2Q15 Results

CPFL ENERGIA

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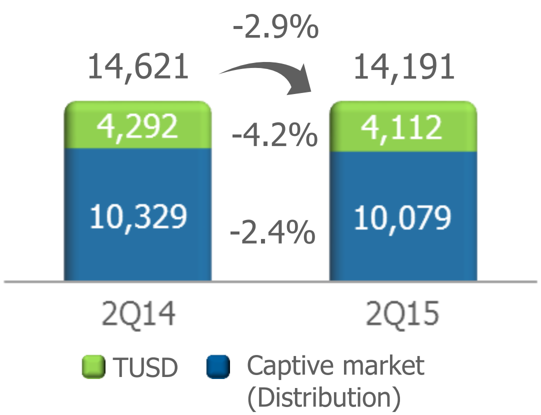
2Q15 Highlights

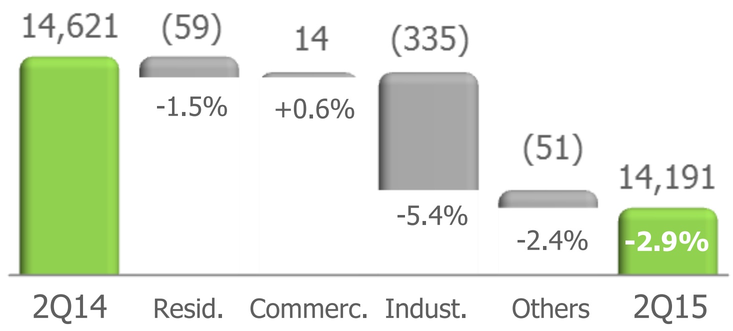
- Sales dropped **2.9%** in the concession area - residential (**-1.5%**), commercial (**+0.6%**) and industrial (**-5.4%**)
- Investments of **R$ 382** million in 2Q15 and **R$ 713** million in 1H15
- **RGE's** tariff adjustment on June 2015, with an effect of **2.84%** in parcel B
- **Standard&Poor's** reaffirmed the rating **brAA+** with stable outlook for **CPFL Energia** and its subsidiaries
- CPFL Energia's shares were down **2.9%** on BM&FBOVESPA and **3.7%** on NYSE in 2Q15
- Best company of the year on Power Market assigned by **Época NEGÓCIOS 360°**
- CPFL Santa Cruz took the first place in **continuity services ranking** in 2014, listed by ANEEL (large distributors – over 1TWh)
- Winner of **Abradee Award** 2015 in two categories: customer evaluation (CPFL Paulista) and social responsibility (RGE)

2Q15 Energy Sales

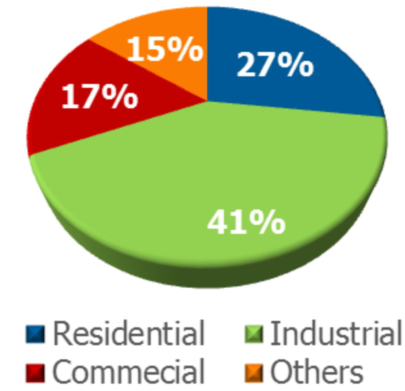
Sales in the concession area | GWh



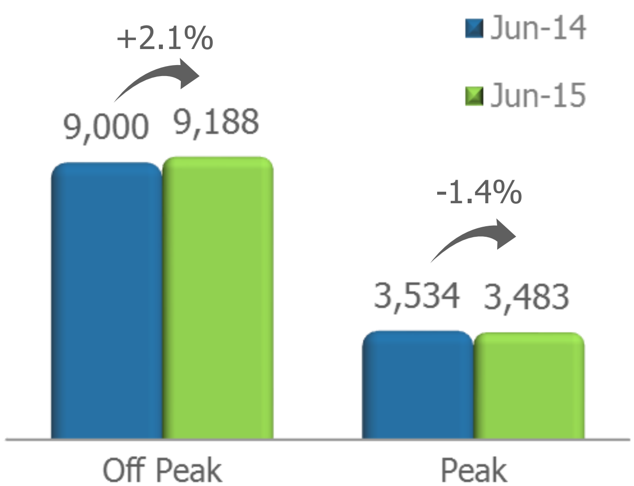
Sales by consumption segment | GWh



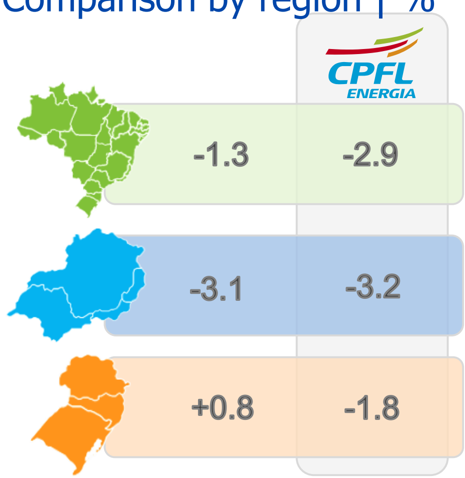
Market Breakdown in the Concession Area| 2Q15



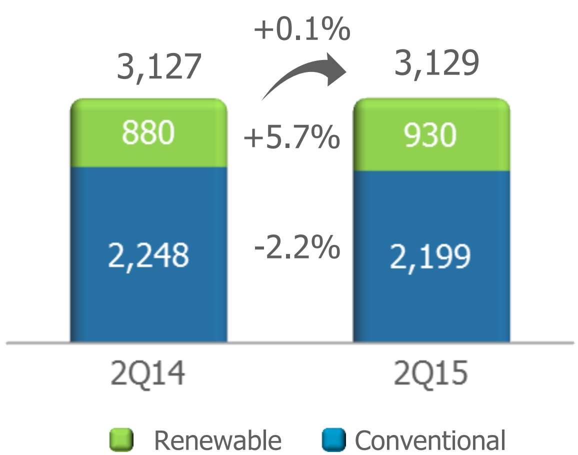
Contracted Demand | MW



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



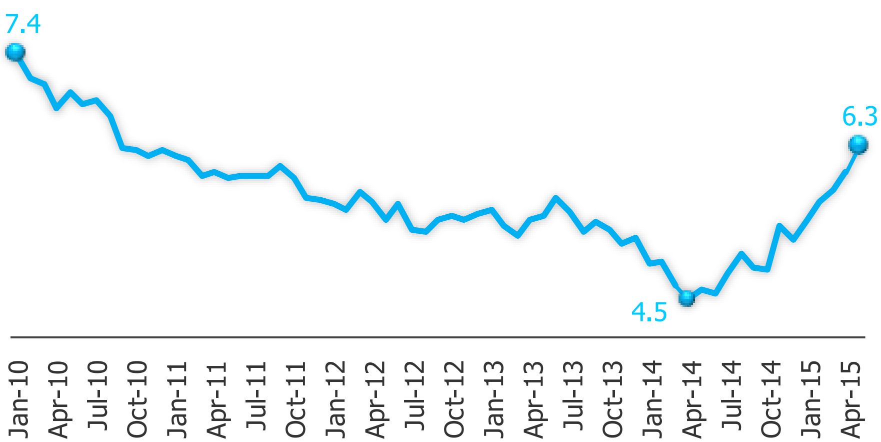
Generation Installed Capacity¹ | MW



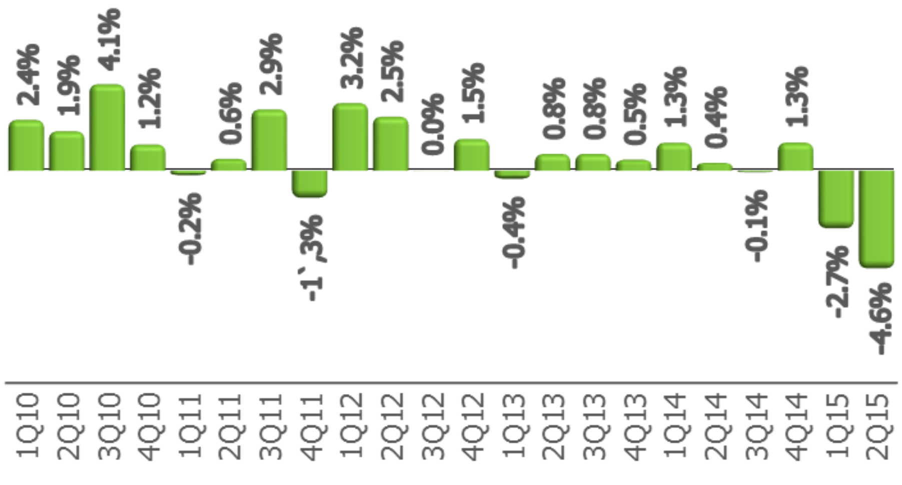
1) Take into account CPFL Energia's 51.6% stake in CPFL Renováveis

