

3Q14 Results

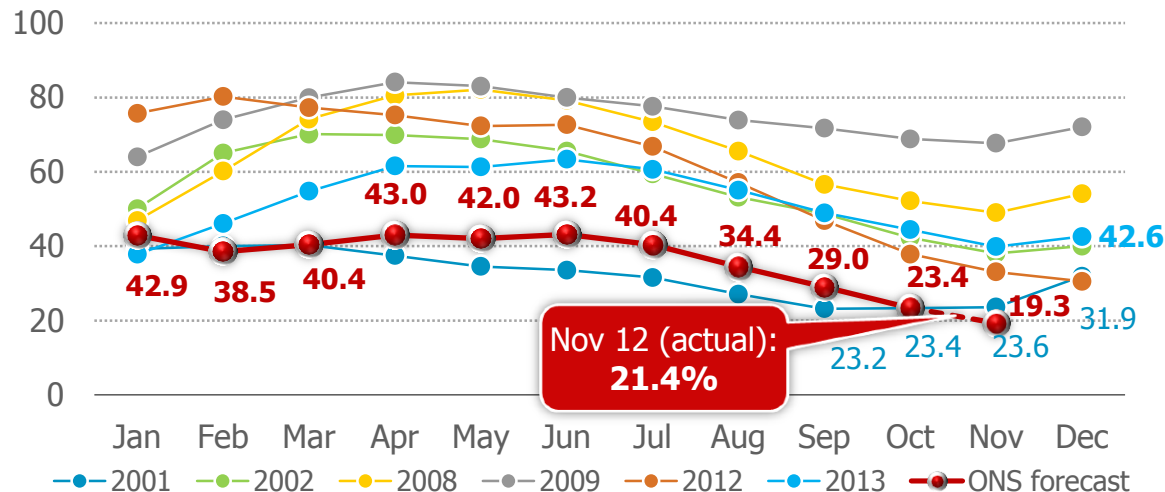


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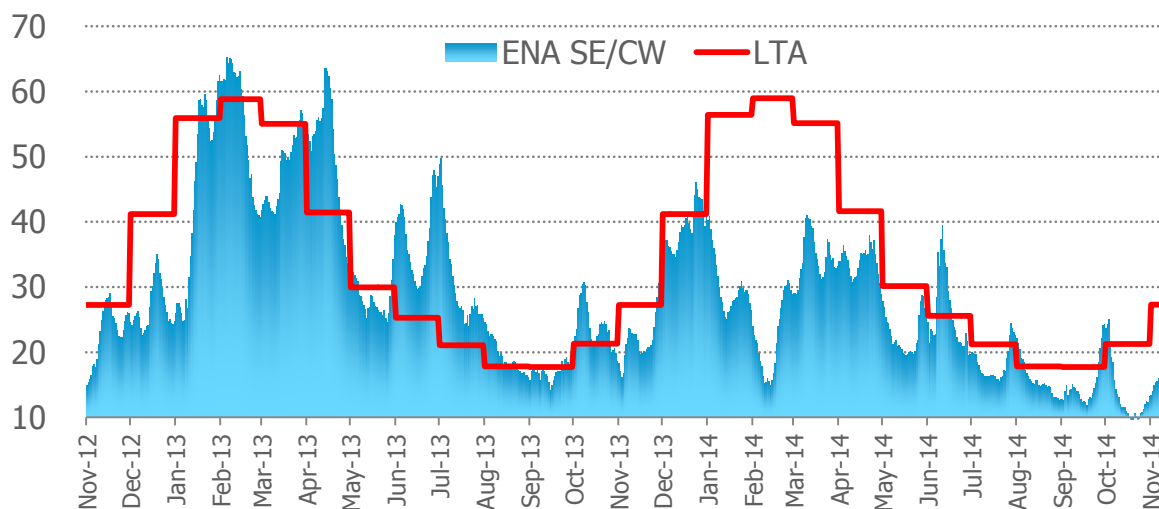
► Reservoir levels in NIPS | %



Main facts

- ✓ Monthly average thermal dispatch of **15.9 GWavg** since Feb 2014
- ✓ **5,139 MW of installed capacity** added in 2014
- ✓ **NIPS load 3% below ONS estimates** between March and September 2014 (mainly due to the lower consumption in the industry segment)

