

4Q16 | 2016 Results



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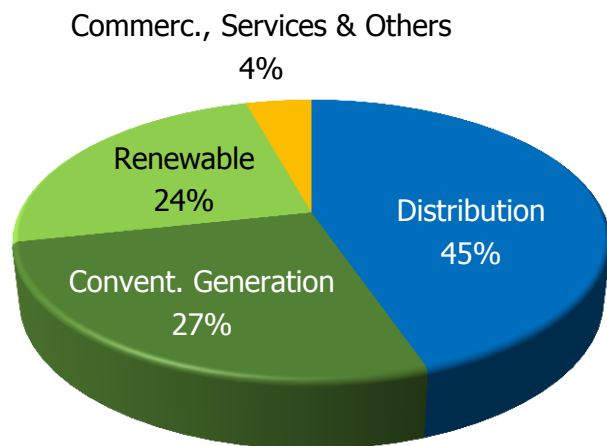
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- ✓ Reduction in the load in the concession area (**-3.3%**)¹
- ✓ **Contracted demand** is being preserved: **-0.8%** Off Peak and **-0.6%** Peak (Dec-16 vs. Dec-15)^{1,2}
- ✓ Reductions of **7.2% in Net Operating Revenue** and of **0.4% in EBITDA**
- ✓ Investments of **R\$ 694 million³** in **4Q16** and of **R\$ 2,288 million³** in **2016**
- ✓ Net debt of **R\$ 13.2 billion** and leverage of **3.21x Net Debt/EBITDA⁴**
- ✓ Commercial start-up of Campo dos Ventos and São Benedito wind complexes (**231 MW**) in Dec-16
- ✓ Beginning of the consolidation of **RGE Sul** in CPFL Energia in Nov-16
- ✓ **Alienation of CPFL Energia's control to State Grid:** sale of the **stakes of Camargo Corrêa, Previ and Bonaire** on Jan 23, 2017
- ✓ **CPFL Energia's shares** were maintained in the **ISE** (the BM&FBOVESPA's Corporate Sustainability Index), for the **12th consecutive year**

1) Excluding RGE Sul (Nov/Dec-16); 2) Excluding an A1 big client, whose demand reduction does not impact the parcel B; 3) Considering the investments in transmission, in the amount of R\$ 15 million for 4Q16 and R\$ 51 million for 2016; 4) Financial covenants criteria.

