# 2Q13 Results

100 anos GERANDO HISTÓRIAS | CPFL ENERGIA

# Disclaimer

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.

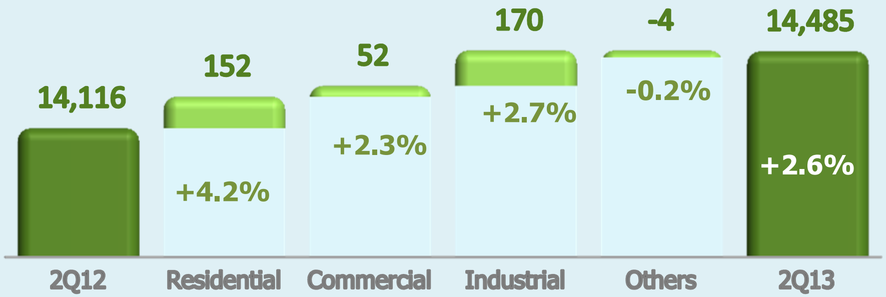
# Highlights 2Q13


- **Total energy sales outside of the Group** were up **7.7%**
- Energy sales were up **2.6%** in the **concession area**
- Conclusion of the **3rd Cycle of Tariff Review** for all CPFL's discos
- Implementation of **CPFL Renováveis' IPO**
- Acquisition of **Rosa dos Ventos wind farms** (13.7 MW) in June 2013
- Disbursement from sector fund (**CDE)**, according  to decree 7,945/13, in the amount of **R$ 125 million**  in 2Q13
- Capex of **R$ 498 million** in 2Q13
- Declared interim **dividends** related to1H13, in the amount of **R$ 363 million**
- Reaffirmation of **AA+rating** on national scale, with stable outlook, by Standard & Poor's, for CPFL Energia
- **CPFL Brasil** was chosen as the country's best company in energy sector  by **EXAME magazine's Largest and Best Companies**
- In **2013 Abradee Awards**, **RGE** was chosen as the best distributor in Brazil with more than 500,000 customers and **CPFL Leste Paulista** was the best distributor in the country with up to 500,000 customers
- **CPFL Energia** has been recognized by **ISTOÉ Dinheiro magazine** as one of the **50 Good Deeds' Companies**, in the Management category

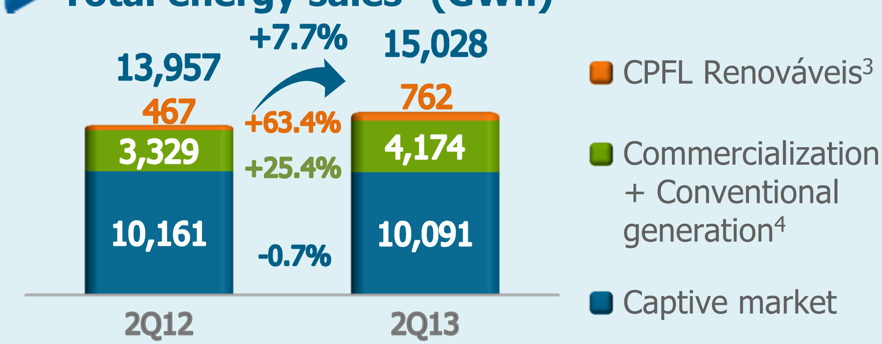
# 2Q13 Energy sales

## Sales in the concession area[1] (GWh)


## Sales by consumption segment[1] (GWh)

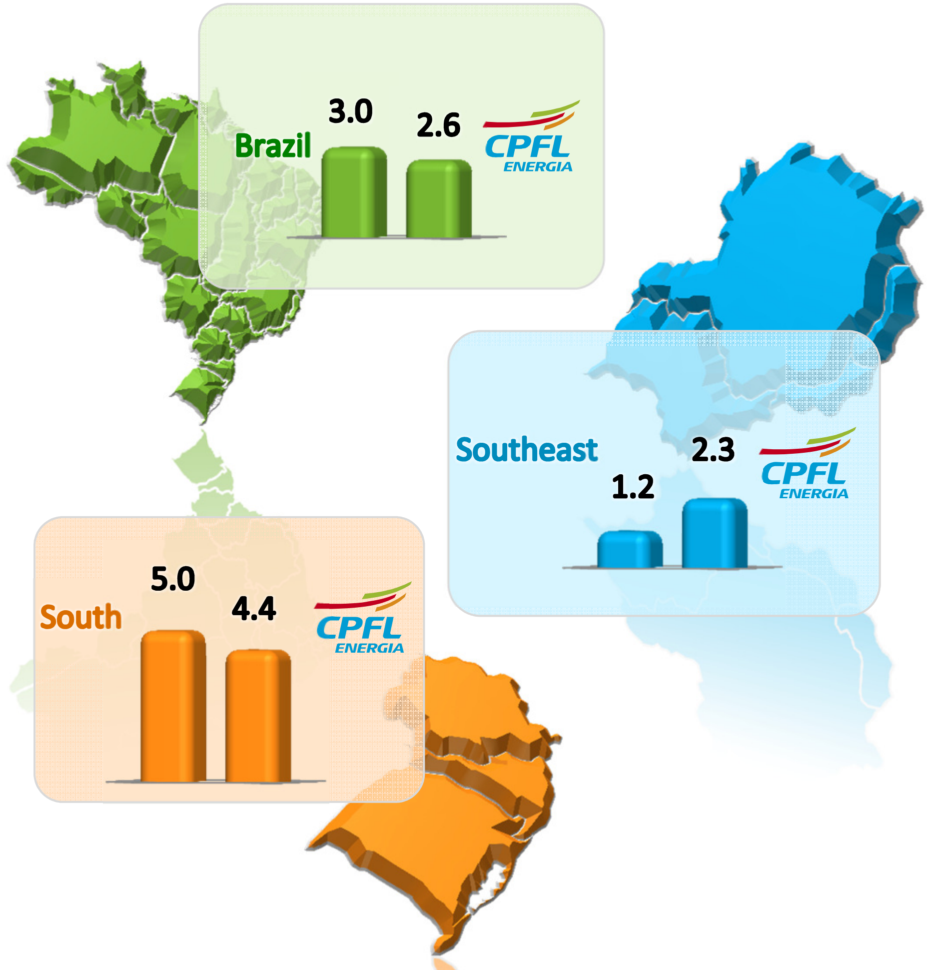



## Total energy sales[2] (GWh)




## Sales in the concession area

Comparison by region | %




1) Take into account changes in billing calendar for free consumers and permissionaires in RGE in 2Q12. 2) Disregard CCEE and sales to related parties. 3) Take into account 100% of CPFL Renováveis (IFRS). 4) Take into account provision adjustments of 8 GWh in 2Q12 and 13 GWh in 2Q13. Including Foz do Chapecó, Baesa, Enercan and Epasa, which according to IFRS 11 rule, are accounted for by the equity method.

# 2Q13 Results

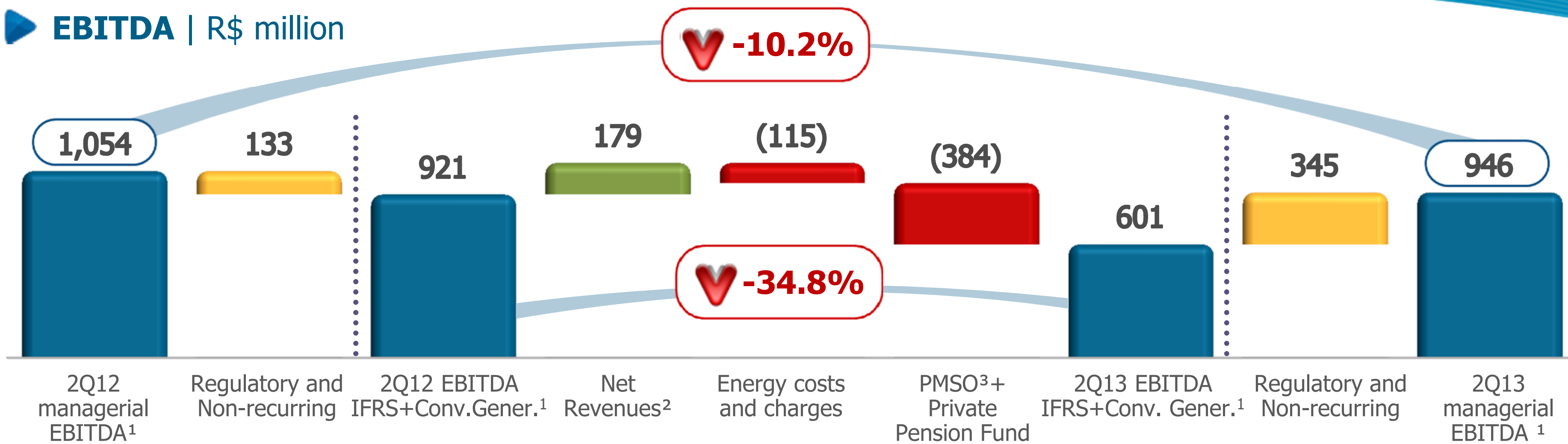
| | Net revenues[1] | | EBITDA | | Net income | |
|---|---|---|---|---|---|---|
| IFRS | +5.0% R$ 158 million | | -35.0% R$ 277 million | | R$ 380 million | |
| | 2Q12 R$ 3,181 million | 2Q13 R$ 3,339 million | 2Q12 R$ 793 million | 2Q13 R$ 516 million | 2Q12 R$ 246 million | 2Q13 -R$ 134 million |
| IFRS + Proportional consolidation for Generation[2] + Regulatory Assets & Liabilities - Non-recurring items | +7.2% R$ 116 million | | -10.2% R$ 108 million | | -29.0% R$ 103 million | |
| | 2Q12 R$ 3,119 million | 2Q13 R$ 3,343 million | 2Q12 R$ 1,054 million | 2Q13 R$ 946 million | 2Q12 R$ 356 million | 2Q13 R$ 253 million |