► Natural Inflow Energy | SE/CW | GW average

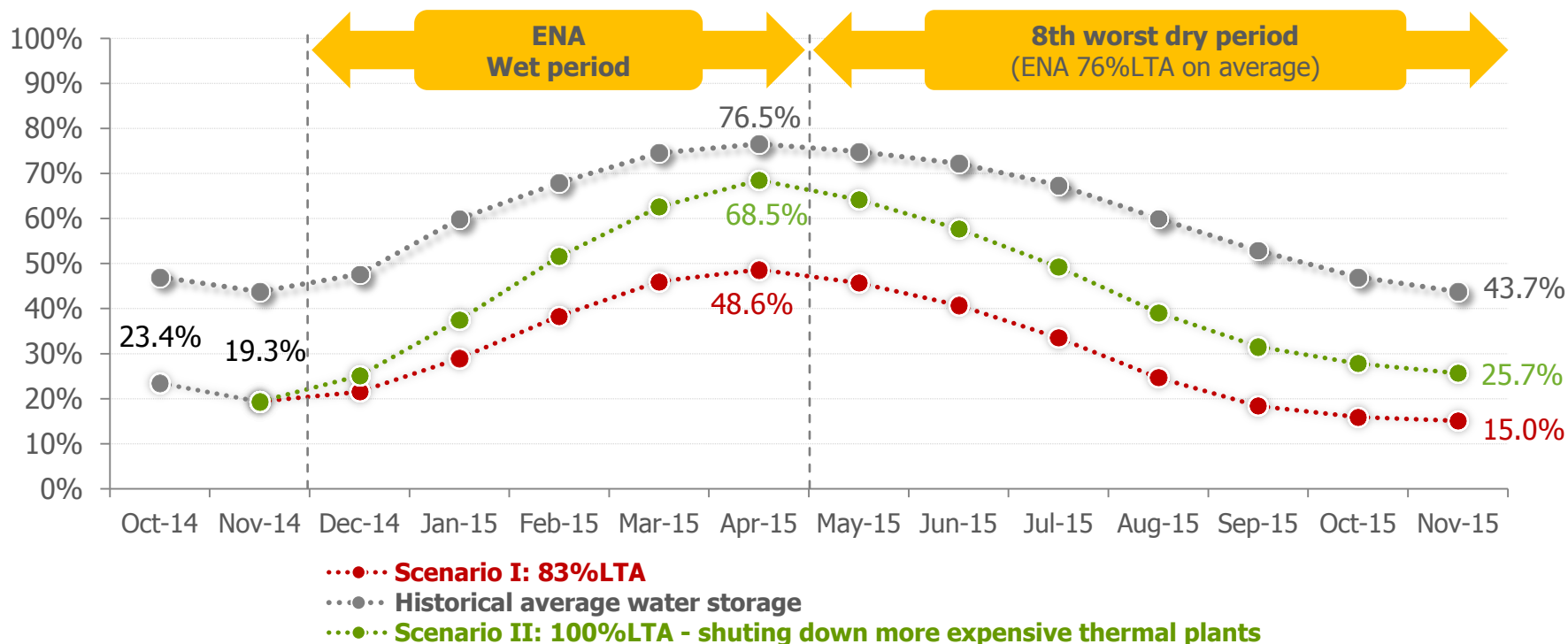


Statistics

ENA Jan 14 – Oct 14

	ENA avg [%LTA]	Historical position (since 1931)
SE/CW	66%	6 th worst year
S	153%	4 th best year
NE	43%	Worst year
N	116%	19 th best year
NIPS	82%	13 th worst year

► Scenarios for reservoir levels in NIPS in 2015¹ | %



Installed capacity to be added in 2015:

8,457 MW²

CPFL Scenarios

ENA Probability ≤

83% MLT	14%
100% MLT	54%

The rationing risk for 2015, according to PSR³, is **19%**

1) Take into account, in scenario I: (i) ONS/EPE load estimate, revised in the beginning of Aug 2014; (ii) full thermal dispatch reduced by 12%; (iii) lower hydraulic efficiency ("friction"); and (iv) 6-month delay in wind farms expected to start-up from Aug-15 on, totaling 500 MWavg, from Aug-15 to Dec-15. Scenario II considers the same assumptions, except thermal dispatch, which was limited to power plants with unit variable costs (CVU) below R\$ 400/MWh from May-15 on. 2) CPFL's estimates. 3) Base: November.

Reduction of ceiling price in the spot market – ceiling PLD (Public Hearing 054) | Lower risks for the sector, contributing to a rebalancing of the system

PLD limits

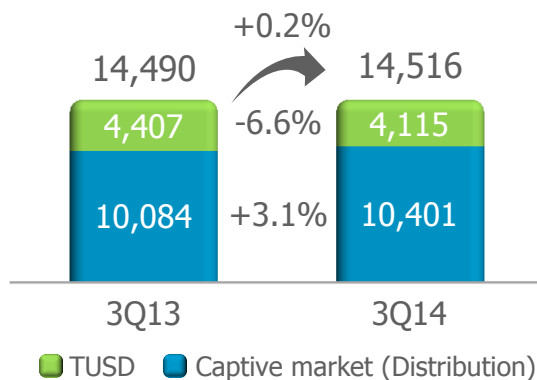
- ✓ Current **ceiling PLD**:
 - **Defined in 2003**, based on a thermal plant that is unavailable today
 - **Burdens** consumers, discos and generators
 - **Does not stimulate long term contracts** for generators, resulting in frustrated auctions and considerable wealth transferences among agents
- ✓ The **reduction** brings benefits to the system:
 - **Reduces financial risks in** CCEE settlements
 - Enables the **correct systemic cost allocation to consumers**, when PLD is high
 - Reduces costs coming from discos' **involuntary exposure** and generators' **GSF**

ESS apportionment

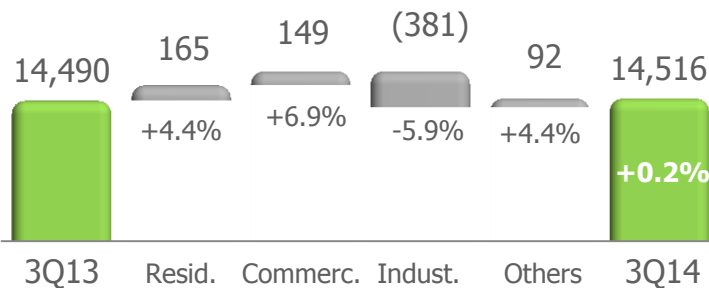
- ✓ Proposal: **to keep current criteria** to the ESS (System's Service Charge) apportionment, since it is a sector charge to guarantee reliability, stability and supply, **benefiting NIPS' end users**
- ✓ Situations in which exposure is possible:
 - **seasonality** of consumption, agreements and energy generation (even when 100% contracted)
 - **non-manageable exposures**: GSF, discos' involuntary exposure (also as a result of quotas)

- Increase of 0.2% in sales in the concession area - residential (+4.4%), commercial (+6.9%) and industrial (-5.9%)
- Disbursement from sector fund (ACR Account) in the amount of R\$ 205 million in 3Q14, to cover the involuntary exposure and thermal dispatch
- Economic tariff readjustment of 19.73% for CPFL Piratininga, in Oct-14
- Commercialization and Services - EBITDA of R\$ 70 million in 3Q14
- Investments of R\$ 251 million in 3Q14 and of R\$ 782 million in 9M14
- CPFL Renováveis expansion: conclusion of the joint venture with DESA on Sep 30, effectively as of Oct-01
- CPFL Energia's shares were maintained in the Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets), for the 3rd consecutive year
- CPFL Energia was elected as the country's best company in the energy sector by Época Negócios 360º Yearbook
- CPFL among the 150 best companies to work for by Exame Você S.A. Guide 2014, for the 13th consecutive year

