

1Q16 Results



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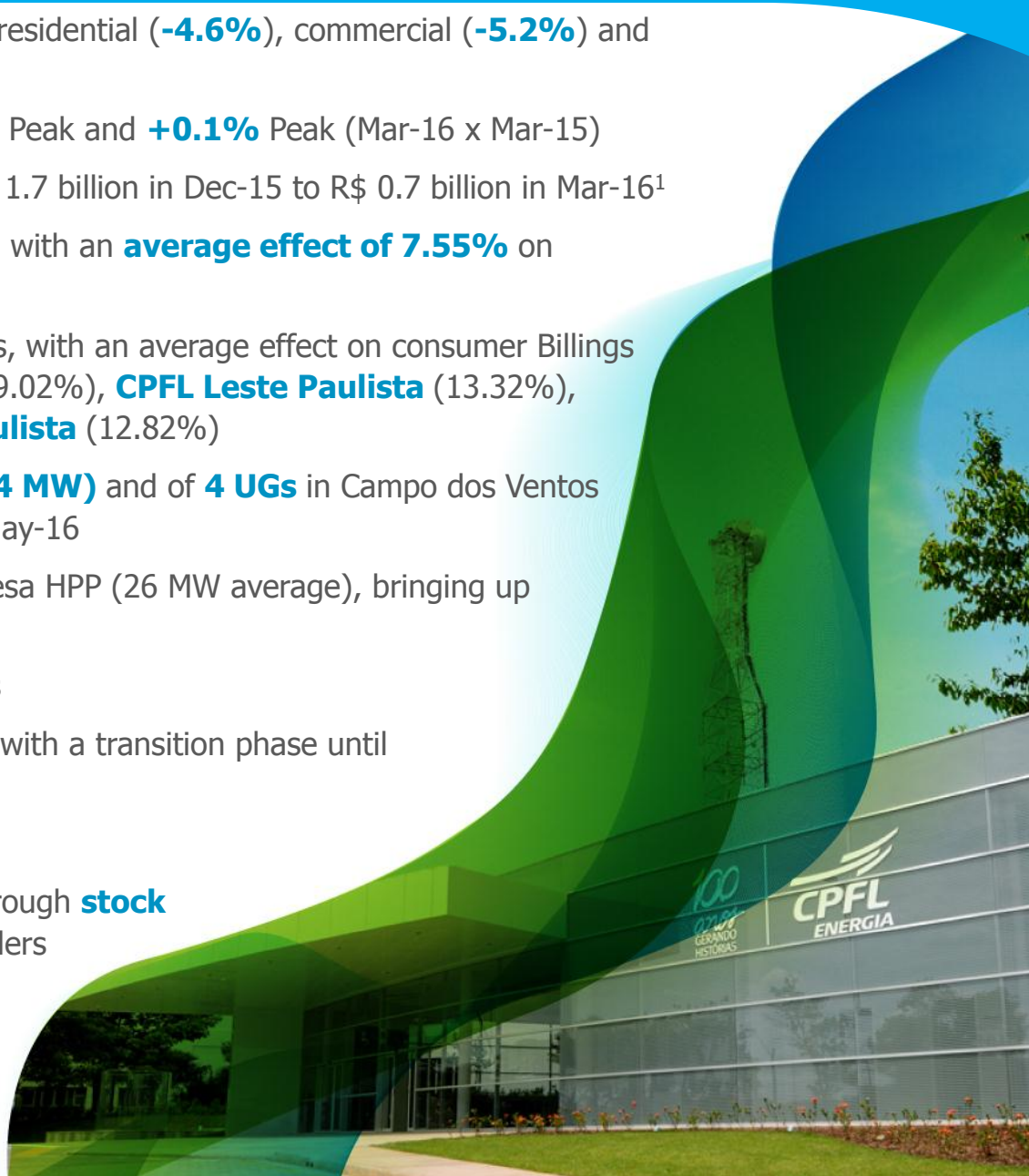
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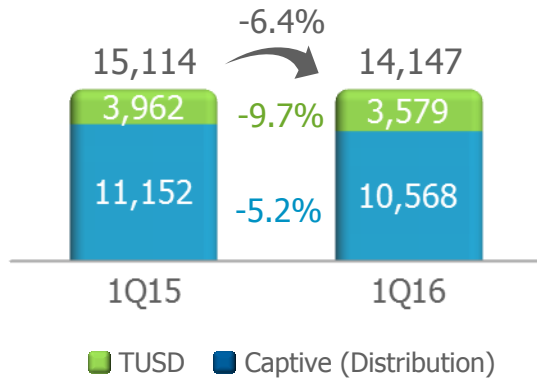
Highlights 1Q16

- ✓ Sales dropped **6.4%** in the concession area - residential (**-4.6%**), commercial (**-5.2%**) and industrial (**-10.5%**)
- ✓ Stability in **contracted demand: +0.5%** Off Peak and **+0.1%** Peak (Mar-16 x Mar-15)
- ✓ Decrease of **56% in CVA balance** – from R\$ 1.7 billion in Dec-15 to R\$ 0.7 billion in Mar-16¹
- ✓ **CPFL Paulista tariff adjustment**, in Apr-16, with an **average effect of 7.55%** on consumer billings
- ✓ Approval of **periodic tariff review** of 5 discos, with an average effect on consumer Billings of: **CPFL Jaguari** (13.25%), **CPFL Mococa** (9.02%), **CPFL Leste Paulista** (13.32%), **CPFL Santa Cruz** (7.15%) and **CPFL Sul Paulista** (12.82%)
- ✓ Commercial start-up of **Mata Velha SHPP (24 MW)** and of **4 UGs** in Campo dos Ventos and São Benedito wind complex (**8 MW**), in May-16
- ✓ Renegotiation of the **hydrological risk** of Baesa HPP (26 MW average), bringing up an additional benefit of **R\$ 8 million**
- ✓ Decrease of **R\$ 143 million in GSF** expenses
- ✓ Announcement of **CEO succession process**, with a transition phase until July 1st, 2016
- ✓ Investments of **R\$ 446 million**
- ✓ Approval of the proposal of capital increase through **stock dividend**; new shares distributed to shareholders on **May 5, 2016**
- ✓ **2015 Annual Report** released on Mar 31, 2016

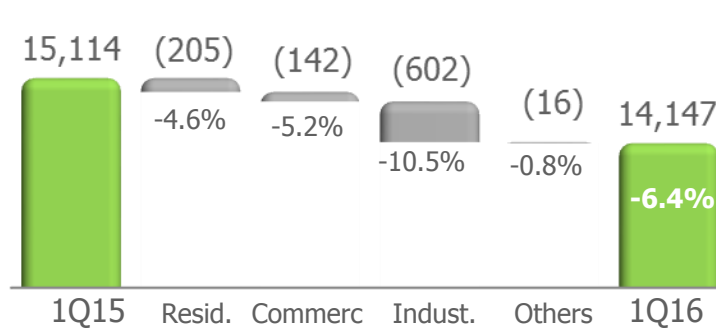
1) Balance of sectoral financial assets and liabilities, excluding tariff flags not approved by Aneel up to the date special obligations accounted under 4th Tariff Review Cycle methodology.



