

# 1Q15 Results

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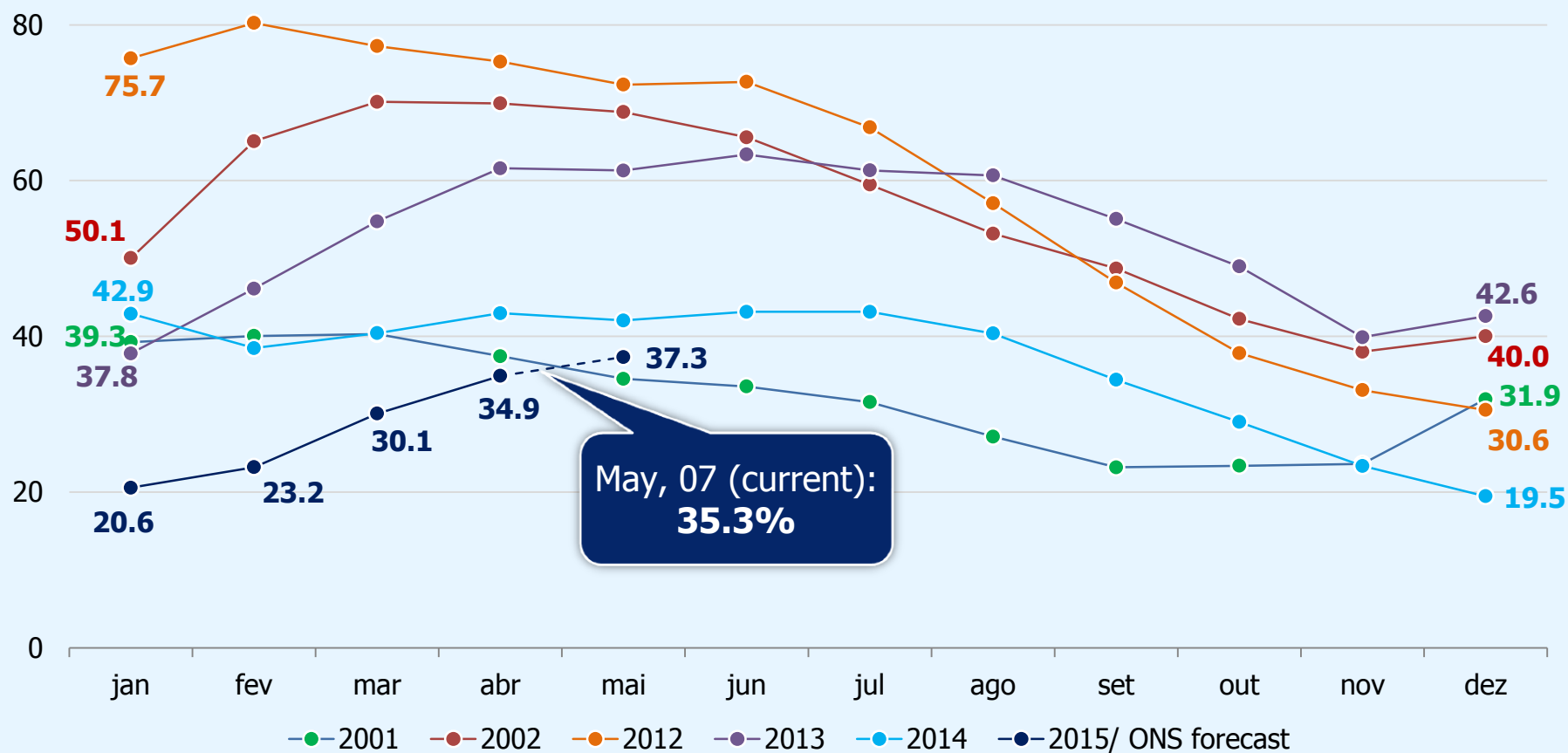


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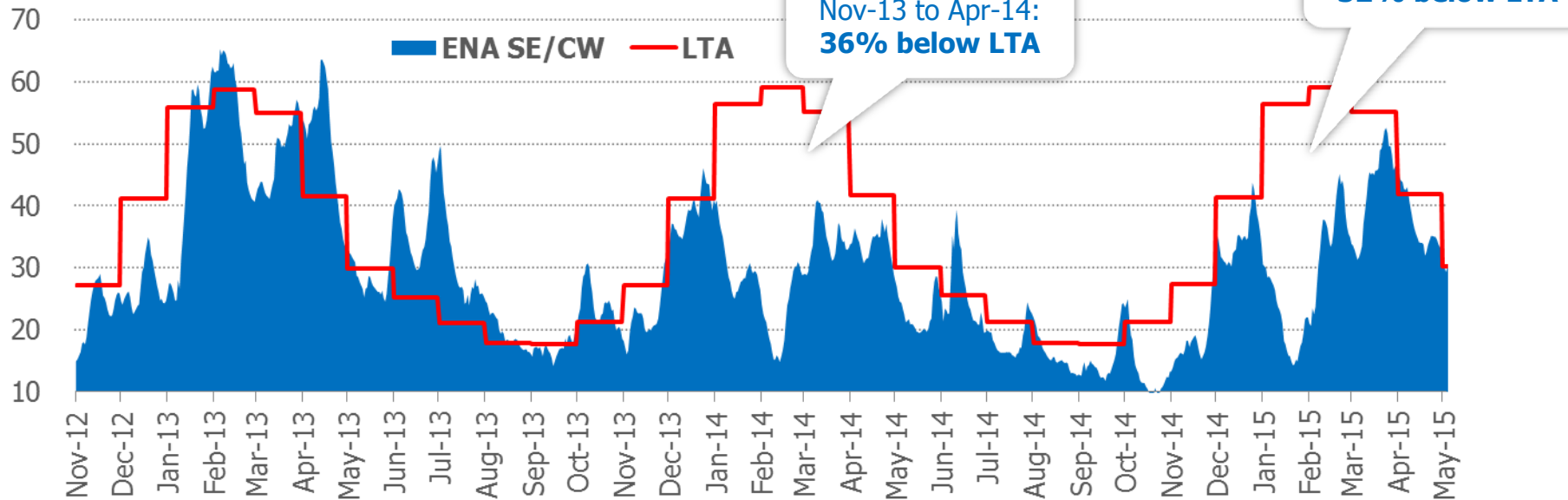
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## ► NIPS Reservoir Levels | %



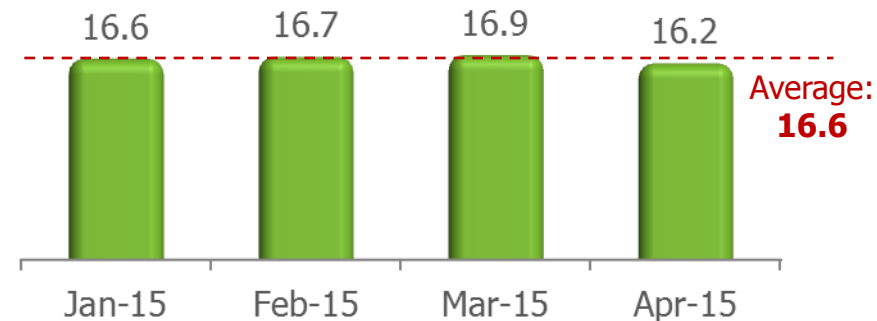
## ► Natural Inflow Energy (ENA) | SE/CW | GW average



## ► ENA in 2014 and 2015 | % LTA

	2014	Jan	Feb	Mar	Apr	May <sup>1</sup>
<b>SE/CW</b>	68%	39%	59%	78%	89%	100%
<b>South</b>	144%	215%	140%	114%	106%	107%
<b>NIPS</b>	<b>81%</b>	<b>54%</b>	<b>61%</b>	<b>73%</b>	<b>84%</b>	<b>97%</b>

