

CPFL Energy INC  
Form 6-K  
May 16, 2018

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the month of May, 2018**  
**Commission File Number 32297**

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**CPFL Energy Incorporated**  
(Translation of Registrant's name into English)

**Rodovia Engenheiro Miguel Noel Nascentes Burnier, km 2,5, parte**  
**CEP 13088-140 - Parque São Quirino, Campinas - SP**  
**Federative Republic of Brazil**  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.  
Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):  
82-\_\_\_\_\_



**Campinas, May 15, 2018** – CPFL Energia S.A. (B3: CPFE3 and NYSE: CPL), announces its **1Q18 results**. The financial and operational information herein, unless otherwise indicated, is presented on a consolidated basis and is in accordance with the applicable legislation. Comparisons are relative to 1Q17, unless otherwise stated.

## CPFL ENERGIA ANNOUNCES ITS 1Q18 RESULTS

Sales within the Concession Area - GWh	17,190	16,708	2.9%
Captive Market	11,989	12,096	-0.9%
Free Client	5,201	4,611	12.8%
Gross Operating Revenue	9,637	8,730	10.4%
Net Operating Revenue	6,375	5,539	15.1%
EBITDA <sup>(1)</sup>	1,366	1,196	14.3%
Net Income	419	232	80.7%
Investments <sup>(2)</sup>	426	681	-37.4%

Notes:

(1) EBITDA is calculated from the sum of net income, taxes, financial result, depreciation/amortization, as CVM Instruction no. 527/12. See the calculation in item 4.6 of this report;

(2) Includes investment related to the construction of transmission lines of CPFL Transmissão Morro Agudo and, according to the requirements of IFRIC 12, it was recorded as “Financial Asset of Concession” (in non-current assets). Does not include special obligations.

## 1Q18 HIGHLIGHTS

- **Increase in sales** within the concession area **(+2.9%)**, highlighting the growth of the industrial class **(5,8%)**;
- Increases of **15.1% in Net Operating Revenue** and of **14.3% in EBITDA**;
- Net debt of **R\$ 15.6 billion** and leverage of **3.31x Net Debt/EBITDA**;
- Funding totalizing **R\$ 2.8 billion** in 1Q18, at competitive costs;

- Investments of **R\$ 426 million** in 1Q18;
- Conclusion of **CPFL Paulista's** tariff revision, in Apr-18, with an average effect of **+16.90%** to be perceived by the consumers;
- Conclusion of **RGE Sul's** tariff revision, in Apr-18, with an average effect of **+22.47%** to be perceived by the consumers.

**Conference Call with Simultaneous Translation into English  
(Bilingual Q&A)**

- Wednesday, May 16, 2017 – 11:00 a.m. (Brasília), 10:00 a.m. (ET)

( Portuguese: 55-11-3193-1001 or 55-11-2820-4001 (Brazil)

( English: 1-800-492-3904 (USA) and 1-646-828-8246 (Other Countries)

**Investor Relations  
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## 1) MESSAGE FROM THE CEO

The results of CPFL Group in the first quarter of 2018 reflected the signs of a resumption of activity in several segments of the economy in the period, as well as our operational discipline and the recent falls in the interest rate in Brazil.

The distribution segment registered growth in energy sales (+2.9%). Residential, industrial and commercial classes registered market variations of 0.8%, 5.8% and 0.1%, respectively, being positively impacted by the slow recovery of economy activity.

CPFL Group's operating cash generation, measured by EBITDA, reached R\$ 1,366 million in 1Q18 (+14.3%), reflecting the positive results from the Distribution and Conventional Generation segments. In addition, the Company is promoting organizational reviews in order to simplify its processes and structure, aiming at greater focus on business.

It is also worth highlighting the conclusion of the tariff revision process (4<sup>th</sup> cycle) of CPFL Paulista and RGE Sul, in April 2018, with an average effect to be perceived by the consumers of +16.90% and +22.47%, respectively.

We continue working on value initiatives and in our investment plan in the first quarter (around R\$ 10.4 billion for the next 5 years, being R\$ 2.1 billion for 2018), with financial discipline, efforts and commitment of our teams. We invested R\$ 426 million in this period.

CPFL Energia's capital structure and consolidated leverage remained at adequate levels. The Company's net debt reached 3.31 times EBITDA at the end of the quarter, under the criteria to measure our financial covenants, below the 3.75x limit. It is worth mentioning that the reductions in interest rates have benefited the Company.

Finally, CPFL's management remains optimistic about the advances of the Brazilian electricity sector and remains confident in its business platform, which is increasingly prepared and well positioned to face the challenges and opportunities in the country.

**Andre Dorf**

CEO of CPFL Energia



## 2) ENERGY SALES

### 2.1) Sales within the Distributors' Concession Area

	1Q18	1Q17	Var.
Captive Market	11,989	12,096	-0.9%
Free Client	5,201	4,611	12.8%
<b>Total</b>	<b>17,190</b>	<b>16,708</b>	<b>2.9%</b>

In 1Q18, sales within the concession area, achieved by the distribution segment, totaled 17,190 GWh, an increase of 2.9%, highlighting the growth of the Industrial class (+5.8%), especially at CPFL Paulista (+5.6%) and CPFL Piratininga (+7.8%).

Sales to the captive market totaled 11,989 GWh in 1Q18, a reduction of 0.9%. The quantity of energy, in GWh, which corresponds to the consumption of free clients in the concession area of group's distributors, billed through the Tariff for the Usage of the Distribution System (TUSD), reached 5,201 GWh in 1Q18, an increase of 12.8%, reflecting the migration of customers to the free market.

	1Q18	1Q17	Var.	Part.
Residential	5,172	5,129	0.8%	30.1%
Industrial	5,994	5,664	5.8%	34.9%
Commercial	2,945	2,944	0.1%	17.1%
Others	3,079	2,972	3.6%	17.9%
<b>Total</b>	<b>17,190</b>	<b>16,708</b>	<b>2.9%</b>	<b>100.0%</b>

Note: The tables with sales within the concession area by distributor are attached to this report in item 12.9.

Noteworthy in 1Q18, in the concession area:

- **Industrial class (34.9% of total sales):** increase of 5.8%, reflecting the positive performance of the main industrial activities in the concession area of CPFL Energia (metallurgy, vehicles, chemicals and pulp and paper);
- **Residential and commercial classes (30.1% and 17.1% of total sales, respectively):** increases of 0.8% and 0.1%, respectively. The low temperatures recorded in January and February of 2018 contributed to the fall in the CPC (Consumption per Consumer - GWh/CU/month) in the quarter (-1.3%).



## 2.1.1) Sales by Segment – Concession Area

Note: in parentheses, the variation in percentage points from 1Q17 to 1Q18

## 2.1.2) Sales to the Captive Market

	1Q18	1Q17	Var.
Residential	5,172	5,129	0.8%
Industrial	1,504	1,631	-7.8%
Commercial	2,323	2,442	-4.9%
Others	2,990	2,894	3.3%
<b>Total</b>	<b>11,989</b>	<b>12,096</b>	<b>-0.9%</b>

Note: The tables with captive market sales by distributor are attached to this report in item 12.10.

The reduction of 0.9% (107 GWh) in sales to the captive market, from 12,096 GWh in 1Q17 to 11,989 GWh in 1Q18, was influenced by the performance of the industrial (-7.8%) and commercial (-4.9%) classes, reflecting the migration of customers to the free market.

