

# 3Q16 Results



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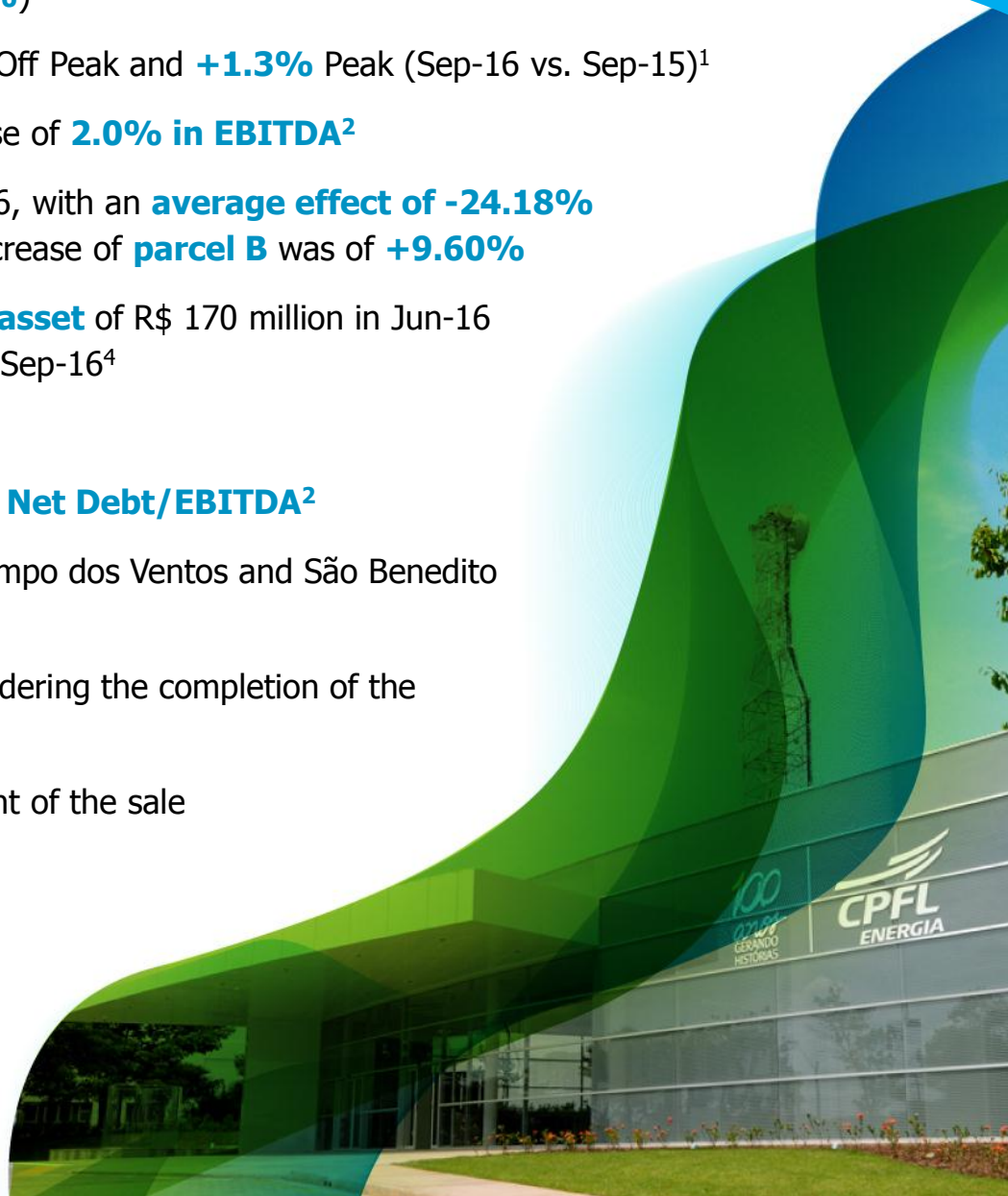
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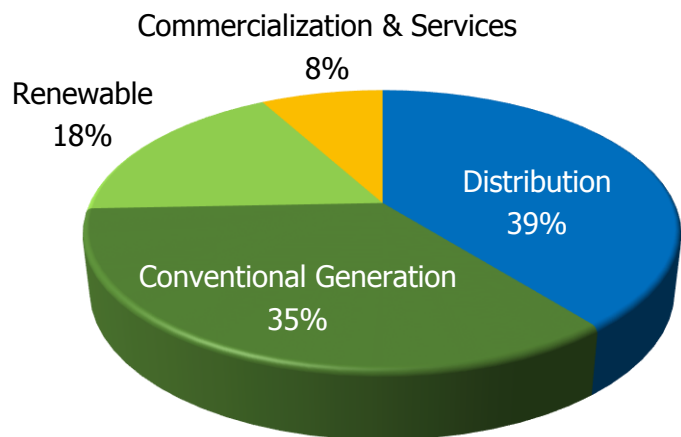
# 3Q16 Highlights

- ✓ Reduction in the load in the concession area (**-2.3%**)
- ✓ **Contracted demand** is being preserved: **+0.6%** Off Peak and **+1.3%** Peak (Sep-16 vs. Sep-15)<sup>1</sup>
- ✓ Reduction of **5.6% in Net Revenue<sup>2,3</sup>** and increase of **2.0% in EBITDA<sup>2</sup>**
- ✓ **Tariff adjustment of CPFL Piratininga**, in Oct-16, with an **average effect of -24.18%** to be perceived by consumers; the impact of the increase of **parcel B** was of **+9.60%**
- ✓ **CVA balance**: passage from a **sectoral financial asset** of R\$ 170 million in Jun-16 to a **sector financial liability** of R\$ 388 million in Sep-16<sup>4</sup>
- ✓ Investments of **R\$ 649 million<sup>5</sup>**
- ✓ Net debt of **R\$ 11.4 billion** and leverage of **3.07x Net Debt/EBITDA<sup>2</sup>**
- ✓ Commercial start-up of **83 generation units** in Campo dos Ventos and São Benedito wind complexes (**174.3 MW**) until Nov-16
- ✓ Beginning of CPFL's management in **RGE Sul**, considering the completion of the acquisition of the distribution company on Oct 31<sup>st</sup>
- ✓ **CPFL Energia's sale to State Grid**: announcement of the sale decision **of Previ and Bonaire stakes (following Camargo Corrêa)** – transaction pending the ANEEL approval
- ✓ **PM 735** was approved by the Lower and Upper Houses and is awaiting presidential approval

