



**CPFL**  
**ENERGIA**

**Webcast**  
4Q05 / 2005

Highlights and Results - CPFL Energia

Capital Market Performance

Value Creation Agenda

Net Income of R\$ 1.02 billion and EBITDA of R\$ 2.12 billion

- ▲ 4.6% growth in distribution concession area sales
- ▲ Final Tariff Review for CPFL Paulista (20.29%) and CPFL Piratininga (9.67%)
- ▲ 50% growth in commercialization's total energy sales, with 114% growth to the free market
- ▲ 11% increase in the generation business assured energy
- ▲ Barra Grande HPP commercial operation started on November 1<sup>st</sup>
- ▲ Start of Gavião Peixoto SPP repowering and 4 SPP's acquisition
- ▲ Increase on CPFL Energia share's prices: 65% on Bovespa and 85% on the NYSE<sup>1</sup>
- ▲ Free float increase from 15.65% to 17.75%
- ▲ Listing on main indexes: Dow Jones Brazil Titans 20, IGC, ITAG, IBX-100, IEE and ISE
- ▲ R\$ 627 million investments, with R\$ 368 million in Distribution and R\$ 255 million in Generation





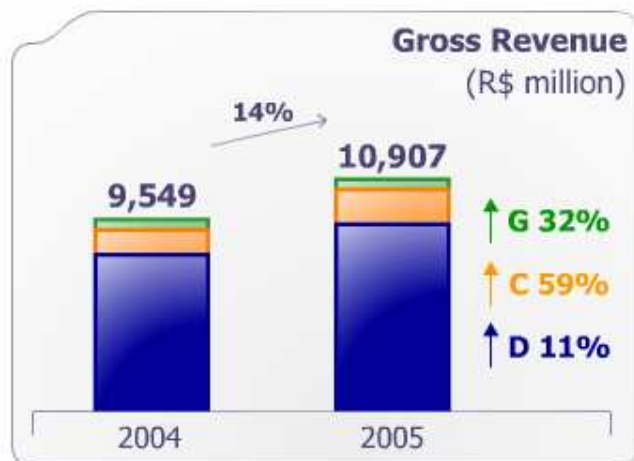
- ▲ 4.7% growth in total energy sales
  - Highlights of 114% commercialization's sales growth to the free market
- ▲ 4.6% growth in the concession area sales
  - Higher than São Paulo State growth of 3.8%
- ▲ Highlight to the following segments for growth in the captive market<sup>3</sup>:
  - residential 6.3%, commercial 8.3% and rural 8.1%

<sup>1</sup> Excludes transactions between group's companies (consolidation criteria), CCEE and Generation sales

<sup>2</sup> Excludes transactions with group companies and CCEE

<sup>3</sup> CPFL Paulista and CPFL Piratininga

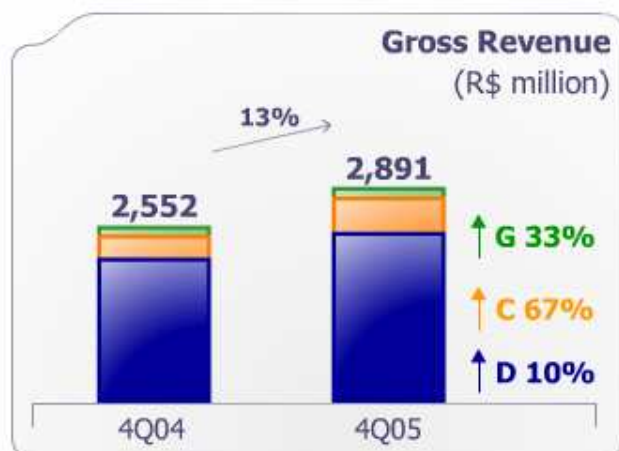




14.2% gross revenue increase (R\$ 1,358 million)

## ▲ Distribution (R\$ 988 million)

- 118.0% growth in TUSD revenue
- 4.6% growth in concession area sales
- Distributors readjustments and tariff review
  - CPFL Paulista 17.74%<sup>1</sup> - Apr/05
  - RGE 21.93% - Apr/05
  - CPFL Piratininga 1.54%<sup>2</sup> - Oct/05



## ▲ Commercialization (R\$ 279 million)

- 103.8% growth in free market sales revenue

## ▲ Generation (R\$ 91 million)

- Monte Claro HPP and Barra Grande HPP commercial operations, with 393 GWh increase
- Generation contracts readjustments
  - Semesa 12.42% - Jan/05
  - PCH's 11.12% - Apr/05

Note: The growth rates in the business segments consider total revenue, without eliminating transactions between group companies. The amounts in R\$ include eliminations (for generation also consider revenue from the Monte Claro and Barra Grande HPP)

<sup>1</sup> In Jul/05 ANEEL acknowledged the right to adjust IRT ref. April 2005 by 1.01%

<sup>2</sup> PIS/COFINS already excluded



## 26.1% EBITDA increase (R\$ 439 million)

14.9% net revenue increase  
( R\$ 1,003 million)

## 3.4% energy cost increase (R\$128 million)

- 1.6% in electric power purchased
- 11.6% in costs for the use of the system

## 6.0% operational costs and expenses<sup>2</sup> increase (R\$ 48 million)

- R\$ 7 million: Monte Claro HPP and Barra Grande HPP operations

## Adjustments relating to Energy Efficient Program, Research & Development, Extraordinary Tariff Adjustment (RTE) and Free Energy (R\$144 million)

- R\$ 52 million: modification in accounting procedures for costs related to the Energy Efficient and Research & Development programs
- R\$ 92 million: provision for Extraordinary Tariff Adjustment and free energy (non-recourse)

With these adjustments, the increase in costs and operational expenses was 24.3%

<sup>1</sup> Includes minority participation and non-operational results

<sup>2</sup> Consider Personnel, Material, Third Party Services and Other expenses

<sup>3</sup> Ref. Energy Efficient and Research & Development programs, RTE and free energy



266.2% Net Income increase (R\$ 742 million)