## 2.1.3) Free Clients

	1Q18	1Q17	Var.
Industrial	4,490	4,033	11.3%
Commercial	622	501	24.1%
Others	90	77	16.0%
<b>Total</b>	<b>5,201</b>	<b>4,611</b>	<b>12.8%</b>



	<b>1Q18</b>	<b>1Q17</b>	<b>Var.</b>
CPFL Paulista	2,434	2,177	11.8%
CPFL Piratininga	1,529	1,335	14.6%
RGE	568	534	6.4%
RGE Sul	525	454	15.6%
CPFL Santa Cruz	145	112	29.9%
<b>Total</b>	<b>5,201</b>	<b>4,611</b>	<b>12.8%</b>

## 2.2) Generation Installed Capacity

In 1Q18, the installed capacity of generation of CPFL Energia, considering the proportional stake in each project, reached 3,283 MW, representing an expansion of 0.8%. This increase is due to the commercial start-up of Pedra Cheirosa Wind Complex.

### Generation Installed Capacity | MW

Note: Take into account CPFL Energia's 51.6% stake in CPFL Renováveis.

### 3) INFORMATION ON INTEREST IN COMPANIES AND CRITERIA OF FINANCIAL STATEMENTS CONSOLIDATION

The interests directly or indirectly held by CPFL Energia in its subsidiaries and jointly-owned entities are described below. Except for: (i) the jointly-owned entities ENERCAN, BAESA, Foz do Chapecó and EPASA, that, as from January 1, 2013 are no longer proportionally consolidated in the Company's financial statements, being their assets, liabilities and results accounted for using the equity method of accounting, and (ii) the investment in Investco S.A. recorded at cost by the subsidiary Paulista Lajeado, the other units are fully consolidated.

As of March 31, 2018 and 2017, the participation of non-controlling interests stated in the consolidated statements refers to the third-party interests in the subsidiaries CERAN, Paulista Lajeado and CPFL Renováveis.

Since November 1<sup>st</sup>, 2016 CPFL Energia is considering the full consolidation of RGE Sul.

Companhia Paulista de Força e Luz ("CPFL Paulista")	Publicly-quoted corporation	Direct 100%	Interior de São Paulo	234
Companhia Piratininga de Força e Luz ("CPFL Piratininga")	Publicly-quoted corporation	Direct 100%	Interior e litoral de São Paulo	27
Rio Grande Energia S.A. ("RGE")	Publicly-quoted corporation	Direct 100%	Interior do Rio Grande do Sul	255
RGE Sul Distribuidora de Energia S.A. ("RGE Sul")	Publicly-quoted corporation	Indirect 100%	Interior do Rio Grande do Sul	118
Companhia Jaguari de Energia ("CPFL Santa Cruz") (d)	Private corporation	Direct 100%	Interior de São Paulo, Paraná e Minas Gerais	45



CPFL Geração de Energia S.A. ("CPFL Geração")	Publicly-quoted corporation	Direct 100%	São Paulo and Goiás
CERAN - Companhia Energética Rio das Antas ("CERAN")	Private corporation	Indirect 65%	Rio Grande do Sul
Foz do Chapecó Energia S.A. ("Foz do Chapecó")	Private corporation	Indirect 51% (b)	Santa Catarina and Rio Grande do Sul
Campos Novos Energia S.A. ("ENERCAN")	Private corporation	Indirect 48.72%	Santa Catarina
BAESA - Energética Barra Grande S.A. ("BAESA")	Publicly-quoted corporation	Indirect 25.01%	Santa Catarina and Rio Grande do Sul
Centrais Elétricas da Paraíba S.A. ("EPASA")	Private corporation	Indirect 53.34%	Paraíba
Paulista Lajeado Energia S.A. ("Paulista Lajeado")	Private corporation	Indirect 59.93% (c)	Tocantins
CPFL Energias Renováveis S.A. ("CPFL Renováveis")	Publicly-quoted corporation	Indirect 51.61%	See chapter 1
CPFL Centrais Geradoras Ltda. ("CPFL Centrais Geradoras")	Limited company	Direct 100%	São Paulo
CPFL Transmissão Piracicaba S.A. ("CPFL Transmissão Piracicaba")	Private corporation		Electric energy transmission services
CPFL Transmissão Morro Agudo S.A. ("CPFL Transmissão Morro Agudo")	Private corporation		Electric energy transmission services

## Notes:

(a) CPFL Geração holds 51.54% of the assured power and power of the Serra da Mesa HPP, whose concession belongs to Furnas. The Cariobinha HPP and the Carioba TPP projects are deactivated pending the position of the Ministry of Mines and Energy on the anticipated closure of its concession and are not included in the table.

(b) The joint venture Chapecoense fully consolidates the interim financial statements of its direct subsidiary, Foz de Chapecó;

(c) Paulista Lajeado has a 7% participation in the installed power of Investco S.A. (5.94% share of its capital);

(d) On December 31, 2017, was approved the merger of the subsidiaries Companhia Luz and Força Santa Cruz, Companhia Leste Paulista de Energia, Companhia Jaguari de Energia, Companhia Sul Paulista de Energia and Companhia Luz e Força de Mococa into Companhia Jaguari de Energia, whose fancy name became "CPFL Santa Cruz.

CPFL Comercialização Brasil S.A. ("CPFL Brasil")	Private corporation	Energy commercialization	Direct 100%
Clion Assessoria e Comercialização de Energia Elétrica Ltda. ("CPFL Meridional")	Limited company	Commercialization and provision of energy services	Indirect 100%
CPFL Comercialização Cone Sul S.A. ("CPFL Cone Sul")	Private corporation	Energy commercialization	Indirect 100%
CPFL Planalto Ltda. ("CPFL Planalto")	Limited company	Energy commercialization	Direct 100%
CPFL Brasil Varejista S.A. ("CPFL Brasil Varejista")	Private corporation	Energy commercialization	Indirect 100%

CPFL Serviços, Equipamentos, Indústria e Comércio S.A. ("CPFL Serviços")	Private corporation	Manufacturing, commercialization, rental and maintenance of electro-mechanical equipment and service provision	Direct 100%
NECT Serviços Administrativos Ltda ("Nect")	Limited company	Provision of administrative services	Direct 100%
CPFL Atende Centro de Contatos e Atendimento Ltda. ("CPFL Atende")	Limited company	Provision of telephone answering services	Direct 100%
CPFL Total Serviços Administrativos Ltda. ("CPFL Total")	Limited company	Billing and collection services	Direct 100%
CPFL Eficiência Energética S.A ("CPFL Eficiência")	Private corporation	Management in Energy Efficiency	Direct 100%
TI Nect Serviços de Informática Ltda. ("Authi")	Limited company	IT services	Direct 100%
CPFL GD S.A ("CPFL GD")	Private corporation	Electric energy generation services	Indirect 100%

CPFL Jaguari de Geração de Energia Ltda. ("Jaguari Geração")	Limited company	Venture capital company	Direct 100%
Chapecoense Geração S.A. ("Chapecoense")	Private corporation	Venture capital company	Indirect 51%
Sul Geradora Participações S.A. ("Sul Geradora")			

	Private corporation	Venture capital company	Indirect 99.95%
CPFL Telecom S.A. ("CPFL Telecom")	Private corporation	Telecommunication services	Direct 100%

### **3.1) Consolidation of CPFL Renováveis Financial Statements**

On March 31, 2018, CPFL Energia indirectly held 51.6% of CPFL Renováveis, through its subsidiary CPFL Geração. CPFL Renováveis has been fully consolidated (100%, line by line), in CPFL Energia's financial statements since August 1, 2011, and the interest held by the non-controlling shareholders has been mentioned below the net income line (in the Financial Statements), as "Non-Controlling Shareholders' Interest", and in the Shareholders Equity (in the Balance Sheet) in the line with the same name.