## ► Thermal Dispatch | GW average

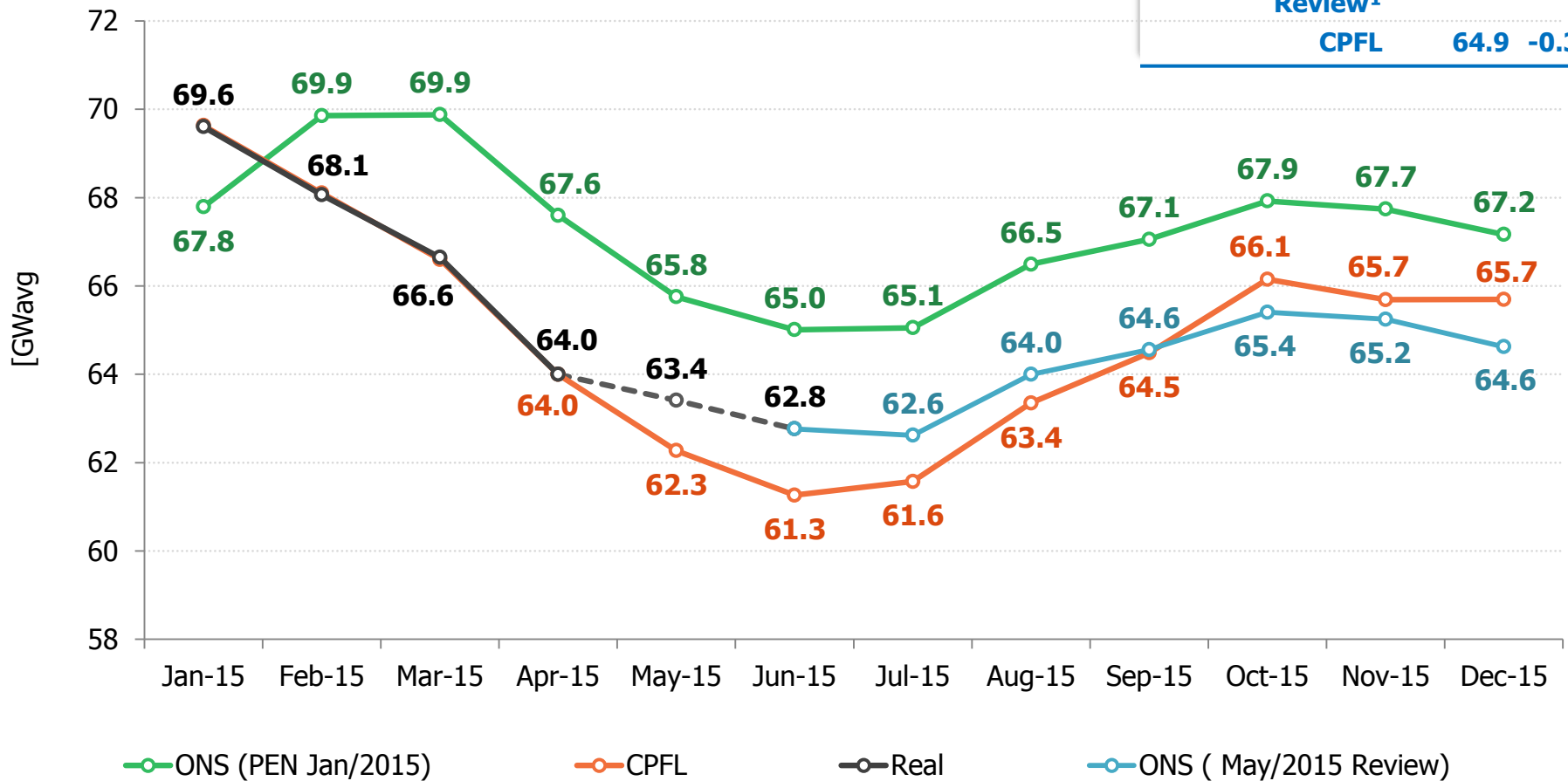


1) ONS forecast for May/15 – RV1

## ► NIPS Load in 2015

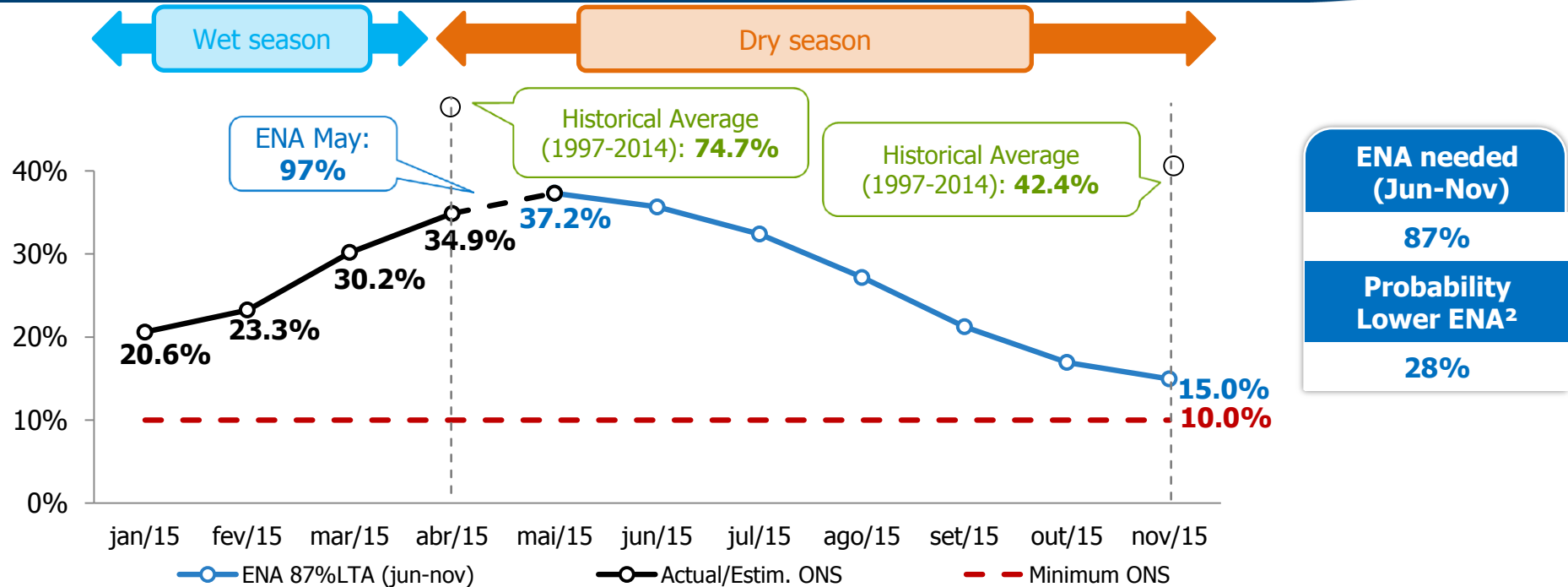
**ONS forecast (May-2015) in line with CPFL Energia forecast**

	GWavg	%
2014	65.1	
ONS (PEN 2015)	67.3	+3.3%
May-2015 Review <sup>1</sup>	65.1	0.0%
CPFL	64.9	-0.3%

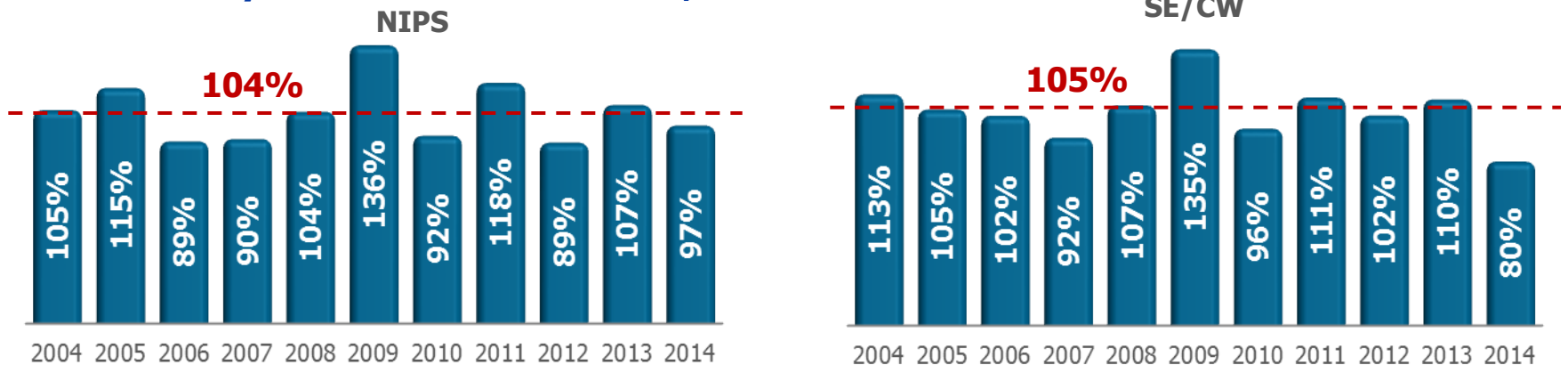


1) Including real figures in the period Jan-Apr/15

# 2015 Outlook | Scenarios for reservoir levels<sup>1</sup>



## ► ENA for the dry Season<sup>3</sup> – 2004 to 2014 | % LTA



1) Considers the generation of Uruguiana TPP until May-2015, partially back from Aug-2015 on with 240 MW.

