3Q13 Results

100 anos GERANDO HISTÓRIAS | CPFL ENERGIA

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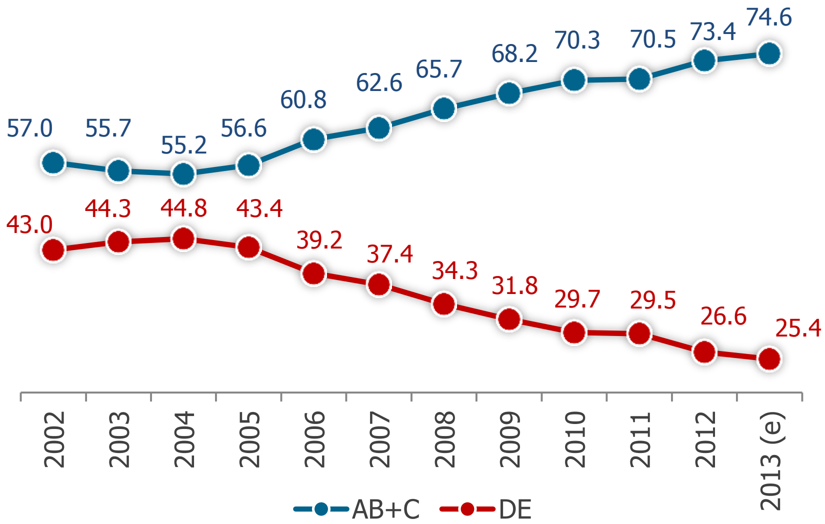
Highlights 3Q13

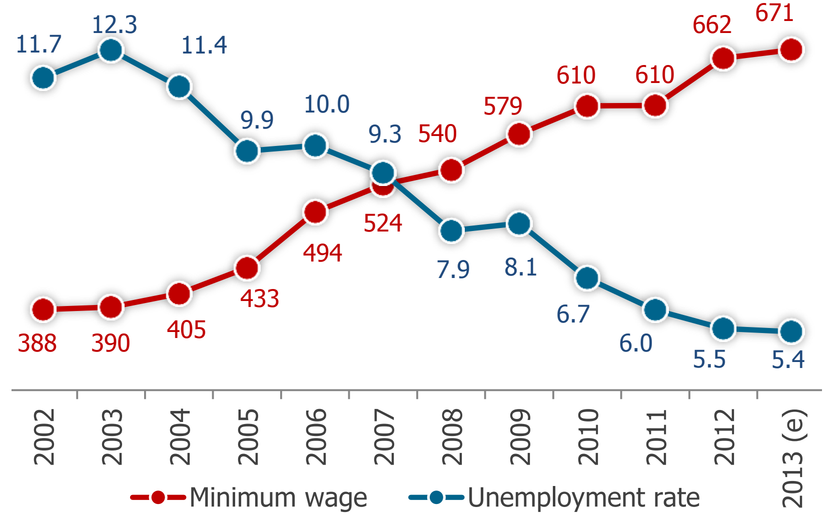
- **Total energy sales outwards the Group** were up **4.7%**
- Energy sales were up **4.3%** in the **concession area** - **residential (+7.6%)**, **commercial (+4.9%)** and **industrial (+2.5%)**
- Start-up of **Coopcana TPP** (50 MW), in Aug/13, **Campo dos Ventos II wind farm** (30 MW) in Oct/13 and **Alvorada TPP** (50 MW), in Nov/13
- Economic tariff readjustment of **7.42% for CPFL Piratininga** in October 2013
- Disbursement from sector fund **CDE** for CPFL Piratininga, according to decree 7,945/13, in the amount of **R$ 167 million** in 3Q13
- Capex of **R$ 331 million** in 3Q13
- Payment of interim **dividends** related to 1H13 in the amount of **R$ 363 million**
- **CPFL Energia** was elected as the Company of the Year by **Época Negócios 360º Yearbook**
- **CPFL Energia** was recognized by the **Carbon Disclosure Project (CDP)** as one of the 10 leading companies in transparency on emissions of greenhouse gases (Best Utility Company)
- **CPFL** among the 20 more innovative companies of Brazil in **2013 Best Innovator Award**
- In the **2013 Electricity Award**, of *Eletricidade Moderna* magazine, **CPFL Piratininga** (State Companies category) and **CPFL Jaguari** (Small Companies category) were elected as the Best National Companies

Consumption cycle observed in the last decade tends to contribute less to the expansion of Brazilian economy in the coming years

Distribution of households by income[1] | %

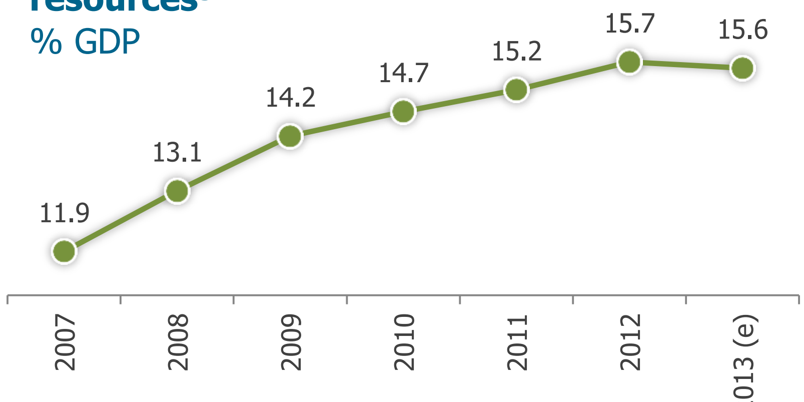


Unemployment rate[1] and real minimum wage[2]

