



## **2nd Quarter 2005 Results**

**Wilson Ferreira Jr. – CEO**

**José Antônio Filippo – CFO**

**Vitor Fagá de Almeida – Investor Relation**

**August, 2005**

- To present the main highlights of CPFL Energia and 1H05 and 2Q05 results
- To comment the recent evolution of the Distribution, Generation and Commercialization businesses
- To discuss the progress in CPFL Energia Group's value creation agenda

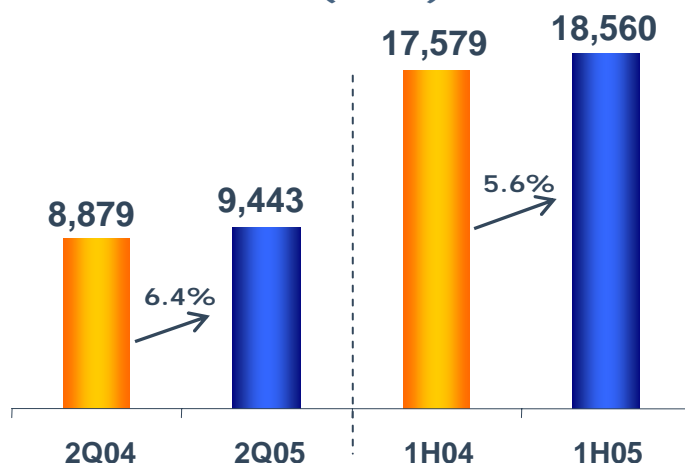
- ① **Highlights and Results of CPFL Energia**
- ② **Performance in Capital Markets**
- ③ **Performance of Each Business Segment**
- ④ **Value Creation Agenda**

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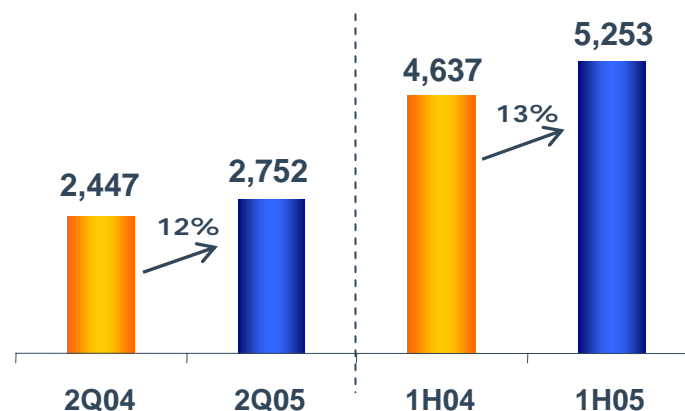
## NET INCOME OF R\$ 401 MILLION IN THE FIRST HALF OF 2005

- ⊙ Growth of 12% in Gross Revenue and 30% in EBITDA, in 2Q05 over 2Q04 comparison
- ⊙ Net income of R\$ 235 million in 2Q05 compared to R\$137 million in 2Q04, 72% increase
- ⊙ Evolution of ownership structure, increase in free float from 15.65% to 16.80%:
  - Conversion of IFC loan into equity
  - Migration of CPFL Geração's minority shareholders
- ⊙ Growth of 69% in Gross Revenue and 88% in EBITDA for the Commercialization business, reaching 24% of market share
- ⊙ Operating License granted for Barra Grande power plant and beginning of reservoir water filling

## Sales (GWh)<sup>1</sup>



## Gross Revenue (R\$ million)



<sup>1</sup> With calendar adjustment. Does not include supply, CCEE and sales to Group's distribution companies

<sup>2</sup> In April 08, 2005: 17.74% plus 1.01% adjustment granted by ANEEL in July 2005.

## ENERGY MARKET

### Customers

5,613 thousand – 35.6 thousand new on 2Q05

### Distribution Sales

Residential Class: 7.4% growth

Commercial Class: 12.4% growth

### Commercialization Sales

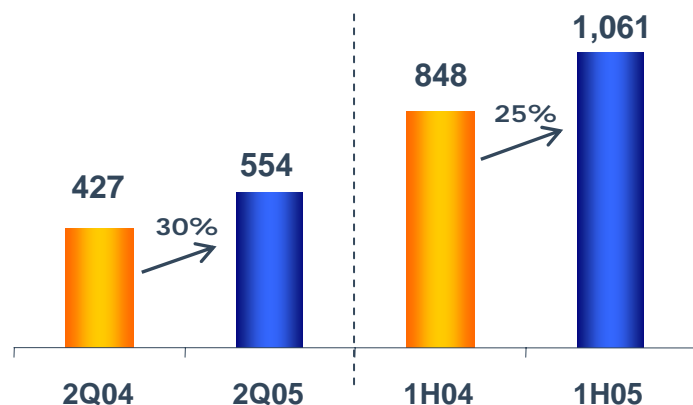
Increase of 129%

## REVENUE

### Highlights

- Tariff adjustment:  
CPFL Paulista: 18.76%<sup>2</sup> – Apr/05  
RGE: 21.93% - Apr/05  
CPFL Piratininga: 14.00% - Oct/04
- Growth of 69% in commercialization business revenue
- Growth in use of distribution system revenue by 108%
- Readjustment of Semesa (17,16%) e Centrais Elétricas (11,12%) and Monte Claro operation plant

