

4Q18/2018 Results



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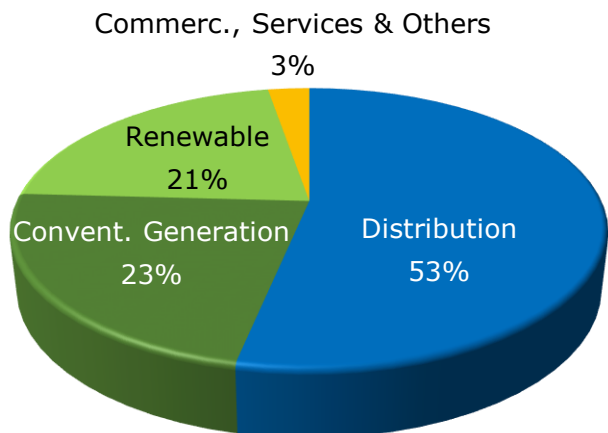
These statements may include projections of economic growth, demand, energy supply, as well as information about its competitive position, the regulatory environment, potential growth opportunities and other matters. Many factors could adversely affect the estimates and assumptions on which these statements are based.

- ✓ Increase of **2.7% in load in the concession area** (growths of residential and industrial classes)
- ✓ Growth of **15.9% in EBITDA** and of **74.2% in Net Income**
- ✓ Net debt of **R\$ 16.3 billion** and leverage of **3.05x Net Debt/EBITDA¹**
- ✓ Investments of **R\$ 693 million** in **4Q18** and of **R\$ 2,066 million** in **2018**
- ✓ **Tariff Revisions: CPFL Paulista** and **RGE Sul**, in Apr/18, and **RGE**, in Jun/18
- ✓ **Grouping** of the concessions of the distribution companies **RGE** and **RGE Sul**
- ✓ **CPFL Renováveis:** (i) winning projects in the A-6 Auction (Aug-18) - **Cherobim SHPP (28.0 MW)** and **Gameleira Wind Complex (69.3 MW)**; and (ii) anticipation of commercial start-up of **Boa Vista II SHPP (29.9 MW)**, in Nov-18
- ✓ **Transmission Auctions: CPFL Geração** won one lot in Jun-18 (CE - Capex²: R\$ 102 MM) and two lots in Dec-18 (SC - Capex²: R\$ 366 MM and RS - Capex²: R\$ 349 MM)
- ✓ **CPFL Renováveis' MTO:** auction occurred on Nov 26, 2018; State Grid now holds 99.94% of the shares

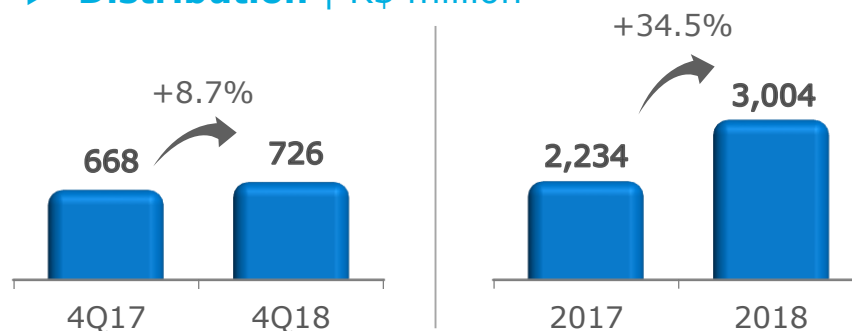
1) Financial covenants criteria; 2) Investment estimated by ANEEL..

- ▶ **EBITDA (from R\$ 1,366 MM in 4Q17 to R\$ 1,354 MM in 4Q18, reduction of 0.9%)**
- ▶ **EBITDA (from R\$ 4,864 MM in 2017 to R\$ 5,637 MM in 2018, increase of 15.9%)**