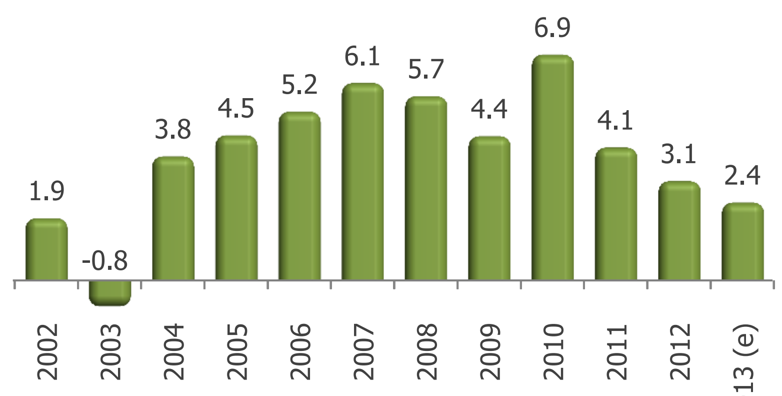


Credit to individuals – non-earmarked resources[3]

% GDP



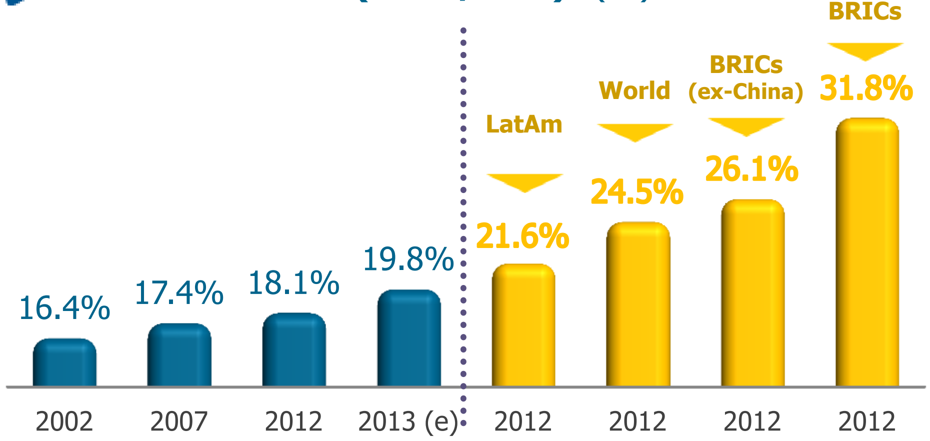
Household consumption[1] | % annual



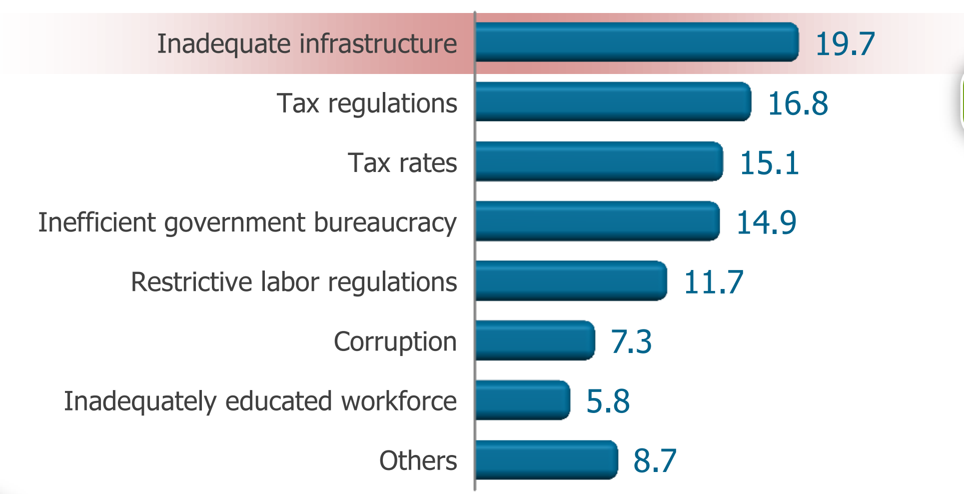
1) Source: IBGE. Estimates: LCA Consultores. 2) Source: IPEA. Estimates: LCA Consultores. 3) Source: Brazilian Central Bank. Estimates: LCA Consultores.

Investment to be the protagonist in order to sustain growth and allow further expansion of consumption

Investment rate (GFCF/GDP)[1] (%)



The most problematic factors for doing business[2] (%)



Global Competitiveness Index[2]

Brazil's position in the ranking (148 countries): **56th**

Basic requirements (32.3%)	**79th**
Institutional environment	80th
Infrastructure	71st
Macroeconomic environment	75th
Health and primary education	89th
Efficiency enhancers (50.0%)	**44th**
Higher education and training	72th
Labor market efficiency	92nd
Financial market development	50th
Consumption market size	9th
Innovation and sophistication factors (17.7%)	**46th**
Business sophistication	39th
Innovation	55th

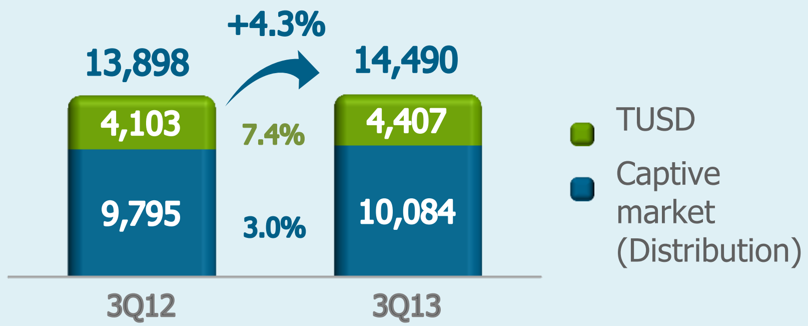
Measures to tackle this scenario

- ✓ Infrastructure (auctions and adapted rules)
- ✓ Industrial development and technological innovation policies
- ✓ Adjustments in fiscal policy (more transparency, stable exchange rate)
- ✓ Maintenance of social policies (stimulus to demand)

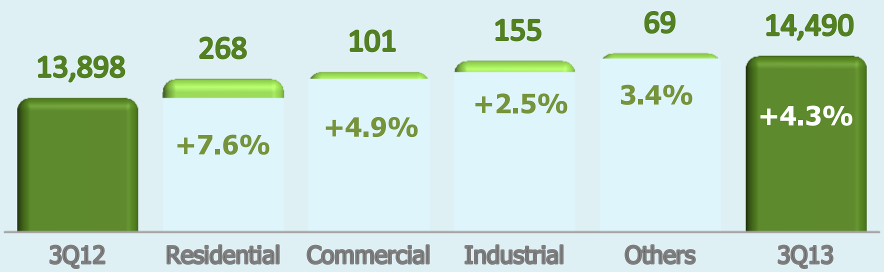
1) GFCF: gross fixed capital formation. Source: IBGE and IMF. Estimates: LCA Consultores. 2) Source: Global Competitiveness Report 2013-2014 - World Economic Forum.

