Duke Energy International, Geração Paranapanema S.A.

Interim Financial Information for the Period Ended June 30, 2012
and Report on Review of Interim Financial Information

Summary

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors and Shareholders of
Duke Energy International, Geração Paranapanema S.A.
São Paulo - SP

Introduction

We have reviewed the accompanying interim financial information of Duke Energy International, Geração Paranapanema S.A. (the "Company"), included in the Interim Financial Information Form (ITR), for the quarter ended June 30, 2012, which comprises the balance sheet as at June 30, 2012, and the related income statement and statement of comprehensive income for the three- and six-month periods then ended, and the statement of changes in equity and statement of cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with CPC 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM).

Other matters

Statements of value added

We have also reviewed the interim statements of value added ("DVA"), for the six-month period ended June 30, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for IFRSs that does not require a presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the interim financial information in accordance with CPC 21, taken as a whole.

Review of interim financial information for the quarter ended June 30, 2011 and audit of financial information for the year ended December 31, 2011

The corresponding figures for the three- and six-month periods ended June 30, 2011, presented for purposes of comparison, were previously reviewed by another auditor who issued a report dated August 11, 2011, which did not have any modification. The corresponding figures for the year ended December 31, 2011, presented for purposes of comparison, were previously audited by another auditor who issued a report dated March 26, 2012, which did not have any modification.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 10, 2012

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Iara Pasian
Engagement Partner

The pages in the ITR, which were reviewed by us, are signed for purposes of identification only.

BALANCE SHEETS AS AT JUNE 30, 2012 AND DECEMBER 31, 2011
(Amounts in thousands of Brazilian reais - R$)

ASSETS	Note	06/30/2012	12/31/2011
Current assets			
Cash and cash equivalents	6	508,533	210,371
Trade receivables	7	118,533	111,710
Recoverable taxes	8	5,198	22,223
Services in progress		6,793	5,203
Prepaid expenses		2,258	343
Sundry debtors		1,283	259
Due from related parties	13	350	847
Other assets		117	137
		643,065	**351,093**
Noncurrent assets			
Long-term receivables			
Recoverable taxes	8	332	398
Escrow deposits	9	11,335	10,897
Restricted funds		447	420
Prepaid expenses		4,254	4,426
		16,368	**16,141**
Investments		26	26
Property, plant and equipment	10	3,900,459	4,005,482
Intangible assets	11	36,381	37,726
		3,953,234	**4,059,375**
Total assets		**4,596,299**	**4,410,468**

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS AS AT JUNE 30, 2012 AND DECEMBER 31, 2011
(Amounts in thousands of Brazilian reais - R$)

LIABILITIES AND EQUITY	Note	06/30/2012	12/31/2011
Current liabilities			
Trade payables	12	13,938	20,739
Payroll and related taxes		6,350	9,254
Debentures	14	127,882	90,156
Taxes, fees and contributions	8	24,207	23,077
Dividends and interest on capital	20.6	874	183,119
Accrued liabilities		6,884	5,118
Cibacap	15	3,158	3,521
Regulatory charges	19	16,200	16,211
Other liabilities		323	203
		199,816	**351,398**
Noncurrent liabilities			
Debentures	14	888,748	721,094
Deferred revenues		3,110	-
Special obligations	18	6,985	7,047
Provision for tax, labor and environmental risks	17	17,573	18,239
Cibacap	15	7,632	8,432
Deferred income tax and social contribution	8	451,168	465,078
Distribution system tariff (Tusd-g)		2,764	-
Regulatory charges	19	13,651	13,590
Other liabilities		326	325
		1,391,957	**1,233,805**
Equity			
Share capital	20.1	1,639,138	1,639,138
Capital reserves	20.2	99,431	99,330
Earnings reserve	20.3	71,863	71,863
Retained earnings	20.4	215,895	-
Valuation adjustments to equity	20.5	978,199	1,014,934
		3,004,526	**2,825,265**
Total liabilities and equity		**4,596,299**	**4,410,468**

The accompanying notes are an integral part of these financial statements.

INCOME STATEMENTS
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

	Note	06/30/2012	06/30/2011
Net sales revenue	21	**563,041**	**459,541**
Operating income (expenses)			
Personnel		(30,444)	(26,290)
Materials		(1,713)	(1,583)
Outside services		(18,853)	(16,310)
Aneel inspection fee		(2,238)	(2,149)
Energy acquired for resale	23.2	(8,199)	(956)
Power grid charges	23.3	(41,075)	(36,289)
Regulatory charges – Financial compensation due to the use of water resources		(28,100)	(25,242)
Depreciation and amortization	10.b and 11.b	(111,560)	(115,419)
Provision for tax, labor and environmental risks		64	(2,785)
Allowance for doubtful accounts		4,610	(2,863)
Leases and rents		(1,744)	(1,567)
Insurance		(1,833)	(1,284)
Other		(3,887)	(3,787)
		(244,972)	**(236,524)**
Operating profit		**318,069**	**223,017**
Finance income (costs)			
Income	24	25,731	20,142
Costs	24	(69,633)	(72,831)
		(43,902)	**(52,689)**
Profit before income tax and social contribution		**274,167**	**170,328**
Income tax and social contribution			
Current	8.3	(105,184)	(71,715)
Deferred	8.3	12,641	14,748
Profit for the period		**181,624**	**113,361**
Earnings per share from continuing operations (R$ per share)			
Basic/diluted earnings per share (PN)	25	1.92330	1.20044
Basic/diluted earnings per share (ON)	25	1.92330	1.20043

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011

(In thousands of Brazilian reais - R$, unless otherwise stated)

	06/30/2012	06/30/2011
Profit for the period	**181,624**	**113,361**
Actuarial losses on defined-benefit pension plan	(3,734)	(2,413)
Deferred income tax and social contribution on actuarial losses	1,270	820
	(2,464)	(1,593)
Comprehensive income for the period	**179,160**	**111,768**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of Brazilian reais - R$)

		Reserves				
	Share capital	Capital	Earnings	Retained earnings	Valuation adjustments to equity	Total
Balances as at December 31, 2011	**1,639,138**	**99,330**	**71,863**	**-**	**1,014,934**	**2,825,265**
Comprehensive income for the period						
Profit for the period	-	-	-	181,624	-	181,624
Pension and retirement plans	-	-	-	-	(3,734)	(3,734)
Deferred tax on pension plan	-	-	-	-	1,270	1,270
	-	**-**	**-**	**181,624**	**(2,464)**	**179,160**
Contributions and distriburions to shareholders						
Share-based payment	-	101	-	-	-	101
Valuation adjustments to equity (Note 20.7)	-	-	-	51,926	(51,926)	-
Deferred tax on valuation adjustments to equity	-	-	-	(17,655)	17,655	-
	-	**101**	**-**	**34,271**	**(34,271)**	**101**
Balances as at June 30, 2010	**1,639,138**	**99,431**	**71,863**	**215,895**	**978,199**	**3,004,526**

		Reserves				
	Share capital	Capital	Earnings	Retained earnings	Valuation adjustments to equity	Total
Balances as at December 31, 2010	**1,999,138**	**99,133**	**63,401**	**-**	**1,092,135**	**3,253,807**
Comprehensive income for the period						
Profit for the period	-	-	-	113,361	-	113,361
Pension and retirement plans	-	-	-	-	(2,413)	(2,413)
Deferred tax on pension plan	-	-	-	-	820	820
	-	**-**	**-**	**113,361**	**(1,593)**	**111,768**
Contributions and distributions to shareholders						
Capital reduction	(360,000)	-	-	-		(360,000)
Distribution of capital reserves	-	-	(5,601)	-	-	(5,601)
Share-based payment	-	197	-	-	-	197
Valuation adjustments to equity (Note 20.7)	-	-	-	55,444	(55,444)	-
Deferred tax on valuation adjustments to equity	-	-	-	(18,851)	18,851	-
	(360,000)	**197**	**(5,601)**	**36,593**	**(36,593)**	**(365,404)**
Balances as at June 30, 2011	**1,639,138**	**99,330**	**57,800**	**149,954**	**1,053,949**	**3,000,171**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of Brazilian reais - R$)

	06/30/2012	06/30/2011
Cash flows from operating activities		
Profit for the period	181,624	113,361
Adjustments:		
Depreciation and amortization	111,560	115,419
Write-offs of property, plant and equipment	461	198
Deferred income tax and social contribution	12,641	14,748
Allowance for doubtful accounts	(4,610)	2,863
Accrued interest on debentures	47,333	43,648
Inflation adjustment on debentures	18,131	23,170
Provision for tax, labor and environmental risks	(64)	2,785
Share-based payment	101	197
Changes in assets and liabilities		
Trade receivables	(2,213)	(773)
Sundry debtors	(1,024)	(1,009)
Related parties	497	(47)
Escrow deposits	(438)	(180)
Services in progress	(1,590)	279
Restricted funds	(27)	(22)
Prepaid expenses	(1,743)	(1,186)
Trade payables	(4,037)	(17,689)
Payroll and related taxes	(2,904)	(4,317)
Taxes, fees and contributions	77,879	36,009
Estimated payables	1,766	(1,526)
Deferred revenues	3,110	-
Cibacap	(1,163)	(1,114)
Provision for tax, labor and environmental risks	(602)	(354)
Other gains and losses	(2,263)	(3,153)
Cash provided by operations	**432,425**	**321,307**
Interest on debentures	(10,084)	(11,776)
Income tax and social contribution	(71,598)	(56,612)
Net cash provided by operating activities	**350,743**	**252,919**
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,122)	(4,620)
Purchase of intangible assets	(603)	(251)
Net cash used in investing activities	**(5,725)**	**(4,871)**
Cash flows from financing activities		
Amount received for the issuance of debentures	150,000	-
Dividends and interest on capital	(196,856)	(141,245)
Capital reduction	-	(360,000)
Net cash used in financing activities	**(46,856)**	**(501,245)**
Increase/(decrease) in cash and cash equivalents	**298,162**	**(253,197)**
Cash and cash equivalents at the beginning of period	**210,371**	**495,772**
Cash and cash equivalents at the end of period	**508,533**	**242,575**