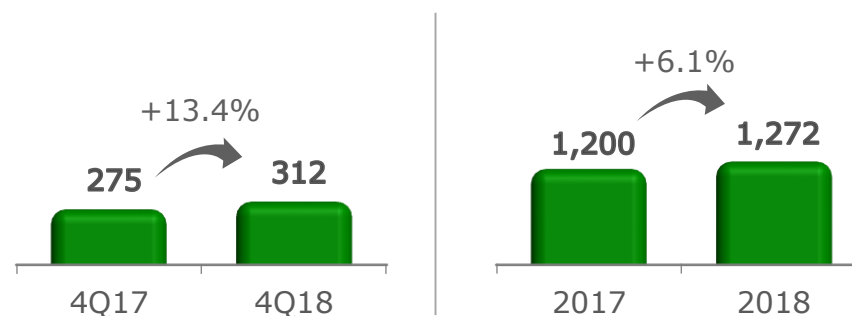
EBITDA by Segment | 2018



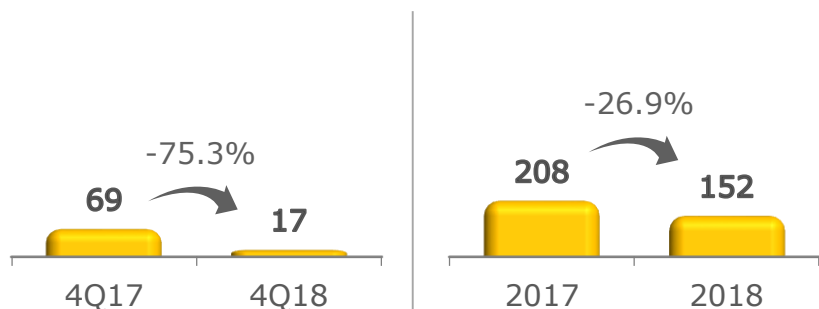
▶ Distribution | R\$ million



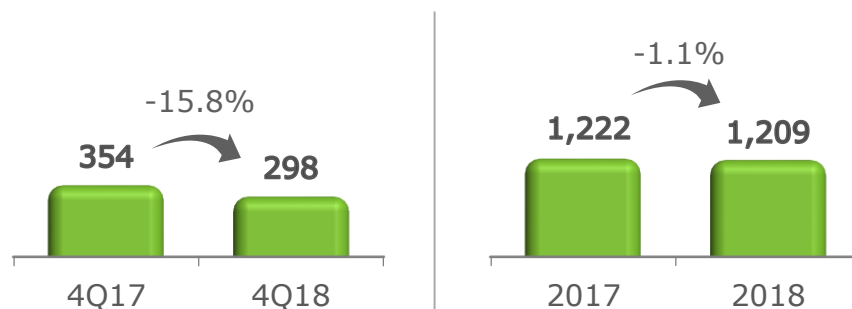
▶ Conventional Generation | R\$ million



▶ Commerc., Services & Others | R\$ million



▶ Renewable Generation | R\$ million

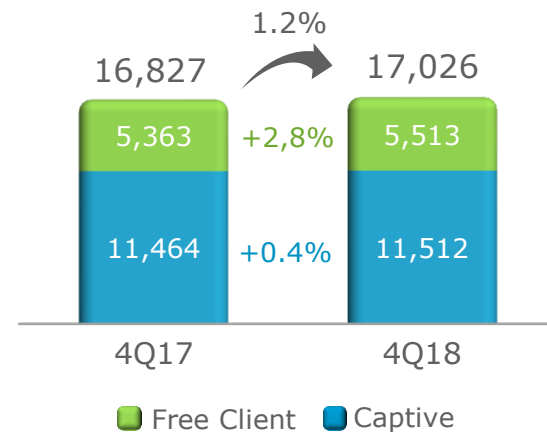


1) EBITDA is calculated from the sum of net income, taxes, financial result, depreciation/amortization, as CVM Instruction no. 527/12.

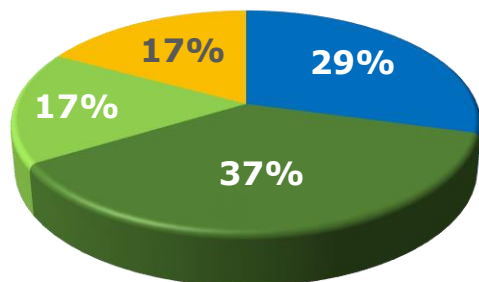
Highlights

- ✓ **Increase in load¹** in the concession area (+**2.0%**)
- ✓ **Increase in sales** in the concession area (+**1.2%**)
- ✓ Increase in **Residential** class (+**2.2%**); highlight: RGE (+**4.3%**)
- ✓ Increase in **Industrial** class (+**0.9%**); highlights: RGE (+**3.2%**) and CPFL Santa Cruz (+**12.5%**)
- ✓ Increase in **Commercial** class (+**0.7%**)