Energy sales in 3Q13

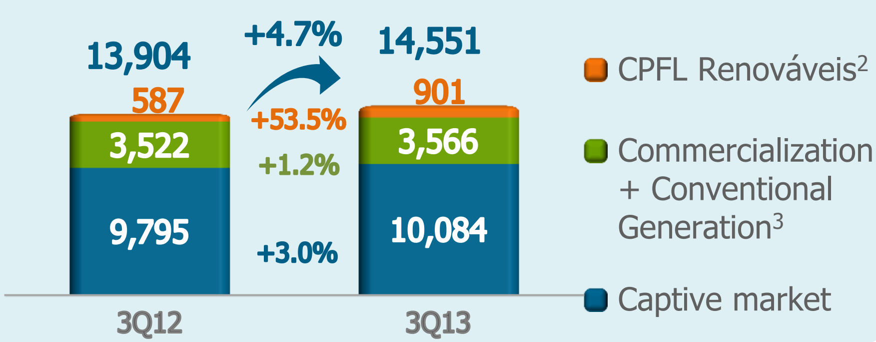
Sales in the concession area (GWh)



Sales by consumption segment (GWh)

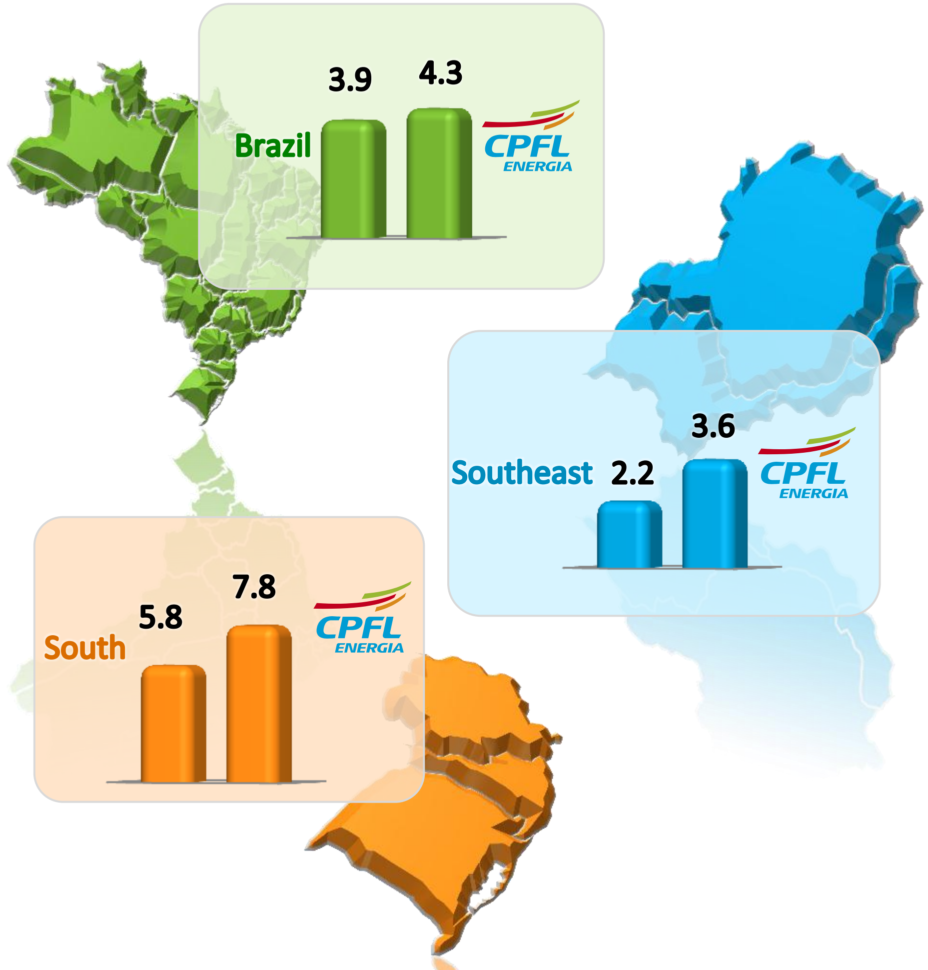


Total energy sales[1] (GWh)



Sales growth in the concession area

Comparison by region | %



1) Disregard CCEE and sales to related parties. 2) Take into account 100% of CPFL Renováveis (IFRS). 3) Take into account provision adjustment of 42 GWh in 3Q12. Including Foz do Chapecó, Baesa, Enercan and Epasa, which according to IFRS 11 rule, are accounted by the equity method.