Unfavorable economic environment and strong higher tariffs inhibit residential consumption

Unemployment Rate[1] | % of EAP[2]

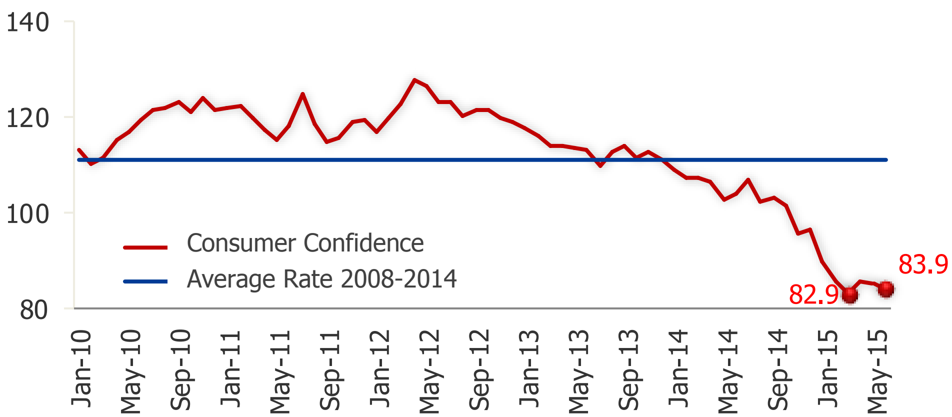


Payroll[3]



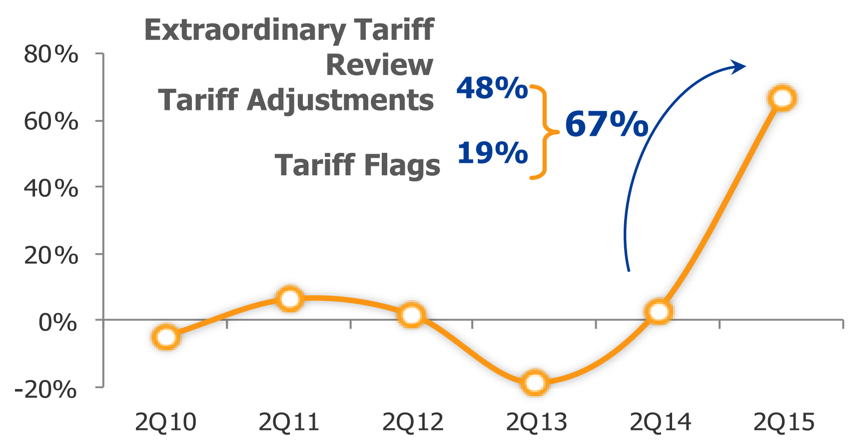
Consumer Confidence Index[4]

Index Base Sep-2005 = 100



Average price variation (%) | in R$/MWh

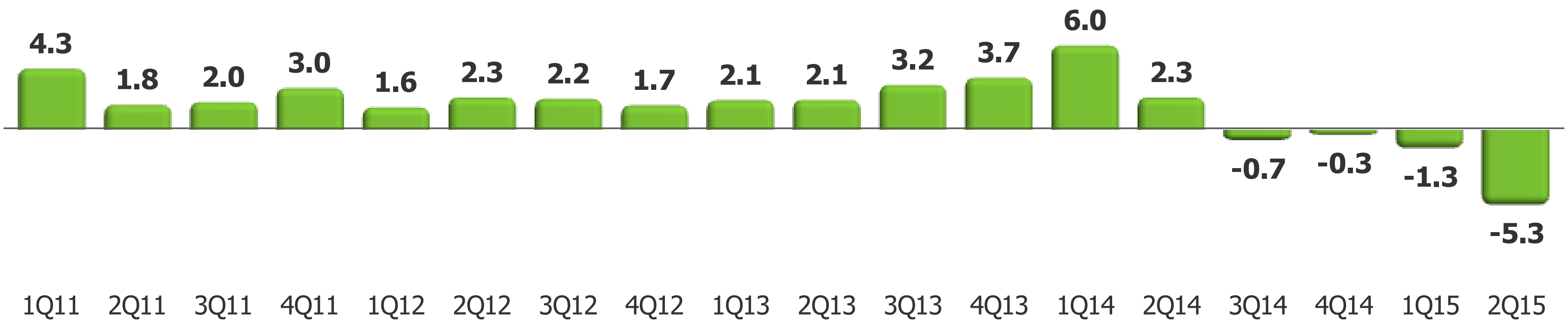
Residential of the CPFL Energia



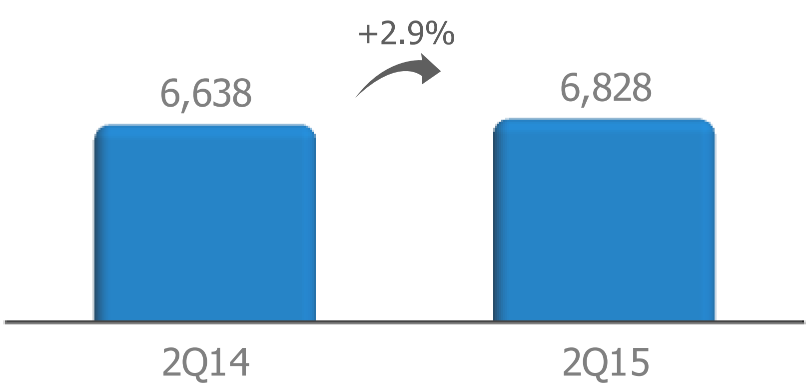
1) Source: PME/IBGE - New Metodology; 2) Economically Active Population 3) Quarter compared to the same quarter of last year 4) Source: FGV

Behavioral changes have led to a fall in consumption per residential customer in 2Q15

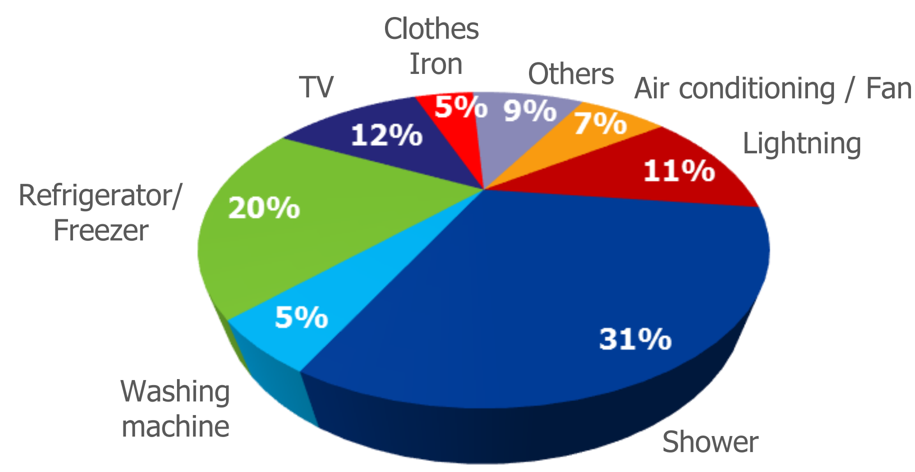
Consumption per residential customer | Quarter compared to the same quarter last year (%)[1]



 # Residential consumers | In thousands



Breakdown of electrical equipment in total residential consumption | In % (2Q14)