► Sales in the concession area | GWh

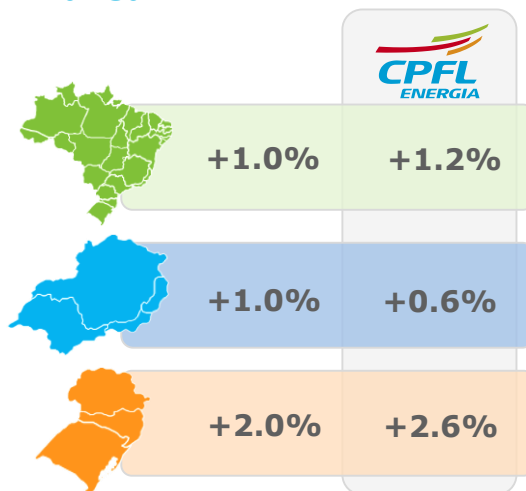


► Market Breakdown in the concession area | 4Q18

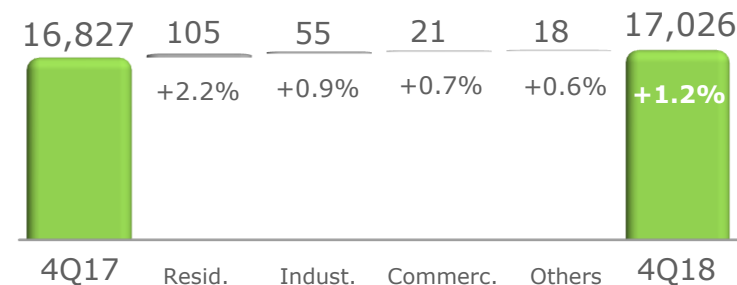


■ Residential ■ Industrial
■ Commercial ■ Others

► Comparison by Region | Sales in the conc. area²



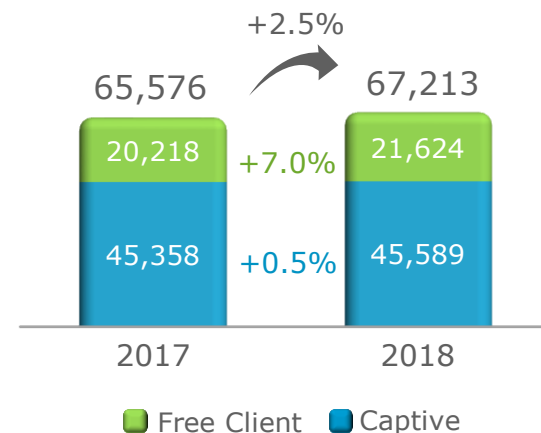
► Sales by consumption segment | GWh



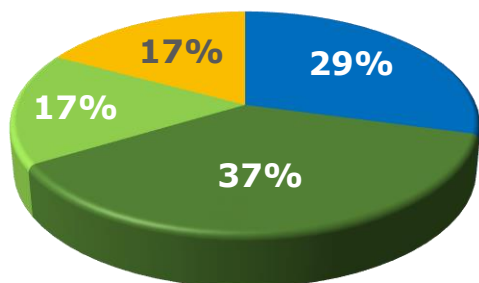
Highlights

- ✓ **Increase in load¹** in the concession area (+**2.7%**)
- ✓ **Increase in sales** in the concession area (+**2.5%**)
- ✓ Increase in **Residential** class (+**2.6%**); highlight: RGE (+**3.7%**)
- ✓ Increase in **Industrial** class (+**2.8%**); highlights: CPFL Piratininga (+**4.0%**), RGE (+**3.1%**) and CPFL Santa Cruz (+**7.6%**)
- ✓ **Losses²**: from **8.91%** in 4Q17 and **8.86%** in 3Q18 to **8.97%** in 4Q18