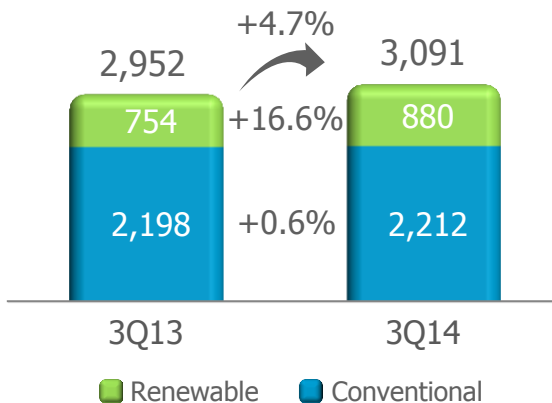
► Sales in the concession area | GWh



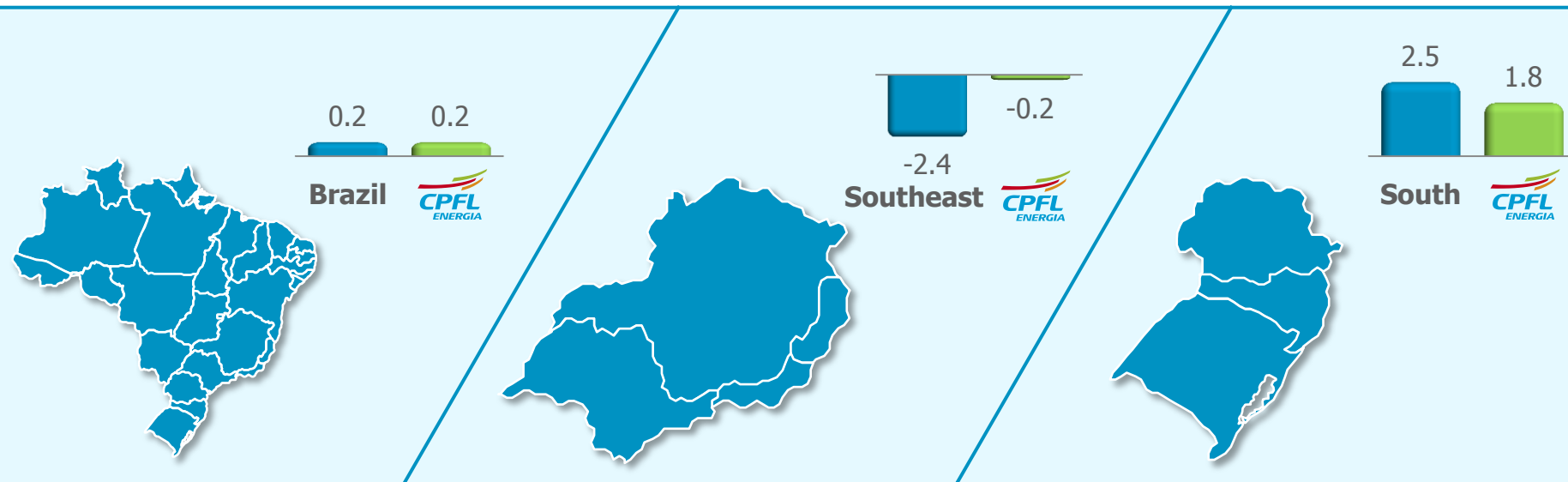
► Sales by consumption segment | GWh



► Generation Installed Capacity¹ | MW



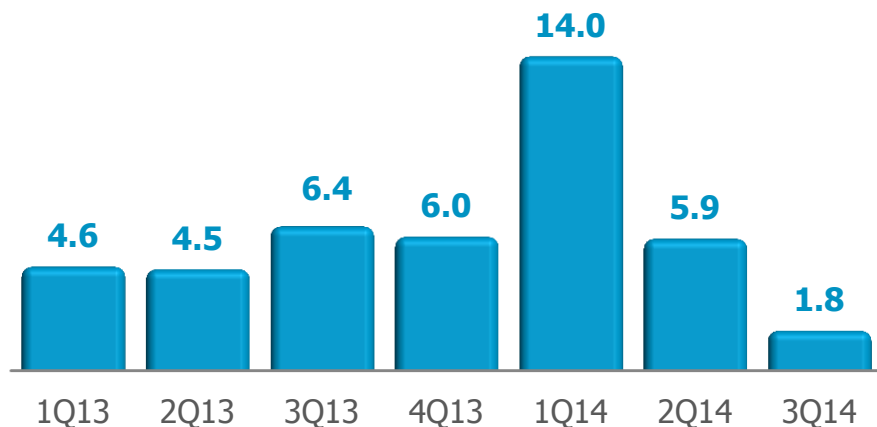
► Sales growth in the concession area | Comparison by region | %



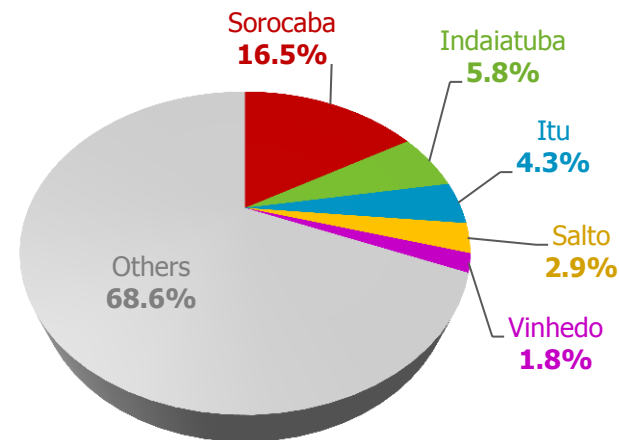
1) Take into account CPFL Energia's 58.8% stake in CPFL Renováveis

Residential segment | Water shortage is affecting energy consumption, especially in CPFL Piratininga

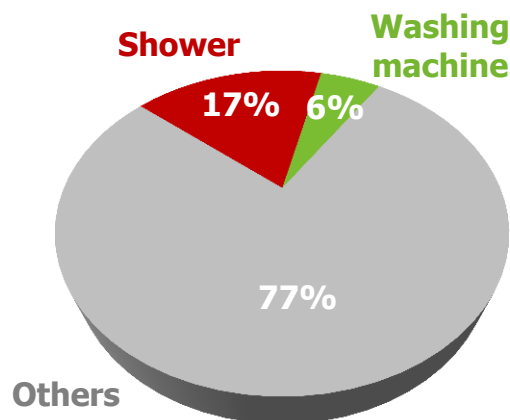
► Residential segment in CPFL Piratininga | %



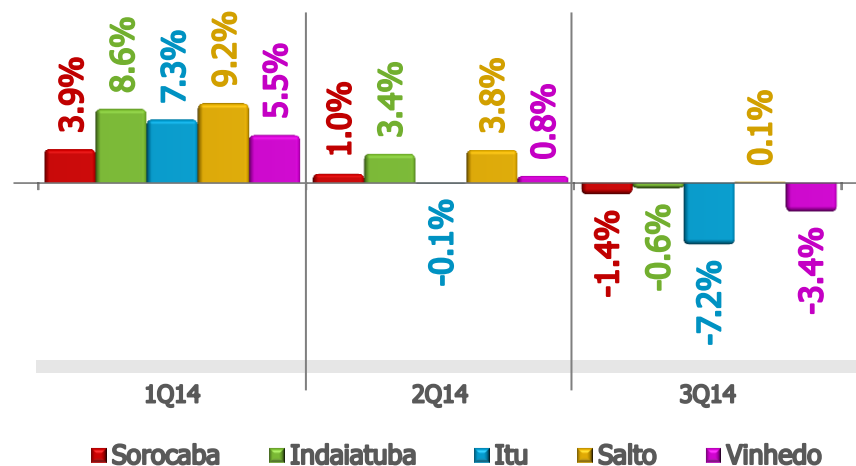
► Population most affected by water shortages in CPFL Piratininga | %