## EBITDA (R\$ million)

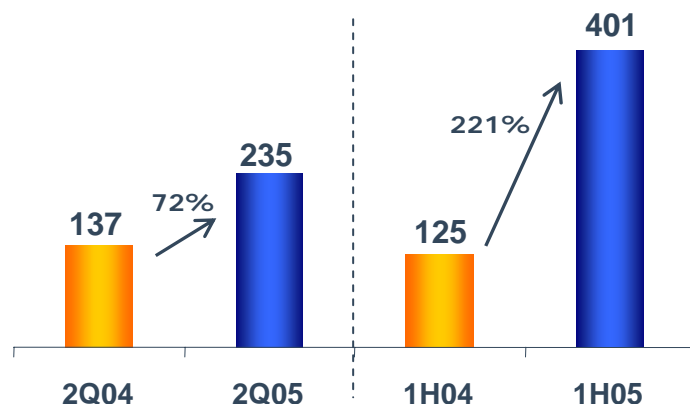


## EBITDA

### Main growth drivers

- Increase in gross revenues by 12%
- Active management of expenses, with lower change compared to IGP-M inflation index
- Increase in participation of generation business, with EBITDA margin around 90%

## Net Income (R\$ million)



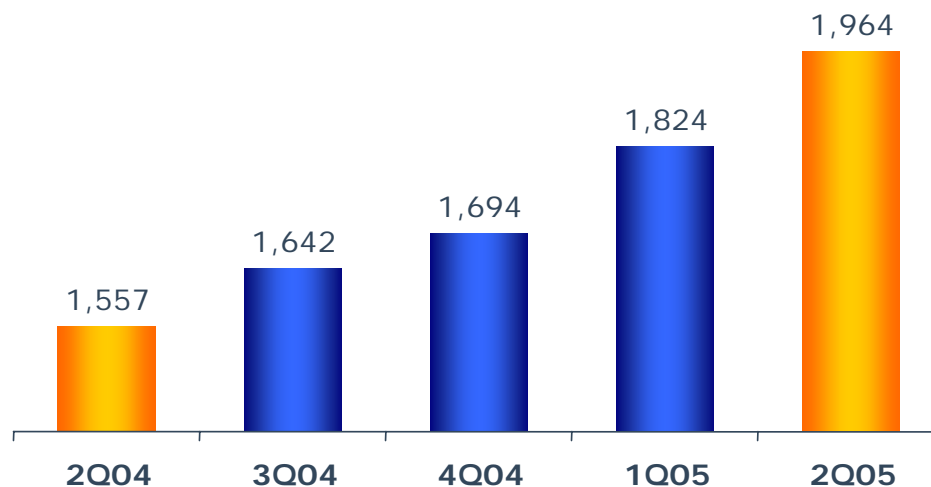
## NET INCOME

### Highlight

- Reduction of financial expenses by 24%

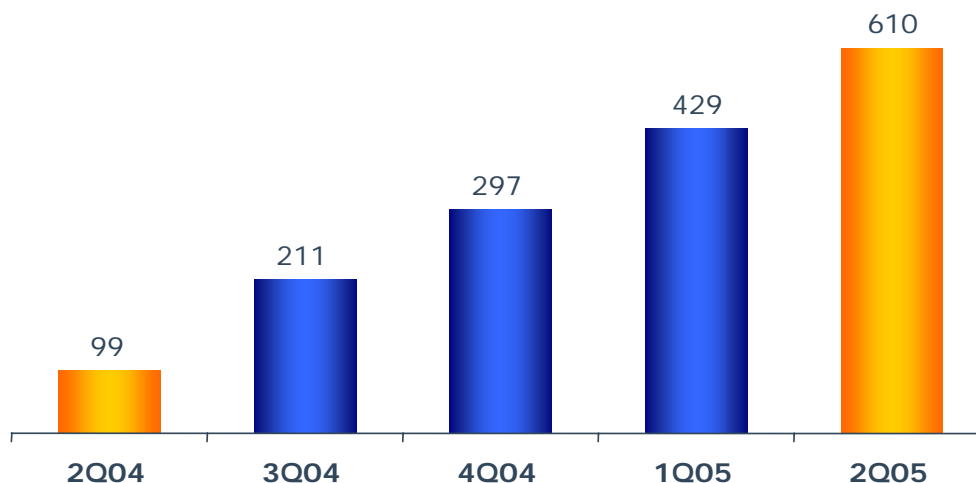
# CPFL Energia presents consistent EBITDA and Net Income Growth

## EBITDA<sup>1</sup> - Last Twelve Months (R\$ million)



Growth  
2Q05 x 2Q04  
26%

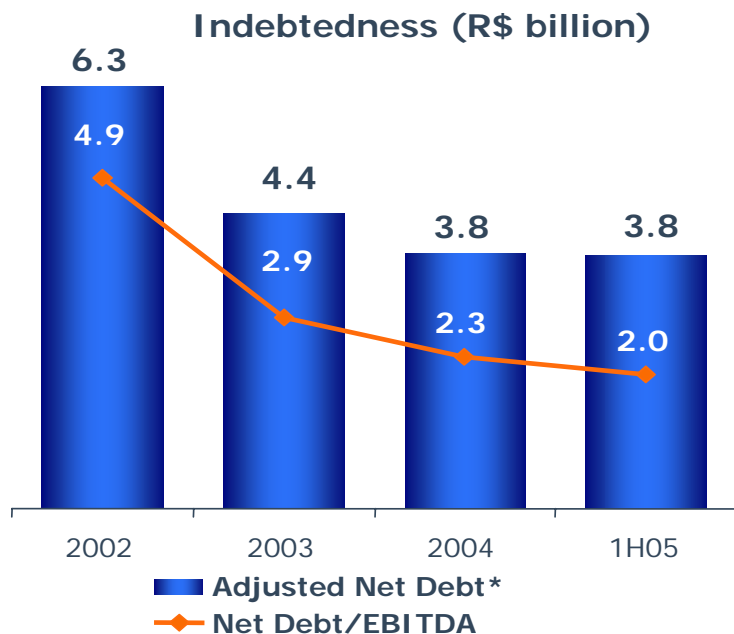
## Net Income<sup>1</sup> - Last Twelve Months (R\$ million)