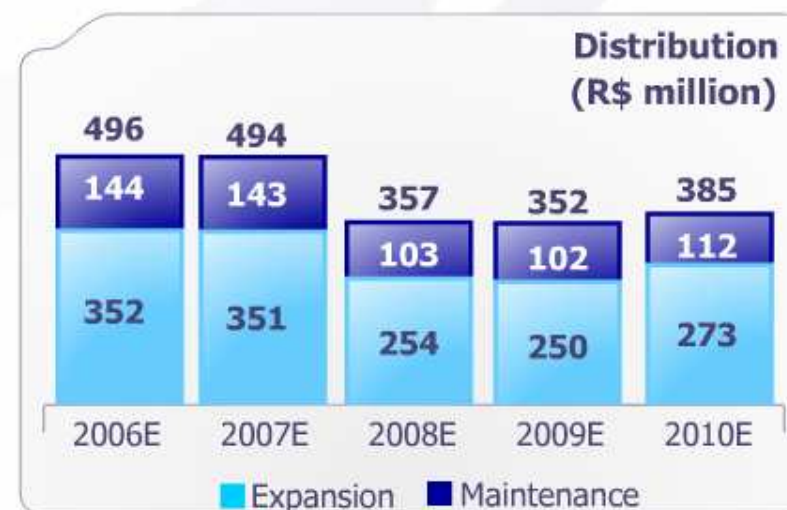
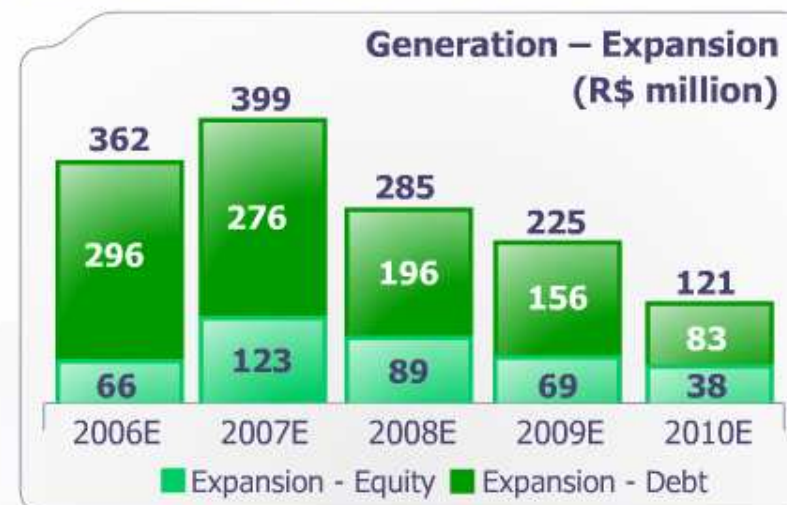
- ▲ 26.1% EBITDA Increase
- ▲ 24.0% financial income<sup>1</sup> improvement
  - 33.6% financial revenue increase
  - 21.9% financial expenses reduction
- ▲ R\$ 72 million fiscal credit benefit in CPFL Energia holding

<sup>1</sup> Including Interest on Own Capital and goodwill amortization

<sup>2</sup> Private Pension, Income and Social Contribution Taxes, Amortization/Depreciation and Reversion of Interest on Own Capital



Over the next 5 years, CPFL has plans to invest R\$ 3,5 billion, 83% for the expansion purposes



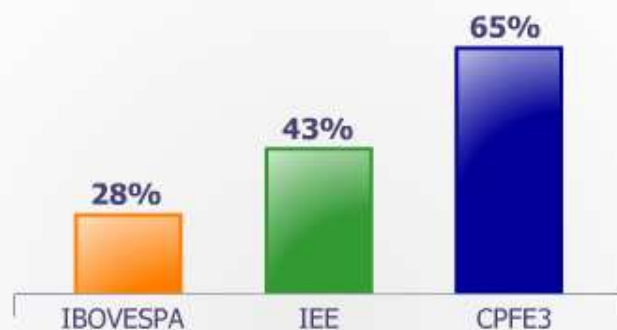
Highlights and Results - CPFL Energia

Capital Market Performance

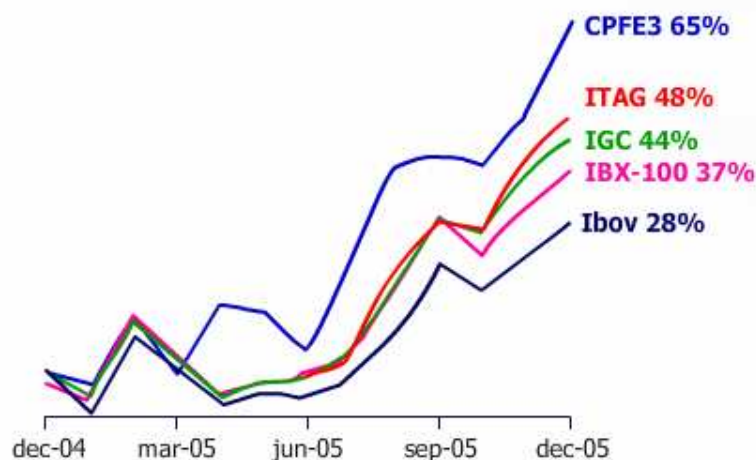
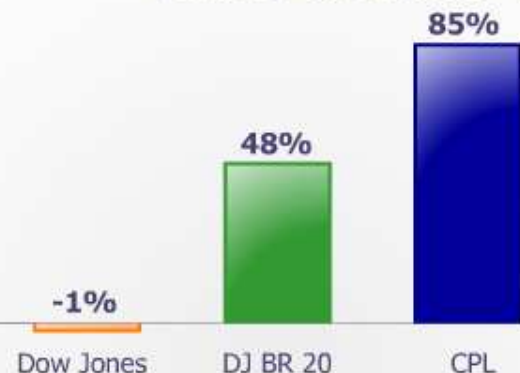
Value Creation Agenda