► Household equipment related to water consumption in a residence¹ | %

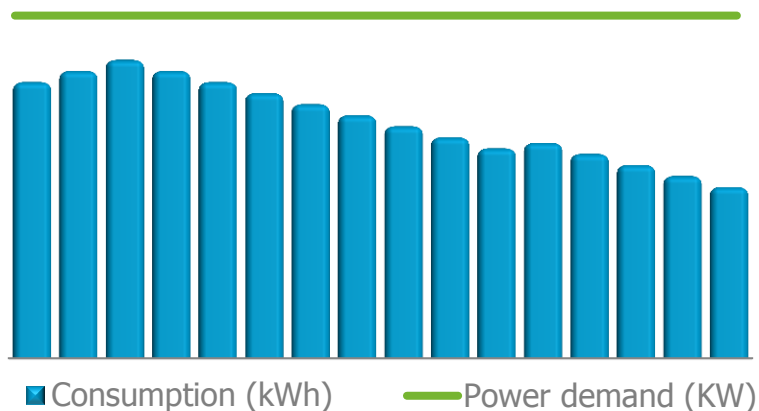


► Performance of residential consumption per consumer



1) In a typical residence of CPFL Piratininga, in 2013, based on CPFL Energia Ownership and Habits Survey.

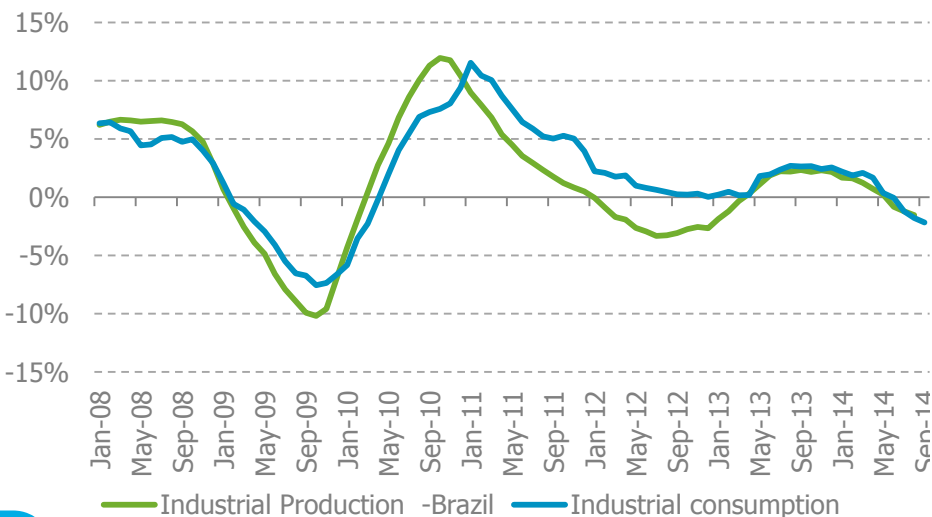
► Consumption (kWh) and Power Demand (kW) | theoretical example for a consumer



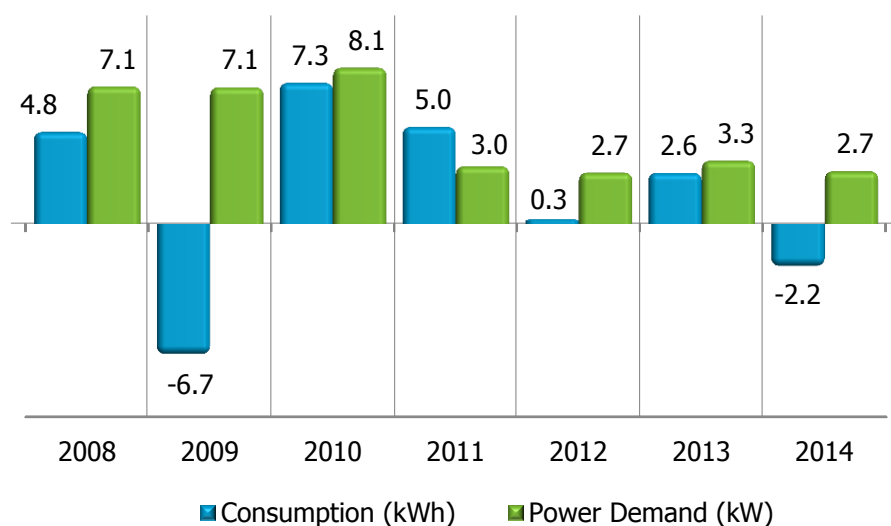
Industrial tariff breakdown (high voltage)

- **Power Demand (kW):** agreement for the use of disco's system
 - ✓ Comprises **fixed costs**, as Parcel B and transmission costs
 - ✓ Power demand agreements, and consequently their revenues, are not presenting reduction
- **Consumption (kWh):** energy actually consumed in the grid
 - ✓ Comprises only **variable costs**, as energy and losses, as well as sector charges
 - ✓ Charges are neutral and do not depend on consumption variation

► Industrial production and industrial energy consumption in CPFL Energia | % 12 months



► Consumption and Power Demand¹ in industrial segment | % 12 months



3Q14 Results

IFRS

Net Revenue¹

 **19.2%**
R\$ 645 million

3Q13	3Q14
R\$ 3,367 million	R\$ 4,012 million

 **10,4%**
R\$ 359 million

3Q13	3Q14
R\$ 3,446 million	R\$ 3,805 million

EBITDA


 **-19.3%**
R\$ 205 million

3Q13	3Q14
R\$ 1,065 million	R\$ 860 million

 **9.3%**
R\$ 85 million

3Q13	3Q14
R\$ 913 million	R\$ 999 million

Net Income

























 **-72.6%**
R\$ 258 million

3Q13	3Q14
R\$ 355 million	R\$ 97 million

 **-12.6%**
R\$ 33 million

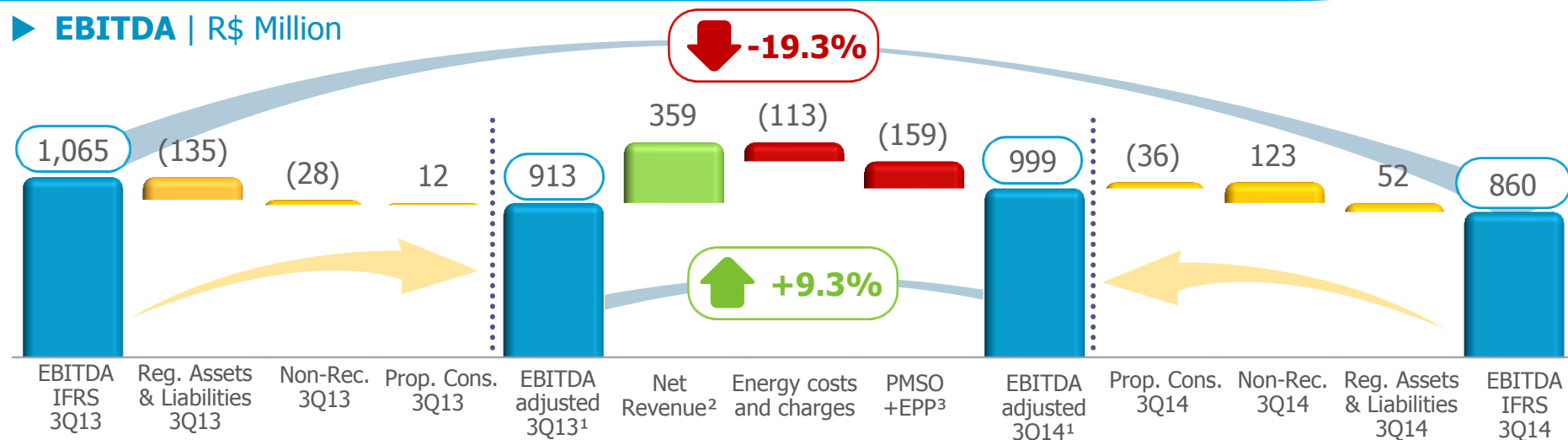
3Q13	3Q14
R\$ 261 million	R\$ 228 million

