

**Duke Energy International,  
Geração Paranapanema S.A.**  
Interim Financial Information for the Period Ended September  
30, 2012  
and Report on Review of Interim Financial Information

## Summary

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders, Directors and Management 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 three-month period ended September 30, 2012, which comprises the balance sheet as of September 30, 2012 and the related statements of income and of comprehensive income for the three and nine-month periods then ended and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

The Company’s Management is responsible for the preparation of the interim financial information in accordance with technical pronouncement CPC 21(R1) 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 and Exchange 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 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 was not prepared, in all material respects, in accordance with technical pronouncement CPC 21(R1), applicable to the preparation of the Interim Financial Information (ITR), and presented in accordance with the standards issued by the CVM.

## Other matters

### *Statements of value added*

We have also reviewed the interim statements of value added (DVA) for the nine-month period ended September 30, 2012, prepared under the responsibility of the Company's Management, the presentation of which is required by the standards issued by the CVM applicable to the preparation of Interim Financial Information (ITR) and considered as supplemental information for International Financial Reporting Standards - IFRS, which do not require the 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 were not prepared, in all material respects, consistently with the interim financial information taken as a whole.

### *Review of interim financial information for the three-month period ended September 30, 2011 and audit of financial statements for the year ended December 31, 2011*

The information and amounts for the three and nine-month periods ended September 30, 2011, presented for comparison purposes, were previously reviewed by other independent auditors, whose report, without qualification, was issued and dated on November 4, 2011. The information and amounts for the year ended December 31, 2011, presented for comparison purposes, were previously audited by other independent auditors, whose report, without qualification, was issued and dated on March 26, 2012.

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

November 12, 2012

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Iara Pasian  
Engagement Partner

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

| <b>ASSETS</b>                 | <b>Note</b> | <b>09/30/2012</b>       | <b>12/31/2011</b>       |
|-------------------------------|-------------|-------------------------|-------------------------|
| <b>Current assets</b>         |             |                         |                         |
| Cash and cash equivalents     | 6           | 232,759                 | 210,371                 |
| Trade receivables             | 7           | 114,731                 | 111,710                 |
| Recoverable taxes             | 8           | 6,242                   | 22,223                  |
| Services in progress          |             | 8,729                   | 5,203                   |
| Prepaid expenses              |             | 1,365                   | 343                     |
| Sundry debtors                |             | 1,243                   | 259                     |
| Due from related parties      | 13          | 409                     | 847                     |
| Other assets                  |             | 98                      | 137                     |
|                               |             | <b>365,576</b>          | <b>351,093</b>          |
| <b>Noncurrent assets</b>      |             |                         |                         |
| Long-term receivables         |             |                         |                         |
| Recoverable taxes             | 8           | 318                     | 398                     |
| Escrow deposits               | 9           | 11,013                  | 10,897                  |
| Restricted funds              |             | 461                     | 420                     |
| Prepaid expenses              |             | 4,188                   | 4,426                   |
|                               |             | <b>15,980</b>           | <b>16,141</b>           |
| Investments                   |             | 26                      | 26                      |
| Property, plant and equipment | 10          | 3,848,571               | 4,005,482               |
| Intangible assets             | 11          | 35,599                  | 37,726                  |
|                               |             | <b>3,900,176</b>        | <b>4,059,375</b>        |
| <b>Total assets</b>           |             | <b><u>4,265,752</u></b> | <b><u>4,410,468</u></b> |