| | 2Q12 EBITDA | 2Q13 EBITDA | 2Q12 Net income | 2Q13 Net income |
|---|---|---|---|---|
| **Proportional Consolidation for Conventional Generation (A)** | + 128 | + 85 | | |
| **Regulatory Assets & Liabilities (B)** | + 126 | + 26 | + 81 | + 19 |
| Financial update of discos' assets | | | | - 86 |
| Legal and judicial expenses and other contingencies | | - 230 | | - 152 |
| ICMS (Special Installment Payment Program) | | - 47 | | - 72 |
| ESS provision (Conventional Generation and CPFL Renováveis) | | - 13 | | - 11 |
| Asset's maintenance (Epasa) | | - 9 | | - 6 |
| Others | - 7 | - 20 | - 29 | - 41 |
| **Subtotal Non-recurring (C)** | - 7 | - 319 | - 29 | - 368 |
| **Total (A+B-C)** | + 261 | + 430 | + 110 | + 387 |

1) Excluding Revenue from Construction. 2) Foz do Chapecó, Baesa, Enercan and Epasa.

# 2Q13 Results

**EBITDA** | R$ million




- **5.6% increase in Net Revenues[2] (R$ 179 million)**
  - Commercialization and Services (R$ 148 million), Conventional Generation (R$ 42 million), CPFL Renováveis (R$ 34 million)
  - Distribution (- R$ 7 million): captive market (- R$ 77 million) + TUSD (+ R$ 70 million)
  - ICMS (Special Installment Payment Program) (R$ 32 million)
  - Others (R$ 6 million)
- **6.1% increase in Energy Costs and Charges (R$ 115 million)**
  - 15.8% net increase in energy costs (R$ 243 million)
  - 37.1% net decrease in sector charges (R$ 128 million)

**CDE resources: R$ 64 million**

**CDE resources: R$ 61 million**

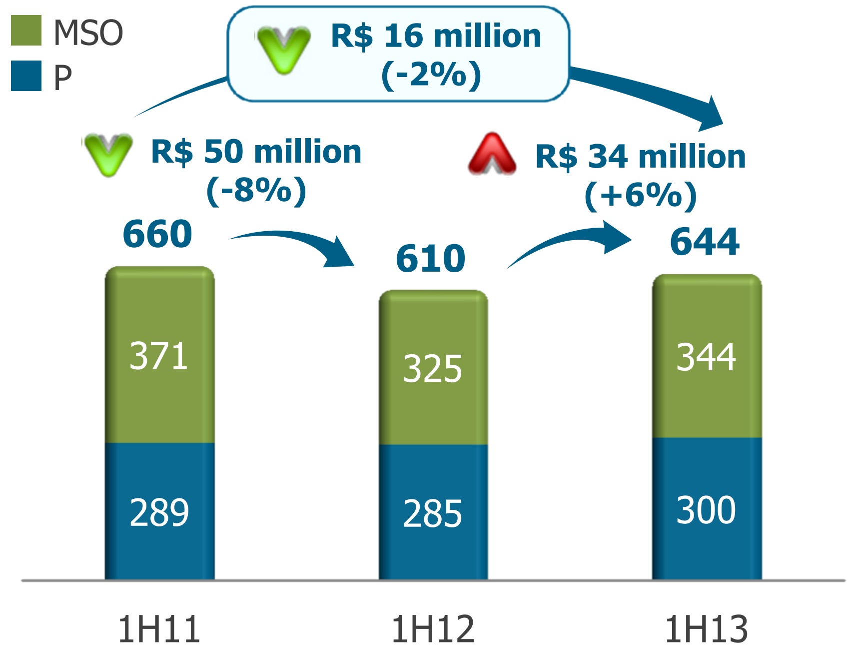
- **35.2% increase in Operating Costs and Expenses[3] (R$ 384 milhões)**
  - Legal and judicial expenses and other contingencies (R$ 245 million)
  - Fuel oil for EPASA's thermal dispatch (R$ 63 million)
  - CPFL Renováveis and Services (R$ 15 million) and write-down of discos' assets (R$ 15 million)
  - Private Pension Fund expenses (R$ 12 million) and Maintenance of EPASA's assets (R$ 9 million) and Others (R$ 25 million)

| | 2Q12 | 2Q13 |
|---|---|---|
| **PLD (R$/MWh)[4]** | 164.55 | 248.94 |
| **R$/US$** | 2.00 | 2.22 |

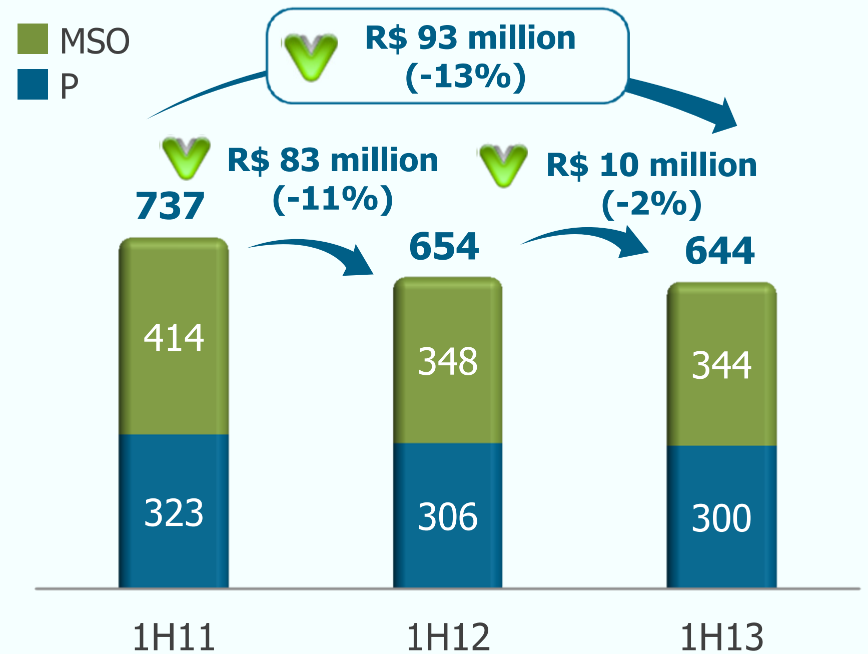
1) Take into account consolidation of projects; 2) Disregard construction revenues; 3) Personnel, material, third-party services and others; 4) average PLD SE/CW.