Growth 2Q05  
x 2Q04  
516%



## CPFL Energia seeks rigorous financial discipline



### 1H05 Capital Structure

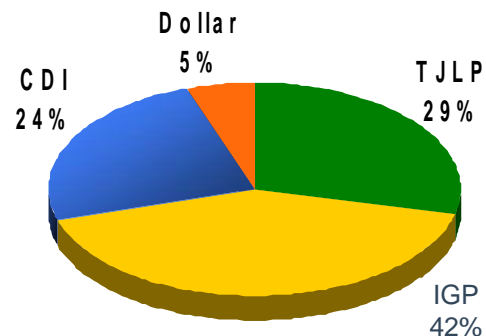
- Debt 55% / Equity 45%
- Net Debt / EBITDA = 2.0

EBITDA 1H05: accounts for last 12 months

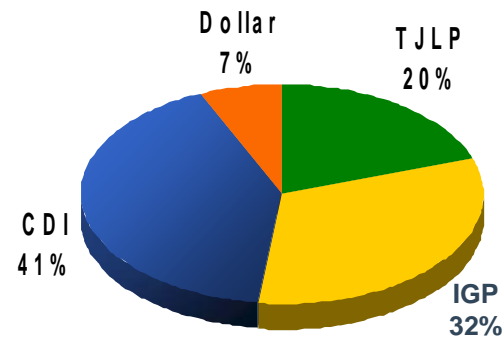
<sup>1</sup> - Debt without RTE

• Net adjusted debt = Total debt + pension funds  
 – regulatory assets / CVA – cash

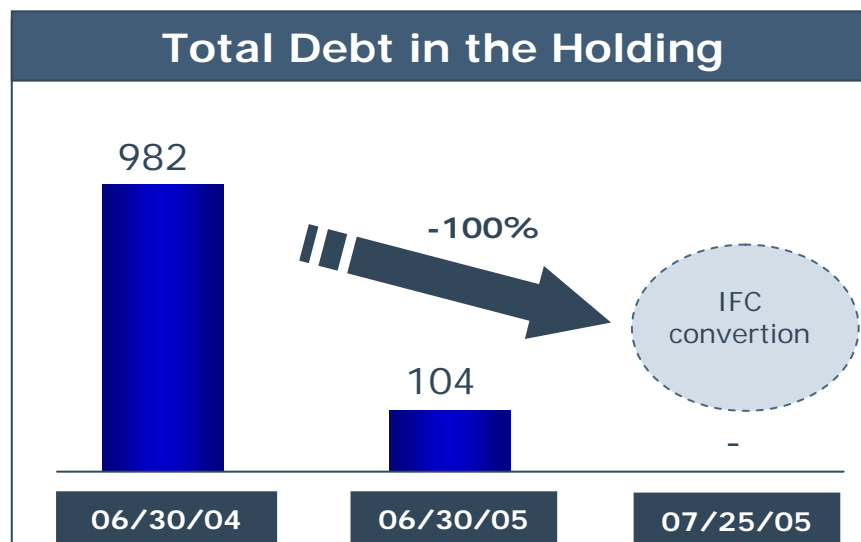
### Debt Breakdown 2005



### 2Q04



Debt indicators	1H04	1H05	Var.
Interest / EBITDA - times	0.58	0.35	-40%
Net Debt / EBITDA - times	2.3 <sup>1</sup>	2.0	-14%
Nominal Debt Cost	19%	15%	-21%
Amortization Average Term - years	5.2	6.3	21%