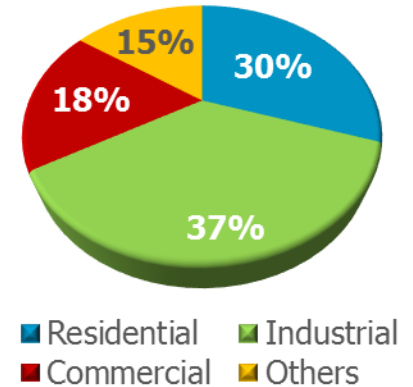
Sales in the concession area | GWh



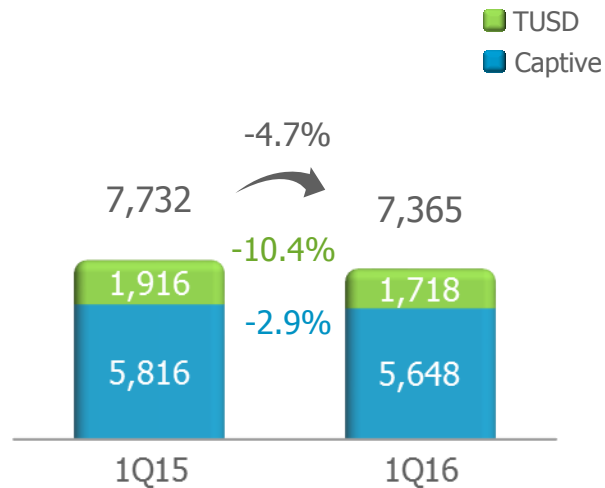
Sales by consumption segment | GWh



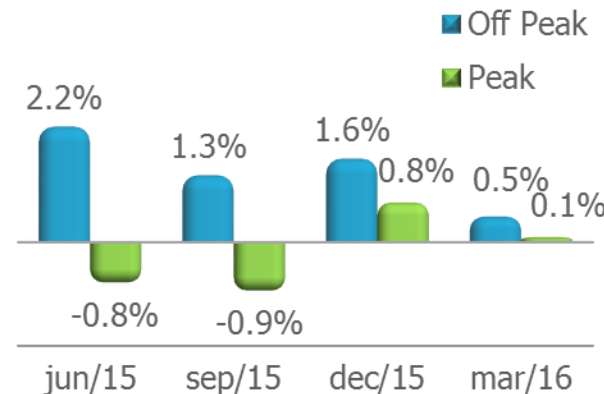
Market breakdown in concession area | 1Q16



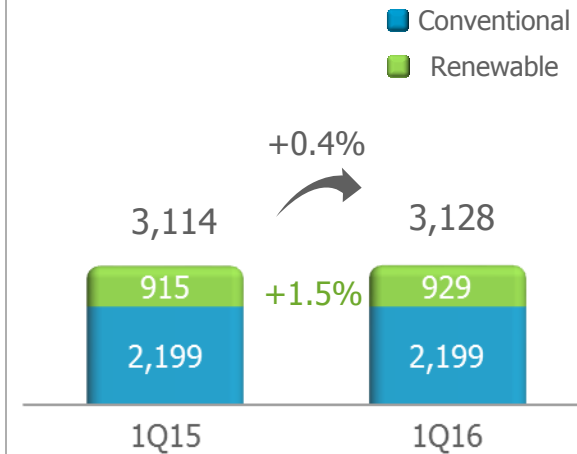
Load in the concession area | MW médios



Contracted Demand | MW

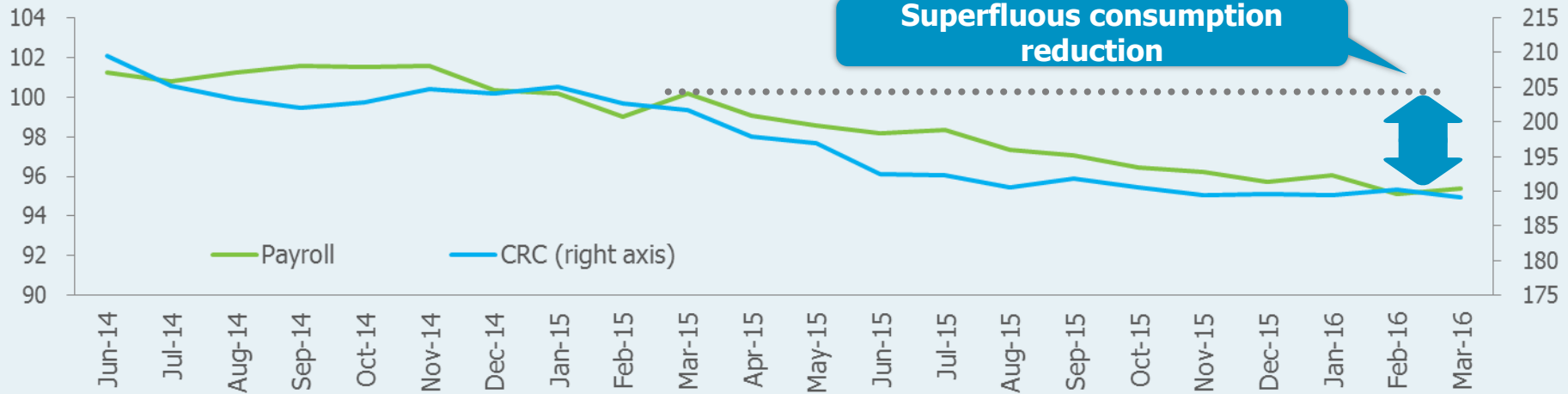


Generation Installed Capacity¹ | MW

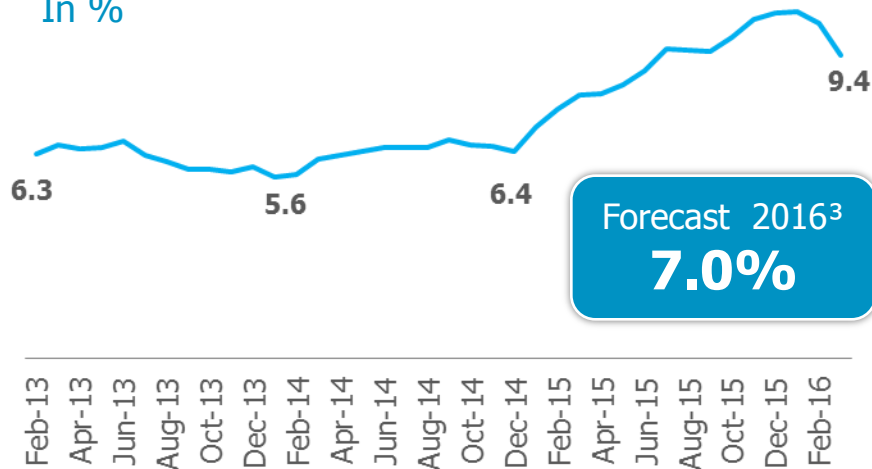


1) Considers 51.61% of CPFL Renováveis

Payroll¹ and Consumption per residential customer (kWh/customer)