# 13% decrease (R$ 93 million) in real recurring PMSO between 2011 and 2013

## Nominal PMSO | R$ Million




## Real PMSO[1] | R$ Million



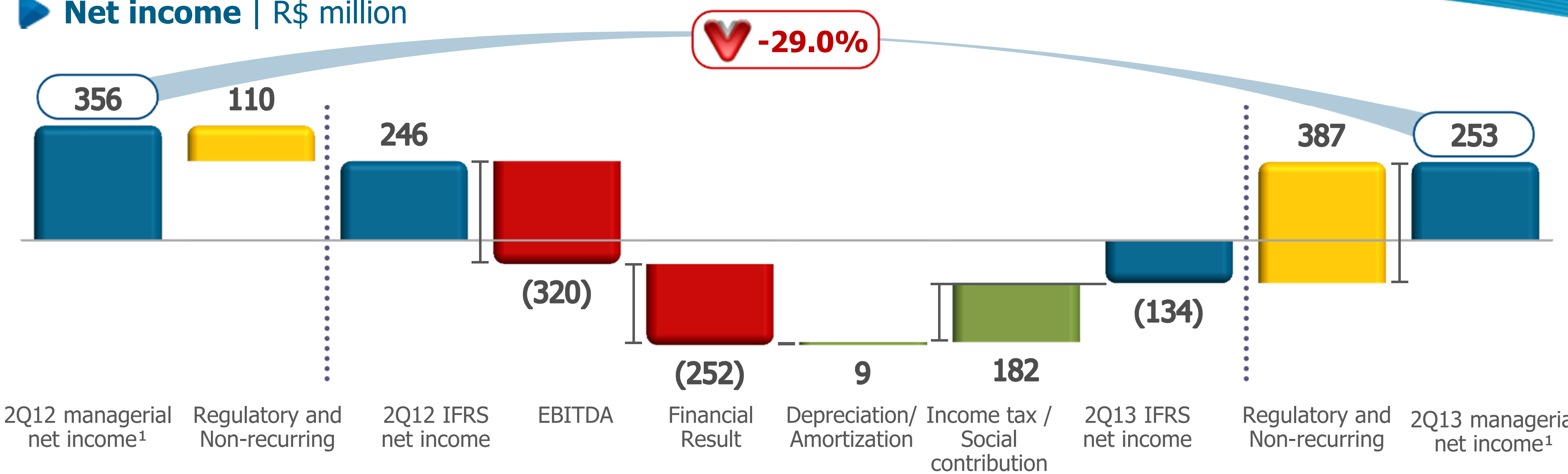

7% decrease (R$ 23 million) in real expenses with Personnel between 2011 and 2013 (decrease of 415 employees)

17% decrease in MSO (R$ 70 million) mainly due to the spread of Zero-Based Budget culture

1) Constant currency of Jun/13. Variation of IGP-M in the period 1H11 x 1H13= 11.6%; 1H11x1H12 = 4,0% and 1H12 x 1H13 = 7.3%. PMSO without Private Pension Fund.

# 2Q13 Results

## Net income | R$ million

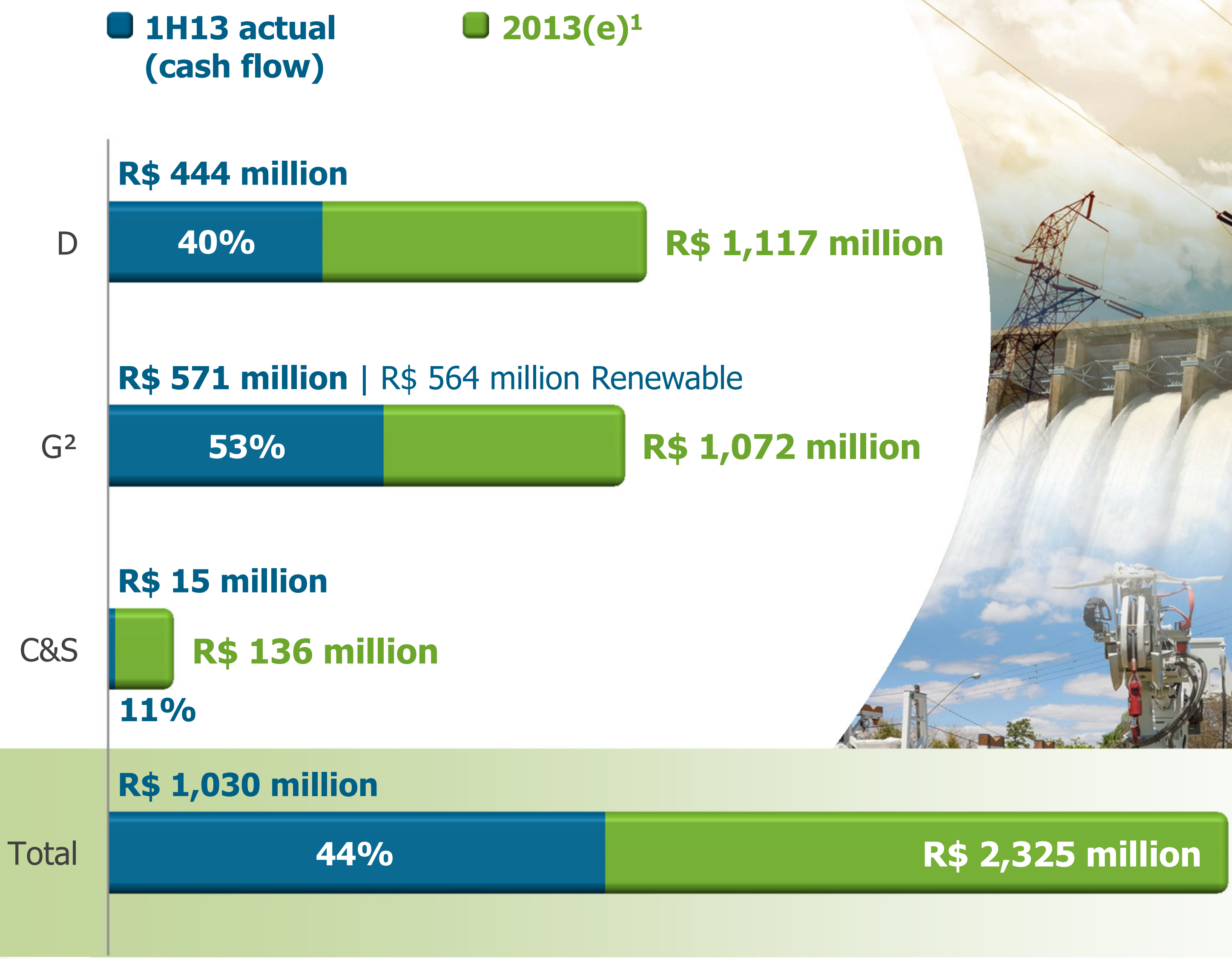



- **34.8% decrease in EBITDA (R$ 320 million)**
- **123.4% increase in Negative Net Financial Result (R$ 252 million)**
  - Update of discos' financial assets (R$ 163 million) — **R$ 131 million – 3rd Tariff Review Cycle – CPFL Paulista and RGE**
  - ICMS fine (Special Installment Payment Program) (R$ 59 million)
  - Consolidation of CPFL Renováveis (R$ 27 million)
  - Others (R$ 3 million)
- **2.9% decrease in Depreciation and Amortization (R$ 9 million)**
  - Depreciation of discos and conventional generation assets (R$ 35 million)
  - Depreciation of generation projects in CPFL Renováveis (R$ 28 million)
  - Others (R$ 2 million)
- **Income tax and social contribution (R$ 182 million) – lower tax base**

| | 2Q12 | 2Q13 |
|---|---|---|
| **CDI** | 8.6% p.a. | 7.3% p.a. |
| **TJLP** | 6.0% p.a. | 5.0% p.a. |

1) Take into account consolidation of projects.