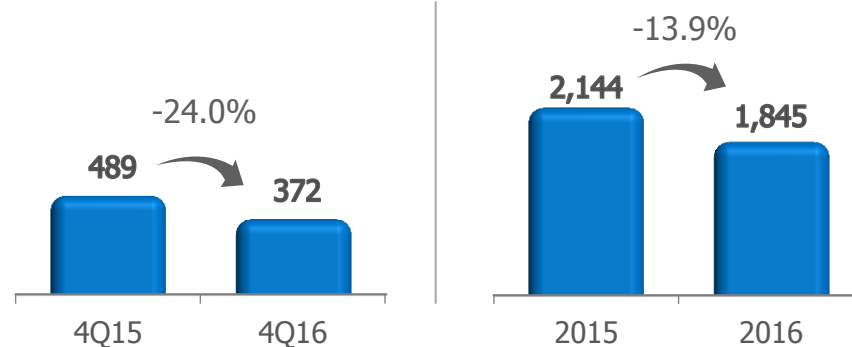


► EBITDA¹ Breakdown | 2016 | R\$ million

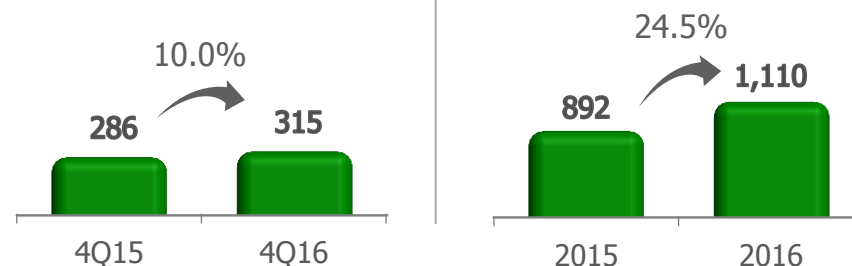


Total: R\$ 4,126 million

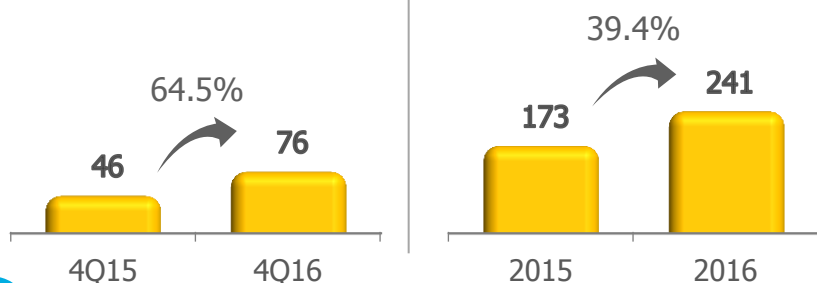
► Distribution | R\$ million



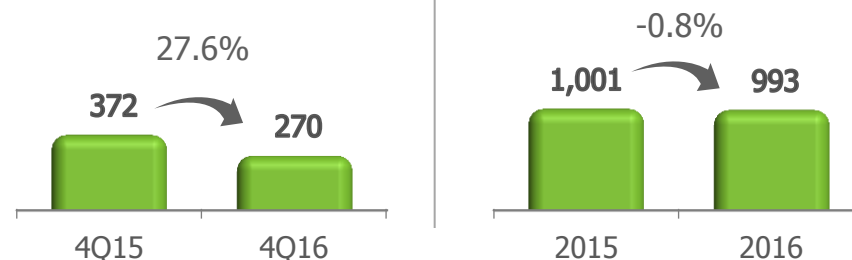
► Conventional Generation | R\$ million



► Commercialization & Services | R\$ million



► Renewable Generation | R\$ million

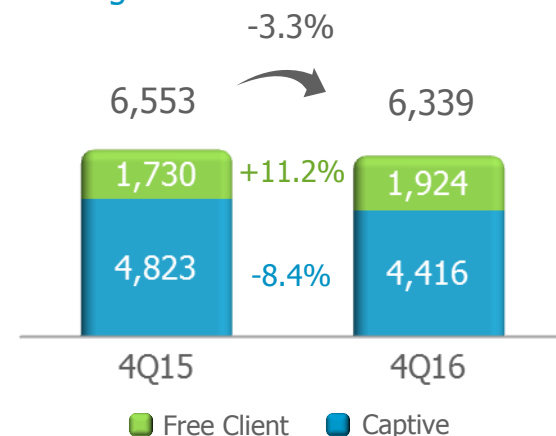


1) EBITDA is calculated from the sum of net income, taxes, financial result, depreciation/amortization, as CVM Instruction no. 527/12.

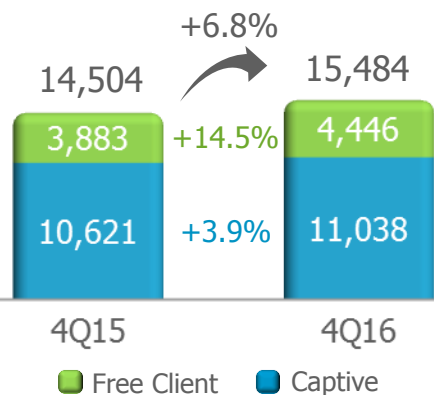
Highlights

- ✓ **Increase in sales** in the concession area (+**6.8%**)
- ✓ **RGE Sul (Nov/Dec-16)** added **1,452 GWh** in sales
- ✓ Disregarding RGE Sul (Nov/Dec-16):
 - **Decrease in load** in the concession area (-**3.3%**)
 - **Decrease in sales** in the concession area (-**3.3%**)
 - **Contracted demand** maintenance: **-0.8%** Off Peak and **-0.6%** Peak (Dec-16 vs. Dec-15)¹
 - **Losses**²: from **8.37%** in 4Q15 and **8.84%** in 3Q16 to **9.08%** in 4Q16 (change in the market mix and increase in the number of cuts)

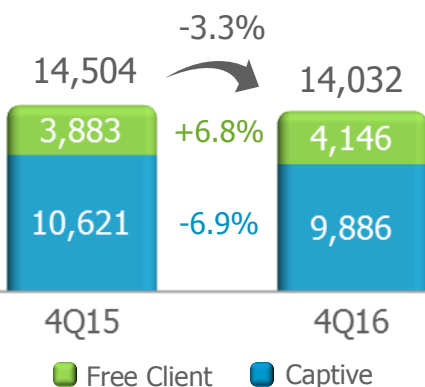
► Load in the concession area (without RGE Sul)^{3,4,5} | average MW



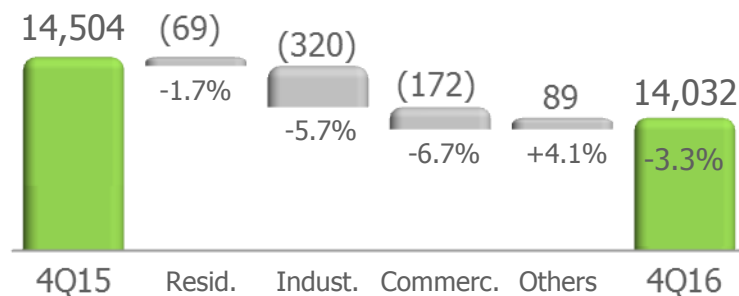
► Sales in the concession area (with RGE Sul)⁵ | GWh