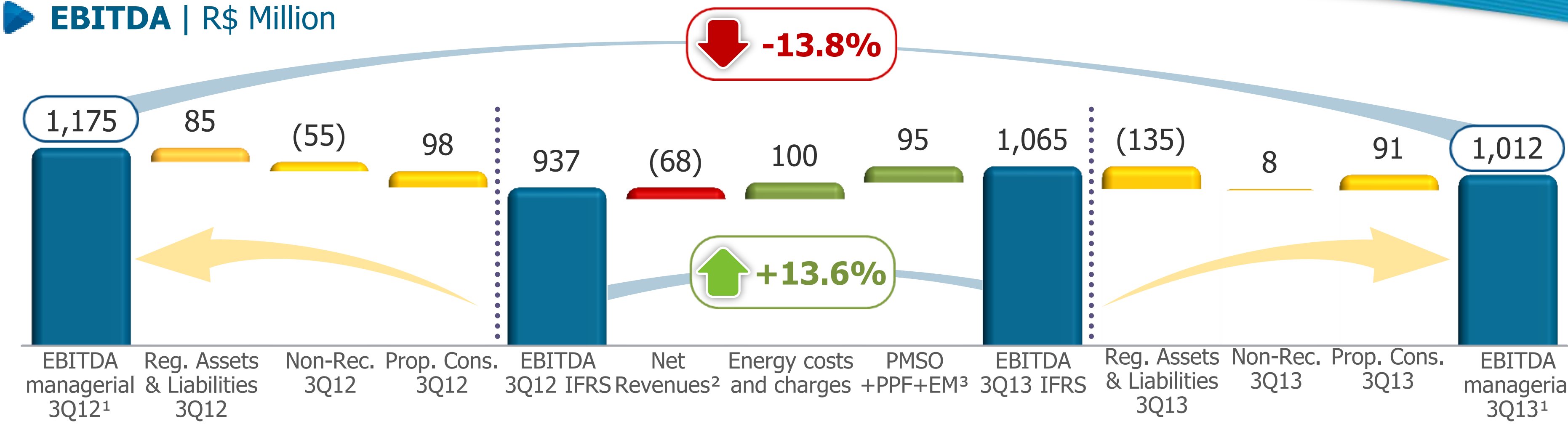
3Q13 Results

	Net Revenues[1]		EBITDA		Net income	
IFRS	-2.0% R$ 68 million		13.6% R$ 127 million		-0.4% R$ 1 million	
	3Q12 R$ 3,435 million	3Q13 R$ 3,367 million	3Q12 R$ 937 million	3Q13 R$ 1,065 million	3Q12 R$ 356 million	3Q13 R$ 355 million
IFRS + Proportional consolidation for Generation[2] + Regulatory Assets & Liabilities - Non-recurring items	+5.7% R$ 194 million		-13.9% R$ 163 million		-38.6% R$ 178 million	
	3Q12 R$ 3,374 million	3Q13 R$ 3,568 million	3Q12 R$ 1,175 million	3Q13 R$ 1,012 million	3Q12 R$ 460 million	3Q13 R$ 282 million

	EBITDA 3Q12	EBITDA 3Q13	Net income 3Q12	Net income 3Q13
Proportionate Consolidation of Conventional Generation (A)	**+ 98**	**+ 91**		
Regulatory Assets & Liabilities (B)	**+ 85**	**− 135**	**+ 58**	**− 83**
Energy purchase – TPP Coopcana, TPP Alvorada and Atlântica wind farms		− 52		− 52
Sale of assets (properties and vehicles)		+ 47		+ 31
Reversal of ESS provision (Conventional Generation and CPFL Renováveis)		+ 13		+ 10
Adjustments in deliquency estimates (doubtful debt)	− 54		− 35	
Others	− 1		− 10	
Subtotal Non-recurring (C)	**− 55**	**+ 8**	**− 45**	**− 10**
Total (A+B-C)	**+ 238**	**− 53**	**+ 104**	**− 73**

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

EBITDA | R$ Million



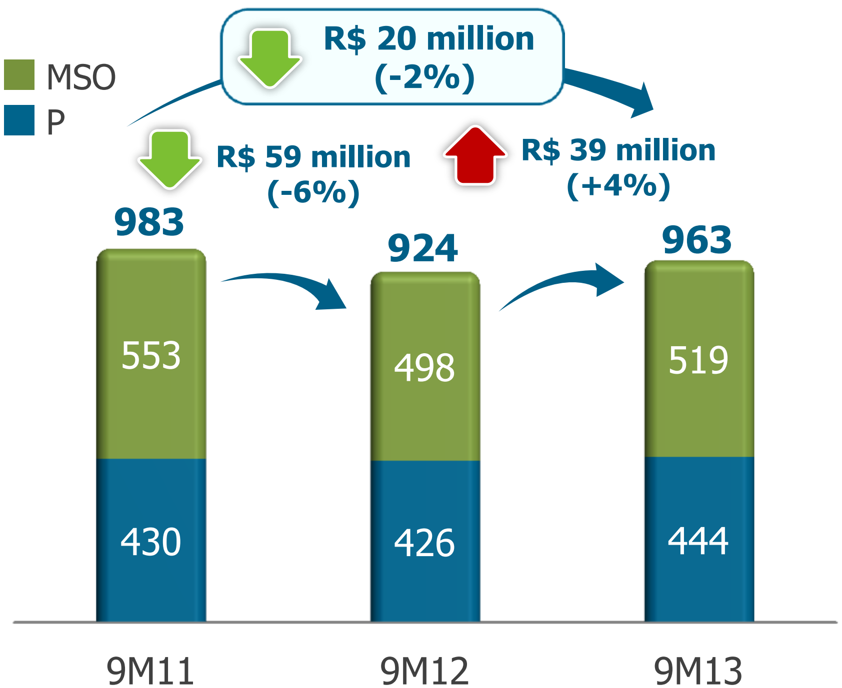
- **2.0% decrease in Net Revenues[2] (R$ 68 million)**
  - Distribution (- R$ 141 million): captive market (- R$ 166 million) + TUSD (+ R$ 25 million)
  - Conventional Generation (R$ 3 million), CPFL Renováveis (R$ 31 million) and Commercialization and Services (R$ 41 million)
- **5.8% decrease in Energy Costs and Charges (R$ 100 million)**
  - 54.2% net decrease in sector charges (R$ 206 million) — CDE resources: R$ 132 million
  - 6.3% net increase in energy costs (R$ 106 million) — CDE resources: R$ 225 million
- **21.1% decrease in Operating Costs and Expenses[3] (R$ 95 million)**
  - Sale of assets – properties and vehicles (R$ 47 million)
  - NON-RECURRING:
    - Adjustments in deliquency estimates (doubtful debt) in 3Q12 (R$ 54 million)
    - Other non-recurring effects in 3Q12 (R$ 15 million)
  - PMSO CPFL Renováveis (R$ 5 million)
  - PMSO Services (R$ 12 million) and write-down of discos' assets (R$ 16 million)
  - Equity method (R$ 5 million)
  - Private Pension Fund (R$ 2 million)