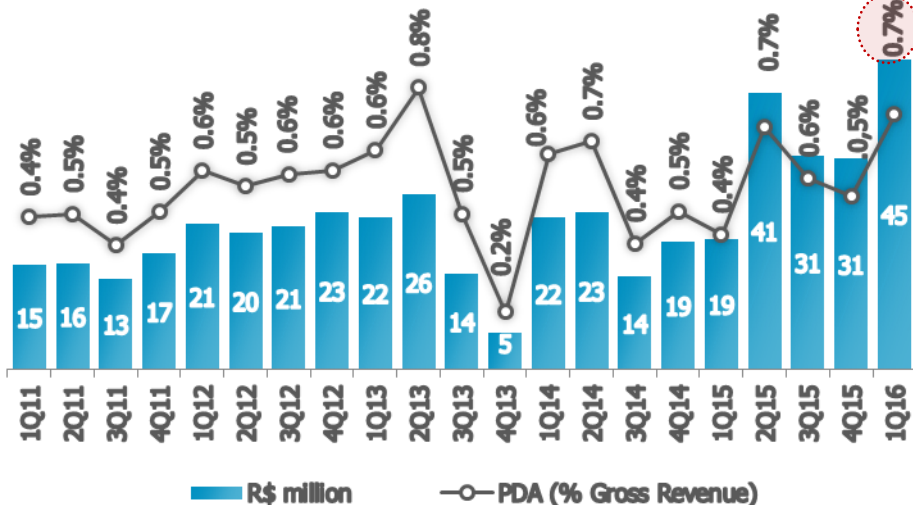
▶ IPCA inflation (Accumulated 12 months)² In %



Context 2016

- **Lower and negative** expected real tariff adjustments
- Energy: essential good, without direct substitute
- Considerable efficiency gains (lamp replacement) occurred in 2015 – potential is lower
 - **LED lamp sales⁴ – 2014: 27 million | 2015: 81 million**
- **The adjustments of 2015** were in superfluous consumption – Additional reductions will affect the customer **comfort** and tend not to happen in the same proportion

► Evolution of PDA



PDA as % of Gross Revenue is still low

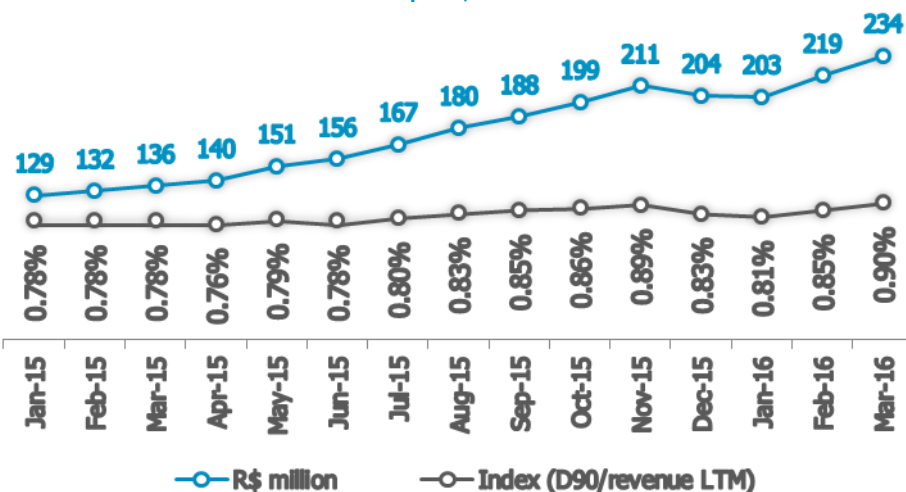
- **Tariff increase 1Q16 vs 1Q15: 51.5 %**
- **Deteriorated Macroeconomic Scenario (1Q16)**
 - Unemployment rate : **10.2%¹**
 - Payroll: **-4.2%²**
 - Inflation rate: **9.4%³**

Migration of delinquency from D30 customer to D90 → change in collection actions

Strengthening of Collection Actions (actions/month): March/16 (vs 1Q15)

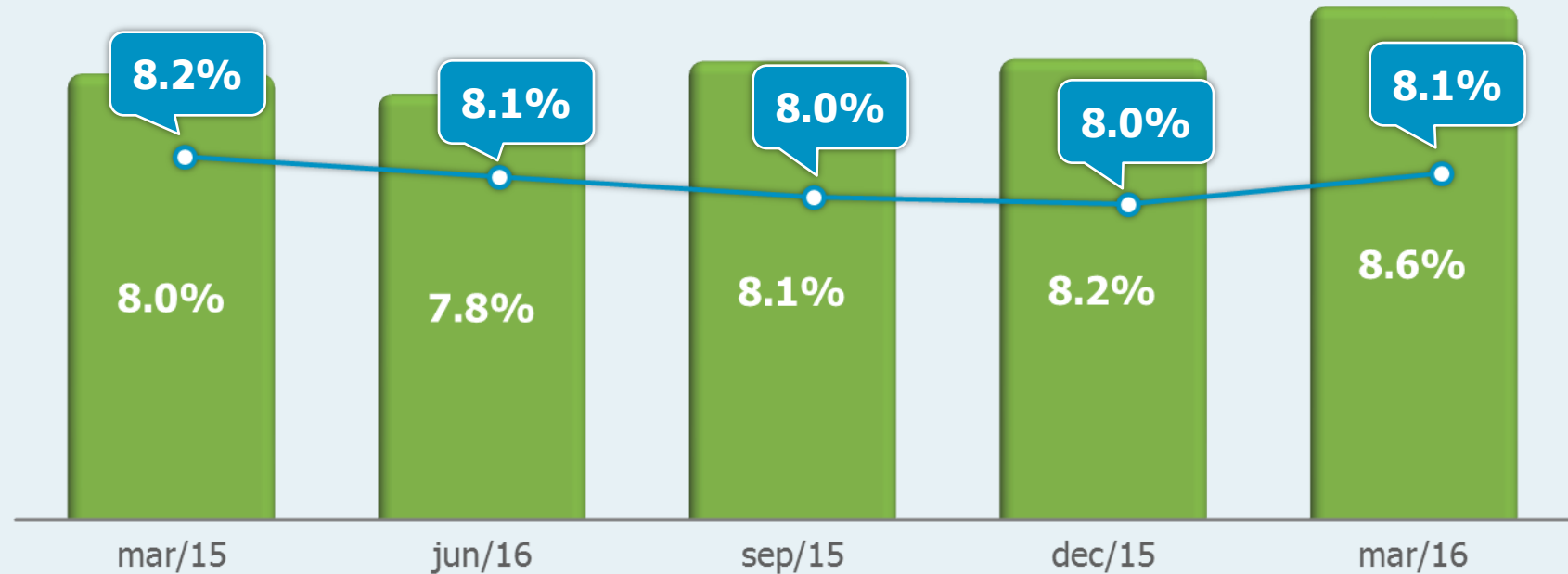
- ✓ Conventional Cuts: 110 thousand (+153%)
- ✓ Telecollection: 1.9 million (+20%)
- ✓ E-mails: 236 thousand (+232%)
- ✓ Bill Collector : 267 thousand (+44%)
- ✓ Negativity: 807 thousand (+8%)
- ✓ Electronic protest: 46 thousand (new initiative)