## Capital market strong performance

Shares Performance - BOVESPA<sup>1</sup>

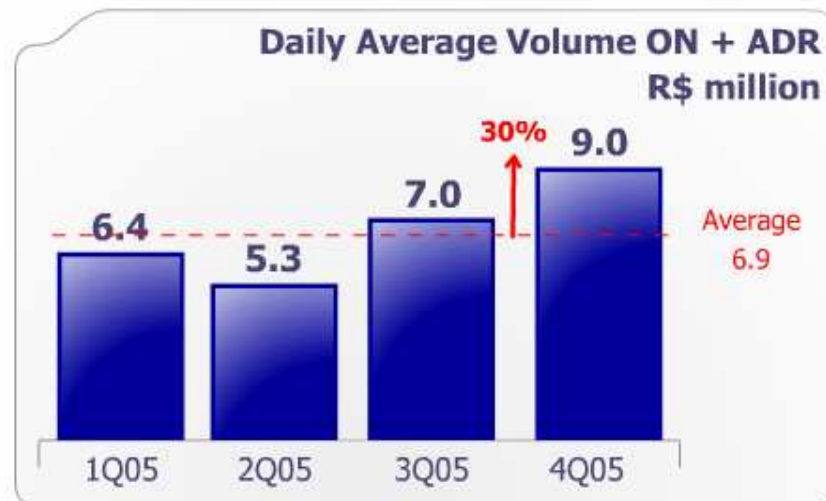
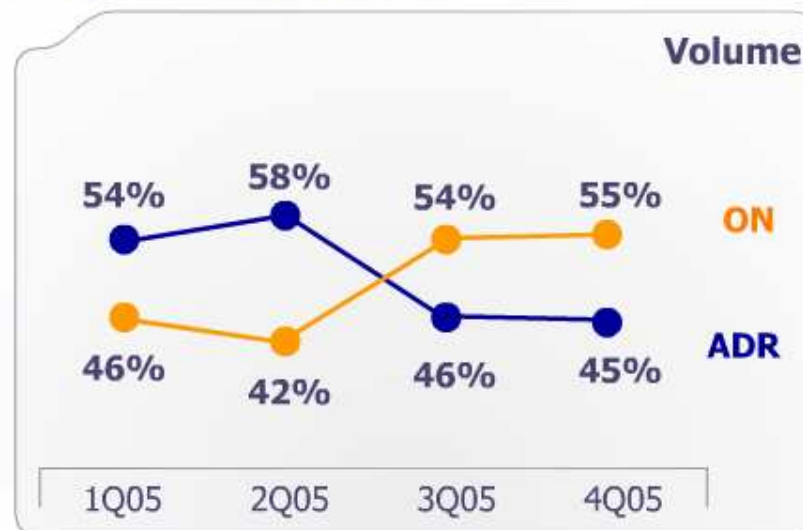


Shares Performance - NYSE<sup>1</sup>



- ▲ CPFL shares appreciation surpassed the main market indexes
- ▲ Indexes of companies with differentiated corporate governance posted better performance – the investor recognizes this and “pays” for governance

CPFL has maintained a balanced breakdown of ON's and ADR's, as well as balanced liquidity in both markets, with slightly higher trading volume in BOVESPA



- ▲ In 2005, the average daily trading volume represented 0.7% of the free float<sup>1</sup>
- ▲ Expansion in 2H05 by:
  - Listing of CPFL in indexes
  - Migration of minority shareholders and float increase



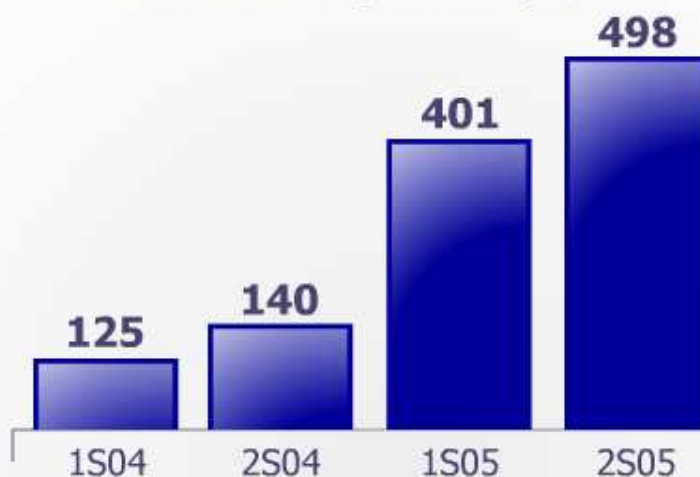
## Consistency in Dividend Payments<sup>1</sup>

CPFL announces payment of R\$ 498 million in the 2H05  
In 2005 total distribution reached R\$ 899 million

Payments exceed the  
dividend policy: 95% in the  
last 2 years

Policy: Minimum distribution  
of 50% of the net income on  
a semi-annual basis

**Dividend Payments (R\$ million)**



Annualized Dividend Yield<sup>2</sup>    1.8%    3.7%    6.8%    9.5%

Dividend Yield combined with the group growth make CPFL  
an attractive investment option

<sup>1</sup> Including Interest on Own Capital

<sup>2</sup> Considering semi-annual dividend compared to the share average closing price - sum the last 2 half years

BOVESPA

IBrX

Brazil Index – IBrX (IBX-100)

IEE

Electric Energy Index

ITAG

Differentiated Tag Along Shares Index

IGC

Differentiated Corporate Governance Shares Index

ISE

Business Sustainability Index

NYSE

DJBr20

Dow Jones Brazil Titans 20 ADR Index



**CPL**  
**LISTED**  
**NYSE**

**IBrX** ÍNDICE  
BRASIL

**itag**

Índice de Ações com Tag Along Diferenciado



**ÍNDICE**  
**DOW JONES**  
**BRAZIL TITANS**  
**20 ADR**



### EuroMoney Magazine

CPFL Energia – Deal of the Year in Latin America, in the Equity category



### ABAMEC Award 2004

Best Publicly Traded Company of 2004



### APIMEC Quality Award

Best Presentation 2005



### Selo Assiduidade APIMEC

APIMEC Certificate for Recurrent Investor Meetings



### Institutional Investor

1<sup>st</sup> place in "Corporate Governance" – Latin America Electric Utilities

2<sup>nd</sup> place in "Investor Relations" - Latin America Electric Utilities – Sell Side

2<sup>nd</sup> place in "Investor Relations" - Latin America Electric Utilities – Buy Side



### IR Magazine Awards 2005 Brazil

Honorary Mention of CPFL Energia – Best Investor Relations in an Initial Public Offering

Wide analyst coverage, with 14 institutions releasing company research reports





Best credit rating of the electrical  
sector attributed by S&P  
(national ranking)

### Company Highlights

- ▲ Group synergy and integrated operations
- ▲ Distribution efficiency indicators higher than the sector average
- ▲ Solid and growing internal cash generation
- ▲ Greater access to capital markets and group flexibility after the IPO in September 2004
- ▲ Low exposure to foreign currency denominated debts



Highlights and Results - CPFL Energia

Capital Market Performance

Value Creation Agenda

## Goals

## Strategies

## Programs

Value

Liquidity

Security

Operating efficiency

- Scale gains opportunities in distribution
- Standardization and Certification of Processes
- System Automation and Modernization
- Call Center

Synergic growth

- Distribution: constitution of a strong market basis
- Generation: Guarantee of PPA's
- Commercialization: Free Client retention

Financial discipline

- Leverage management with the hexagonal approach - rating between BBB and AA
- Management focused on value creation for the shareholder, using GVA methodology

Sustainability and corporate responsibility

- Capacity, development and mobilization of the internal public
- Contribution to the social, economical and cultural communities development