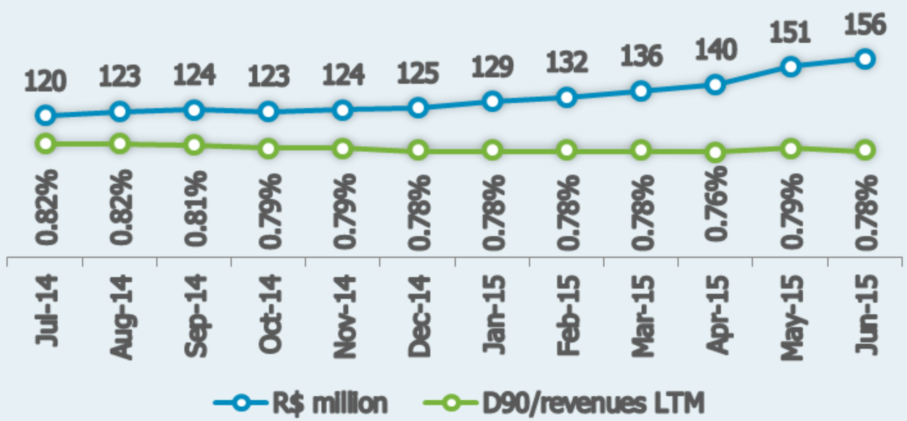


1) Number of days and temperature adjustments

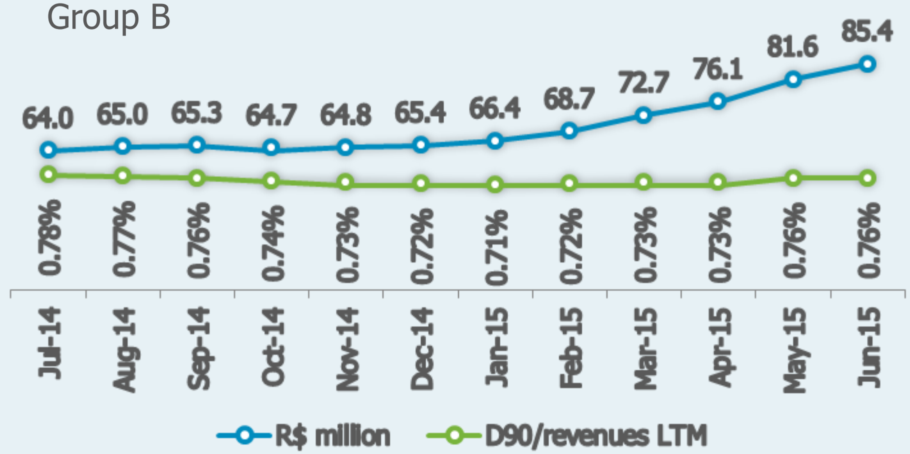
Delinquency

Delinquency Evolution
R$ million in D90/Revenues (LTM)

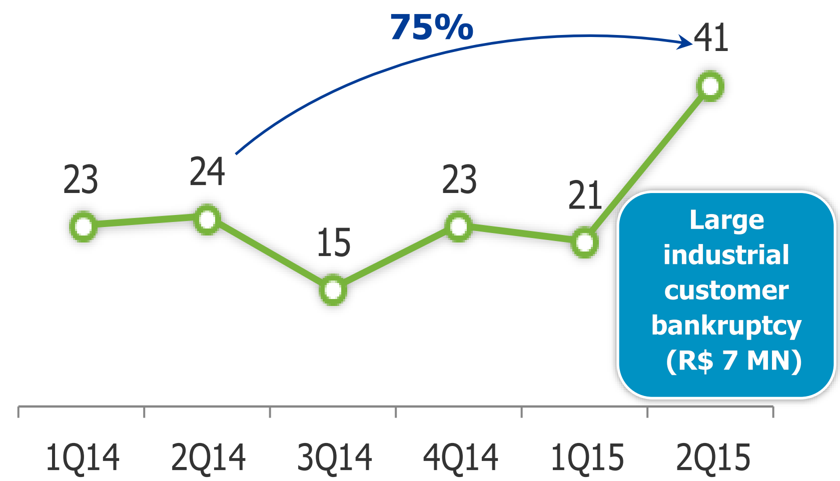
Energy Bills
CPFL Energia



Energy Bills
Group B



Allowance for doubtful accounts
R$ million



Strengthening of collection actions in 2Q15 to avoid the advance of delinquency

- ✓ Tele collection/bill collector: 1,706 thousand (+50%)
- ✓ Pre-cut: 400 thousand (+33%)
- ✓ inclusion in public list of debtors: 794 thousand (+32%)
- ✓ Conventional cut: 69 thousand (+54%)
- ✓ Circuit breaker cut: 25 thousand (+47%)
- ✓ Electronic Protest: 31 thousand (new initiative)

2Q15 Results

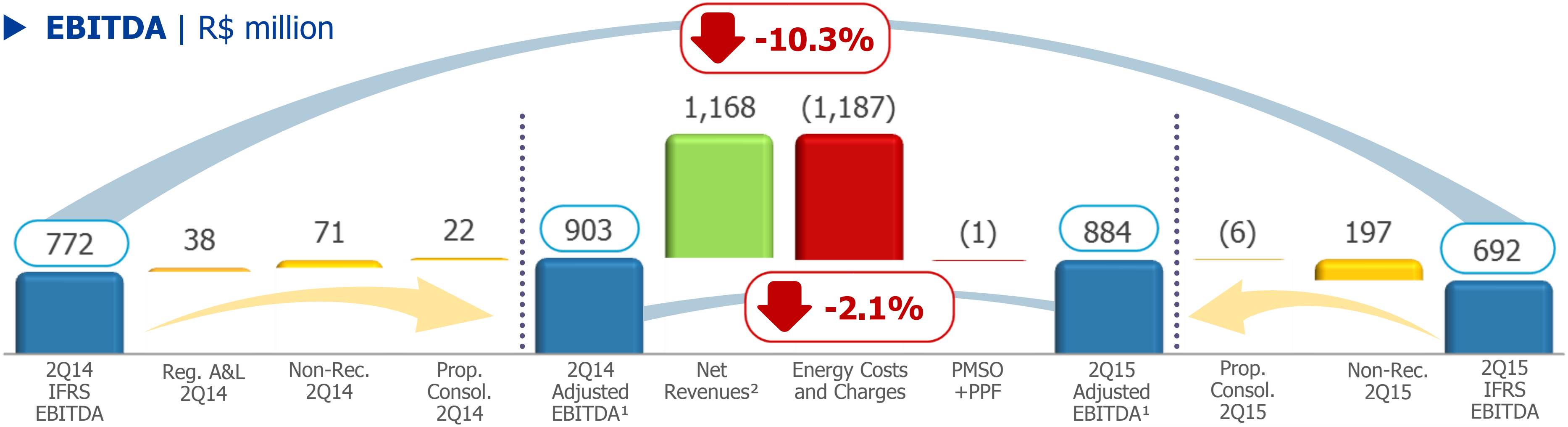
	Net Revenues[1]		EBITDA		Net Income	
IFRS	**32.7%** **R$ 1,201 million**		**-10.3%** **R$ 79 million**		**-37.9%** **R$ 55 million**	
	2Q14	2Q15	2Q14	2Q15	2Q14	2Q15
	R$ 3,677 million	**R$ 4,878** million	**R$ 772** million	**R$ 692** million	**R$ 145** million	**R$ 90** million
Proportionate Consolidation of Generation + Sectorial Financial Assets & Liabilities + Non-recurring items	**32.0%** **R$ 1,168 million**		**-2.1%** **R$ 19 million**		**3.5%** **R$ 9 million**	
	2Q14	2Q15	2Q14	2Q15	2Q14	2Q15
	R$ 3,649 million	**R$ 4,817** million	**R$ 903** million	**R$ 884** million	**R$ 255** million	**R$ 264** million

	EBITDA		Net Income	
	2Q14	**2Q15**	**2Q14**	**2Q15**
Proportionate Consolidation of Generation (A)	**+ 22**	**- 6**	**+ 18**	**+ 35**
Sectorial Financial Assets & Liabilities (B)	**+ 38**		**+ 37**	
GSF and Energy Purchase (CPFL Geração and CPFL Renováveis)	+ 59	+ 141	+ 46	+ 99
Provision for asset write-off (Bio Pedra TPP)		+ 6		+ 6
Reallocation of costs with Basic Network Losses - CCEE	+ 12		+ 8	
Labor contingencies		+ 50		+ 33
Non-recurring items (C)	**+ 71**	**+ 197**	**+ 53**	**+ 139**
Total (A+B+C)	**+ 131**	**+ 191**	**+ 109**	**+ 173**

1) Excluding construction revenues.