► Sales in the concession area | GWh

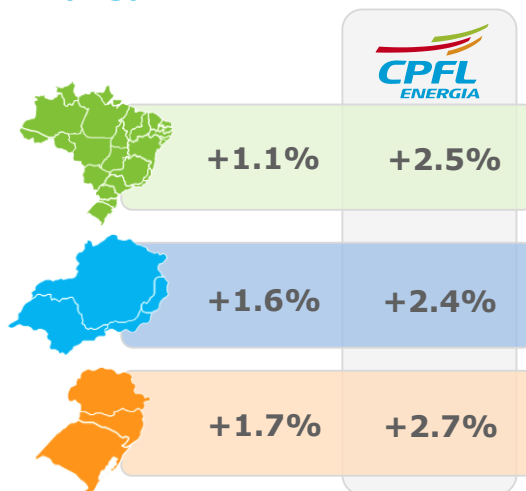


► Market Breakdown in the concession area | 2018

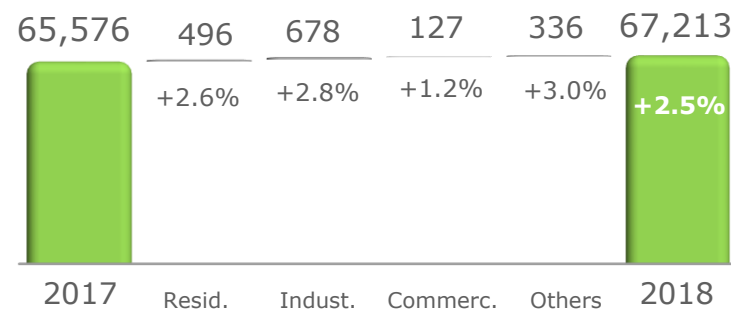


■ Residential ■ Industrial
■ Commercial ■ Others

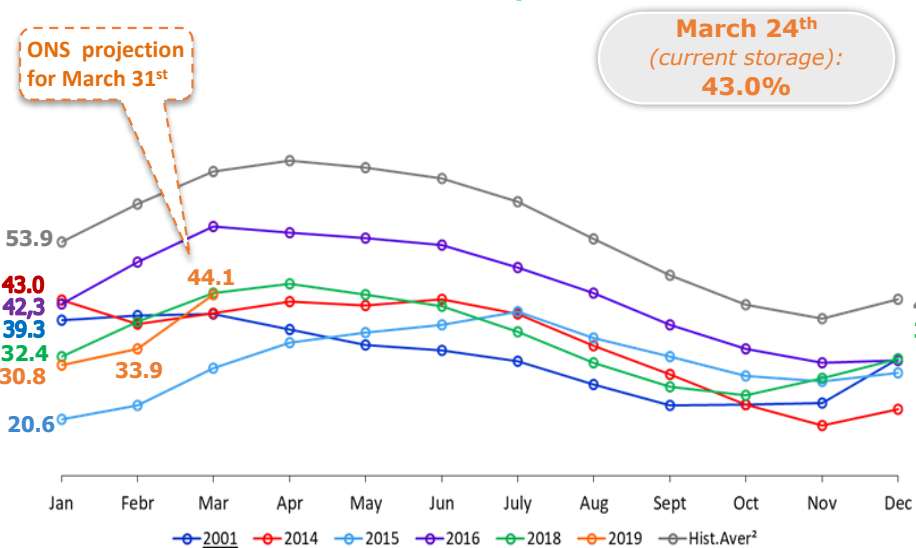
► Comparison by Region | Sales in the conc. area³