► Sales in the concession area (without RGE Sul)^{4,5} GWh

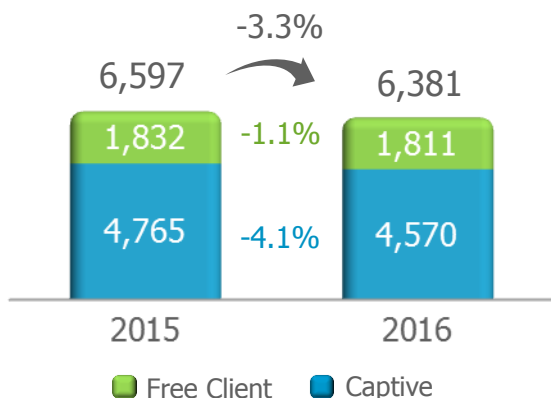


► Sales by consumption segment (without RGE Sul)^{4,5} | GWh

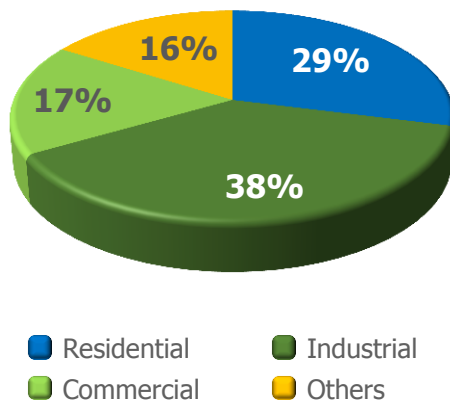


1) Excluding a large A1 consumer, whose demand reduction does not impact parcel B; 2) Reported values were adequate to ANEEL's criteria (customers connected in A1 voltage are disregarded in load); 3) Load net of losses; 4) If excluding the consumption of a large consumer of the steel industry, the load in the concession area would be: -2.1% and free client: +17.1%; Sales in the concession area: -2.0%, free client: 12.4%, Industrial segment: -2.5%; 5) RGE Sul (Nov/Dec-16).

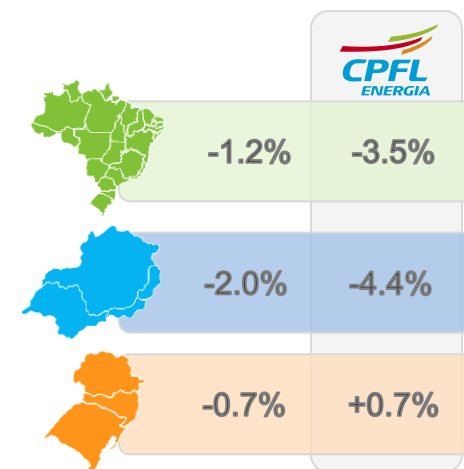
► Load in the concession area (without RGE Sul)^{1,2,3} | average MW



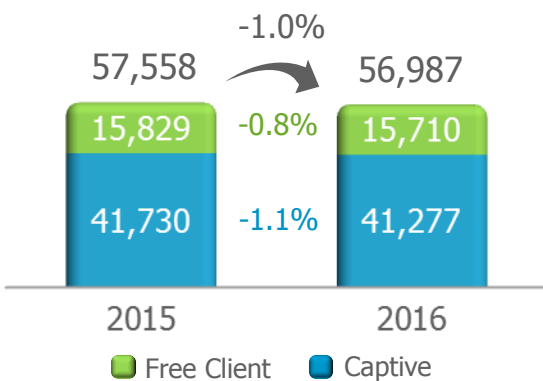
► Market breakdown | Sales in the concession area



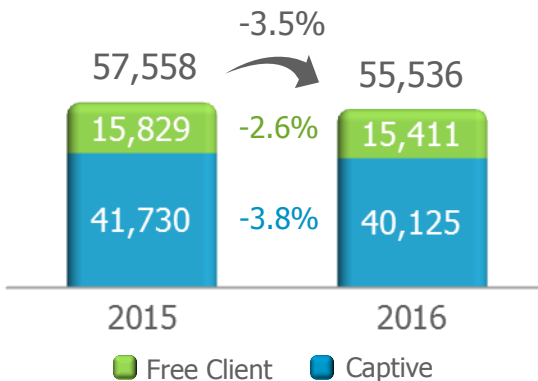
► Comparison by Region | Sales in the concession area



