CPFL ENERGIA

CPFE3 NOVO MERCADO BOVESPA BRASIL

2Q07

2Q07 Highlights and Results – CPFL Energia

Value Creation Agenda

# CPFL Energia – 2Q07 Highlights

**Net Revenue:**
R$ 2,224 million (2Q07)
R$ 1,882 million (2Q06)
**+18.2%**

**EBITDA:**
R$ 814 million (2Q07)
R$ 659 million (2Q06)
**+23.5%**

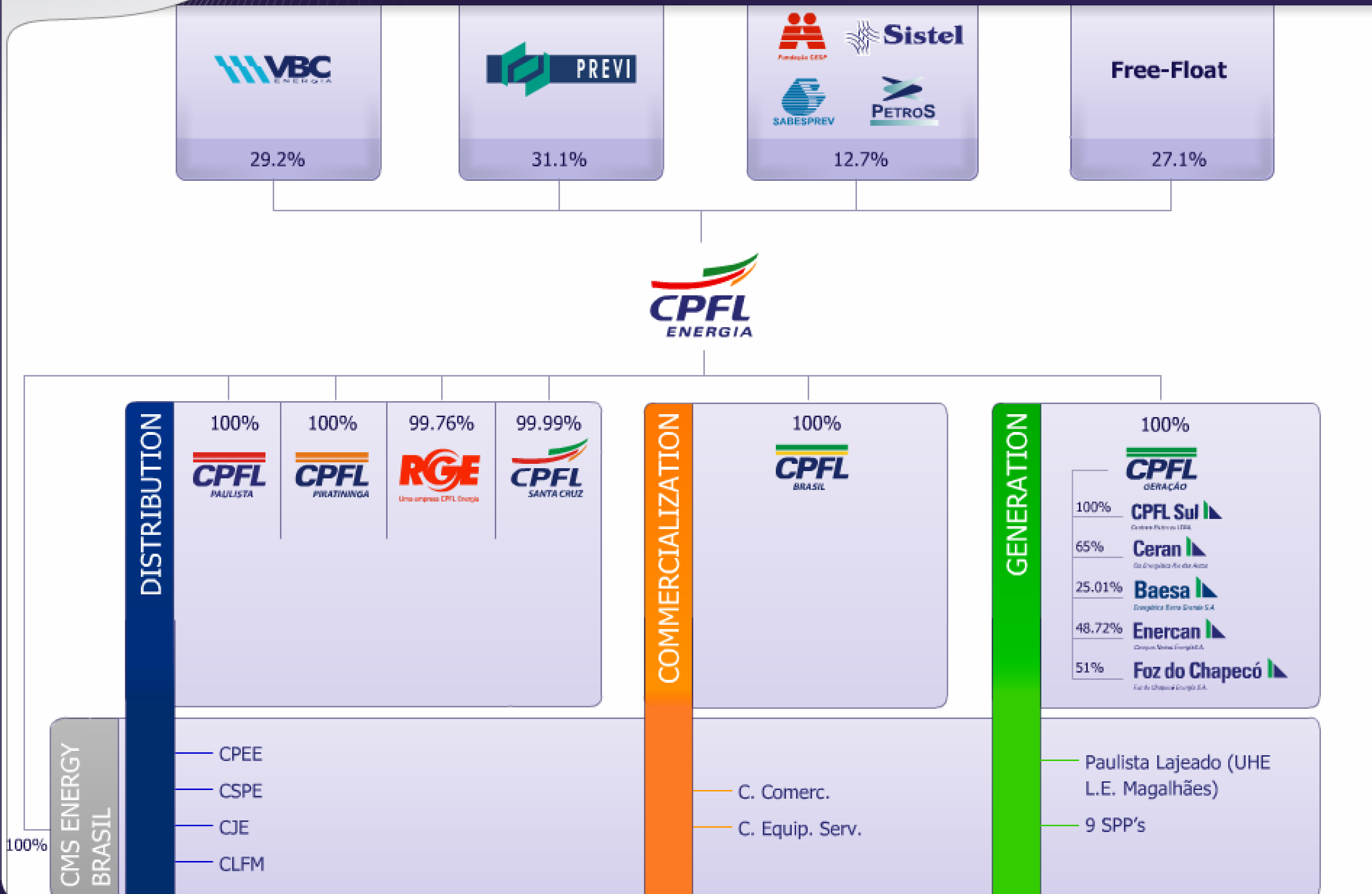
**Net Income:**
R$ 369 million (2Q07)
R$ 305 million (2Q06)
**+20.9%**

**Excluding non-recurring effect:**
R$ 392 million (2Q07)
**+28.5%**

- 14.1% increase in concession area sales[1]
- Tariff adjustment of CPFL Paulista (Apr/07: 7.06%) and RGE (Apr/07: 6.05%)
- Conclusion of Campos Novos HPP and repowering of Gavião Peixoto SHP: Addition of 434 MW of capacity
- Dividend of R$ 842 million in 1H07, annualized dividend yield of 11.1%[2]
- Approval of BNDES's financing of R$ 1,6 billion for Foz do Chapecó's HPP construction
- Approval of CMS Energy Brasil's acquisition

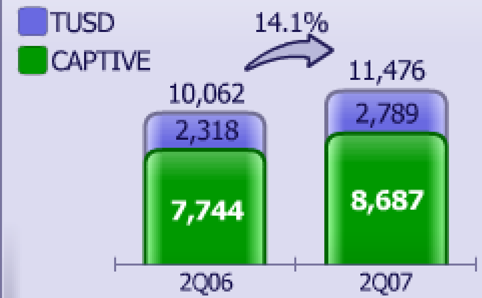
1) 7.8% excluding the acquisition of the additional stake in RGE and the acquisition of Santa Cruz
2) Considering the six-month period dividend yield and the average share price in the 1H07
Note: Tariff adjustment of Cia. Luz e Força Santa Cruz (Feb/07: 5.71%)

# CPFL Energia – Corporate Structure



# 2Q07 Energy Sales

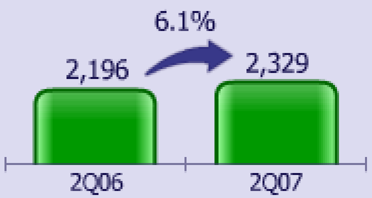
Concession Area Sales (GWh)




**Concession Area Sales** 14.1%
Excluding RGE and Santa Cruz Acquisition Effect 7.8%

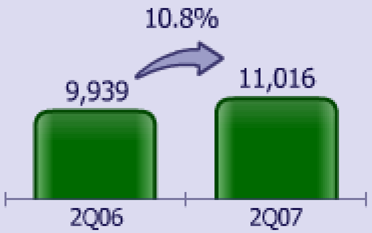
| Captive Market | 12.2% (4.7%) | | | TUSD |
|---|---|---|---|---|
| 28.0% (6.9%) **Rural** | 17.1% (11.0%) **Commercial** | 13.5% (6.9%) **Residential** | 5.2% (-1.2%) **Industrial** | 20.3% |

Free Market Sales (GWh)




**Free Market Sales** 6.1%

Total Energy Sales[1] (GWh)