2Q15 Results

EBITDA | R$ million



32.0% increase in Net Revenues[2] (R$ 1.168 million)

- Distribution → +42.4% (R$ 1,199 million) **Itaipu exchange rate variation: - R$ 9 million**
- Renewable Generation → +9.3% (R$ 13 million)
- Commercialization and Services → +0.2% (R$ 1 million)
- Conventional Generation → -16.4% (R$ 96 million)
- Elimination among segments → -12.0% (R$ 50 million)

Distribution	
Sector financial asset and liability (CVA)	R$ 881 MN
RTE/RTA[5]	+48%
Sales in the concession area (GWh)	-2.9%

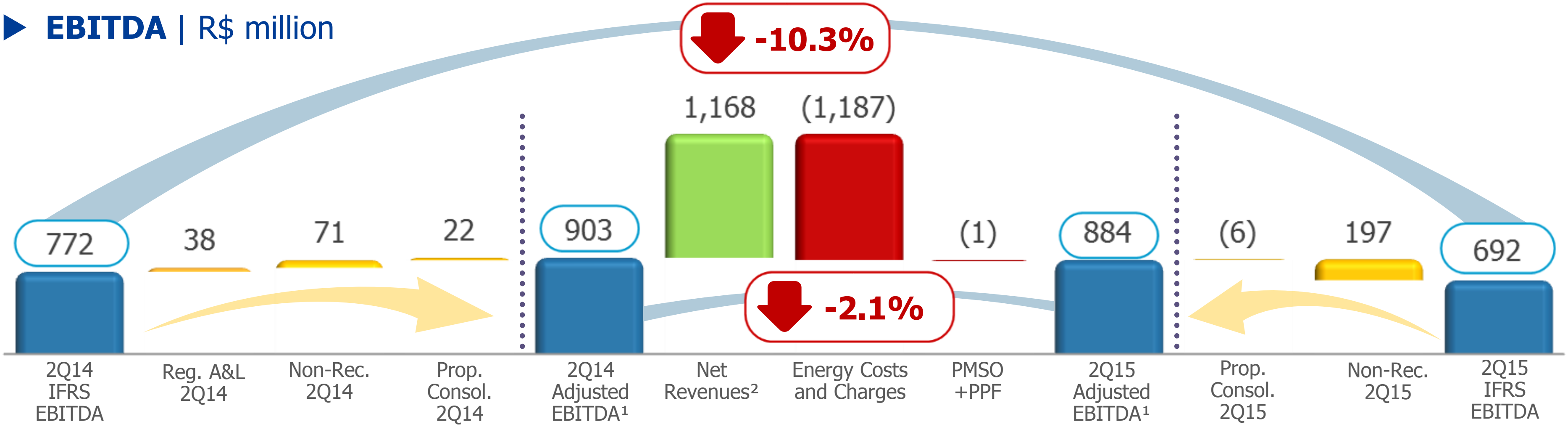
56.1% increase in Energy Costs and Charges (R$ 1,187 million)

- Distribution → +64.9% (R$ 1,277 million)
- Commercialization and Services → +0.6% (R$ 2 million)
- Conventional Generation → -R$ 144 million
- Renewable Generation → -26.6% (R$ 7 million)
- Elimination among segments → -15.5% (R$ 58 million)

	2Q14	2Q15
PLD (R$/MWh)[3]	680.82	382.82
R$/US$[4]	2.20	3.10

1) Proportionate consolidation of projects; 2) Disregard construction revenues; 3) Average PLD SE/CW; 4) Exchange rate (US$) - end of the period; 5) Average price variation (Residential class)

EBITDA | R$ million



0.1% increase in Operating Costs and Expenses [3] (R$ 1 million)

- PMSO Services (R$ 7 million)
- Acquisition of fuel oil for EPASA (R$ 70 million)

ASSOCIATED REVENUE

Disregarding the effects above, PMSO increased 14.7% (R$ 64 million)

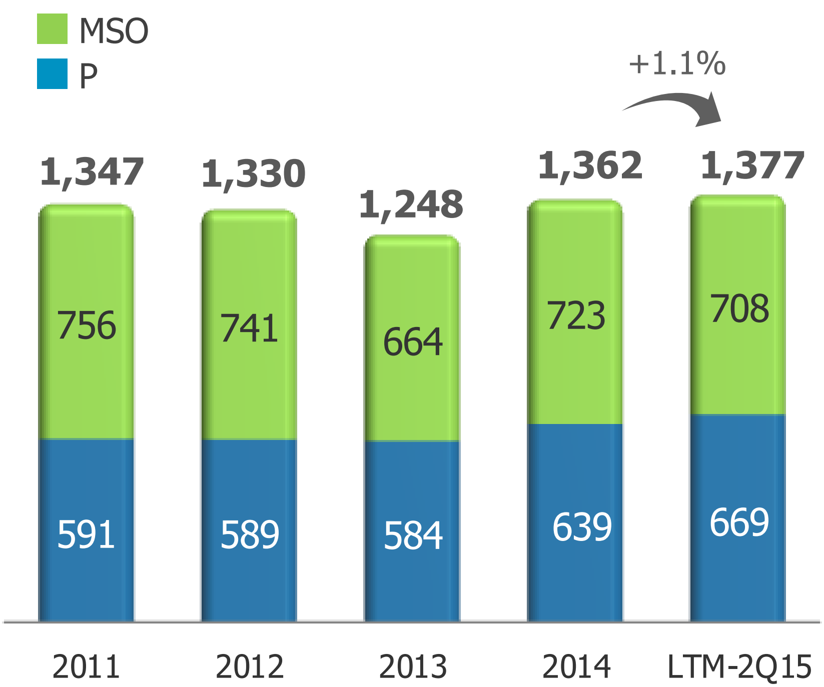
IGP-M: +5.6%

- Personnel → +7.0% (R$ 13 million) – labor agreement (R$ 9 million) and others (R$ 4 million)
- Material → +10.7% (R$ 2 million)
- Services → +3.1% (R$ 3 million)
- Others → + 35.6% (R$ 41 million)
  - Legal and judicial indemnities → + 67.6% (R$ 30 million)
  - Allowance for Doubtful Accounts → +75,6% (R$ 18 million)
  - Others → -14.3% (R$ 7 million)
- Private Pension Fund→ +35.8% (R$ 4 million)

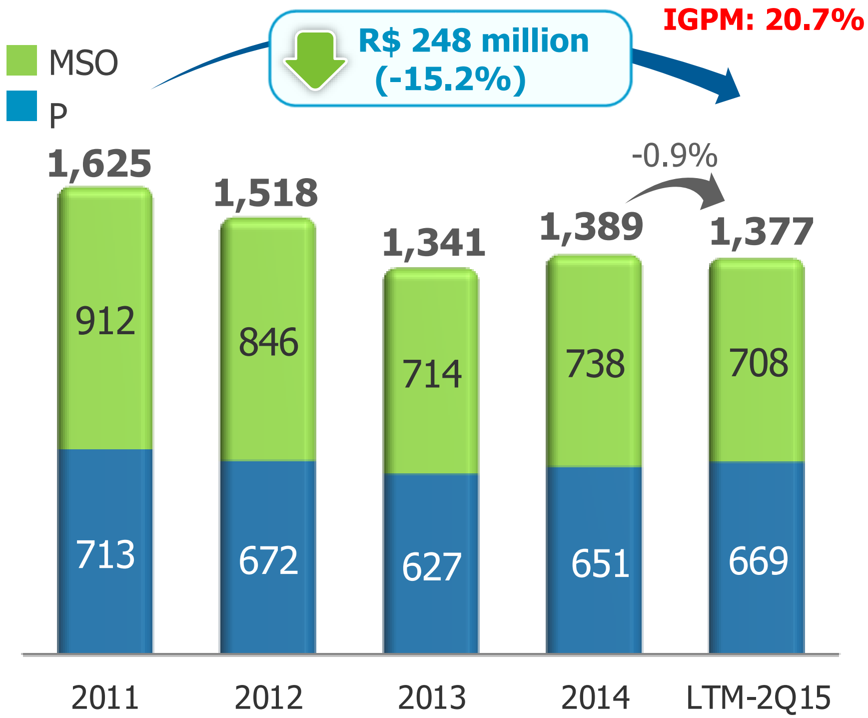
1) Proportionate consolidation of projects; 2) Disregard construction revenues; 3) Including Private Pension Fund.