► Total overdue bills | R\$ million



► Total Losses – Consolidated | last 12 months

- Losses
- 12-month moving average ¹



In 1Q16, consolidated losses of CPFL Energia presented an increase, reaching **8.63%**

This increase reflects **higher unbilled**, mainly due to:

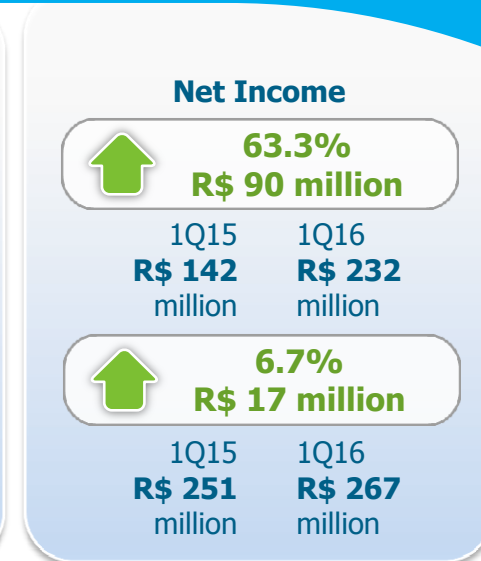
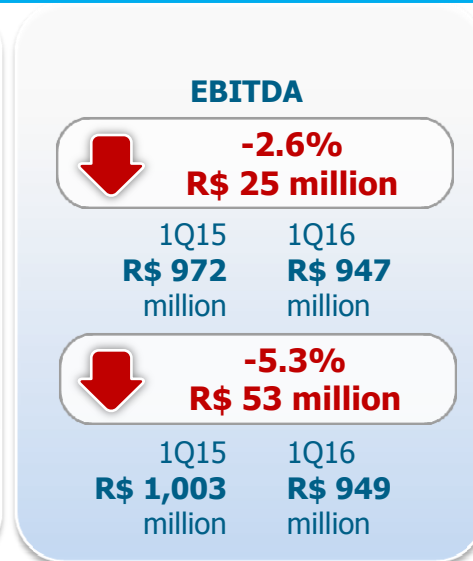
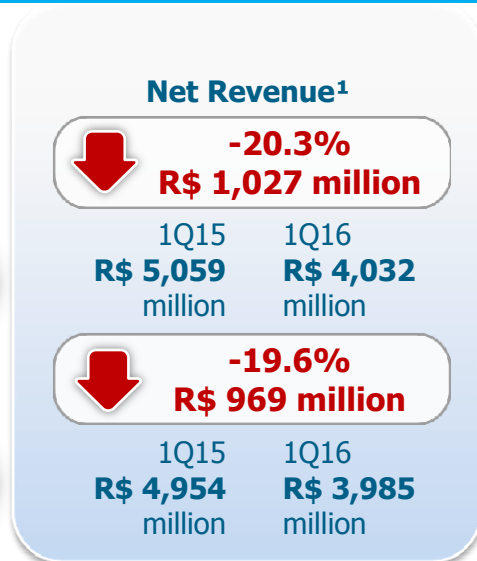
- ✓ **Effect of leap year** - +1 day in load, not yet reflected in the billing schedule
- ✓ **Higher temperature** in 1Q16

Such effects will be offset in the following quarters

1) The 12-month moving average is an indicator that mitigates the effect of unbilled on losses, indicating whether losses are out of control or it is just an one-off effect of unbilled, to be offset in subsequent periods.

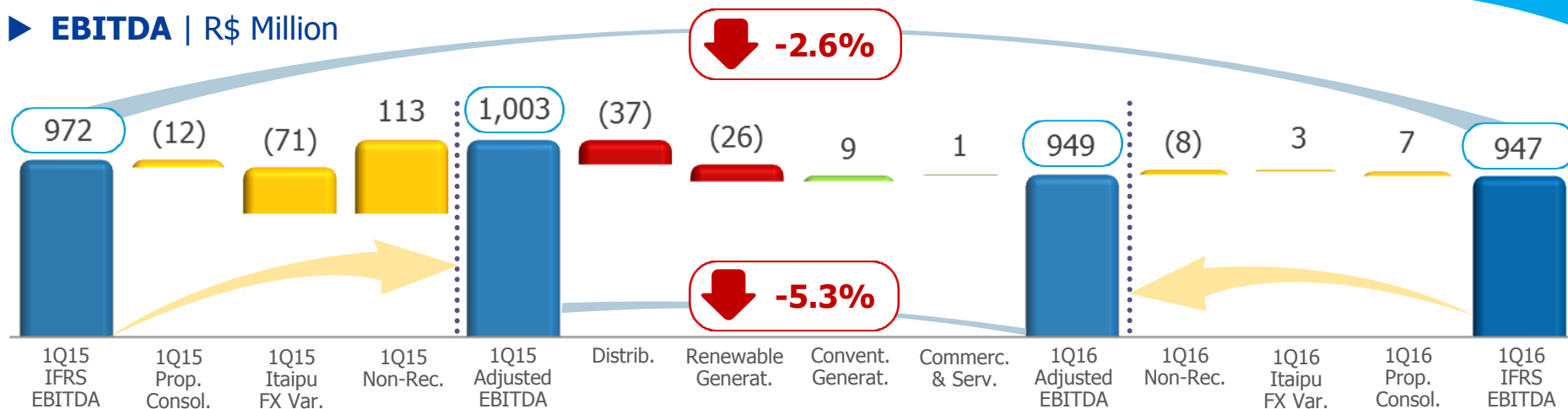
IFRS

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



	EBITDA		Net Income	
	1Q15	1Q16	1Q15	1Q16
Proportionate Consolidation of Generation (A)	- 12	+ 7	+ 26	+ 40
Itaipu Foreign Currency Variation (B)	- 71	+ 3		
GSF and Energy Purchase (CPFL Geração and CPFL Renováveis)	+ 155	- 8	+ 112	- 5
Renegotiation of the GSF (net of risk premium)	+ 30		+ 20	
Seasonality Gain (CPFL Geração and CPFL Renováveis)	- 72		- 50	
Non-Recurring Items (C)	+ 113	- 8	+ 82	- 5
Total (A+B+C)	+ 30	+ 2	+ 108	+ 35

EBITDA | R\$ Million



- Distribution → -6.9% (-R\$ 37 million)