2) Probability considers the historical series. 3) May to November of each year.

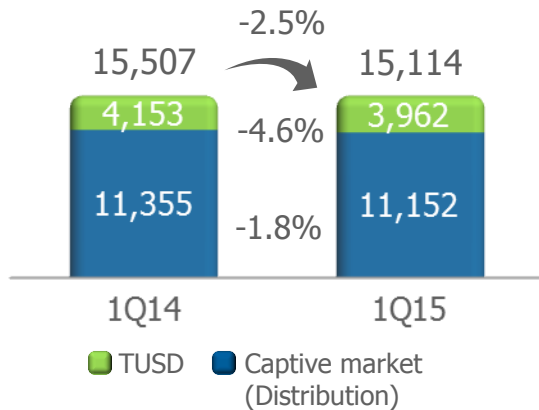


- Reduction of 2.5% in sales in the concession area - residential (+0.2%), commercial (+0.5%) and industrial (-5.1%)
- Investments of R\$ 331 million in 1Q15
- Anticipation of commercial start-up of Morro dos Ventos II wind farm – CPFL Renováveis (Abr/15)
- Boa Vista II SHPP project, with 26.5 MW of installed capacity and 14 average-MW of assured energy, was winner in the 21<sup>st</sup> LEN - A-5 Auction (Apr-15)
- CPFL Paulista's tariff readjustment, in Apr-15, with an average effect of 4.67% on consumer billings
- Definition of the 2<sup>nd</sup> phase of Public Hearing nr. 23 (methodology of the 4<sup>th</sup> Cycle of Tariff Revision) in Apr-15
- Approval of the proposal of increase of capital through stock dividend; new shares distributed to shareholders on May 6, 2015
- CPFL Energia's shares were up 10.7% on BM&FBOVESPA and down 8.4% on NYSE in 1Q15
- CPFL Energia released on March 30 its 2014 Annual Report, based on the GRI G4 guidelines and, for the 1<sup>st</sup> time, on the IIRC structure

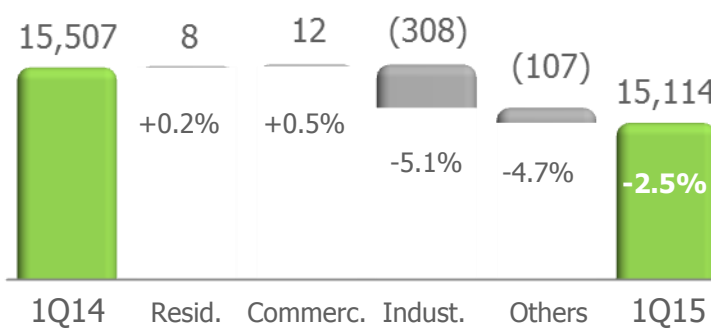


# 1Q15 Energy sales

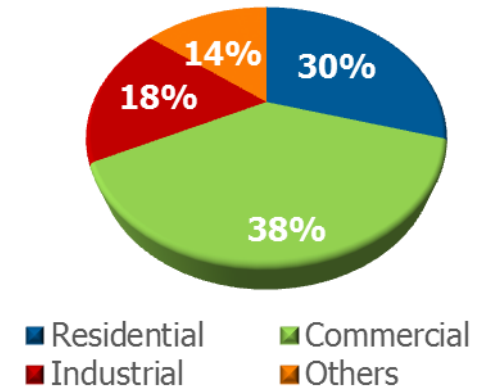
## ► Sales in the concession area | GWh



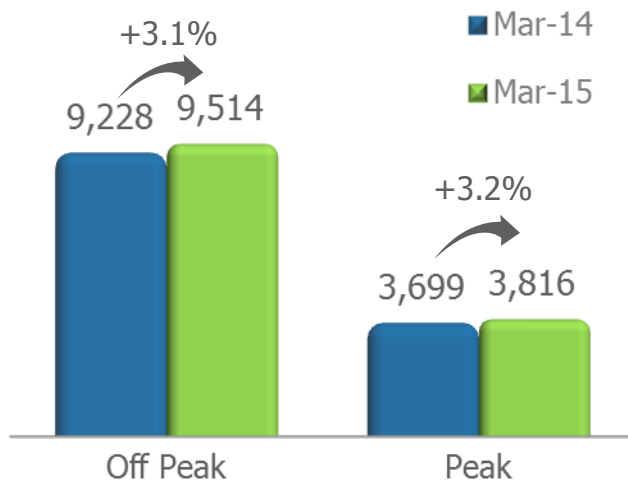
## ► Sales by consumption segment | GWh



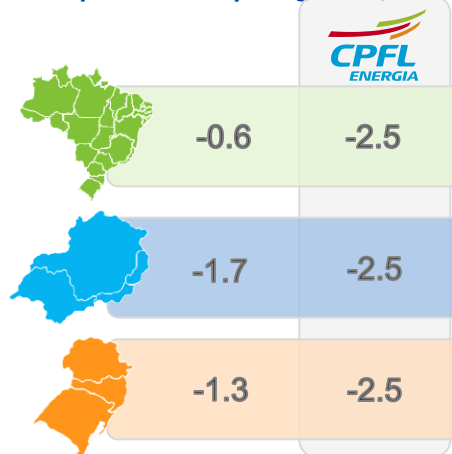
## ► Market Profile in concession area | 1Q15



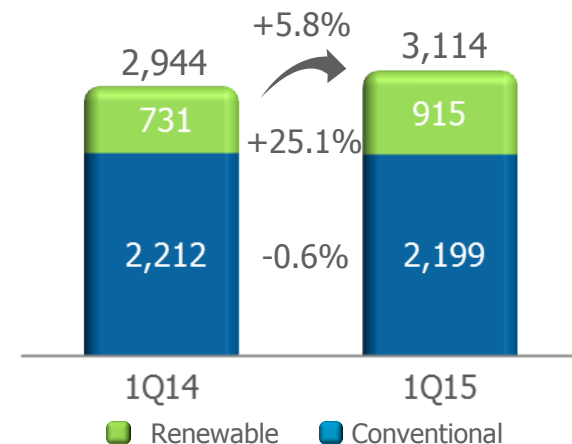
## ► Contracted Demand | MW



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



## ► Generation Installed Capacity<sup>1</sup> | MW



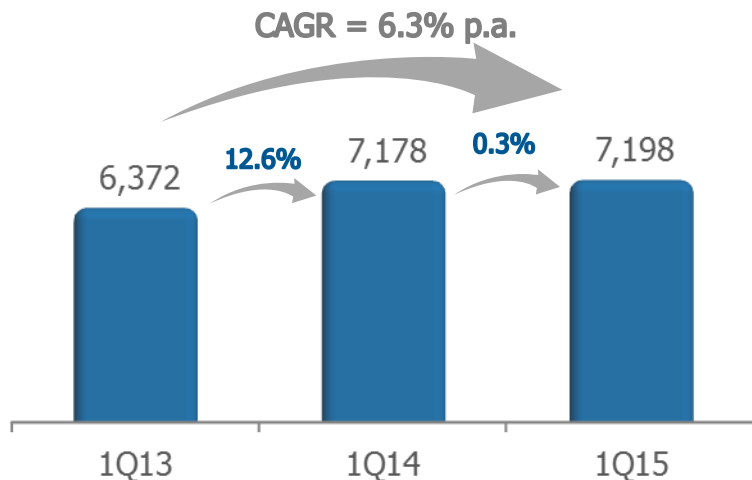
1) Take into account CPFL Energia's 51.6% stake in CPFL Renováveis