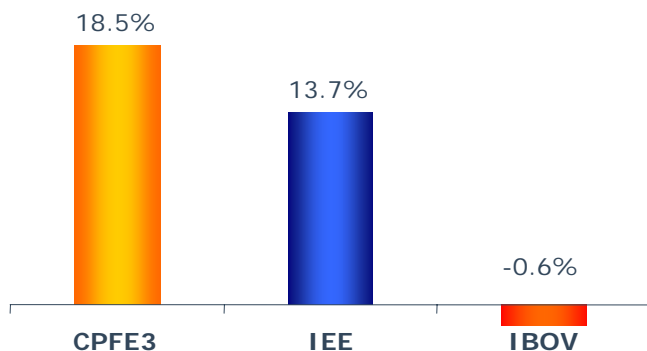


<sup>1</sup> Ref.2004

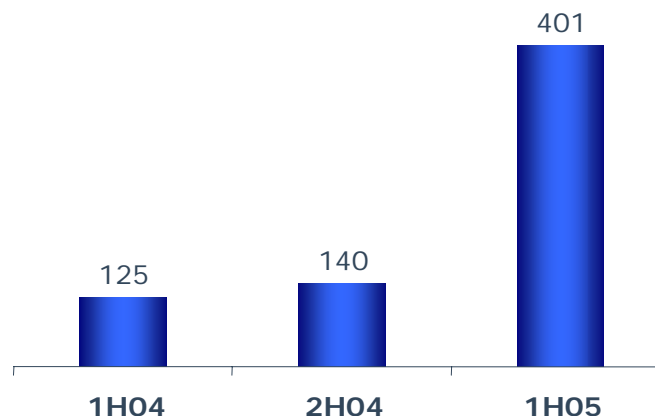
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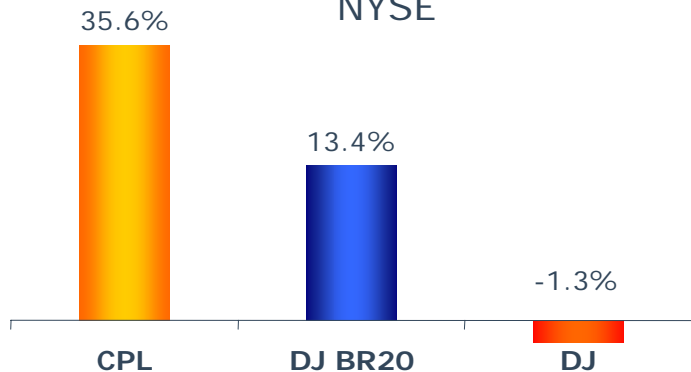
Performance of stock prices 2005<sup>1</sup>  
BOVESPA



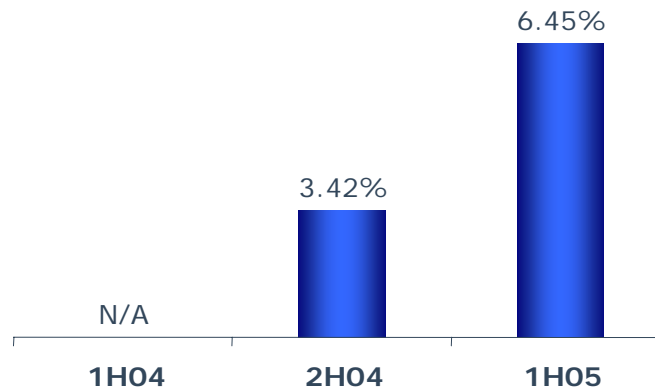
Dividend Payment (R\$ million)



Performance of stock prices 2005<sup>1</sup>  
NYSE



Dividend Yield = LTM



In 2004, CPFL paid 95% of the net income as dividends

<sup>1</sup> From Jan. 1 to Jul. 30/05

# Two transactions led to changes in Groups' ownership structure

Dec/04



37.69%



33.04%



13,62%



**Free-Float<sup>1</sup>**

**15.65%**

## IFC

- Jun/03: Loan agreement in the amount of US\$ 40 million with IFC, with a stock conversion option
- May/05: Conversion of US\$ 10 million tranche
- Jul/05: Conversion of remaining balance of US\$ 30 million

## Migration of CPFL Geração's minority shareholders – July/05

- Issuance of 3,783 thousand shares of CPFL Energia: capital increase by R\$ 88.3 million
- Conversion: 1,622 shares of CPFL Geração = 1 share of CPFL Energia

Jul/05



37.48%



32.38%



13,34%



**Free-Float<sup>1</sup>**

**16.80%**

## ③ Increase of free float from 15.65% to 16.80%

- 6,737 thousand new shares in the float
- increase of R\$ 123,961 thousand in the float<sup>1</sup>

## ③ Increase in trading volume

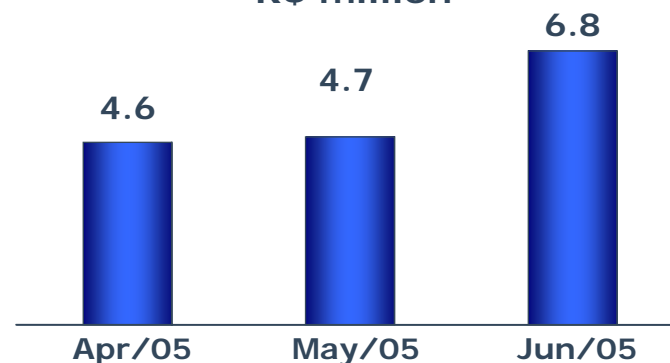
- Increase in the average trading volume
- Increase of 48% in the daily average trading volume from Apr/05 to Jun/05

## ③ Wide analysts' coverage

- 11 institutions already has coverage - 9 with buy recommendations
- Additional 6 preparing to initiate coverage