- 10.9% increase in manageable PMSO (R\$ 39 million)
- Legal and judicial expenses (R\$ 28 million)
- Allowance for doubtful accounts (R\$ 26 million)
- 6.4% reduction in sales in the concession area (R\$ 24 million)
- + Parcel A pass-through gains: R&D, Neutrality and CVA - unbilled, CPFL Piratininga losses, new accountings and others (R\$ 66 million)
- + Paulista Annual Adjustments (RTA) and 5 Ds Tariff Review (R\$ 11 million)
- + PIS and COFINS (R\$ 4 million)

- Renewable generation → -23.3% (-R\$ 26 million)

- Wind farms operation – weaker winds (R\$ 13 million)
- SHPPs seasonality (R\$ 10 million)
- PMSO (R\$ 6 million) (+) GSF risk premium (R\$ 1 million)

+ Conventional generation → +2.9% (+R\$ 9 million)

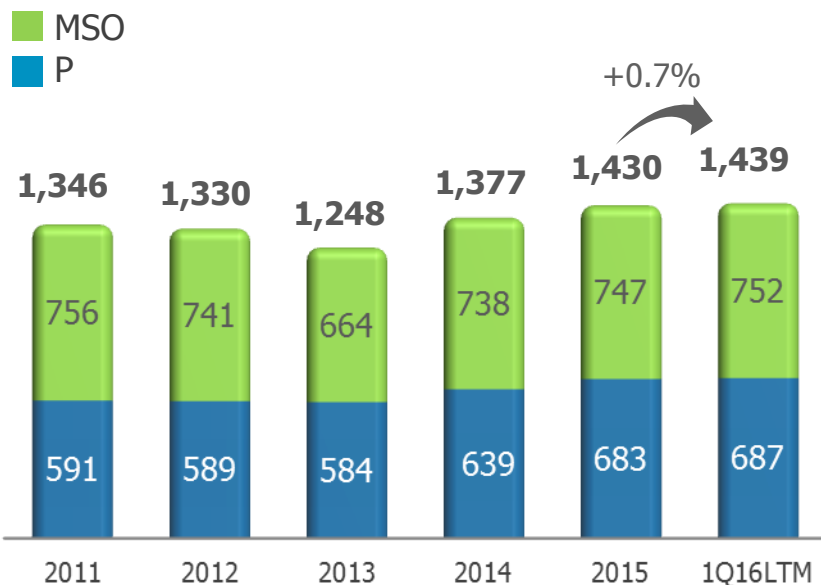
- + EPASA's better performance (R\$ 12 million)
- + Others (R\$ 12 million)
- Expenses with GSF (R\$ 10 million)
- GSF risk premium (R\$ 5 million)

+ Commercialization, Services and Holding → +3.5% (+R\$ 1 million)

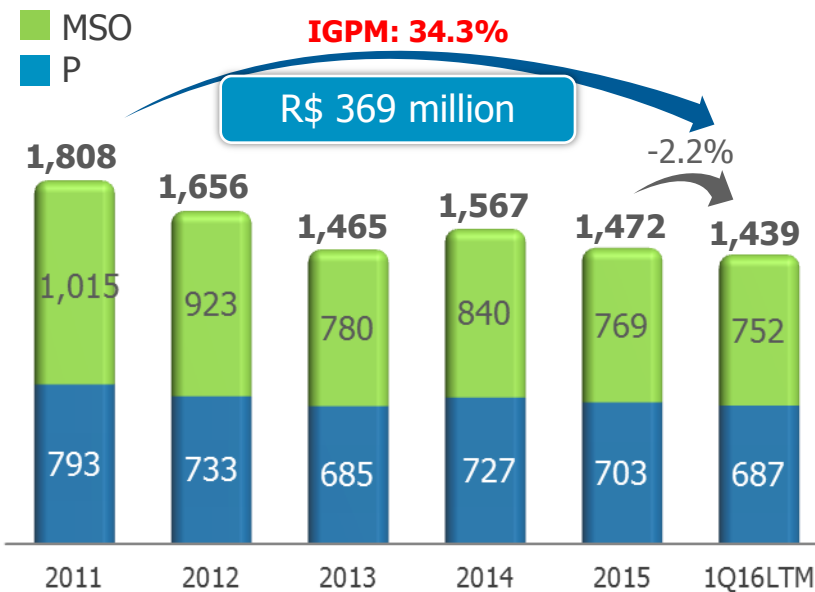
	LTM	PLD (R\$/MWh) ¹	
IPCA	9.4%	1Q15	1Q16
IGP-M	11.6%	388.48	34.60

1) Average PLD in SE/CW.

► Nominal Adjusted PMSO | R\$ Million



► Real Adjusted PMSO¹ | R\$ Million



2011 to 2014

Creation of decision packages and budget planning according to ZBB methodology



2015/2016

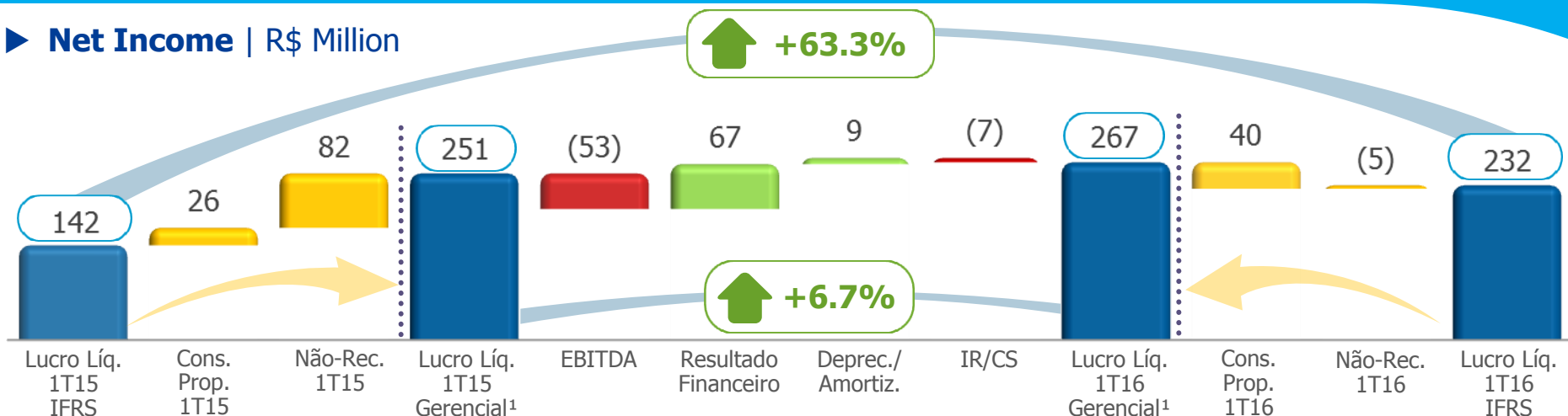
Productivity monitoring

Application of **Technology** to provide higher productivity in the Distribution segment activities, such as:

- ✓ evolution and comparison through indicators created for productivity measurement
- ✓ analysis of team's unavailability
- ✓ Team's daily management
- ✓ dashboards in real time

1) March/16. Variation of IGP-M in the period 1Q16LTM x 2011 = 34.3%. PMSO disregarding Private Pension Fund. Excludes non-recurring items, acquisition of fuel oil for EPASA power plants, PMSO of Services and CPFL Renováveis segments, Legal, Judicial and Indemnities and Personnel capitalization costs since January 2014, due to the new methodology established by Aneel.