Differentiated Corporate Governance

- Single class of shares: 100% tag-along
- Commitment to free float increase
- Dividend Policy

## Value generation over the past 3 years



Market growth and efficiency gains in distribution

Operational start-up of generation projects

Good performance in commercialization

Improvement in financial results

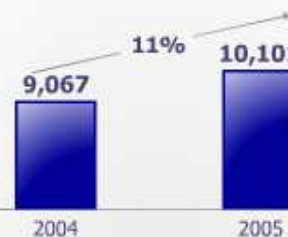
<sup>1</sup> Pro-form growth, calculated over negative value

Constitution of strong  
distribution platform

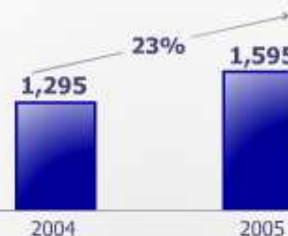
Search for  
optimal  
scale and  
synergies



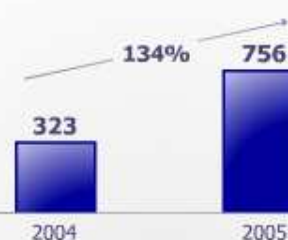
Gross Revenue  
(R\$ million)



EBITDA  
(R\$ million)



Net Income  
(R\$ million)





Constitution of strong  
distribution platform

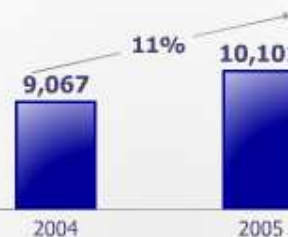
Search for  
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**CPFL**  
PAULISTA

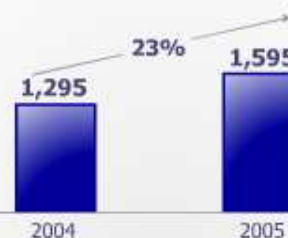
**ANDIPRANTE**  
Partners in Energy Distribution

**RGE**  
Rio Grande Energia

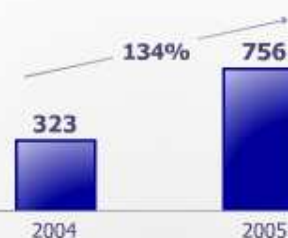
Gross Revenue  
(R\$ million)



EBITDA  
(R\$ million)



Net Income  
(R\$ million)



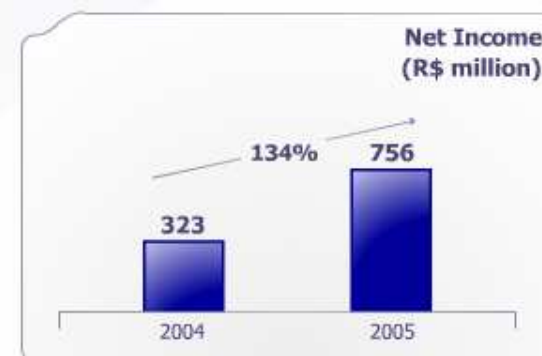
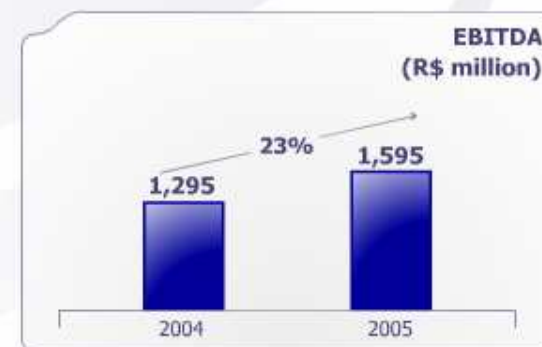
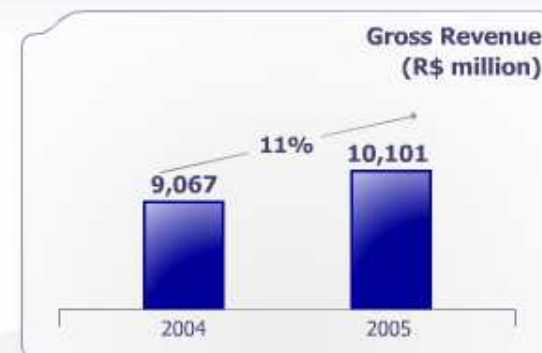
Constitution of strong  
distribution platform

Search for  
optimal  
scale and  
synergies

**CPFL**  
PAULISTA

**CPFL**  
PIRATUNGA

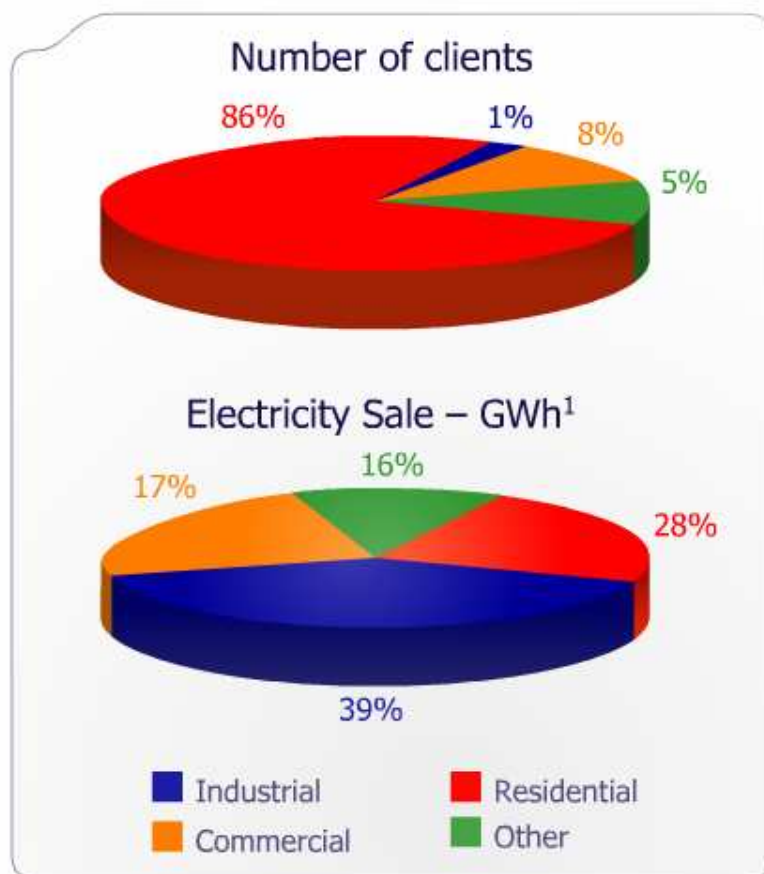
**RGE**  
Rio Grande Energia



The solidity achieved by CPFL Energia reflects its operational efficiency and the quality of the markets in which it operates