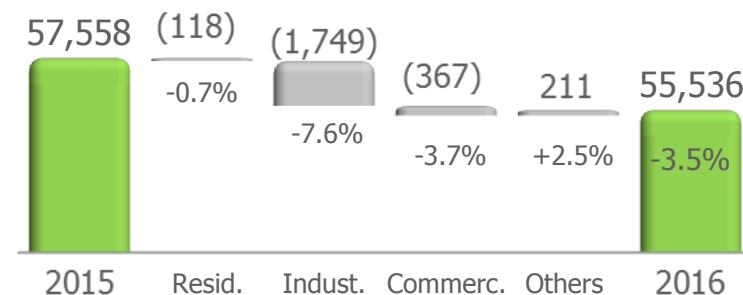
► Sales in the concession area (with RGE Sul)¹ | GWh



► Sales in the concession area (without RGE Sul)^{1,2} | GWh

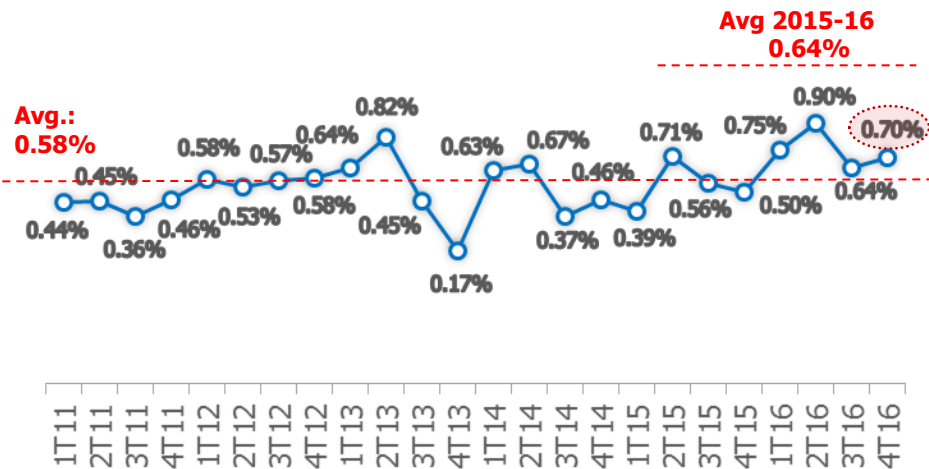


► Sales by consumption segment (without RGE Sul)^{1,2} | GWh

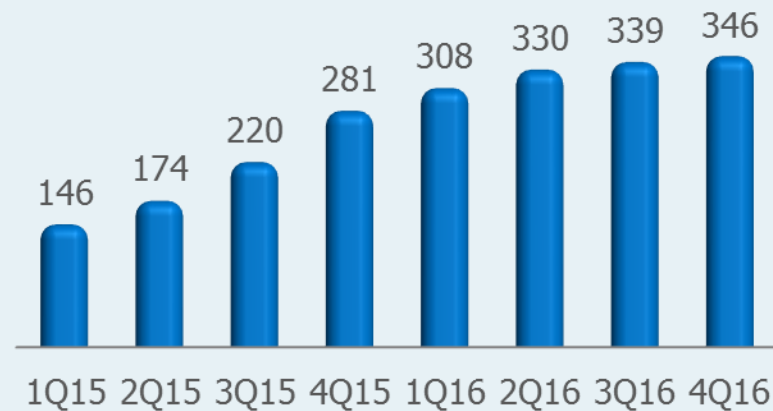


1) RGE Sul (Nov/Dec-16); 2) If excluding the consumption of a large consumer of the steel industry, the load in the concession area would be: -1.9% and free client: +4.4%; Sales in the concession area: -2.2%, free client: +2.7%, Industrial segment: -4.4%; 3) Load net of losses.

► ADA Evolution | % of Gross Revenue¹



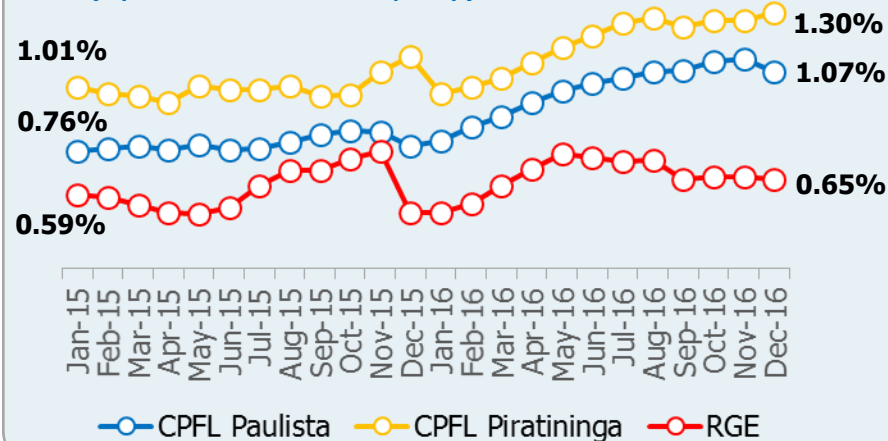
► Collection actions | Cuts (thousands)



► Total overdue bills | in % of revenues 2016



► Total overdue bills | in % of revenues 2016 (by distribution company)



1) ADA/Revenue from sales to final consumers.