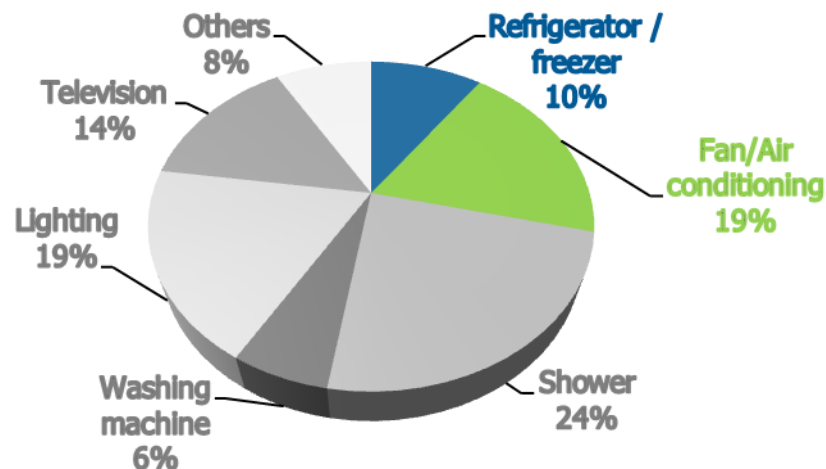
# Residential and Commercial Segments

Disregarding the 2014 record high temperatures, the average growth keeps historical pace

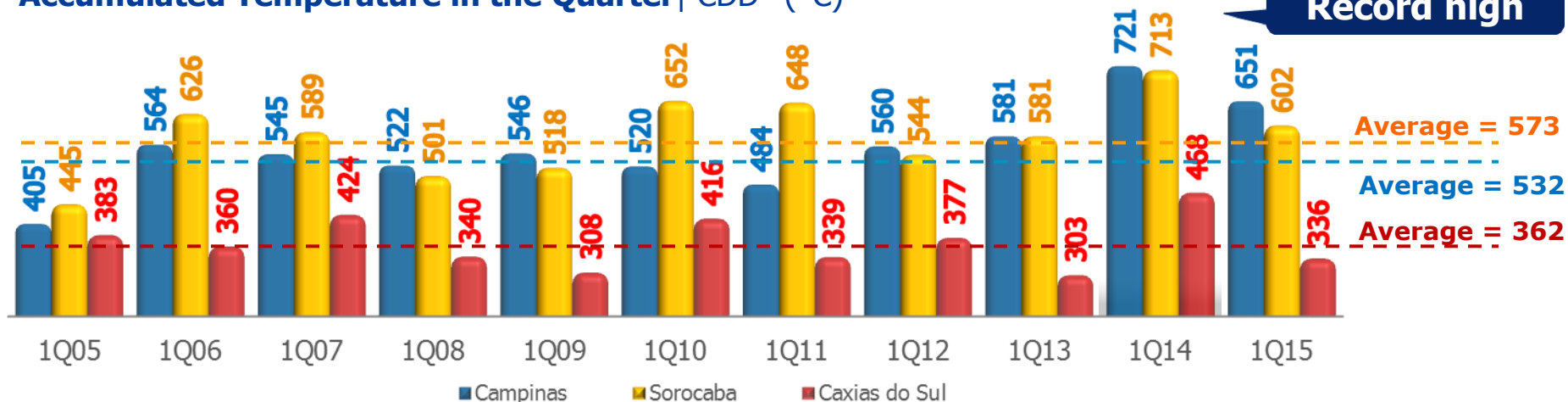
## ► Annual growth of Residential and Commercial Segments | GWh



## ► Breakdown of electrical equipment in total residential consumption | CPFL Paulista and Piratininga (2014)



## ► Accumulated Temperature in the Quarter | CDD<sup>1</sup> (°C)<sup>2</sup>



1) CDD - Cooling degree days: index used to measure the temperature and its effect over power market. This methodology consists on the sum, day by day, of the values that correspond to the positive difference between the average daily temperature and the threshold of 18 °C. 2) Source: Somar Meteorologia.

# 1Q15 Results

IFRS

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

## Net Revenues<sup>1</sup>

 **35.3%**  
**R\$ 1,321 million**

1Q14	1Q15
<b>R\$ 3,739</b>	<b>R\$ 5,059</b>
million	million

 **30.6%**  
**R\$ 1,179 million**

1Q14	1Q15
<b>R\$ 3,851</b>	<b>R\$ 5,030</b>
million	million

## EBITDA

 **23.5%**  
**R\$ 185 million**

1Q14	1Q15
<b>R\$ 787</b>	<b>R\$ 972</b>
million	million

 **5.5%**  
**R\$ 60 million**

1Q14	1Q15
<b>R\$1,086</b>	<b>R\$ 1,146</b>
million	million


























## Net Income

 **-18.4%**  
**R\$ 32 million**

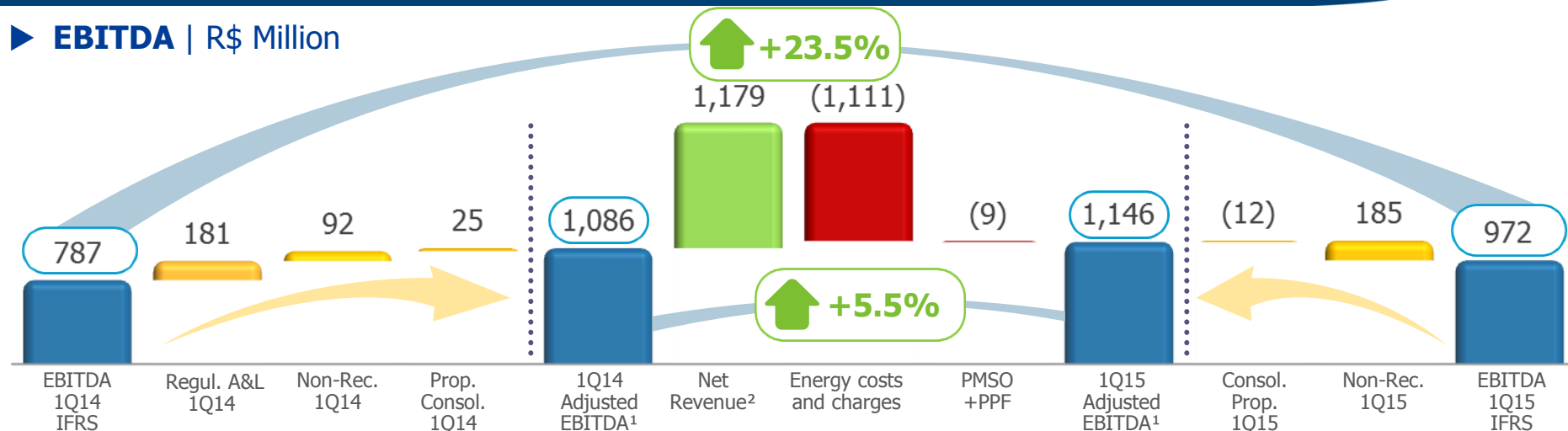
1Q14	1Q15
<b>R\$ 174</b>	<b>R\$ 142</b>
million	million

 **-24.1%**  
**R\$ 95 million**

1Q14	1Q15
<b>R\$ 396</b>	<b>R\$ 300</b>
million	million

	EBITDA		Net Income	
	1Q14	1Q15	1Q14	1Q15
<b>Proportionate Consolidation of Generation (A)</b>	 25	 12	 5	 26
<b>Sectorial Financial Assets &amp; Liabilities (in 4Q) (B)</b>	 181		 123	
GSF and energy purchase (CPFL Geração and CPFL Renováveis)	 65	 155	 57	 112
Reallocation of costs with basic network losses - CCEE	 14		 9	
Effective tax PIS/COFINS adjustment	 13	 30	 9	 20
MTM Law 4,131 – Distribution segment			 17	
<b>Non-recurring items (C)</b>	 92	 185	 93	 132
<b>Total (A+B+C)</b>	 298	 174	 221	 158