# Capex(e) 2013




1) Constant currency Dec/12. Take into account 100% interest on CPFL Renováveis and Ceran (IFRS). 2) Conventional + Renewable

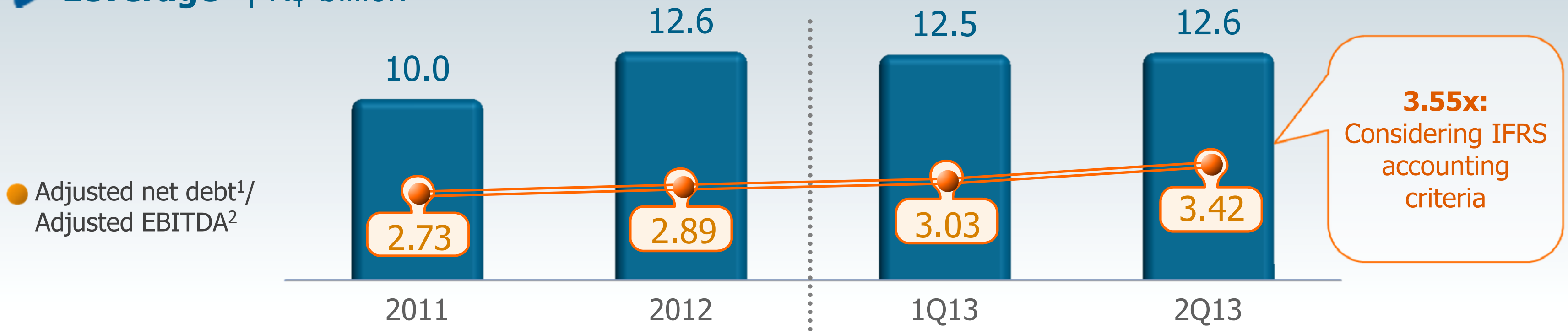
# Generation | Power plants under construction

## Commercial start-up in **2013-2016(e) | 582 MW / 270 MWavg**

| | Commercial start-up (e) | Installed Capacity (MW) | Assured Energy (MWavg) | Capital structure (e) | PPA | |
|---|---|---|---|---|---|---|
| **TPP Coopcana** | **3Q13** | 50 | 18.0 | BNDES funding (approved and partially disbursed) | Free market | **95%** concluded |
| **TPP Alvorada** | **3Q13** | 50 | 18.0 | BNDES funding (approved and partially disbursed) | Free market | **92%** concluded |
| **Campo dos Ventos II wind farm** | **3Q13** | 30 | 15.0 | BNDES funding (under review) COMMERCIAL BANKS (bridge loan approved and disbursed) | Reserve energy auction (Aug/10) R$ 142.53 | **82%** concluded |
| **Atlântica wind farms[2]** | **3Q13** | 120 | 52.7 | BNDES funding (bridge loan approved and disbursed, long-term funding under review) COMMERCIAL BANKS (bridge loan approved and disbursed) | Alternative sources auction (2010) R$ 154.8[3] | **61%** concluded |
| **Macacos I wind farms[1]** | **4Q13** | 78.2 | 37.5 | BNDES funding (bridge loan approved and disbursed, long-term funding under review) | Alternative sources auction (Aug/10) R$ 152.6[3] | **61%** concluded |
| **Campo dos Ventos wind farms[4]** | 1Q16 | 82.0 | 40.2 | BNDES funding (structuring) | Free market | **10%** concluded |
| **São Benedito wind farms[5]** | 3Q16 | 172.0 | 89.0 | BNDES funding (structuring) | Free market | **8%** concluded |

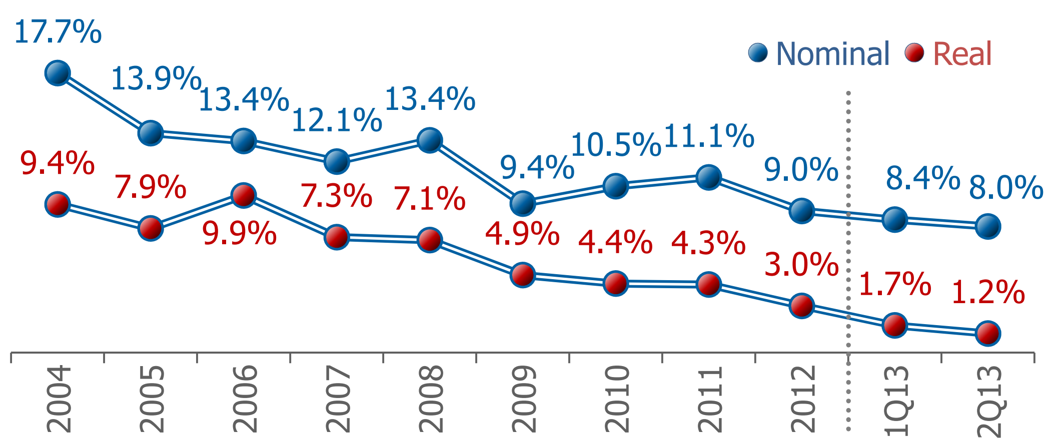
1) Macacos, Pedra Preta, Costa Branca e Juremas; 2) Atlântica I, II, IV e V; 3) Constant currency (Dec/12); 4) Campo dos Ventos I, III, V;
5) Ventos de São Benedito, Ventos de Santo Dimas, Santa Mônica, Santa Úrsula São Domingos e Ventos de São Martinho

## Leverage[1] | R$ billion

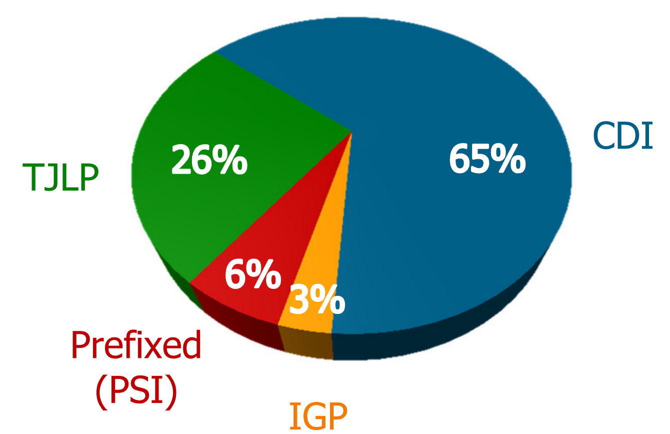



| Adjusted EBITDA[2] R$ million | 2011 | 2012 | 1Q13 | 2Q13 |
|---|---|---|---|---|
| | 3,665 | 4,377 | 4,111 | 3,676 |

## Gross debt cost[3] | LTM




## Gross debt breakdown[3]

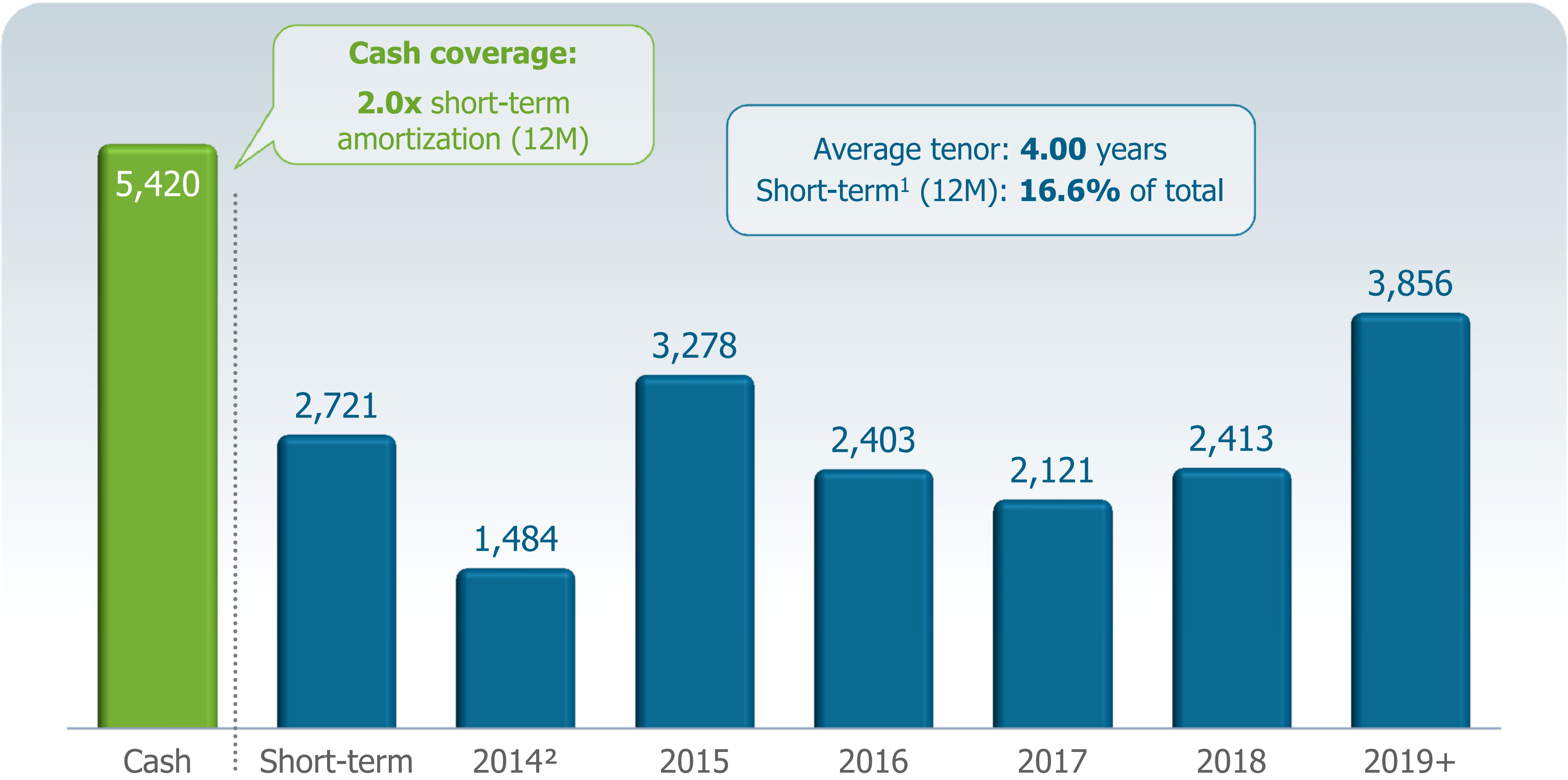





1) Financial covenants criteria. 2) LTM recurring EBITDA (covenants criteria). 3) Financial debt (+) private pension fund (-) hedge (considering proportional consolidation).