Manageable expenses | Real adjusted PMSO LTM-2Q15 x 2011

Nominal Adjusted PMSO | R$ Million



Real Adjusted PMSO[1] | R$ Million

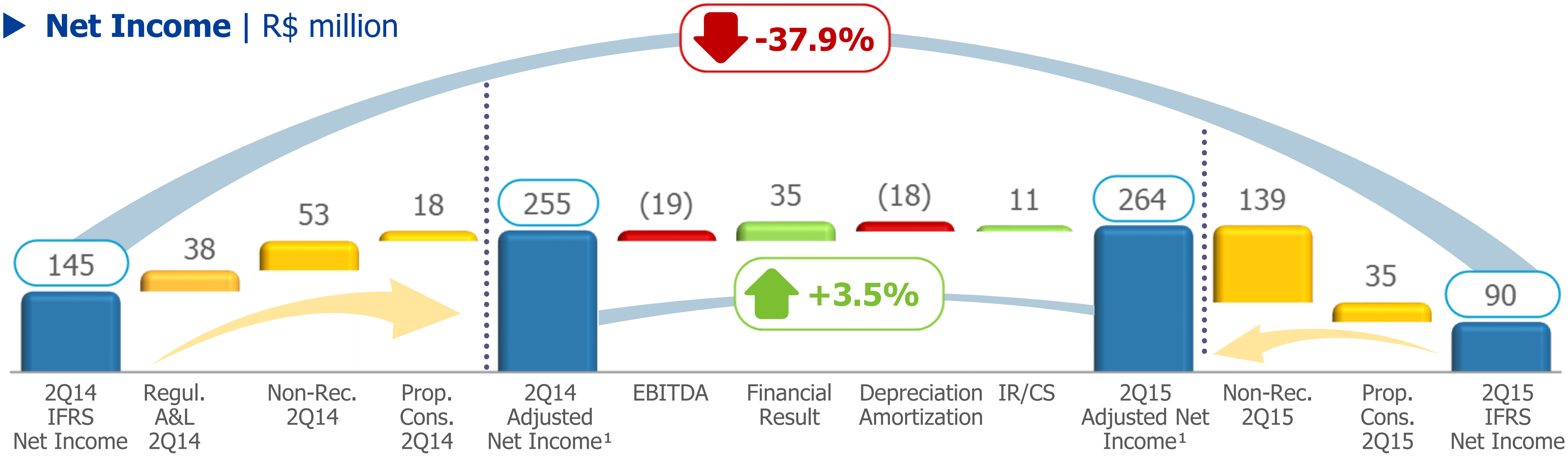


PMSO decreased by 15.2% (R$ 248 million) in real terms

1) June/15. Variation of IGP-M in the period 2015 x 2011= 20.7%; 2015 x 2012 = 14.7% and 2015 x 2013 = 7.5% and 2005 x 2014=2.0%. 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.

2Q15 Results

Net Income | R$ million



2.1% decrease in EBITDA (R$ 19 million)

- R$ 903 million in 2Q14 to R$ 884 million in 2Q15

16,7% decrease in Negative Net Financial Result (R$ 35 million)

- Variation of concession financial asset (R$ 68 million)
- Mark-to-market effect – operations under Law 4,131 – non-cash (R$ 24 million)
- Restatement of Sector financial asset/liability (CVA) (R$ 17 million)
- Itaipu currency variation (R$ 9 million) **compensated by sectorial financial assets (Revenue)**
- Increase in CDI and debt (R$ 84 million)
- Others (R$ 2 million)

	2Q14	2Q15
CDI	10.6% p.a.	12,9% p.a.
R$/US$²	2.20	3.10

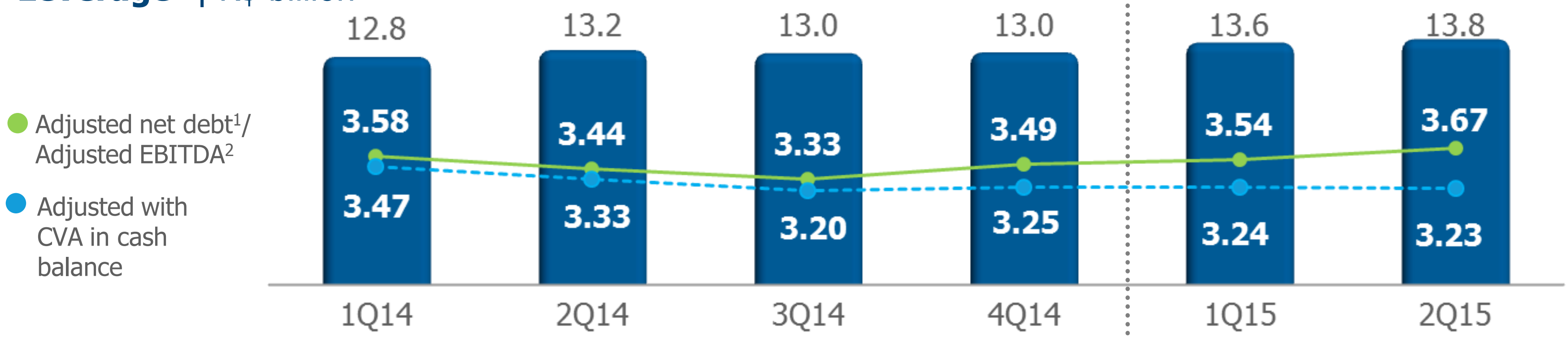
6.6.% increase in Depreciation and Amortization (R$ 18 million)

Decrease of Income Tax and Social Contribution (R$ 11 million)

1) Take into account proportionate consolidation of projects 2) Exchange rate (US$) – end of the period

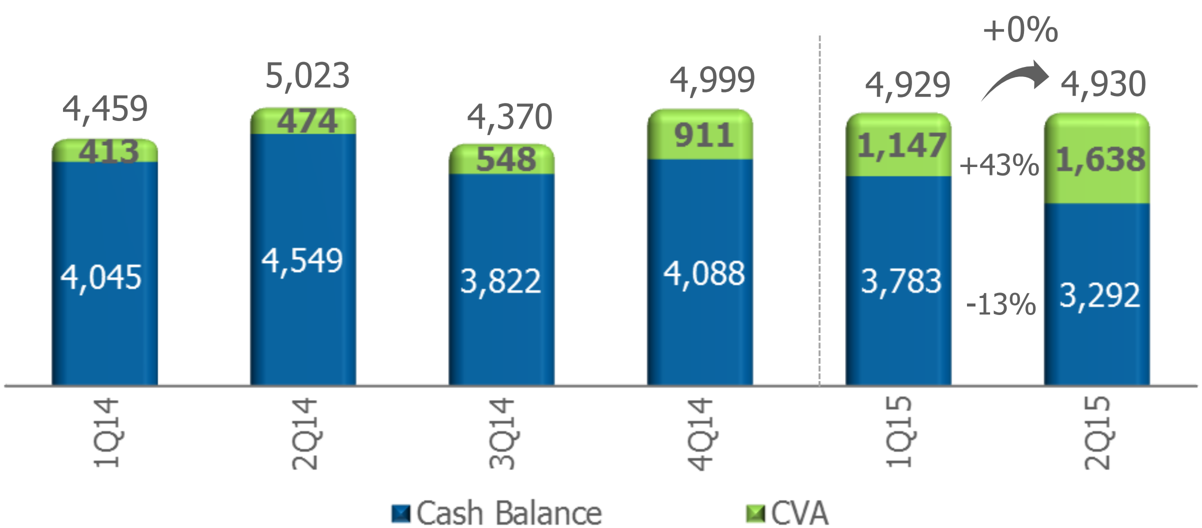
Indebtedness | Control of financial covenants

Leverage[1] | R$ billion



	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Adjusted EBITDA[1,2] R$ million	3,570	3,830	3,886	3,736	3,835	3,755

Evolution of Cash Balance and CVA | R$ billion



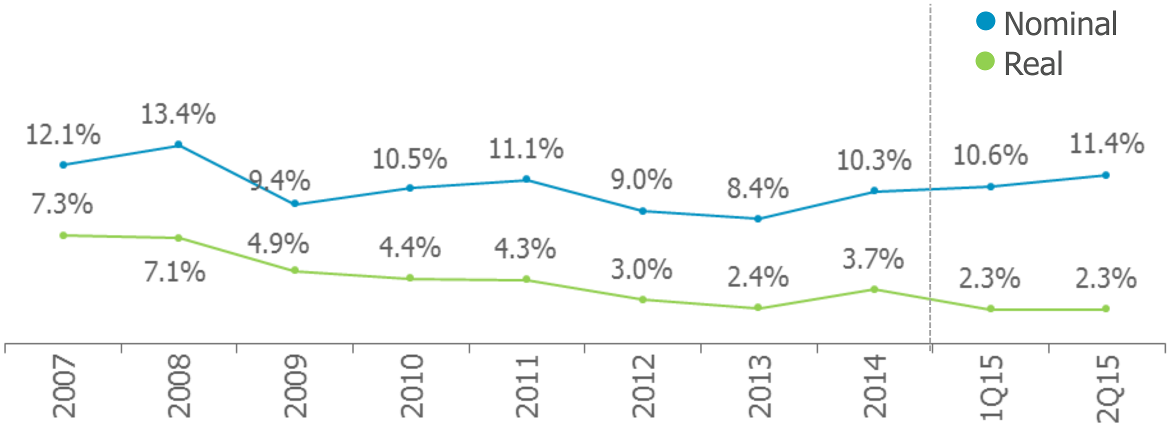
CVA's receivable (until 2Q15) has been deteriorating the cash balance.