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF VALUE ADDED
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011
(Amounts in thousands of Brazilian reais - R$)

	06/30/2012	06/30/2011
Revenue		
Sales revenue	620,412	512,031
Other revenues	28	22
Allowance for doubtful accounts	4,610	(2,863)
	625,050	**509,190**
Inputs acquired from third parties		
Materials and outside services	(20,566)	(17,893)
Energy purchased and power grid charges	(49,274)	(37,245)
Other operating costs	(4,963)	(7,091)
	(74,803)	**(62,229)**
Gross value added	**550,247**	**446,961**
Depreciation and amortization	(111,560)	(115,419)
Valuation adjustments to equity	34,271	36,593
Net value added	**472,958**	**368,135**
Finance income	25,731	20,142
Total value added for distribution	**498,689**	**388,277**
Distribution of value added		
Personnel		
Salaries and wages	15,353	13,251
Benefits	3,477	3,474
FGTS	1,550	1,372
Accrued bonuses	3,479	2,758
Profit sharing	1,607	1,353
Payroll taxes (except INSS)	1,387	1,183
	26,853	**23,391**
Taxes, fees and contributions		
Federal	182,154	135,381
State	2,410	5,153
	184,564	**140,534**
Lenders and lessors		
Rents	1,744	1,567
Interest on debentures	47,333	43,648
Inflation adjustment on debentures	18,131	23,170
Other finance costs	4,169	6,013
	71,377	**74,398**
Other		
Retained earnings	215,895	149,954
	215,895	**149,954**
Total value added distributed	**498,689**	**388,277**

The accompanying notes are an integral part of these financial statements.

COMMENTS ON ECONOMIC AND FINANCIAL PERFORMANCE

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	2Q2012	2Q2011	% Change
Economic indictors			
Gross operating revenue	306,298	248,054	23.5
(-) Deductions from operating revenue	(28,658)	(25,521)	12.3
Net operating revenue	277,640	222,533	24.8
(-) Operating expenses	(120,327)	(116,091)	3.6
Operating profit	157,313	106,442	47.8
EBITDA	213,088	164,143	29.8
EBITDA Margin - %	*76.7%*	*73.8%*	-
Finance income (costs)	(27,473)	(22,447)	22.4
Income before income tax and social contribution	129,840	83,995	54.6
Profit for the period	86,106	56,137	53.4
Net margin - %	31.0%	25.2%	-
Financial indicators			
Total assets	4,596,299	4,506,855	2.0
Debts in local currency	1,016,630	892,229	13.9
Equity	3,004,526	3,000,171	0.1
Shares			
Outstanding shares (in thousands of shares)	94,433	94,433	-
Earnings per thousand shares (in R$)	911.82	594.46	53.4

Gross Operating Revenue

Gross operating revenue grew R$58,244 or 23.5 percent as compared to the same period last year. Performance reflects the better prices in bilateral contracts, auctions and the spot market, and the higher sales volume in bilateral contracts, partially set off by the lower sales in the spot market.

Deductions from Operating Revenue

Deductions from operating revenue increased R$3,137 or 12.3 percent as compared to the same period last year. This growth did not match the 23.5 percent increase in gross operating revenue, mainly because a significant portion of this change is subject to cumulative taxes on revenue (PIS and COFINS).

Net Operating Revenue

Due to the factors described above, our net operating revenue totaled R$277,640 for the period, 24.8 percent higher than in the same period last year.

Operating Expenses

	2Q2012	2Q2011	% Change
Personnel	(15,650)	(13,795)	13.4
Supplies	(836)	(887)	-5.7
Outside services	(12,040)	(9,027)	33.4
ANEEL inspection fee	(1,119)	(1,075)	4.1
Power purchased for resale	(3,978)	(931)	327.3
Grid usage charges	(20,540)	(18,161)	13.1
Compensation for the use water resources	(13,315)	(11,802)	12.8
Depreciation and amortization	(55,775)	(57,701)	-3.3
Provision for tax, labor and environmental contingencies	134	(1,036)	-112.9
Allowance for doubtful debts	6,934	1,697	308.6
Lease and rentals	(887)	(813)	9.1
Insurance	(933)	(640)	45.8
Other	(2,322)	(1,920)	20.9
	(120,327)	**(116,091)**	**3.6**

Operating expenses totaled R$120,327 for the period, 3.6 percent higher than the R$116,091 recorded for the same period last year.

We list below the main factors that impacted the operating expenses:

- Personnel - increase of R$1,855 in the period, or 13.4% higher than in the same period last year, mainly due to the increase in the number of employees and the 6.5 percent salary increase;

- Outside services - increase of R$3,013, or 33.4% higher than in the same period last year, mainly due to the expenses on financial advisory incurred in the second quarter of 2012, amounting to R$1,738, and the expenses on small refurbishments in the São Paulo office, amounting to R$529;

- Power purchased for resale - increase of R$3,047 in the period corresponding to the purchase of electric power to comply with the regulatory buffer for 2012;

- Grid usage charges - increase of R$2,379 in the period, or 13.1 percent higher than in the same period last year, mainly due to the 15.2 percent increase in the TUST (Transmission Grid Use Charge) tariff, pursuant to ANEEL Resolution 1.173/11;

- Compensation for the use of water resources - increase of R$1,513, or 12.8% as compared the same period last year, due to the higher volume generated in the quarter, which totaled 2,707,043 MWh, i.e., 5.8% higher than the 2,558,444 MWh generated in the same period last year. The Updated Benchmark Tariff (TAR) was increased by 6.6 percent to R$72.87/MWh from R$68.34/MWh, starting January 1, 2012;

- Provision for tax, labor and environmental contingencies - a 112.9 percent increase due to partial reversal of R$545 in 2012 for labor contingencies (R$1,044 recognized in 2011), set off by the R$411 provision for tax contingencies;

- Allowance for doubtful debts - the R$5,237 or 308.6% increased as compared to the same period last year is mainly due to the reversal of the allowance in the second quarter of 2012 as a result of the negotiation and partial recovery of past-due billed amounts amounting to R$10,563. Therefore, the allowance for doubtful debts set up for these amounts was reversed.

EBITDA and EBITDA margin

	2Q2012	2Q2011	% Change
Profit for the period	86,106	56,137	53.4
Income tax and social contribution	43,734	27,858	57.0
Finance income (costs), net	27,473	22,447	22.4
Depreciation and amortization	55,775	57,701	-3.3
EBITDA (R$'000)	**213,088**	**164,143**	**29.8**
Net margin	*76.7%*	*73.8%*	

EBITDA (earnings before interest, taxes, depreciation and amortization) is calculated as profit plus net finance income and costs, income tax and social contribution, depreciation and amortization. EBITDA is not an accounting measure and calculated based on Brazilian Securities and Exchange Commission (CVM) Circular 01/2008. EBITDA should not be considered as an alternative to cash flows as a liquidity indicator. Our management believes that EBITDA provides a useful measurement of our performance, widely used by investors and analysts to evaluate performance and compare companies. By making these comparisons, however, you should bear in mind that EBITDA is not a measurement recognized by the accounting practices adopted in Brazil and it may be calculated differently by different companies.

Our EBITDA grew 29.8 percent as compared to the same period last year, mainly as a result of the increase in net operating revenue for the period.

Finance Income (Costs)

	2Q2012	2Q2011	% Change
Finance income	13,166	9,868	33.4
Finance costs	(40,639)	(32,315)	25.8
Finance costs, net	**(27,473)**	**(22,447)**	**22.4**

Net finance costs increases R$5,026, or 22.4 percent as compared to the same period last year. Finance income increased 33.4 percent, mainly due to the higher volume of short-term investments. Finance costs increased 25.8 percent, mainly due to the impact of the increase in the General Market Price Index (IGP-M): 2.56 percent for the quarter over 0.70 percent for the same period last year. This index is one of the main indexers of our debt.

Debentures

Debt profile		Series	Currency	Yield:	Maturity	2Q2012	2Q2011
Debentures	1st issue	1st series	Reais	CDI fluctuation + 2.15% p.a.	9/15/2013	128,032	193,586
Debentures	1st issue	2nd series	Reais	IPCA fluctuation + 11.6% p.a.	9/15/2015	120,821	111,572
Debentures	2nd issue	Single series	Reais	IGP-M fluctuation + 8.59% p.a.	7/16/2015	612,057	587,071
Debentures	3rd issue	Single series	Reais	CDI fluctuation + 1.15% p.a.	1/10/2017	155,720	-
						1,016,630	**892,229**

Our debentures for the period totaled R$1,016,630, or a 13.9 percent increase as compared to the R$892,229 for the same period last year, mainly as a result of the new issue in the amount of R$150,000 in January 2012.

