

# 3Q18 Results



This presentation may contain statements that represent expectations about future events or results according to Brazilian and international securities regulators. These statements are based on certain assumptions and analyses made by the Company pursuant to its experience and the economic environment, market conditions and expected future events, many of which are beyond the Company's control. Important factors that could lead to significant differences between actual results and expectations about future events or results include the Company's business strategy, Brazilian and international economic conditions, technology, financial strategy, developments in the utilities industry, hydrological conditions, financial market conditions, uncertainty regarding the results of future operations, plans, objectives, expectations and intentions, among others. Considering these factors, the Company's actual results may differ materially from those indicated or implied in forward-looking statements about future events or results.

The information and opinions contained herein should not be construed as a recommendation to potential investors and no investment decision should be based on the truthfulness, timeliness or completeness of such information or opinions. None of the advisors to the company or parties related to them or their representatives shall be liable for any losses that may result from the use or contents of this presentation.

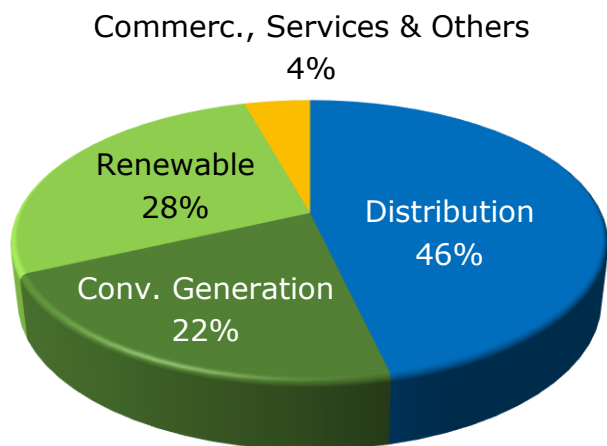
This material includes forward-looking statements subject to risks and uncertainties, which are based on current expectations and projections about future events and trends that may affect the Company's business.

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 in load** in the concession area (**+1.2%**), highlighting the growths of the residential and industrial classes
- ✓ Growth of **4.4% in Net Operating Revenue** and of **21.4% in EBITDA**
- ✓ Net debt of **R\$ 15.5 billion** and leverage of **2.92x Net Debt/EBITDA<sup>1</sup>**
- ✓ Investments of **R\$ 525 million**
- ✓ Winning projects in the 28<sup>th</sup> LEN - A-6 Auction (Aug-18): **Cherobim SHPP**, with 28.0 MW of installed capacity, and **Gameleira Wind Complex**, with 69.3 MW of installed capacity
- ✓ **Relevant Sector Issues:** Tariff Flags/Regulatory Assets, GSF and new MME team