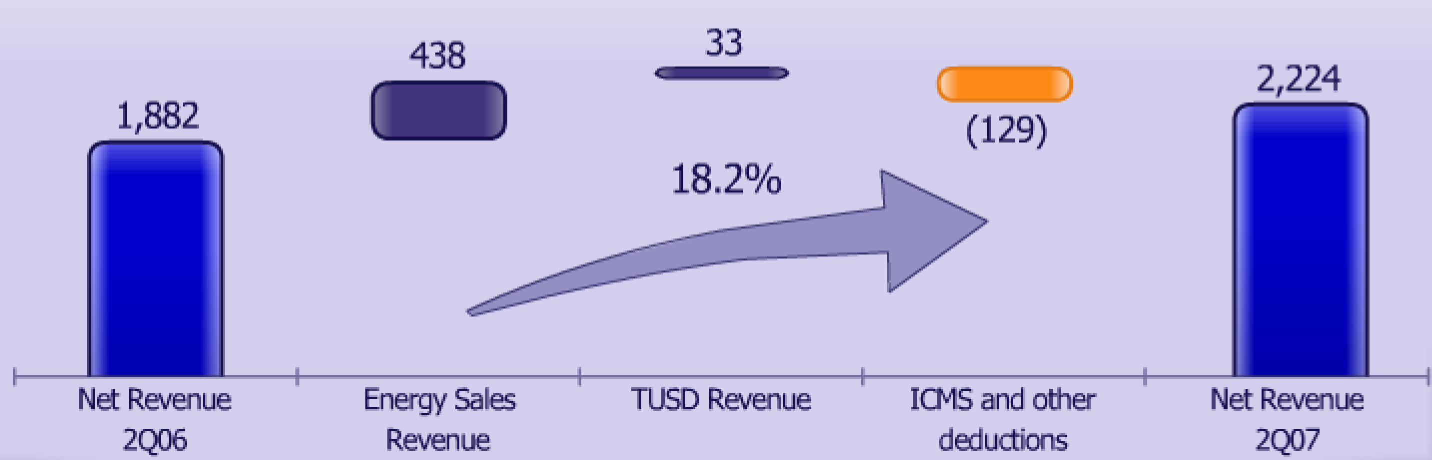



**Total Energy Sales** 10.8%

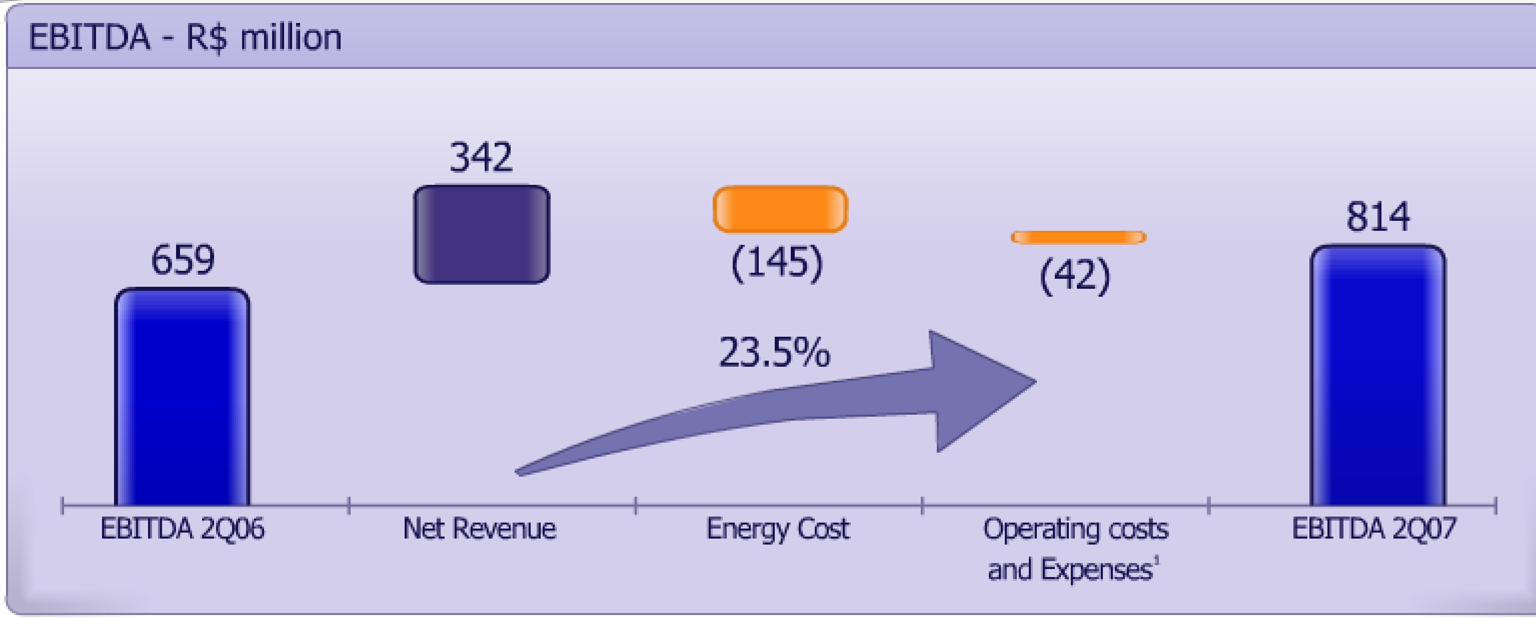
Note: Excluding the acquisition of 32.69% of RGE in May/06 and 99.99% of Cia. Luz e Força Santa Cruz in Oct/06

1) Excludes intercompany transactions (consolidation accounting basis), CCEE and generation sales (except to the Free Market)

Net Revenue – R$ million



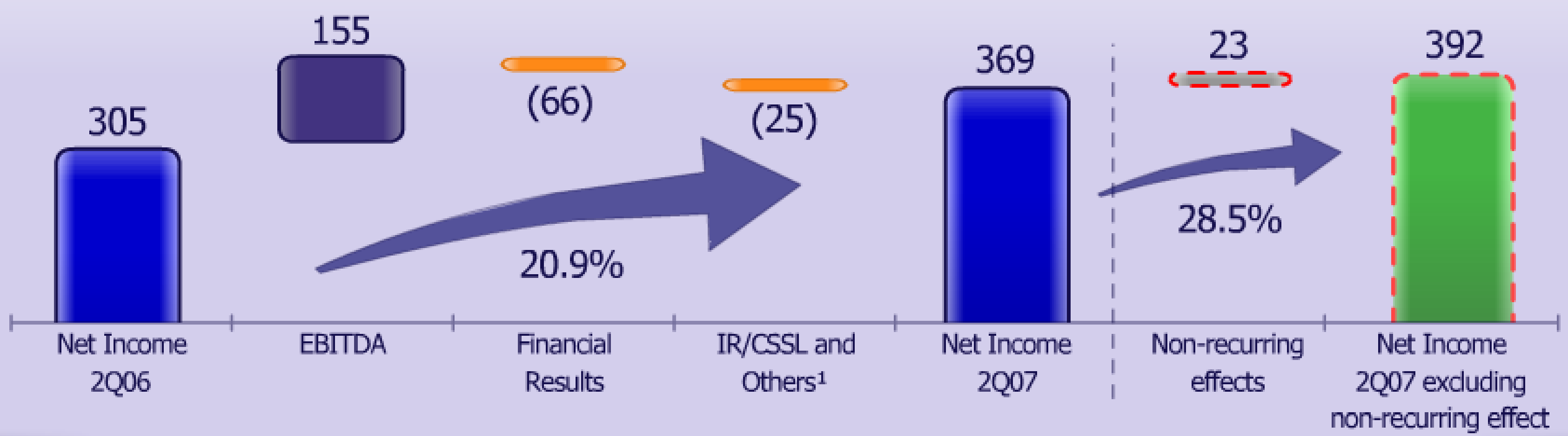

- 18.2% Net Revenue increase (R$ 342 million)
  - (+) 15.8% Energy Sales Revenue increase (R$ 438 million)
    - (+) Captive Market Sales increase: 12.2%
      - (+) Captive Market organic growth: 4.6%
      - (+) Additional stake in RGE (R$ 158 million) and acquisition of Santa Cruz (R$ 67 million)
    - (+) Adjustments tariff : CPFL Paulista (Apr/07: 7.06%), CPFL Piratininga (Oct/06: 10.79%), RGE (Apr/07: 6.05%)
  - (+) 20.0% TUSD Revenue increase (R$ 33 million)
  - (–) 12.2% ICMS tax and other deductions increase (R$ 129 million)
    - (+) 24.4% Fuel Consumption Account - CCC decrease (R$ 34 million)




- 23.5 % in EBITDA increase (R$ 155 million)
  - (+) 18.2% Net Revenue increase (R$ 342 million)
  - (–) 14.4% Energy Cost increase (R$ 145 million)
    - (–) Additional stake in RGE (R$ 74 million) and Santa Cruz (R$ 24 million) and commercial start-up of Campos Novos HPP (R$ 8 million)
  - (–) 19.5% Operating Costs and Expenses[1] increase (R$ 42 million)
    - (–) 21.3% personnel expenses increase (R$ 19 million)
      - (–) Additional Stake in RGE and Santa Cruz and commercial start-up of Campos Novos HPP (R$ 10 million)
    - (–) 21.6% outsourced services and others expenses increase (R$ 25 million)
      - (–) Provision for RTE and contingencies (R$ 14 million)

1) Includes personnel, materials, third-party services and others

## Lucro Líquido - R$ milhões




- 20.9% Net Income increase (R$ 64 million)

  (+) 23.5% EBITDA increase (R$ 155 million)