## EBITDA | R\$ Million



### + 30.6% increase in Net Revenues<sup>2</sup> (R\$ 282 million)

- + Distribution (R\$ 1,283 million) **Itaipu exchange rate variation: R\$ 75 million**
- + CPFL Renováveis (R\$ 45 million)
- Conventional Generation (R\$ 116 million) and Commerc./Services (R\$ 33 million)

### - 51.0% increase in Energy Costs and Charges (R\$ 1,111 million)

- Distribution (R\$ 1,189 million) and CPFL Renováveis (R\$ 33 million)
- + Conventional Generation (R\$ 98 million) and Commercialization (R\$ 12 million)

### - 1.5% increase in Operating Costs and Expenses<sup>5</sup> (R\$ 9 million)

- PMSO Services (R\$ 10 million)
  - + Acquisition of fuel oil for EPASA (R\$ 9 million)
- RECEITA ASSOCIADA**

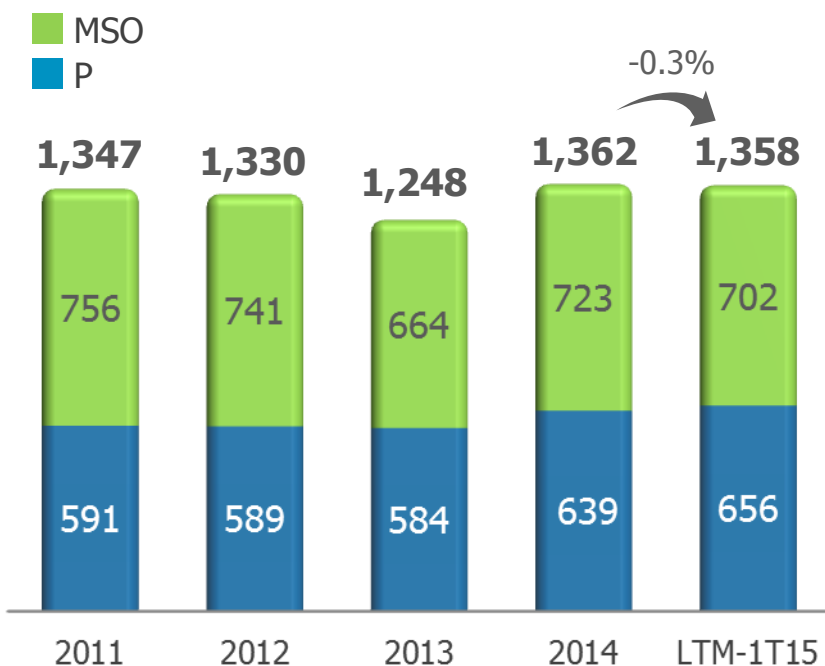
- Personnel (R\$19 million) – Labor Agreement (R\$11 million), Profit Sharing Program (R\$3 million) and insourcing (R\$ 4 million)
- Material and Services (R\$ 14 million)
- + Others (R\$ 30 million) – assets write-off (R\$ 11 million), legal and judicial indemnities (R\$ 7 million), inspection fee (R\$ 6 million) and others (R\$ 6 million)

Distribution		
Sectorial financial A&L	+	R\$ 536 MN
Tariff flags	+	R\$ 307 MN
Tariff effect	+	R\$ 436 MN
Market	-	R\$ 50 MN
Others	+	R\$ 53 MN
<b>Total</b>	+	<b>R\$ 1.283 MN</b>

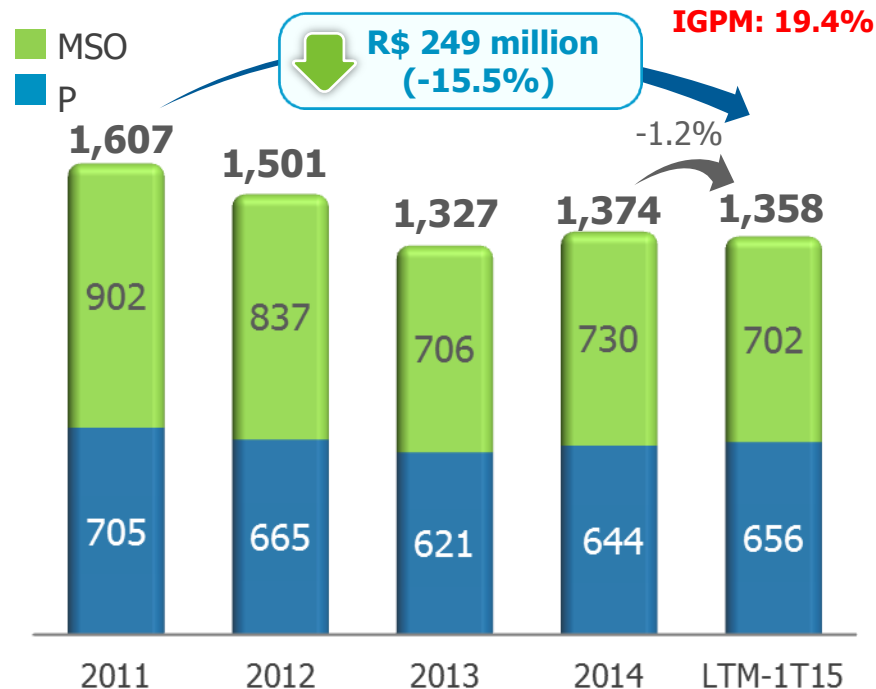
	1Q14	1Q15
<b>PLD (R\$/MWh)<sup>3</sup></b>	674.63	388.48
<b>R\$/US\$<sup>4</sup></b>	2.26	3.21

1) Take into account proportionate consolidation of projects; 2) Disregard construction revenues; 3) Average PLD SE/CW; 4) Exchange rate (US\$) - end of the period; 5) Take into account Private Pension Fund.

## ► Nominal Adjusted PMSO | R\$ Million



## ► Real Adjusted PMSO<sup>1</sup> | R\$ Million

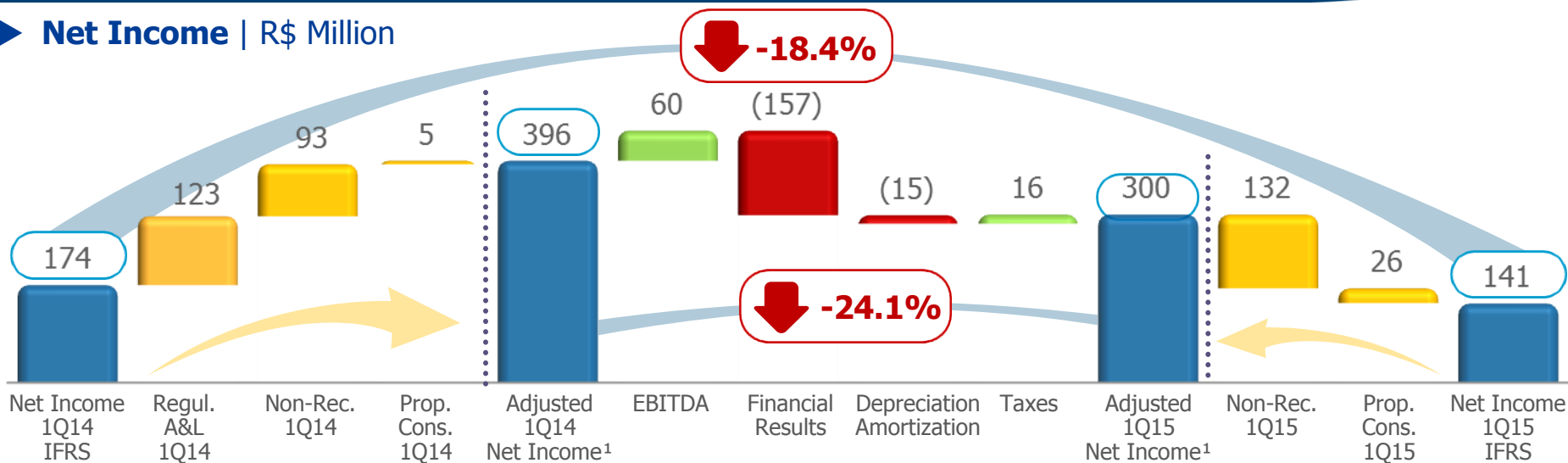


**PMSO decreased by 15.5% (R\$ 249 million) in real terms**

- **6.9%** decrease in Personnel (R\$ 49 million)
- **22.2%** decrease in MSO (R\$ 200 million)