Net financial debt

Net debt, consisting of debentures less cash and cash equivalents, totaled R$508,097, a 21.8 percent decrease as compared to the R$649,654 for the same period last year, mainly due to the higher cash volume generated.

	2Q2012	2Q2011	% Change
Debentures	1,016,630	892,229	13.9
Cash	(508,533)	(242,575)	109.6
Net debt	**508,097**	**649,654**	**-21.8**

Profit for the Period

Due to the effects referred to above, our profit for the second quarter of 2012 was R$86,106, a 53.4 percent increased as compared to the R$56,137 recorded for the same period last year.

NOTES TO THE INTERIM FINANCIAL INFORMATION (ITR)
FOR THE QUARTER ENDED JUNE 30, 2012
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Duke Energy Energy International, Geração Paranapanema S.A. (“Company”) is a corporation and a public utility concessionaire, operating as independent generator, with registered head office in the São Paulo, State of São Paulo (SP), and is mainly engaged in the generation and sale of electric power, operations that are regulated and supervised by the National Electric Energy Agency (ANEEL), which reports to the Ministry of Mines and Energy (MME).

The Company's installed capacity is 2,241 MW, consisting of the following generation plants in operation in the State of São Paulo: Capivara hydroelectric power plant, Chavantes hydroelectric power plant, Jurumirim hydroelectric power plant, Salto Grande hydroelectric power plant, Taquaruçu Hydroelectric Power Plant, Rosana hydroelectric power plant, and 49.7% of the Canoas Complex consisting of the Canoas I and II hydroelectric power plants.

These financial statements were approved by the board of directors and authorized for issue on August 10, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRESENTATION OF INTERIM FINANCIAL INFORMATION (ITR)

The interim financial statements contained in this quarterly financial information have been prepared in accordance with the Brazilian accounting pronouncement CPC 21 *Interim Financial Reporting* and International Accounting Standard (IAS) 34 *Interim Financial Reporting*, Issued by the International Accounting Standards Board (IASB), and are presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission applicable to the preparation of the Interim Financial information (ITR).

As described in the Circular Letter CVM/SNC/SEP 03/2011, therefore, the Company elected to present the notes to this interim financial information in a summarized manner in those cases of replication of the information presented in the annual financial statements. In these cases, we have included a reference to the complete note to the annual financial statements to avoid any misunderstanding of the Company’s financial position and performance for the interim period.

The Company states that the basis of preparation and the accounting policies used are the same as those applied in the 2011 annual financial statements. Consequently, the related information is disclosed in notes 2.1 to 2.18 to those financial statements.

3. KEY ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS

The Company hereby declares that the key estimates and critical accounting judgments described in the 2011 annual financial statements are applicable to this interim financial information, as presented in notes 3.1 and 3.2.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Company's activities expose it to several financial risks: market risk (including the fair value interest rate, the cash flows interest rate risk, and the price risk), credit risk, and liquidity risk. The Company's risk management is focused on the unpredictability of the financial markets and aims at minimizing adverse impacts on its financial performance.

Risk management is carried out by the Company in accordance with the policies approved by the Board of Directors. Risk management identifies, assesses and protects the company against possible financial risks.

4.1.1. Market risk

Interest rate-related cash flow or fair value risk

Considering the Company has no significant assets subject to interest, its profit and operating cash flows do not depend materially on changes in market interest rates.

The Company's interest rate risk arises from long-term debentures. The debentures issued at variable rates expose the Company to the cash flow interest rate risk.

The Company's first issue of debentures bears financial charges corresponding to the interbank deposit rate (CDI) fluctuation plus 2.15% p.a. and the fluctuation of the Extended Consumer Price Index (IPCA) plus 11.60% p.a. (series 1 and series 2, respectively), the second issue of debentures bears financial charges corresponding to the fluctuation of the General Market Price Index (IGP-M) plus 8.59% p.a., and the third issue of debentures bears financial charges corresponding to the CDI fluctuation plus 1.15% p.a. Consequently, the Company's profit or loss is impacted by the fluctuation of these price indices. The impact caused by the CDI, IPCA and IGP-M fluctuation on the debentures is mitigated by the increase of the bilateral contracts' and auctions' prices, which are also indexed to the fluctuation of the IPCA or IGP-M indices.

4.1.2. Credit risk

The credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposures to customers, including outstanding receivables. For banks and other financial institutions, only those independently rated at least "A" are accepted. The Company's credit analysis function assesses the customers' creditworthiness taking into consideration their financial position, past experience and other factors.

In the contracts with distributors under public auctions, the Company seeks to minimize credit risks by using guarantee mechanisms involving receivables from distributors. The auction contracts have a standardized nomenclature and other types of credit support can be provided at the buyer's initiative, such as bank guarantees and the assignment of Bank Certificates of Deposit (CDBs). Most distributors have provided guarantees backed by their receivables.

The price of electric energy sold to distributors and free consumers, set in the auction and bilateral contracts, is consistent with market prices and any energy surpluses or shortages will be settled in the context of the Electric Power Trade Chamber (CCEE). The Company has adequate contracted volumes (see note 23).

4.1.3. Liquidity risk

The Company monitors the ongoing forecasts on the liquidity requirements to ensure it has sufficient cash to meet operating needs. This forecast takes into consideration the Group's debt financing plans, compliance with contractual covenants, compliance with internal balance sheet ratio goals, and regulatory or legal requirements, if applicable.

The Company invests cash surpluses in interest-bearing current accounts, time deposits, short-term deposits, and securities, after choosing the appropriate maturities or adequate liquidity to provide sufficient margin based on the forecasts referred to above.

4.1.4. Debt acceleration risk

The Company's debentures contain restrictive covenants usually applicable to this type of transactions, requiring the compliance with certain economic and financial ratios, and cash generation and other indices. These covenants were complied with and do not restrict the normal course of the Company's operations (see note 14).

4.1.5. Hydrological risk

Risk associated with a shortage of water to generate electric power. The National Interconnected System (SIN) is served by 85% of hydroelectric generation. To mitigate this risk, Brazil created the Power Reallocation Mechanism (MRE), which is a financial mechanism that enables regions in the SIN to share the hydrological risks of the plants whose power is centrally distributed by the National System Operator (ONS). It is worth noting that the risk is systemic, i.e., when there the system as a whole and not only the region where the plants are located is in an unfavorable hydrological position, there is an effective risk for the companies that own hydroelectric power plants.

4.1.6. Regulatory risk

The Company's, as well as its competitors', activities, are regulated and supervised by the ANEEL. Any change in the regulatory environment can affect Company activities.

4.1.7. Environmental risk

The Company's activities and facilities are subject to several federal, state and municipal laws and regulations, and to a number of operation requirements related to environmental protection. In addition, the Company's inability to operate its plants due to environmental fines or environmental lawsuits can impair the generation of operating revenue and adversely affect the Company's profit or loss.

The Company uses the Environmental, Health and Safely Management Policy (MASS) to strike a balance between environmental preservation and the development of its activities, mitigating the risks for the Company.

4.1.8. Sensitivity analysis

Pursuant to CVM Instruction 475/2008, the Company discloses below, in compliance with the provisions CPC 14 *Financial Instruments: Recognition, Measurement and Disclosure*, paragraph 59, the sensitivity analysis for each type of market risk considered as material by management, arising from financial instruments consisting exclusively of debentures, to which the Company is exposed at the end of the reporting period.

The sensitivity for the probable scenario for the next twelve months was calculated taking into consideration the changes in the rates and indices prevailing at June 30, 2012 and the assumptions available in the market for the next twelve months (source: Central Bank of Brazil's Focus report). The sensitivity analysis also took into consideration two other scenarios, with 25% and 50% fluctuations in interest rates and floating indices as compared to the probable scenario. The following table shows the impacts on the Company's finance income (costs) for the three scenarios estimated for the next twelve months:

Risk of change in floating indices		**6/30/2012**	**Scenario Δ Probable**	**Scenario Δ 25%**	**Scenario Δ 50%**
Debentures					
IGPM	IGP-M increase	612,057	11,492	4,506	11,333
IPCA	IPCA increase	120,821	991	1,962	2,363
CDI	CDI increase	283,752	(3,883)	3,408	6,787
		1,016,630	**8,600**	**9,877**	**20,483**

Change in indices	**Indices from 7/1/2011 to 6/30/2012**	**Index projections for the next 12 months**	**Scenario Δ Probable**	**Scenario Δ 25%**	**Scenario Δ 50%**
IGPM	5.14%	5.09%	-0.05%	6.48%	7.78%
IPCA	5.05%	5.64%	0.58%	8.46%	10.16%
CDI	10.59%	8.25%	-2.34%	10.31%	12.37%

4.2. Capital management

	6/30/2012	**12/31/2011**
Total debentures	1,016,630	811,250
Cash and cash equivalents	(508,533)	(210,371)
Net debt	**508,097**	**600,879**
Total equity	3,004,526	2,825,265
Total capital	**3,512,623**	**3,426,144**
Financial leverage ratio (%)	**14.5**	**17.5**

The objectives of the Company in managing its capital are to ensure that the Company is always capable of providing return to its shareholders and benefits to other stakeholders, and maintain an ideal capital structure to reduce this cost.