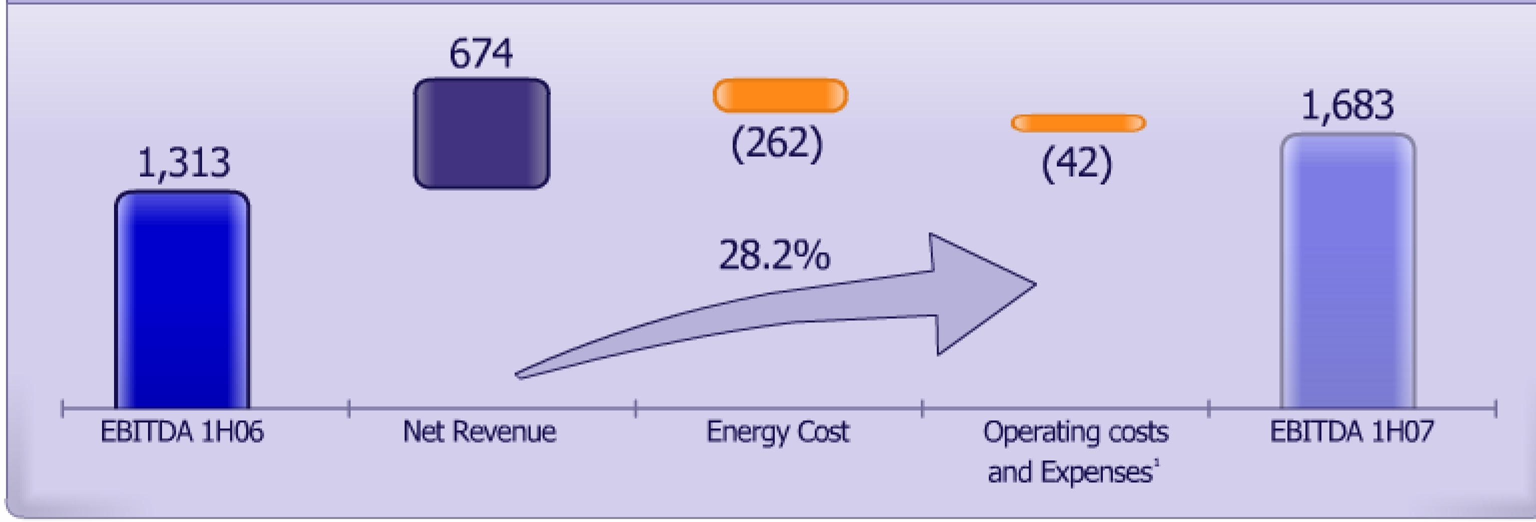
  (–) 73.9% Financial Results increase (R$ 66 million)
  - (–) 52.7% Financial Income decrease (R$ 85 million)
    - (–) Financial income yield and RTE/CVA remuneration decrease (R$ 33 million)
  - (+) 7.5% Financial Expenses decrease (R$ 19 million)
    - (–) Financial expenses with hedge operations related to CMS acquisition (R$ 23 million)

  (–) 9.4% Income Tax, Social Contribution and Others increase (R$ 25 million)

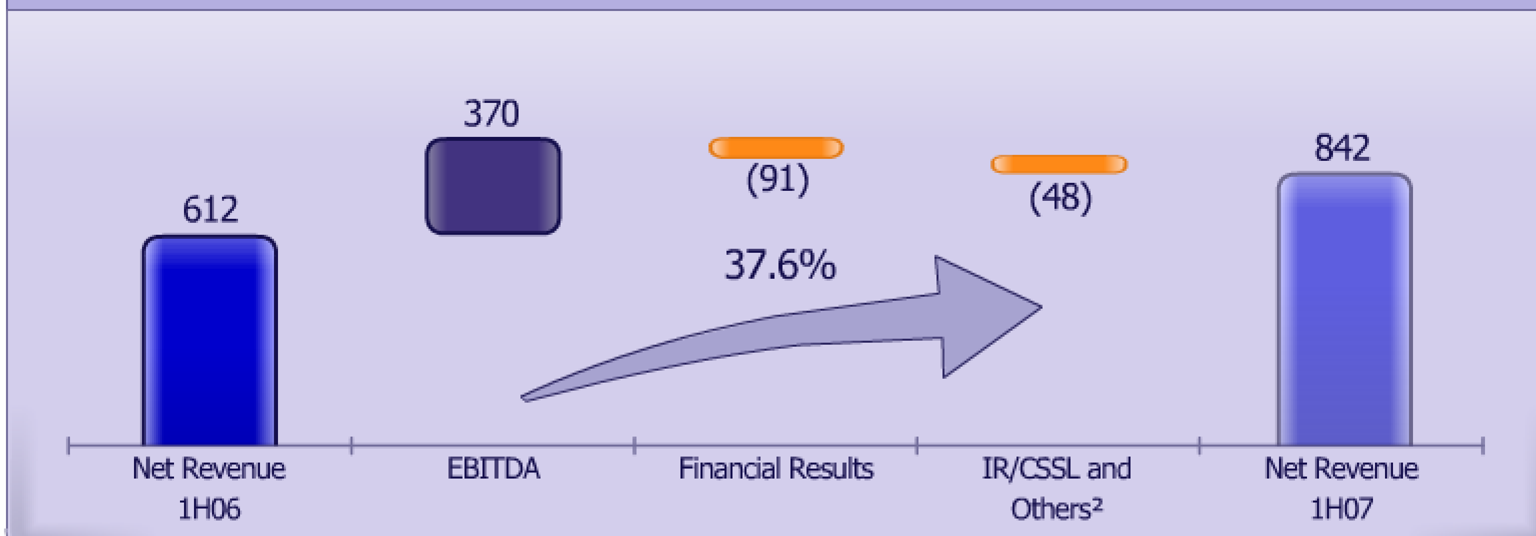
1) Includes private pension plan, depreciation and amortization

# EBITDA and Net Revenue increase in 1H07

## EBITDA 1H07- R$ million




## Net Revenue 1H07 - R$ million

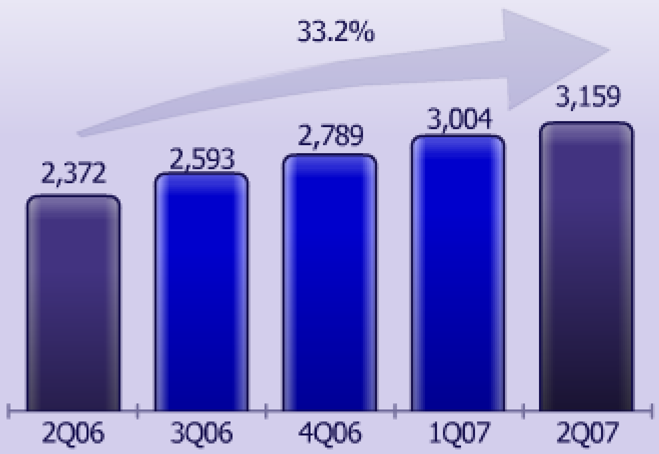



1) Includes personnel, materials, third-parthy services and others

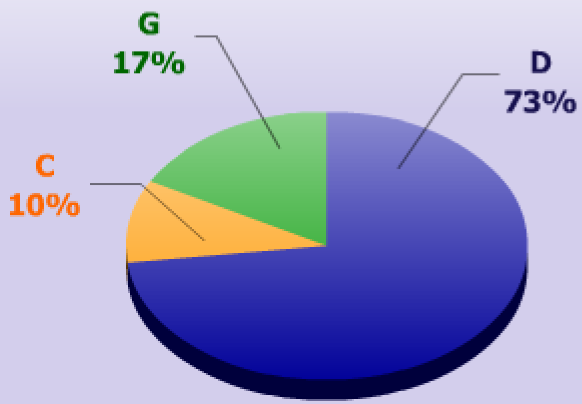
2) Includes private pension plan, depreciation and amortization

# CPFL Energia reports consistent growth in EBITDA and Net Income

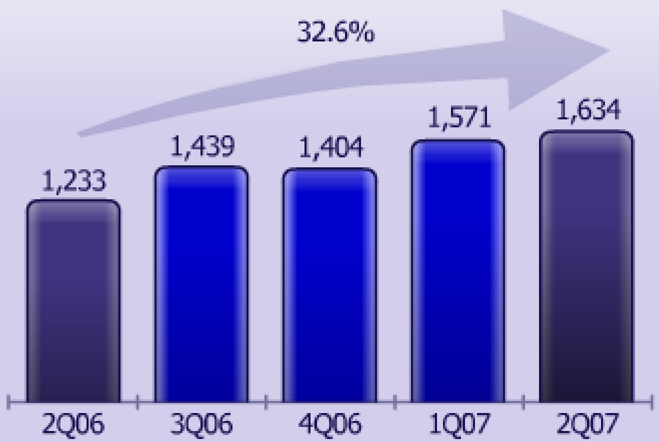
EBITDA[1] – last twelve months – R$ million



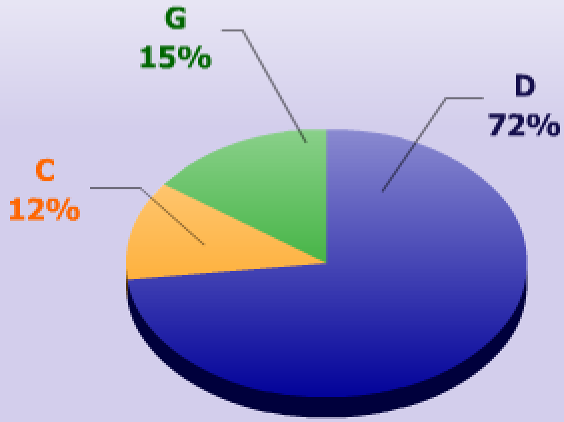

EBITDA Breakdown 2Q07[2]