#### Consolidated Distribution

- 194,641 new connections in 2005 – 16,220 connections/month: 8.6% above 2004 average
- 5.6 million clients



Search for optimal scale<sup>2</sup>



<sup>1</sup> Sales to final customer (captive)

<sup>2</sup> Indicators consider only CPFL Paulista until 2000. Values expressed in constant currency based on Dec/2005. MWh refers to captive market sales + "TUSD" sales

The solidity achieved by CPFL Energia reflects its operational efficiency and the quality of the markets in which it operates

DEC 2005 (hours)



FEC 2005 (frequency)

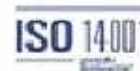


ABRADEE's satisfaction survey with residential consumers: CPFL Group distributors earned satisfaction ratings above 75%

Turnover inventory<sup>1</sup>



Reduction of supply inventories financial cost

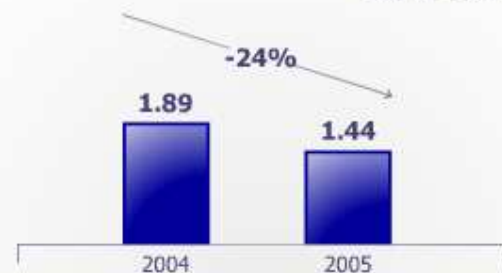


<sup>1</sup> Consider last twelve months average supply consumption and annual average stock

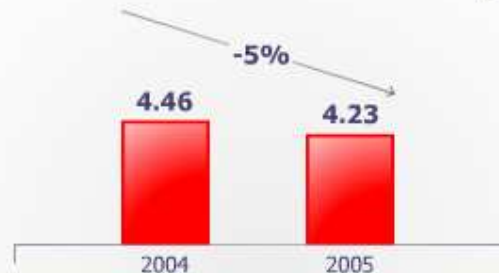


The solidity achieved by CPFL Energia reflects its operational efficiency and the quality of the markets in which it operates

Delinquency (%)<sup>1</sup>  
CPFL Paulista



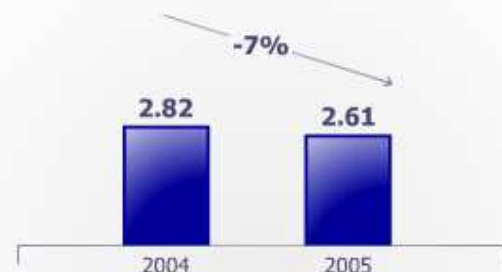
Delinquency (%)<sup>1</sup>  
RGE



Delinquency (%)<sup>1</sup>  
CPFL Piratininga



Commercial losses (%)  
CPFL Paulista



Commercial losses (%)  
CPFL Piratininga



CPFL Paulista: 287,000 inspections,  
R\$ 75.2 million revenues recovery

CPFL Piratininga: 133,000 inspections  
R\$ 38,2 million revenues recovery

Constitution of strong distribution platform

PPA's guarantee

Generation capacity expansion



19 PCH's

Search for optimal scale and synergies



## Synergic Growth



Constitution of strong distribution platform

PPA's guarantee

Generation capacity expansion



Search for optimal scale and synergies



## Synergic Growth



Constitution of strong distribution platform

PPA's guarantee

Generation capacity expansion

Search for optimal scale and synergies

**CPFL**  
PAULISTA

**CPFL**  
PIRATUNINGA

**RGE**  
Rio Grande Energia

## Synergic Growth

**CPFL**  
GERAÇÃO

**CPFL**  
Centrais Elétricas S.A.

**CPFL Sul**  
Centrais Elétricas S.P.A.

**Semesa**  
Semesa S.A.

**Ceran**  
Co. Energética Rio de Janeiro

**BAESA**  
Belo Horizonte Energia S.A.

**Enercan**  
Energia Nova Energia S.A.

**Foz do Chapecó**  
Foz do Chapecó Energia S.A.

**CONSORCIO ENERGÉTICO FOZ DO CHAPECÓ**

Gross Revenue  
(R\$ million)

331

2004

32%

436

2005

EBITDA  
(R\$ million)

282

2004

22%

345

2005

Net Income  
(R\$ million)

71

2004

65%

117

2005



65% installed capacity increase between 2005 and 1H06, with another 33% by 2010



### Installed Capacity Evolution and Assured Energy



Barra Grande HPP

- ▲ Campos Novos: 91% of assured energy in the 1<sup>st</sup> turbine (1H06)
- ▲ Castro Alves: 63% of assured energy in the 1<sup>st</sup> turbine (2007)
- ▲ 14 de Julho: 93% of assured energy in the 1<sup>st</sup> turbine (2008)

All projects with signed contracts with price around 100% of the Normative Value

- ▲ Nov 1<sup>st</sup> 2005: commercial operation of the 1<sup>st</sup> turbine
  - 230 MW of installed capacity
  - 207.0 MW medium of assured energy
- ▲ May 1<sup>st</sup> 2006: commercial operation of the 2<sup>nd</sup> turbine
  - 230 MW of installed capacity
  - 173.6 MW medium of assured energy
- ▲ The 3<sup>rd</sup> turbine, with 230 MW, is expected to start operating by the end of April 2006

54.4% of total  
Assured Energy

100% of the total  
Assured Energy



Overview of the Dam area





- ▲ Oct/2005: Start of reservoir filling
- ▲ Current status: the 1<sup>st</sup> turbine in the commissioning phase, concomitant with the reservoir filling

91% of assured energy in the 1<sup>st</sup> turbine



Overview of the Dam area



Commercial operation are expected to start by the end of March 2006

## Gavião Peixoto, Chibarro and Capão Preto SPP's repowering



### Gavião Peixoto

New Installed Capacity: 4.8 MW  
Old Assured Energy: 2.2 MW medium  
New Assured Energy: 3.82 MW medium (+74%)  
Commercial Operation: Jan/07

### Chibarro

New Installed Capacity: 2.6 MW  
Old Assured Energy: 0.70 MW medium  
New Assured Energy: 1.69 MW medium (+141%)  
Commercial Operation: 2007



### Capão Preto

New Installed Capacity: 4.3 MW  
Old Assured Energy: 1.00 MW medium  
New Assured Energy: 2.28 MW medium (+128%)  
Commercial Operation: 2007