### **3.2) Consolidation of RGE Sul Financial Statements**

On March 31, 2018, CPFL Energia held the following stake in the capital stock of RGE Sul: 76.3893%, directly, and 23.4561%, indirectly, through CPFL Brasil. RGE Sul has been fully consolidated (100%, line by line), in CPFL Energia's financial statements since November 1<sup>st</sup>, 2016.

### **3.3) Economic-Financial Performance Presentation**

In accordance with U.S. SEC (Securities and Exchange Commission) guidelines and pursuant to items 100(a) and (b) of Regulation G, with the disclosure of 4Q16/2016 results, in order to avoid the disclosure of non-GAAP measures, we no longer disclose the economic-financial performance considering the proportional consolidation of the generation projects and the adjustment of the numbers for non-recurring items, focusing the disclosure in the IFRS criterion. Only in chapter 5, of Indebtedness, we continue presenting the information in the financial covenants criterion, considering that the proper reconciliation with the numbers in the IFRS criterion are presented in item 12.11 of this report.

### **3.4) Consolidation of Transmission Companies**

As of 4Q17, the subsidiaries CPFL Piracicaba and CPFL Morro Agudo are consolidated in the financial statements of the segment "Conventional Generation".



## 4) ECONOMIC-FINANCIAL PERFORMANCE

	1Q18	1Q17	Var.
<b>Gross Operating Revenue</b>	9,637	8,730	<b>10.4%</b>
<b>Net Operating Revenue</b>	<b>6,375</b>	<b>5,539</b>	<b>15.1%</b>
Cost of Electric Power	(4,014)	(3,221)	24.6%
Operating Costs & Expenses	(1,470)	(1,579)	-6.9%
EBIT	891	739	20.4%
<b>EBITDA<sup>1</sup></b>	<b>1,366</b>	<b>1,196</b>	<b>14.3%</b>
Financial Income (Expense)	(308)	(436)	-29.5%
Income Before Taxes	668	383	74.5%
<b>Net Income</b>	<b>419</b>	<b>232</b>	<b>80.7%</b>

Note: (1) EBITDA is calculated from the sum of net income, taxes, financial result and depreciation/amortization, according to CVM Instruction no. 527/12. See the calculation in item 4.6 of this report.

### 4.1) Opening of economic-financial performance by business segment

	1Q18						
Net operating revenue	5,201	281	384	710	112	-	(313) 6
Operating costs and expenses	(4,408)	(42)	(156)	(702)	(89)	(9)	313 (5,
Depreciation e amortization	(181)	(30)	(158)	(1)	(6)	(16)	- (
<b>Income from electric energy</b>	<b>612</b>	<b>210</b>	<b>70</b>	<b>7</b>	<b>17</b>	<b>(25)</b>	<b>-</b>

**service**Equity  
accounting

-	85	-	-	-	-	-	-
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**EBITDA**

<b>792</b>	<b>325</b>	<b>228</b>	<b>8</b>	<b>23</b>	<b>(9)</b>	-	1
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Financial  
result

(105)	(68)	(129)	(7)	(0)	2	-	(
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Income

(loss) before  
taxes

507	227	(59)	(0)	17	(23)	-	
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Income tax  
and social  
contribution

(187)	(45)	(13)	(0)	(4)	0	-	(
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**Net****income**  
**(loss)**

<b>321</b>	<b>182</b>	<b>(73)</b>	<b>(0)</b>	<b>13</b>	<b>(23)</b>	-	
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**1Q17**Net  
operating  
revenue

4,459	299	371	621	101	1	(313)	5
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Operating  
costs and  
expenses

(3,833)	(83)	(134)	(580)	(83)	(21)	313	(4,
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Depreciation  
e  
amortization

(174)	(30)	(151)	(1)	(4)	(17)	-	(
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**Income****from****electric****energy****service**

<b>452</b>	<b>186</b>	<b>86</b>	<b>40</b>	<b>13</b>	<b>(37)</b>	-	
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Equity  
accounting

-	80	-	-	-	-	-	-
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**EBITDA**

<b>626</b>	<b>296</b>	<b>236</b>	<b>41</b>	<b>18</b>	<b>(20)</b>	-	1
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Financial  
result

(181)	(101)	(128)	(11)	1	(16)	-	(
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Income

(loss) before  
taxes

271	165	(43)	28	15	(53)	-	
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Income tax  
and social  
contribution

(105)	(28)	(12)	(10)	(4)	8	-	(
-------	------	------	------	-----	---	---	---

**Net****income**  
**(loss)**

<b>165</b>	<b>137</b>	<b>(55)</b>	<b>19</b>	<b>11</b>	<b>(45)</b>	-	
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**Variation**Net  
operating  
revenue

16.6%	-5.9%	3.4%	14.4%	10.5%	-100.0%	0.0%	15
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Operating costs and expenses	15.0%	-49.9%	15.8%	21.1%	6.8%	-55.8%	0.0%	15.0%
Depreciation and amortization	4.0%	0.4%	4.5%	-32.5%	24.7%	-5.4%	-	3.0%
<b>Income from electric energy service</b>	<b>35.3%</b>	<b>12.8%</b>	<b>-18.1%</b>	<b>-82.0%</b>	<b>28.8%</b>	<b>-32.3%</b>	<b>-</b>	<b>20.0%</b>
Equity accounting	-	7.1%	-	-	-	-	-	7.1%
<b>EBITDA</b>	<b>26.6%</b>	<b>10.0%</b>	<b>-3.7%</b>	<b>-80.9%</b>	<b>27.8%</b>	<b>-54.2%</b>	<b>-</b>	<b>14.0%</b>
Financial result	-42.3%	-32.8%	0.8%	-34.6%	-	-	-	-29.0%
Income (loss) before taxes	87.3%	37.9%	39.0%	-	15.0%	-55.9%	-	74.0%
Income tax and social contribution	77.1%	63.7%	10.4%	-97.0%	-1.1%	-96.5%	-	65.0%
<b>Net income (loss)</b>	<b>93.9%</b>	<b>32.7%</b>	<b>32.7%</b>	<b>-</b>	<b>20.9%</b>	<b>-49.0%</b>	<b>-</b>	<b>80.0%</b>

Note: an analysis of the economic-financial performance by business segment is presented in chapter 11.

## 4.2) Sectoral Financial Assets and Liabilities

In 1Q18, it was accounted the total **sectoral financial assets** in the amount of R\$ 374 million, compared to the total **sectoral financial liabilities** in the amount of R\$ 565 million in 1Q17, a variation of R\$ 939 million.

On March 31, 2018, the balance of these sectoral financial assets and liabilities was positive in R\$ 596 million, compared to a positive balance of R\$ 517 million on December 31, 2017 and a negative balance of R\$ 1,525 million on March 31, 2017.

As established by the applicable regulation, any sectoral financial assets or liabilities shall be included in the tariffs of the distributors in their respective annual tariff events.

## 4.3) Operating Revenue

In 1Q18, gross operating revenue reached R\$ 9,637 million, representing an increase of 10.4% (R\$ 907 million). Deductions from the gross operating revenue was of R\$ 3,263 million in 1Q18, representing an increase of 2.2% (R\$ 71 million). Net operating revenue reached R\$ 6,375 million in 1Q18, registering an increase of 15.1% (R\$ 836 million).