# Debt profile on June 30, 2013

## Debt amortization schedule[1] (Jun/13) | R$ million




1) Disregard financial charges (ST = R$ 295 million; LT = R$ 45 million), hedge (net positive effect of R$ 539 million) and MTM (R$ 86 million). 2) Considers amortization as of July 01, 2014.

# Perspectives

CPFL ENERGIA

## Growth and productivity

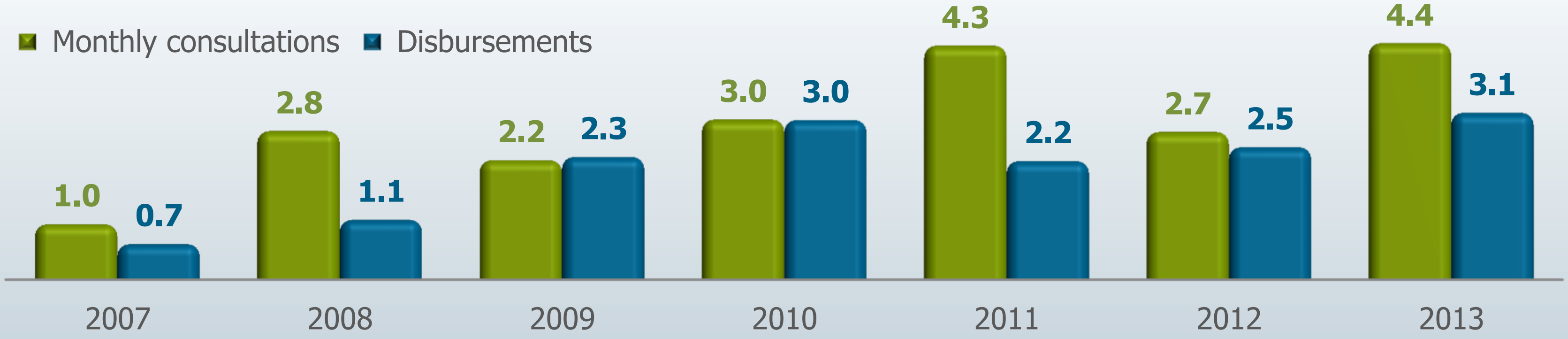
- CPFL Renováveis new projects
  - 2H13: **328 MW to be added**
- Recovery signals in industry, favoring energy consumption – **industrial: +2.7% in 2Q13**
- Productivity gains:
  - Focus on the **reduction and cost optimization** (Zero Based-Budget and Corporate Services Center)
  - **Tauron** Project maturation (smart grid): **higher productivity, lower costs**
  - Optimization in the occupation of Company´s buildings – **selling of idle assets**

## Optimization of capital structure

- Pre funding: strategy of debt lengthening - **longer terms and lower costs**
  - Average tenor: **4.0 years (2Q13)** vs. 3.2 years (4Q09)
  - Real cost of debt: **1.2% p.a. (2Q13)** vs. 4.9% p.a. (4Q09)
- **Reaffirmation of ratings: brAA+ since 2Q08 (S&P) and 3Q10 (Fitch)**
  - Liquidity policy (minimum cash vs. amortizations 12-18 months) – **cash coverage 2.0x (2Q13)**
  - Stable **operational cash generation** (R$ 2.3 billion/year in average since 2010)
- Optimal capital structure
  - **Decrease in WACC**
  - **Maximizing shareholder return**

# Construction Industry: good prospects, with a significant multiplier effect on the economy

**BNDES |** Monthly consultations and disbursements to Construction Industry
(In the year to May/13, in R$ billion)




## Construction Industry

- **22%** of industrial GDP and **45%** of investment[1]
- Number of companies (2007-11): **+75%**
- Forecast for production in construction industry in 2013: **+3.0%**[2]
- **Stimuli:**
  - "Minha Casa Minha Vida" – **75% contracted** (R$ 178 billion / 2.8 million households)[3]
  - Large sporting events

## Stimuli to retail sales

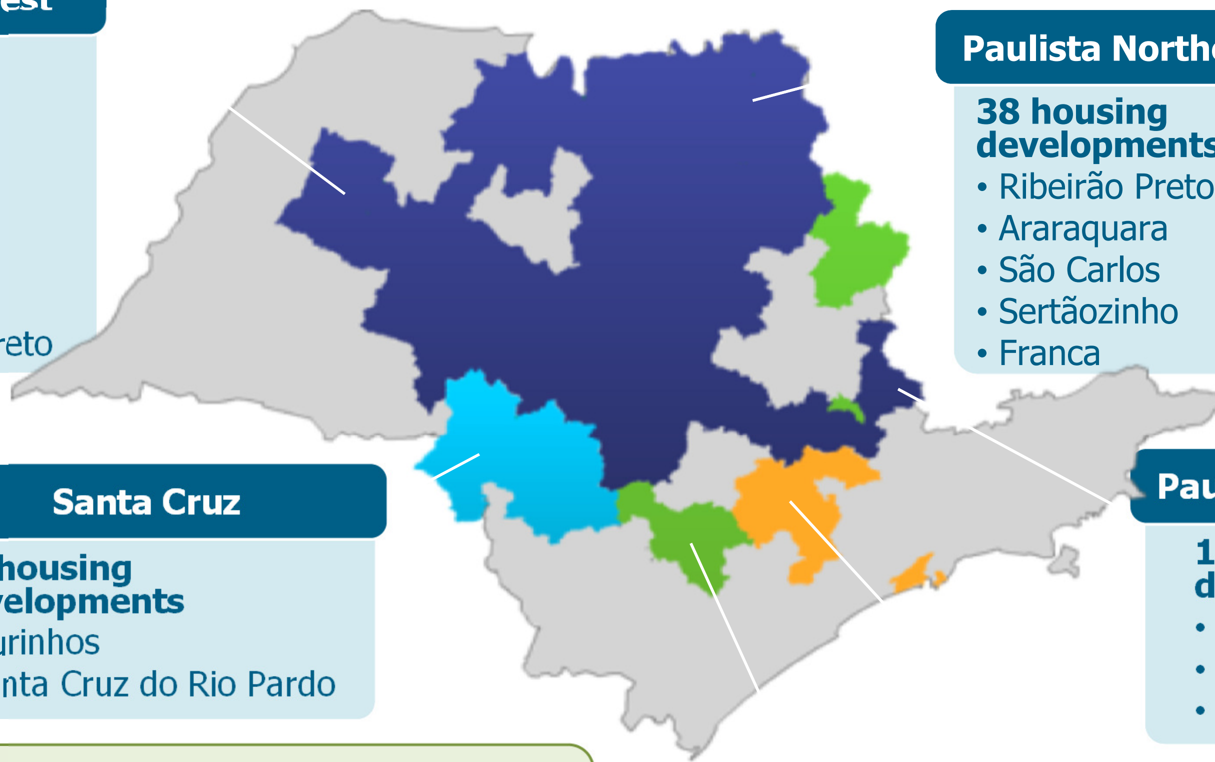
- **Employment and income** → more **dynamism** to retail sales
  - 2.8 million employees in the construction industry (**32.6% of total industry**)[4]
- "Minha Casa Melhor"[5] – **R$ 18.7 billion** in credit[3]
- Forecast for retail sales in 2013: **+4.5%**[6]

## Residential Segment

- Expansion in the number of households
  - **632 new housing developments** expected for 2013-2014 in CPFL Energia concession area
- **Housing deficit[7]**
  - Brazil: **5.2%** (3,4 million)
  - SP: **2.8%** (397 thousand)
  - RS: **3.9%** (151 thousand)

1) Source: IBGE. 2) Source: SindusConSP. 3) Source: Ministry of Planning. 4) Source: CAGED (May/13) – Ministry of Labour. 5) For families with total income up to R$ 1.6 thousand. 6) Source: Confederação Nacional do Comércio. 7) Source: PNAD 2011 – considers inadequate housing and cohabitation.