# The constitution of the commercialization company leverages synergies among business segments

Constitution of strong distribution platform

PPA's guarantee

Generation capacity expansion

Search for optimal scale and synergies



**Synergic Growth**

Commercial Expertise



Competitive performance in the energy free market and value added services

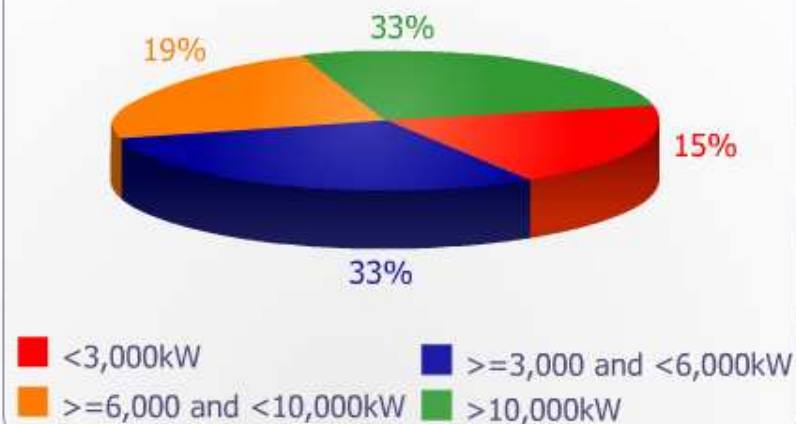


## Competitive performance in the free energy market and value added services sales

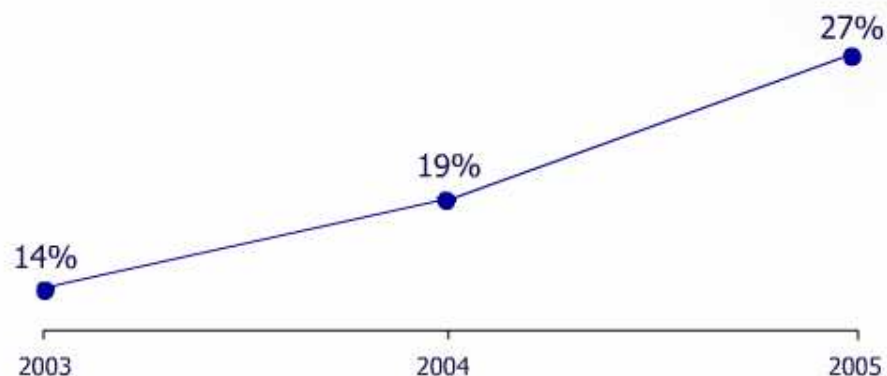
Number of customers in the free market



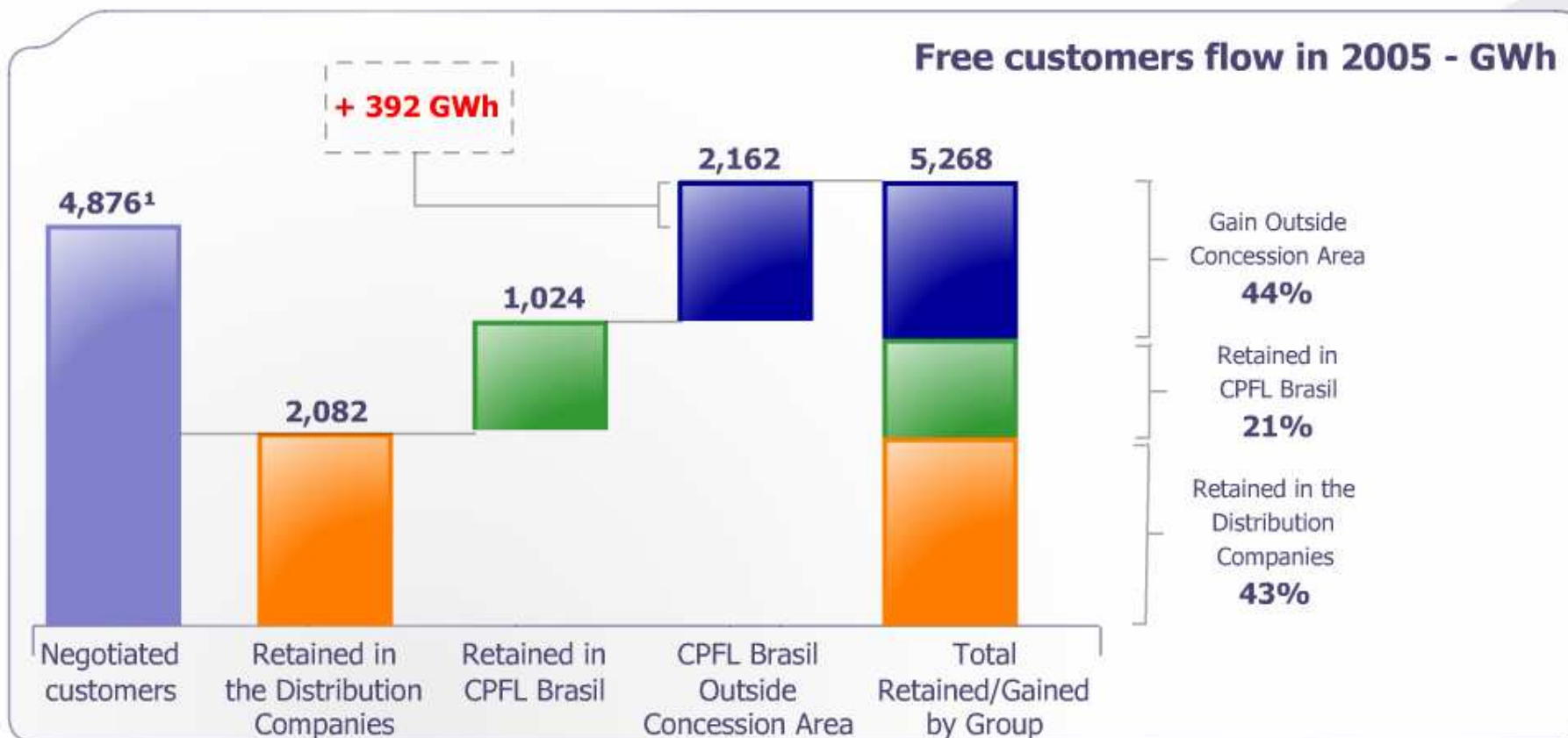
Free customers portfolio breakdown



Commercialization Market-Share

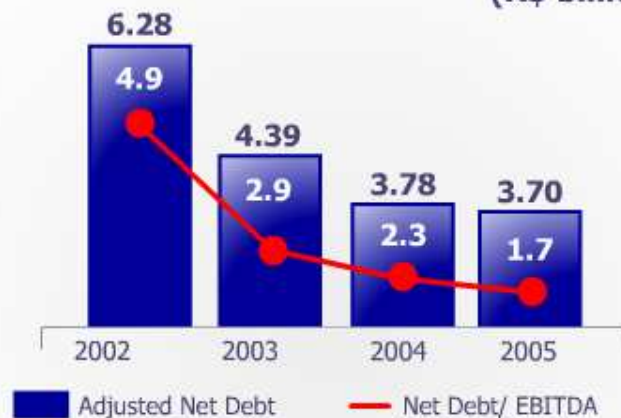


Over the last two years, CPFL Brasil increases its client portfolio more than six-fold and doubled its market share