Adjusting this cash balance, net debt / EBITDA would reach **3.23x** in 2Q15.

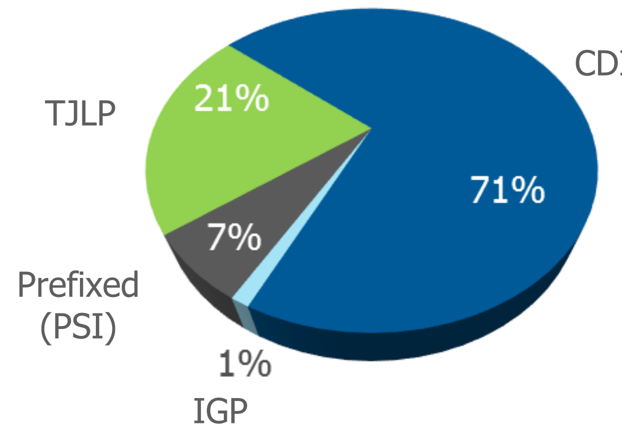
1) Financial covenants criteria. 2) LTM recurring EBITDA.

Debt profile | on June 30, 2015

Gross debt cost[1,2] | LTM



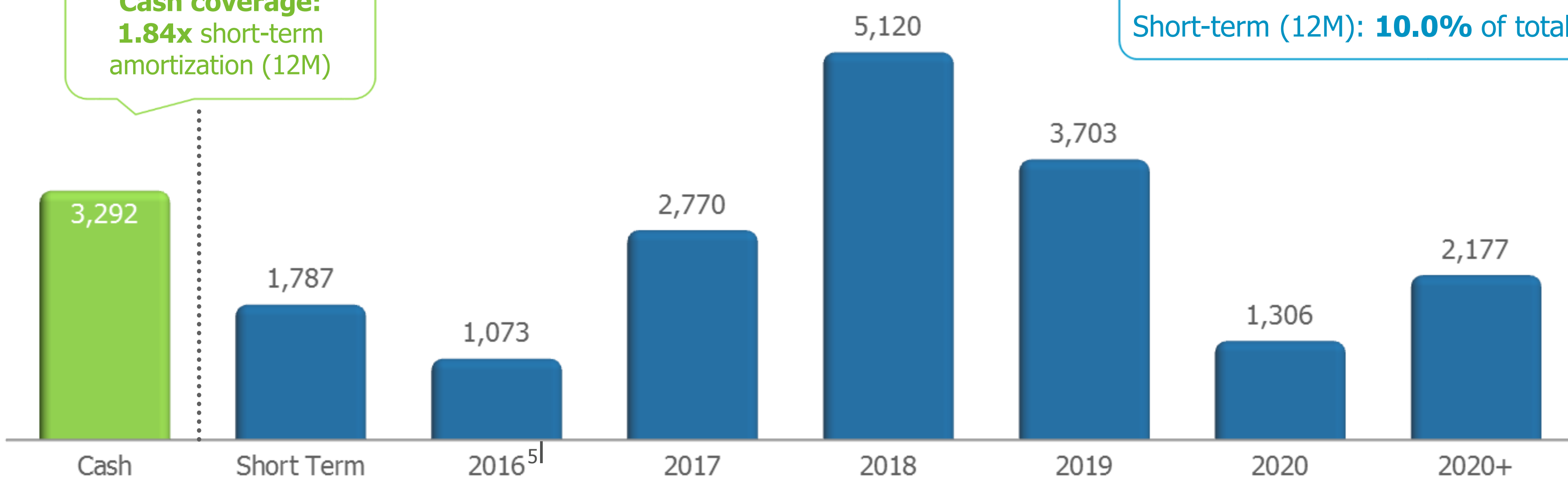
Gross debt breakdown by indexer | 2Q15 [2,4]



Debt amortization schedule[3,4] | Jun-15 | R$ million

Cash coverage:
1.84x short-term amortization (12M)

Average tenor: **3.74** years
Short-term (12M): **10.0%** of total



1) Adjusted by the proportional consolidation since 2012; 2) Financial debt (+) private pension fund (-) hedge; 3) Considers Debt Principal; 4) Covenants Criteria; 5) Amortization from July-2016.

Generation | Greenfield projects

Commercial Start-up
2016-2020(e)

333 MW
of installed capacity

183 average-MW
of assured energy

	Campo dos Ventos and São Benedito Wind Farms	Mata Velha SHPP	Pedra Cheirosa Wind Farms	Boa Vista II SHPP
Commercial Start-up	2016[1]	2016[1]	2018[2]	2020
Installed Capacity	231.0 MW	24.0 MW	51.3 MW	26.5 MW
Assured Energy	129.2 average-MW[3]	13.1 average-MW	26.1 average-MW[3]	14.8 average-MW
PPA[4]	ACL 20 years	16th LEN 2013[5] R$ 143.30/MWh until 2047	18th LEN 2014[5] R$ 133.00/MWh until 2037	21st LEN 2015 R$ 207.64/MWh until 2049
Financing	BNDES (under analysis)	BNDES (under analysis)	BNDES (being structured)	BNDES (being structured)

1) Gradual commercial operation from 2Q16; 2) Gradual commercial operation from 1H18; 3) Assured Energy calculated in the P90; 4) Constant Currency (jun/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.

4th Cycle of Tariff Review | CPFL Piratininga (preliminary proposal)

Methodology Changes	4th cycle (R$ million)	Variation over 3rd cycle (R$ million)
WACC from 7.50% to 8.09%		
Capital Remuneration	210	+15
Creation of Special Obligations Remuneration		
Special Obligations Remuneration	11	+11
Methodology Changes in Technical Losses		
Technical Losses	143	+9
Other Revenues – Methodology Simplification		
Other Revenues Sharing	-36	+6
Extension of the aging from 49 to 60 months		
Irrecoverable Revenue	24	-7
Xpd from 1.11% to 1.53%		
Xpd Factor	-6	-4
Total Effects		**+29**

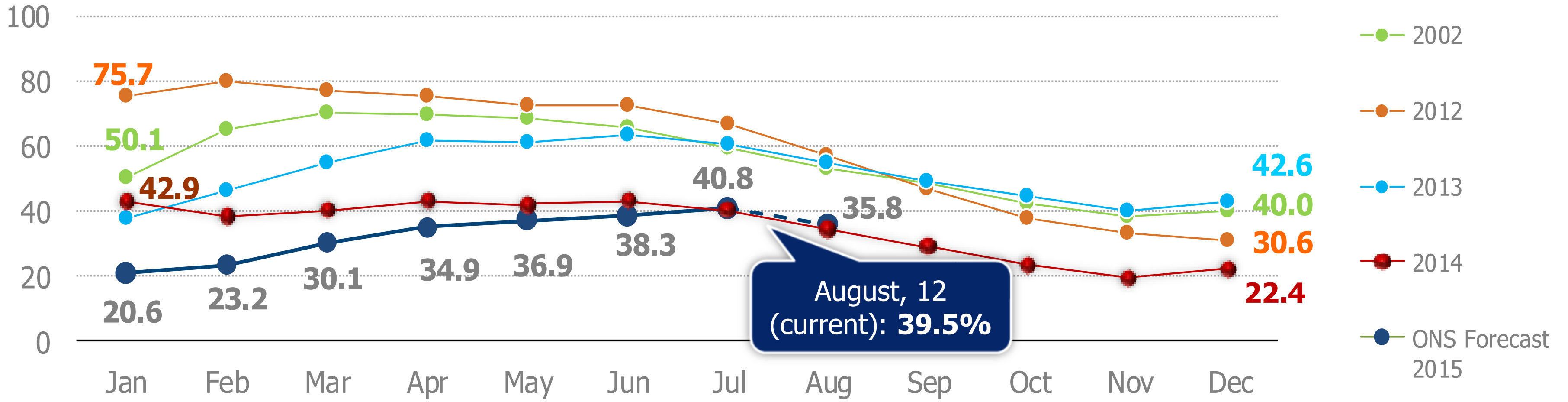
New methodology of the 4th Cycle of Tariff Review for CPFL Piratininga generated a annual benefit of R$ 29 million (preliminary figures)