► Net Income | R\$ Million



➖ **Reduction of 5.3% in EBITDA (R\$ 53 million)**

➕ **Reduction of 23.7% in Negative Net Financial Result (R\$ 67 million)**

- ➕ Adjustment of sectoral financial assets/liabilities (CVA) (R\$ 41 million)
- ➕ Variation of discos' concession financial assets (R\$ 33 million)
- ➕ Additions and late payment fines / installments debts (R\$ 30 million)
- ➕ Mark-to-market effect – Law 4,131 operations – non-cash (R\$ 27 million)
- ➖ PIS/COFINS over financial revenues (R\$ 21 million)
- ➖ Net financial revenues (R\$ 12 million)
- ➖ Others (R\$ 31 million)

➕ **Reduction of 3.3% in Depreciation and Amortization (R\$ 9 million)**

- ➕ Reduction in the amortization of concession's intangible (R\$ 20 million)
- ➖ Increase in depreciation and amortization (R\$ 11 million)

➖ **Increase of 3.5% in Income Tax/Social Contribution (R\$ 7 million)**

	1Q15	1Q16
CDI	12.1% a.a.	14.1% a.a.
R\$/US\$ ²	3.21	3.56

1) Take into account proportionate consolidation of projects; 2) Exchange rate (R\$/US\$) – end of the period.

Tariff events: Accumulated CVA and Parcel B adjustments

4th Cycle of Periodic Tariff Review

	Parcel A	Parcel B	Customer Average Effect	Parcel B Gain ¹	Financial Components
CPFL Santa Cruz	-2.46%	6.43%	7.15%	7	43
CPFL Leste Paulista	-2.79%	19.64%	13.32%	2	4
CPFL Sul Paulista	-3.72%	18.26%	12.82%	3	11
CPFL Jaguari	-1.43%	17.41%	13.25%	1	18
CPFL Mococa	-3.53%	11.29%	9.02%	2	4
Consolidated effect				15	80

► Decrease of Parcel A

- ✓ Decrease in 2016 CDE Quota
- ✓ Decrease in Itaipu tariff (in US\$)
- ✓ Addition of energy from quotas

► Increase of Parcel B

- ✓ Increase in Net RAB
- ✓ Increase in WACC from 7.50% to 8.09%
- ✓ Increase in BAR remuneration
- ✓ Addition of special obligations remuneration

► Pass through of accumulated CVA and other financial components

- ✓ Pass-through of **R\$ 80 million** in CVA and others financial components

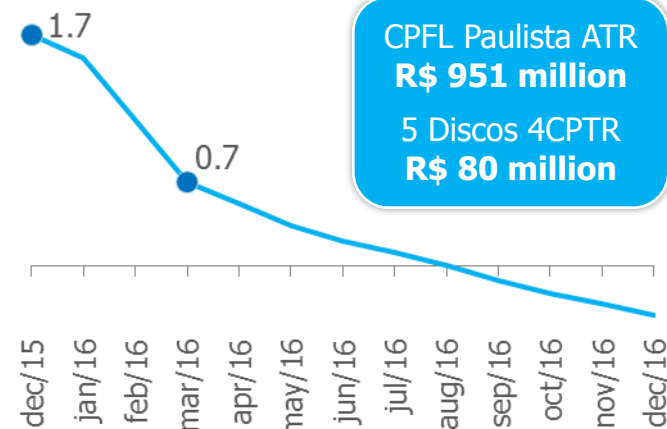
Annual Tariff Readjustment

	Parcel A	Parcel B	Customer Average Effect	Financial Components
CPFL Paulista	-2.51%	10.06%	7.55%	951

► Pass-through of accumulated CVA and other financial components

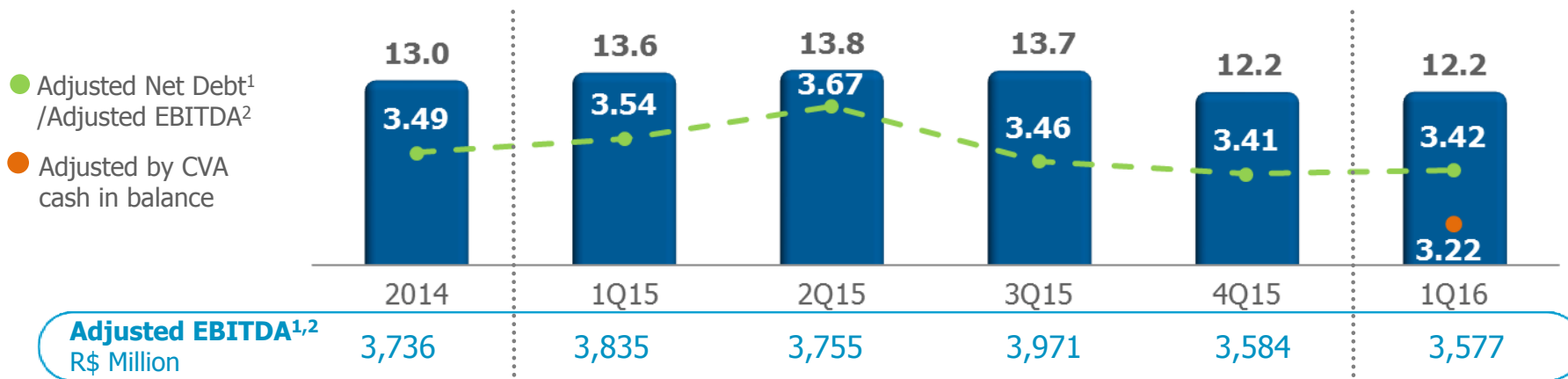
- ✓ Pass-through of **R\$ 951 million** in CVA and others financial components

► CVA Balance | R\$ million



1) Reflecting 4th Cycle of Periodic Tariff Review new methodology.