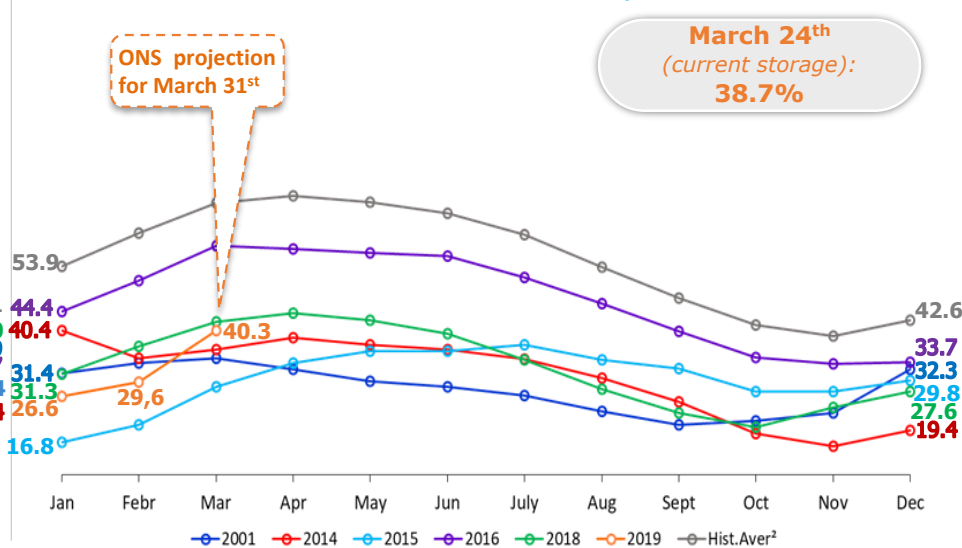
► Sales by consumption segment | GWh



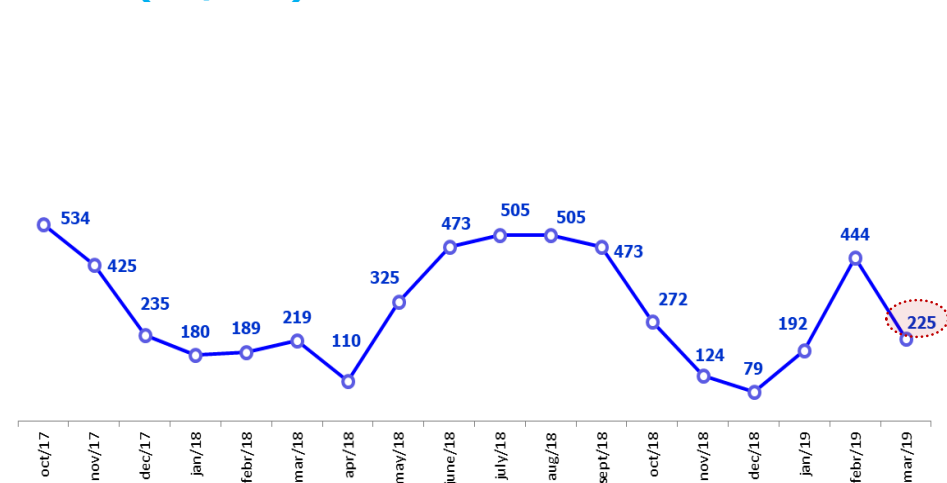
► NIPS Reservoir Levels | %



► Southeast Reservoir Levels | %

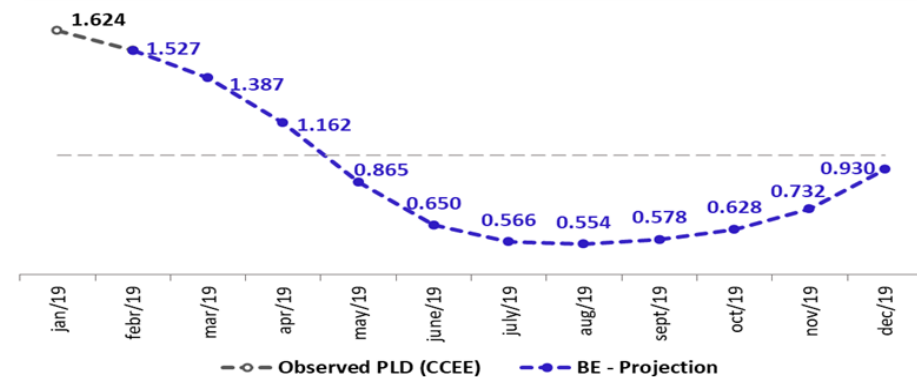


► PLD (SE/CW) Evolution



► GSF - Projection

- ✓ The MRE adjustment factor verified in January was 1.624.
- ✓ The outlook is that hydraulic generation will be below the physical guarantee from May on.
- ✓ 2019 GSF average is 0.834 (BE - Projection)



Net Revenue



10.4%
R\$ 773 million

4Q17	4Q18
R\$ 7,460	R\$ 6,686
million	million

EBITDA



0.9%
R\$ 12 million

4Q17	4Q18
R\$ 1,366	R\$ 1,354
million	million

Net Income



34.7%
R\$ 173 million

4Q17	4Q18
R\$ 498	R\$ 670
million	million

Main Effects Observed

EBITDA:



Distribution: total var. of +R\$ 58 MM

- Market/tariff (+R\$ 168 MM)
- RAB adjustments (-R\$ 63 MM)
- PMSO¹ (-R\$ 38 MM):
 - ✓ Legal and judicial expenses (-R\$ 14 MM)
 - ✓ ADA (-R\$ 14 MM)



Conventional Generation: total var. of +R\$ 37 MM

- Price readjustment of contracts (+R\$ 23 MM)
- 2017 ISS contingency - ENERCAN (+R\$ 13 MM)
- GSF compensation agreement - BAESA (+R\$ 11 MM)
- Reduction of physical guarantee (-R\$ 9 MM)



Commerc., Serv. & Others: total var. of -R\$ 52 MM

- Commercialization: margin loss (-R\$ 40 MM)

EBITDA:



Renewable Generation: total var. of -R\$ 56 MM

- Write-offs of assets (-R\$ 47 MM)
- Lower revenue from wind farms, partially offset by the lower GSF impact and hedge (-R\$ 10 MM)

Net Income:



Financial Result: total var. of +R\$ 19 MM

- Debt charges² – mainly due to the reduction in interest rate/debt cost (+R\$ 25 MM)

Net Revenue



5.2%
R\$ 1,392 million

2017	2018
R\$ 26,745	R\$ 28,137
million	million

EBITDA



15.9%
R\$ 773 million

2017	2018
R\$ 4,864	R\$ 5,637
million	million

Net Income



74.2%
R\$ 923 million

2017	2018
R\$ 1,243	R\$ 2,166
million	million

Main Effects Observed

EBITDA:

- + Distribution: total var. of +R\$ 770 MM**
 - Market/tariff (+R\$ 641 MM)
 - Concession financial asset (+R\$ 141 MM)
- + Conventional Generation: total var. of +R\$ 73 MM**
 - Price readjustment of contracts (+R\$ 44 MM)
 - GSF compensation agreement - BAESA (+R\$ 44 MM)
 - 2017 ISS contingency - ENERCAN (+R\$ 13 MM)
 - Reduction of physical guarantee (-R\$ 45 MM)
- Commerc., Serv. & Others: total var. of -R\$ 56 MM**
 - Commercialization: margin loss (-R\$ 74 MM)
 - Services: margin gain (+R\$ 8 MM)