Proportionate consolidation
for Generation²
+ Regulatory Assets &
Liabilities
- Non-recurring items

	EBITDA		Net Income	
	3Q13	3Q14	3Q13	3Q14
Proportionate Consolidation of Generation (A)	 12	 36	 2	 3
Regulatory Assets & Liabilities (B)	 135	 52	 83	 45
Exposure to MRE/Energy purchase (CPFL Geração and CPFL Renováveis)	 30	 123	 30	 89
Disposal of properties and vehicles	 47		 31	
Reversal of ESS provision (CPFL Geração and CPFL Renováveis)	 11		 8	
Subtotal Non-Recurring (C)	 28	 123	 9	 89
Total (A+B+C)	 151	 140	 94	 131

3Q14 Results - Adjusted

► EBITDA | R\$ Million



+ 10.4% increase in Net Revenues² (R\$ 359 million)

- + Commercialization and Services (R\$ 131 million)
- + Conventional Generation (R\$ 116 million) and CPFL Renováveis (R\$ 38 million)
- + Distribution (+ R\$ 74 million)

- 5.6% increase in Energy Costs and Charges (R\$ 114 million)

- Conventional Generation (R\$ 49 million) and Commercialization and Services (R\$ 47 million)
- Distribution (R\$ 15 million) and CPFL Renováveis (R\$ 4 million)

- 33.3% increase in Operating Costs and Expenses (R\$ 159 million)

- Acquisition of fuel oil for Epasa (R\$ 133 million) and PMSO Serviços (R\$ 13 million) **ASSOCIATED REVENUE**

Disregarding these effects: Adjusted PMSO = 2.8% (R\$ 11 million) | IGPM = 3.5%

- Increase of 13.2% in personnel expenses (R\$ 21 million) **Labor agreement: R\$ 11 million | lower capitalized personnel costs: R\$ 11 million**

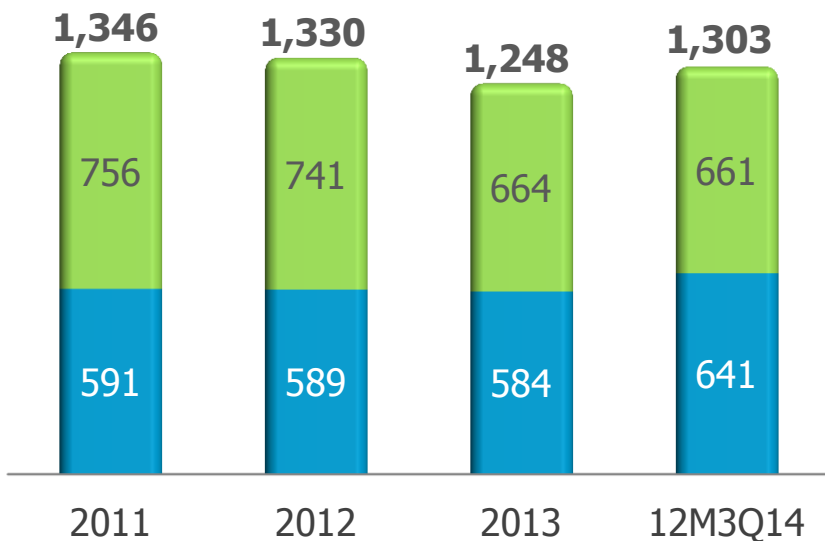
- + Decrease of 4.2% in MSO (R\$ 10 million): reduction in legal and court expenses (R\$ 6 million) and others (R\$ 4 million)