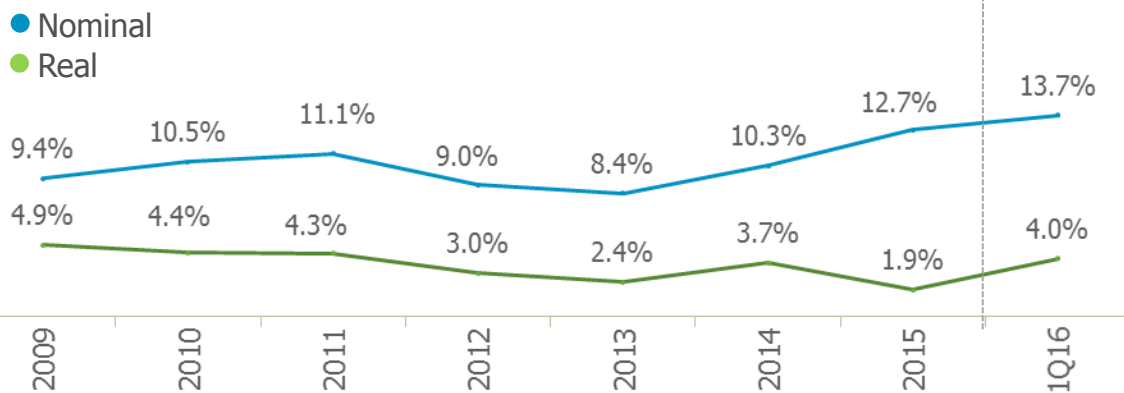
► Leverage¹ | R\$ Billion



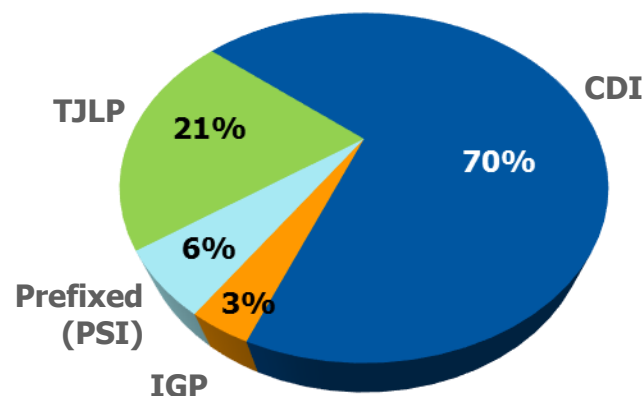
CPFL Energia received a significant amount related to CVA in 1Q16.

Adjusting the cash balance plus the CVA asset (until 1Q16), the Net Debt / EBITDA would reach 3.22x

► Gross Debt Cost^{3,4} | LTM

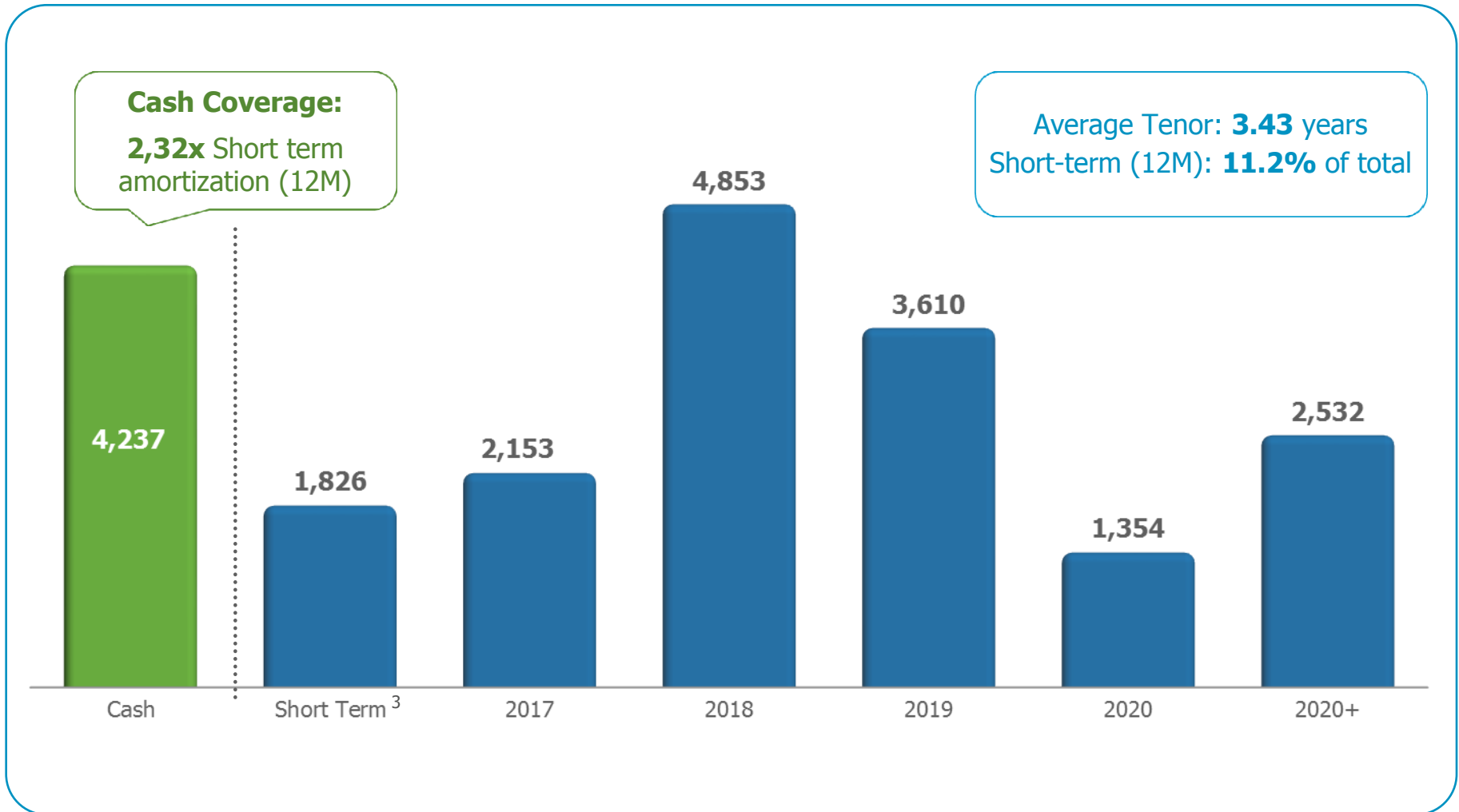


► Gross Debt Breakdown by Indexer | 1Q16^{1,4}



1) Financial covenants criteria; 2) LTM recurring EBITDA; 3) Adjusted by the proportional consolidation since 2012; 4) Financial debt (+) private pension fund (-) hedge

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



1)) Considers Debt Principal, excluding servicing and including hedge; 2) Financial covenants criteria; 3) Amortization from April-2016 to March-2017

In the current context, PH 04 and PH 012 mitigate the over contracted position issue for CPFL Energia in 2016

Actions to mitigate the over contracted position

✓ **PH04 (March/16)**
Recognition of involuntary overplus deriving from energy quotas
Mitigation \approx 4%

✓ **PH012 (April/16)**
Simplify the process for postponement of new energy contracts
Some mitigation potential

CPFL
Exposure

Before
HP04

180
MWavg

After
HP04

Residual
(in function of the macroeconomic scenario and temperature)

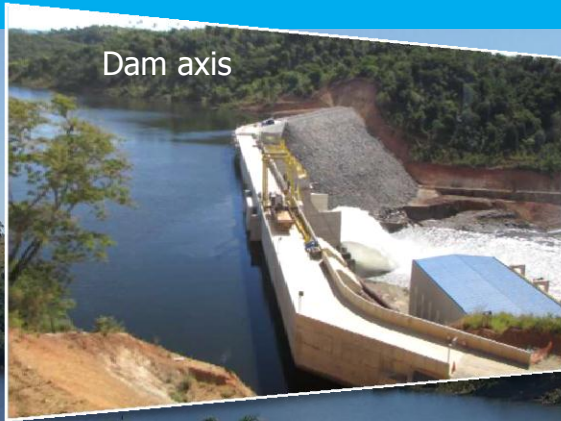
Mitigation potential depends on the possible deals with generators

No impact for the consumer

The impact of special customers migration to the free market still need be better discussed among agents and ANEEL

For CPFL Energia, migration in 2016 already represents approximately 1.8%

SHPP Mata Velha



CPFL Renováveis anticipated the operation in more than 1 year and a half



Panoramic view (substation and reservoir)

Commercial Start-up	Installed Capacity	Assured Energy	PPA ¹	Location	Financing
May-16	24.0 MW	13.1 average-MW	16 th LEN 2013 ² R\$ 155,55/MWh until 2047	Unaí/MG	BNDES (approved)

1) Constant currency (mar/16); 2) The power generated will be injected into the system and sold on the free market until the beginning of the energy sales contract in January 2018.