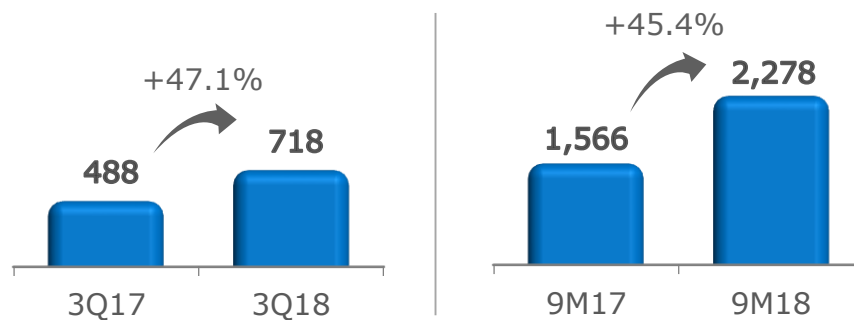


## ► EBITDA<sup>1</sup> Breakdown | 3Q18 | R\$ million

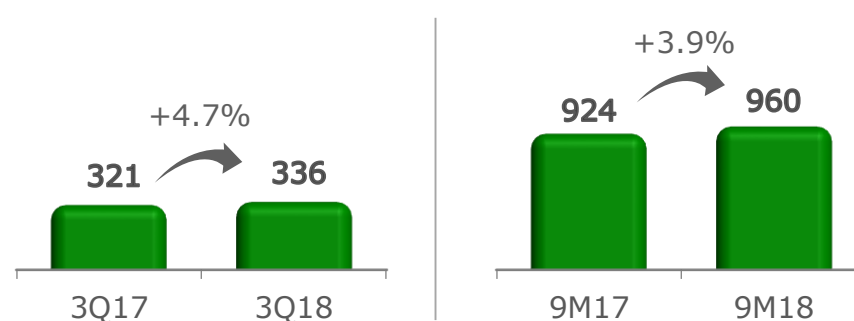


**Total: R\$ 1,548 million**

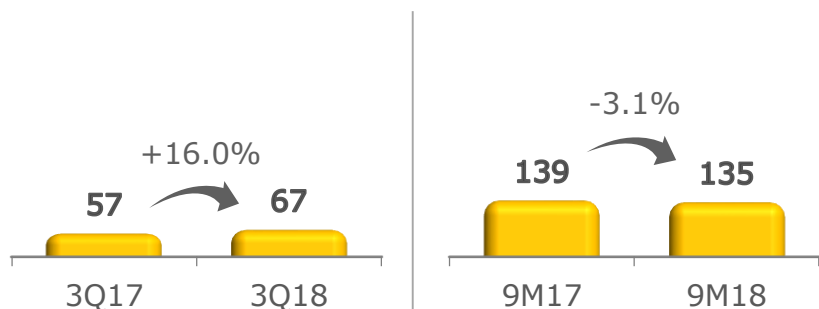
## ► Distribution | R\$ million



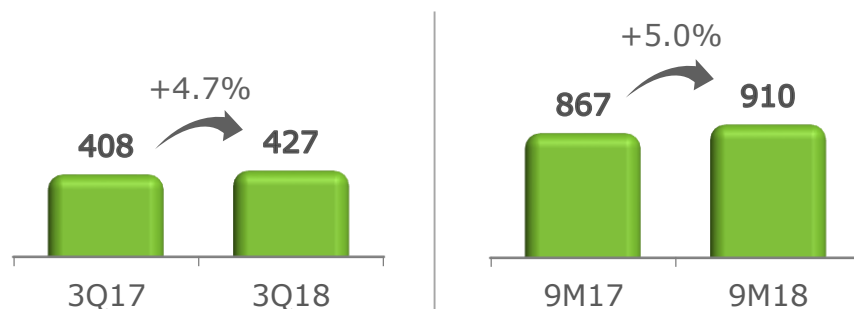
## ► Conventional Generation | R\$ million



## ► Commerc., Services & Others | R\$ million



## ► Renewable Generation | R\$ million

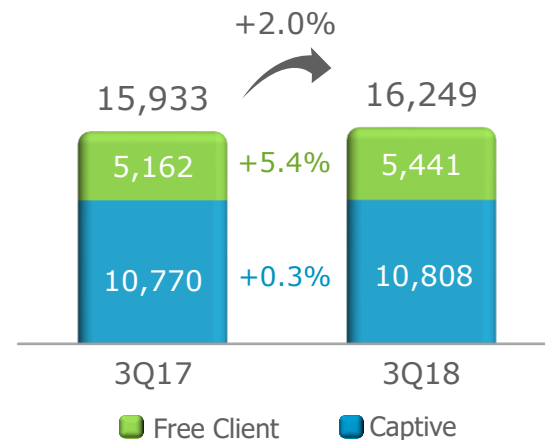


1) EBITDA is calculated from the sum of net income, taxes, financial result, depreciation/amortization, as CVM Instruction no. 527/12.