	3Q12	3Q13
PLD (R$/MWh)[4]	131.14	179.71
R$/US$	2.03	2.23

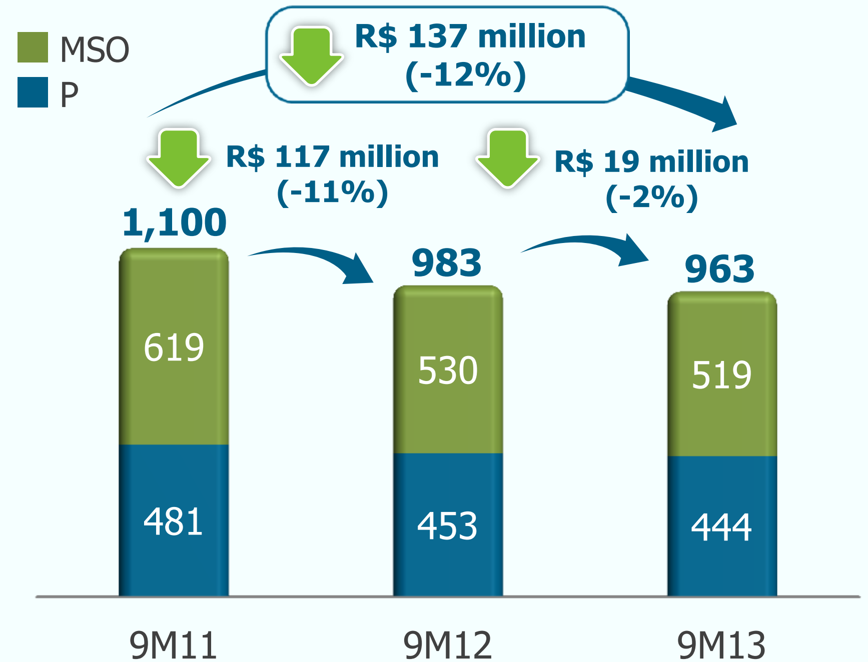
1) Take into account consolidation of projects; 2) Disregard construction revenues; 3) Personnel, material, third-party services and others + Private Pension Fund + Equity method; 4) average PLD SE/CW.

Manageable expenses – PMSO

Nominal adjusted PMSO | R$ Million



Real adjusted PMSO[1] | R$ Million



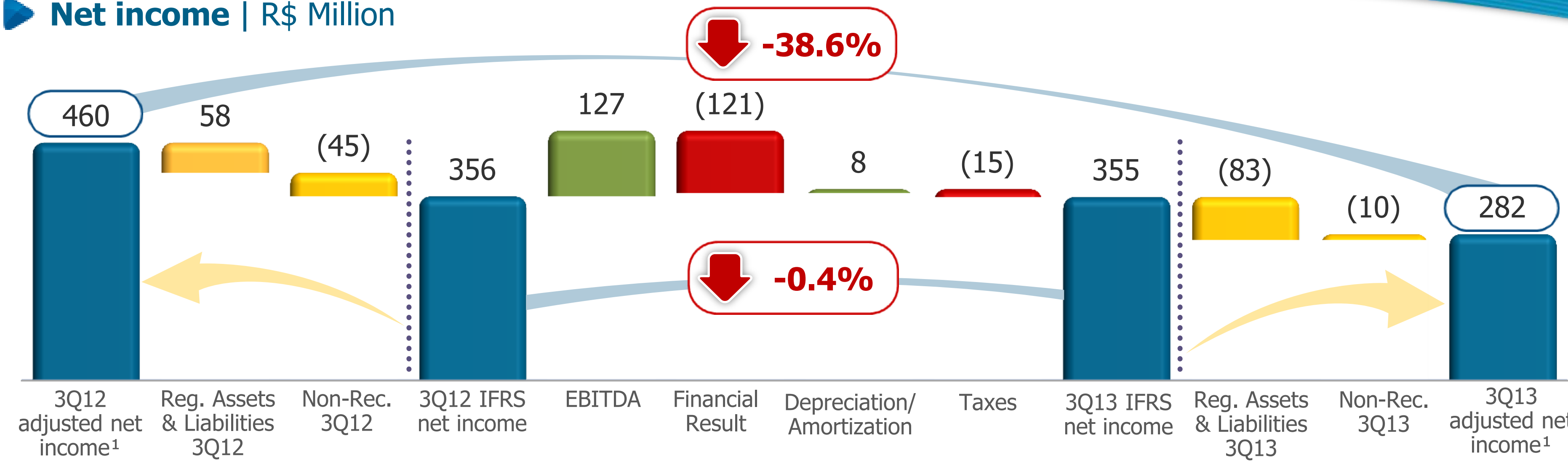
8% decrease (R$ 37 million) in real labor expenses between 2011 and 2013

16% decrease in MSO (R$ 100 million) mainly due to the dissemination of the Zero-Based Budget culture

1)Constant currency of Sep/13. Variation of IGP-M in the period 9M11 x 9M13= 11.9%; 9M13x9M12 = 6.4% and 9M12 x 9M11 = 5.2%. PMSO without Private Pension Fund.