Net Income[1] – last twelve months – R$ million

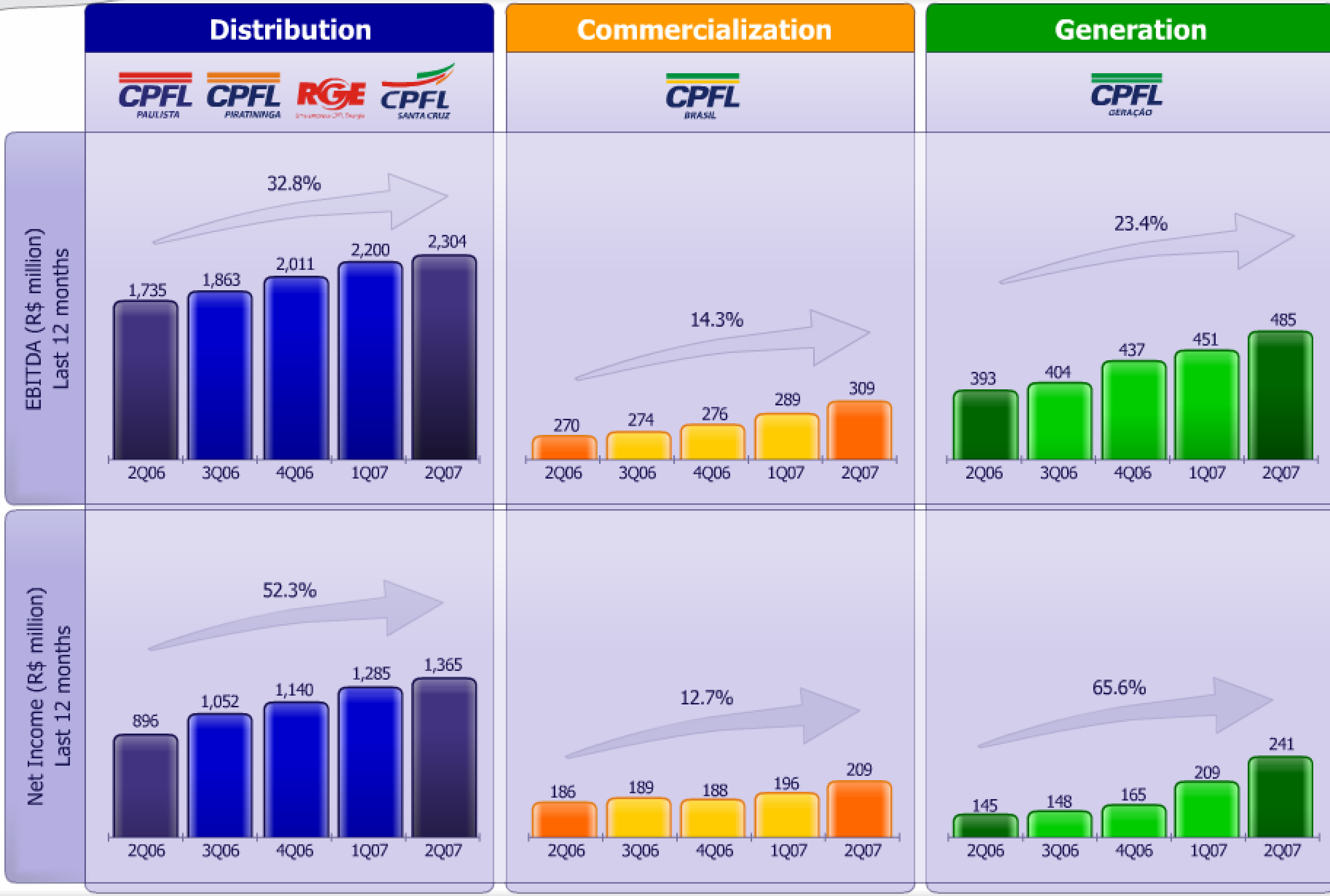



Net Income Breakdown 2Q07[2]




1) Including non-recurring effects
2) Intercompany transactions excluded

# All business units contribute positively to the Group's results






Note: Includes non-recurring effects

# EBITDA margin and Net Margin grows in 1H07

## EBITDA Margin Evolution[1]


## Net Margin Evolution[1]


Considers non-recurring effect

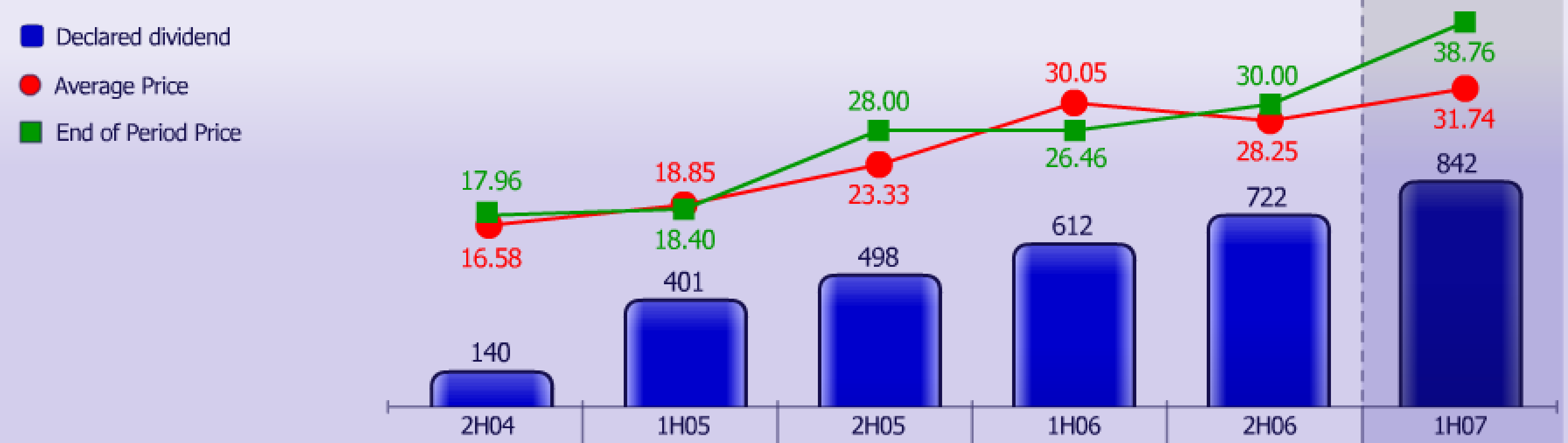
1) Considers the accounting of CCC, CDE and R&D as Deductions from Operating Revenue

Note: EBITDA Margin and Net Margin (1H07) exclude non-recurring effects

# Dividend distribution aligned with the shareholder's value creation

**CPFL distributes 100% of net income in dividends:**
**R$ 842 million in 1H07 – R$ 1,76 per share**

Declared dividend[1] (R$ million) vs. CPFE3 Price (R$)



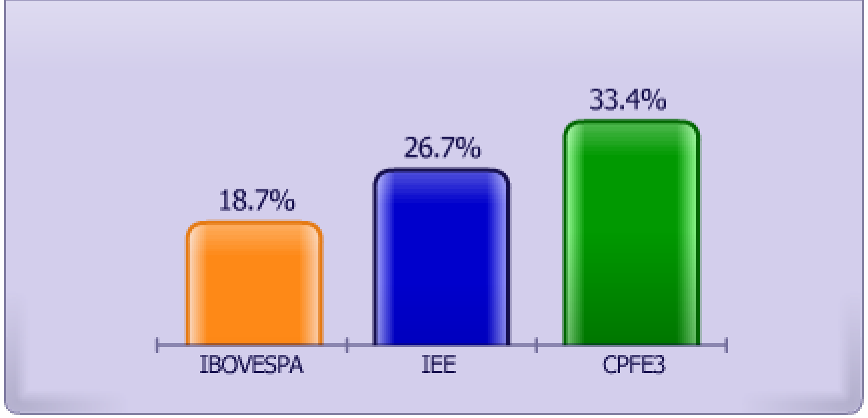

| | 2H04 | 1H05 | 2H05 | 1H06 | 2H06 | 1H07 |
|---|---|---|---|---|---|---|
| Annualized Dividend Yield (average price[2]) | 3.7% | 9.3% | 8.9% | 8.5% | 10.7% | 11.1% |
| Annualized Dividend Yield (end of period price[3]) | 3.5% | 9.5% | 7.4% | 9.6% | 10.0% | 9.1% |

**Since the IPO (2H04), CPFL Energia's dividend yield has already reached 39.3%[4]**

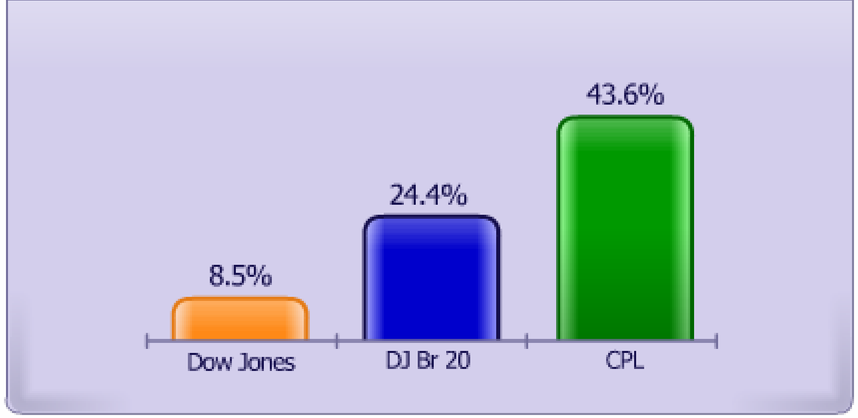
1) Declared dividend: payment in the next half year
2) Half year daily closing price average
3) Closing price
4) IPO's price per share: R$ 17.22