The main factors that affected the net operating revenue were:

- Increase of revenues in the Distribution segment, in the amount of R\$ 742 million (for more details, see item 11.1.1.2);
- Increase of revenues in the Commercialization segment, in the amount of R\$ 89 million;
- Increase of revenues in the Renewable Generation segment, in the amount of R\$ 13 million;
- Increase of revenues in the Services segment, in the amount of R\$ 11 million;

Partially offset by:

- Reduction of revenues in the Conventional Generation segment, in the amount of R\$ 18 million;
- Reduction of revenues in Others, in the amount of R\$ 1 million.



## 4.4) Cost of Electric Energy

	1Q18	1Q17	Var.
<b>Cost of Electric Power Purchased for Resale</b>			
Energy from Itaipu Binacional	558	558	0.1%
Energy Purchased in the Spot Market/PROINFA	86	71	21.1%
Energy Purchased through Auction in the Regulated Environment and Bilateral Contracts	2,975	2,693	10.5%
PIS and COFINS Tax Credit	(318)	(303)	4.9%
<b>Total</b>	<b>3,301</b>	<b>3,018</b>	<b>9.4%</b>
<b>Charges for the Use of the Transmission and Distribution System</b>			
Basic Network Charges	567	248	128.9%
Itaipu Transmission Charges	62	15	317.6%
Connection Charges	32	30	7.2%
Charges for the Use of the Distribution System	10	11	-15.2%
System Service Usage Charges - ESS	47	(83)	-
Reserve Energy Charges - EER	66	-	-
PIS and COFINS Tax Credit	(72)	(19)	274.4%
<b>Total</b>	<b>712</b>	<b>202</b>	<b>252.2%</b>
<b>Cost of Electric Energy</b>	<b>4,014</b>	<b>3,221</b>	<b>24.6%</b>

In 1Q18, the cost of electric energy, comprising the purchase of electricity for resale and charges for the use of the distribution and transmission system, amounted to R\$ 4,014 million, registering an increase of 24.6% (R\$ 793 million).

The factors that explain these variations follow below:

- The cost of electric power purchased for resale reached R\$ 3,301 million in 1Q18, an increase of 9.4% (R\$ 283 million), due to the following factors:
  - (i) Increase of 10.5% (R\$ 282 million) in the cost of energy purchased through auction in the regulated environment and bilateral contracts, due to the increases of 44.1% in the average purchase price (R\$ 250.31/MWh in 1Q18 vs. R\$ 173.75/MWh in 1Q17), partially offset by the reduction of 23.3% (3,612 GWh) in the volume of purchased energy;

(ii) Increase of 21.1% (R\$ 15 million) in the amount of energy purchased in the spot market/PROINFA cost;

(iii) Increase of 0.1% (R\$ 0.4 million) in the cost of energy from Itaipu, due to the increase of 6.2% in the average purchase price (R\$ 203.86/MWh in 1Q18 vs. R\$ 191.89/MWh in 1Q17), partially offset by the reduction of 5.8% (169 GWh) in the volume of purchased energy;

Partially offset by:

(iv) Increase of 4.9% (R\$ 15 million) in PIS and COFINS tax credits (cost reducer), generated from the energy purchase.

- Charges for the use of the transmission and distribution system reached R\$ 712 million in 1Q18, an increase of 252.2% (R\$ 510 million), due to the following factors:

(i) Increase of 128.9% (R\$ 320 million) in the basic network charges;

(ii) Variation of R\$ 130 million in the System Service Usage Charges – ESS, from a revenue of R\$ 83 million in 1Q17 to an expense of R\$ 47 million in 1Q18;

(iii) Expense of R\$ 66 million in 1Q18, related to Reserve Energy Charges – EER;

(iv) Increase of 317.6% (R\$ 47 million) in Itaipu transmission charges;

Partially offset by:

(v) Increase of 274.4% (R\$ 53 million) in PIS and COFINS tax credits (cost reducer), generated from the charges.

## 4.5) Operating Costs and Expenses

Operating costs and expenses reached R\$ 1,470 million in 1Q18, compared to R\$ 1,579 million in 1Q17, a reduction of 6.9% (R\$ 108 million).

The factors that explain these variations follow below:

### PMSO

	1Q18	1Q17	Variation R\$ MM	%
<b>Reported PMSO</b>				
Personnel	(338)	(332)	(5)	1.6%
Material	(63)	(55)	(8)	13.7%
Outsourced Services	(181)	(185)	4	-2.3%
Other Operating Costs/Expenses	(106)	(186)	80	-43.1%
<i>Allowance for doubtful accounts</i>	(26)	(47)	20	-43.4%
<i>Legal, judicial and indemnities expenses</i>	(12)	(55)	43	-77.7%
<i>Others</i>	(67)	(84)	17	-20.2%
<b>Total Reported PMSO</b>	<b>(687)</b>	<b>(759)</b>	<b>72</b>	<b>-9.4%</b>

The PMSO item reached R\$ 687 million in 1Q18, compared to R\$ 759 million in 1Q17, a reduction of 9.4% (R\$ 72 million), due to the following factors:

(i) **Personnel** - increase of 1.6% (R\$ 5 million), mainly due to:

ü Collective bargaining agreement – wages and benefits (R\$ 11 million);

Partially offset by:

ü Other effects (R\$ 6 million);

(ii) **Material** - increase of 13.7% (R\$ 8 million), mainly due to:

- ü Increase in the replacement of material to the maintenance of lines and grid (R\$ 13 million);
- ü Other effects (R\$ 4 million);

Partially offset by:

- ü Reduction in the fleet maintenance (R\$ 9 million);

(iii) **Out-sourced services** - reduction of 2.3% (R\$ 4 million), mainly due to:

- ü Reduction in audit and consulting (R\$ 7 million);

Partially offset by:

- ü Increase in the assets maintenance (R\$ 3 million);

(iv) **Other operational costs/expenses** - reduction of 43.1% (R\$ 80 million), mainly due to:

- ü Reduction of 77.7% in legal and judicial expenses (R\$ 43 million);
- ü Reduction of 43.4% in allowance for doubtful account (R\$ 20 million);
- ü Other effects (R\$ 17 million).

#### **Other operating costs and expenses**

Other operating costs and expenses reached R\$ 783 million in 1Q18, compared to R\$ 820 million in 1Q17, registering a reduction of 4.5% (R\$ 37 million), due to the following factors:

- Reduction of 10.6% (R\$ 44 million) in **Costs of Building the Infrastructure** item;
- Reduction of 22.0% (R\$ 6 million) in **Private Pension Fund** item, due to the registration of the impacts of the 2018 actuarial report;
- Reduction of 0.8% (R\$ 1 million) in **Amortization of Intangible of Concession Asset** item;

Partially offset by:



- Increase of 4.7% (R\$ 14 million) in **Depreciation and Amortization** item.

## 4.6) EBITDA

In 1Q18, **EBITDA** reached R\$ 1,366 million, compared to R\$ 1,196 million in 1Q17, registering an increase of 14.3% (R\$ 171 million).