## ③ Inclusion in major indexes

**Daily Average Trading Volume**  
R\$ million<sup>2</sup>



### 1H05

**Bovespa:** ITAG and IGC

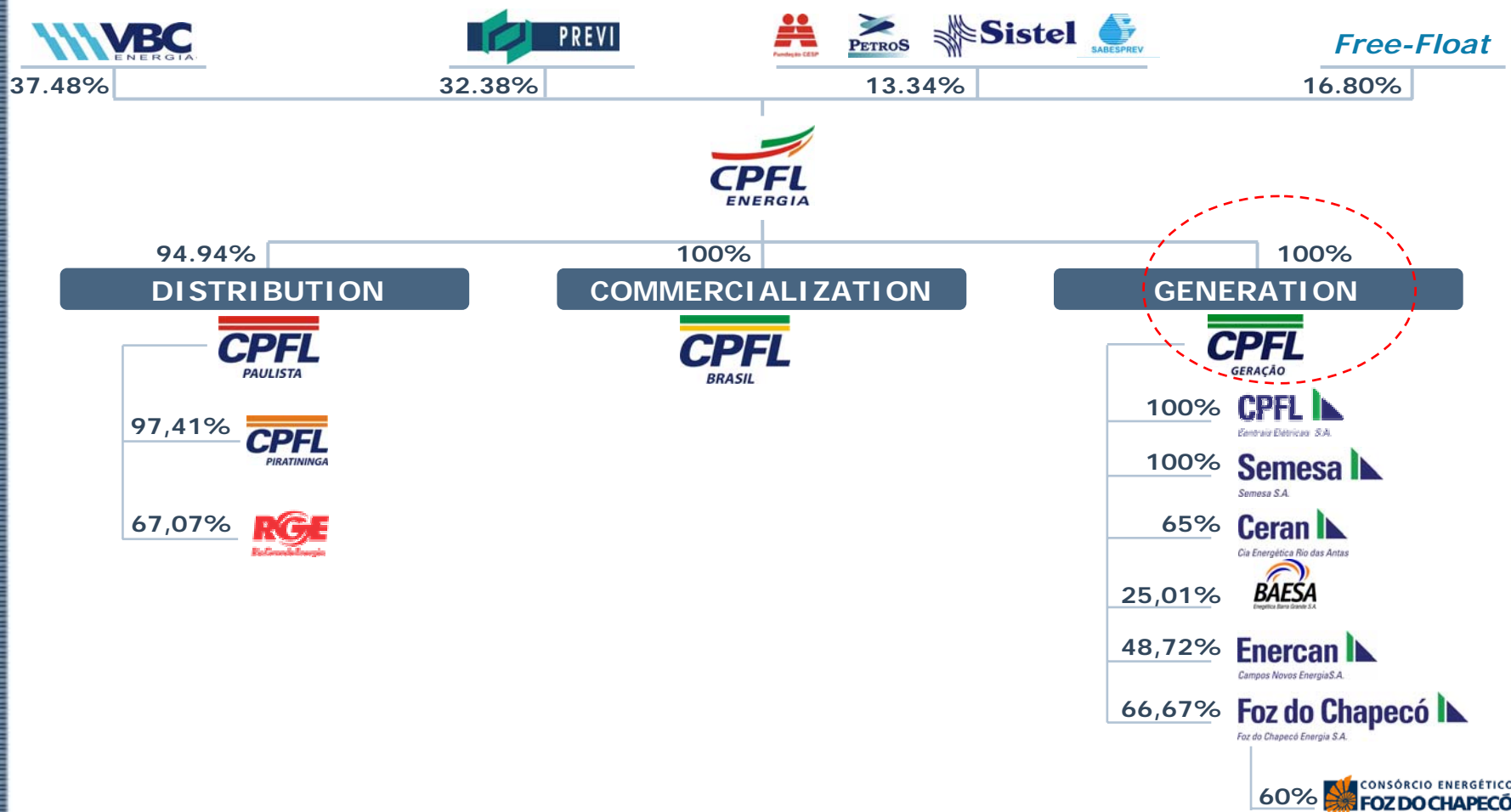
**NYSE:** Dow Jones Brazil Titans 20 ADR

### Outlook for 2H05

- Negotiability index (IN): 62° ⇒ IBX-100
- IEE

<sup>1</sup> Share price as of June 30, 2005

<sup>2</sup> Bovespa + Nyse Volume converted by average foreign exchange



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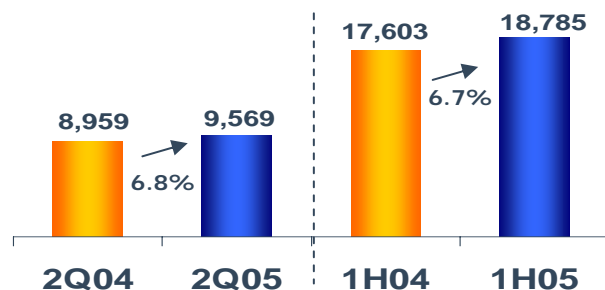
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Results of the distribution in the 2Q05 reflect good overall performance in sales as a result of the expressive growth of use of distribution system revenue

## Highlights

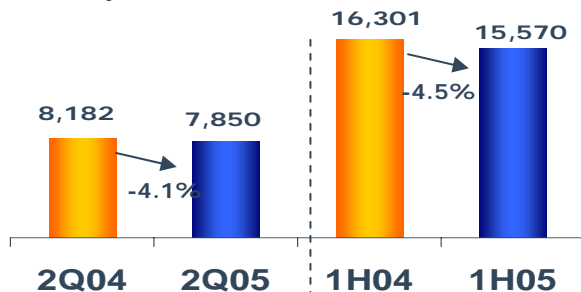
- ⊙ 6.8% sales growth
- ⊙ 10% gross revenue increase, 23% in EBITDA and 28% in Net Income.
- ⊙ 108% growth in “TUSD” revenue
- ⊙ 5.5 million clients accounted in 2Q05: 2.65% increase compared to 2004
  - 35.6 thousand new clients in the quarter.
- ⊙ Universalization goal accomplished
  - 5.5 thousand new clients were wired during 1H05
  - Investment of R\$ 16.3 million

Concession area sales<sup>1</sup> (GWh)

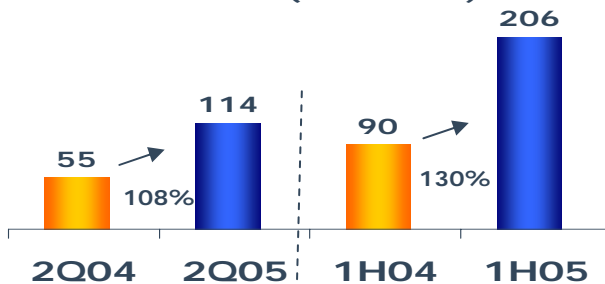


Center of Operations - Campinas

Captive customers sales<sup>2</sup> (GWh)



TUSD sales (R\$ millions)



## Adjusted sales increase in 2Q05

- Better income and employment conditions
- Temperatures above historical average
- Captive market growth