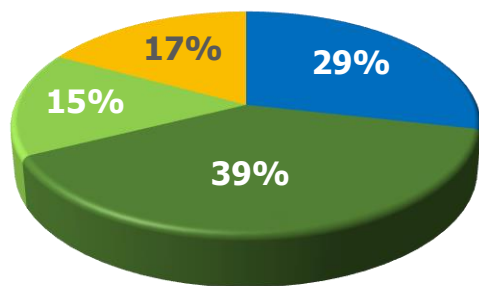
## Highlights

- ✓ **Increase in load<sup>1</sup>** in the concession area (+1.2%)
- ✓ **Increase in sales** in the concession area (+2.0%)
- ✓ Growth of the **Residential** class (+2.0%), highlighting RGE (+6.3%) and RGE Sul (+4.0%)
- ✓ Stability in the **Commercial** class (+0.2%)
- ✓ Growth of the **Industrial** class (+2.4%), highlighting CPFL Piratininga (+4.3%), RGE (+3.7%) and RGE Sul (+4.8%)
- ✓ **Losses:** from 9.26% in 3Q17 and 9.03% in 2Q18 to 8.87% in 3Q18

## Sales in the concession area | GWh

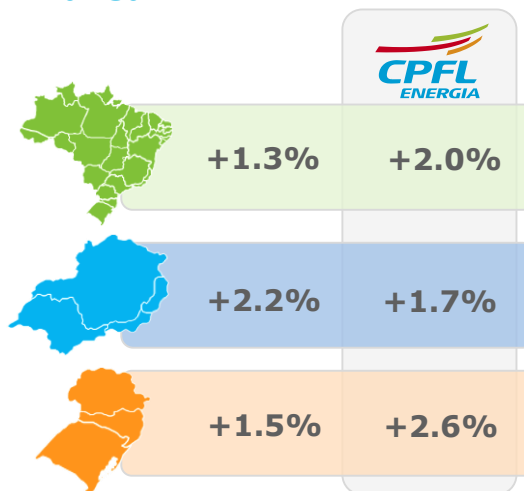


## Market Breakdown in the concession area | 3Q18

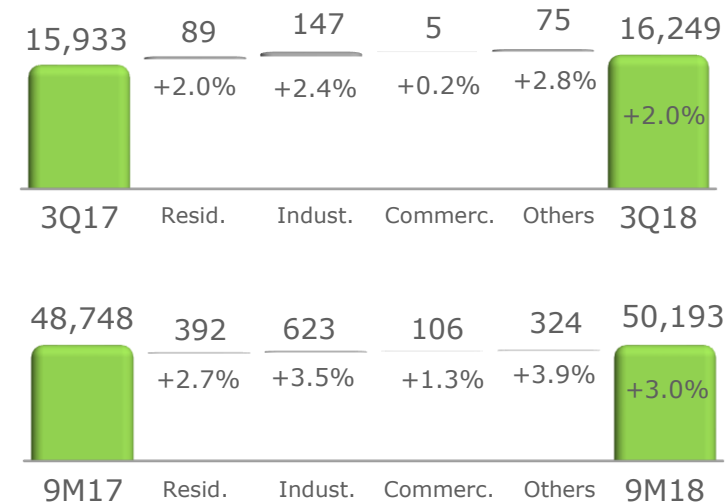


■ Residential ■ Industrial  
■ Commercial ■ Others

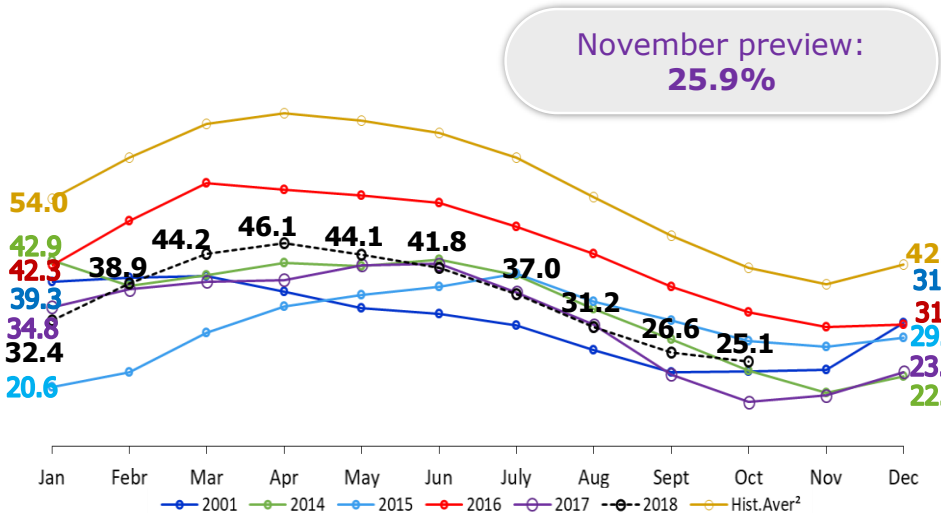
## Comparison by Region | Sales in the conc. area