3Q13 Results

Net income | R$ Million

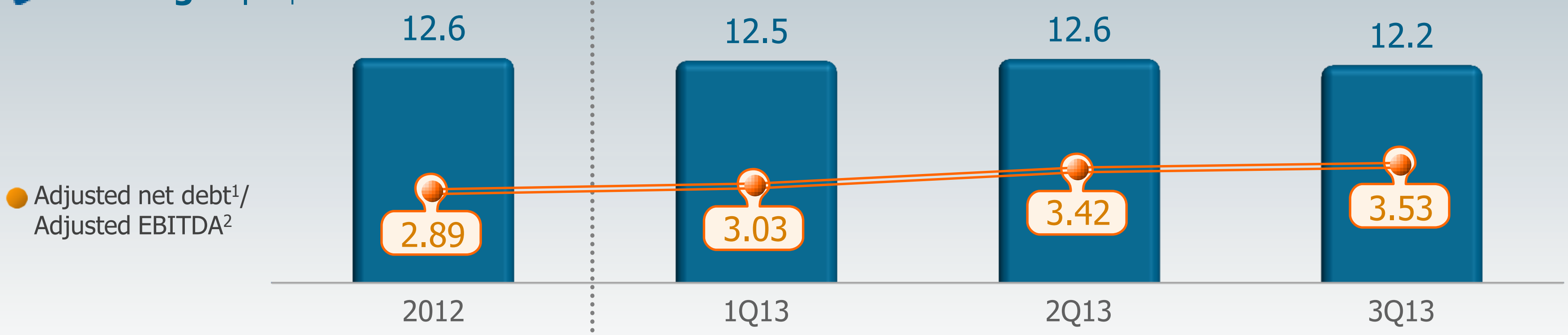


- **13.6% increase in EBITDA (R$ 127 million)**
  - from R$ 937 million in 3Q12 to R$ 1,065 in 3Q13
- **R$121 million increase in Negative Net Financial Result**
  - Update of discos' financial assets (R$ 86 million) — **No impact on dividends**
  - Net increase in debt charges (R$ 28 million)
  - Others (R$ 7 million)
- **3.0% decrease in Depreciation and Amortization (R$ 8 million)**
- **Income tax and Social Contribution (R$ 15 million)**

	3Q12	3Q13
CDI	7.9% p.a.	8.6% p.a.
TJLP	5.5% p.a.	5.0% p.a.

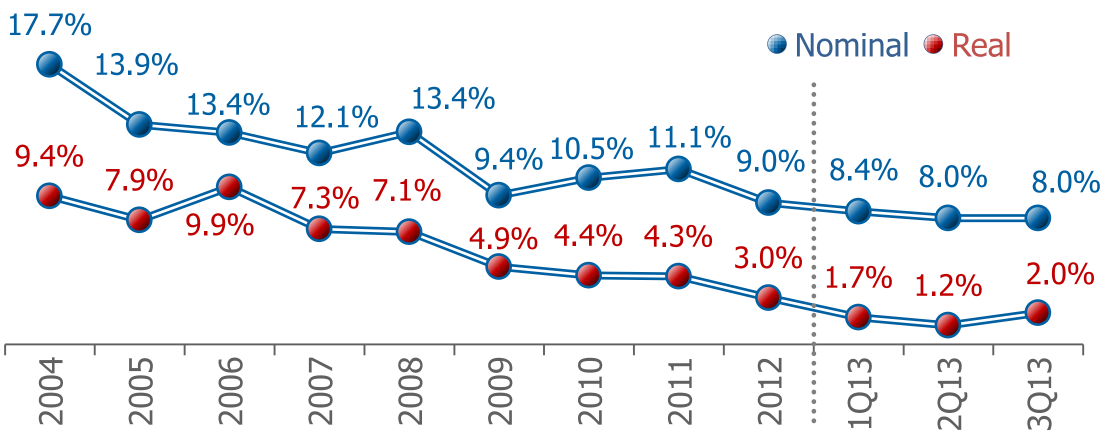
Indebtedness | Control of financial covenants