Residential 7.4%; Commercial 12.6%; rural 10.4%

## TUSD revenue increase in 2Q05

- Captive customers migration to free market<sup>3</sup>
  - 8 customers migrated to free market in 2Q05, 6 signed contracts with CPFL Brasil

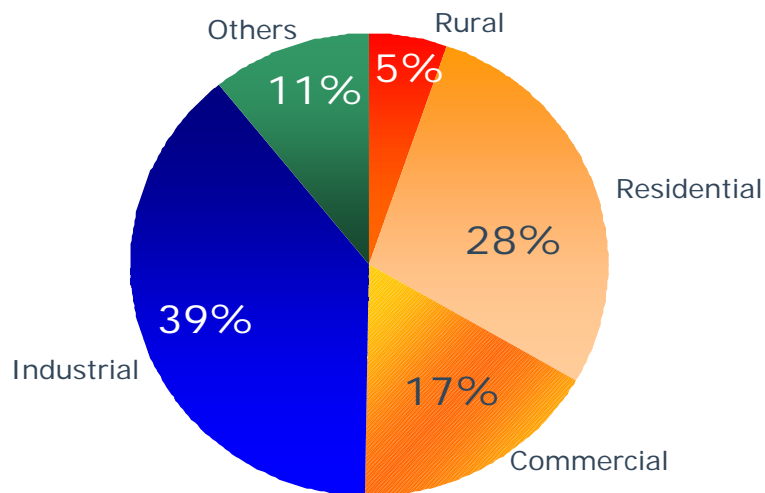
<sup>1</sup> Concession area sales = considers transported energy to free customers; with calendar adjustment.

<sup>2</sup> With calendar adjustment

<sup>3</sup> Refer to Paulista and Piratininga

Residential and Commercial classes performances' were determinants in the high sales increase in 2Q05

Consumption Mix per Client Segment  
2Q05



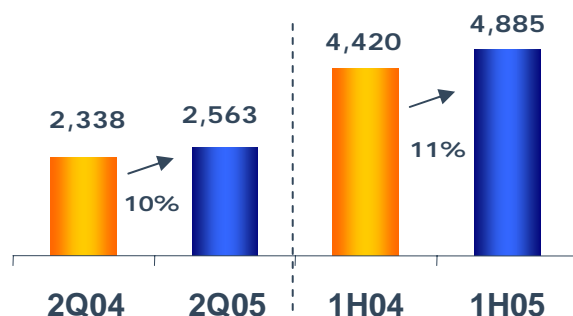
Residential + commercial + rural represents 50% of consumption

Segment	Consump. Var(%) 2Q05-2T04 <sup>2</sup>	Consump. Var.(%) AJ <sup>1</sup>
Residential	7.4%	7.4%
Industrial	-18.7%	4.9%
Commercial	12.2%	12.6%
Rural	10.4%	10.4%

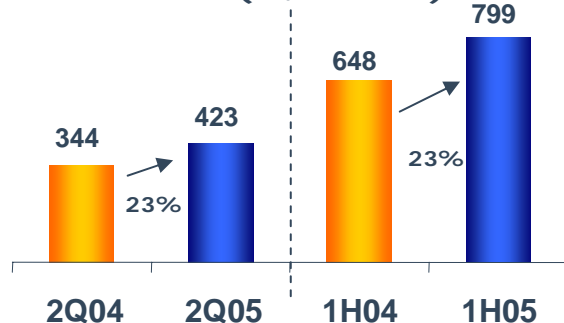


EBITDA and Profit presenting remarkable performance in 2Q05 and 1H05

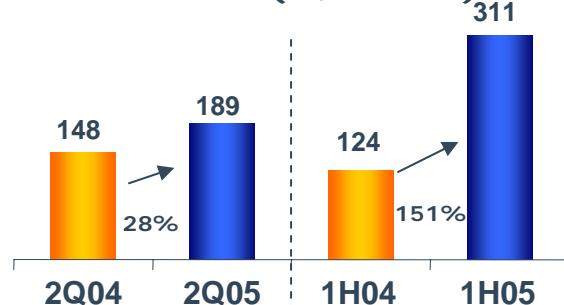
## Gross Revenue (R\$ Million)



## EBITDA (R\$ Million)



## Net Income (R\$ Million)<sup>1</sup>



### Gross Revenue Increase

- 6.8% energy sales increase
- Tariff readjustment and tariff review effects
- 108% increase in TUSD revenue
- Commercial losses reduction
  - Paulista (2.76%) and Piratininga (1.95%)

### EBITDA Growth

- 11% gross revenue increase in 1H05
- Operating expenses growth by 7.4% in 1H05

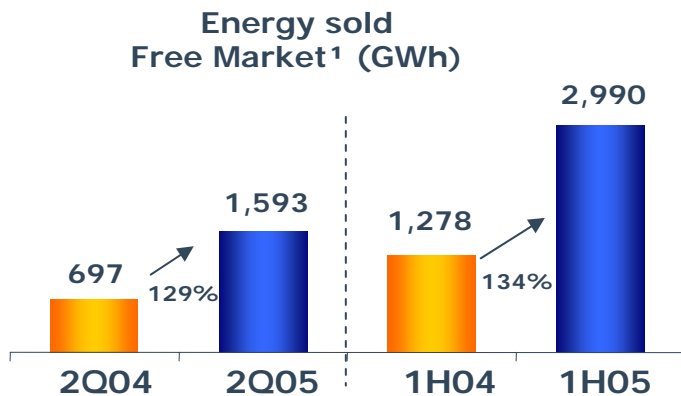
### Net Profit Increase

- EBITDA growth
- 13% net financial expenses reduction

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## Highlights

- ④ 24% market-share
- ④ 1,593 GWh sales to free market agents, representing a 129% growth vs. 2Q04
- ④ 12 new free clients in 2Q05
  - 6 clients outside the concession area