1) Excluding an A1 big client, whose demand reduction does not impact the parcel B; 2) Adjusted figures; 3) Disregard construction revenues; 4) Balance adjusted by special obligations; 5) Considering the investments in transmission, in the amount of R\$ 39 million.

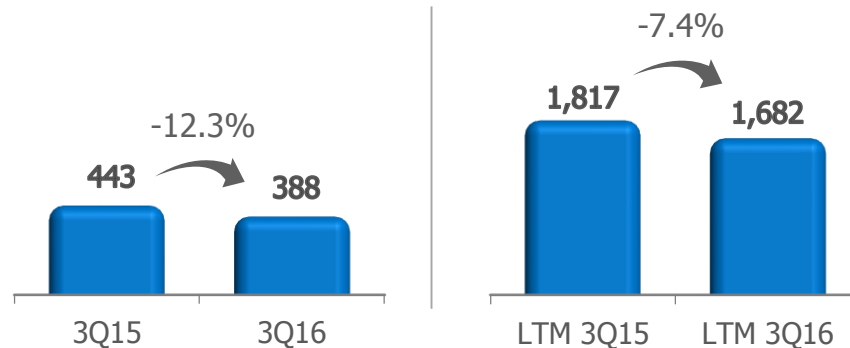


## ► EBITDA Breakdown<sup>2</sup> | 3Q16 | R\$ million

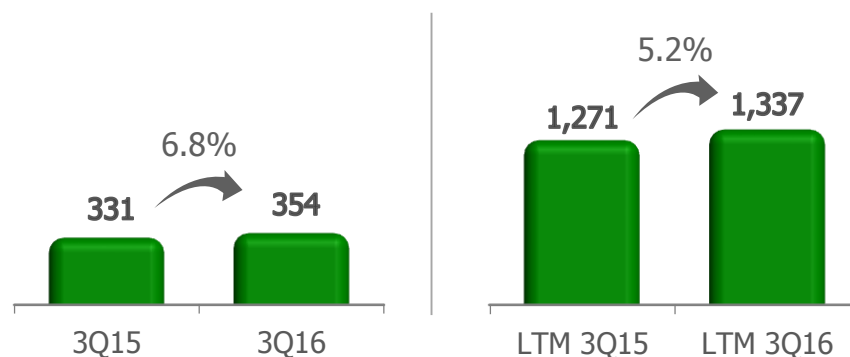


**Total: R\$ 1,001 million**

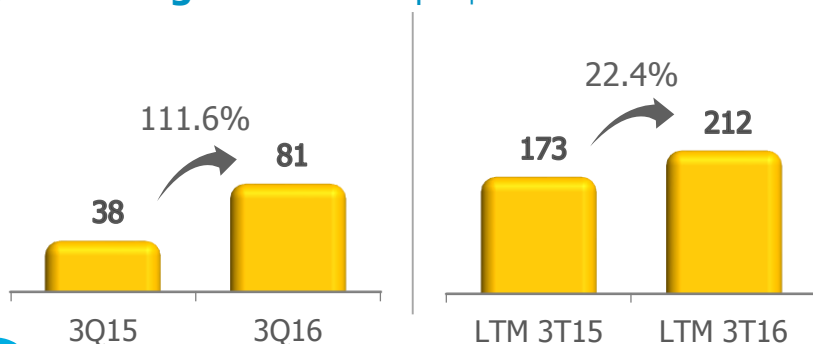
## ► Distribution | R\$ million



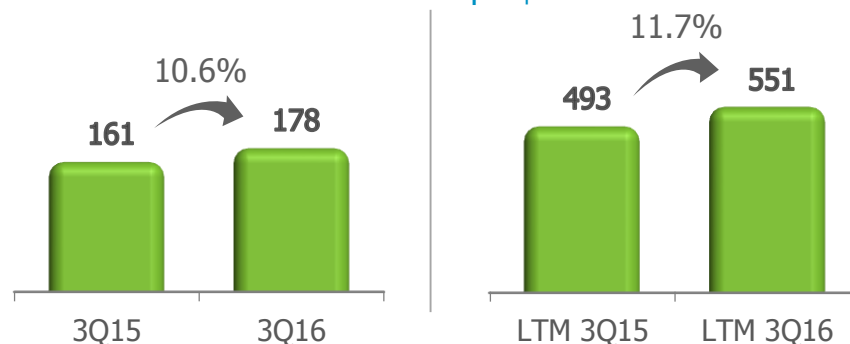
## ► Conventional Generation | R\$ million