1) Mar-15. Variation of IGP-M in the period 2015 x 2011 = 19.4%; 2015 x 2012 = 12.8% and 2015 x 2013 = 6.3% and 2005 x 2014 = 0.9%. 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



### + 5.5% increase in EBITDA (R\$ 60 million)

+ R\$ 1,086 million in 1Q14 to R\$ 1,146 million in 1Q15

### - R\$ 157 million increase in Negative Net Financial Result

- Increase in CDI and debt (R\$ 120 million)

- Itaipu currency variation (R\$ 75 million)

compensated by sectorial financial assets (Revenue)

+ Mark-to-market effect – operations under Law 4,131 – non-cash (R\$ 34 million)

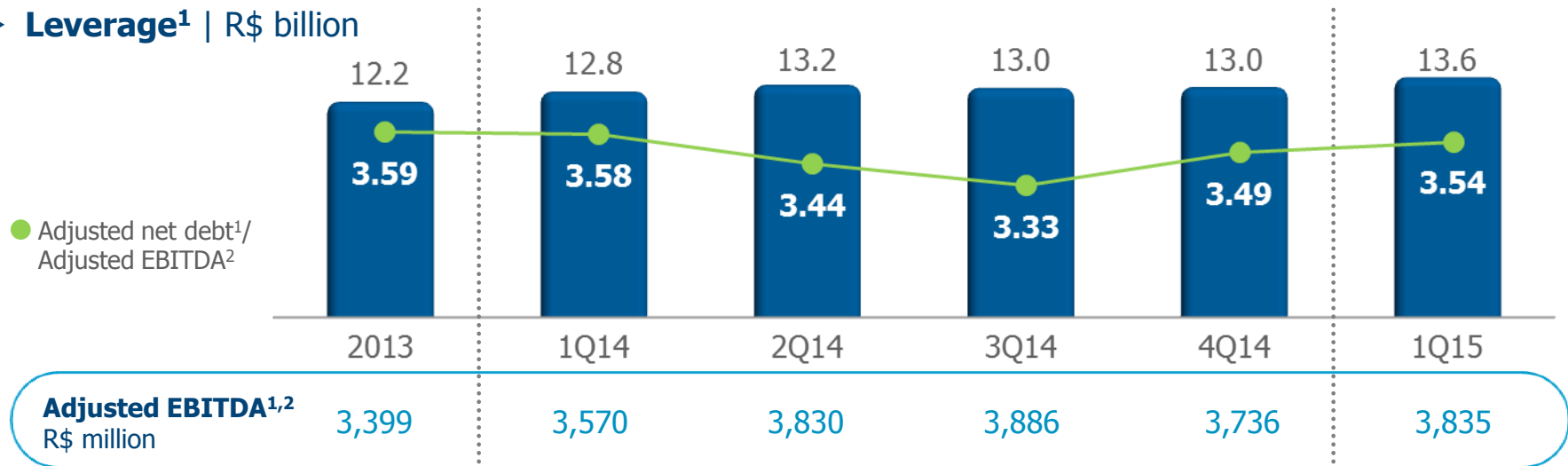
+ Others (R\$ 5 million)

### - 5.6% increase in Depreciation and Amortization (R\$ 15 million)

### + Decrease of Income Tax and Social Contribution (R\$ 16 million)

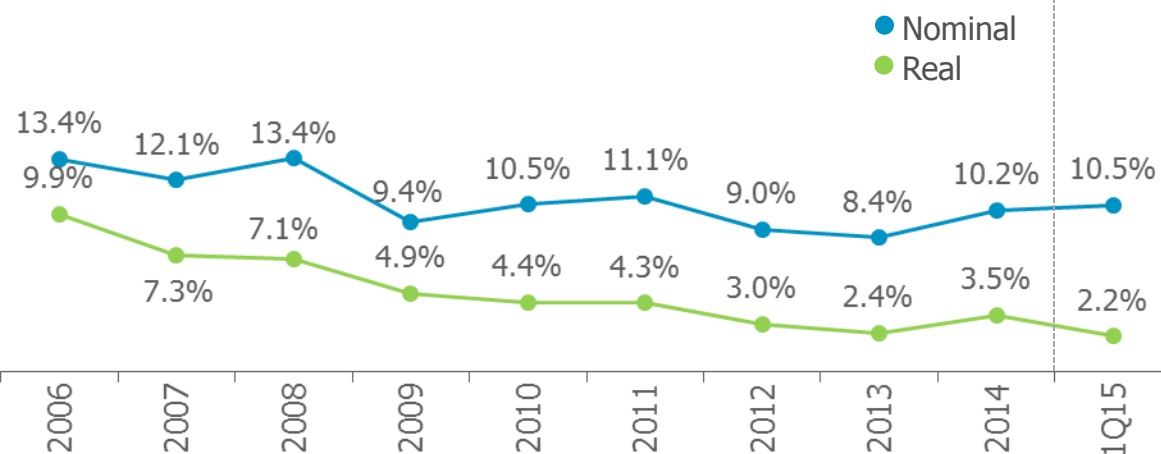
	1Q14	1Q15
CDI	10.3% p.a.	12.1% p.a.
R\$/US\$ <sup>2</sup>	2.26	3.21