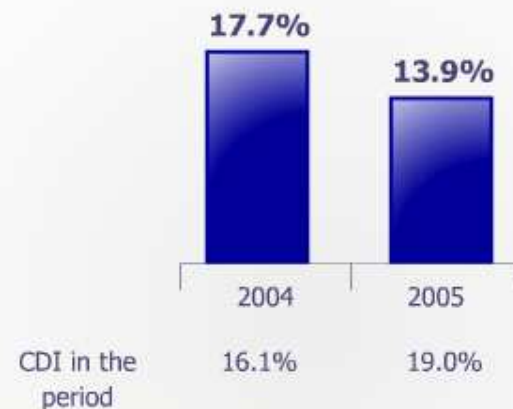


<sup>1</sup> CPFL Paulista and Piratininga customers classified as potentially free, with contracts due in 2005

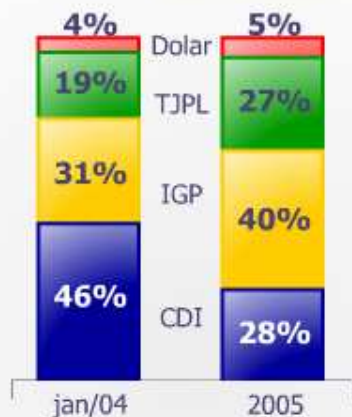
**Adjusted net debt<sup>1</sup> / EBITDA  
(R\$ billion)**



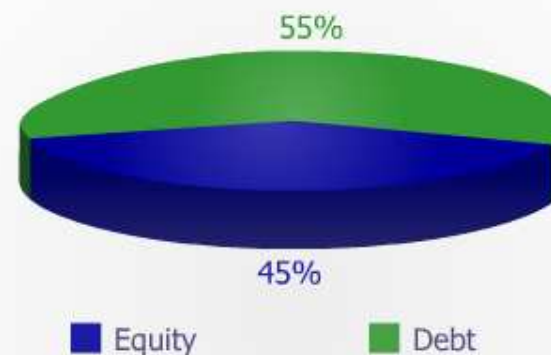
**Nominal cost of debt (% p.a)**



**Debt Breakdown<sup>2</sup> (%)**



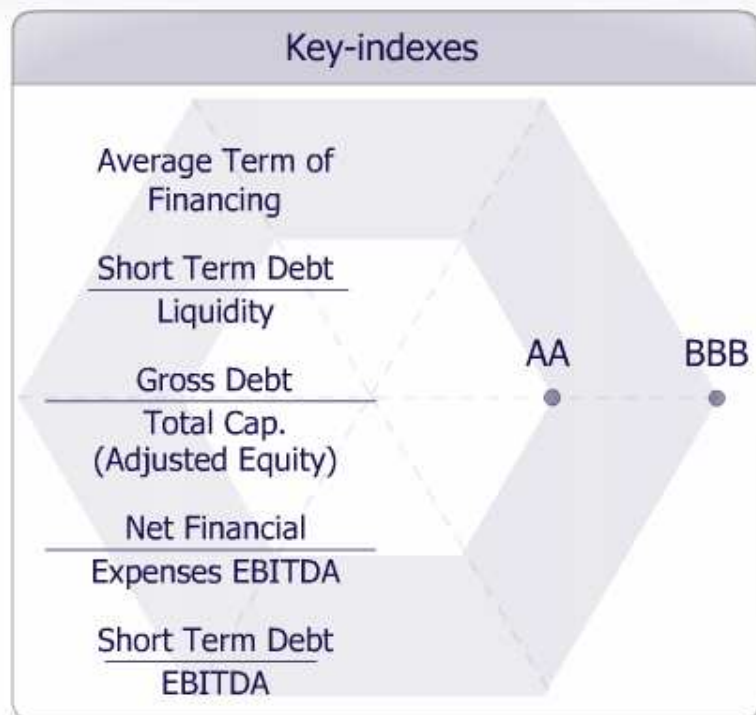
**Capital Structure 2005**



<sup>1</sup> Adjusted net debt = total debt + pension funds - regulatory assets / CVA - cash & cash equivalents