## ► Trading & Services | R\$ million



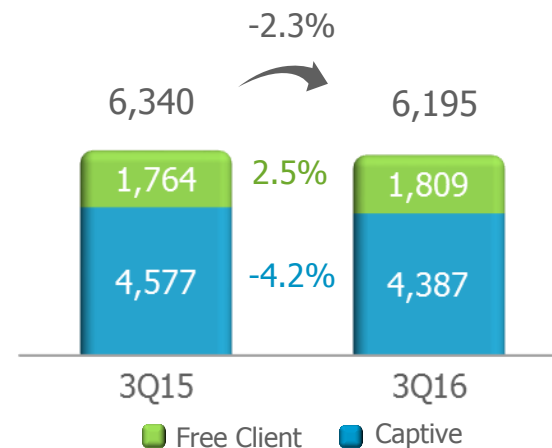
## ► Renewable Generation | R\$ million



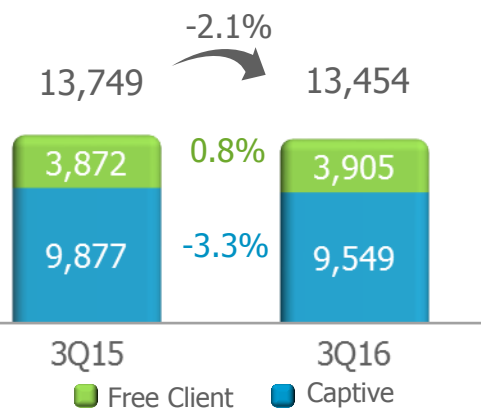
## Highlights

- ✓ **Decrease in load** in the concession area **(-2.3%)**
- ✓ Stability in **Residential** segment and decrease in **commercial** segment **(3.3%)**
- ✓ **Slowdown** in the growth rate of **new connections** **(2.8%** in 3Q15 vs. **1.9%** in 3Q16)
- ✓ **Contracted demand** maintenance: **+0.6%** Off Peak and **+1.3%** Peak (Sep-16 vs. Sep-15)<sup>1</sup>
- ✓ **Losses**<sup>2</sup>: from **8.32%** in 3Q15 and **9.01%** in 2Q16 to **8.93%** in 3Q16 (change in the market mix and increase in the number of cuts)

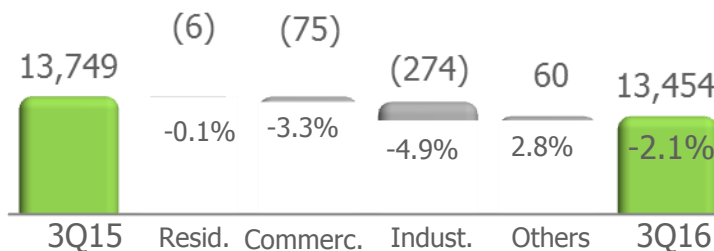
## ► Load in the concession area<sup>3,4</sup> | average MW



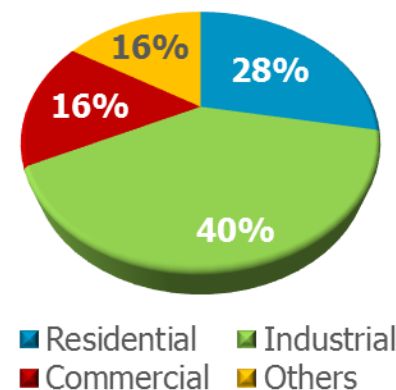
## ► Sales in the concession area<sup>4</sup> | GWh



## ► Sales by consumption segment<sup>4</sup> | GWh

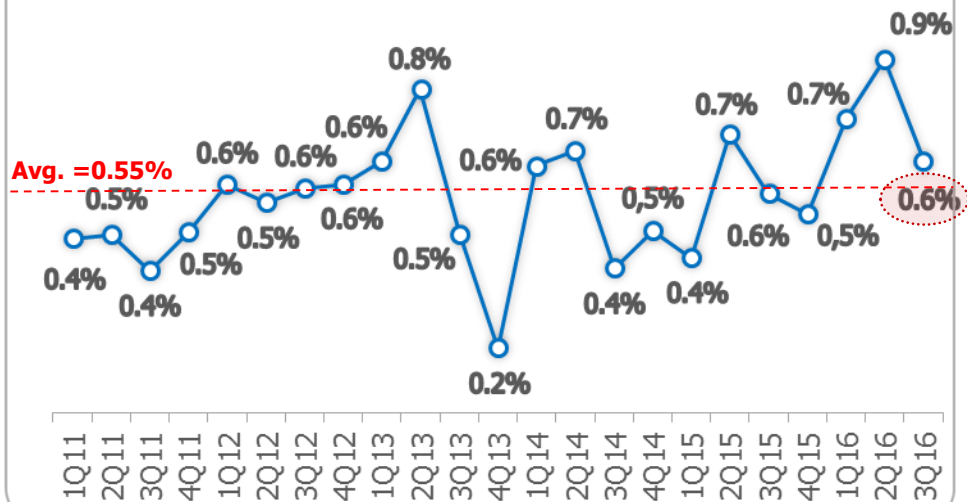


## ► Market breakdown in concession area | 2Q16

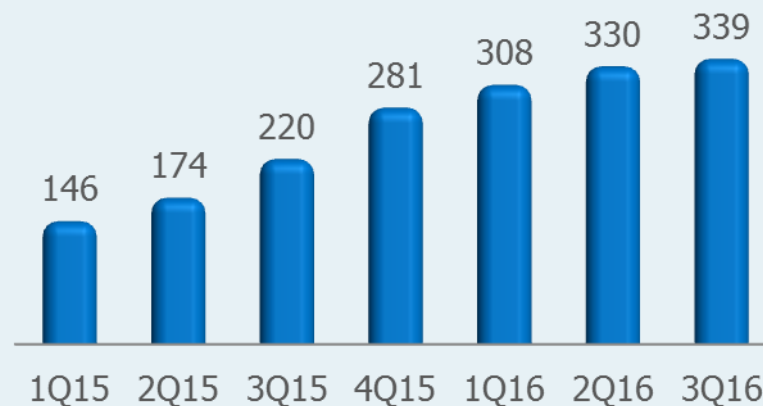


1) Excluding a large A1 consumer, whose demand reduction does not impact parcel B; 2) Reported values were adequate to ANEEL's criteria (customers connected in A1 voltage are disregarded in load); 3) Load net of losses; 4) If excluding the consumption of a large consumer of the steel industry, the load in the concession area would be: -0.9% and free client: 8.3%; Sales in the concession area: -0.7%, free client: 6.5%, Industrial segment: 1.4%.