	3Q13	3Q14
PLD (R\$/MWh) ⁴	174.6	662.1
R\$/US\$ ⁵	2.23	2.45

Manageable expenses | Real Adjusted PMSO 2014 x 2011

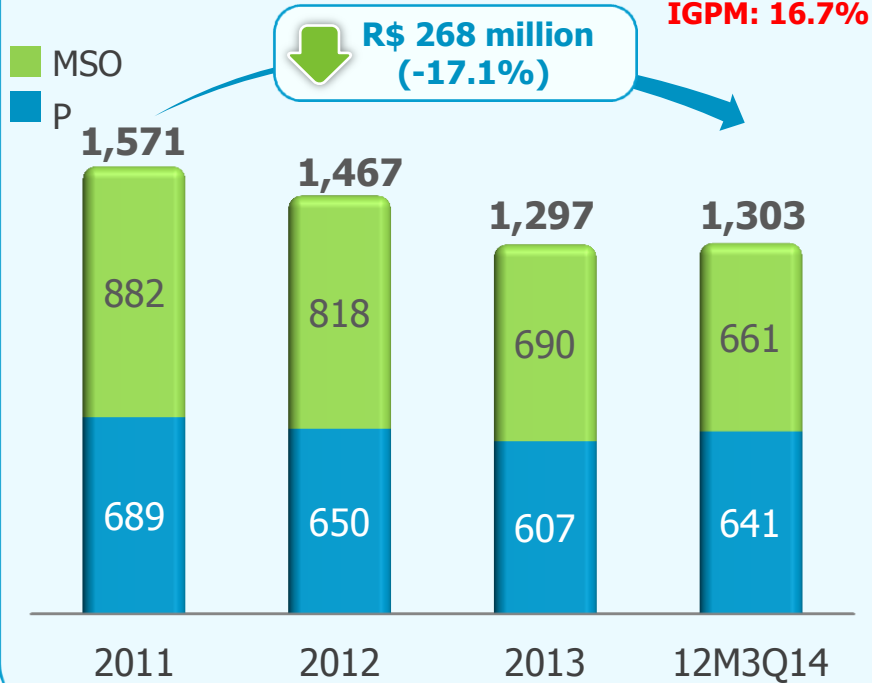
► Nominal Adjusted PMSO | R\$ Million

■ MSO
■ P



► Real Adjusted PMSO¹ | R\$ Million

■ MSO
■ P

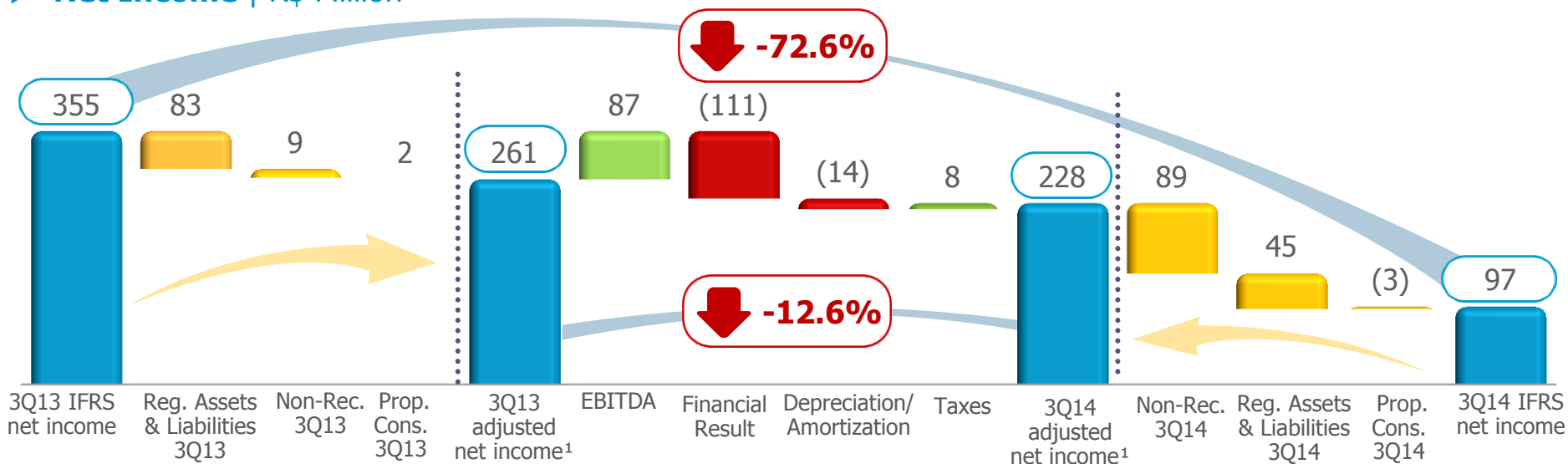


17.1% decrease in PMSO (R\$ 268 million), in real terms

- 6.9% decrease in Personnel (R\$ 48 million)
- 25.0% decrease in MSO (R\$ 220 million)

1) Sep-14. Variation of IGP-M in the period 2014 x 2011= 16.7%; 2014 x 2012 = 10.3% and 2014 x 2013 = 3.9%. PMSO disregarding Private Pension Fund. Excludes non-recurring items, acquisition of fuel oil due to the thermal dispatch of Epasa, PMSO Serviços and CPFL Renováveis and Legal, Judicial and Indemnities.

► Net Income | R\$ Million



+ 9.3% Increase in EBITDA (R\$ 85 million)

+ R\$ 913 million in 3Q13 to R\$ 999 million in 3Q14

- R\$ 111 million Increase in Negative Financial Result

- Increase of CDI rate and changes in the indebtedness breakdown (R\$ 73 million)
- Exchange variations for Itaipu (R\$ 16 million) and lower capitalized interest in CPFL Renováveis (R\$ 10 million)
- Others (R\$ 30 million): premium for the early settlement of debentures in CPFL Geração (R\$ 9 million); discounts on contractual agreements in CPFL Paulista (R\$ 5 million) etc.
- + Increase of financial investments revenue, restatement of scrow deposits and others (R\$ 18 million)

- 8.5% Increase in Depreciation and Amortization (R\$ 14 million)

+ Decrease of Income Tax and Social Contribution (R\$ 8 million)

	3Q13	3Q14
CDI	8.6% a.a.	11.2% a.a.
R\$/US\$ ²	2.23	2.45

3Q14 Results by segment | adjusted figures¹



Distribution

Conventional and Renewable Generation

Commercialization and Services

Net Revenues

R\$ 3,805 million **+ 10.4%**

R\$ 2,850 million **+ 2.7%**

R\$ 835 million **+ 47.8%**

R\$ 639 million **+ 41.9%**

EBITDA

R\$ 999 million² **+ 9.3%**

R\$ 518 million **+ 3.3%**

R\$ 416 million **+ 3.3%**

R\$ 70 million **+ 354.9%**

Net income

R\$ 228 million³ **- 12.6%**

R\$ 143 million **- 28.1%**

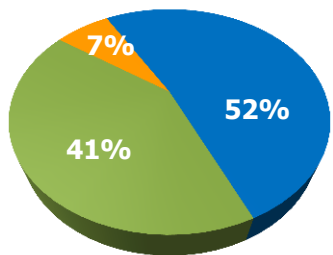
R\$ 77 million **- 13.0%**

R\$ 46 million **+ 327.1%**

Highlights

EBITDA breakdown:

Commercialization and Services **Distribution**



Conventional and Renewable Generation

+ Increase of 0.2% in sales in the concession area benefited by the mix - residential (+4.4%), commercial (+6.9%) and industrial (-5.9%)

- Increase in net financial expenses, mainly due to monetary and exchange adjustments