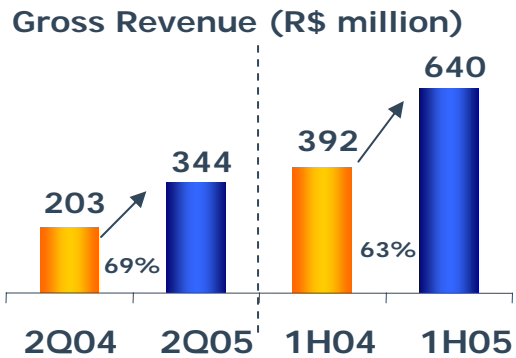


Commercialization energy desk

<sup>1</sup>Excluded transactions with the Group companies, CCEE and supplies



Gross revenue increase contributed to EBITDA result and Net Income

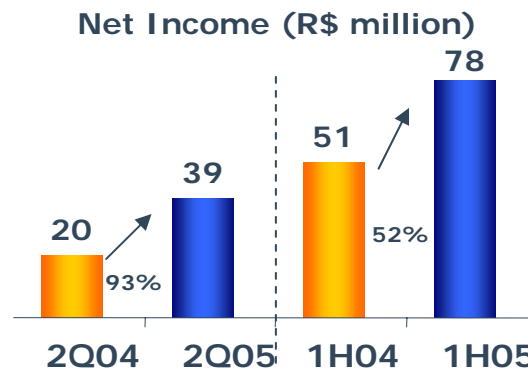
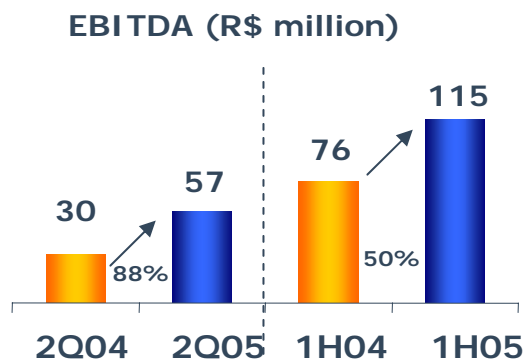


Gross revenue increase in 2Q05

- Sold Energy increase in the free market
- Services sale increase

CPFL Brasil has 74 free clients today

- 25 clients outside the group's distribution companies concession area

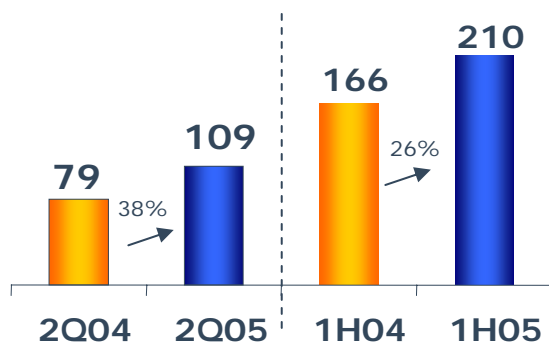




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The beginning of Monte Claro operation and readjustment of contracts contributed to the good CPFL Geração results in 2Q05

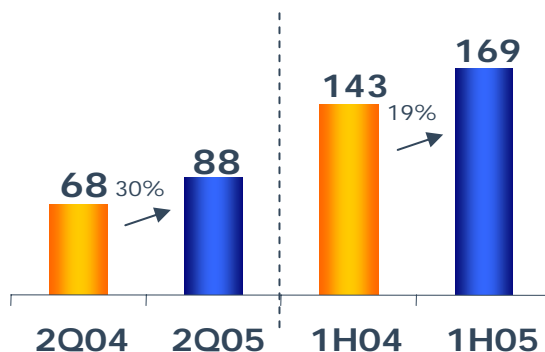
Gross Revenue (R\$ million)



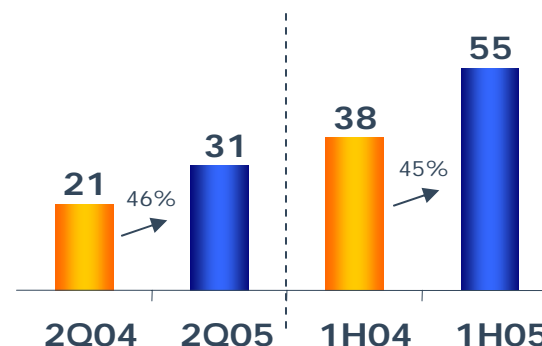
## Highlights

- Barra Grande's Operation license granting
- Revenue growth due to Monte Claro's commercial operation since 4Q04 and readjustment in contracts of Semesa and Centrais Elétricas
- 89% EBITDA Margin in 2Q05

EBITDA (R\$ million)



Net Income (R\$ million)