# CPFL shares with strong performance in 2Q07

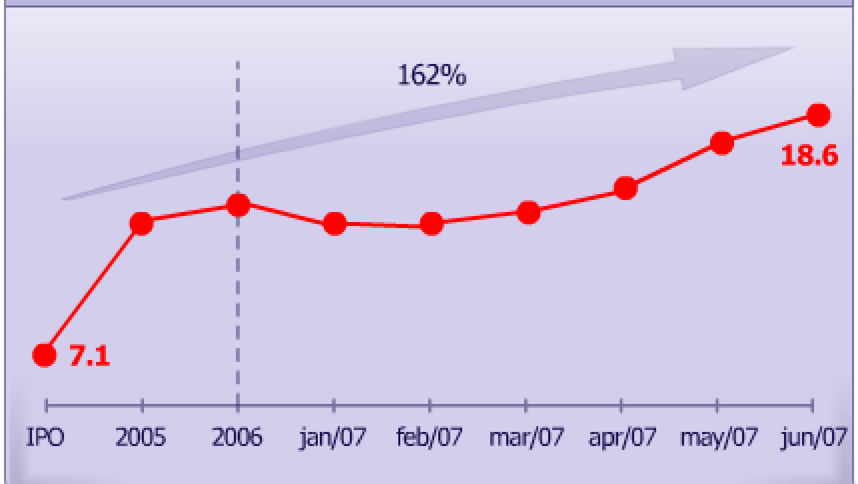
## Share performance BOVESPA[1] – 2Q07



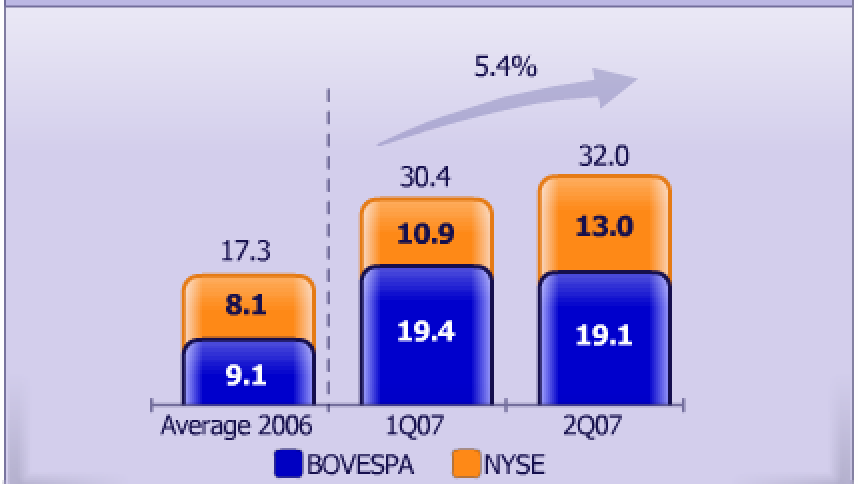

## Share performance NYSE[1] – 2Q07




## Market Cap[2] Evolution- R$ billion




## Daily Average Volume Evolution – R$ million




1) Share prices adjusted for dividends – until Jun 29, 2007 (ON = R$ 38.76 and ADR = US$ 60.73)

2) Share prices not adjusted for dividends - (End of period closing price)

2Q07 Highlights and Results – CPFL Energia

Value Creation Agenda

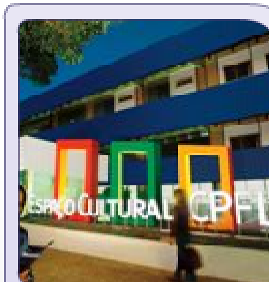
# Strategic agenda clearly defined, focused in valuation, liquidity and security

## Synergic Growth

- RGE's integration process
- Second stage of Santa Cruz's integration plan
- First Stage of CMS Energy Brasil integration plan
- Update of generation projects

## Operational Efficiency

## Financial Discipline

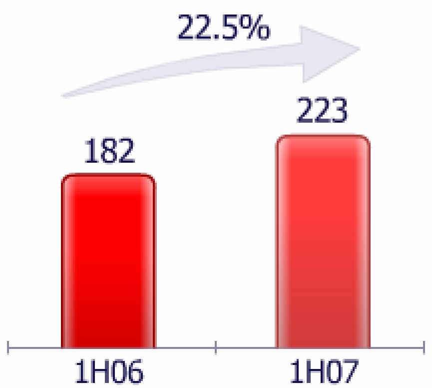



## Sustainability and Corporate Responsibility

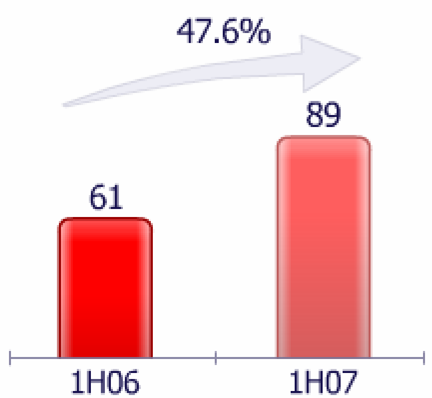

## Differentiated Corporate Governance

# Integration of RGE contributes to the group's value creation

EBITDA




Net Income



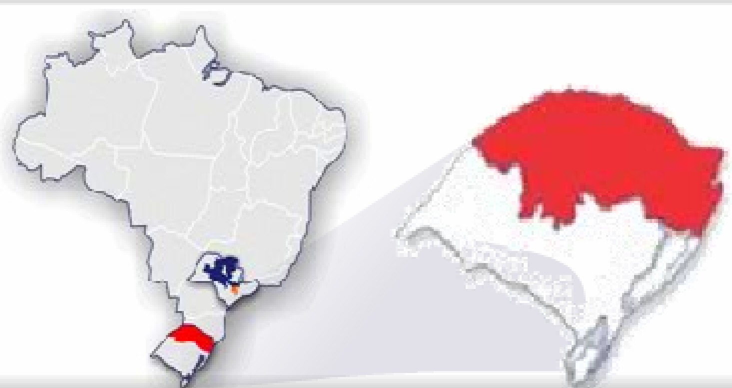

## Organizational Restructuring

- Reduction of 52% in management staff[1] (from 62 to 30)
- Reduction of 7% in the workforce
- Reduction of 44% in overtime
- Focus on the operational area: 65% of the employees

## Reduction of 9% in delinquency and 23% in the DEC[2]

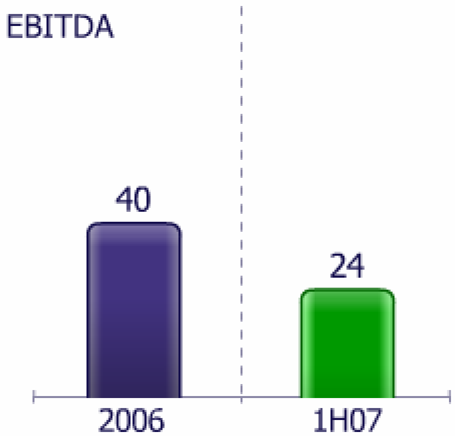
## Reduction in the cost of debt, bank charges and insurance costs

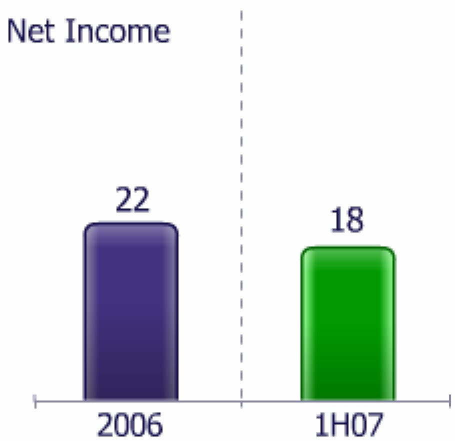
- Renegotiation of R$ 103 million loan, with cost reduction of the CDI + 1.75% p.a. to 106% of the CDI as of Mar/07
- Float reduction on the transfer of arrecadation: earning of until R$ 1 million per year
- Reduction of 32% in insurance costs



1) Employees in management positions
2) Equivalent length of interruptions per consumer