# Expansion and dynamism in CPFL Energia concession area
# 632 new housing developments



### Paulista Northwest

**235 housing developments**
- Araçatuba
- Bauru
- Botucatu
- Jaú
- Marília
- São José do Rio Preto

### Paulista Northeast

**38 housing developments**
- Ribeirão Preto
- Araraquara
- São Carlos
- Sertãozinho
- Franca

### Santa Cruz

**25 housing developments**
- Ourinhos
- Santa Cruz do Rio Pardo

### Paulista Southeast

**159 housing developments**
- Sumaré
- Americana
- Campinas

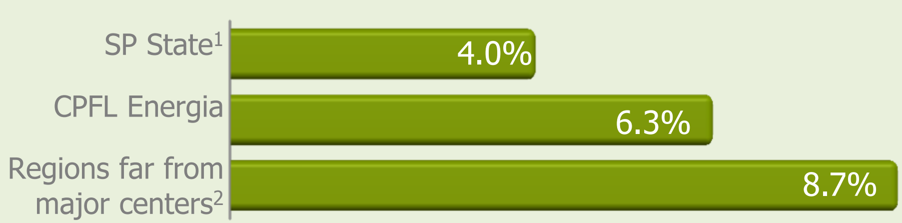
### Jaguariúna

**39 housing developments**
- Itapetininga
- Jaguariúna
- Mococa

### Piratininga West

**136 housing developments**
- Itupeva
- Jundiaí
- Porto Feliz
- Sorocaba

**Residential segment growth in 2013** | In the year to June

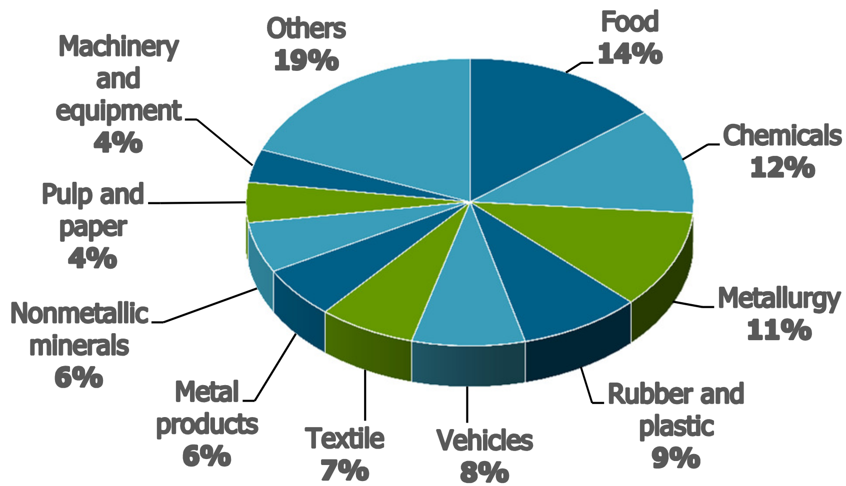





1) Source: Secretaria de Energia de SP. 2) CPFL Santa Cruz, CPFL Jaguariúna and Northeast and Northwest regions of CPFL Paulista.

# Industrial segment:
# Performance, though timid, is higher than in 2012

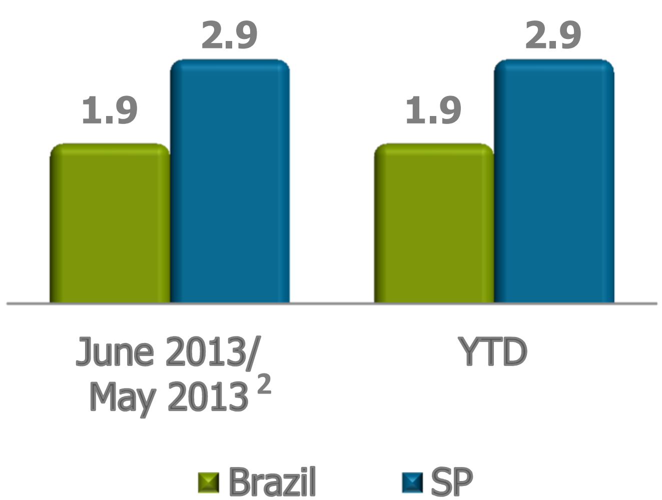
## Industrial consumption in the concession area (GWh) | In the year to June




## Brazilian industrial production | IBGE

| Selected segments | Annual variation (%) | |
|---|---|---|
| | 2012 | 2013 (e)[1] |
| Food | -1.2 | 1.3 |
| Chemicals | 2.5 | 0.0 |
| Metallurgy | -4.1 | 2.9 |
| Rubber and plastic | -1.4 | 2.5 |
| Vehicles | -13.6 | 5.3 |
| Textil | -4.2 | -2.4 |
| Metal products | -2.3 | -0.1 |
| Nonmetallic minerals | -0.8 | 1.7 |
| Pulp and paper | 1.1 | -1.6 |
| Machinery and equipment | -3.7 | 10.4 |
| Total Industry | -2.6 | 2.3 |

## Comparison in industrial production | IBGE

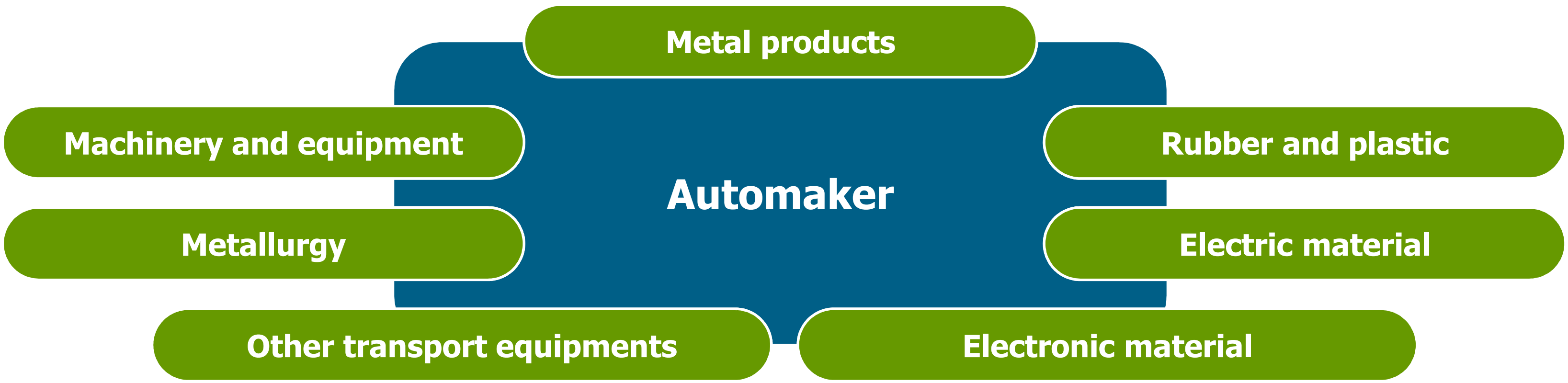





1) LCA estimates. 2) Seasonally adjusted.