# UHE Barra Grande – 173 MW expansion to the Group's installed capacity as of Oct/05

**OPERATING  
LICENSE IN  
JULY/04**



Reservoir area before closing



Situation on July/19

**WATER FILLING OF  
THE RESERVOIR**

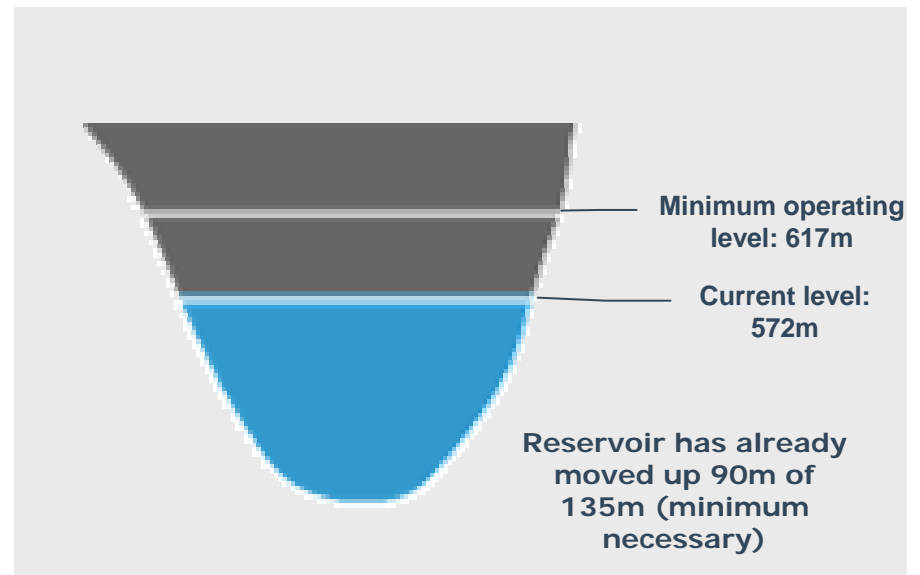
First half of  
September/05

**MACHNERY  
COMMISSIONING**

Sept-Oct/05

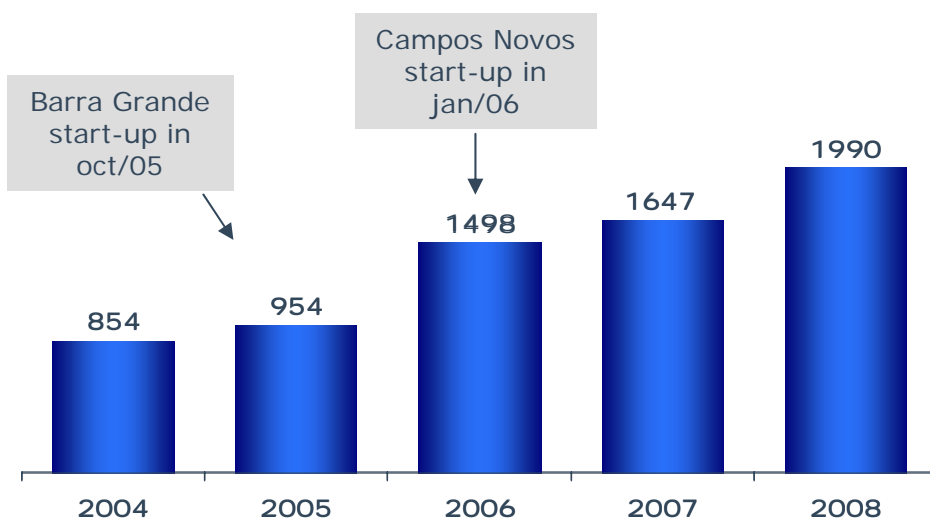
**START-UP**

Oct 31, 2005



Steady focus on operating efficiency and the conclusion of generation projects in line with financial and technical schedules

## Estimated Installed Capacity Growth - MW



Beginning of Campos Novos reservoir water filling expected for October/05



UHE. Campos Novos

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## Strategy

- ✓ Operational efficiency
- ✓ Sinergy growth
- ✓ Financial discipline
- ✓ Corporate Governance

### Distribution

### Events and efforts

- 6.8% energy sales increase in 2Q05, above the expectations
- Increase of 35.6 thousand new customers in 2Q05
- 3% reduction of Commercial losses with additional revenue of R\$ 27 million and 69GWh in 1H05
  - Paulista (2.76%) e Piratininga (1.95%) in 2Q05
- **Universalization Program goal accomplished**
  - 5,5 mil new customers, R\$ 16,3 million total investments
- **Regulatory assets recognition with increase of 1,01% in tariff adjustment – Parcel B regulatory assets – and revenue increase of R\$ 45 million**
- **Reduction of bad debt reserve**
  - Paulista from 1.89% to 1.60%
  - Piratininga from 1.76% to 1.37%



### Strategy

- ✓ Operational efficiency
- ✓ Sinergy growth
- ✓ Financial discipline
- ✓ Corporate Governance

#### Commercialization

#### Events and efforts

- Sales growth of 129% in 2Q05 and 134% in 1H05
- 12 new free customers in 2Q05
  - High retention rate – 6 of 8 customers that leave our customers base were retained in CPFL Brazil
  - 6 new free customers without concession area

## Strategy

- ✓ Operational efficiency
- ✓ Sinergy growth
- ✓ Financial discipline
- ✓ Corporate Governance

### Generation

### Events and efforts

- Barra Grande's operation license granting, allowing water filling reservoir
  - Assured energy of 95.17 MW medium and ~R\$ 100 million year revenue
- 5 PCHs repowering
  - Gavião Peixoto: installed potency of 4,8 MW and assured energy of 3.82 MW medium
- Acquisition of 4 SHPs with ~R\$ 4 million investment



### Strategy

- ✓ Operational efficiency
- ✓ Sinergy growth
- ✓ Financial discipline
- ✓ Corporate Governance

Corporate

### Events and efforts

- **Cash use in advance of energy supplier**
  - Cash advance to CESP of R\$ 120 million and pay-back of IGPM+17.5%
- **Migration of CPFL Paulista and Piratininga's minority**
  - Estimate Free Float increase of 1.3%