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

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

| <b>LIABILITIES AND EQUITY</b>                    | <b>Note</b> | <b>09/30/2012</b> | <b>12/31/2011</b> |
|--|-------------|-------------------|-------------------|
| <b>Current liabilities</b>                       |             |                   |                   |
| Trade payables                                   | 12          | 17,151            | 20,739            |
| Payroll and related taxes                        |             | 8,543             | 9,254             |
| Debentures                                       | 14          | 271,023           | 90,156            |
| Taxes, fees and contributions                    | 8           | 22,138            | 23,077            |
| Dividends and interest on capital                | 20.6        | 1,075             | 183,119           |
| Accrued liabilities                              |             | 8,093             | 5,118             |
| Cibacap  | 15          | 2,365             | 3,521             |
| Regulatory charges                               | 19          | 18,127            | 16,211            |
| Other liabilities                                |             | 727               | 203               |
|  |             | <b>349,242</b>    | <b>351,398</b>    |
| <b>Noncurrent liabilities</b>                    |             |                   |                   |
| Debentures                                       | 14          | 651,521           | 721,094           |
| Deferred revenues                                |             | 4,295             | -                 |
| Special obligations                              | 18          | 6,950             | 7,047             |
| Provision for tax, labor and environmental risks | 17          | 18,517            | 18,239            |
| Cibacap  | 15          | 7,795             | 8,432             |
| Deferred income tax and social contribution      | 8           | 441,044           | 465,078           |
| Distribution system tariff (Tusd-g)              | 12          | 2,841             | -                 |
| Regulatory charges                               | 19          | 14,970            | 13,590            |
| Other liabilities                                |             | 325               | 325               |
|  |             | <b>1,148,258</b>  | <b>1,233,805</b>  |
| <b>Equity</b>                                    |             |                   |                   |
| Share capital                                    | 20.1        | 1,339,138         | 1,639,138         |
| Capital reserves                                 | 20.2        | 99,431            | 99,330            |
| Earnings reserve                                 | 20.3        | 71,863            | 71,863            |
| Retained earnings                                | 20.4        | 298,475           | -                 |
| Valuation adjustments to equity                  | 20.5        | 959,345           | 1,014,934         |
|  |             | <b>2,768,252</b>  | <b>2,825,265</b>  |
| <b>Total liabilities and equity</b>              |             | <b>4,265,752</b>  | <b>4,410,468</b>  |

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

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

|   | Note         | 07/01/2012 to<br>09/30/2012 | 01/01/2012 to<br>09/30/2012 | 07/01/2011 to<br>09/30/2011 | 01/01/2011 to<br>09/30/2011 |
|---|--------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Net sales revenue</b>  | 21           | <b>270.965</b>              | <b>834.006</b>              | <b>241.801</b>              | <b>701,342</b>              |
| <b>Operating income (expenses)</b>  |              |                             |                             |                             |                             |
| Personnel   |              | (16,582)                    | (47,026)                    | (14,281)                    | (40,571)                    |
| Materials   |              | (1,073)                     | (2,786)                     | (1,055)                     | (2,638)                     |
| Outside services  |              | (11,036)                    | (29,889)                    | (8,829)                     | (25,139)                    |
| Aneel inspection fee  |              | (1,118)                     | (3,356)                     | (1,074)                     | (3,223)                     |
| Energy acquired for resale  | 23.2         | (5,947)                     | (14,146)                    | (301)                       | (1,257)                     |
| Power grid charges  | 23.3         | (20,832)                    | (61,907)                    | (20,706)                    | (56,995)                    |
| Regulatory charges – Financial compensation due to the use of water resources |              | (16,352)                    | (44,452)                    | (13,258)                    | (38,500)                    |
| Depreciation and amortization   | 10 and<br>11 | (55,639)                    | (167,199)                   | (57,687)                    | (173,106)                   |
| Provision for tax, labor and environmental risks                              |              | (1,921)                     | (1,857)                     | (7,431)                     | (10,216)                    |
| Allowance for doubtful accounts   |              | (722)                       | 3,888                       | (44)                        | (2,907)                     |
| Leases and rents  |              | (871)                       | (2,615)                     | (830)                       | (2,397)                     |
| Insurance   |              | (945)                       | (2,778)                     | (643)                       | (1,927)                     |
| Other   |              | (2,878)                     | (6,765)                     | (2,634)                     | (6,421)                     |
|   | 22           | <b>(135,916)</b>            | <b>(380,888)</b>            | <b>(128,773)</b>            | <b>(365,297)</b>            |
| <b>Operating profit</b>   |              | <b>135,049</b>              | <b>453,118</b>              | <b>113,028</b>              | <b>336,045</b>              |
| <b>Finance income (costs)</b>   |              |                             |                             |                             |                             |
| Income  | 24           | 10.144                      | 35.875                      | 10,279                      | 30,421                      |
| Costs   | 24           | (46.604)                    | (116.237)                   | (28,740)                    | (101,571)                   |
|   |              | <b>(36.460)</b>             | <b>(80.362)</b>             | <b>(18.461)</b>             | <b>(71,150)</b>             |
| <b>Profit before income tax and social contribution</b>                       |              | <b>98.589</b>               | <b>372.756</b>              | <b>94,567</b>               | <b>264,895</b>              |
| Income tax and social contribution  |              |                             |                             |                             |                             |
| Current   | 8.3          | (43.105)                    | (148.289)                   | (42,690)                    | (114,404)                   |
| Deferred  | 8.3          | 9.484                       | 22.125                      | 9,846                       | 24,593                      |
|   |              | <b>(33.621)</b>             | <b>(126.164)</b>            | <b>(32,844)</b>             | <b>(89,811)</b>             |
| <b>Profit for the period</b>  |              | <b>64.968</b>               | <b>246.592</b>              | <b>61,723</b>               | <b>175,084</b>              |
| <b>Earnings per share from continuing operations (R\$ per share)</b>          |              |                             |                             |                             |                             |
| Basic/diluted earnings per share (PN)   | 25           | 0.68797                     | 2.61128                     | 0.65363                     | 1.85407                     |
| Basic/diluted earnings per share (ON)   | 25           | 0.68797                     | 2.61128                     | 0.65360                     | 1.85404                     |