# Second stage of the Santa Cruz Integration Plan

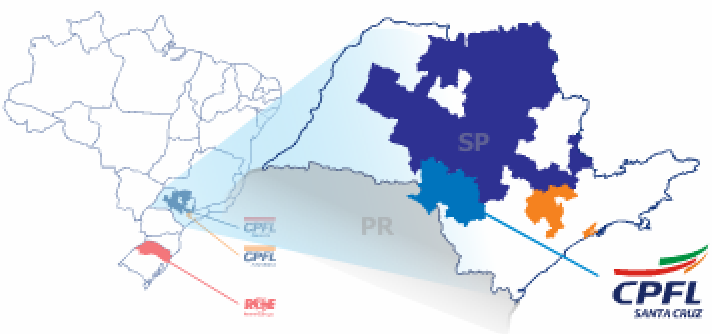


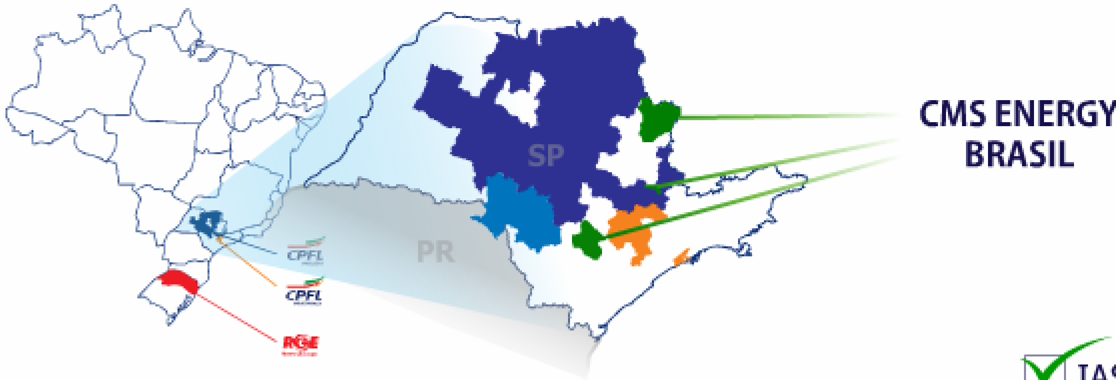




## Concluded Activities

- Integration Plan definition
  - New organizational structure
  - Managerial and Operational Process
- Financial Statements Consolidation
- Managerial and operational processes centralization
  - Transfer of Headquarter and decision process to concess region

**Integration process will generate R$ 16 million/year synergies gains as of 2008**






## IASC award 2006 to Distributors

- IASC Brasil Category- CJE (Winner) and CPEE in the 2º place
- Regional IASC Category 30 up to 400 thousand customers - CPEE (Winner)
- Regional IASC Category until 30 thousand customers - CJE (Winner)

## Consolidation of Results

- Balance Sheet since June/07
- Income Statement since July/07

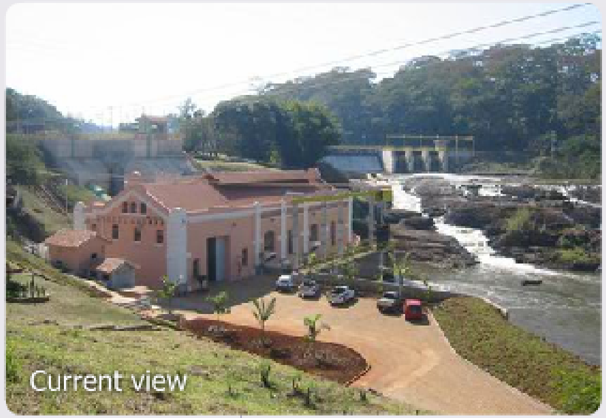
## First Stage: Development of the Integration Plan

- Closing of the deal
- Corporate & Fiscal Structuring Proposal
- Proposal of Operational Model
- Management plan to capture synergies outlined in the acquisition's Business Plan
- Search for additional Upsides and Operational Synergies
- Action Plan to improve the quality of services

Forecast for the conclusion of the Integration Plan:

**3Q07**

# Conclusion of Campos Novos HPP and repowering of Gavião Peixoto SHP

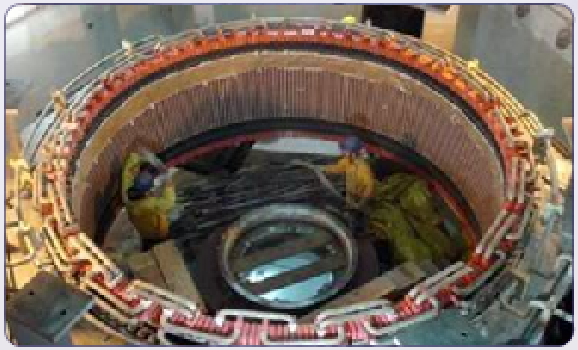
| | Campos Novos HPP | | Gavião Peixoto SHP | |
|---|---|---|---|---|
| |  | | <br> | |
| | **Total** | **CPFL's stake (48.72%)** | **Total** | **CPFL's stake (100%)** |
| **Installed Capacity** | 880.0 MW | **428.8 MW** | 4.8 MW | **4.8 MW** |
| **Assured Energy** | 377.9 MWmedium | **184.1 MWmedium** | 3.8 MWmedium | **3.8 MWmedium** |
| **Commercial Start-up** | 1st and 2nd turbine: **Feb/07**<br>3rd turbine: **May/07** | | 1st and 2nd turbine: **Jun/07** | |
| | | | Contracted Energy of R$ 163.75/Mwh | |

# Projects under Construction: Ceran – Castro Alves HPP

## Castro Alves HPP


| | Total | CPFL's stake (65%) |
|---|---|---|
| **Installed Capacity** | 130.0 MW | **84.5 MW** |
| **Assured Energy** | 64.0 MWmedium | **41.6 MWmedium** |
| **Project Begining** | 2004 | |
| **Commercial Start-up** | 4Q07 | |
| **Status** | - 90.2% of civil works completed<br>- 92.7% of equipment delivered<br>- 32.0% of electromechanical assembly concluded | |

Aerial view of the dam area



**Power House**

# Projects under Construction: Ceran – 14 de Julho HPP

## 14 de Julho HPP


| | Total | CPFL's stake (65%) |
|---|---|---|
| **Installed Capacity** | 100.0 MW | **65.0 MW** |
| **Assured Energy** | 50.0 MWmedium | **32.5 MWmedium** |
| **Project Begining** | 2004 | |
| **Commercial Start-up** | 3Q08 | |
| **Status** | - 77.4% of civil works completed<br>- 56.5% of equipment delivered<br>- 17.5% of electromechanical assembly concluded | |


Aerial view of the dam area

# Projects under Construction: Foz do Chapecó HPP

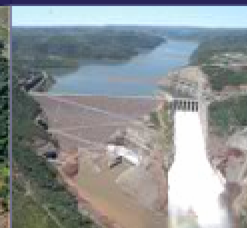
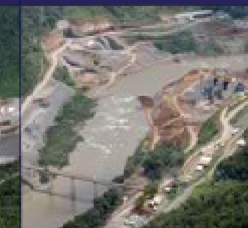
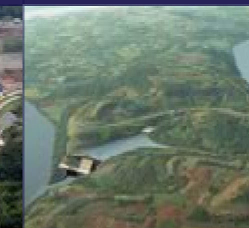
## Foz do Chapecó HPP


| | Total | CPFL's stake (51%) |
|---|---|---|
| **Installed Capacity** | 855.0 MW | **436.1 MW** |
| **Assured Energy** | 432.0 MWmedium | **220.3 MWmedium** |
| **Project Begining** | 2006 | |
| **Commercial Start-up** | 3T10 | |
| **Status** | 7.2 % of civil works completed | |

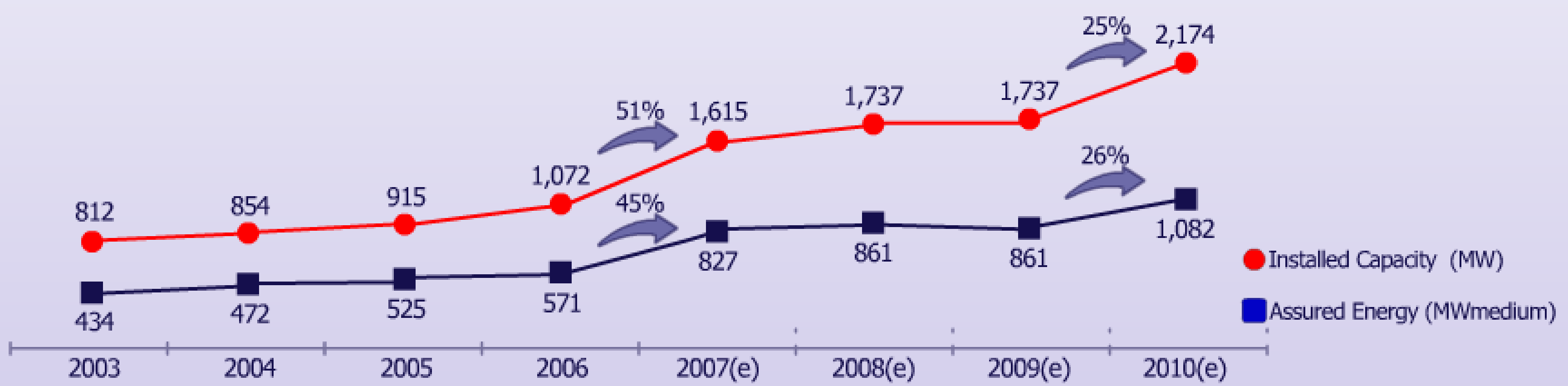
Future view of the project

- Approval of BNDES's financing: **R$ 1.6 billion**
  - ✓ 72.7% of the required Capex
  - ✓ BNDES's spread reduction from 1.5% to 1.0%
  - ✓ Increasing amortization period from 14 to 16 years