The Company can review its dividend policy or return capital to its shareholders to maintain or adjust its capital structure.

The financial leverage ratio is obtained by dividing the Company's net debt by its total capital.

4.3. Fair value estimate

The Company assumes that the balances of trade payables and trade receivables at their carrying amounts, less impairment losses, are close to their fair values. The fair value of the financial liabilities, for disclosure purposes, is estimated by discounting future contractual cash flows at the prevailing market interest rate available to the Company for similar financial instruments.

The fair value of financial instruments traded in active markets is based on market prices, quoted at the end of the reporting period. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the price of current competitors.

5. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are not past due or impaired may be evaluated by reference to external credit ratings (if any) or historical information on default rates for counterparties (see notes 6 and 7):

Cash and cash equivalents	**6/30/2012**	**12/31/2011**
Standard & Poor's		
A-3	326,742	163,129
A-2	7,964	3,955
A-1	67,195	8
Moody's		
BR-1	106,632	43,279
Total	**508,533**	**210,371**

6. CASH AND CASH EQUIVALENTS

	6/30/2012	**12/31/2011**
Cash and banks	55	1,296
Short-term investments		
Bank certificates of deposit (CDB)	503,427	204,226
Fixed-income fund	5,051	4,849
	508,533	**210,371**

See additional comments in note 6 to the 2011 annual financial statements.

7. TRADE RECEIVABLES

Current assets	6/30/2012	12/31/2011
Receivables under bilateral contracts	59,538	66,177
Receivables under auction contracts	41,931	44,708
Spot-market energy (MRE/spot)	20,518	11,455
	121,987	**122,340**
Allowance for doubtful debts	(3,454)	(10,630)
	118,533	**111,710**

Changes in the allowance for doubtful debts

Balance at 12/31/2011	**(10,630)**
Allowances in the period	(3,390)
Reversals in the period	10,566
Balance at 6/30/2012	**(3,454)**

Aging list of trade receivables:

	6/30/2012	12/31/2011
Current	118,533	110,712
Past due		
Up to 30 days	517	1,026
31 to 60 days	-	573
61 to 90 days	653	418
Over 90 days	2,284	9,611
	3,454	**11,628**
	121,987	**122,340**

As at June 30, 2012, the Company presents R$3,454 (R$11,628 at December 31, 2011) in past-due trade receivables. In the second quarter of 2012, the Company negotiated and recovered part of the past-due billed amounts. Therefore, the allowance for doubtful debts set up for these amounts was reversed.

See additional comments in note 7 to the 2011 annual financial statements.

8. TAXES AND FEES

	6/30/2012		12/31/2011	
Assets	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Recoverable income tax and social contribution	4,900	-	21,853	-
Recoverable taxes on revenue (PIS and COFINS)	238	-	276	-
Recoverable State VAT (ICMS)	-	332	34	398
Service tax (ISS)	21	-	21	-
Social security tax (INSS)	39	-	39	-
	5,198	**332**	**22,223**	**398**
Liabilities				
Income tax and social contribution	15,604	-	-	-
PIS and COFINS	8,043	-	7,877	-
ICMS	390	-	472	-
Withholding income tax (IRRF) on interest on capital	-	-	14,611	-
Other	170	-	117	-
	24,207	**-**	**23,077**	**-**
Deferred tax assets				
Temporary differences	-	(8,038)	-	(11,646)
Tax benefit	-	(43,657)	-	(46,120)
Deferred tax liabilities				
Equity valuation adjustments	-	502,863	-	522,844
Deferred tax liabilities (net)	**-**	**451,168**	**-**	**465,078**

8.1. Deferred income tax and social contribution

As at June 30, 2012, the Company provisioned deferred income and social contribution taxes on asset valuation gain on the asset appraisal of the pension plan amounting to R$1,270 (R$820 at June 30, 2011).

As at June 30, 2012, the timing differences represented by expenses deductible in the future amount to R$23,642 (R$34,254 at December 31, 2011). Income tax and social contribution will be realized as these amounts are taxed.

See additional comments in note 8.1 to the 2011 annual financial statements.

8.2. Tax benefits - merged goodwill

	6/30/2012			12/31/2011
	Goodwill	**Allowance**	**Net**	**Net**
Balance arising on merger	305,406	(201,568)	103,838	103,838
Realization	(176,990)	116,809	(60,181)	(57,718)
Closing balance	**128,416**	**(84,759)**	**43,657**	**46,120**

	6/30/2012	6/30/2011
Goodwill amortization	(7,245)	(7,607)
Reversal of allowance	4,782	5,021
Tax benefit	2,463	2,586
Net effect for the period	**-**	**-**

The following is the realization of the tax related to the Duke Sudeste merged goodwill.

	2012	2013	2014	2015	2016 and thereafter	Total
Estimated realization	2,463	4,676	4,334	4,002	28,182	43,657

8.3. Statements of income tax and social contribution calculation

The reconciliation between income tax and social contribution expenses at their statutory rates and at their actual tax rates is as follows:

	6/30/2012		6/30/2011	
	Income tax	Social contribution	Income tax	Social contribution
Income before income tax and social contribution	274,167	274,167	170,328	170,328
Adjustments under the RTT	55,137	55,137	55,641	55,641
Income before income tax and social contribution and after RTT adjustment	329,304	329,304	225,969	225,969
Income tax and social contribution statutory rate	25%	9%	25%	9%
Income tax and social contribution at statutory rates	**82,314**	**29,637**	**56,480**	**20,337**
Adjustments to effective rate				
Amortization Inflationary credit charge	(1,125)	38	(1,222)	40
Allowance for doubtful debts	(1,794)	(646)	298	107
Tax benefits - merged goodwill (Aneel Res. 02/2002)	(1,811)	(652)	(1,902)	(684)
Nondeductible expenses	797	213	721	160
Other	(877)	(310)	(1,432)	(509)
Current income tax and social contribution	**77,504**	**28,280**	**52,943**	**19,451**
Rouanet Act and Children's Fund	(600)	-	(679)	-
Total current income tax and social contribution affecting profit or loss	**76,904**	**28,280**	**52,264**	**19,451**
Taxable base of temporary differences in profit or loss	(37,178)	(37,178)	(43,376)	(43,376)
Applicable tax rate	25%	9%	25%	9%
Deferred income tax and social contribution affecting profit or loss	**(9,295)**	**(3,346)**	**(10,844)**	**(3,904)**
Taxable base of taxable differences in equity	(3,733)	(3,733)	(2,413)	(2,413)
Applicable tax rate	25%	9%	25%	9%
Deferred income tax and social contribution affecting equity	**(934)**	**(336)**	**(603)**	**(217)**

As at June 30, 2012, current and deferred income tax and social contribution total R$105,184 and R$12,641 respectively (R$71,715 and R$14,748 for the same period of last year, respectively).

See additional comments in note 8.3 to the 2011 annual financial statements.

9. ESCROW DEPOSITS

This line item includes escrow deposits made with courts to allow the filing of appeals as required by law.

	6/30/2012	12/31/2011
Environmental	2,845	2,752
Tax:		
Real Estate Tax (IPTU) (City of Primeiro de Maio Municipality)	1,170	1,134
Late payment fine on IRRF, IRPJ and CSLL	829	800
Late payment fine on PIS, COFINS, IRPJ, CSLL and Tax on Financial Transactions (IOF)	5,894	5,632
Economic Intervention Contribution (CIDE) tax	597	579
	11,335	**10,897**

See additional comments in note 9 to the 2011 annual financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

	6/30/2012			12/31/2011	Annual depreciation/ amortization rate - %
	Cost	Accumulated depreciation	Net	Net	
In service					
Land	210,997	-	210,997	210,997	-
Reservoirs, dams and water mains	3,444,194	(539,446)	2,904,748	3,027,258	4.4%
Buildings, constructions and improvements	466,157	(116,703)	349,454	361,393	4.2%
Machinery and equipment	770,552	(153,834)	616,718	579,587	6.2%
Vehicles	4,703	(2,171)	2,532	2,544	19.1%
Furniture and fixtures	1,702	(1,028)	674	4,394	5.9%
(-) Canoas I and II plant reserves	(200,675)	-	(200,675)	(200,675)	
	4,697,630	**(813,182)**	**3,884,448**	**3,985,498**	
in progress					
Reservoirs, dams and water mains	446	-	446	145	
Buildings, constructions and improvements	5	-	5	-	
Machinery and equipment	10,272	-	10,272	14,820	
Furniture and fixtures	290	-	290	689	
	11,013	**-**	**11,013**	**15,654**	
Land	4,249	-	4,249	4,249	
Vehicles	749	-	749	81	
	4,713,641	**(813,182)**	**3,900,459**	**4,005,482**	
(-) Concession-related obligations (see note 18)	(6,943)	224	(6,719)	(6,748)	
	4,706,698	**(812,958)**	**3,893,740**	**3,998,734**	