## ► Leverage<sup>1</sup> | R\$ billion

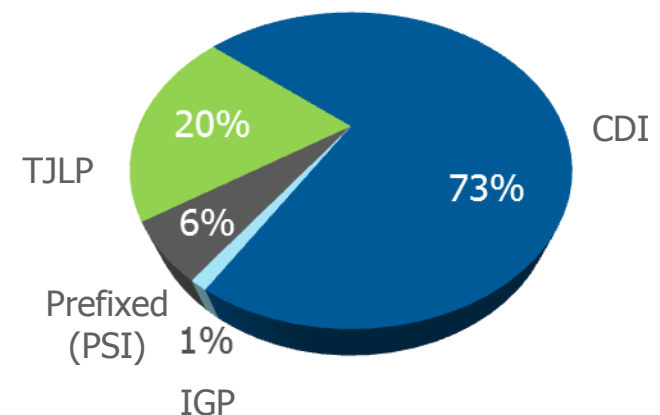


**Tariff Flags and Extraordinary Tariff Review (RTE) will bring improvements in working capital for distributors**

## ► Gross debt cost<sup>3,4</sup> | LTM



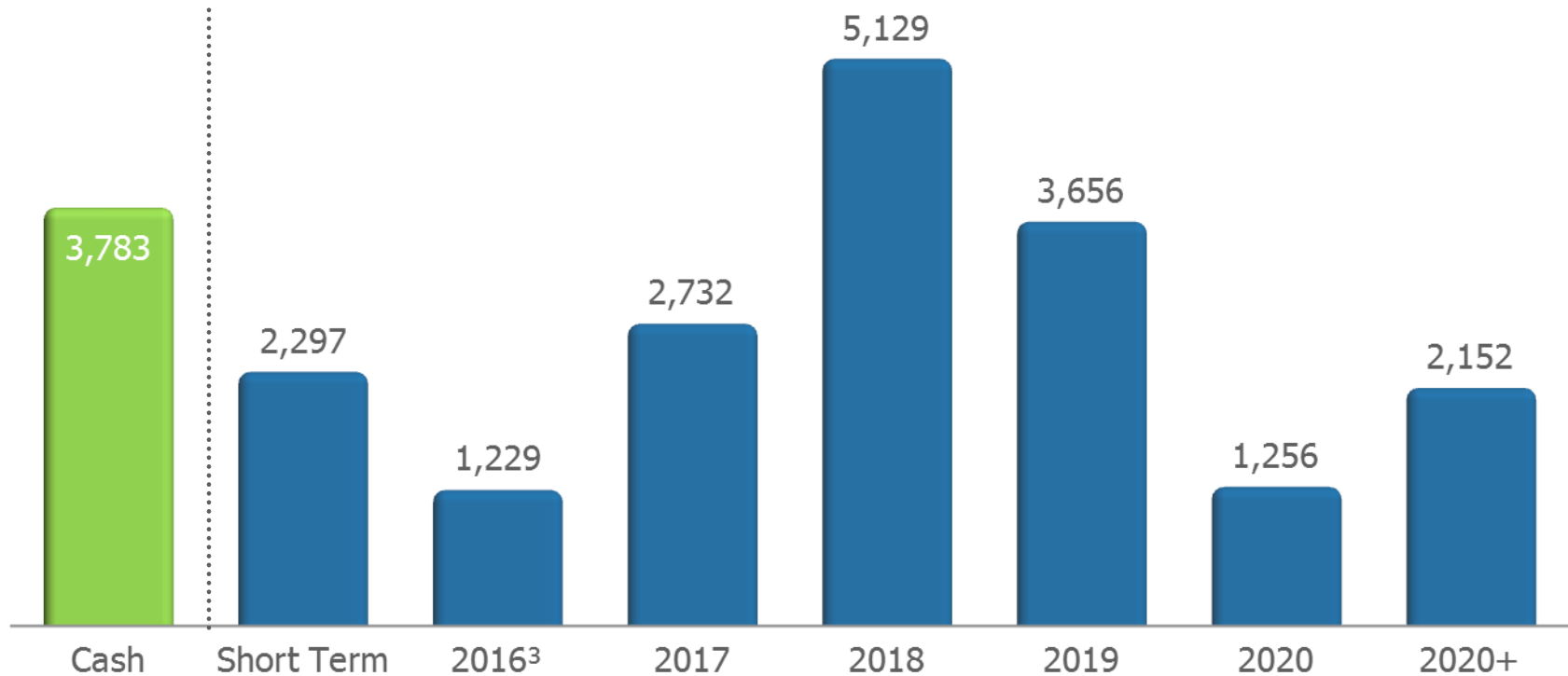
## ► Gross debt breakdown by indexer | 1Q15<sup>1,4</sup>



## ► Debt amortization schedule<sup>1,2</sup> | Mar-15 | R\$ million

**Cash coverage:**  
**1.65x** short-term  
amortization (12M)

Average tenor: **3.67** years  
Short-term (12M): **12.4%** of total





## Morro dos Ventos II Wind Farm



<b>Location</b>	João Câmara - Rio Grande do Norte
<b>Commercial start-up</b>	Apr-15 <sup>2</sup>
<b>Installed Capacity</b>	29.2 MW
<b>Assured Energy</b>	15.3 MW average
<b>PPA</b>	13 <sup>th</sup> LEN 2011 (A-5 Auction) – R\$ 133.20/MWh <sup>3</sup> – until 2035
<b>Annual Estimated Revenue<sup>1</sup></b>	R\$ 17.9 MM (as of 2016)
<b>Financing</b>	BNDES (approved in Oct-14)

1) Based in contractual obligations; 2) The generated energy will be injected into the system and sold in the spot market until the beginning of the PPA, which is effective as of January 2016; 3) Price (R\$/MWh) constant value of Mar-15.

Commercial Start-up  
**2016-2020(e)**

**333 MW**  
of installed capacity

**174 average-MW**  
of assured energy



	Campo dos Ventos Wind Farms e São Benedito Wind Farms	Mata Velha SHPP	Pedra Cheirosa Wind Farms	Boa Vista II SHPP
Commercial Start-up	2016 <sup>1</sup>	2016 <sup>1</sup>	2018 <sup>2</sup>	2020
Installed Capacity	231.0 MW	24.0 MW	51.3 MW	26.5 MW
Assured Energy	120.9 average-MW <sup>3</sup>	13.1 average-MW	26.1 average-MW <sup>3</sup>	14.0 average-MW
PPA <sup>4</sup>	ACL 20 years	16 <sup>th</sup> LEN 2013 <sup>5</sup> R\$ 143.30/MWh until 2047	18 <sup>th</sup> LEN 2014 <sup>5</sup> R\$ 133.00/MWh until 2037	21 <sup>st</sup> LEN 2015 R\$ 207.64/MWh until 2049
Financing	BNDES (being structured)	BNDES (under analysis)	BNDES (under analysis)	To be structured

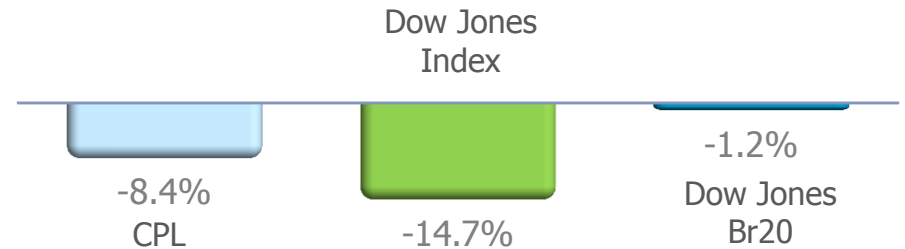
1) Gradual commercial operation from 2Q16; 2) Gradual commercial operation from 1H18; 3) Assured Energy calculated in the P90; 4) Constant Currency (mar/15); 5) With the anticipation of work, a bilateral contract (Free Market) will run between 2016 and 2018, when the supply of LEN 2013 starts.

# Stock market performance

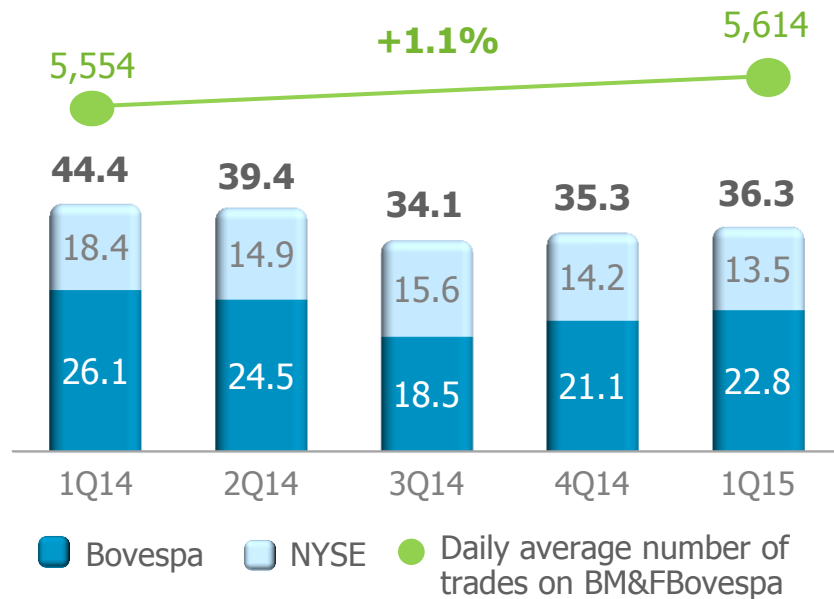
## ► Shares performance on BM&FBovespa | 1Q15<sup>1,2</sup>



## ► Shares performance on NYSE | 1Q15<sup>1,2</sup>



## ► Daily average trading volume on BM&FBovespa + NYSE<sup>2</sup> | R\$ million



## ► CPFL Energia is present in the main indexes



On March, 30, CPFL Energia released its Annual Report 2014, based on the GRI G4 guidelines and, for the 1<sup>st</sup> time, in IIRC structure



This approach **correlates key company information** with its business strategy, its financial results and operational activities

**The information is organized based on the concepts of:**

- ✓ Human Capital
- ✓ Social Capital and Relationship
- ✓ Infrastructure Capital
- ✓ Capital of Knowledge and Skills
- ✓ Natural capital
- ✓ Financial capital

Audited by **PwC**

## Positive factors



- **WACC: 8.09%**
- Remuneration over **special obligations** will be incorporated
- **Operational costs** – simplified model and addition of labor contingencies
- **Other Revenues** sharing – simplified methodology
  - **60%** related to activities that are commonly rendered
  - **30%** related to activities still in the learning curve status
- **Non-technical losses** – exception rule for companies with low losses
  - CPFL Paulista, CPFL Piratininga and RGE: **average of the last 4 years** (without trajectory)
- **Xq factor** – addition of commercial indicators (gradually until 2019)