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



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

|   | <u>07/01/2012 to<br/>09/30/2012</u> | <u>01/01/2012 to<br/>09/30/2012</u> | <u>07/01/2011 to<br/>09/30/2011</u> | <u>01/01/2011 to<br/>09/30/2011</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Profit for the period</b>                                    | <b>64,986</b>                       | <b>246,592</b>                      | <b>61,723</b>                       | <b>175,084</b>                      |
| Actuarial losses on defined-benefit pension plan                | (1,881)                             | (5,615)                             | (1,217)                             | (3,630)                             |
| Deferred income tax and social contribution on actuarial losses | 639                                 | 1,909                               | 414                                 | 1,234                               |
|   | <u>(1,242)</u>                      | <u>(3,706)</u>                      | <u>(803)</u>                        | <u>(2,396)</u>                      |
| <b>Comprehensive income for the period</b>                      | <b><u>63,726</u></b>                | <b><u>242,886</u></b>               | <b><u>60,920</u></b>                | <b><u>172,688</u></b>               |

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

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

|  | Reserves         |               |               | Retained earnings | Valuation adjustments to equity (see Note 20.5) | Total            |
|--|------------------|---------------|---------------|-------------------|---|------------------|
|  | Share capital    | Capital       | Earnings      |                   |   |                  |
| <b>Balances as at January 1<sup>st</sup>, 2012</b> | <u>1,639,138</u> | <u>99,330</u> | <u>71,863</u> | <u>-</u>          | <u>1,014,934</u>                                | <u>2,825,265</u> |
| Comprehensive income for the period                |                  |               |               |                   |   |                  |
| Profit for the period                              | -                | -             | -             | 246,592           | -   | 246,592          |
| Pension and retirement plans                       | -                | -             | -             | -                 | (5,615)   | (5,615)          |
| Deferred tax on pension plan                       | -                | -             | -             | -                 | 1,909   | 1,909            |
|  | <u>-</u>         | <u>-</u>      | <u>-</u>      | <u>246,592</u>    | <u>(3,706)</u>                                  | <u>242,886</u>   |
| Contributions and distributions to shareholders    |                  |               |               |                   |   |                  |
| Capital reduction                                  | (300,000)        | -             | -             | -                 | -   | (300,000)        |
| Share-based payment                                | -                | 101           | -             | -                 | -   | 101              |
| Valuation adjustments to equity                    | -                | -             | -             | 78,611            | (78,611)  | -                |
| Deferred tax on valuation adjustments to equity    | -                | -             | -             | (26,728)          | 26,728  | -                |
|  | <u>(300,000)</u> | <u>101</u>    | <u>-</u>      | <u>51,883</u>     | <u>(51,883)</u>                                 | <u>(299,899)</u> |
| <b>Balances as at September 30, 2012</b>           | <u>1,339,138</u> | <u>99,431</u> | <u>71,863</u> | <u>298,475</u>    | <u>959,345</u>                                  | <u>2,768,252</u> |