Generation: Performance in 4Q16

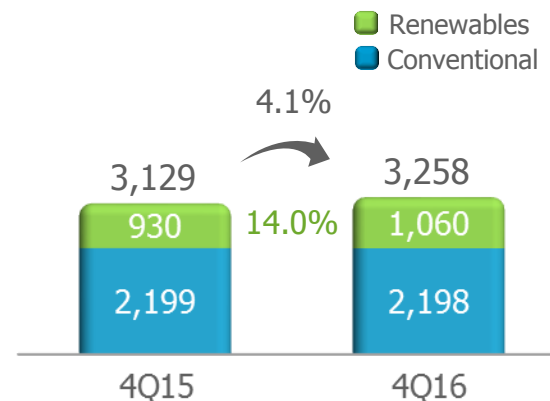
Highlights

- ✓ **Unfavorable hydrological situation** in the Northeast region
- ✓ Commercial Start-up of Campo dos Ventos/São Benedito wind complexes (**231 MW**)
- ✓ GSF 4Q16: **-R\$ 16 million** vs. GSF 4Q15: **+R\$ 86 million**
- ✓ GSF 2016: **-R\$ 55 million** vs. GSF 2015: **-R\$ 149 million**
- ✓ **Remaining exposure to GSF: 12%** of the Company's hydro capacity

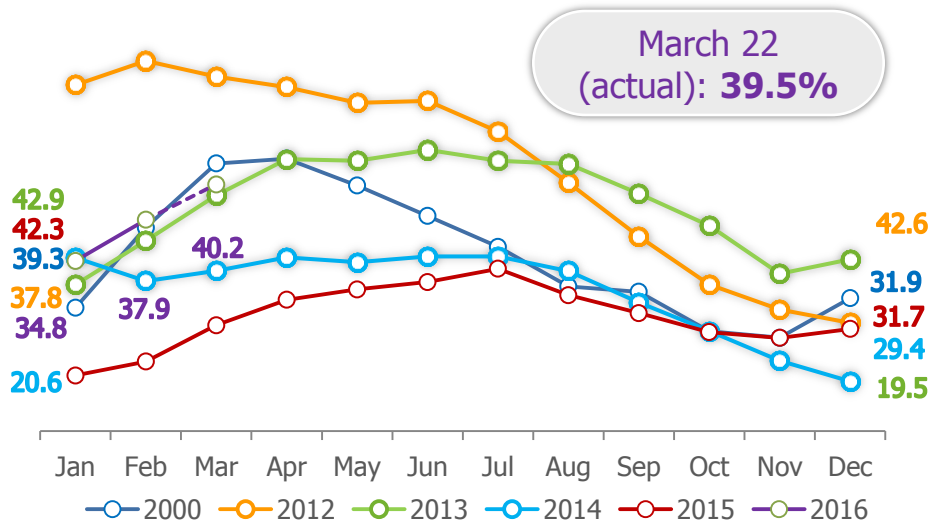
PLD¹:

4Q16: **R\$ 162.8/MWh** | 3Q16: **R\$ 116.0/MWh** | 4Q15: **R\$ 177.1/MWh**

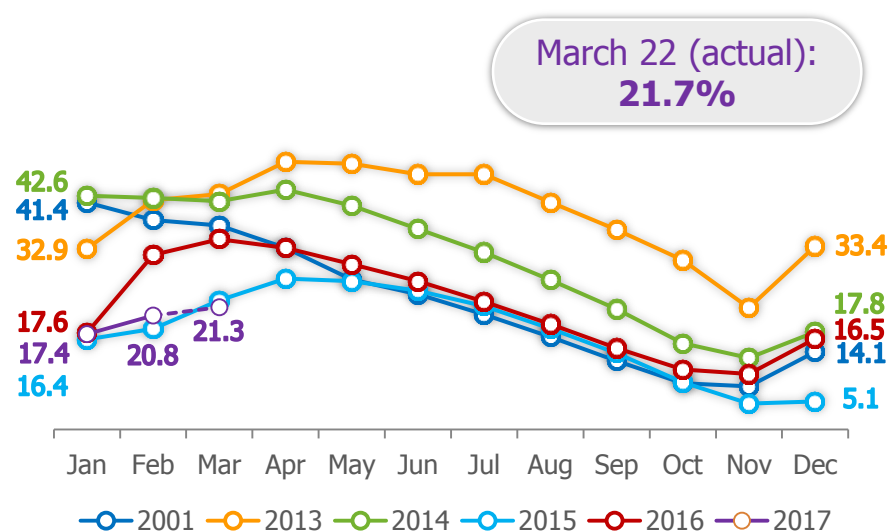
► 4Q16 Installed Capacity² | %



► NIPS Reservoir Levels | %



► Northeast Reservoir Levels | %



1) Submarket SE/CW (average price)