# The expansion of CPFL's generating capacity between 2004 and 2010, based on 6 new units, has been met

| | Monte Claro | Barra Grande | Campos Novos | Castro Alves | 14 de Julho | Foz do Chapecó |
|---|---|---|---|---|---|---|
| |  |  |  |  |  |  |
| CPFL's stake (%) | 65.00 | 25.01 | 48.72 | 65.00 | 65.00 | 51.00 |
| CPFL's capacity (MW) | 84.5 | 172.5 | 428.8 | 84.5 | 65.0 | 436.1 |
| Status | ✓ Operating | ✓ Operating | ✓ Operating | 4Q07 Operation | 3Q08 Operation | 3T10 Operation |

Installed Capacity and Assured Energy Evolution



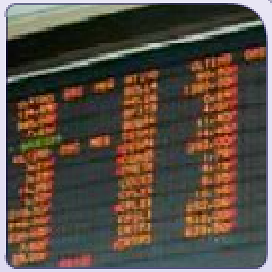
# Strategic agenda clearly defined, focused in valuation, liquidity and security

## Synergic Growth

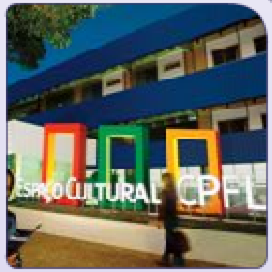
- RGE's integration process
- Second stage of Santa Cruz's integration plan
- First Stage of CMS Energy Brasil integration plan
- Update of generation projects

## Operational Efficiency

- Competitive performance of Commercialization
  - Leadership in Commercialization with 23% of market share
  - Development of value added services



## Financial Discipline

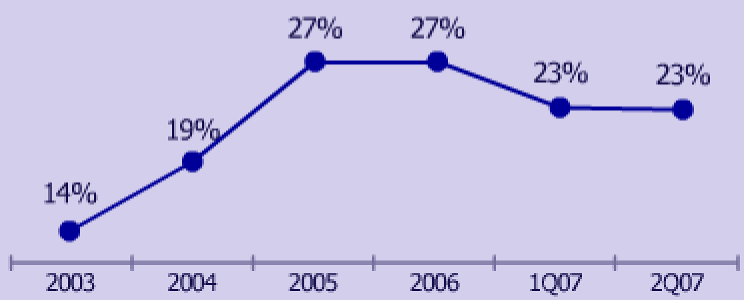


## Sustainability and Corporate Responsibility


## Differentiated Corporate Governance

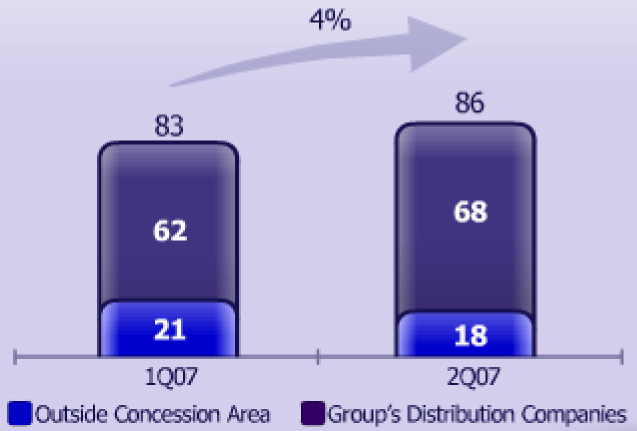
# Growth in the number of clients and positive operating result in commercialization

Commercialization Market Share - CPFL Brasil




Source: CCEE up tp.May/07

Number of clients in the free market




- Maintenance of leading position with 23% of market share
- 4% growth in the number of customers
- 33.8% increase in EBITDA and 31.9% Net Income growth (2Q07 vs 2Q06)

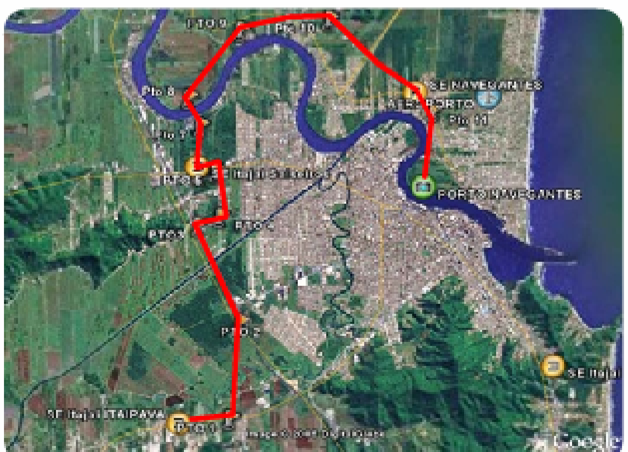
# Construction of the transmission and distribution system of **Portonave S.A** - Terminais Portuários de Navegantes

- **Transmission System**

  - 138kV connection

    - Construction of SE 138 kV –> 50 MVA
    - Construction of Bay SE CELESC
    - Construction of 20 Km transmission line in 138 kV

Transmission project value - **R$ 19 million**




Transmission line in 138 kV - **20 km**

- **Distribution System**

  - Internal industrial installation

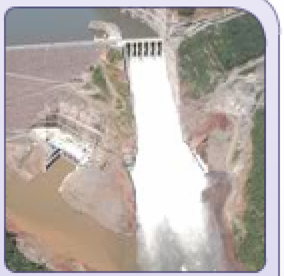
    - Construction of 9 feeders 15 kV
    - Construction de Primary Carbin, internal branches in Low Tension and Port's Illuminatination

Distribution project value - **R$ 9 million**

Substation: **138 kV**
Installed Capacity: **50 MVA**

**Total value of project: R$ 28 milhões**

# Strategic agenda clearly defined, focused in valuation, liquidity and security



## Synergic Growth

- RGE's integration process
- Second stage of Santa Cruz's integration plan
- First Stage of CMS Energy Brasil integration plan
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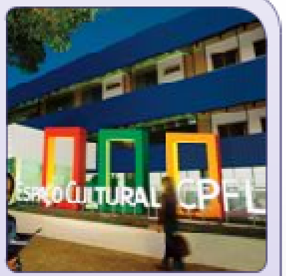
## Operational Efficiency

- Competitive performance of Commercialization
  - Leadership in Commercialization with 23% of market share
  - Development of value added services