Leverage[1] | R$ billion

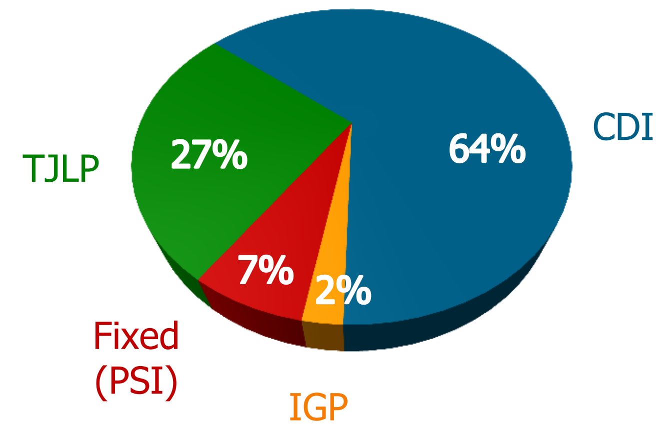


	2012	1Q13	2Q13	3Q13
Adjusted EBITDA[2] R$ million	4,377	4,111	3,676	3,466

Gross debt cost[3] | LTM



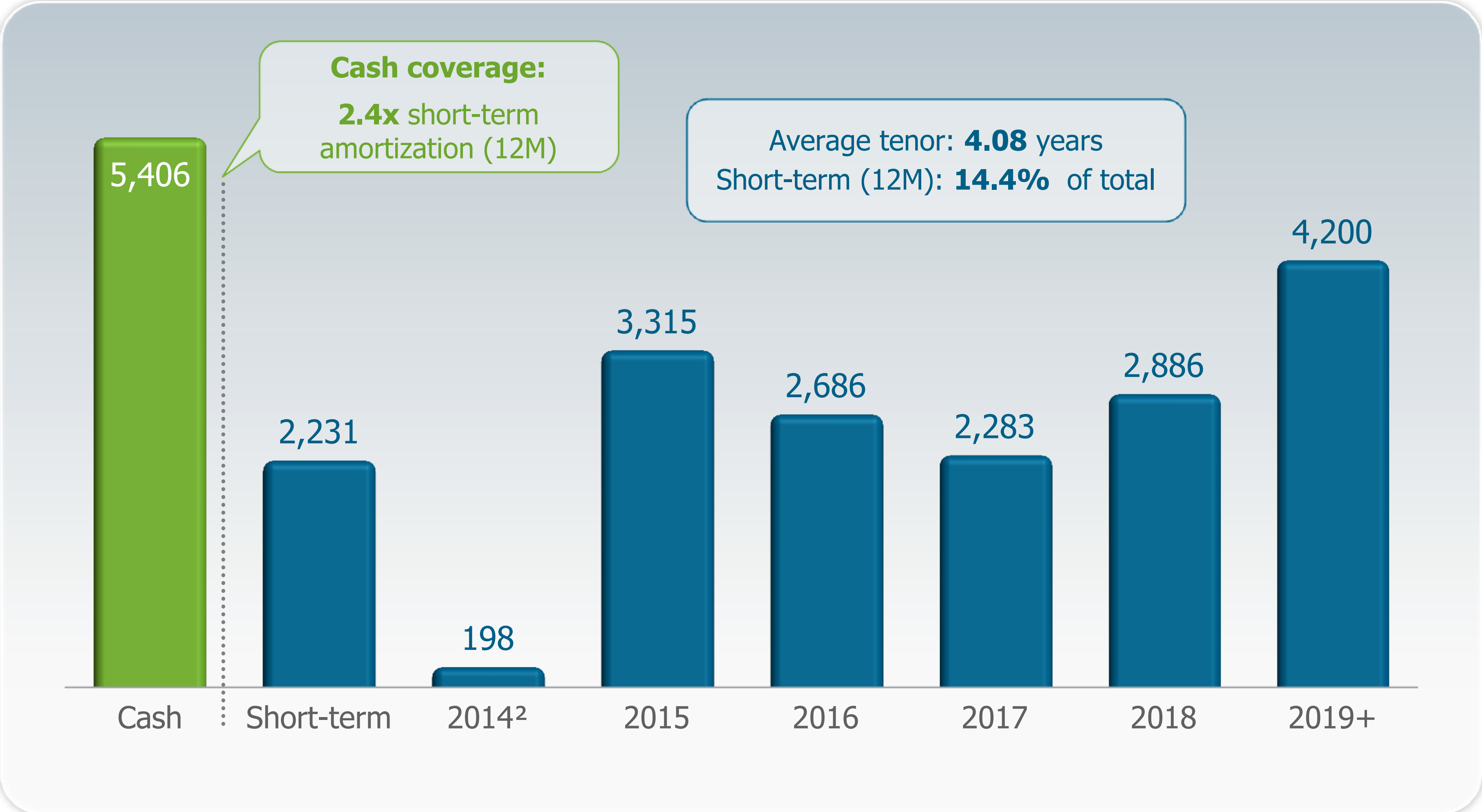
Gross debt breakdown[3]



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

Debt profile on September 30, 2013

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



1) Disregard financial charges (ST = R$ 350 million; LT = R$ 61 million), hedge (net positive effect of R$ 350 million) and MTM (R$ 60 million). 2) Considers amortization as of October 01, 2014.

Generation | Commercial start-up



	Coopcana	Campo dos Ventos II	Alvorada
Location	São Carlos do Ivaí | PR	João Câmara | RN	Araporã | MG
Source	Biomass	Wind	Biomass
Commercial start-up	3Q13	3Q13[1]	4Q13
Installed Capacity	50 MW	30 MW	50 MW
Assured Energy	18 MWavg	15 MWavg	18 MWavg
PPA	Free market - 21 years	Alternative sources auction/2010 - 20 years	Free market - 20 years
Annual Estimated Revenues[2]	R$ 22.6 million	R$ 18.5 million	R$ 22.6 million

1)Campo dos Ventos II is already able to generate energy and has the right to receive the revenues corresponding to the amount contracted in the Reserve Energy Auction (LER) in 2010 up from September 27, 2013; 2) Based on the contractual obligation of the plants.

Generation | Power plants under construction

Commercial start-up in **2013-2016(e)** | **452 MW / 219 MWavg**


Atlântica wind farms

	Commercial start-up (e)	Installed capacity (MW)	Assured Energy (MWavg)	PPA	Status
Atlântica wind farms[1]	**4Q13[5]**	120	52.7	R$ 154.8[7] 20 years	10 wind turbines installed and in test phase; 5 wind turbines in final installation phase
Macacos I wind farms[2]	**4Q13[5]**	78.2	37.5	R$ 152.6[7] 20 years	Starting final installation phase
Campo dos Ventos wind farms[3,6]	1Q16	82.0	40.2	Free market 19 years	Contract to supply wind turbines signed; executive projects underway
São Benedito wind farms[4,6]	2Q16	172.0	89.0	Free market 19 years	Contract to supply wind turbines signed; executive projects underway

1) Atlântica I, II, IV and V; 2) Macacos, Pedra Preta, Costa Branca and Juremas; 3) Campo dos Ventos I, III, V; 4) Ventos de São Benedito, Ventos de Santo Dimas, Santa Mônica, Santa Úrsula São Domingos and Ventos de São Martinho; 5) Considering the start-up of the first farm in the complex; 6) Projects with energy sold to the free market in the long term, with contract for the supply of equipment and awaiting connection definition to start construction. 7) Constant currency (Dec/12).

Tauron Project – smart grid

Mobile Workforce Management

Optimized logistics for field teams (georeferenced maps)

- Faster power restoration
- Savings with optimized routes

Tablets for real-time communication

- Dynamic dispatch of teams
- Automated routing of teams
- On-line update of field services’ progress

Telemetering – Large Consumers

- Real-time consumption readings
- Analysis of consumer load curve
- Real-time fraud detection
- Real-time power outage detection

Achievements

- Dispatch system using tablets already implemented in RGE and CPFL Piratininga
- 9,000 smart meters already installed as of Oct-13 in Group A – large consumers (Target: 25,000)
- Implementation of RF Mesh Telecom Network already concluded