EBITDA is calculated according to CVM Instruction no. 527/12 and showed in the table below:

	1Q18	1Q17	Var.
<b>Net Income</b>	<b>419</b>	<b>232</b>	<b>80.7%</b>
De preciation and Amortization	390	377	
Financial Result	308	436	
Income Tax / Social Contribution	249	151	
<b>EBITDA</b>	<b>1,366</b>	<b>1,196</b>	<b>14.3%</b>

## 4.7) Financial Result

	1Q18	1Q17	Var.
<b>Revenues</b>			
Income from Financial Investments	66	160	-58.6%
Additions and Late Payment Fines	70	73	-5.3%
Fiscal Credits Update	3	3	0.6%
Judicial Deposits Update	9	13	-33.5%
Monetary and Foreign Exchange Updates	23	30	-25.2%
Discount on Purchase of ICMS Credit	7	3	130.4%
Sectoral Financial Assets Update	7	-	-
PIS and COFINS - over Other Financial			
Revenues	(12)	(15)	-20.4%
Others	25	13	97.7%
<b>Total</b>	<b>197</b>	<b>281</b>	<b>-29.8%</b>
<b>Expenses</b>			
Debt Charges	(343)	(485)	-29.3%
Monetary and Foreign Exchange Updates	(119)	(184)	-35.1%
(-) Capitalized Interest	6	24	-74.3%
Sectoral Financial Liabilities Update	(5)	(27)	-82.8%
Use of Public Asset	(4)	(3)	12.3%
Others	(40)	(42)	-3.6%
<b>Total</b>	<b>(505)</b>	<b>(717)</b>	<b>-29.6%</b>
<b>Financial Result</b>	<b>(308)</b>	<b>(436)</b>	<b>-29.5%</b>

In 1Q18, **net financial expense** was of R\$ 308 million, a reduction of 29.5% (R\$ 129 million) compared to the net financial expense of R\$ 436 million reported in 1Q17.

The items explaining these variations in Financial Result are as follows:

- Financial Revenues: reduction of 29.8% (R\$ 84 million), from R\$ 281 million in 1Q17 to R\$ 197 million in 1Q18, mainly due to the following factors:

(i) Reduction of 58.6% (R\$ 94 million) in the **income from financial investments**, due to the reductions in the CDI interbank rate and in the average balance of investments;

(ii) Reduction of 25.2% (R\$ 8 million) in the **monetary and foreign exchange updates**, due to the reductions: (a) of R\$ 8 million with the zero-cost collar derivative<sup>1</sup>, from a gain of R\$ 15 million in 1Q17 to a gain of R\$ 7 million in 1Q18; and (b) of R\$ 3 million in other monetary and foreign exchange updates; partially offset by the increases: (c) of R\$ 3 million in revenues from fines, interest and monetary adjustment relating to installment payments made by consumers; and (d) of R\$ 1 million in the update of the balance of tariff subsidies, as determined by ANEEL;

- (iii) Reduction of 33.5% (R\$ 4 million) in **judicial deposits update**;
- (iv) Reduction of 5.3% (R\$ 4 million) in **additions and late payment fines**;

Partially offset by:

- (v) Increase of 97.7% (R\$ 12 million) in **other financial revenues**;
- (vi) Variation of R\$ 7 million in **sectoral financial assets update**;
- (vii) Increase of 130.4% (R\$ 4 million) in **discount on the acquisition of ICMS credit**;
- (viii) Reduction of 20.4% (R\$ 3 million) in **PIS and COFINS over Other Financial Revenue** (revenue reducer).

- Financial Expenses: reduction of 29.6% (R\$ 212 million), from R\$ 717 million in 1Q17 to R\$ 505 million in 1Q18, mainly due to the following factors:

- (i) Reduction of 29.3% (R\$ 142 million) of **debt charges in local currency**, due to the reduction in the CDI interbank rate;
- (ii) Reduction of 35.1% (R\$ 64 million) in the **monetary and foreign exchange updates**, due to: (a) the reduction of debt charges in foreign currency, with swap to CDI interbank rate (R\$ 85 million); partially offset (b) by the effect of Itaipu's exchange variation (R\$ 13 million); and (c) by the mark-to-market negative effect for financial operations under Law 4,131 – non-cash effect (R\$ 8 million);
- (iii) Reduction of 82.8% (R\$ 23 million) in **sectoral financial liabilities update**;
- (iv) Reduction of 3.6% (R\$ 1 million) in **other financial expenses**;

Partially offset by:

- (v) Reduction of 74.3% (R\$ 18 million) in **capitalized interest** (expense reducer);
- (vi) Increase of 12.3% (R\$ 0.4 million) in the **financial expenses with the Use of Public Asset (UBP)**.

## 4.8) Net Income

**Net income** was R\$ 419 million in 1Q18, registering an increase of 80.7% (R\$ 187 million) if compared to the net income of R\$ 232 million observed in 1Q17.

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1 In 2015, subsidiary CPFL Geração contracted US\$ denominated put and call options, involving the same financial institution as counterpart, and which on a combined basis are characterized as an operation usually known as zero-cost collar. The contracting of this operation does not involve any kind of speculation, inasmuch as it is aimed at minimizing any negative impacts on future revenues of the joint venture ENERCAN, which has electric energy sale agreements with annual restatement of part of the tariff based on the variation in the US\$. In addition, according to Management's view, the scenario was favorable for contracting this type of financial instrument, considering the high volatility implicit in dollar options and the fact that there was no initial cost for same.

## 5) INDEBTEDNESS

### 5.1) Debt (IFRS)

1) For debt linked to foreign currency (18% of total in 1Q18), swap operations are contracted, aiming the protection of the foreign exchange and the rate linked to the contract.

**Net Debt in IFRS**

Financial Debt (including hedge)	(20,427)	(20,866)	-2.1%
(+) Available Funds	3,029	4,878	-37.9%
<b>(=) Net Debt</b>	<b>(17,398)</b>	<b>(15,988)</b>	<b>8.8%</b>

**5.1.1) Debt Amortization Schedule in IFRS (Mar-18)**

CPFL Energia has always adopted a solid and conservative financial policy. Thus, the Company has used since 2011, a prefunding strategy, in other words, forecasts the cash needs for the next 24 months and anticipates market access on more favorable terms of liquidity and cost. Thus, since the beginning of 2017, CPFL Energia has worked in 2018 and 2019 prefunding.

- 1) Consider only the principal debt of R\$ 20,859 million. In order to reach the value of debt in IFRS, of R\$ 21,365 million, it is excluded accrued interests of R\$ 311 million of the period and included other adjustments in the amount of R\$ 195 million;
- 2) Short-term (April 2018 – March 2019) = R\$ 4,880 million.

The cash position at the end of 1Q18 had a coverage ratio of **0.62x** the amortizations of the next 12 months, enough to honor all amortization commitments until the end of 2H18. The average amortization term, calculated by this schedule, is **2.88** years.

1) As of 2Q17, CPFL Energia started to calculate its debt average cost considering the end of the period, to better reflect the variations on interest rates.

## 5.2) Debt in Financial Covenants Criteria

### 5.2.1) Indexation and Debt Cost in Financial Covenants Criteria

**Indexation<sup>1</sup> After Hedge<sup>2</sup> in Financial Covenants Criteria – 1Q17 vs. 1Q18**



1) Considering proportional consolidation of CPFL Renováveis, CERAN, BAESA, ENERCAN, Foz do Chapecó and EPASA;

2) For debt linked to foreign currency (20% of total), swap operations are contracted, aiming the protection of the foreign exchange and the rate linked to the contract.