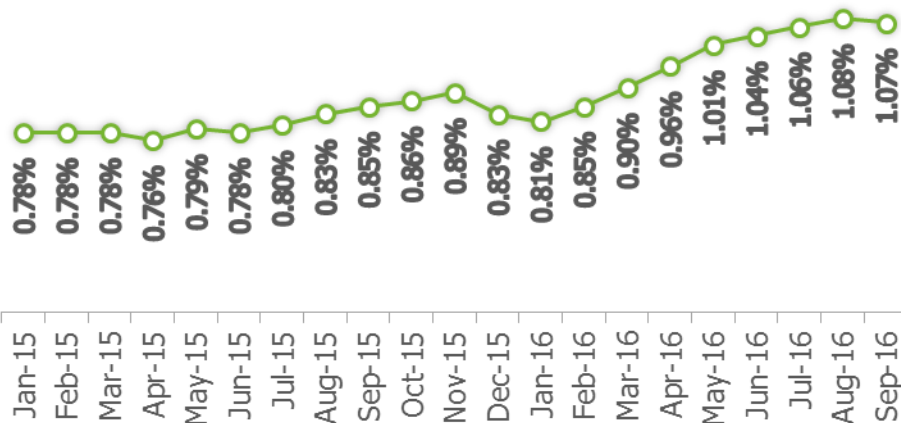
## ► ADA Evolution | % of Gross Revenue<sup>1</sup>



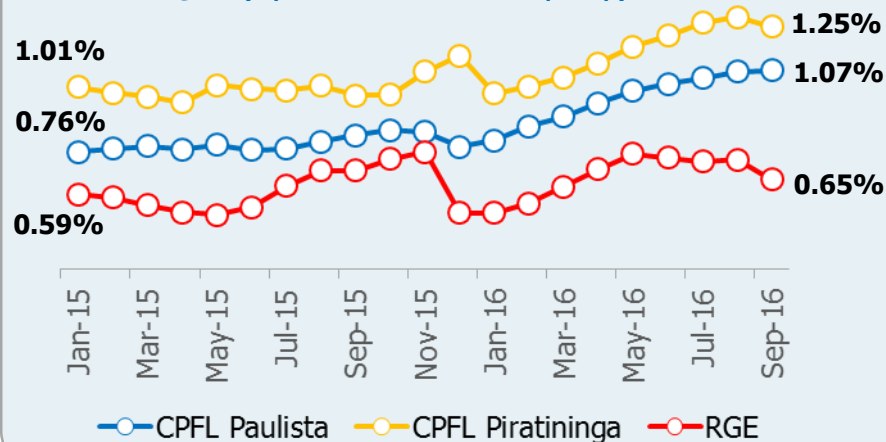
## ► Collection actions | Cuts (thousands)



## ► Total overdue bills | in % of revenues LTM3Q16



## ► Total overdue bills | in % of revenues LTM3Q16 (by distribution company)



# Generation: Performance in 3Q16

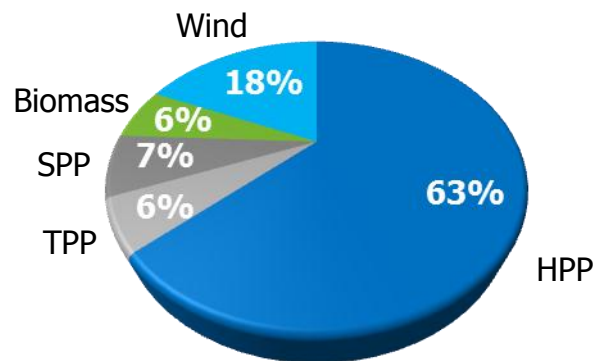
## Highlights

- ✓ **Unfavorable hydrological situation** in the North and Northeast regions
- ✓ Start-up of **83 wind turbines** of Campo dos Ventos/São Benedito wind complexes (**174.3 MW**) until Nov-16
- ✓ GSF 3Q16: **R\$ 4 million** vs. GSF 3Q15: **R\$ 53 million**
- ✓ **Remaining exposure to GSF: 12%** of the Company's hydro capacity

### PLD<sup>1</sup>:

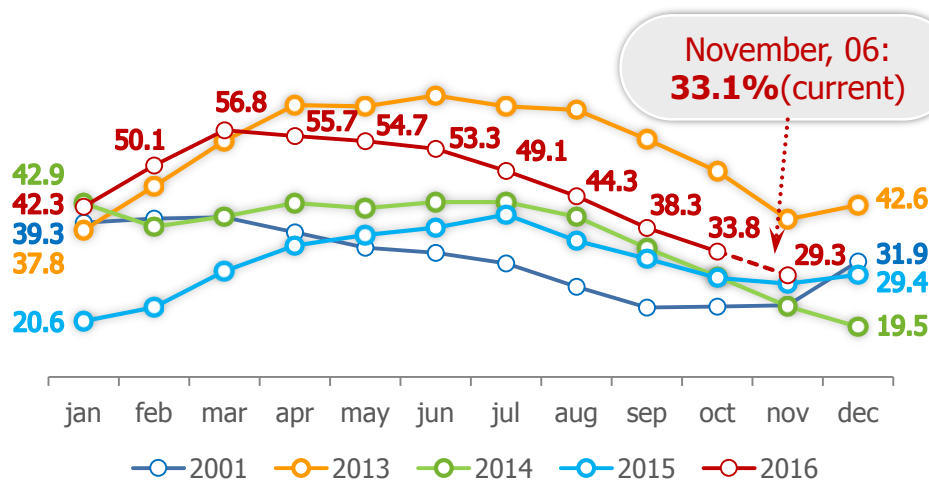
3Q16: **R\$ 115.4/MWh** | 2Q16: **R\$ 62.2/MWh** | 3Q15: **R\$ 204.1/MWh**