b) Changes in property, plant and equipment

	Net amount at 12/31/2011	Additions	Depreciation	Write-offs	Reclassifications and transfers	Net value at 6/30/2012
Land	215,246	-	-	-	-	215,246
Reservoirs, dams and water mains	3,027,403	446	(77,680)	-	(44,975)	2,905,194
Buildings, constructions and improvements	361,393	5	(9,803)	-	(2,136)	349,459
Machinery and equipment	594,407	3,512	(21,600)	(460)	51,131	626,990
Vehicles	2,625	1,066	(410)	-	-	3,281
Furniture and fixtures	5,083	93	(191)	(1)	(4,020)	964
(-) Canoas I and II plant reserves	(200,675)	-	-	-	-	(200,675)
	4,005,482	**5,122**	**(109,684)**	**(461)**	**-**	**3,900,459**
(-) Concession-related obligations	(6,748)	(10)	60	-	(21)	(6,719)
	3,998,734	**5,112**	**(109,624)**	**(461)**	**(21)**	**3,893,740**

c) Concession Agreement

ANEEL Concession Agreement	Plant	Type	State	River	Installed power (MW)	Guaranteed power (avg. MW)	Start of concession	End of concession
							Concessions at 6/30/2012	
76/1999	Jurumirim	Hydroelectric plant	SP	Paranapanema	101	47	9/22/1999	9/21/2029
76/1999	Chavantes	Hydroelectric plant	SP	Paranapanema	414	172	9/22/1999	9/21/2029
76/1999	Salto Grande	Hydroelectric plant	SP	Paranapanema	73	55	9/22/1999	9/21/2029
76/1999	Capivara	Hydroelectric plant	SP	Paranapanema	619	330	9/22/1999	9/21/2029
76/1999	Taquaruçu	Hydroelectric plant	SP	Paranapanema	525	201	9/22/1999	9/21/2029
76/1999	Rosana	Hydroelectric plant	SP	Paranapanema	354	177	9/22/1999	9/21/2029
183/1998	Canoas I	Hydroelectric plant	SP	Paranapanema	83	57	7/30/1998	7/29/2033
183/1998	Canoas II	Hydroelectric plant	SP	Paranapanema	72	48	7/30/1998	7/29/2033
					2,241	**1,087**		

Notes 10.1, 10.2, 10.3 and 10.4 to the 2011 annual financial statements contain information related to property, plant and equipment. More specifically, these notes address the adoption of deemed cost, the depreciation rates used, the concession-related assets, and the concession agreements, respectively. This information are applicable to the interim financial information.

11. INTANGIBLE ASSETS

Intangible assets as at June 30, 2012 consist of software licenses and rights of way and to the Use of Public Assets (UBP).

a) Breakdown

			6/30/2012	12/31/2011	
	Cost	**Accumulated amortization**	**Net**	**Net**	**Annual amortization rates**
In service					
UBP	53,495	(21,129)	32,366	33,284	3%
Software	21,021	(18,482)	2,539	3,569	10%
Rights of way	75	-	75	75	
	74,591	**(39,611)**	**34,980**	**36,928**	
in progress					
Software	1,401	-	1,401	798	
	75,992	**(39,611)**	**36,381**	**37,726**	
(-) Concession-related obligations (see note 18)	(320)	54	(266)	(299)	
	75,672	**(39,557)**	**36,115**	**37,427**	

b) Changes in intangible assets

	Net amount at 12/31/2011	Additions	Amortization	Reclassifications and transfers	Net amount at 6/30/2012
UBP	33,284	-	(918)	-	32,366
Software	4,367	603	(1,030)	-	3,940
Rights of way	75	-	-	-	75
	37,726	**603**	**(1,948)**	**-**	**36,381**
(-) Concession-related obligations	(299)	-	12	21	(266)
	37,427	**603**	**(1,936)**	**21**	**36,115**

12. TRADE PAYABLES

	6/30/2012	12/31/2011
	Current	**Current**
Electricity supply	1,311	72
Materials and services	3,837	5,158
Grid usage charges		
TUST	7,526	7,630
Connection charges	16	16
	12,690	**12,876**
TUSD-G	1,248	50,709
(-) Escrow deposit re. TUSD-G	-	(42,846)
	1,248	**7,863**
	13,938	**20,739**

There were no new events as regards the legal lawsuit claiming the revision of the amounts payable as Distribution Grid Use Charge (TUSD-G), and the Company deposits the last portions of the escrow deposits, the amount of which adjusted through June 30, 2012 is R$46,265 (R$42,846 at December 31, 2011). The liability is being presented net of the escrow deposits and was transferred from current liabilities to noncurrent liabilities in the period.

See additional comments in note 12 to the 2011 annual financial statements.

13. RELATED PARTIES

13.1. Balances and transactions

The Company has expense sharing agreements with associates DEB – Pequenas Centrais Hidrelétricas Ltda ("DEB") and Duke Energy International, Brasil Ltda ("Duke Brasil"). The estimated amount of these agreements for 2012 are R$3,567 and R$660 respectively. The amount receivable from related parties at June 30, 2012 is R$350 (R$847 at December 31, 2011), of which R$21 (R$49 at December 31, 2011) refer to out-of-pocket expenses to be reimbursed by Duke Brasil.

In those cases where the Company's customers Companhia require guarantees in business transactions, Duke Brasil provides such guarantees on behalf of the Company. As at June 30, 2012 these guarantees amount to R$119,443 (R$103,384 at December 31, 2011). The other material transactions with related parties refer to the distribution of dividends, interest on capital, and capital reduction.

See additional comments in note 13.1 to the 2011 annual financial statements.

13.2. Compensation of key management personnel

The Annual Shareholders' Meeting held on April 27, 2012 approved the Company's management annual compensation in the overall amount of up to R$9,900 for 2012, distributed as follows: (a) R$3,000 for the board of directors; (b) R$6,000 for the executive committee; and (c) R$900 for the supervisory board.

The table below is a breakdown of compensation of key management personnel:

	4/1/2012 to 6/30/2012	**1/1/2012 to 6/30/2012**	**4/1/2011 to 6/30/2011**	**1/1/2011 to 6/30/2011**
Employee and management short-term benefits	1,477	2,974	1,297	2,565
Postemployment benefits	44	87	39	78
	1,521	**3,061**	**1,336**	**2,643**
Share-based compensation	101	101	197	197
	1,622	**3,162**	**1,533**	**2,840**

Some Company managers are eligible for the Long-term Incentive Program (LTI) established by Duke Energy Corporation and consisting of shares of the indirect parent company (the Company does not have a local plan involving its shares).

In 2012 the Company recognized expenses of R$197 related to the parent company's share-based compensation plan (R$197 in 2011).

14. DEBENTURES

14.1. Breakdown and maturity of debentures

a) Breakdown

		Principal + charges at			
		6/30/2012		12/31/2011	
Issuance	Series	Current	Noncurrent	Current	Noncurrent
1st issue	1st series	65,735	62,297	66,719	62,053
2nd issue	2nd series	9,836	110,985	3,352	108,124
2nd issue	Single	45,323	566,734	20,085	550,917
3rd issue	Single	6,988	148,732	-	-
		127,882	**888,748**	**90,156**	**721,094**

b) Maturity

	2013	2014	2015	2016	2017	Total
Noncurrent	288,292	225,142	225,676	74,638	75,000	888,748

See additional comments in notes 14.2 and 14.3 to the 2011 annual financial statements.

14.2. Third issue of debentures

On January 10, 2012 the Company raised R$150,000 in the market as debt, through the third public issue in the local market of unsecured, nonconvertible, registry, book-entry debentures, without the issue of warrants, underwritten by Banco BTG Pactual S.A. (leading underwriter), which have been distributed with limited debenture placement efforts, pursuant to CVM Instruction 476/2009, under the guaranteed placement regime for the total issuance amount, intended exclusively for qualified investors, as defined by CVM Instruction 476/2009.

The offer was issued based on the decisions made: (i) at the Extraordinary Shareholders' Meeting held on December 27, 2011, whose minutes were registered with the São Paulo's State Division of Corporations (JUCESP) on January 4, 2012 under No. 22800/12-8 (ii) at the Supervisory Board's meeting held on November 30, 2011, which issued a opinion favorable to fundraising through the third issue of debentures; (iii) the Board of Directors' meetings held on November 22, 2011 and December 9, 2011, whose minutes were registered with the JUCESP on January 2, 2012 under No. 21836/12-7 and January 3, 2012 under No. 21881/12-1, respectively, which approved the proposal submitted by Banco BTG Pactual S.A. during the 189th Meeting of the Executive Committee, held on November 17, 2011 and filed with the JUCESP on January 2, 2012 under No. 21835/12-3, for the Company's fundraising. All minutes of the decisions above were published in the São Paulo State Official Gazette and the newspaper Valor Econômico on December 28, 2011.

The net amounts obtained, totaling R$150,000, were fully used to refinance the principal of and interest charged on the second and third amortizations of the first series of the First Issue of Company Debentures, pursuant to the Public Issue of Unsecure, Nonconvertible Debentures Indenture of Duke Energy International, Geração Paranapanema S.A., entered into on September 15, 2008 by the Company and Planner Trustee DTVM Ltda.

Transaction costs incurred on the fundraising are accounted for as a reduction in the fair value initially recognized and have been taken into consideration to determine the effective interest rate, pursuant to CPC 08 *Equity Transaction Costs and Premiums*.

The covenants contained in the third issue debentures indenture are similar to the covenants set out in the first and second issue debentures indenture (see note 14.2 to the 2011 annual financial statements).

This issue was made in a single series, consisting of 15,000 unsecure, nonconvertible debentures, with unit face value of R$10 and a five-year maturity.