  

|  | Reserves         |               |                | Retained earnings | Valuation adjustments to equity | Total            |
|--|------------------|---------------|----------------|-------------------|---------------------------------|------------------|
|  | Share capital    | Capital       | Earnings       |                   |                                 |                  |
| <b>Balances as at January 1<sup>st</sup>, 2011</b> | <u>1,999,138</u> | <u>99,133</u> | <u>63,401</u>  | <u>-</u>          | <u>1,092,135</u>                | <u>3,253,807</u> |
| Comprehensive income for the period                |                  |               |                |                   |                                 |                  |
| Profit for the period                              | -                | -             | -              | 175,084           | -                               | 175,084          |
| Pension and retirement plans                       | -                | -             | -              | -                 | (3,630)                         | (3,630)          |
| Deferred tax on pension plan                       | -                | -             | -              | -                 | 1,234                           | 1,234            |
|  | <u>-</u>         | <u>-</u>      | <u>-</u>       | <u>175,084</u>    | <u>(2,396)</u>                  | <u>172,688</u>   |
| 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                    | -                | -             | -              | 83,525            | (83,525)                        | -                |
| Deferred tax on valuation adjustments to equity    | -                | -             | -              | (28,399)          | 28,399                          | -                |
|  | <u>(360,000)</u> | <u>197</u>    | <u>(5,601)</u> | <u>55,126</u>     | <u>(55,126)</u>                 | <u>(365,404)</u> |
| <b>Balances as at September 30, 2011</b>           | <u>1,639,138</u> | <u>99,330</u> | <u>57,800</u>  | <u>230,210</u>    | <u>1,034,613</u>                | <u>3,061,091</u> |

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

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

|   | <u>09/30/2012</u> | <u>09/30/2011</u> |
|---|-------------------|-------------------|
| <b>Cash flows from operating activities</b>                           |                   |                   |
| Profit for the period   | 246,592           | 175,084           |
| <b>Adjustments:</b>   |                   |                   |
| Depreciation and amortization   | 167,199           | 173,106           |
| Write-offs of property, plant and equipment                           | 1,903             | 1,268             |
| Deferred income tax and social contribution                           | (22,125)          | (24,593)          |
| Allowance for doubtful accounts                                       | (3,888)           | 2,907             |
| Accrued interest on debentures  | 70,380            | 65,777            |
| Inflation adjustment on debentures                                    | 39,716            | 26,794            |
| Provision for tax, labor and environmental risks                      | 1,857             | 10,216            |
| Inflation adjust to provisions for tax, labor and environmental risks | 673               | 115               |
| Share-based payment   | 101               | 197               |
| <b>Changes in assets and liabilities</b>                              |                   |                   |
| Trade receivables   | 867               | (8,726)           |
| Sundry debtors  | (984)             | (972)             |
| Related parties   | 438               | (99)              |
| Escrow deposits   | (720)             | (5,712)           |
| Services in progress  | (3,526)           | (207)             |
| Restricted funds  | (41)              | (34)              |
| Prepaid expenses  | (784)             | (522)             |
| Trade payables  | (747)             | (26,170)          |
| Payroll and related taxes   | (711)             | (2,596)           |
| Taxes, fees and contributions   | 144,265           | 105,290           |
| Estimated payables  | 2,975             | (196)             |
| Deferred revenues   | 4,295             | -                 |
| Cibacap   | (1,793)           | (1,976)           |
| Provision for tax, labor and environmental risks                      | (1,648)           | (991)             |
| Other gains and losses  | 161               | (1,712)           |
| <b>Cash provided by operations</b>                                    | <b>644,455</b>    | <b>486,248</b>    |
| Interest on debentures  | (86,362)          | (84,078)          |
| Income tax and social contribution                                    | (116,441)         | (97,204)          |
| <b>Net cash provided by operating activities</b>                      | <b>441,652</b>    | <b>304,966</b>    |
| <b>Cash flows from investing activities</b>                           |                   |                   |
| Purchase of property, plant and equipment                             | (9,483)           | (10,989)          |
| Payment of debentures   | (686)             | (764)             |
| <b>Net cash used in investing activities</b>                          | <b>(10,169)</b>   | <b>(11,753)</b>   |
| <b>Cash flows from financing activities</b>                           |                   |                   |
| Amount received for the issuance of debentures                        | 150,000           | -                 |
| Amount received for the issuance of debentures                        | (62,440)          | (62,440)          |
| Dividends and interest on capital                                     | (196,655)         | (141,248)         |
| Capital reduction   | (300,000)         | (360,000)         |
| <b>Net cash used in financing activities</b>                          | <b>(409,095)</b>  | <b>(563,688)</b>  |
| <b>Increase/(decrease) in cash and cash equivalents</b>               | <b>22,388</b>     | <b>(270,475)</b>  |
| Cash and cash equivalents at the beginning of period                  | 210,371           | 495,772           |
| Cash and cash equivalents at the end of period                        | 232,759           | 225,297           |