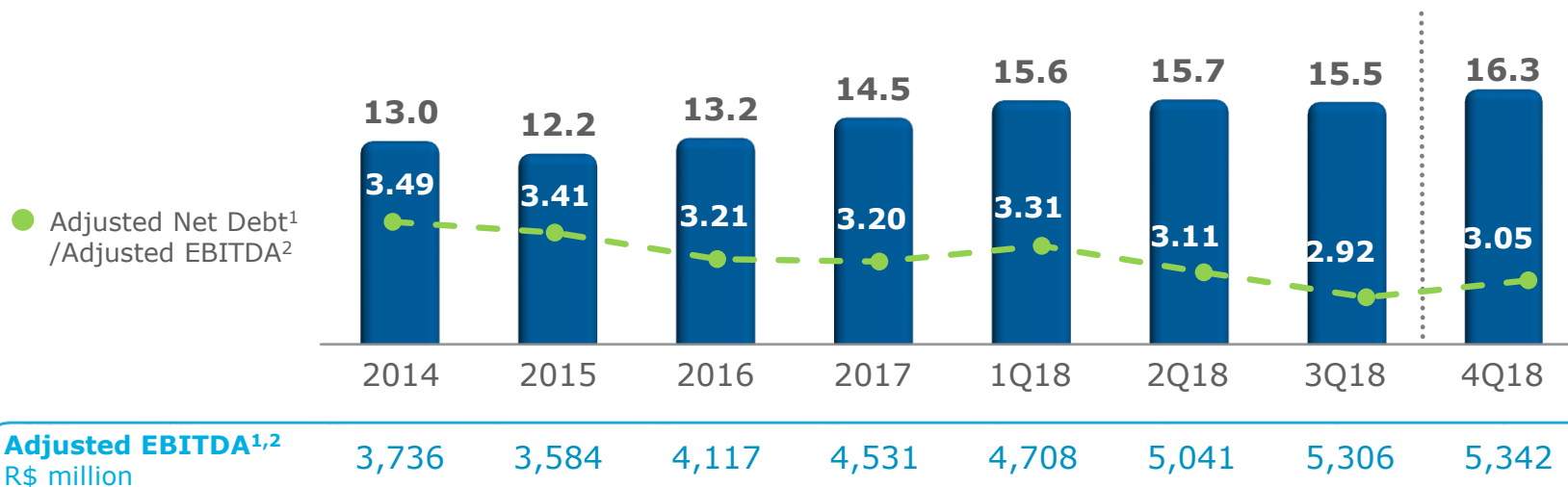
EBITDA:

- Renewable Generation: total var. of -R\$ 13 MM**
 - CCEE exposure / Surplus and Deficit Compensation Mechanism (MCSD), mainly due to wind farms (-R\$ 33 MM)
 - Hedge of energy (-R\$ 30 MM)
 - Higher biomass generation (+R\$ 51 MM)

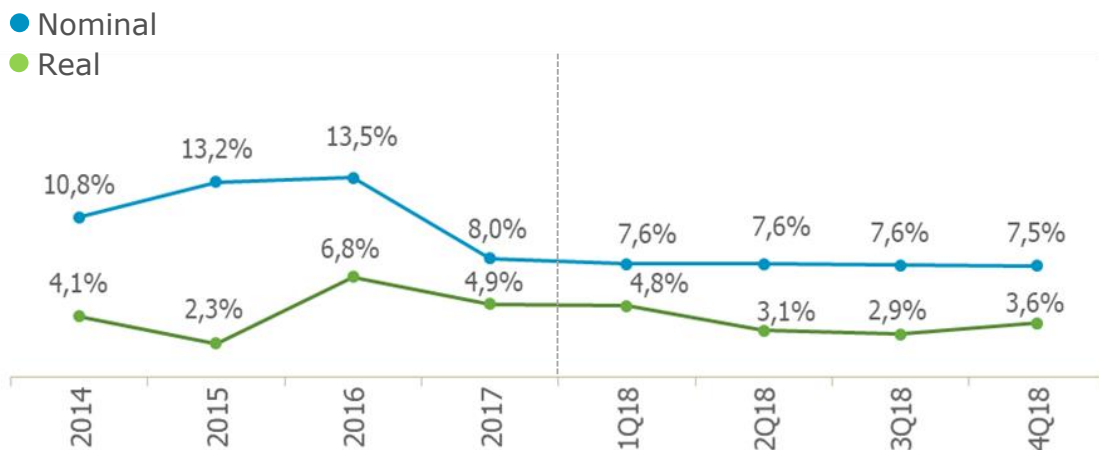
Net Income:

- + Financial Result: total var. of +R\$ 385 MM**
 - Debt charges¹ – mainly due to the reduction in interest rate/debt cost (+R\$ 406 MM)