The unit face value of each debenture will not be adjusted for inflation and the outstanding balance of the face value of each debenture is subject to interest equivalent to 100% of the CDI fluctuation, plus spread of 1.15% per year.

15. CIBACAP – CAPIVARA BASIN INTERCITY CONSORTIUM

	6/30/2012	12/31/2011
Current	3,158	3,521
Noncurrent	7,632	8,432
	10,790	**11,953**

See additional comments in note 15 to the 2011 annual financial statements.

16. PENSION PLAN

In the quarter ended June 30, 2012 there were no changes in the assumptions used for the actuarial valuations.

The table below shows the determined and recognized expenses for the period (see note 24):

	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011
Cost of current service	545	1,089	589	1,178
Interest on actuarial obligation	3,825	7,650	3,623	7,246
Expected return on plan assets	(5,930)	(11,860)	(5,134)	(10,268)
Employees' contributions	(171)	(341)	(161)	(321)
	(1,731)	**(3,462)**	**(1,083)**	**(2,165)**

See note 16 to the 2011 annual financial statements that describes the plans' positions and the assumptions used for the actuarial calculation.

17. PROVISION FOR TAX, LABOR AND ENVIRONMENTAL CONTINGENCIES

The Company's management, based on inventory-taking and reports prepared by the legal department and the outside legal counsel, has been setting up provisions in amounts deemed sufficient to cover probable losses and obligations related to labor, tax, environmental and regulatory proceedings.

Additionally, the Company is a party to labor, tax, environmental and regulatory proceedings whose risk of an unfavorable outcome is classified by management as possible, based on the assessment of its legal counsel, for which no provision is recognized. The estimated amounts are broken down below.

The escrow deposits, presented as deductions to the provisions, refer only to those deposits with provisions for labor contingencies, and other deposits are stated in a specific note (see note 9).

17.1. Provision for tax, labor and environmental contingencies

Breakdown

				6/30/2012	12/31/2011
Proceedings	**Adjusted amount**	**Provision**	**Escrow deposit**	**Provision for tax, labor and environmental contingencies**	**Provision for tax, labor and environmental contingencies**
Labor	6,118	6,118	(1,818)	4,300	5,789
Tax	10,490	10,490	-	10,490	9,681
Environmental	2,783	2,783	-	2,783	2,769
	19,391	**19,391**	**(1,818)**	**17,573**	**18,239**

Changes in the provision for tax, labor and environmental contingencies

	Labor	Tax	Environmental	Total
Balance at 12/31/2011	**5,789**	**9,681**	**2,769**	**18,239**
Provisions in the period	845	411	-	1,256
Reversals in the period	(1,320)	-	-	(1,320)
	(475)	**411**	**-**	**(64)**
Adjustments in the period	(58)	398	27	413
Write-offs in the period	(956)	-	(59)	(1,015)
	(1,014)	**398**	**14**	**(602)**
Total changes in the period	**(1,489)**	**809**	**14**	**(666)**
Balance at 6/30/2012	**4,300**	**10,490**	**2,783**	**17,573**

a) Labor

As at June 30, 2012, net labor contingencies total R$4,300 (R$5,789 at December 31, 2011) and refer to lawsuits filed by former employees and outsourced workers, claiming overtime, health hazard premium, salary equalization, employment relationship, etc.

Write-offs in the period refer to the termination of lawsuits in the normal course of the proceedings and court settlements. Recognitions refer to new lawsuits and revaluations made by the Company's legal counsel.

b) Tax

As at June 30, 2012, the provision for tax contingencies with probable unfavorable outcomes refer to the following:

i. Tax assessment notices related to the allocation of the tax paid on inflationary profit to a tax incentive (Finam) in January, February and March 2000. The Company filed administrative proceeding No. 11831.000528/02-92 with the Brazilian Federal Revenue Service, which validated the payments made in January and February. The Company maintains the provision for March 2000, amounting to R$2,435 (R$2,394 at December 31, 2011);

ii. Administrative proceeding No. 10880.723970/2001-33, which addresses the electronic refund or reimbursement requests of 2004 COFINS credits. The Company filed an Objection because the amounts have not been confirmed by the Federal Revenue Service. The amounts adjusted through June 2012 total R$7,644 (R$7,287 at December 31, 2011).

iii. Administrative proceeding No. 16349-720107/2011-38, which addresses the electronic refund or reimbursement requests of 2001 COFINS credits. The Company filed an Objection because the amounts have not been confirmed by the Federal Revenue Service. The amounts adjusted through June 2012 total R$411.

c) Environmental

As at June 30, 2012, the provision for environmental contingencies with probable unfavorable outcomes refer to the following:

i. Lawsuits for compensation of environmental impacts filed by the municipality of Santo Inácio in the adjusted amount of R$2,338 (R$2,275 at December 31, 2011);

ii. Lawsuits filed by fishermen referring to environmental damages amounting to R$356 (R$346 at December 31, 2011); and

iii. Provision for the offset of environmental impacts in land located in the municipality of Pederneiras amounting to R$89 (R$148 at December 31, 2011).

17.2. Possible contingencies

Proceedings	6/30/2012	12/31/2011
Labor	9,762	10,138
Tax	42,979	39,976
Environmental	55,730	53,007
Regulatory	18,311	16,371
	126,782	**119,492**

a) Labor

As at June 30, 2012, the labor contingencies with possible likelihood of an unfavorable outcome are valued at R$9,762 (R$10,138 at December 31, 2011).

b) Tax

As at June 30, 2012, the main tax contingencies classified as possible losses are as follows:

i. Injunction Request No. 2004.61.00.025355-3 filed against the São Paulo Federal Revenue Service Tax Administration Secretary to exempt the Company from the late payment fine on its settlement of its PIS, COFINS, IRPJ, CSLL and IOF debts both through payments and offsets, as the Company conduct a self-assessment, in accordance with Article 138 of the National tax Code (CTN). Debts with payment suspended by escrow deposits and possible loss estimated at R$5,586 (R$5,470 at December 31, 2011);

ii. Tax assessment notices related to the imposition of fine for alleged failure lo issue tax invoices related to the Canoas II power plant, in the period 2001-2005. The Company filed administrative proceedings with Paraná State Department of Finance. All the proceedings, amounting to R$8,770 (R$8,502 at December 31, 2011), await a final decision at the administrative level;

iii. Administrative proceedings arising from tax loss reimbursement requests (IRPJ, IRRF and CSLL). The Company filed appeals for all ongoing cases, which await a court decision. The amount classified as a possible loss is R$11,838 (R$11,475 at December 31, 2011);

iv. Administrative proceedings arising from offset requests of overpaid taxes (CSLL, IRPJ and COFINS) amounting to R$13,049 (R$10,851 at December 31, 2011).

c) Environmental

As at June 30, 2012, environmental contingencies with likelihood of a possible loss refer lo Fine Notices issued by the Environmental Institute of Paraná (IAP) and the by the Brazilian Environmental protection Agency, or IBAMA, related to alleged environmental violations at the Chavantes, Canoas I, Canoas II, Taquaruçu and Capivara power plants. The Company filed administrative appeals and lawsuits seeking the annulment of the fines. The amount classified as a possible loss is R$55,730 (R$53,007 at December 31, 2011).

d) Regulatory

In 2008 the Company filed a lawsuit against the collection of transmission tariffs resulting from two ANEEL resolutions. These resolutions imposed on power generating companies in the State of São Paulo the payment of retroactive tariffs for the use of the electricity transmission system. Because of the Company’s refusal to pay the amounts under litigation, in 2009 ANEEL imposed a fine in the current amount of R$18,311, classified as a possible loss (R$16,371 at December 31, 2011).

18. SPECIAL OBLIGATIONS

	6/30/2012	12/31/2011
Arising from PP&E (see note 10)		
General reversion reserve (RGR) charge	4,947	4,947
Equipment donations (ONS)	1,603	1,632
Research and development (R&D)	169	169
	6,719	**6,748**
Arising from intangibles (see note 11)		
R&D - software	266	299
	6,985	**7,047**

See additional comments in note 18 to the 2011 annual financial statements.

19. REGULATORY CHARGES

The payables arising from charges set out by electricity industry legislation are as follows:

	6/30/12		12/31/2011	
	Current	Noncurrent	Current	Noncurrent
Compensation for the use water resources (CFURH)	8,858	-	9,898	-
ANEEL inspection fee	373	-	358	-
Research and development (R&D)	6,969	13,651	5,955	13,590
	16,200	**13,651**	**16,211**	**13,590**

See additional comments in note 19 to the 2011 annual financial statements.

20. EQUITY

20.1. Share capital

The Company's authorized capital increased is R$2,355,580, of which R$785,193 in common shares and R$1,570,387 in preferred shares, all registered and without par value.

Subscribed and paid-in capital is R$1,639,138 represented by 94,433,283 shares, of which 31,477,761 are common shares and 62,955,522 are preferred shares, all registered and without par value.