## 5.2.2) Net Debt in Financial Covenants Criteria and Leverage

In 1Q18 Proforma Net Debt totaled **R\$ 15,585 million**, an increase of **12.6%** compared to net debt position at the end of 1Q17, in the amount of **R\$ 13,837 million**.

Financial Debt (including hedge) <sup>1</sup>	(18,241)	(18,606)	-2.0%
(+) Available Funds	2,656	4,768	-44.3%
<b>(=) Net Debt</b>	<b>(15,585)</b>	<b>(13,837)</b>	<b>12.6%</b>
EBITDA Proforma <sup>2</sup>	4,708	4,192	12.3%
<b>Net Debt / EBITDA</b>	<b>3.31</b>	<b>3.30</b>	<b>0,3%</b>

1) Considering proportional consolidation of CPFL Renováveis, CERAN, BAESA, ENERCAN, Foz do Chapecó and EPASA;

2) Proforma EBITDA in the financial covenants criteria: adjusted according to equivalent participation of CPFL Energia in each of its subsidiaries, with the inclusion of regulatory assets and liabilities and the historical EBITDA of newly acquired projects.

In line with the criteria for calculation of financial covenants of loan agreements with financial institutions, net debt is adjusted according to the equivalent stake of CPFL Energia in each of its subsidiaries. Also, include in the calculation of Proforma EBITDA the effects of historic EBITDA of newly acquired projects.

Considering that the Proforma Net Debt totaled **R\$ 15,585 million** and Proforma EBITDA in the last 12 months reached **R\$ 4,708 million**, the ratio Proforma Net Debt / EBITDA at the end of 1Q18 reached **3.31x**.

## 6) INVESTMENTS

### 6.1) Actual Investments

Segment	1Q18	1Q17	Var.
Distribution	366	347	5.4%
Generation - Conventional	1	0	339.1%
Generation - Renewable	44	283	-84.4%
Commercialization	1	0	567.2%
Services and Others <sup>1</sup>	13	13	6.7%
<b>Subtotal</b>	<b>426</b>	<b>643</b>	<b>-33.8%</b>
Transmission	0	38	-99.5%
<b>Total</b>	<b>426</b>	<b>681</b>	<b>-37.4%</b>

Note:

1) Others – basically refer to assets and transactions that are not related to the listed segments.

In 1Q18, R\$ 426 million were invested, a reduction of 37.4% compared to 1Q17. Investments in transmission, basically related to CPFL Transmissão Morro Agudo, according to IFRIC 12, were recorded as “Financial Assets of Concession” (non-current assets).

We highlight investments made by CPFL Energia in each segment:

(i) Distribution:

- a. Expansion and strengthening of the electric system;
- b. Electricity system maintenance and improvements;
- c. Operational infrastructure;
- d. Upgrade of management and operational support systems;
- e. Customer help services;
- f. Research and development programs.

(ii) Generation:

- a. SHPP Boa Vista II.

## 6.2) Investments Forecasts

On November 9, 2017, CPFL Energia's Board of Directors approved Board of Executive Officers' proposal for 2018 Annual Budget and 2019/2022 Multiannual Plan for the Company, which was previously discussed by the Budget and Corporate Finance Commission.

Notes:

- 1) Constant currency;
- 2) Disregard investments in Special Obligations on Distribution segment (among other items financed by consumers);
- 3) Conventional + Renewable.

## 7) ALLOCATION OF RESULTS

The Company's Bylaws require the distribution of at least 25% of net income adjusted according to law, as dividends to its shareholders. The proposal for allocation of net income from the fiscal year is shown below:

<b>Net income of the fiscal year - Individual</b>	<b>1,179,750</b>
Realization of comprehensive income	25,873
Prescribed dividend	3,768
<b>Net income base for allocation</b>	<b>1,209,391</b>
Legal reserve	(58,988)
Statutory reserve - concession financial asset	(123,673)
Statutory reserve - working capital reinforcement	(746,541)
Minimum mandatory dividend	(280,191)

### Minimum Mandatory Dividend (25%)

The Board of Directors proposed the payment of R\$ 280 million in dividends to holders of common shares traded on B3 S.A. – Brasil, Bolsa, Balcão (B3). This proposed amount corresponds to R\$ 0.275259517 per share, related to the fiscal year of 2017. This proposal was approved by the Annual General Shareholders' Meeting (AGM) held on April 27, 2018.

CPFL Energia informed its shareholders and the market, through a Notice to Shareholders released on April 27, 2018 that the Annual General Shareholders' Meeting held on that date approved the declaration of "Dividend" to be imputed to the 2017 mandatory dividends, pursuant to the following instructions:

**(i) Value:** the amount of dividends to be paid is R\$ 280,190,721.14 (two hundred and eighty million, one hundred and ninety thousand, seven hundred and twenty-one reais and fourteen centavos), equivalent to R\$ 0.275259517 per common share;

**(ii) Ex-dividend:** shareholders owning shares on April 27, 2018 are entitled to receive these dividends. Shares were traded ex-dividend on the São Paulo Stock Exchange (B3) and New York Stock Exchange (NYSE) as of April 30, 2018;

**(iii) Payment:** said dividends will be paid on June 26, 2018.

### Statutory Reserve – Working Capital Reinforcement

For this fiscal year, considering the current macro scenario with an incipient economic recovery, and also considering the uncertainties regarding hydrology, the Company's Management is proposing the allocation of R\$ 747 million to the statutory reserve - working capital reinforcement.

## 8) STOCK MARKETS

### 8.1) Stock Performance

CPFL Energia is listed on both the B3 (Novo Mercado) and the New York Stock Exchange (NYSE) (ADR Level III), segments with the highest levels of corporate governance.

Date	CPFE3 (R\$)	IEE	IBOV	Date	CPL (US\$)	DJBr20	Dow Jones
03/31/2018	R\$ 24.91	41,445	85,366	03/31/2018	\$ 15.00	25,170	24,103
12/31/2017	R\$ 19.35	39,732	76,402	12/31/2017	\$ 11.44	22,612	24,838
03/31/2017	R\$ 25.77	39,971	64,984	03/31/2017	\$ 16.39	21,073	20,663

<b>QoQ</b>	<b>28.7%</b>	<b>4.3%</b>	<b>11.7%</b>	<b>QoQ</b>	<b>31.1%</b>	<b>11.3%</b>	<b>-3.0%</b>
<b>YoY</b>	<b>-3.3%</b>	<b>3.7%</b>	<b>-23.9%</b>	<b>YoY</b>	<b>-8.5%</b>	<b>19.4%</b>	<b>-14.3%</b>

On March 31, 2018 the price shares closed at R\$ 24.91 per share on the B3 and US\$ 15.00 per ADR on the NYSE, which represented an increase in the quarter of 28.7% and 31.1%, respectively. Considering the last 12 months, the shares depreciated 3.3% on the B3 and the ADR depreciated 8.5% on the NYSE.

## 8.2) Daily Average Volume

The daily trading volume in 1T18 averaged R\$ 19.1 million, of which R\$ 15.6 million on the B3 and R\$ 3.5 million on the NYSE, representing a reduction of 61.3% in relation to 1T17. The number of trades on the B3 decreased by 25.0%.

Note: Considers the sum of the average daily volume on the B3 and NYSE.

## 9) CORPORATE GOVERNANCE

The corporate governance model adopted by CPFL Energia and its subsidiaries is based on the principles of transparency, equity, accountability and corporate responsibility.