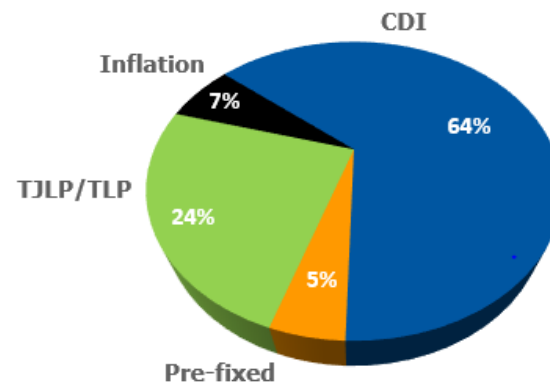
► Leverage | Financial covenants criteria | R\$ billion



► Gross debt cost³ | IFRS | end of period



► Gross debt breakdown by indexer³ | IFRS | 4Q18



CPFL Renováveis
anticipated in more
than 1 year the
commercial start-up¹

Commercial Start-up	Installed Capacity	Physical Guarantee	PPA ²	Location	Financing
Nov-18	29.9 MW	15.2 average-MW ³	21 st LEN 2015 R\$ 240.47/MWh until 2049	Minas Gerais	BNDES

1) The energy generated will be injected into the system and sold on the free Market until the beginning of the energy sales agreement in Jan-20; the beginning of the construction of this SHPP was in Feb-17; 2) Constant currency (Dec-18); 3) 14.0 average-MW of energy contracted in the 2015 A-5 Auction.

Commercial
start-up in
2024(e)

97.3 MW
of installed
capacity

Photo: Mata Velha SHPP



**2018
A-6 Auction
Winner**

Cherobim SHPP

Photo: Pedra Cheirosa Wind Complex



**2018
A-6 Auction
Winner**

Gameleira Wind Complex²

Commercial Start-up	2024	2024
Installed Capacity	28.0 MW	69.3 MW
Physical Guarantee	16.6 average-MW	39.4 average-MW ³
PPA	28 th LEN 2018 R\$ 189.95/MWh ¹ until 2053	28 th LEN 2018 R\$ 89.89/MWh ¹ until 2043
Financing	To be structured	To be structured

1) Constant currency (Dec-18); 2) It comprises the following wind farms: Costa das Dunas, Figueira Branca, Farol de Touros and Gameleira; 3) 12.0 average-MW of energy contracted in the 2018 A-6 Auction; the remaining energy was sold in the free market.

Auction of Jun 28

- Transmission Auction nr. 02/2018
- CPFL Geração won the Lot 9 - Maracanaú - State of Ceará
- Main characteristics of the project:
 - ✓ Construction term: **Mar-22**
 - ✓ Contracted RAP: **R\$ 7.9 million**
 - ✓ Investment estimated by Aneel: **R\$ 102.2 million**



Auction of Dec 20

- Transmission Auction nr. 04/2018
- CPFL Geração won the Lots 5 and 11 - substations and transmission lines in Santa Catarina and in Rio Grande do Sul, respectively
- Lot 5 (SC) - main characteristics:
 - ✓ Construction term: **Mar-24**
 - ✓ Contracted RAP: **R\$ 26.4 million**
 - ✓ Investment estimated by Aneel: **R\$ 366.0 million**
- Lot 11 (RS) - main characteristics:
 - ✓ Construction term: **Mar-24**
 - ✓ Contracted RAP: **R\$ 33.9 million**
 - ✓ Investment estimated by ANEEL: **R\$ 348.9 million**