## Negative factors

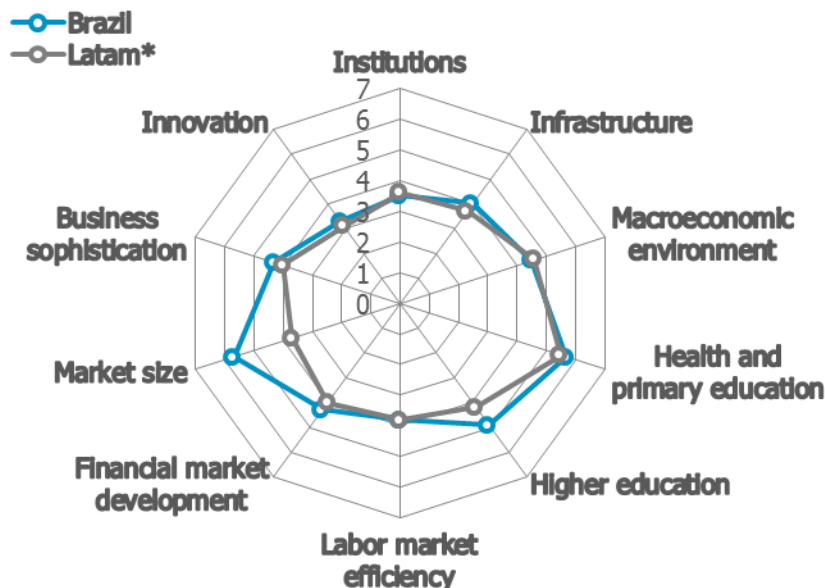


- Remuneration over **fully depreciated assets** will not be considered
- **Non-technical losses** – lack of incentives for the most efficient companies
- **Xpd factor: 1.53%** + market/consumer units adjustments
- **Regulatory delinquency rates:** increase of the aging to 49-60 months

Overall, AP023 results are positive, if compared to the valid rules for the 3<sup>rd</sup> Tariff Review Cycle

# Infrastructure improvements can enlarge the expansion provided by the Brazilian market potential

## ► Global Competitiveness Index <sup>1</sup>

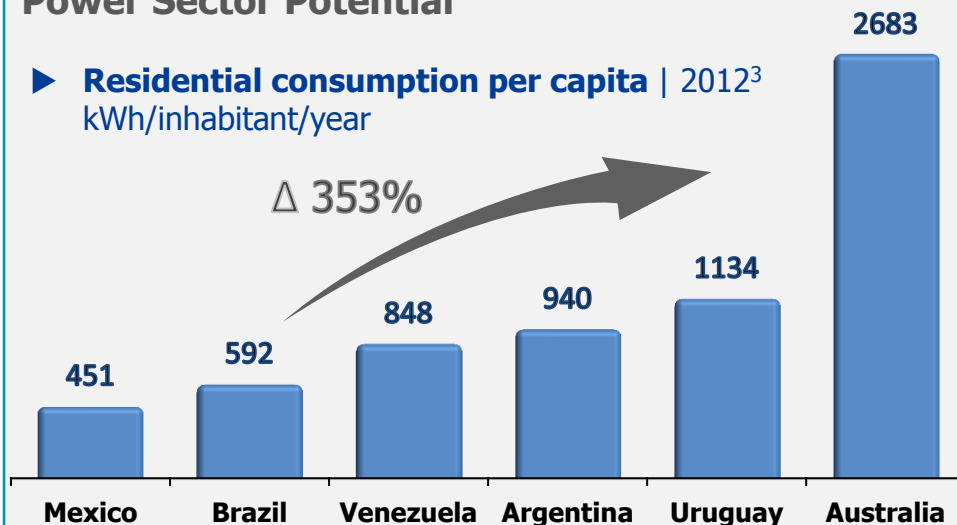


### Market highlights<sup>2</sup>

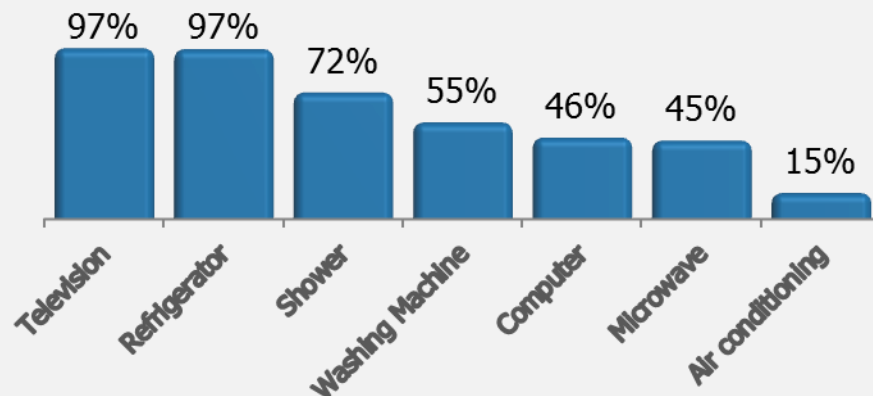
- ✓ World leader in agribusiness exports (coffee, soy, sugar, ethanol, chicken and orange juice)
- ✓ 4<sup>th</sup> largest in clean and renewable energy
- ✓ 3<sup>rd</sup> largest computer market
- ✓ 5<sup>th</sup> largest market for phones and mobile phones, vehicles and TV sets
- ✓ 5<sup>th</sup> country for foreign direct investments (FDI)

## Power Sector Potential

### ► Residential consumption per capita | 2012<sup>3</sup> kWh/inhabitant/year



### ► Possession of equipment in Brazilian homes | 2012<sup>4</sup>



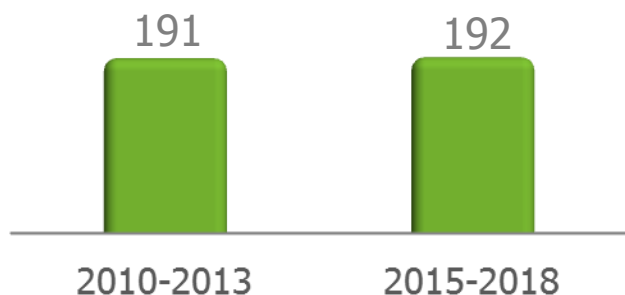
1) Source: World Economic Forum, Global Competitiveness Report; (\*) LatAm and Caribe. 2) McKinsey & Company. O Ambiente Empresarial no Brasil; 3) Source: IEA; 4) Sources: IBGE Census, PNAD, CPFL Energia estimates.



# Higher rates of return for projects and larger private sector funding to ensure investments

## ► Investments in Power Sector<sup>1</sup>

R\$ billion



In recent period around 10% to 15% of investments in the power sector were financed via infrastructure debentures<sup>3</sup>

**Need to enhance complementarity between public and private financing**

## Investments in Power Sector in 2015<sup>2</sup>

- **Distribution:** ≈ R\$ 13 billion
- **Generation:**
  - ✓ LFA (biomass and wind) | Apr-15 | R\$ 3.4 billion
  - ✓ A-5 (thermal, SHPP and HPP) | Apr-15 | R\$6.1 billion
  - ✓ A-3 (thermal, SHPP and wind) | Jul-15;
  - ✓ LER (solar) | Aug-15
- **Transmission:**
  - ✓ 3,953 km | Jun-15 → R\$ 4.4 billion
  - ✓ 2,878 km | Jul-15 → R\$ 4.8 billion
  - ✓ 3,586 km | Sep-15 → R\$ 4.6 billion
- **Micro and cogeneration:** capacity increase

## Ideal situation / Best practices

- **Government**
  - ✓ Regulatory stability
  - ✓ Higher predictability in project rules
  - ✓ Improvements in entrepreneurs selection
  - ✓ Internal rate of return consistent with risks
  - ✓ Improvements in environmental licensing procedures and deadlines
- **Companies**
  - ✓ Higher efficiency in project implementation
  - ✓ Deadlines observance

1) Source: Perspectivas do Investimento 2015-18 (BNDES); 2) Source: Ministry of Planning ; 3) Wajnberg, D. "Debêntures de infraestrutura: emissões realizadas e perspectivas". BNDES Magazine (Jun-14).





**CPFL**  
***ENERGIA***