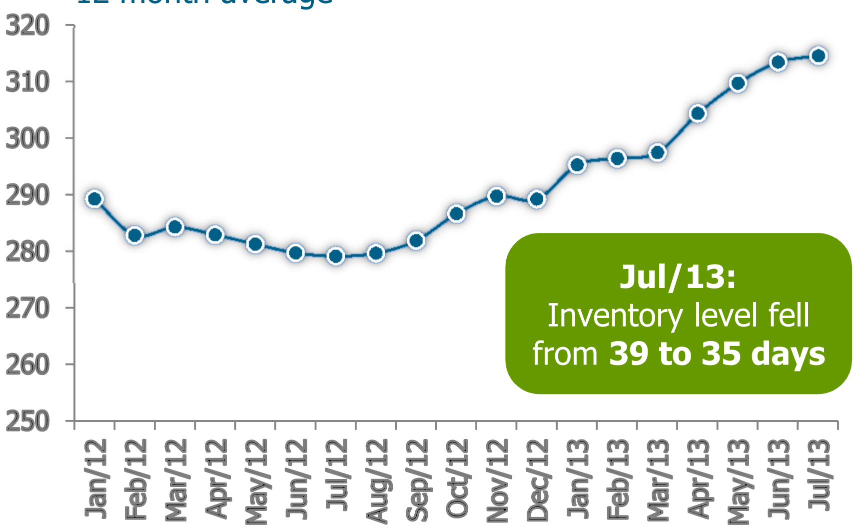
# Automobile industry:
# Dynamic reaches 25% of the overall industry

## Automobile industry chain



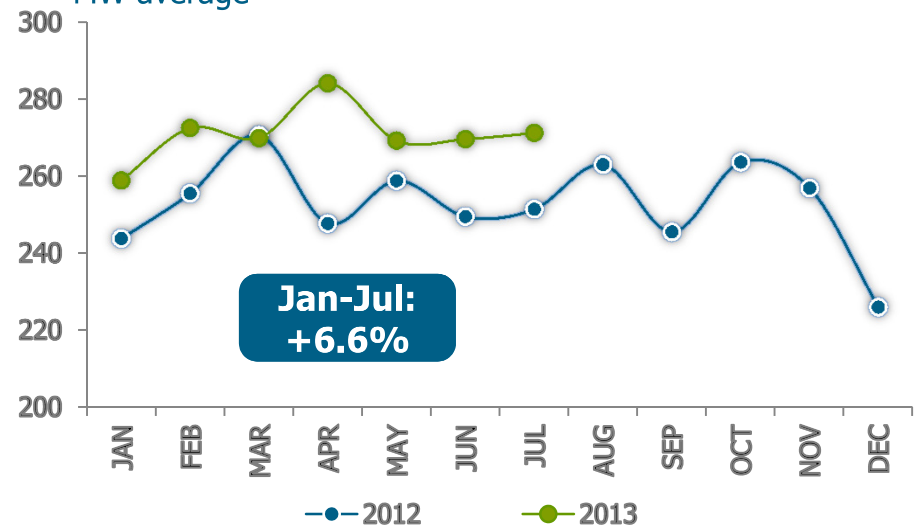

## Vehicle production (thousands)| Anfavea

12 month average




## Load of large consumers| Automotive sector[2]

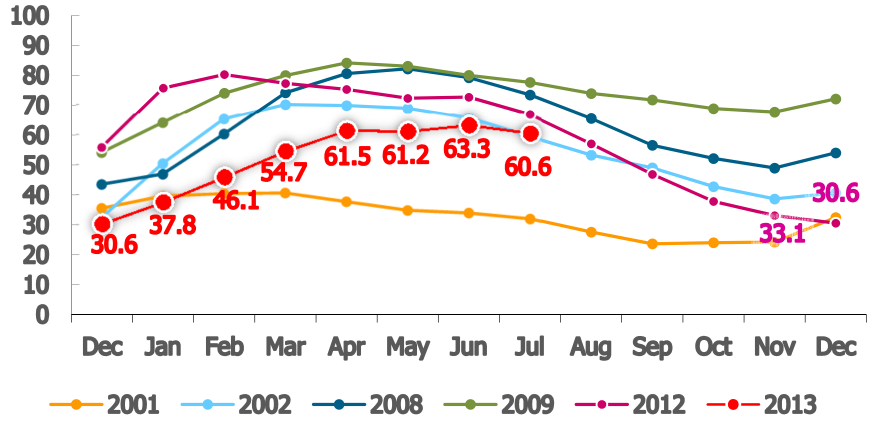
MW average



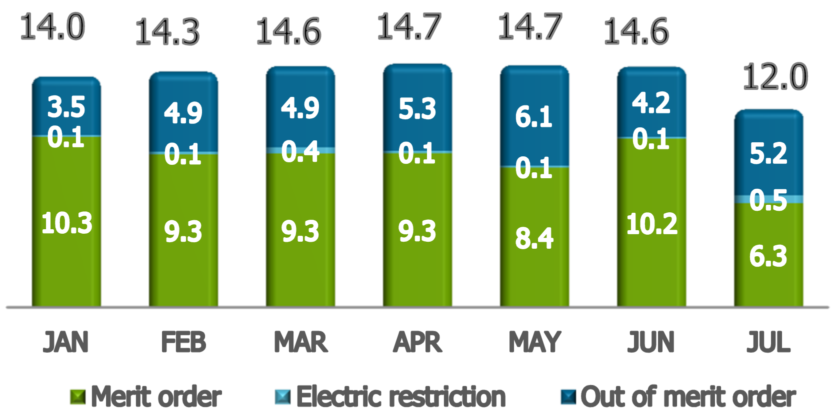

1) Source: CPFL Energia. Considers, in addition to vehicle automakers, consumers classified under activities like metallurgy, rubber and plastic, metal products and nonmetallic minerals, which are directly related to the automobile industry chain.