In 2017, CPFL marked 13 years since being listed on the B3 and the New York Stock Exchange ("NYSE"). With more than 100 years of history in Brazil, the Company's shares are listed on the *Novo Mercado* Special Listing Segment of the B3 with Level III ADRs, a special segment for companies that comply with corporate governance best practices. All CPFL shares are common shares, entitling all shareholders the right to vote with 100% Tag Along rights guaranteed in case of sale of shareholding control.

CPFL's Management is composed of the Board of Directors ("Board"), its decision-making authority, and the Board of Executive Officers, its executive body. The Board is responsible for defining the strategic business direction of the holding company and subsidiaries, and is composed of 7 members (of which 2 independent members), with terms of one year, eligible for reelection.

The Bylaws of the Board establishes the procedures for evaluating the directors, under the leadership of the Chairman, their main duties and rights.

The Board set up three advisory committees (Management Processes, Risks and Sustainability, People Management and Related Parties), which support the Board in its decisions and monitor relevant and strategic themes, such as people and risk management, sustainability, the surveillance of internal audits and analysis of transactions with Parties Related to controlling shareholders and handling of incidents recorded through complaint hotlines and ethical conduct channels.

The Board of Executive Officers is made up of 1 Chief Executive Officer, 1 Deputy Chief of Executive Officer and 7 Vice Presidents, with terms of two years, eligible for reelection, responsible for executing the strategy of CPFL Energia and its subsidiaries as defined by the Board of Directors in line with corporate governance guidelines. To ensure alignment of governance practices, Executive Officers sit on the Boards of Directors of companies that make up the CPFL group and nominate their respective executive officers.

CPFL has a permanent Fiscal Council, made up of 3 members, that also exercises the duties of the Audit Committee, in line with Sarbanes-Oxley law (SOX) rulings applicable to foreign companies listed on U.S. stock exchanges.





The guidelines and documents on corporate governance are available at the Investor Relations website <http://www.cpfl.com.br/ir>.

## 10) SHAREHOLDERS STRUCTURE

CPFL Energia is a holding company that owns stake in other companies. State Grid Corporation of China (SGCC) controls CPFL Energia through its subsidiaries State Grid International Development Co., Ltd, State Grid International Development Limited (SGID), International Grid Holdings Limited, State Grid Brazil Power Participações S.A. (SGBP) and ESC Energia S.A.:

Reference date: 03/31/2018

Notes:

(1) 51.54% stake of the availability of power and energy of Serra da Mesa HPP, regarding the Power Purchase Agreement between CPFL Geração and Furnas;

(2) RGE Sul is held by CPFL Energia (76.3893%) and CPFL Brasil (23.4561%).

## 11) PERFORMANCE OF THE BUSINESS SEGMENTS

### 11.1) Distribution Segment

#### 11.1.1) Economic-Financial Performance

	1Q18	1Q17	Var.
<b>Gross Operating Revenue</b>	<b>8,329</b>	<b>7,532</b>	<b>10.6%</b>
<b>Net Operating Revenue</b>	<b>5,201</b>	<b>4,459</b>	<b>16.6%</b>
Cost of Electric Power	(3,451)	(2,807)	22.9%
Operating Costs & Expenses	(1,138)	(1,200)	-5.1%
EBIT	612	452	35.3%
<b>EBITDA<sup>(1)</sup></b>	<b>792</b>	<b>626</b>	<b>26.6%</b>
Financial Income (Expense)	(105)	(181)	-42.3%
Income Before Taxes	507	271	87.3%
<b>Net Income</b>	<b>321</b>	<b>165</b>	<b>93.9%</b>
Note:			

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

#### 11.1.1.1) Sectoral Financial Assets and Liabilities

In 1Q18, total **sectoral financial assets** accounted for R\$ 374 million, a variation of R\$ 939 million if compared to 1Q17, when **sectoral financial liabilities** amounted to R\$ 565 million.

On March 31, 2018, the balance of sectoral financial assets and liabilities was positive in R\$ 596 million, compared to a positive balance of R\$ 517 million on December 31, 2017 and a negative balance of R\$ 1,525 million on March 31, 2017.

As established by the applicable regulation, any sectoral financial assets or liabilities shall be included in the tariffs of the distributors in their respective annual tariff events.



## 11.1.1.2) Operating Revenue

	1Q18	1Q17	Var.
<b>Gross Operating Revenue</b>			
Revenue with Energy Sales (Captive + TUSD)	6,950	6,956	-0.1%
Short-term Electric Energy	115	212	-45.9%
Revenue from Building the Infrastructure of the Concession	370	378	-2.1%
Sectoral Financial Assets and Liabilities	374	(565)	-
CDE Resources - Low-income and Other Tariff Subsidies	377	424	-11.1%
Adjustments to the Concession's Financial Asset	65	49	32.6%
Other Revenues and Income	79	78	1.8%
<b>Total</b>	<b>8,329</b>	<b>7,532</b>	<b>10.6%</b>
<b>Deductions from the Gross Operating Revenue</b>			
ICMS Tax	(1,400)	(1,446)	-3.2%
PIS and COFINS Taxes	(736)	(671)	9.6%
CDE Sector Charge	(898)	(830)	8.1%
R&D and Energy Efficiency Program	(48)	(40)	18.4%
PROINFA	(35)	(44)	-19.7%
Tariff Flags and Others	(7)	(37)	-80.6%
Others	(5)	(5)	0.4%
<b>Total</b>	<b>(3,129)</b>	<b>(3,073)</b>	<b>1.8%</b>
<b>Net Operating Revenue</b>	<b>5,201</b>	<b>4,459</b>	<b>16.6%</b>

In 1Q18, gross operating revenue amounted to R\$ 8,329 million, an increase of 10.6% (R\$ 797 million), due to the following factors:

- Variation of R\$ 939 million in the Sectoral Financial Assets/Liabilities, from a sectoral financial liability of R\$ 565 million in 1Q17 to a sectoral financial asset of R\$ 374 million in 1Q18;
- Increase of 32.6% (R\$ 16 million) in the adjustments to the Concession's Financial Asset;
- Increase of 1.8% (R\$ 1 million) in Other Revenues and Income;

Partially offset by:

- Reduction of 45.9% (R\$ 98 million) in Short-term Electric Energy;
- Reduction of 11.1% (R\$ 47 million) in tariff subsidies (CDE resources);

- Reduction of 2.1% (R\$ 8 million) in revenue from building the infrastructure of the concession;
- Reduction of 0.1% (R\$ 6 million) in the revenue with energy sales (captive + free clients), due to: (i) the negative average tariff adjustment in the distribution companies for the period between 1Q17 and 1Q18 (highlight for the average reductions of 10.50% in CPFL Paulista and 6.43% in RGE Sul, in April 2017); and (ii) the adoption of the green tariff flag in the months of January, February and March 2018, compared to the green tariff flag applied in the months of January and February 2017 and the yellow tariff flag applied in the month of March 2017; partially offset by the increase of 2.9% in the sales volume within the concession area.

Deductions from the gross operating revenue were R\$ 3,129 million in 1Q18, representing an increase of 1.8% (R\$ 56 million), due to the following factors:

- Increase of 8.1% (R\$ 68 million) in the CDE sector charge;

- Increase of 9.6% (R\$ 65 million) in PIS and COFINS taxes;
- Increase of 18.4% (R\$ 7 million) in the R&D and Energy Efficiency Program;

Partially offset by the following factors:

- Reduction of 3.2% (R\$ 46 million) in ICMS tax;
- Reduction of 80.6% (R\$ 30 million) in tariff flags approved by the CCEE;
- Reduction of 19.7% (R\$ 9 million) in the PROINFA.