2) Considering proportional stake in the generation projects

IFRS

Net Revenue



11.8%
R\$ 582 million

4Q15	4Q16
R\$ 4,930 million	R\$ 5,512 million



1.2%
R\$ 59 million

4Q15	4Q16
R\$ 4,930 million	R\$ 4,989 million

EBITDA



-12.6%
R\$ 145 million

4Q15	4Q16
R\$ 1,149 million	R\$ 1,004 million



-15.7%
R\$ 180 million

4Q15	4Q16
R\$ 1,149 million	R\$ 969 million

Net Income



-62.2%
R\$ 225 million

4Q15	4Q16
R\$ 363 million	R\$ 137 million



-54.5%
R\$ 198 million

4Q15	4Q16
R\$ 363 million	R\$ 165 million

IFRS (-) RGE Sul

Key Factors

EBITDA:

- Distribution: total var. of -R\$ 117 MM**
 - Concession financial asset (-R\$ 160 MM)
 - Manageable PMSO + ADA + Reinforcement of collection actions (-R\$ 35 MM)
 - RGE Sul (+R\$ 36 MM)
 - Legal and judicial expenses (+R\$ 34 MM)
 - Itaipu's exchange variation (+R\$ 32 MM)
- Renewable Generation: total var. of -R\$ 103 MM**
 - Provision for losses and write-off (-R\$ 75 MM)

EBITDA:

- + Commerc., Serv. & Others: total var. of +R\$ 47 MM**
 - Impairment of assets (+R\$ 31 MM)
- + Conventional Generation: total var. of +R\$ 29 MM**
 - Price readjustments of contracts

Net Income:

- Financial Result: total var. of -R\$ 195 MM**
 - Debt charges + MTM (-R\$ 87 MM)
 - RGE Sul (-R\$ 33 MM)
 - Itaipu's exchange variation (-R\$ 32 MM)

	Net Revenue		EBITDA		Net Income	
	-7.2% R\$ 1,487 million		-0.4% R\$ 18 million		0.4% R\$ 4 million	
IFRS	2015 R\$ 20,599 million	2016 R\$ 19,112 million	2015 R\$ 4,143 million	2016 R\$ 4,126 million	2015 R\$ 875 million	2016 R\$ 879 million
IFRS (-) RGE Sul	-9.8% R\$ 2,010 million		-1.3% R\$ 53 million		3.6% R\$ 31 million	
	2015 R\$ 20,599 million	2016 R\$ 18,589 million	2015 R\$ 4,143 million	2016 R\$ 4,090 million	2015 R\$ 875 million	2016 R\$ 907 million

Key Factors

EBITDA:

- Distribution: total var. of -R\$ 299 MM**
 - Concession financial asset (-R\$ 212 MM)
 - Itaipu's exchange variation (-R\$ 178 MM)
 - Opex variation: +9,0% (-R\$ 168 MM)
 - Variação de mercado/preço (+R\$ 210 MM)
 - RGE Sul (+R\$ 36 MM)
- Renewable Generation: total var. of -R\$ 8 MM**
 - Expense from contractual indemnity (-R\$ 57 MM)
 - Provision for losses and write-off (-R\$ 75 MM)
 - Higher wind farms generation (+R\$ 67 MM)

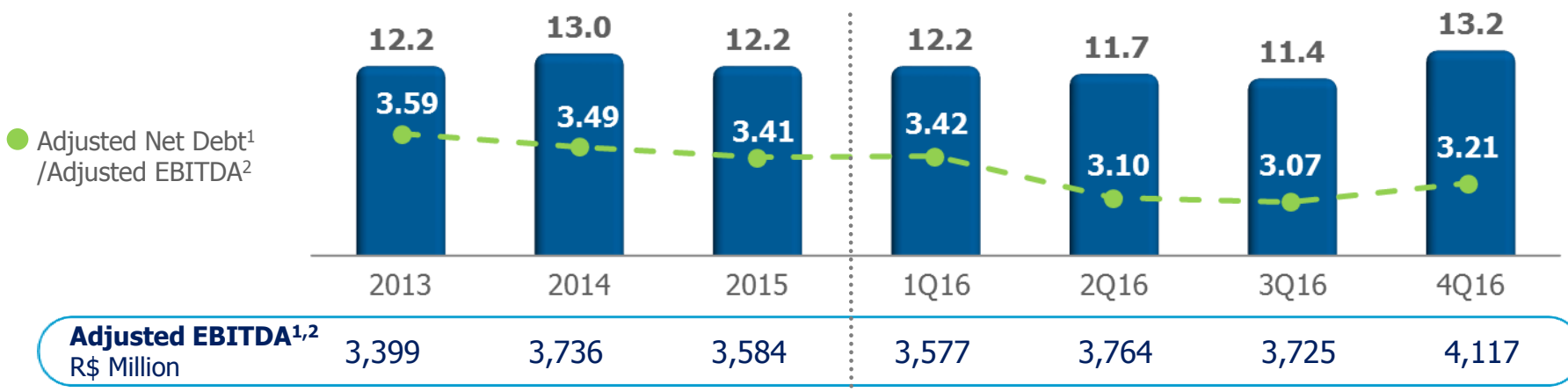
EBITDA:

- Conventional Generation: total var. of +R\$ 218 MM**
 - Price readjustments of contracts (+R\$ 163 MM)
 - GSF (+R\$ 38 MM)
- Commerc., Serv. & Others: total var. of +R\$ 72 MM**
 - Revenue from contractual indemnity (+R\$ 57 MM)

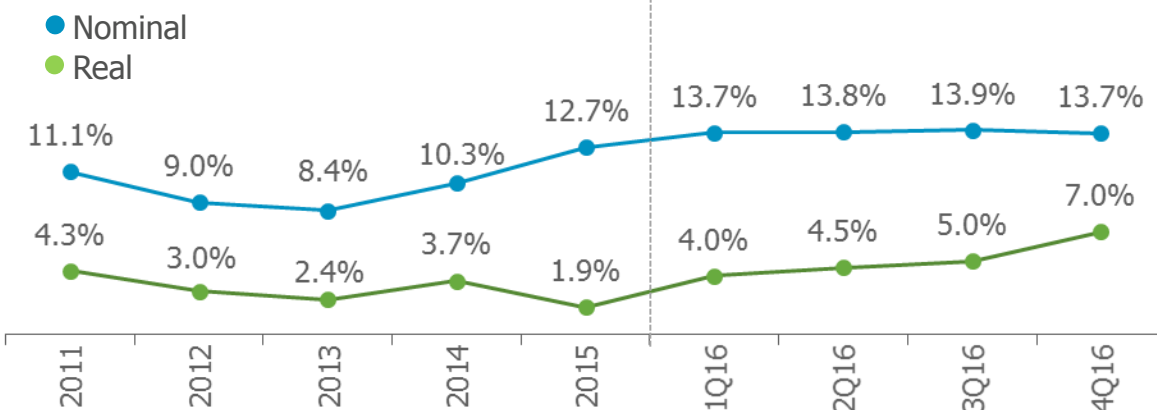
Net Income:

- Financial Result: total var. of -R\$ 46 MM**
 - Debt charges + MTM (-R\$ 232 MM)
 - RGE Sul (-R\$ 33 MM)
 - Itaipu's exchange variation (+R\$ 178 MM)
 - Late payment interest and fines (+R\$ 20 MM)