## System's Energetic Conditions

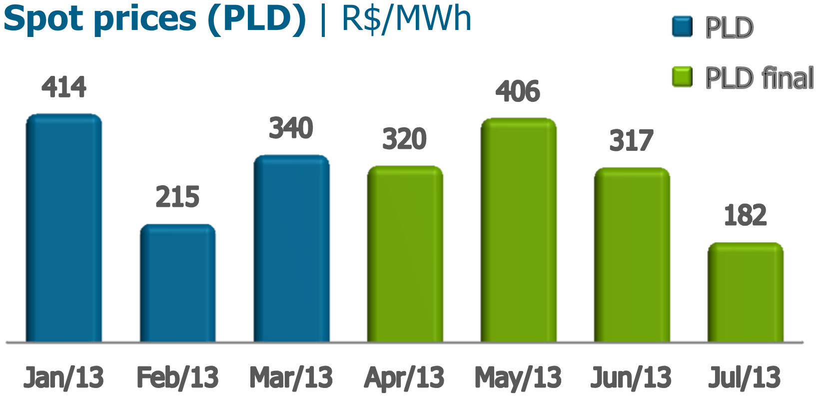
### Reservoir levels in SIN | % volume



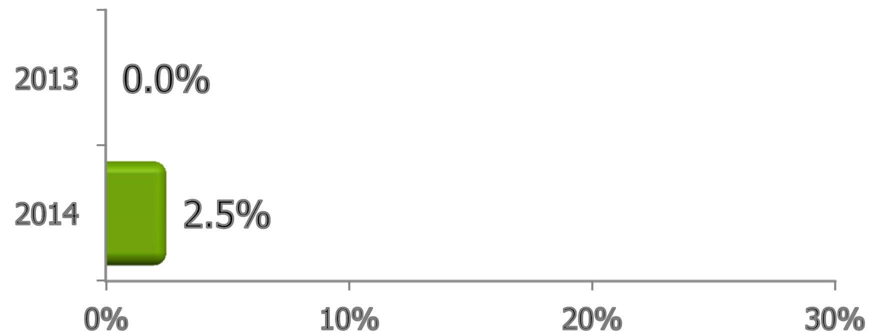

### Thermal dispatch | GW average




### Spot prices (PLD) | R$/MWh




### Rationing Risk[1] | PSR

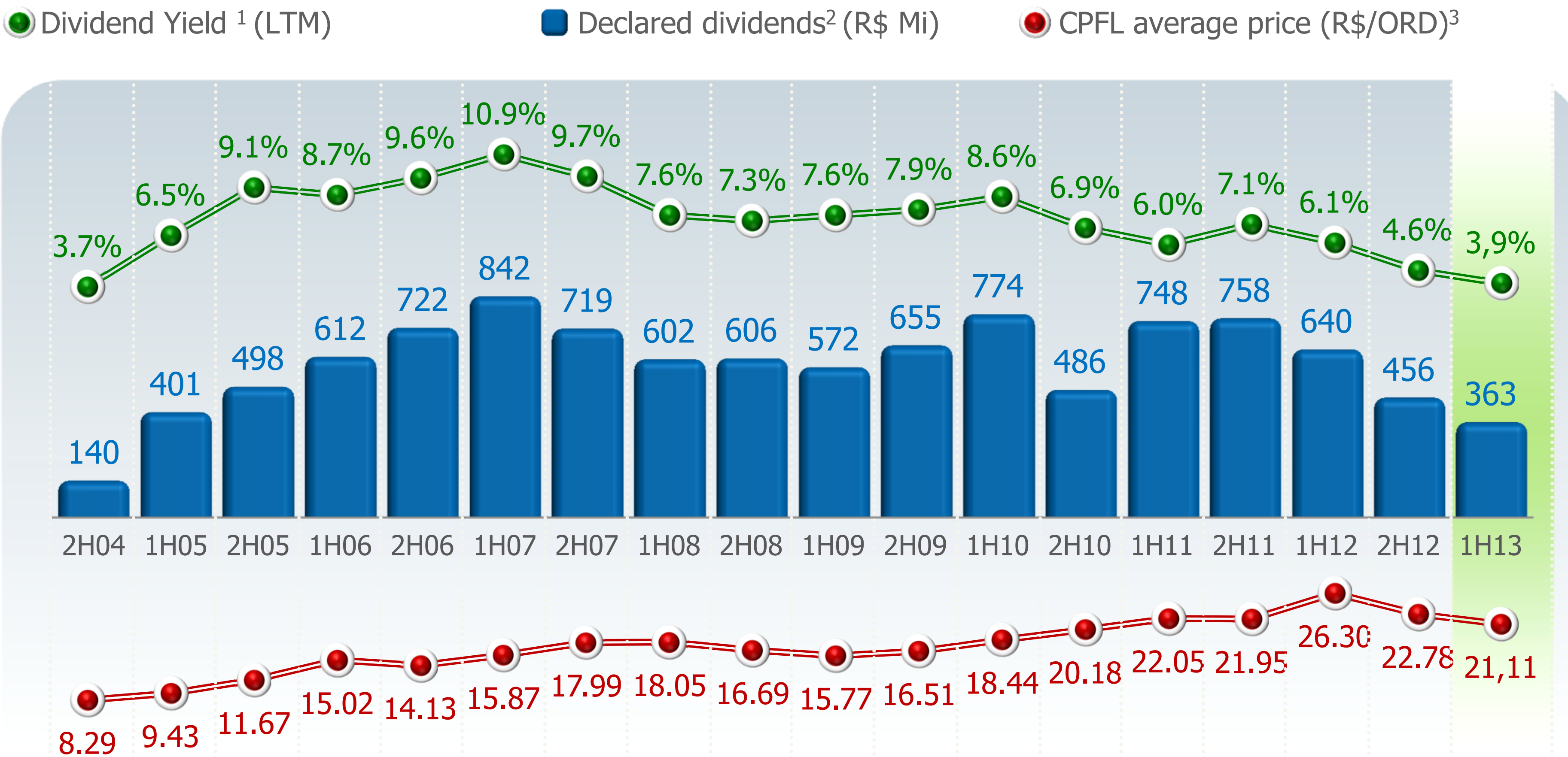



Better hydrological conditions allowed a **reduction in spot prices** (PLD) and the most **expensive thermal plants were shut down** (savings of R$ 1.4 billion/month). **Rationing risk** was completely removed for 2013 and is very low for 2014.



1) Considering friction factors that influence ONS model.

# R$ 363 million in dividends in 1H13



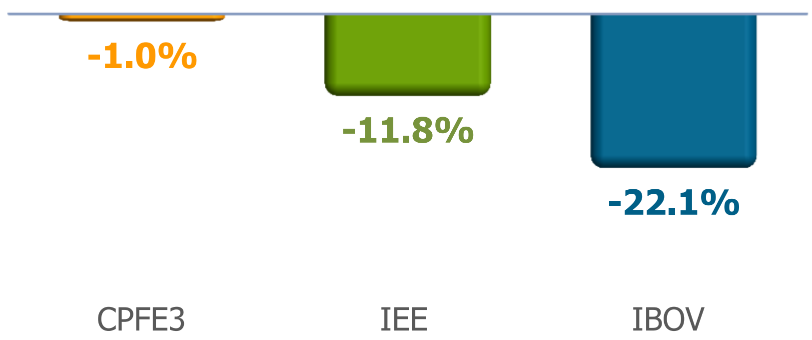

CPFL has distributed dividends around the entire net income since its IPO, reaching the mark of R$ 10.6 billion distributed. **Declaration of dividend of 1H13: R$ 363 million | 0.38/share**

1) Considering last two half years' dividend yield 2) Refers to declared dividend. Payment in the next half year. 3) Considers share price adjusted for reversal stock split and simultaneous split of shares on June 29, 2011 (not adjusted per dividends).

# Stock market performance

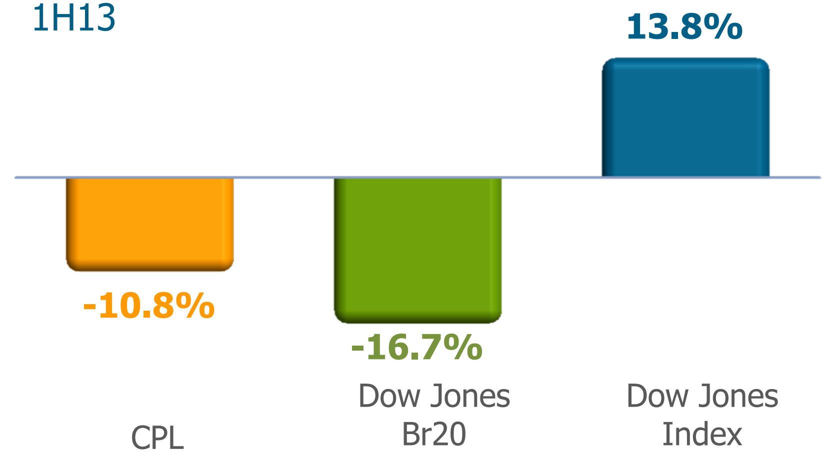
## Shares performance on BM&Fbovespa

1H13

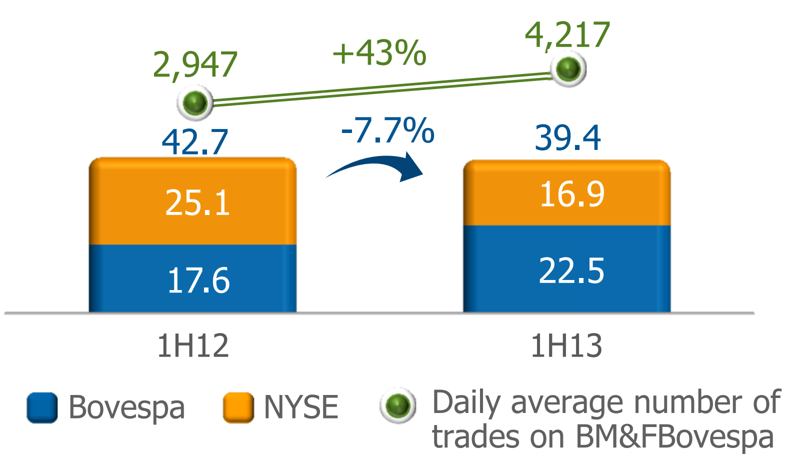



## ADRs performance on NYSE

1H13




## Daily average trading volume on BM&FBovespa + NYSE | R$ million




## CPFL Energia is present in the main indexes

IBOVESPA

IBRX

IEE

ISE

DOW JONES BRAZIL TITANS 20 ADR

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

Emerging markets

MSCI Indexes

IGC

IGCT

ITAG

CPFE3 NOVO MERCADO BOVESPA BRASIL

CPL LISTED NYSE



Source: Economatica.

# Company's Excelence and High Quality Recognized and Awarded

## Best and Largest Companies Awards – Exame Guide

CPFL Brasil was the winner of Exame Magazine's Best and Largest Companies Awards, from Abril Group, in the Energy sector.
The company overcame gencos, discos, transcos and other players in the electric sector throughout Brazil.
2010|2011|**2013**


## ABRADEE Award 2013

### Best Electric Energy Distribution Company in Brazil

- **RGE** - distributor with more than 500 thousand clients
- **CPFL Leste Paulista** – distributor with 500 thousand clients or less
- **CPFL Paulista** – Brazil's Southeast Region

### Clients Appraisal

- CPFL Leste Paulista
- RGE

### Social Responsibility

- CPFL Leste Paulista – 2012|**2013**

### Operational Management

- RGE – 2010|**2013**

## CPFL Energia is one of the 50 Good Companies

CPFL Energia was recognized by ISTOÉ Dinheiro Magazine as one of the 50 Good Deeds' Companies, in the Management category, for the investment in the Green Electric Transformer Project

100 anos
GERANDO HISTÓRIAS

CPFL ENERGIA