+ Start-up of CPFL Renováveis' 5 projects

- PPA's seasonality

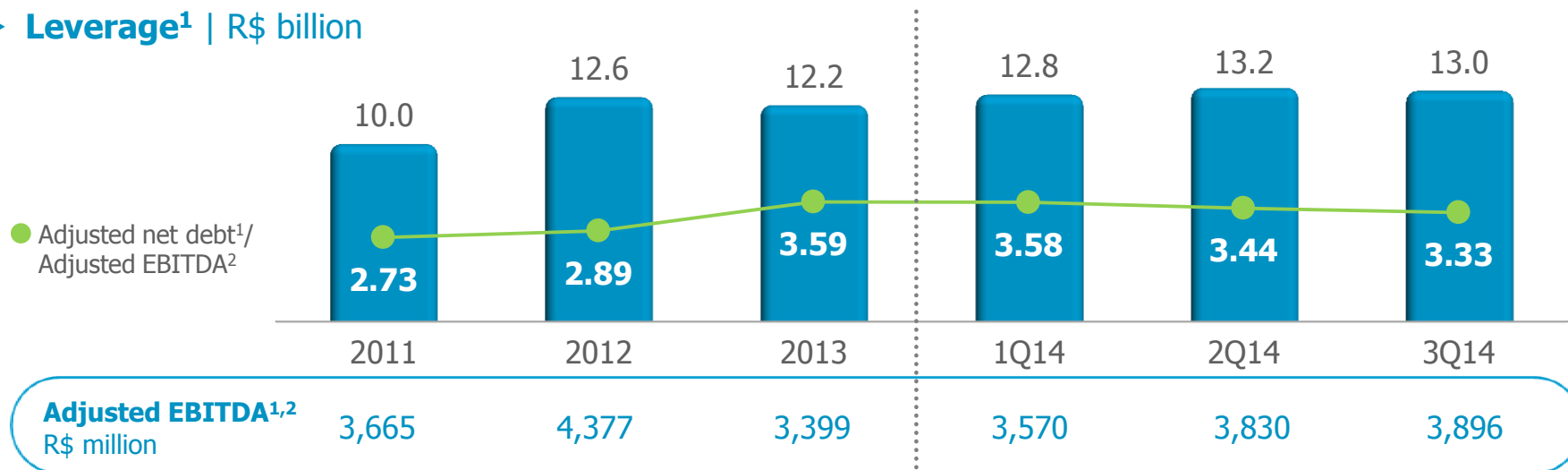
- Increase in net financial expenses, due to the increase in interest rates

+ Expansion of CPFL Serviços

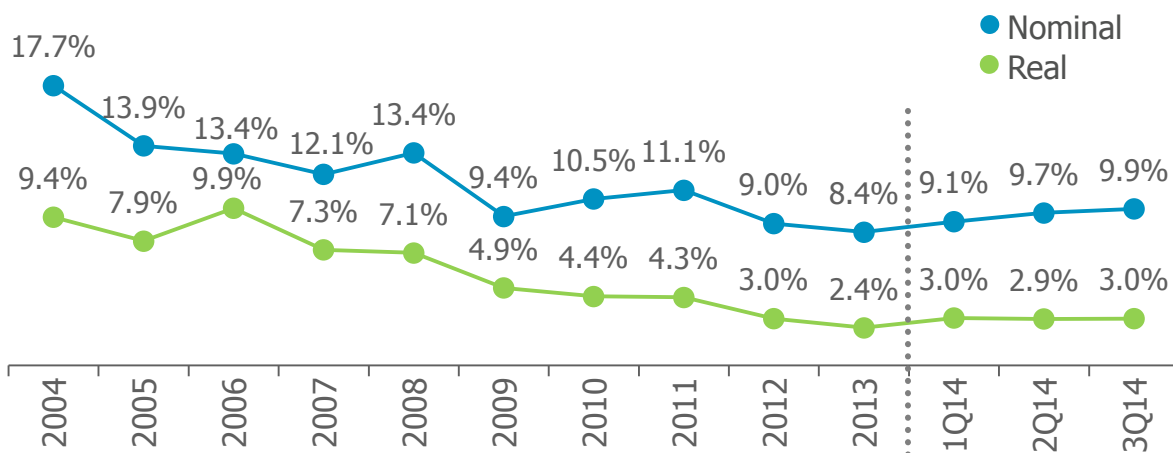
+ Margin increase in energy Commercialization

1) Take into account proportional consolidation of generation assets (+) Regulatory assets and liabilities (-) Non-recurring assets (-) Construction revenue/cost. Disregard intercompany transactions. 2) Regarding Holding Ebtida. 3) Includes holding result and amortization of merged goodwill