## ► 3Q16 Installed Capacity | %

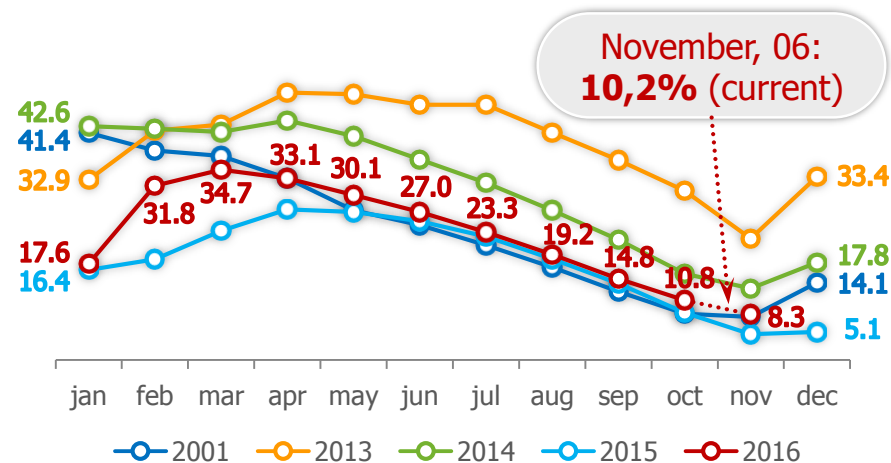


**Total: 3,192 MW**

## ► NIPS Reservoir Levels | %



## ► Northeast Reservoir Levels | %



IFRS

## Net Revenue<sup>1</sup>

**-6.4%**  
**R\$ 303 million**

3Q15	3Q16
<b>R\$ 4,715</b> million	<b>R\$ 4,412</b> million

**-5.6%**  
**R\$ 253 million**

3Q15	3Q16
<b>R\$ 4,516</b> million	<b>R\$ 4,263</b> million

## EBITDA

**-0.5%**  
**R\$ 5 million**

3Q15	3Q16
<b>R\$ 1,080</b> million	<b>R\$ 1,075</b> million

**2.0%**  
**R\$ 20 million**

3Q15	3Q16
<b>R\$ 965</b> million	<b>R\$ 985</b> million

## Net Income

**-3.9%**  
**R\$ 11 million**

3Q15	3Q16
<b>R\$ 280</b> million	<b>R\$ 269</b> million

**-24.8%**  
**R\$ 77 million**

3Q15	3Q16
<b>R\$ 312</b> million	<b>R\$ 235</b> million

Proportional Consolidation of  
Generation + Itaipu Foreign  
Exchange Variation + Non-  
Recurring Items

	EBITDA		Net Income	
	3Q15	3Q16	3Q15	3Q16
Proportionate Consolidation of Generation (A)	60	93	12	34
Itaipu Foreign Currency Variation (B)	119	3		
GSF and Energy Purchase (CPFL Geração and CPFL Renováveis) <sup>2</sup>	63		44	
Non-Recurring Items (C)	63		44	
Total (A+B+C)	115	90	32	34

IFRS

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Recurring Items

## Key Factors

### EBITDA:

- Commercialization & Services: +R\$ 43 million**
  - Contractual indemnity (free market – CPFL Brasil/CPFL Renováveis) (+R\$ 22 million)
  - Transm./Distrib. maintenance services (+R\$ 10 million)
  - IT services (+R\$ 5 million)
- Conventional Generation: +R\$ 23 million**
  - Price readjustments of contracts
- Renewable Generation: +R\$ 17 million**
  - Commercial start-up of new projects
  - Higher wind farms generation (+17.8%; +193.5 GWh)

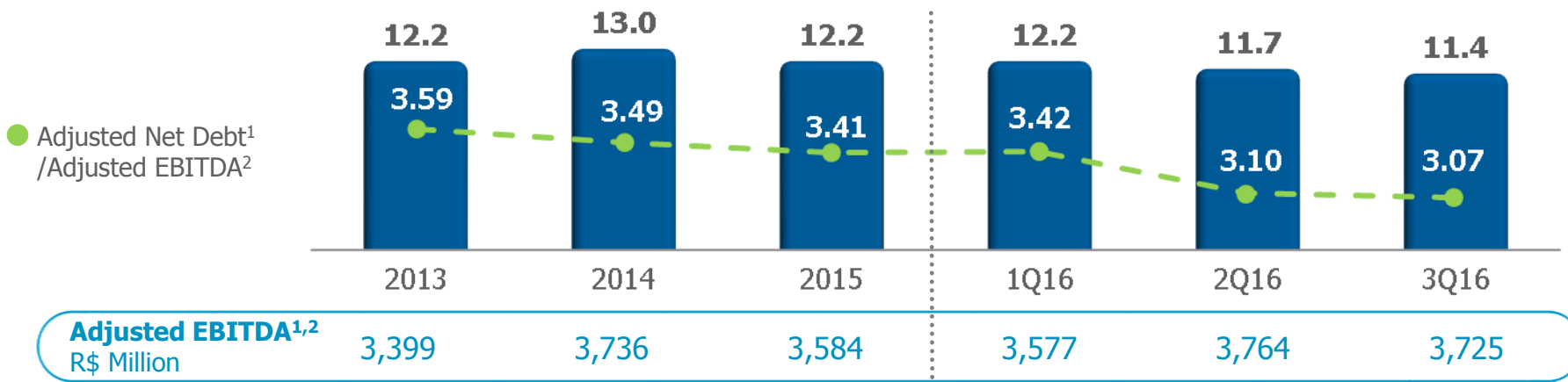
### EBITDA:

- Distribution: -R\$ 54 million**
  - Performance of the load in concession area (-2.3%)
  - Strengthening in the collection actions and in the maintenance of networks (-R\$ 15 million)
  - Refund of extraordinary gains of parcel A / increase in losses (-R\$ 32 million)

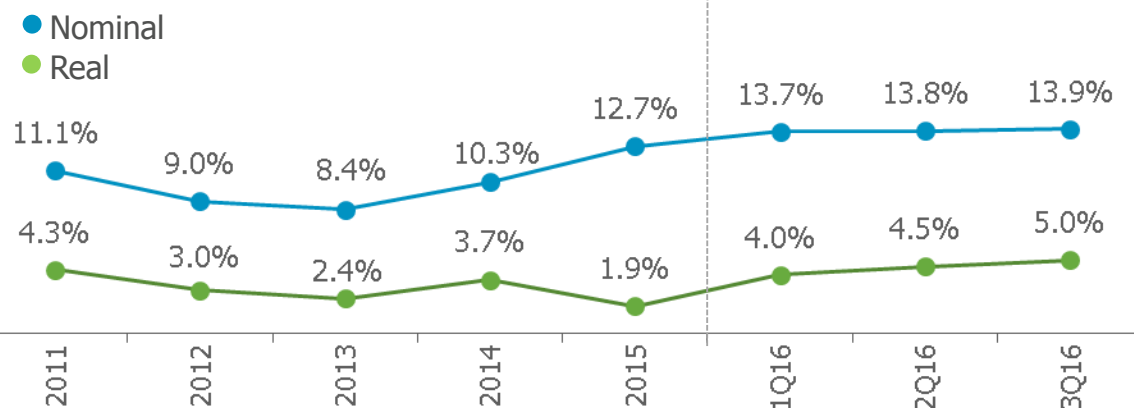
### Net Income:

- Financial Result: -R\$ 133 million**
  - Mark-to-market effect – Law 4,131 operations – non-cash (-R\$ 77 million)
  - Reinstatement of CPFL Piratininga's RAB in 3Q15 – 4<sup>th</sup> Cycle application (-R\$ 72 million)

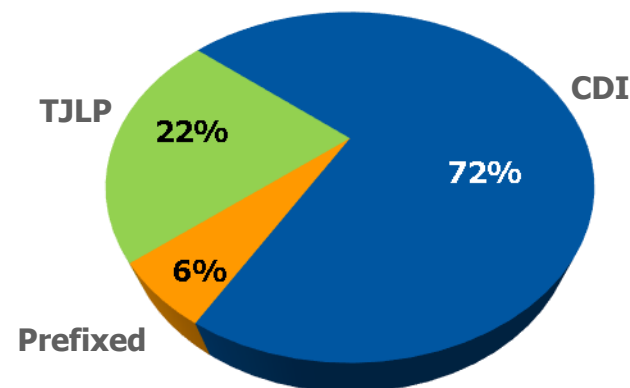
## ► Leverage<sup>1</sup> | R\$ Billion



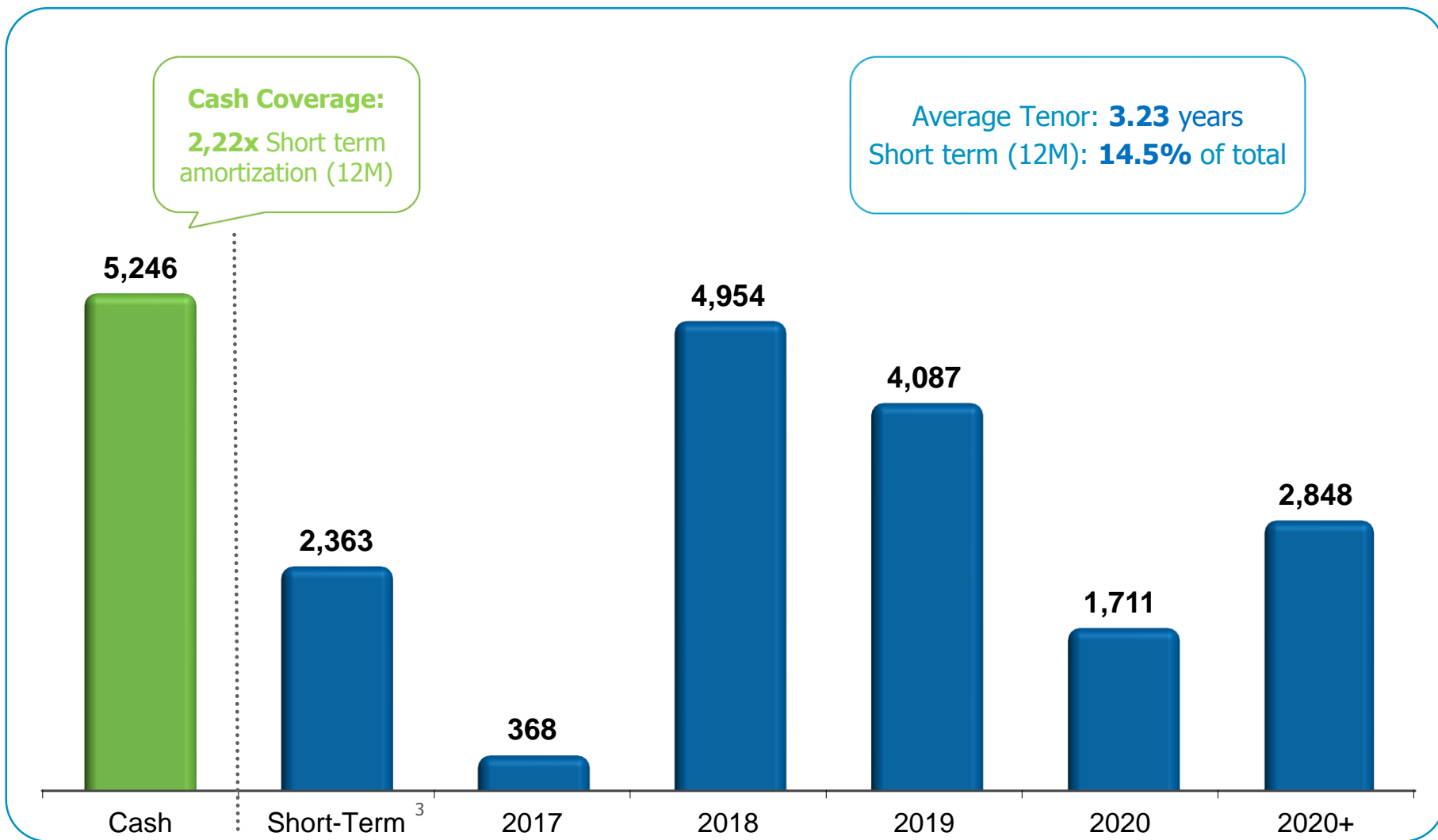
## ► Gross Debt Cost<sup>3,4</sup> | LTM