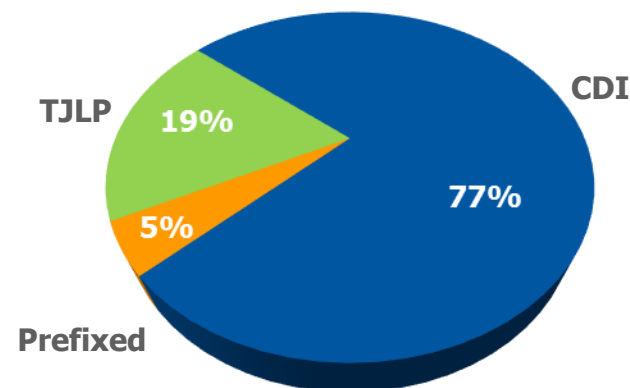
► Leverage¹ | R\$ Billion



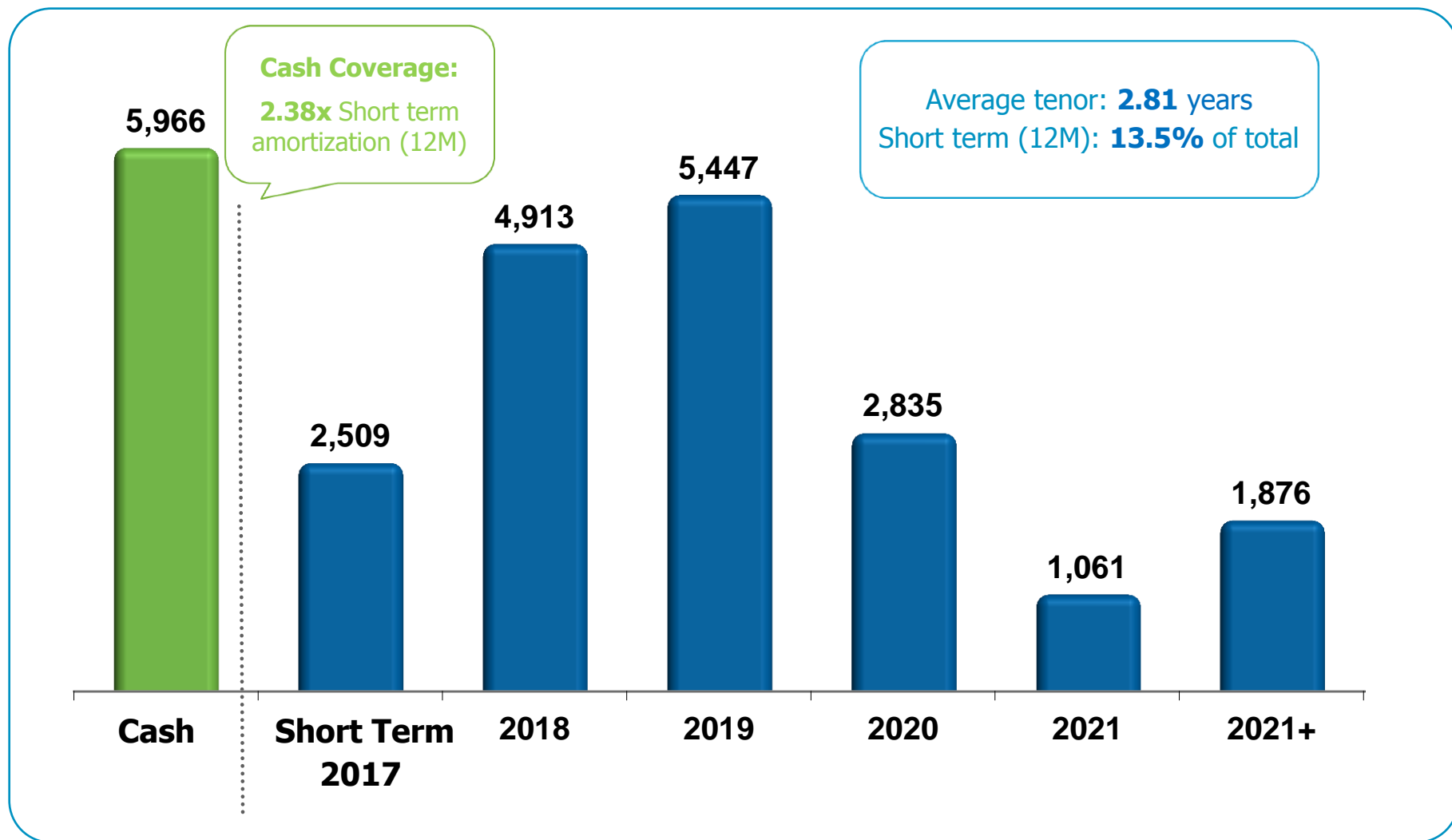
► Gross Debt Cost^{3,4} | LTM



► Gross Debt Breakdown by Indexer | 3Q16^{1,4}



► Debt Amortization Schedule^{1,2} | Dec-16 | R\$ Million



Campo dos Ventos and São Benedito Wind Complexes



**CPFL Renováveis
commercialized 100% of
the assured energy to
CPFL Brasil, in long term
agreements**

Commercial Start-up	Installed Capacity	Assured Energy	PPA	Location	Financing
Dec-16	231.0 MW	125.2 average-MW	ACL 20 years	Rio Grande do Norte	BNDES (approved)

Growth Projects: Generation | Greenfield projects



Commercial Start-up
**2018-
 2020^(e)**
75 MW
 of installed capacity
41
 average-MW
 of assured energy

3 GW pipeline

	Pedra Cheirosa Wind Farms	Boa Vista II SHPP
Commercial Start-up	2018 ¹	2020
Installed Capacity	48.3 MW	26.5 MW
Assured Energy	26.1 average-MW	14.8 average-MW
PPA ²	18 th LEN 2014 R\$ 147.30/MWh until 2037	21 st LEN 2015 R\$ 228.67/MWh until 2049
Financing	BNDES (under analysis)	BNDES (under analysis)

1) Gradual commercial operation from 1H18; 2) Constant Currency (Dec-16).



STATE GRID
CORPORATION OF CHINA

54.6%

Free Float

45.4%



Acquisition of the stakes of Camargo Corrêa, Previ and Bonaire (54.6% of the total of CPFL Energia)

R\$ 25.51/share

Current status:

- Interactions with CVM (Brazilian SEC) to the concession of tender offer's registry
- EGM of 03/27/17 of CPFL Energia already called:
 - i. change of the publicly-held company registration, from class "A" to class "B", and delisting from BM&FBOVESPA's Novo Mercado
 - ii. choice of the firm to produce the appraisal report



CPFL
ENERGIA