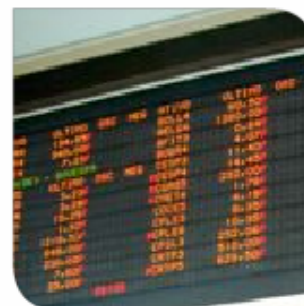
### Synergic growth

- Acquisition of 32.69% of RGE
- Acquisition of 11% of Foz do Chapecó HPP



### Operating efficiency

- Benchmark in operating indicators:
  - CPFL Piratininga and CPFL Paulista have Brazil's best DEC and FEC rates
  - ABRADÉE Award – CPFL Paulista



### Financial discipline and value creation to shareholder

- Capital structure management : net debt/EBITDA < 2
- Dividends distribution of R\$ 612 million – six-month dividend yield of 4.8%



### Sustainability and social responsibility

- Listed on the Corporate Sustainability Index (ISE) - Bovespa
- New programs: Tear and Conhecer e Crescer



### Corporate governance

- Election of the Board of Directors' independent member



2Q06