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

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

|  | <u>09/30/2012</u> | <u>09/30/2011</u> |
|--|-------------------|-------------------|
| <b>Revenue</b>                               |                   |                   |
| Sales revenue                                | 919,924           | 779,593           |
| Other revenues                               | 42                | 35                |
| Allowance for doubtful accounts              | 3,888             | (2,907)           |
|  | <u>923,854</u>    | <u>776,721</u>    |
| Inputs acquired from third parties           |                   |                   |
| Materials and outside services               | (32,675)          | (27,777)          |
| Energy purchased and power grid charges      | (76,053)          | (58,252)          |
| Other operating costs                        | (10,382)          | (17,484)          |
|  | <u>(119,110)</u>  | <u>(103,513)</u>  |
| <b>Gross value added</b>                     | <b>804,744</b>    | <b>673,208</b>    |
| Depreciation and amortization                | (167,199)         | (173,106)         |
| Valuation adjustments to equity              | 51,883            | 55,126            |
| <b>Net value added</b>                       | <b>689,428</b>    | <b>555,228</b>    |
| Finance income                               | 35,875            | 30,421            |
| <b>Total value added for distribution</b>    | <b>725,303</b>    | <b>585,649</b>    |
| <b>Distribution of value added Personnel</b> |                   |                   |
| Salaries and wages                           | 24,153            | 20,889            |
| Benefits                                     | 5,338             | 5,185             |
| FGTS   | 2,460             | 2,026             |
| Accrued bonuses                              | 4,825             | 3,978             |
| Profit sharing                               | 2,525             | 2,023             |
| Payroll taxes (except INSS)                  | 2,137             | 1,816             |
|  | <u>41,438</u>     | <u>35,917</u>     |
| <b>Taxes, fees and contributions</b>         |                   |                   |
| Federal                                      | 262,896           | 208,915           |
| State  | 3,642             | 6,638             |
|  | <u>266,538</u>    | <u>215,553</u>    |
| <b>Lenders and lessors</b>                   |                   |                   |
| Rents  | 2,615             | 2,397             |
| Interest on debentures                       | 70,380            | 65,777            |
| Inflation adjustment on debentures           | 39,716            | 27,632            |
| Other finance costs                          | 6,141             | 8,162             |
|  | <u>118,852</u>    | <u>103,968</u>    |
| Other  |                   |                   |
| Retained earnings                            | 298,475           | 230,211           |
|  | <u>298,475</u>    | <u>230,211</u>    |
| <b>Total value added distributed</b>         | <b>725,303</b>    | <b>585,649</b>    |

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

**COMMENTS ON ECONOMIC AND FINANCIAL PERFORMANCE  
PERIODS FROM JULY 1 TO SEPTEMBER 30, 2012 AND 2011**  
(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