Schedule
4th Tariff Review Cycle | CPFL Piratininga

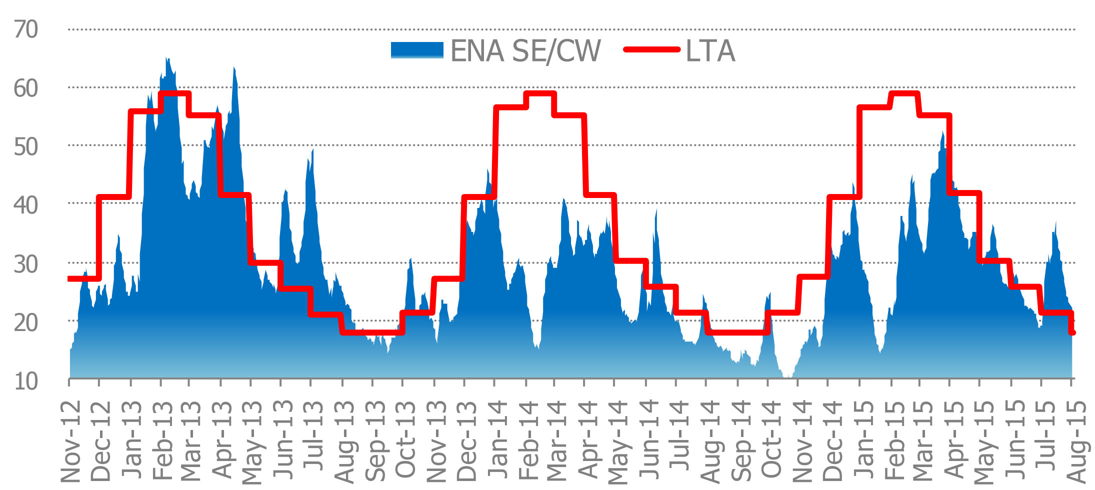
June	July	August	September	October
Dia 19: Aneel submits preliminary proposal to CPFL	**Dia 3:** Aneel's meeting **Dia 21:** Public Hearing Opening (technical notes release)	**Dia 13:** In-house public hearing (opportunity for unions, consumers, etc. give their opinions) **Dia 27:** End of in-house public hearing (deadline for contributions)	**Dia 18:** Aneel submits final proposal to CPFL **Dia 25:** Meeting with Aneel	**Dia13:** Meeting of Aneel's Board of Directors **Dia 23:** Piratininga's tariffs published

Reservoir Levels and ENA

NIPS Reservoir Levels | %



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



ENA | % LTA

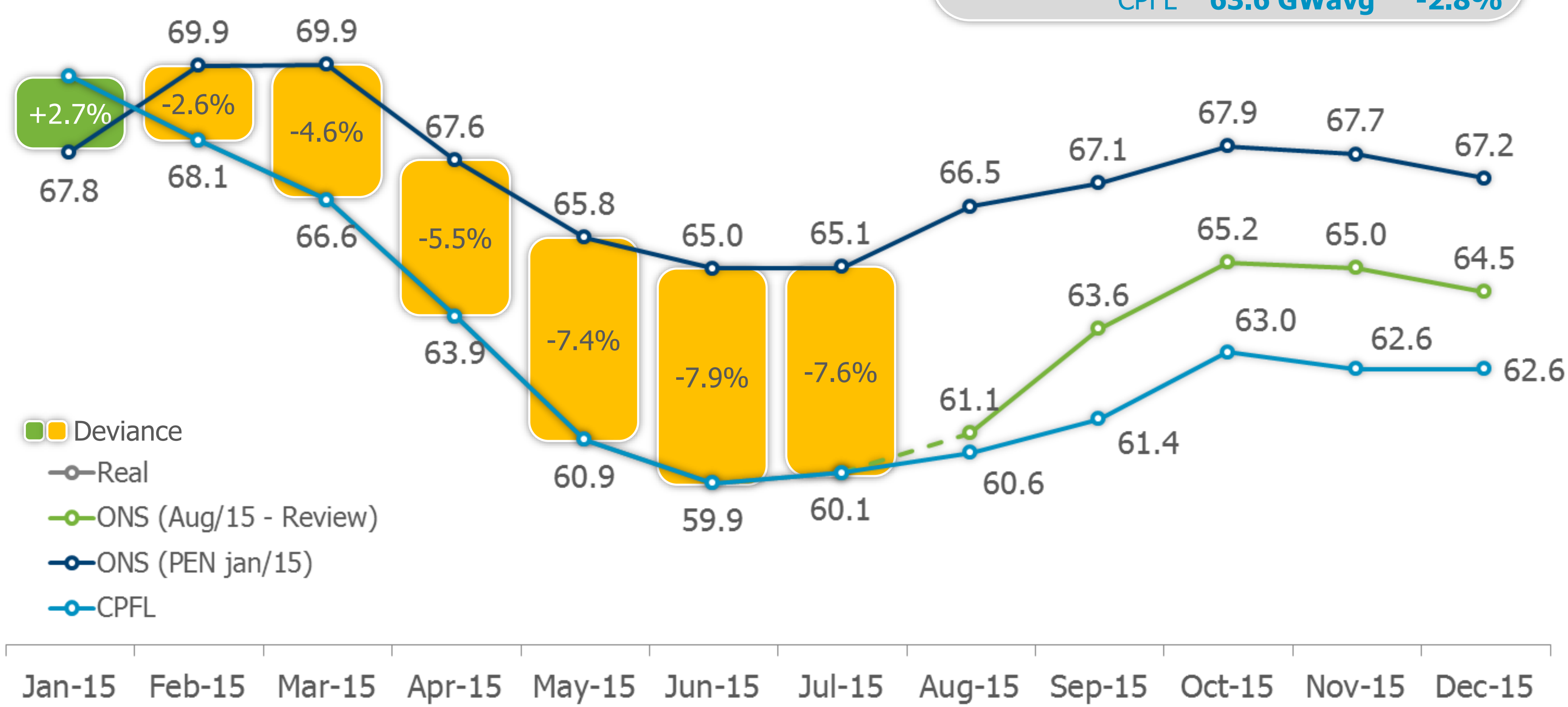
	Wet season [1]	Dry season [2]	May	Jun	Jul	Aug[3]
SE/CW	68%	103%	99%	90%	134%	92%
South	137%	150%	79%	139%	259%	103%
NIPS	70%	108%	93%	97%	124%	91%

1) November/14 to April/15 average; 2) May/15 to August/15 average; 3) ONS forecast for August (RV1)

NIPS Load Evolution | Load reduction contributes to the preservation of reservoirs levels

2014	65.1 GWavg	
ONS (PEN 2015)	67.3 GWavg	+3.3%
ONS Aug-15 - Review[1]	64.0 GWavg	-1.7%
CPFL	63.6 GWavg	-2.8%