EBITDA 9M13: **R$ 24 million**

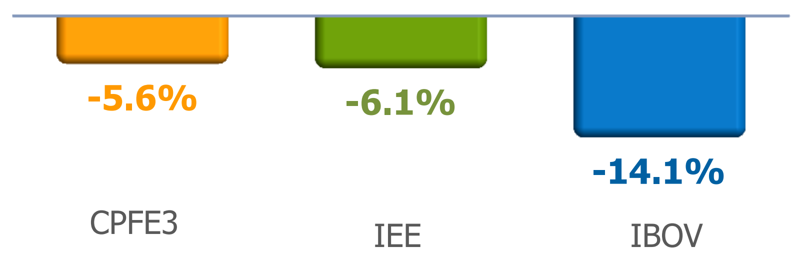
Achievements

Perspectives 2H13	Achievements
CPFL Renováveis new projects • 2H13: **328 MW to be added**	• Start-up: **Coopcana** (50 MW), **Campo dos Ventos II** (30 MW) and **Alvorada** (50 MW) • 4Q13: **198 MW to be added**
Recovery signals in industrial segment, favoring energy consumption: **+2.7% in 2Q13**	Industrial segment growing again: **+2.5% in 3Q13**
Productivity gains • Focus on **reduction and cost optimization** (Zero Based-Budget and Corporate Services Center) • Maturation of **Tauron Project** (smart grid): **higher productivity, lower costs** • Optimization in the occupation of Company's buildings – **sale of idle assets**	Productivity gains • **PMSO** – real decrease of **R$ 137 million** (9M13 x 9M11) • **Tauron Project** – EBITDA of **R$ 24 million** in 9M13 • **Sale of properties and vehicles** – **R$ 47 million** in 3Q13

Stock market performance

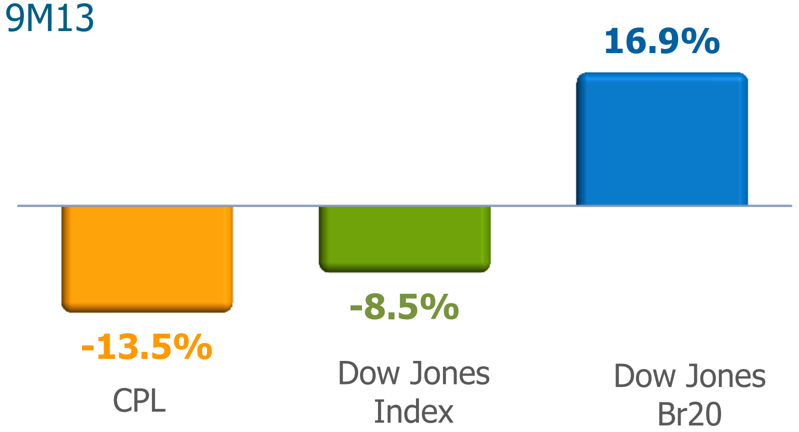
Shares performance on BM&Fbovespa
9M13

CPFE3 NOVO MERCADO BOVESPA BRASIL

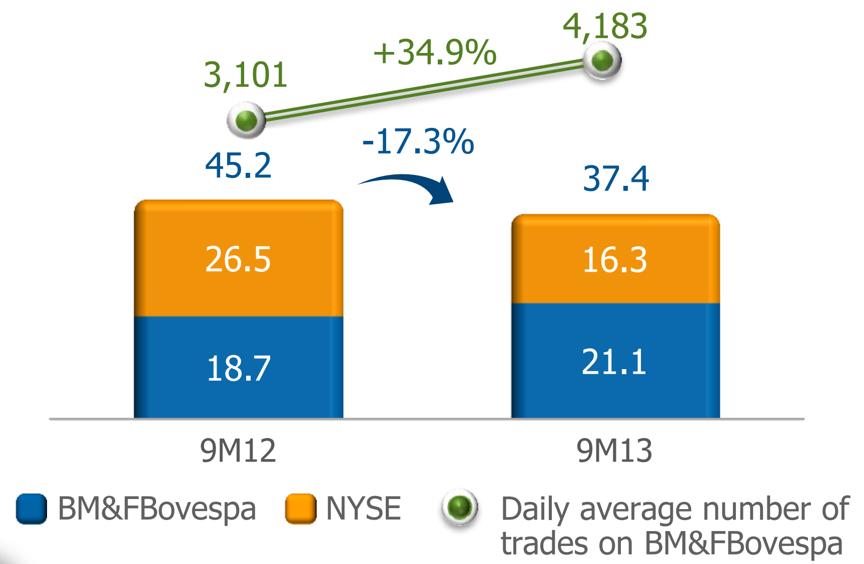


ADRs performance on NYSE
9M13

CPL LISTED NYSE



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



MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

CPFL is part of the 2nd portfolio of **Dow Jones Sustainability Emerging Markets Index (DJSI Emerging Markets)**

Acknowledgement in corporate sustainability

- 800 largest companies of 20 emerging countries were evaluated
- 81 companies achieved the requirements established by Dow Jones (17 Brazilian companies)
- Among Brazilians, 3 belong to the Utilities Sector

Source: Economatica.

CPFL Energia is once again recognized by quality, sustainability and innovation

CPFL Energia | Company of the Year
Época Negócios 360º Yearbook

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

"Best Innovator 2013 Award"
A.T. Kearney and *Época Negócios* Magazine

- CPFL Energia among the **20 most innovator companies in Brazil**
- The study evaluated **5 dimensions of innovation** - Strategy, Processes, Organization and Culture, Structure and Support and Innovation Result - **of 75 companies**

Carbon Disclosure Project

- **CPFL Energia is one of the 10 leading companies** in transparency on emissions of greenhouse gases
- **Best Utilities Company**
- **CDP 2013:** 100 invited companies (IBRx -100); 56 respondents; 10 recognized; Market cap (Sep/13): R$ 1.8 trillion

"Electricity Award 2013"
Eletricidade Moderna Magazine

cpfl piratininga

Category:
State Companies

- ✓ **Best National Company**
- ✓ Lower Losses Index
- ✓ Best Operational Performance

cpfl jaguari

Categoria:
Smaller Companies

- ✓ **Best National Company**
- ✓ Best National Evolution
- ✓ Lower Losses Index
- ✓ Best Commercial Performance

100 anos GERANDO HISTÓRIAS

CPFL ENERGIA