## Financial Discipline

- Financial discipline and reduction of debt costs

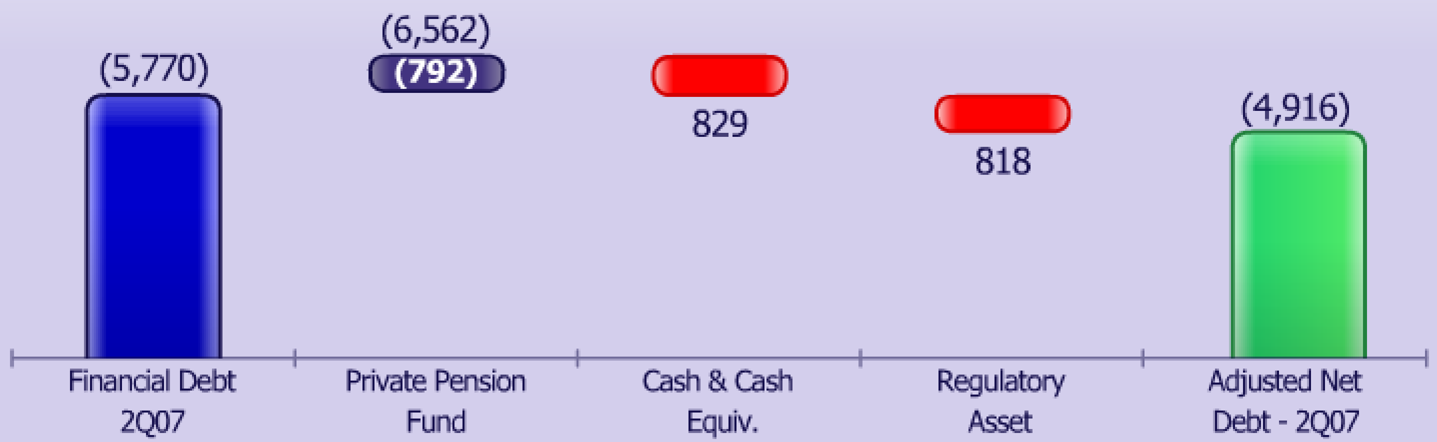



## Sustainability and Corporate Responsibility

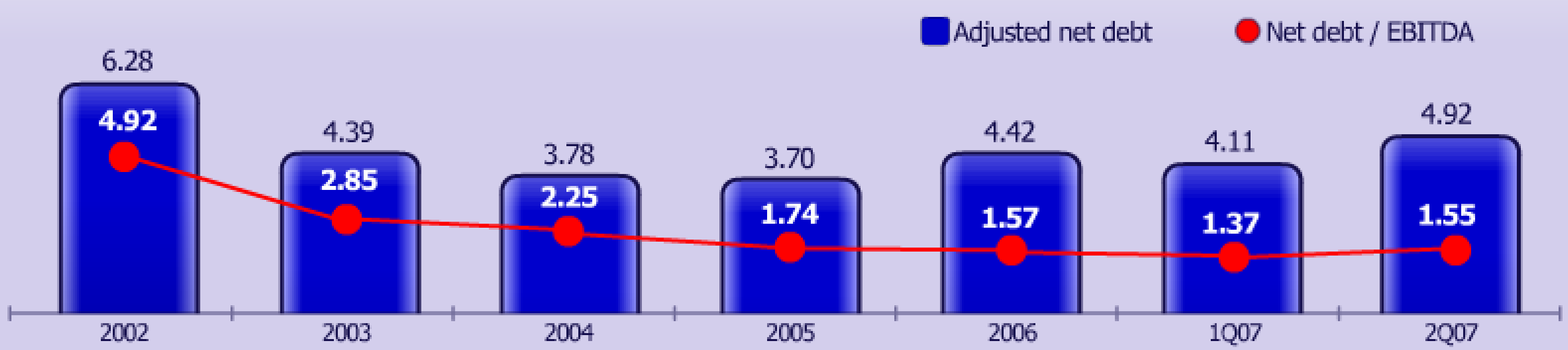

## Differentiated Corporate Governance

# Financial Discipline and Debt Profile

## Adjusted net debt[1] (R$ million)




## Adjusted net debt[1] / EBITDA[2] (R$ billion)

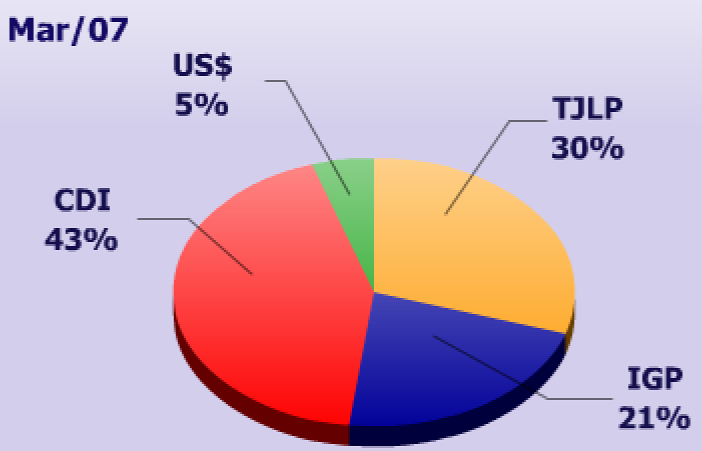


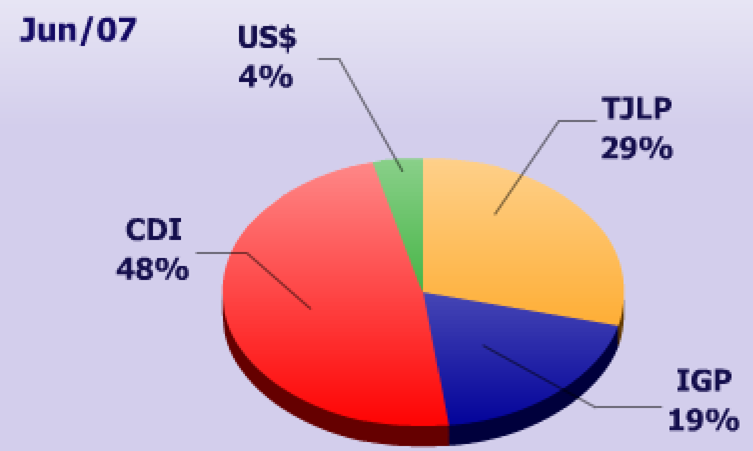

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Nominal Cost | 26.9% | 19.8% | 17.7% | 13.9% | 13.4% | 12.0% | 11.7% |

1) Adjusted net debt = total financial debt + private pension plan – cash and cash equivalents – regulatory asset
2) EBITDA last 12 months

# Debt breakdown and debt amortization schedule

## Debt Breakdown

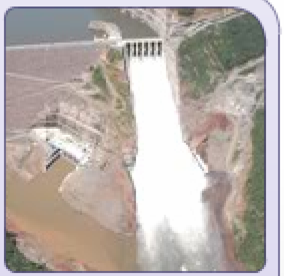



## Debt amortization schedule[1] – R$ billion


1) Consider total financial debt – Debt charges – Debentures charges - Derivatives

# Strategic agenda clearly defined, focused in valuation, liquidity and security



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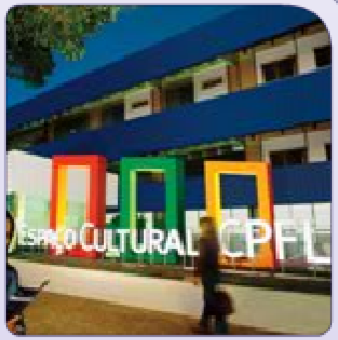


### Sustainability and Corporate Responsibility

- Committee of sustainability
- Implementation of ethics code in RGE
- Approval of the Monte Claro's HPP carbon credits commercialization


### Differentiated Corporate Governance

- Implementation of the Sustainability Management Committee
  - ✓ Larger amplitude of the actions related to the sustainability
  - ✓ More integration between all areas
- Expected Result
  - ✓ More contribution of all areas with bigger and better impact of the initiatives in short, medium and long run

## The Committee's Structure

**Carbon Balance**

**Sustainability associated with Power Plants**

**Conscientious Consumption**

**Sustainability Committee**

1 representative of the Engineering and Asset Management Dept
1 representative of the Retail Sales Dept
1 representative of the Human Resources Dept
1 representative of the Supply Dept
1 representative of the Environmental Dept
1 representative of the Strategic Planning Dept
1 representative of the Corporate Communication and Institutional Relations Dept

**Reversal Chain Program**

**Biodiversity**

**Energy for the Future**

# Dissemination of the Code of Ethics and Enterprise Behavior of group CPFL in the RGE

- In 2Q07, an Ethics Management and Development Program was launched at RGE
  - Objectives
    - ✓ To aligne RGE's Code of Ethics
    - ✓ To collect suggestions for the future revision of the Code of Ethics and Conduct
    - ✓ To implement the Ethics Management and Development System in RGE
    - ✓ To extend CPFL Energia's Institutional Commitments to RGE


**One of CPFL Energia's sustainability strategical planning initiatives**

The Global Compact

Millennium Development Goals

Pact against the sexual exploitation of minors along Brazilian highways

Commitment to children's and teenagers' rights

# Approval for the commercialization of Monte Claro HPP's carbon credits

**Approved Projects:**

| | CPFL Centrais Elétricas | Monte Claro HPP |
|---|---|---|
| **Potential sales until 2012** (tonnes of $CO_2$ equivalent) | 120 thousand | 850 thousand |
| **Approved by Interministerial Commission for Global Climate Change**[1] | May 29, 2006 | Sep 22, 2006 |
| **Average Acquisition Price** (€/tonne) | 12.8 | ——— |
| **CDM – Clean Development Mechanism Approval** | Oct/06 | Apr/07 |
| **Estimated Revenue** | € 1.5 million | € 10.9 million[2] |

**Ongoing projects:**

- Castro Alves HPP
- 14 de Julho HPP
- Campos Novos HPP[3]
- Foz do Chapecó HPP

Potential carbon credits generated by ongoing projects until 2012 may exceed 6.85 million tonnes

1) Federal body related to the Ministry of Science and Technology – MCT, responsible for the analysis of Clean Development Mechanism projects
2) Considering the same average acquisition price of CPFL Centrais Elétricas
3) Campos Novos HPP: estimated at 4 million tonnes

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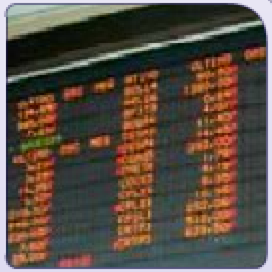

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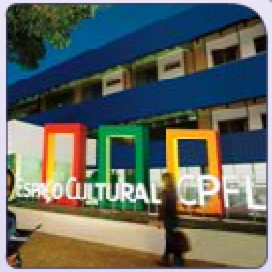


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## Differentiated Corporate Governance

- Certification of section 404 of Sarbanes-Oxley Act

# CPFL gets certification in "Section 404 of the Sarbanes-Oxley"

- **Certification concluded in 2Q07 referring to the 2006 exercise**

**Macro-process of the evaluation of the internal controls structure**


- 895 activities of control had been evaluated pertinent to 120 processes and sub-processes of business
  - Results:
    - No material weakess
    - No significant deficiency
    - Implantation of control self - assessment and the concept of Ascending Certification

**Entity level controls had been tested to assure the effectiveness of the internal controls structure**

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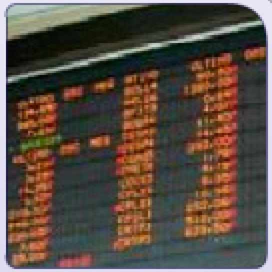

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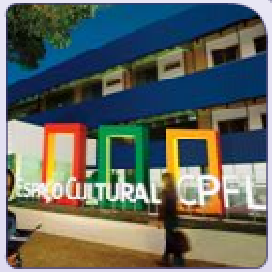


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2Q07