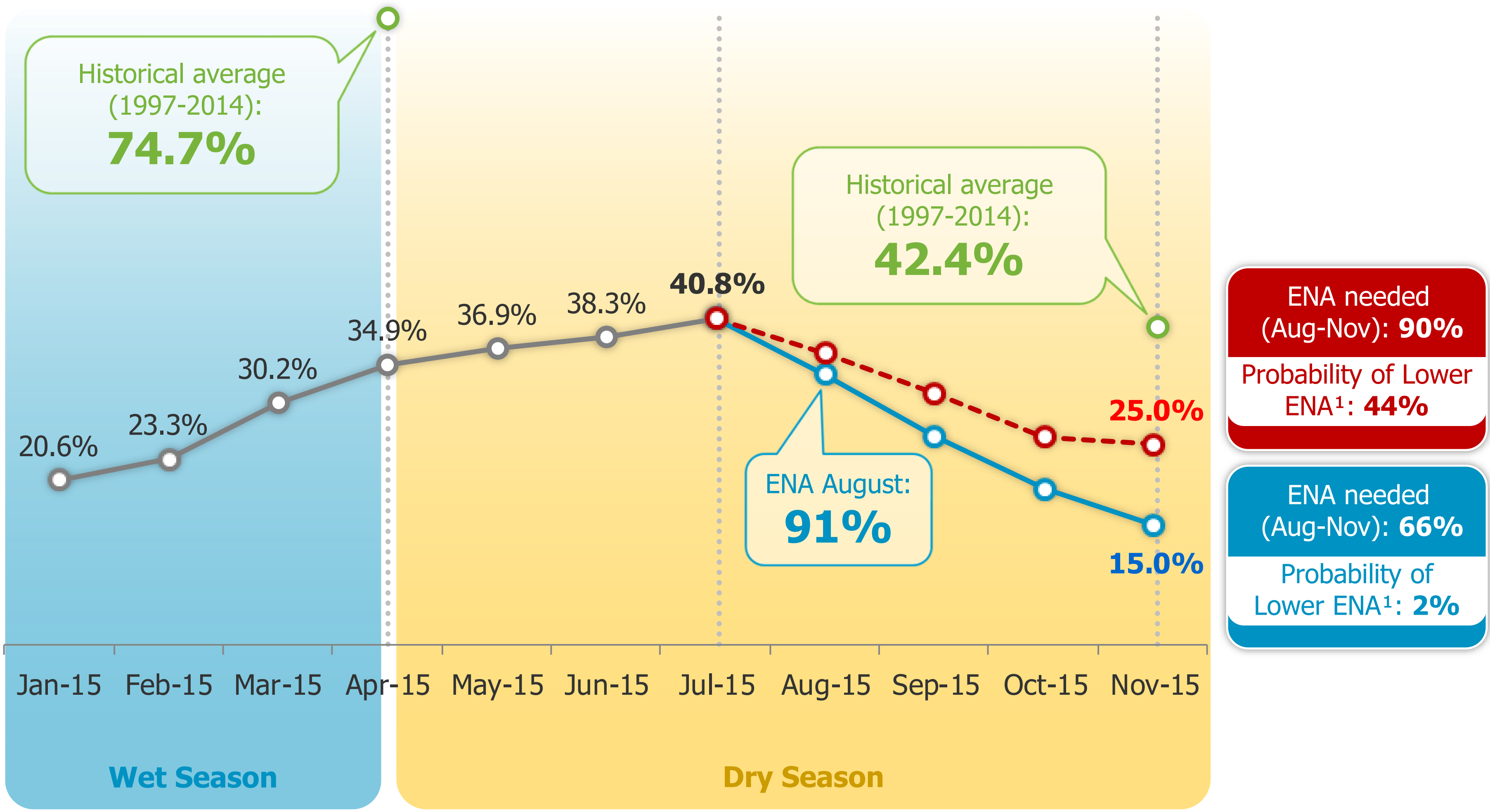
▶ NIPS Load Evolution 2015



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

Scenarios for reservoir levels[1] | Forecast for November is 25%

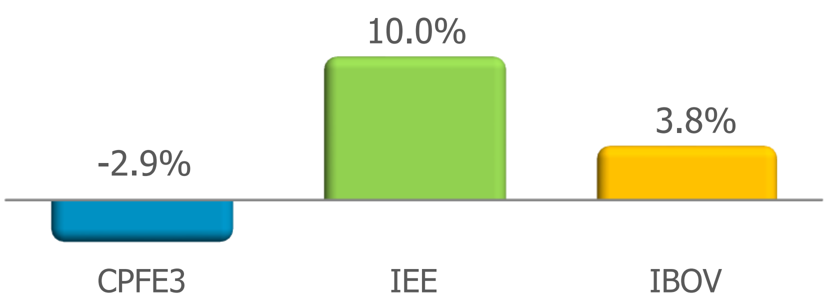
▶ Scenarios for reservoir levels



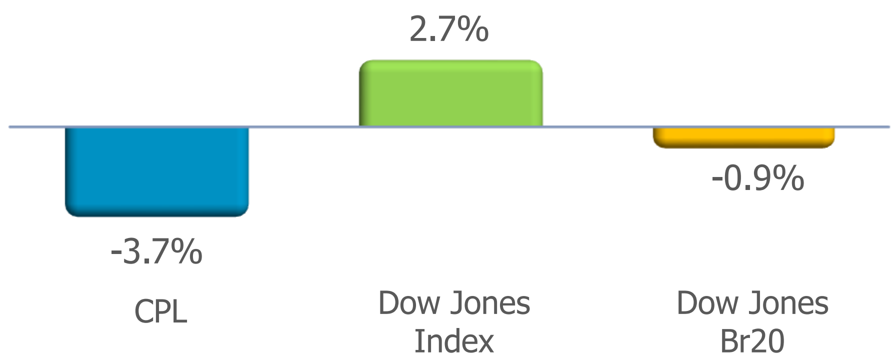
1) Probability considers the historical series

Stock Market Performance

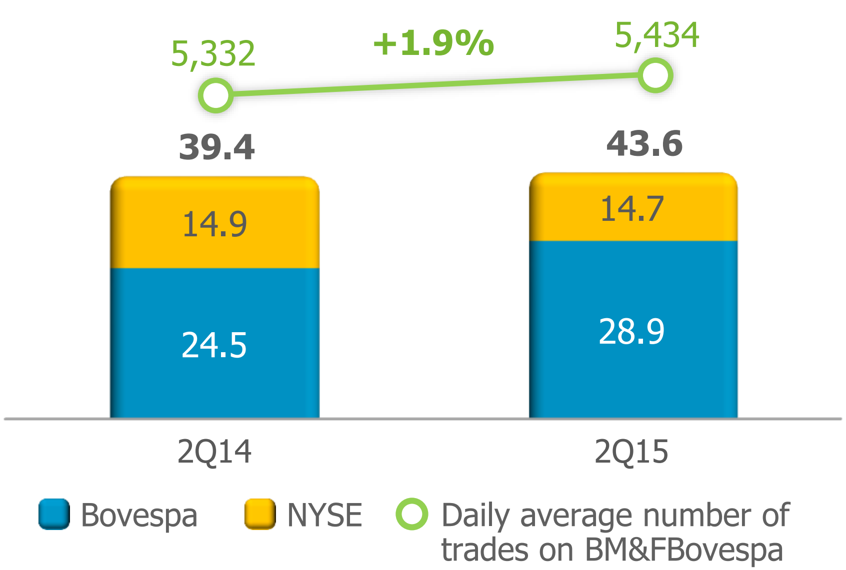
Shares performance on BM&FBovespa | 2Q15[1,2]



Shares performance on NSYE | 2Q15[1,2]



Daily average trading volume on BM&FBovespa + NYSE[2] | R$ million



CPFL Energia is present in the main indexes

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM Emerging markets

CPFE3 NOVO MERCADO BOVESPA BRASIL

CPL LISTED NYSE

IBOVESPA

DOW JONES BRAZIL TITANS 20 ADR

MSCI Indexes

IBRX

IGC

IGCT

ITAG

IEE

ISE

Source: Economatica; 1) Adjusted by dividends; 2) Until 06/30/15

Awards and recognitions

Company of the year 2015 | Época Negócios 360º Yearbook

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

Ranking of Service Continuity 2014 | ANEEL

- The ranking is divided in two groups: large distributors (electric energy Market above 1TWh) and small distributors (electric energy market up to 1TWh – including 1TWh)
- **CPFL Santa Cruz** was elected the best distributor in large distributor category

Abradee Award 2015

- **CPFL Paulista** was awarded in **customer evaluation** category among the distributors above 500 thousand customers.
- **RGE** was awarded in **Social Responsibility** category

Electric Mobility Program

Opportunity

- Outlook 2020: **10 million** of electric vehicles in activity
- Brazil owns the **4th largest vehicle market** in the world
- **CPFL Energia** has surveilled the development of electric vehicles since **2007**

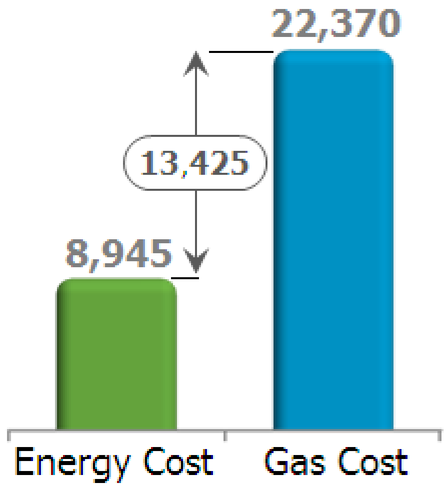
Feasibility

- Monthly average consumption of an electric vehicle: **146 kWh** (increasing of 73%[1])
- Savings of **R$ 13.5 thousand**[2] by vehicle replaced

Implementation

- On June, CPFL Energia established a partnership with **Rede Graal** (Gas Station 67 - Jundiaí)
- Development of the **first highway** adapted to electric vehicles
- Target: up to **30 chargers** covering public and private places
- Charging up to **80%** in **half hour**

CPFL Experience | R$
90 thousand km



1) Assumptions: 12,000km per year and efficiency of 0.15 kWh/km (ZOE of CPFL Energia). The customer's consumption of CPFL Paulista is approximately 200 kWh/month.
2) Gas cost R$ 3.00/L; Energy cost (both including tax) R$ 0.62 (residential tariff); Usual vehicle consumption: 12 km/L; Electric vehicle consumption: 6.2 km/kWh