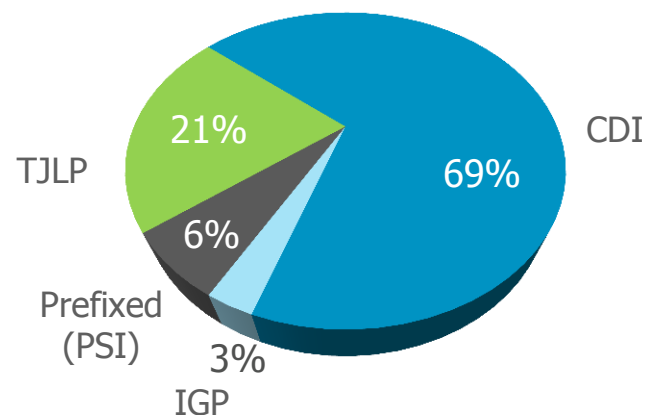
► Leverage¹ | R\$ billion



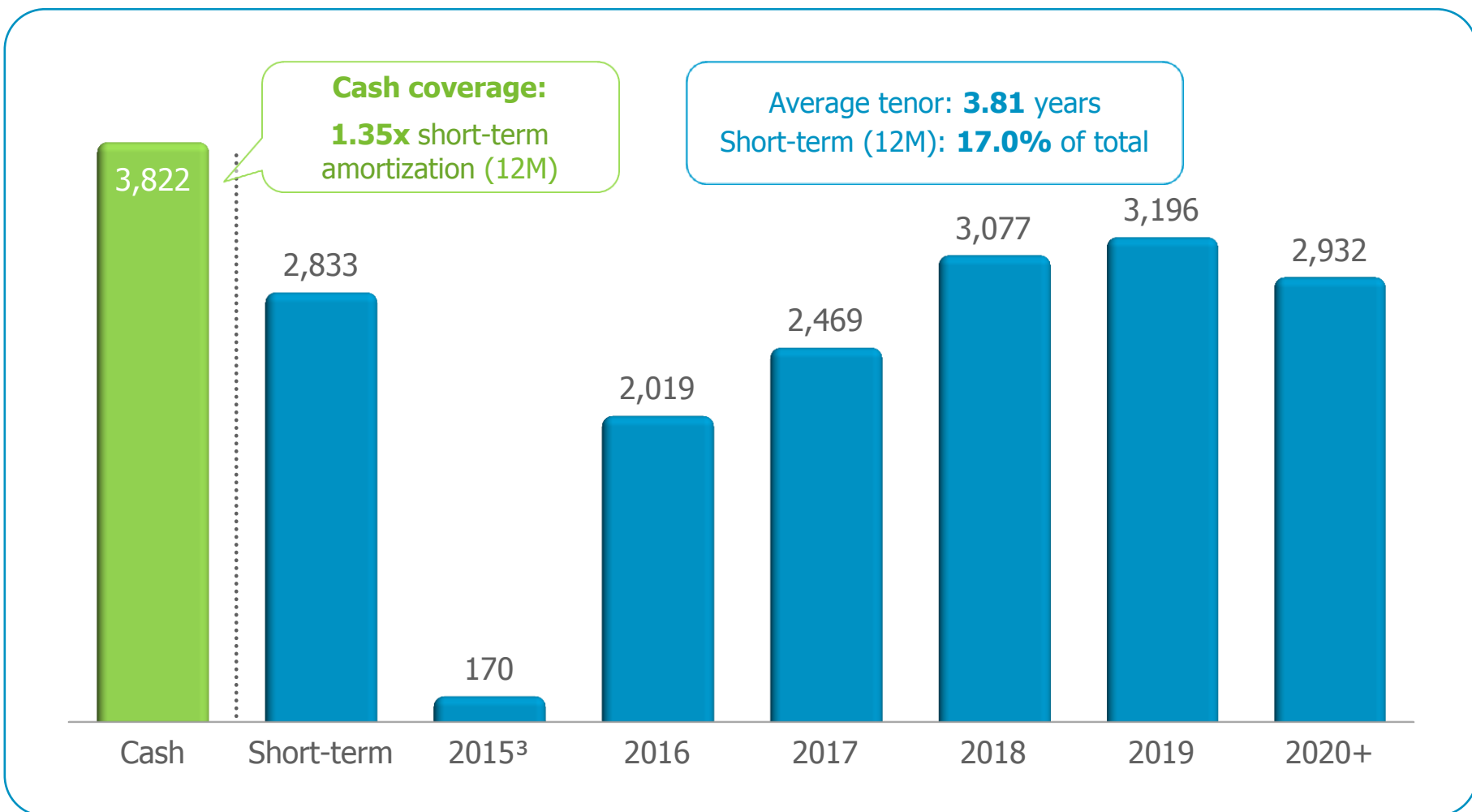
► Gross debt cost^{3,4} | LTM



► Gross debt breakdown by indexer | 3Q14 ^{1,4}



► Debt amortization schedule^{1,2} | Sep-14 | R\$ million



1) Considers Debt Principal; 2) Covenants Criteria; 3) Amortization from Oct-2015.

Commercial Start-up
2016-2018(e)

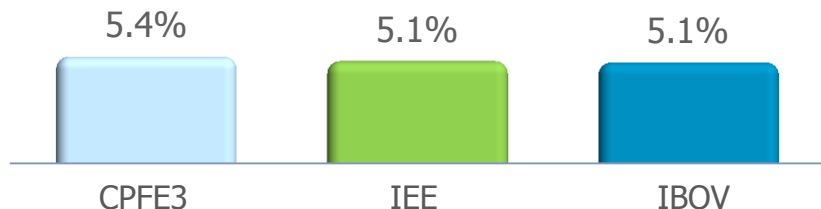
**Including DESA's
projects**



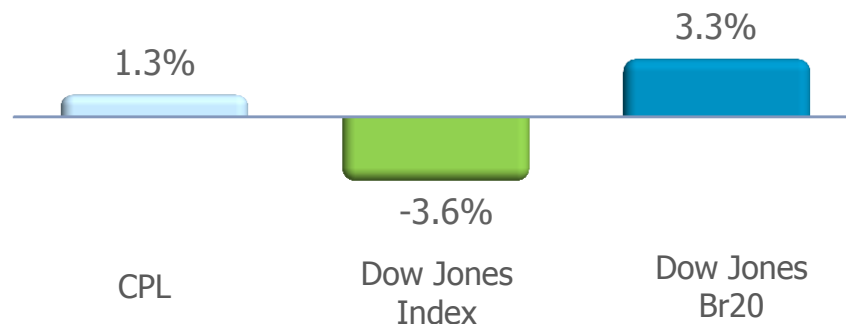
	Campo dos Ventos Wind Farms e São Benedito Wind Farms	Morro dos Ventos II Wind Farms	Mata Velha SHPP	Pedra Cheirosa Wind Farms
Commercial Start-up	2016 ¹	2016 ¹	2016 ¹	2018 ²
Installed Capacity	231.0 MW	29.2 MW	24.0 MW	51.3 MW
Assured Energy ³	120.9 MWaverage	15.3 MWaverage	13.1 MWaverage	26.1 MWaverage
PPA⁴	ACL 20 years	13 th LEN 2011 R\$ 125.14/MWh until 2035	16 th LEN 2013 ⁵ R\$ 143.30/MWh until 2047	A-5 Auction 2013 R\$ 125.04/MWh until 2037
Status	Contract to supply wind turbines signed; executive projects in progress	BNDES (approved in October 2014)	BNDES (under analysis)	Negotiation of wind turbines supply in progress

1) Gradual commercial operation from 2Q16; 2) Gradual commercial operation from 1H18; 3) Assured Energy calculated in the P90; 4) Constant Currency (Sep-14); 5) With the anticipation of work, a bilateral contract (Free Market) will run between 2016 and 2018, when the supply of LEN 2013 starts.

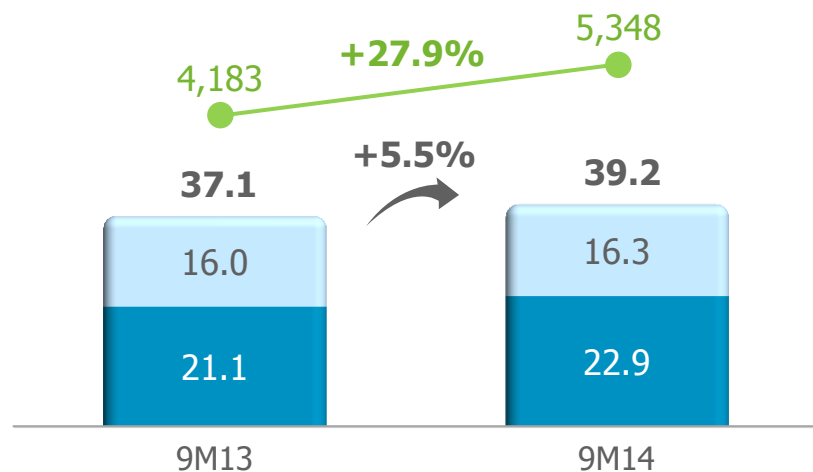
► Shares performance on BM&FBovespa | 9M14^{1,2}



► Shares performance on NYSE | 9M14^{1,2}



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



■ Bovespa ■ NYSE ● Daily average number of trades on BM&FBovespa

CPFL is part of the portfolio of **Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets)** for the **3rd** consecutive year

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

Recognition of the performance of CPFL in corporate sustainability

- 830 largest companies of 23 emerging countries were evaluated
- 86 companies achieved requirements established by Dow Jones (17 Brazilian)
- Among the 17 Brazilian, 3 are from the electric energy sector

Company of the Year | *Época Negócios* 360º Yearbook



- Evaluation of the **250 best** Brazilian companies
- CPFL Energia took the **first place** in the Utilities Sector

2014 Best companies to work for | Guia Você S/A

- Choice of the **150 best** companies to work for in Brazil
- CPFL was chosen among the best companies for the **13th consecutive year**