Net operating revenue reached R\$ 5,201 million in 1Q18, representing an increase of 16.6% (R\$ 742 million).

### 11.1.1.3) Cost of Electric Energy

	1Q18	1Q17	Var.
<b>Cost of Electric Power Purchased for Resale</b>			
Energy from Itaipu Binacional	558	558	0.1%
Energy Purchased in the Spot Market/PROINFA	1,425	78	1728.6%
Energy Purchased through Auction in the Regulated Environment and Bilateral Contracts	1,045	2,264	-53.8%
PIS and COFINS Tax Credit	(265)	(267)	-0.7%
<b>Total</b>	<b>2,764</b>	<b>2,633</b>	<b>5.0%</b>
<b>Charges for the Use of the Transmission and Distribution System</b>			
Basic Network Charges	549	228	141.2%
Itaipu Transmission Charges	62	15	317.6%
Connection Charges	30	27	9.1%
Charges for the Use of the Distribution System	5	6	-16.0%
System Service Usage Charges - ESS	47	(83)	-
Reserve Energy Charges - EER	66	-	-
PIS and COFINS Tax Credit	(71)	(19)	278.6%
<b>Total</b>	<b>687</b>	<b>174</b>	<b>294.1%</b>
<b>Cost of Electric Energy</b>	<b>3,451</b>	<b>2,807</b>	<b>22.9%</b>



In 1Q18, the cost of electric energy, comprising the purchase of electricity for resale and charges for the use of the distribution and transmission system, amounted to R\$ 3,451 million, representing an increase of 22.9% (R\$ 644 million):

- The **cost of electric power purchased for resale** was R\$ 2,764 million in 1Q18, representing an increase of 5.0% (R\$ 131 million), due to the following factors:

- (i) Increase of 1728.6% (R\$ 1,347 million) in the **cost of energy purchased in the short term and Proinfra**;

- (ii) Reduction of 0.7% (R\$ 2 million) in **PIS and Cofins tax credit** (cost reducer), generated from the energy purchase;

- (iii) Increase of 0.1% (R\$ 0.4 million) in the **cost of energy from Itaipu**, due to the increase of 6.2% in the average purchase price (R\$ 203.86/MWh in 1Q18 vs. R\$ 191.89/MWh in 1Q17), partially offset by the reduction of 5.8% (169 GWh) in the volume of purchased energy;

Partially offset by:

(iv) Increase of 53.8% (R\$ 1,219 million) in the **cost of energy purchased in the regulated environment and bilateral contracts**, due to the reductions of 28.9% in the average purchase price (from R\$ 190.89/MWh in 1Q17 to R\$ 135.80/MWh in 1Q18) and of 35.1% (4,166 GWh) in the volume of purchased energy.

- **Charges for the use of the transmission and distribution system** reached R\$ 687 million in 1Q18, representing an increase of 294.1% (R\$ 513 million), due to the following factors:

- (i) Increase of 141.2% (R\$ 321 million) in **charges for basic network**;
- (ii) Variation of R\$ 130 million in the **System Service Usage Charges – ESS**, from a revenue of R\$ 83 million in 1Q17 to an expense of R\$ 47 million in 1Q18;
- (iii) Expense of R\$ 66 million in 1Q18, related to the **Energy Reserve Charges – EER**;
- (iv) Increase of 317.6% (R\$ 47 million) in the **Itaipu transmission charges**;
- (v) Increase of 9.1% (R\$ 2 million) in **connection charges**;

Partially offset by:

- (vi) Increase of 278.6% (R\$ 53 million) in **PIS and Cofins tax credit** (cost reducer), generated from the charges;
- (vii) Reduction of 16.0% (R\$ 1 million) in the **usage of the distribution system charges**.

#### 11.1.1.4) Operating Costs and Expenses

Operating costs and expenses reached R\$ 1,138 million in 1Q18, compared to R\$ 1,200 million in 1Q17, a reduction of 5.1% (R\$ 62 million).

The factors that explain these variations follow below:



**PMSO**

	1Q18	1Q17	Variation R\$ MM	%
<b>Reported PMSO</b>				
Personnel	(224)	(224)	(0)	0.1%
Material	(40)	(39)	(1)	2.7%
Outsourced Services	(206)	(194)	(12)	6.2%
Other Operating Costs/Expenses	(95)	(162)	68	-41.7%
<i>Allowance for doubtful accounts</i>	(26)	(47)	21	-44.2%
<i>Legal, judicial and indemnities expenses</i>	(15)	(52)	37	-70.6%
<i>Others</i>	(53)	(63)	10	-15.6%
<b>Total Reported PMSO</b>	<b>(565)</b>	<b>(619)</b>	<b>54</b>	<b>-8.8%</b>

In 1Q18, **PMSO** reached R\$ 565 million, a reduction of 8.8% (R\$ 54 million), compared to R\$ 619 million in 1Q17.

**Personnel** – increase of 0.1% (R\$ 0.3 million);

**Material** – increase of 2.7% (R\$ 1 million), mainly due to the increase in the replacement of material to the maintenance of lines and grid (R\$ 3 million); partially offset by the reduction in the fleet maintenance (R\$ 2 million);

**Third party services** – increase of 6.2% (R\$ 12 million), mainly due to the increases in the following items: maintenance services in lines, network and substations (R\$ 7 million), tree pruning (R\$ 4 million), outsourced services (R\$ 4 million), hardware/software maintenance (R\$ 3 million) and meter reading and use (R\$ 3 million); partially offset by the reductions in other outsourced services (R\$ 6 million), Call Center (R\$ 2 million) and audit and consulting (R\$ 1 million);

**Other operating costs/expenses** – reduction of 41.7% (R\$ 68 million), due to the following factors: legal and judicial expenses (R\$ 37 million), allowance for doubtful accounts (R\$ 21 million) and other expenses (R\$ 10 million).

**Other operating costs and expenses**

In 1Q18, other operating costs and expenses reached R\$ 573 million, compared to R\$ 580 million in 1Q17, registering a reduction of 1.3% (R\$ 7 million), with the variations below:

(i) Reduction of 2.1% (R\$ 8 million) in **cost of building the concession's infrastructure**. This item, which reached R\$ 370 million in 1Q18, does not affect results, since it has its counterpart in “operating

revenue”;

(ii) Reduction of 22.0% (R\$ 6 million) in **Private Pension Fund** item, due to the registration of the impacts of the 2018 actuarial report;

(iii) Reduction of 7.8% (R\$ 1 million) in **Amortization of Intangible of Concession Asset** item;

Partially offset by:

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- (iv) Increase of 5.1% (R\$ 8 million) in **Depreciation and Amortization** item.

### 11.1.1.5) EBITDA

**EBITDA** totaled R\$ 792 million in 1Q18, compared to R\$ 626 million in 1Q17, an increase of 26.6% (R\$ 167 million).

	1Q18	1Q17	Var.
<b>Net income</b>	<b>321</b>	<b>165</b>	<b>93.9%</b>
Depreciation and Amortization	181	174	
Financial Results	105	181	
Income Tax /Social Contribution	187	105	
<b>EBITDA</b>	<b>792</b>	<b>626</b>	<b>26.6%</b>

### 11.1.1.6) Financial Result

	1Q18	1Q17	Var.
<b>Revenues</b>			
Income from Financial Investments	24	79	-69.0%
Additions and Late Payment Fines	68		