Commercial Start-up
2016-2020(e)

306 MW
of installed capacity

166
average-MW
of assured energy

**Commercial start-up of 4
wind turbines (8,4 MW) in
May-16**

Campo dos Ventos and São Benedito Wind Farms

Pedra Cheirosa Wind Farms

Boa Vista II SHPP

Commercial Start-up

2016¹

2018²

2020

Installed Capacity

231.0 MW

48.3 MW

26.5 MW

Assured Energy

125.2 average-MW

26.1 average-MW³

14.8 average-MW

PPA³

ACL 20 years

18^o LEN 2014
R\$ 138.39/MWh until 2037

21^o LEN 2015
R\$ 219.77/MWh
until 2049

Financing

BNDES
(approved)

BNDES
(being structured)

BNDES
(being structured)

First CPFL's commercial case in solar distributed generation, through the subsidiary CPFL Eficiência

Project

- ✓ Replacement of 15,023 **lamps to** tubular LED technology
- ✓ **Air conditioning system:** Replacement of the refrigerant fluid
- ✓ **Construction of 2 solar power plants: Campinas** (198 kWp) and **Uberlândia** (increase of 409.2 kWp)
- ✓ **27% saving** with energy efficiency due to photovoltaic generation
- ✓ Initial Investment: **R\$ 6 million**
- ✓ Inauguration in **March-2016**

Benefits - Algar

- ✓ Savings: around **3,500 MWh/year** (12% of total consumption)
- ✓ Postponement of the construction of a substation
- ✓ More attractive prices in **free market**
- ✓ **Sustainability**

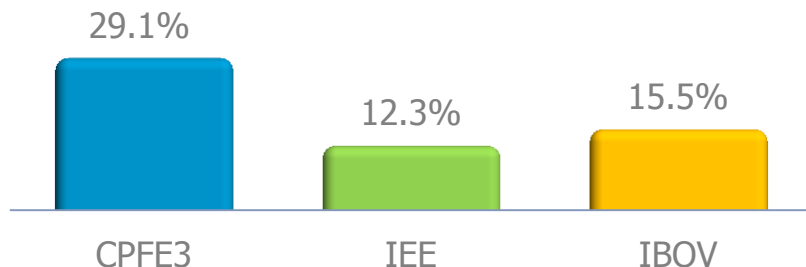


Benefits - CPFL Energia

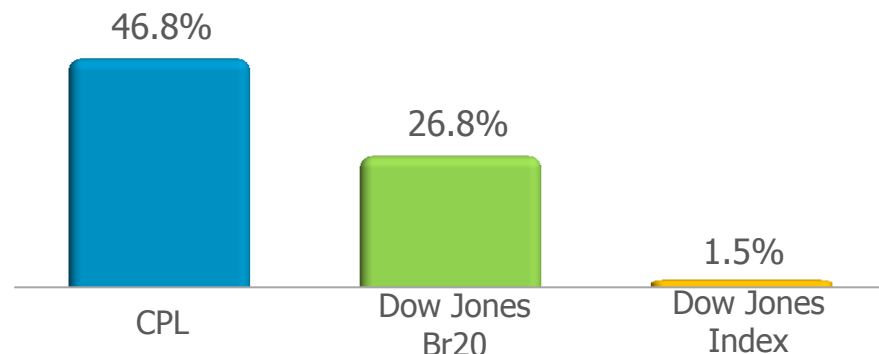
- ✓ Participation in **gains** (estimated solar generation +energy efficiency) **in 10 years**
- ✓ BOT¹ Agreement - asset remuneration in **6 years**
- ✓ Energy commercialization by **CPFL Brasil** during **10 years**

(1) Build, Operation, Transfer

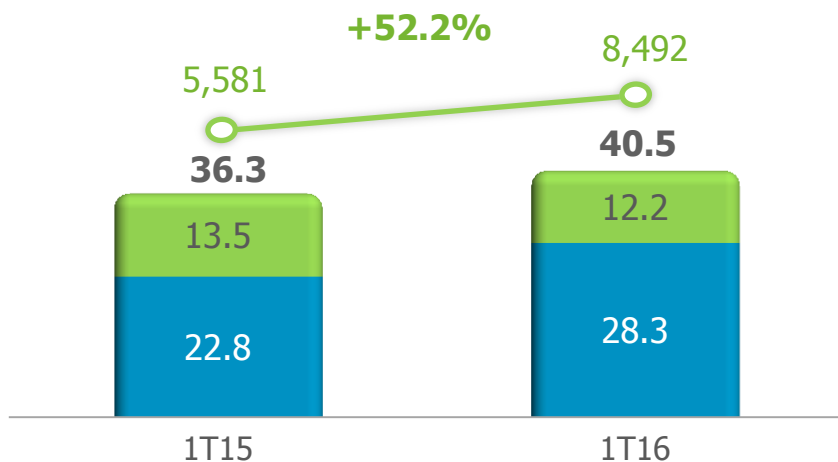
▶ Shares performance on BM&F Bovespa | 1Q16^{1,2}



▶ Shares performance on NYSE | 1Q16^{1,2}



▶ 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

Análise de Sustentabilidade de Empresas **ISE**

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Índice IBRX

Índice de Ações com Tray Aberta Diferenciada **ITAG**

Índice de Ações com Governança Corporativa Diferenciada **IGC**

Índice de Governança Corporativa Trade **IGCT**

- ✓ On **April 2016**, CPFL Energia announced the conclusion of the Chief Executive Officer (CEO) Succession Plan
- ✓ The Succession Plan is part of a **planned process**, according to the best practices of **Corporate Governance**
- ✓ After 18 years, **Wilson Ferreira Jr.** will step down from the **CEO position**
- ✓ **Andre Dorf**, who joined the CPFL three years ago as the **CEO of CPFL Renováveis**, will be the new CEO
- ✓ Both Executives are **working together** until **July, 1st** to ensure a smooth and natural transition



Wilson Ferreira Jr.



Andre Dorf



CPFL
ENERGIA