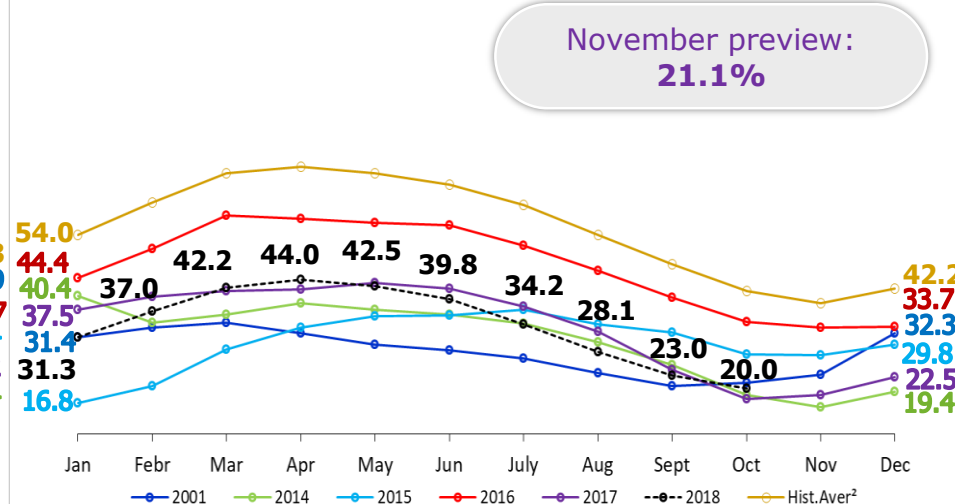
## Sales by consumption segment | GWh



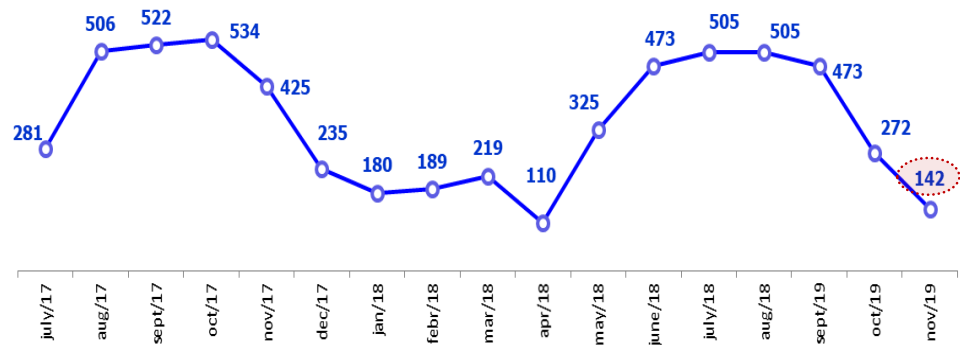
## ► NIPS Reservoir Levels | %



## ► Southeast Reservoir Levels | %

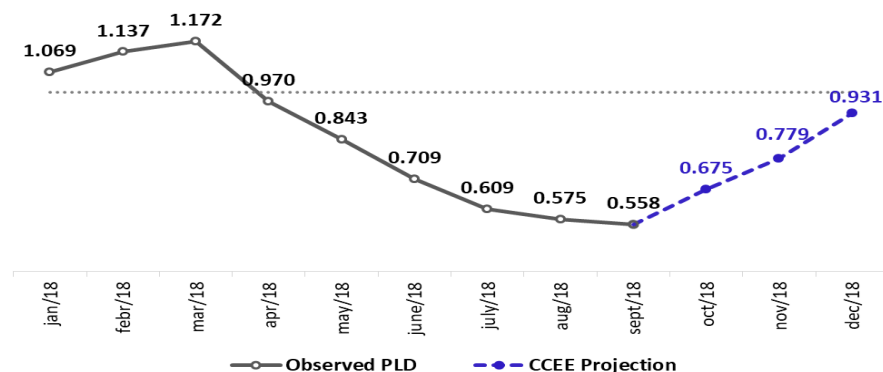


## ► PLD (SE/CW) Evolution

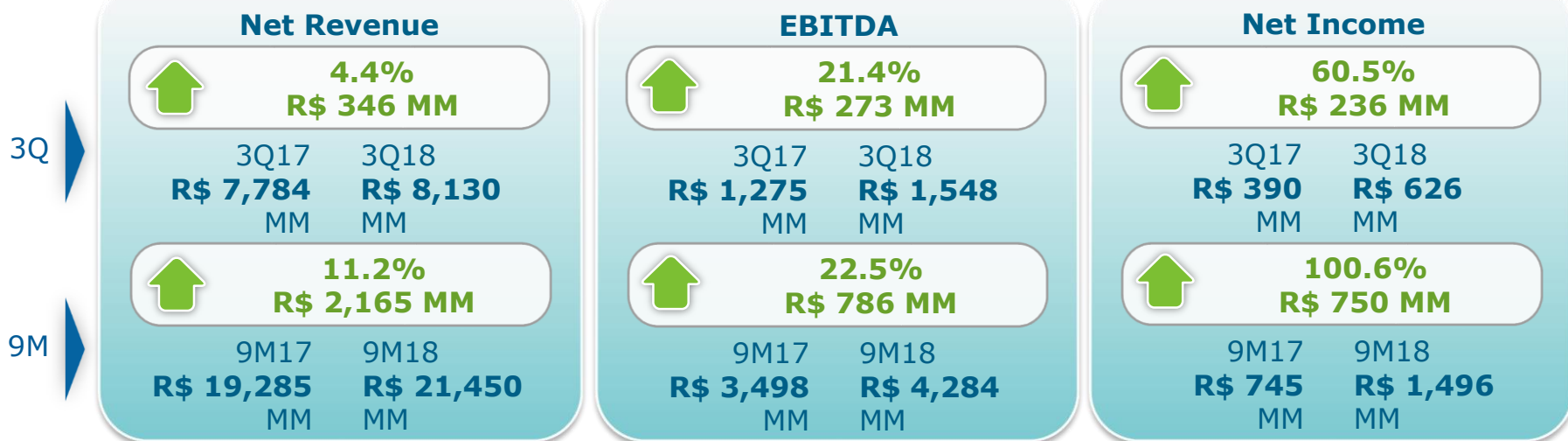


## ► GSF - Projection

✓ The GSF verified in August was 0.575 and in September was 0.558. The outlook is that hydraulic generation will continue below the physical guarantee in the year 2018











## Main Effects Observed


### EBITDA:

-  **Distribution: total var. of +R\$ 230 MM**
  - Market/tariff (+R\$ 178 MM)
  - Concession financial asset (+R\$ 89 MM)
  - Private pension fund (+R\$ 6 MM)
  - PMSO (-R\$ 70 MM):
    - ✓ Legal and judicial expenses (-R\$ 51 MM)
    - ✓ Allowance for doubtful accounts (-R\$ 14 MM)
-  **Conventional Generation: total var. of +R\$ 15 MM**
  - Recovery of retroactive PIS/Cofins credits at EPASA (+R\$ 11 MM)
-  **Commerc., Serv. & Others: total var. of +R\$ 9 MM**