Capex(e)^{1,2} 2019-2023 | R\$ Million

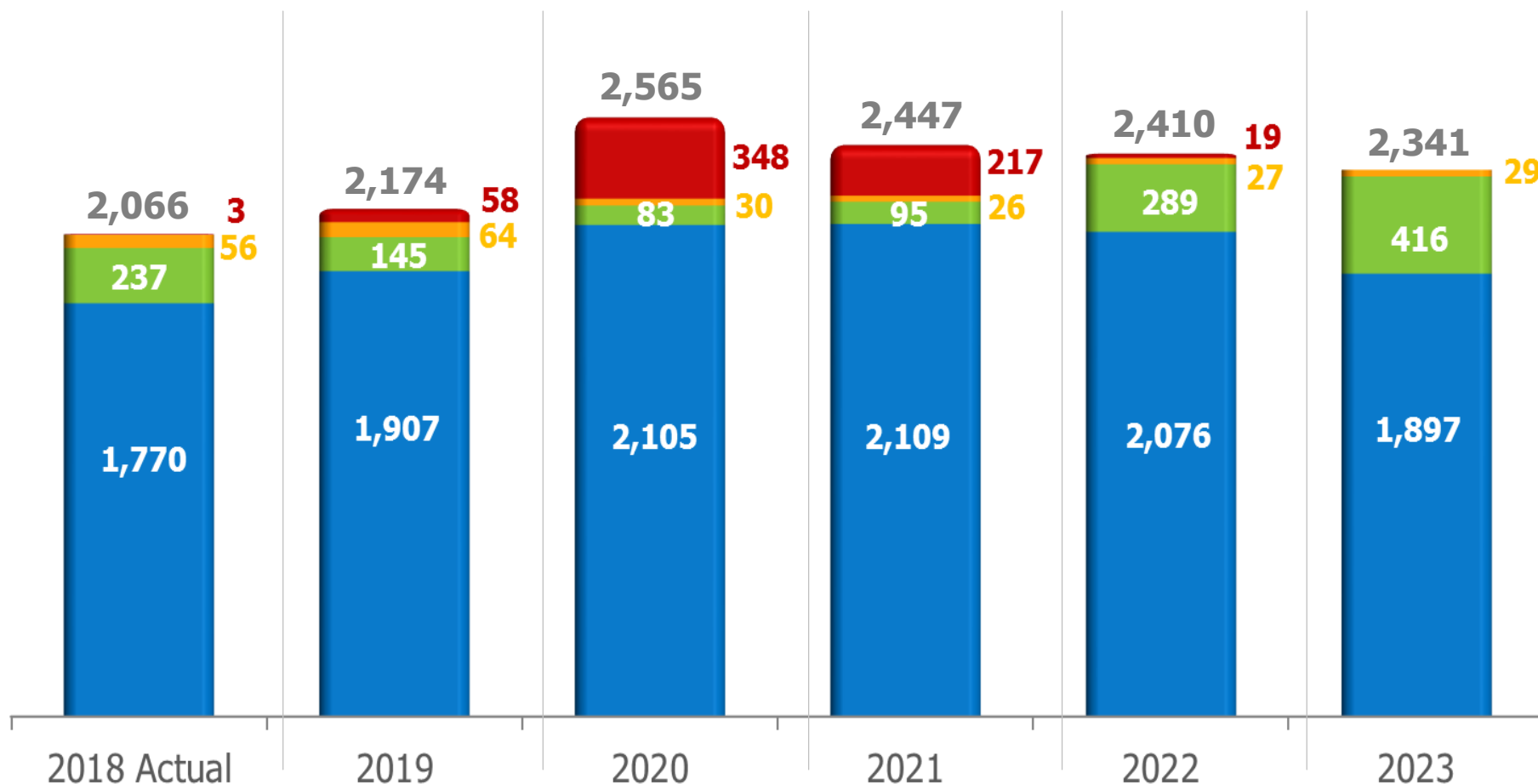
Total:
R\$ 11,938 million

■ Distribution³:
R\$ 10,094 million

■ Generation⁴:
R\$ 1,028 million

■ Trading & Services:
R\$ 175 million

■ Transmission:
R\$ 642 million



1) Constant currency; 2) Investment plan disclosed in 4Q18/2018 Earnings Release, in March 2019; 3) Disregard investments in Special Obligations on Distribution segment (among other items financed by consumers); 4) Conventional + Renewable.

**2.9 million
clients**

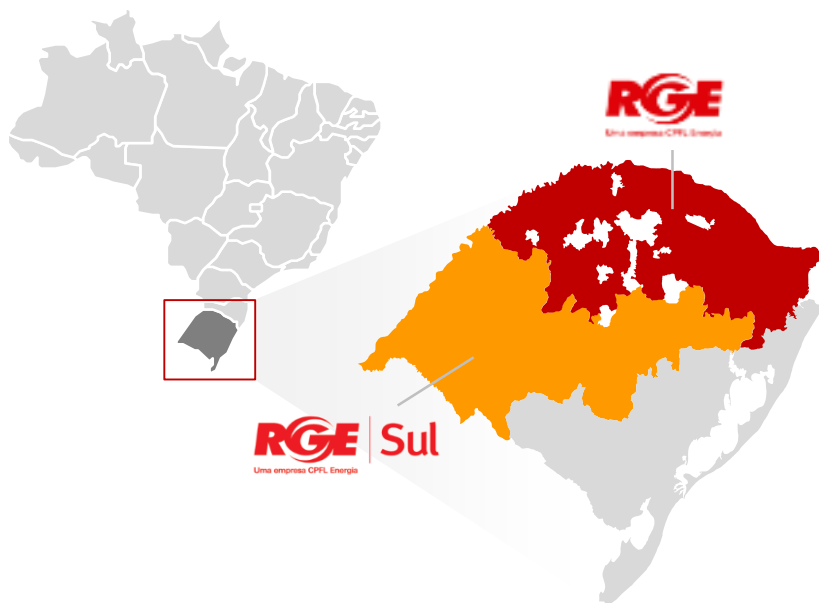
**381
municipalities**

**19,629 GWh
sales within the
concession area**

**151.899 km of
distribution
network**

**182.904 km² of
concession
area**

**4,386 km of
transmission
network**





CPFL
ENERGIA