	Share position at 16/30/2012 in thousands of shares					
Shareholders	**Common**	**%**	**Preferred**	**%**	**Total**	**%**
Duke Energy Internat. Brasil Ltda.	31,181	99.06	57,850	91.89	89,031	94.28
Duke Energy Internat. Brazil Holdings Ltd.	-	-	735	1.17	735	0.78
Cia Metropolitano de São Paulo	-	-	1,324	2.10	1,324	1.40
Other individuals and legal entities	297	0.94	3,046	4.84	3,343	3.54
	31,478	**100.00**	**62,955**	**100.00**	**94,433**	**100.00**

The preferred shares have the following features:

i. Priority in capital reimbursement, without premium in the event of liquidation of the Company.

ii. Noncumulative priority dividend of 10% per year calculated on capital representd by the preferred shares;

iii. The right to tag along in any public offering to sell the Company's share control, in accordance with Article 254-A of Law 6404/76.

iv. The right to appoint a member to the supervisory board and the corresponding alternate, both elected by the preferred shareholders in a separate vote;

v. The right to tag along in capital increases resulting from the capitalization of reserves and earnings, in equal terms and conditions of common shares;

vi. Preferred shares are nonvoting and cannot be redeemed, while each common share has one (1) vote in shareholders' meeting' decisions.

20.2. Capital reserves

	6/30/2012	**12/31/2011**
Share subscription premium	468	468
Spin-off account	(6,418)	(6,418)
Goodwill on downstream merger	103,838	103,838
Share-based payments	1,543	1,442
	99,431	**99,330**

Goodwill on downstream merger – In accordance with CVM Instruction 319/1999 and ANEEL Resolution 28/02, the Company was authorized to merge its parent company Duke Sudeste, pursuant to the Valuation Report issued by an independent consulting firm.

20.3. Earnings reserves

As at June 30, 2012, earnings reserves totaling R$71,863 (R$71,863 at December 31, 2011) consist exclusively of the legal reserve, the purpose of which is to ensure the integrity of the Company's capital, pursuant to Article 193 of Law 6.404/76.

20.4. Retained earnings

In addition to profit for the period, line item 'Retained earnings' reflects the changes resulting from the realization of the deemed cost of property, plant and equipment, in accordance with Brazilian technical interpretation ICPC 10, and the deferred taxes levied on this deemed cost, as shown in the table below.

The balance of retained earnings at December 31, 2011 was fully allocated, as required by Law 11.638/07 and CPC 47.

Profit for the period was reduced by 5% corresponding to the legal reserve plus the adjustments referred to above, is used as base for the calculation and distribution of dividends.

	6/30/2012	12/31/2011
Profit for the period	181,624	281,261
Realization of equity valuation adjustments	51,926	112,071
Deferred taxes on realization of equity valuation adjustments	(17,655)	(38,104)
	215,895	**355,228**
Allocation		
Interim dividends	-	(144,286)
Interest on capital	-	(98,211)
Dividends	-	(98,668)
Legal reserve	-	(14,063)
	-	**(355,228)**
	215,895	**-**

20.5. Equity valuation adjustments

	Deemed cost	Pension plan	Total
Balance at 12/31/2011	**1,007,829**	**7,105**	**1,014,934**
Depreciation	(51,575)	-	(51,575)
Write-offs	(351)	-	(351)
Effect of depreciation/ write-offs	**(51,926)**	**-**	**(51,926)**
Deferred income tax and social contribution	17,655	-	17,655
Pension plan	-	(3,734)	(3,734)
Deferred income tax and social contribution	-	1,270	1,270
Equity valuation adjustments	**(34,271)**	**(2,464)**	**(36,735)**
Balance at 6/30/2012	**973,558**	**4,641**	**978,199**

See additional comments in note 20.7 to the 2011 annual financial statements.

20.6. Dividends and interest on capital

a) Breakdown of dividends and interest on capital payable

	6/30/2012	12/31/2011
Dividends in custody	806	840
Interest on capital	68	83,611
Dividends	-	98,668
	874	**183,119**

b) Dividends

Under the Company's bylaws, profits at June 30 and December 31 of each year are distributed on a semiannual basis, at a shareholders meeting, or in shorter periods, if the Board of Directors decides for the distribution of quarterly or interim dividends. The shareholders meeting shall decide by October 31 of each year, on the distribution of dividends based on the results stated in the financial statements for the six-month period ended June 30, as prescribed by the bylaws, in accordance with the provisions of Article 205, Par. 3, of Law 6404/1976.

The Board of Directors can decide for the distribution of quarterly dividends, based on special financial statements prepared for this purpose, provided that total dividends paid in each calendar six-month period do not exceed the amount of the capital reserves addresses by Article 182, Par. 1, of Law 6404/1976.

The Board of Directors can also decide for the payment of interim dividends out of retained earnings or existing earnings reserves, based on the last annual or semiannual financial statements already approved by the shareholders' meeting.

Before dividend distribution, 5% are deducted to set up the legal reserve, up to the ceiling of 20% of share capital.

Profit after the deduction to the legal reserve is distributed as follows:

i. dividend of up to 10% per year to preferred shares, to be equally apportioned among preferred shareholders;

ii. dividend of up to 10% per year to common shares, to be equally apportioned among common shareholders;

iii. distribution of the remaining balance to common and preferred shares, under equal terms and conditions.

The shareholders unanimously approved, at the Annual Shareholders Meeting held on April 27, 2012, the Company's management's proposal for distribution of interim dividends totaling R$98,668. The approved dividends were credited to the shareholders in May 2012; the amount credited to the shareholders, therefore, were not subject to inflation adjustment between the date the dividends were declared, at the Annual Shareholders' Meeting, and the actual credit to shareholders.

c) Capital reduction

The Company published on November 22, 2011 a Material Fact Notice informing the market that the Company's executive committee filed for previous approval with the ANEEL, the Company's regulator, as required by ANEEL Regulatory Resolution 149, of February 28, 2005, a proposal for the reduction of capital, currently considered excessive for eh attainment of the Company's purposes, from R$1,639,138 up to R$1,339,138, with an actual reduction of up to R$300,000, without the cancelation of any common or preferred shares, and also without changing the current percentage interest held by shareholders in the Company's equity.

The Board of Directors approved at the meeting held on November 22, 2011, the executive committee's proposal for the aforementioned capital reduction, which was approved on April 19, 2012 at the Debentureholders' Meeting, pursuant to the Company's First and Second Issues Unsecure, Nonconvertible Debentures Indenture.

On January 13, 2012, the ANEEL authorized, through Resolution 107, the reduction of the Company's capital.

The capital reduction was approved at the Extraordinary Shareholders' Meeting held on May 21, 2012 and will be paid to the Company's shareholders after 60-day period for debtors to file any objection, provided for by Article 174, Par. 2, of Law 6404/1976, without any inflation adjustment on the amount credited to the shareholders between the Extraordinary Shareholders' Meeting date and the actual credit to shareholders (see note 28).

20.7. Share-based payments

See additional comments in note 20.6 to the 2011 annual financial statements.

21. NET REVENUE

	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011
Electric power supply				
Bilateral contracts	178,417	353,156	153,268	305,448
Auction contracts	92,884	190,607	90,060	181,968
Spot market	32,251	72,774	3,392	21,899
MRE	2,731	3,875	1,322	2,716
Other income	15	28	12	22
	306,298	**620,440**	**248,054**	**512,053**
Deductions from operating revenue				
PIS and COFINS	(24,564)	(49,327)	(21,259)	(42,764)
ICMS	(1,286)	(2,410)	(2,037)	(5,153)
R&D	(2,808)	(5,662)	(2,225)	(4,595)
	(28,658)	**(57,399)**	**(25,521)**	**(52,512)**
Net operating revenue	**277,640**	**563,041**	**222,533**	**459,541**

22. OPERATING COSTS AND EXPENSES

Breakdown of operating costs and expenses by nature:

	4/1/2012 to 6/30/2012			4/1/2011 to 6/30/2011
Operating expenses/(income)	**Cost of power sold**	**General and administrative expenses**	**Total**	**Total**
Personnel	8,304	7,346	15,650	13,795
Supplies	818	18	836	887
Outside services	5,750	6,290	12,040	9,027
ANEEL inspection fee	1,119	-	1,119	1,075
Power purchased for resale	3,978	-	3,978	931
Grid usage charges	20,540	-	20,540	18,161
Compensation for the use water resources	13,315	-	13,315	11,802
Depreciation and amortization	55,148	627	55,775	57,701
Provision for tax, labor and environmental contingencies	(359)	225	(134)	1,036
Allowance for doubtful debts	-	(6,934)	(6,934)	(1,697)
Leases and rents	(1)	888	887	813
Insurance	933	-	933	640
Other	201	2,121	2,322	1,920
	109,746	**10,581**	**120,327**	**116,091**

	1/1/2012 to 6/30/2012			1/1/2011 to 6/30/2011
Operating expenses/(income)	**Cost of power sold**	**General and administrative expenses**	**Total**	**Total**
Personnel	16,305	14,139	30,444	26,290
Supplies	1,670	43	1,713	1,583
Outside services	9,352	9,501	18,853	16,310
ANEEL inspection fee	2,238	-	2,238	2,149
Power purchased for resale	8,199	-	8,199	956
Grid usage charges	41,075	-	41,075	36,289
Compensation for the use water resources	28,100	-	28,100	25,242
Depreciation and amortization	110,305	1,255	111,560	115,419
Provision for tax, labor and environmental contingencies	(313)	249	(64)	2,785
Allowance for doubtful debts	-	(4,610)	(4,610)	2,863
Leases and rents	(2)	1,746	1,744	1,567
Insurance	1,833	-	1,833	1,284
Other	473	3,414	3,887	3,787
	219,235	**25,737**	**244,972**	**236,524**

23. ELECTRIC POWER SOLD AND PURCHASED AND GRID USAGE CHARGES

23.1. Electric power sold

	4/1/2012 to 6/30/2012		4/1/2011 to 6/30/2011	
Supply	**MWh (*)**	**R$**	**MWh (*)**	**R$**
Bilateral contracts	1,229,954	178,417	1,124,570	153,268
Auction contracts	967,228	92,884	998,165	90,060
Spot market	195,681	32,251	309,338	3,392
MRE	285,702	2,731	147,043	1,322
	2,678,565	**306,283**	**2,579,116**	**248,042**

	1/1/2012 to 6/30/2012		1/1/2011 to 6/30/2011	
Supply	**MWh (*)**	**R$**	**MWh (*)**	**R$**
Bilateral contracts	2,446,912	353,156	2,234,373	305,448
Auction contracts	1,999,597	190,607	2,034,301	181,968
Spot market	781,248	72,774	854,207	21,899
MRE	406,391	3,875	303,083	2,716
	5,634,148	**620,412**	**5,425,964**	**512,031**

(*) Not reviewed by independent auditors.