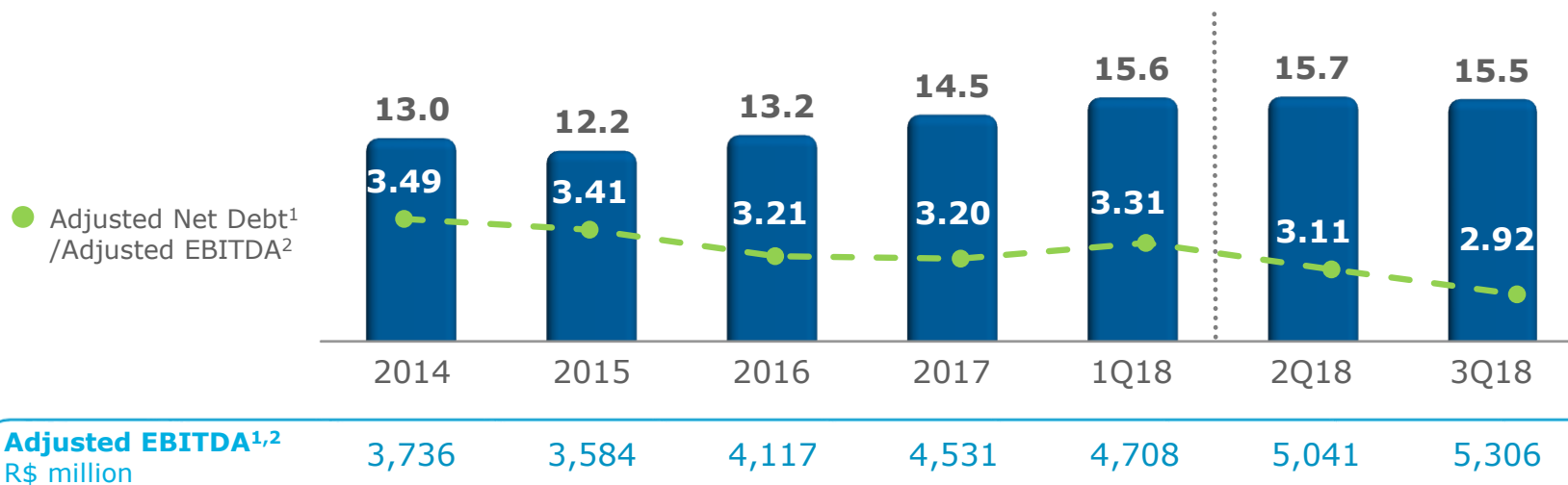
### EBITDA:

-  **Renewable Generation: total var. of +R\$ 19 MM**
  - Higher wind farms generation (+R\$ 32 MM)
  - Contractual penalties in 2017 (+R\$ 5 MM)
  - Impact of the GSF (-R\$ 14 MM)
  - Seasonalization of PPA for SHPPs (-R\$ 8 MM)

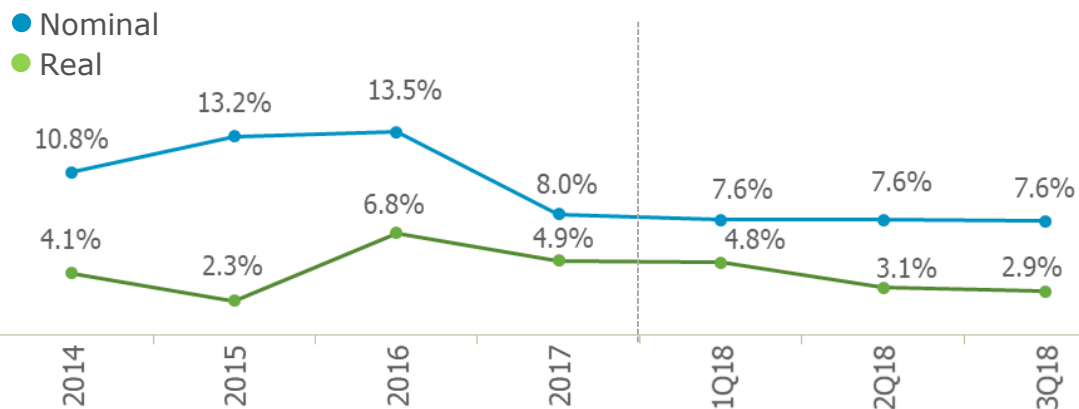
### Net Income:

-  **Financial Result: total var. of +R\$ 64 MM**
  - Debt charges<sup>1</sup> – mainly due to the reduction in interest rate/debt cost (+R\$ 101 MM)
  - MTM (-R\$ 47 MM)

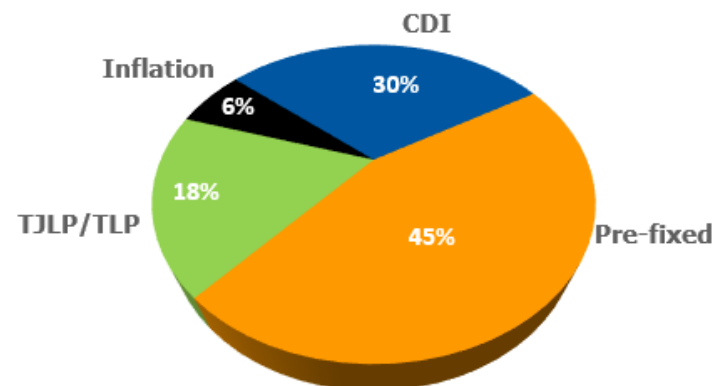
## ► Leverage | Financial covenants criteria | R\$ billion



## ► Gross debt cost<sup>3</sup> | IFRS | end of period

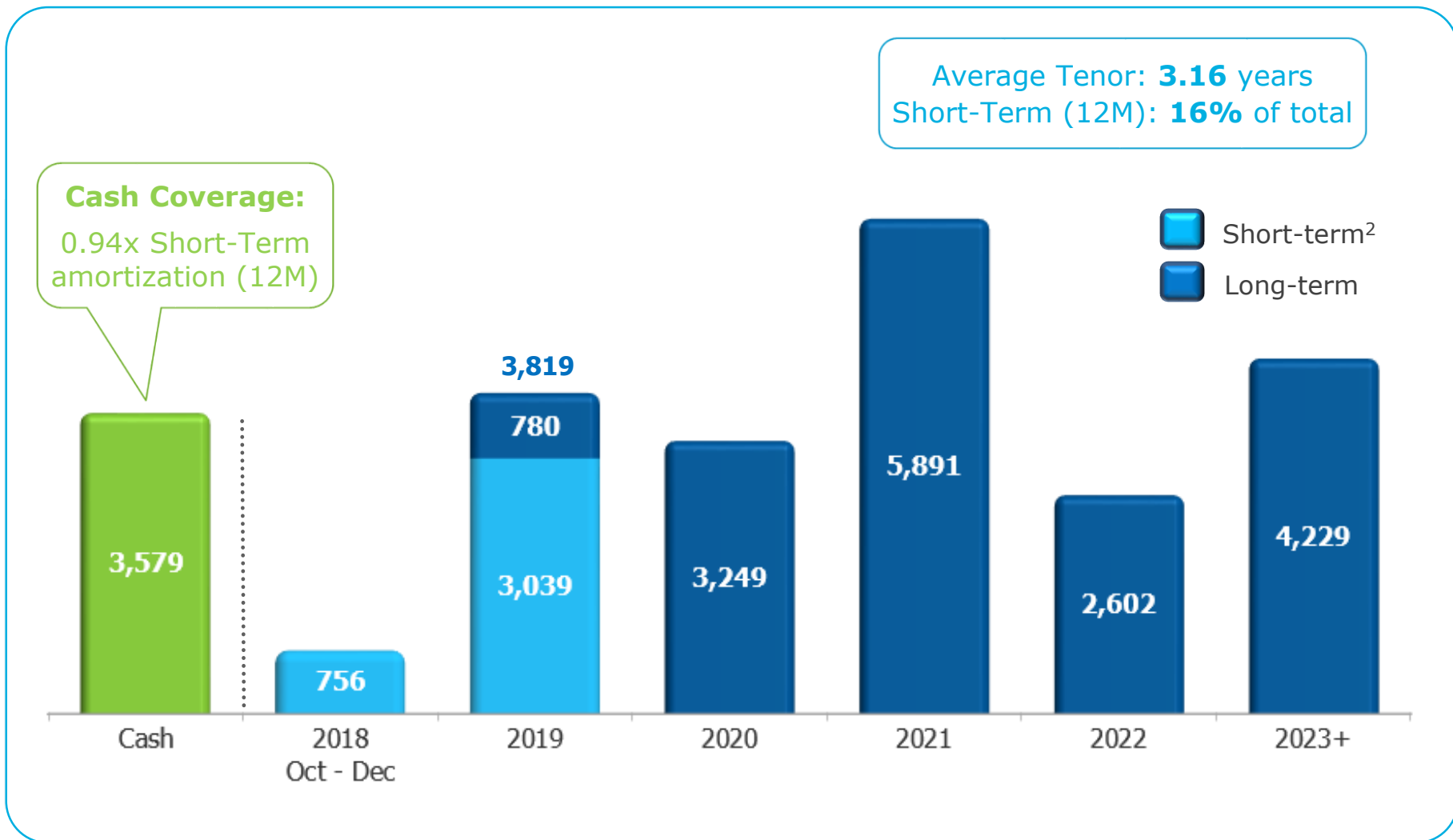


## ► Gross debt breakdown by indexer<sup>3</sup> | IFRS | 3Q18





## ► Debt amortization schedule<sup>1</sup> | IFRS | R\$ million



1) Considers debt principal, including hedge; 2) From October 2018 to September 2019.

Photo: Boa Vista II SHPP



Anticipation foreseen

2018  
A-6 Auction  
Winner

2018  
A-6 Auction  
Winner

Boa Vista II SHPP

Cherobim SHPP

Gameleira Wind Complex<sup>3</sup>

**Commercial Start-up**

2020

2024

2024

**Installed Capacity**

29.9 MW

28.0 MW

69.3 MW

**Physical Guarantee**

15.2 average-MW<sup>1</sup>

16.5 average-MW

12.0 average-MW<sup>4</sup>

**PPA**

21<sup>st</sup> LEN 2015  
R\$ 240.47/MWh<sup>2</sup> until 2049

28<sup>th</sup> LEN 2018  
R\$ 189.95/MWh until 2053

28<sup>th</sup> LEN 2018  
R\$ 89.89/MWh until 2043

**Financing**

BNDES

To be structured

To be structured

1) 14.0 average-MW of energy contracted in the 2015 A-5 Auction; 2) Constant currency (Sept-18); 3) It comprises the following wind farms: Costa das Dunas, Figueira Branca, Farol de Touros and Gameleira; 4) 12.0 average-MW of energy contracted in the 2018 A-6 Auction; the remaining energy was sold in the free market.

## CPFL INOVA

Um programa Scale-Up Endeavor

ENERGIA QUE ALIMENTA GRANDES IDEIAS



CPFL immersion program in the entrepreneurial ecosystem, with the objective of approaching and connecting CPFL with Brazil's most promising startups/scale-ups



Endeavor's acceleration methodology to map, select, evaluate and track high impact entrepreneurs (scale-ups) of Endeavor's mentoring network



Program selected 12 scale-ups within the themes of interest of the CPFL group



Launch in Oct-17, selection of scale-ups in Feb-18, completion of acceleration step in Sep-18

## Results



**R\$ 6 MM in contracts and innovative projects:** Direct business with selected scale-ups



**Connection of the internal public with innovative initiatives in Brazil:** 30 direct involved executives and more than 60 hours of mentoring



**Mapping of innovative solutions in our industry:** 496 scale-ups evaluated in the program



**CPFL positioning as innovative company:** more than 570k people reached via newsletter and 408k via social networks



**Promotion of the Culture of Innovation:** involvement of employees of all levels, including participation in external events

### Solutions of Interest

Operational Efficiency

Energy Efficiency

Distributed Generation

Energy Storage

Internet of Things

Big Data/Analytics

Smart Cities

Relationship with Customers



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