<sup>2</sup> Debt without RTE





## Características da Emissão

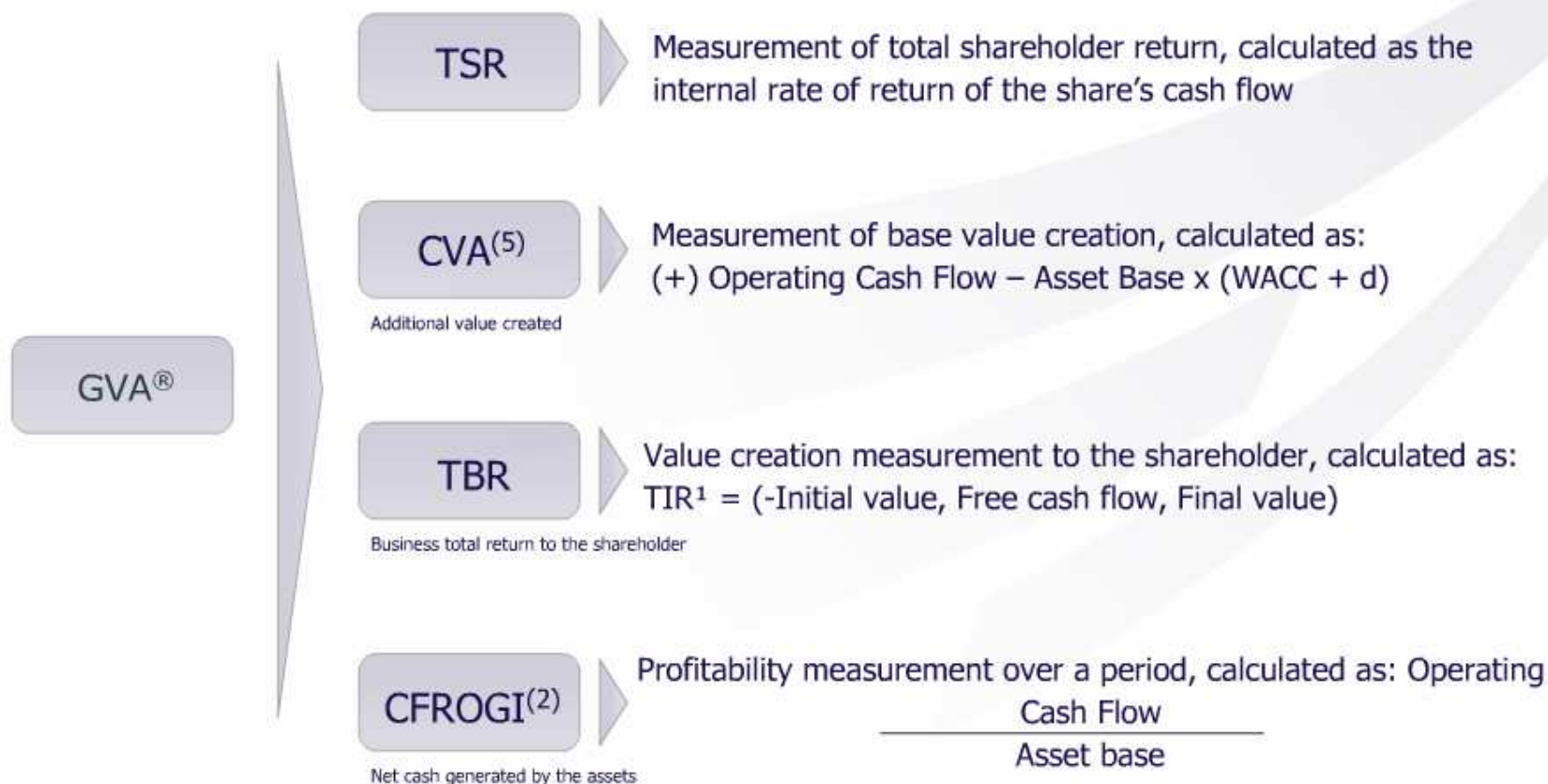
|                             |                             |
|-----------------------------|-----------------------------|
| <b>Offering total value</b> | R\$ 400 million             |
| <b>Issuing Date</b>         | 01/01/2006                  |
| <b>Term</b>                 | 5 years – due in 01/01/2011 |
| <b>Cost</b>                 | 104% of CDI                 |
| <b>Yield payment</b>        | Biannual                    |

## 2005 Highlights

- ▲ **Financing**  
Finem – R\$ 200 million (TJLP)  
CPFL Piratininga – R\$ 300 million
- ▲ **Ammortization**  
CPFL Paulista debenture – R\$ 151 million  
FRN's CPFL Paulista – R\$ 152 million

The transaction generated demand higher than R\$1.0 billion

## Measurement based on Value Creation for the Shareholder



*CPFL Energia develops a Corporate Responsibility Program, focused on its main stakeholders*



### Ethics and Transparency in Businesses Front

- Code of Ethics and Conduct



### Internal Public Front

- Learning Project



### Environment Front

- Nature school-ship Program



### Suppliers Front

- Annual Meetings with Suppliers

*CPFL Energia develops a Corporate Responsibility Program, focused on its main stakeholders*



### Diversity Valorization Front

- Diversity Valorization CPFL Energia Program



### Volunteer Front

- CPFL Energia Program of incentive to volunteerism citizen



### Community Relations Front

- CPFL Energia Program of philanthropic hospitals modernization



### Leadership and Social Influence

- ▲ CPFL Energia is a member of the United Nations Global compact Brazilian Committee
- ▲ Millennium Goals: CPFL Energia is one of the leading companies in Brazil
  1. Eradicate poverty and hunger
  2. Achieve universal primary education
  3. Promote gender equality and empower women
  4. Reduce child mortality
  5. Improve maternal health
  6. Fight HIV/Aids, malaria and other diseases
  7. Ensure environmental sustainability
  8. Develop a global partnership for development



- CPFL Energia was included among the 28 companies which are part of the Bovespa's Corporate Sustainability Index – December/2005



**BOVESPA**  
Bolsa de Valores de São Paulo

- The OCDE – Organization for Economic Development and Cooperation, the IFC – International Finance Corporation and the Participant Companies included CPFL Energia among the eight Latin American companies chosen for the book of Best Governance Practices Case Studies, published in November 2005





## IPO/04



39.68%



33.06%



13.62%



**Free-Float=13.64%**



3.12%

**IPO Market**

10.52%

- ▲ After IPO and Green shoe: 15.65% free float
- ▲ IFC loan subscription (1<sup>st</sup> tranche): free float reaches 15.92%
- ▲ Migration of CPFL Geração minority shareholders: free float reaches 16.04%
- ▲ Subscription of the IFC remaining loan: free float reaches 16.80%
- ▲ Migration of CPFL Paulista and CPFL Piratininga minority shareholders: free float reaches 17.75%
- ▲ In the IPO, CPFL Energia had 3.1 million shareholders listed in Bovespa. Nowadays, after the migration of CPFL Paulista and CPFL Piratininga minority shareholders, the Company has 64.0 thousand<sup>1</sup> shareholders

**R\$ 1,060 million<sup>2</sup>**

**Change from  
IPO/04 to Feb/06  
R\$ 1,664 million  
157%**

## Jan/06



38.49%



31.11%



12.65%



4.80%

**IFC**

1.17%

**Market**

11.78%

**Free-Float=17.75%**

**R\$ 2,724 million<sup>3</sup>**

1 - Number of shareholders in CPF and CNPJ

2 - Price in IPO - R\$ 17.22 per share

3 - Price in Feb 24, 2006 - R\$ 32.00 per share

CPFL Paulista is the National Quality Award – PNQ 2005 winner

- ▲ First awarded company in the Brazilian energy sector
- ▲ Maturity and excellency certification in corporate and operating processes management
- ▲ PNQ is among the most important global quality awards, such as Malcolm Baldrige National Quality Award (USA), European Quality Award and Deming Prize (Japan)
- ▲ PNQ was created 13 years ago and over this period only 23 organizations were recognized







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**Webcast**

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