The table below summarizes the volumes in MW of Guaranteed Energy contracted/expected completion of contracts by the Company in the Deregulated Contracting Framework (ACL) and the Regulated Contracting Framework (ACR) at June 30, 2012.

	MW (*)	
	2012	**2013**
Power available for sale	1,011	1,005
ACR	**464**	**268**
2005 (8 years)	196	0
2006 (8 years)	54	54
20067 (8 years)	214	214
ACL	**537**	**706**
Bilateral Contracts with free consumers	537	706
Subtotal	**1,001**	**974**
Deregulated Power Supply	10	31
Percentage power contracted	99%	97%

(*) Not reviewed by independent auditors.

23.2. Power purchased for resale

	4/1/2012 to 6/30/2012		4/1/2011 to 6/30/2011	
	MWh (*)	**R$**	**MWh (*)**	**R$**
Purchased power - bilateral	43,680	3,977	-	-
Purchased power - spot market	-	1	-	385
Purchased power - MRE	-	-	60,816	546
	43,680	**3,978**	**60,816**	**931**

	1/1/2012 to 6/30/2012		1/1/2011 to 6/30/2011	
	MWh (*)	**R$**	**MWh (*)**	**R$**
Purchased power - bilateral	87,380	7,957	-	-
Purchased power - spot market	-	206	-	386
Purchased power - MRE	3,137	36	63,168	570
	90,517	**8,199**	**63,168**	**956**

(*) Not reviewed by independent auditors.

Because of the adequate buffer in 2012, the Company purchase power in the period (Purchased power - bilateral).

In the first half of 2012 the Company recorded R$206 (R$386 at June 30, 2011) related to the recounting process conducted by CCEE, which does not breakdown the corresponding power volumes.

23.3. Grid usage charges

	4/1/2012 to 6/30/2012	**1/1/2012 to 6/30/2012**	**4/1/2011 to 6/30/2011**	**1/1/2011 to 6/30/2011**
TUST	17,177	34,415	14,993	30,127
TUSD-G	3,326	6,588	3,114	6,108
Connection charges	37	72	54	54
	20,540	**41,075**	**18,161**	**36,289**

See additional comments in note 23.3 to the 2011 annual financial statements.

24. FINANCE INCOME (COSTS)

	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011
Income				
Short-term investments	10,199	19,109	7,362	14,923
Pension plan income (see note 16)	1,731	3,462	1,083	2,165
Other inflation adjustments	1,112	1,938	604	1,346
Interest on RTE	-	261	125	276
Interest and discounts obtained	124	961	694	1,432
	13,166	**25,731**	**9,868**	**20,142**
Costs				
Interest on debentures	(23,973)	(47,333)	(22,130)	(43,648)
Losses on inflation adjustments				
Debentures	(14,643)	(18,131)	(8,031)	(23,170)
TUSD-G	(1,015)	(2,194)	(1,693)	(3,397)
Other	(720)	(1,308)	(521)	(1,374)
CCEE finance costs	-	-	1,043	(148)
Other finance costs	(288)	(667)	(983)	(1,094)
	(40,639)	**(69,633)**	**(32,315)**	**(72,831)**
	(27,473)	**(43,902)**	**(22,447)**	**(52,689)**

25. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit for the year attributable to the holders of Company common and preferred shares by the weighted average number of common and preferred shares outstanding in the year.

The table below shows the profit and share data used to calculate basic and diluted earnings per share:

	4/1/2012 to 6/30/2012	1/1/2012 to 6/30/2012	4/1/2011 to 6/30/2011	1/1/2011 to 6/30/2011
Numerator				
Profit for the period attributable to the Company shareholders				
Profit attributable to preferred shareholders	57,404	121,083	37,425	75,574
Profit attributable to common shareholders	28,702	60,541	18,712	37,787
	86,106	**181,624**	**56,137**	**113,361**
Denominator				
Weighted average number of preferred shares	62,955	62,955	62,955	62,955
Weighted average number of common shares	31,478	31,478	31,478	31,478
	94,433	**94,433**	**94,433**	**94,433**
Basic and diluted earnings per share				
Per preferred share	**0.91181**	**1.92330**	**0.59447**	**1.20044**
Per common share	**0.91181**	**1.92330**	**0.59445**	**1.20043**

26. FINANCIAL INSTRUMENTS

The Company's operations comprise the generation and sale of electric power to distribution companies and free consumers. Sales are conducted under “bilateral contracts”, executed in the period subsequent to the Company's privatization, which provide for the sale volume and price of electric power. The price is adjusted annually using the General Markel Price Index (IGP-M) or of the Extended Consumer Price Index (IPCA). Any differences between the power volume generated and the sum of the volumes sold under contracts (surpluses or shortages) are adjusted in accordance with market rules and settled at the CCEE. The main market risk factors that impact the Company's business are described in note 4.

In the contracts entered into in the deregulated market with free consumers and traders, the Company, through its credit department, analyzes the credit risk and sets the limits and guarantees that will be required.

All the contracts contain clauses that allow the Company to cancel the contract and the delivery of power in cases of non-compliance with contractual terms.

Financial instruments in the balance sheet:

a) Financial investments in fixed-income instruments, plus income earned through the end of the reporting period, realizable in less than 90 days and recognized in accounting at market yield amounts.

b) Debentures (see note 14).

	6/30/2012		12/31/2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Debentures	1,016,630	1,129,374	811,250	940,651

The Company did not carry out derivative transactions during the reporting period and does not have any outstanding derivative transactions at the end of the reporting period. There is no foreign exchange exposure either since the Company does not any material amounts denominated in foreign currencies at the end of the reporting period.

27. INSURANCE

The Company has insurance contracts that take into consideration the nature and the level of risk to which it is exposed. The main coverage, according to insurance policies, is as follows:

	Coverage in R$'000	
Line	**6/30/2012**	**12/31/2011**
Property damages and loss of profits	914,200	825,500
Civil liability (concessionaire)	9,142	8,255

28. EVENT AFTER THE REPORTING PERIOD

28.1. Capital reduction

On July 24, 2012 the Company published a Material Fact Notice informing the market that on July 23, 2012 ended the 60-day period, provided for by Article 174 of the Brazilian Corporate Law for debtors to file any objection against the capital reduction approved at the Extraordinary Shareholders' Meeting held on May 21, 2012.

As no creditor filed any objection against said capital reduction of R$300,000, the Company hereby informs that the Extraordinary Shareholders' Meeting minutes have been filed with and registered at the São Paulo's State Division of Corporations (JUCESP), under No. 302.356/12-5.

Further, the Company hereby clarifies that as a result of the capital reduction, all holder of Company common or preferred shares are entitled to a capital reimbursed at July 23, 2012, and that Company shares will be traded on a *capital reduction ex-right* basis on July 24, 2012.

The capital reimbursed was paid to such shareholders, in the amount of R$3.176846027 per common or preferred share, in legal tender, on August 10, 2012, as disclosed in the Notice to Shareholders published on August 6, 2012.

MANAGEMENT MEMBERS

Board of Directors

Jairo de Campos
Chairman

Andréa Elizabeth Bertone
Director

Elizabeth Christina DeLaRosa
Director

Maurício Lofuto Maudonnet
Director

Gláucio João Agostinho
Director

Paulo Nicácio Júnior
Alternate Director

Executive Committee

Armando de Azevedo Henriques
Chief Executive Officer

Angela Aparecida Seixas
Chief Financial and Internal Control Officer and Investor Relations Officer

Carlos Alberto Dias Costa
Chief Operating Officer

César Teodoro
Environment, Health and Safety Officer

Jairo de Campos
Human Resources, Administration, Procurement and IT Officer

Supervisory Board

Jarbas Tadeu Barsanti Ribeiro
Chairman of the Supervisory Board

Marcelo Curti
Member

François Moreau
Member

Ary Waddington
Alternate Member

Edmundo Falcão Koblitz
Alternate Member

Marcello Joaquim Pacheco
Alternate Member

Jacqueline Ribeiro
Corporate Controller

Claudio Herrans
Accountant - CRC 1SP200641/O-5