## ► Gross Debt Breakdown by Indexer | 3Q16<sup>1,4</sup>



## ► Debt Amortization Schedule<sup>1,2</sup> | Sep-16 | R\$ Million



1) Considers Debt Principal, including hedge; 2) Financial covenant criteria; 3) Amortization from Oct-2016 to Sep-2017

# Growth Projects: Generation | Greenfield projects



Commercial Start-up  
**2016-2020(e)**

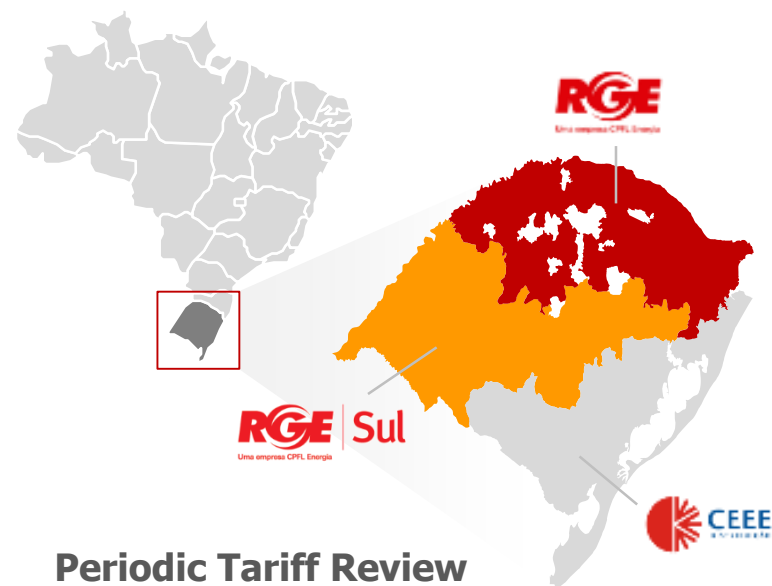
**131 MW**  
of installed capacity

**71**  
average-MW  
of assured energy

**Commercial start-up of 83  
wind turbines (174.3 MW)  
until November-16**

	Campo dos Ventos and São Benedito Wind Farms	Pedra Cheirosa Wind Farms	Boa Vista II SHPP
Commercial Start-up	2016 <sup>1</sup>	2018 <sup>2</sup>	2020
Installed Capacity	231.0 MW	48.3 MW	26.5 MW
Assured Energy	125.2 average-MW	26.1 average-MW	14.8 average-MW
PPA <sup>3</sup>	ACL 20 years	18 <sup>th</sup> LEN 2014 R\$ 147.24/MWh until 2037	21 <sup>st</sup> LEN 2015 R\$ 228.67/MWh until 2049
Financing	BNDES (approved)	BNDES (under analysis)	BNDES (under analysis)

1) Full commercial startup until December 2016; 2) Gradual commercial operation from 1H18; 3) Constant Currency (Sep-16).



**Periodic Tariff Review**  
**Date: April-18**

## Completed steps:

- ✓ **Debt restructuring:** debentures issue in the amount of R\$ 1.1 billion (Cost: 114.50% of CDI and term of 4 years)
- ✓ **Acquisition funding:** debentures issues in CPFL Energia (R\$ 620 million) and in CPFL Brasil (R\$ 400 million) (Cost: 114.50% of CDI and term of 4 years)
- ✓ **Completion of the acquisition** of AES Sul
- ✓ Change of the corporate name to **RGE Sul Distribuidora de Energia S.A.**
- ✓ **Election of the new members** of the Board of Directors and of the Board of Executive Officers

## Next steps:

### ✓ Results Consolidation

- Balance sheet as of Oct 31<sup>st</sup>, 2016
- Income statement as of Nov 1<sup>st</sup>, 2016

### ✓ First step – Development of the Integration Plan

- Diagnosis step and implementation of the Integration Plan
- Sharing of the best practices, processes and technologies adopted in the distribution companies of CPFL Group, as well as from RGE Sul to the other companies
- Improvement action plan in the quality of services established by ANEEL

Completion forecast  
of the  
Integration Plan:

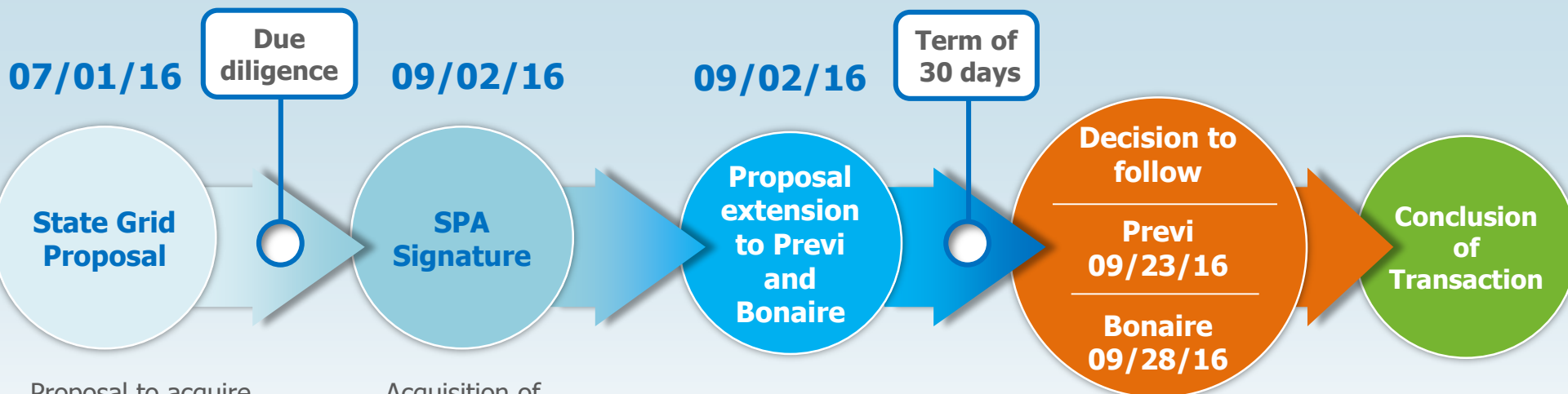
**December-17**

# Corporate Structure | State Grid Transaction



**Free  
Float**

<b>Total</b>	23.6%	29.4%	15.1%	31.9%
<b>Bound shares<sup>1</sup></b>	23.0%	19.3%	11.0%	



Proposal to acquire the totality of the stake bound to the controlling block  
**R\$ 25.00/share**

Acquisition of Camargo Corrêa's stake (around 23.6% of the total of CPFL Energia)

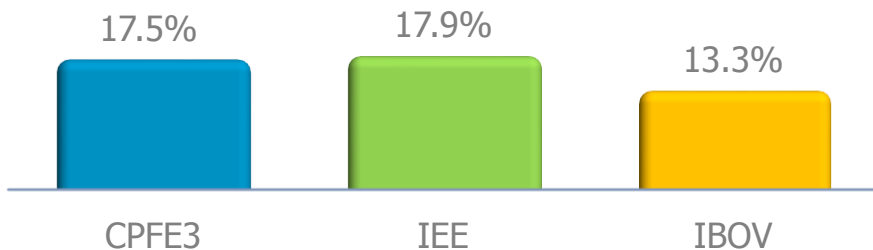
## Current status

Precedent Conditions:

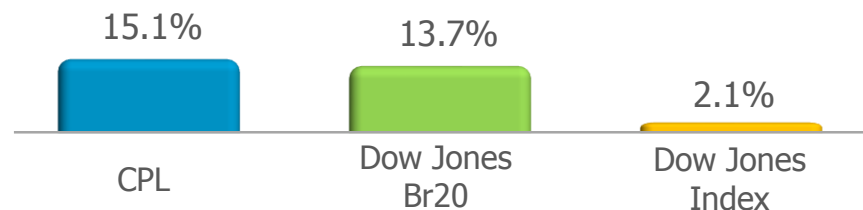
**ANEEL  
Approval**

Approved by CADE on 09/15/16

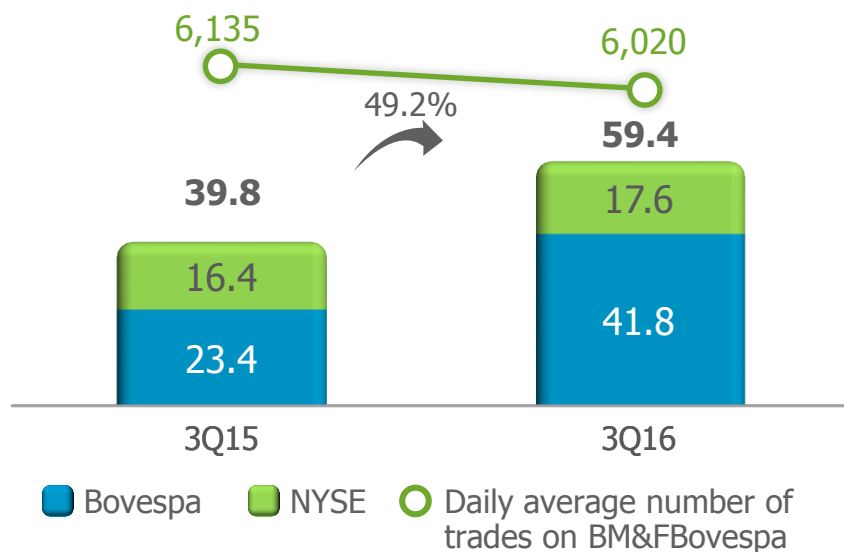
## ► Shares performance on BM&F Bovespa | 3Q16<sup>1,2</sup>



## ► Shares performance on NYSE | 3Q16<sup>1,2</sup>



## ► Daily average trading volume on BM&FBovespa + NYSE2 | R\$ Million



## ► CPFL Energia is included in the main indexes

Entry in January - 16

Índice Brasil 50 **IBRX 50**

Índice Carbono Eficiente **ICO2**

**CPL**  
LISTED  
**NYSE**

**CPFE3**  
**NOVO**  
**MERCADO**  
BOVESPA BRASIL

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**IBOVESPA**

Índice de Energia Elétrica **IEE**

Índice Brasil **IBRX**

Índice de Ações com Governança Diferenciada **ITAG**

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Índice de Governança Corporativa Trade **IGCT**



***CPFL***  
***ENERGIA***