**Indicators**

|  | 3Q2012       | 3Q2011       | % Change |
|--|--------------|--------------|----------|
| <b>Economic indicators</b>                       |              |              |          |
| Gross operating revenue                          | 299,526      | 267,575      | 11.9     |
| (-) Deductions from operating revenue            | (28,561)     | (25,774)     | 10.8     |
| Net operating revenue                            | 270,965      | 241,801      | 12.1     |
| (-) Operating expenses                           | (135,916)    | (128,773)    | 5.5      |
| Operating profit                                 | 135,049      | 113,028      | 19.5     |
| EBITDA   | 190,688      | 170,715      | 11.7     |
| <i>EBITDA Margin - %</i>                         | <i>70.4%</i> | <i>70.6%</i> | -        |
| Finance income (costs)                           | (36,460)     | (18,461)     | 97.5     |
| Income before income tax and social contribution | 98,589       | 94,567       | 4.3      |
| Profit for the period                            | 64,968       | 61,723       | 5.3      |
| Net margin - %                                   | <i>24.0%</i> | <i>25.5%</i> | -        |
| <b>Financial indicators</b>                      |              |              |          |
| Total assets                                     | 4,265,752    | 4,452,250    | -4.2     |
| Debts in local currency                          | 922,544      | 783,240      | 17.8     |
| Equity   | 2,768,252    | 3,061,091    | -9.6     |
| <b>Shares</b>                                    |              |              |          |
| Outstanding shares (in thousands of shares)      | 94,433       | 94,433       | -        |
| Earnings per thousand shares (in R\$)            | 687.98       | 653.62       | 5.3      |

**Gross Operating Revenue**

Gross operating revenue grew R\$31,951 or 11.9 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\$2,787 or 10.8 percent as compared to the same period last year. This growth is in line with the increase in gross operating revenue.

**Net Operating Revenue**

Due to the factors described above, our net operating revenue totaled R\$270,965 for the quarter, 12.1 percent higher than in the same period last year.

## Operating Expenses

|  | 3Q2012           | 3Q2011           | % Change   |
|--|------------------|------------------|------------|
| Personnel  | (16,582)         | (14,281)         | 16.1       |
| Supplies   | (1,073)          | (1,055)          | 1.7        |
| Outside services   | (11,036)         | (8,829)          | 25.0       |
| ANEEL inspection fee                                     | (1,118)          | (1,074)          | 4.1        |
| Power purchased for resale                               | (5,947)          | (301)            | 1,875.7    |
| Grid usage charges                                       | (20,832)         | (20,706)         | 0.6        |
| Compensation for the use water resources                 | (16,352)         | (13,258)         | 23.3       |
| Depreciation and amortization                            | (55,639)         | (57,687)         | -3.6       |
| Provision for tax, labor and environmental contingencies | (1,921)          | (7,431)          | -74.1      |
| Allowance for doubtful debts                             | (722)            | (44)             | 1,540.9    |
| Lease and rentals  | (871)            | (830)            | 4.9        |
| Insurance  | (945)            | (643)            | 47.0       |
| Other  | (2,878)          | (2,634)          | 9.3        |
|  | <b>(135,916)</b> | <b>(128,773)</b> | <b>5.5</b> |

Operating expenses totaled R\$135,916 for the quarter, 5.5 percent higher than the R\$128,773 recorded for the same period last year.

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

- Personnel - Increase of R\$2,301 for the quarter, or 16.1 percent higher than in the same period last year, mainly due to the increase in the headcount and the 6.5 percent salary increase;
- Outside services - Increase of R\$ 2,207 for the quarter, or 25.0 percent higher than in the same quarter last year, especially due to the change in maintenance and upkeep costs in the third quarter of 2012 amounting to R\$1,732, and the increase by R\$519 in operating technical service costs;
- Power purchased for resale - Increase of R\$5,646 in the period corresponding to the purchase of electric power to comply with the regulatory buffer for 2012;
- Compensation for the use of water resources - Increase of R\$3,094, or 23.3 percent as compared the same period last year, due to the higher volume generated in the quarter, which totaled 3,324,510 MWh, or 15.7 percent higher than the 2,873,926 MWh generated in the same period in 2011. 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 – Increase of R\$5,510, mainly as a result of tax contingencies involving the Economic Intervention Contribution (CIDE) tax and the Withholding Income Tax (IRRF) totaling R\$1,351 in the third quarter, against a COFINS credit tax contingency in the same period of last year amounting to R\$7,096.

## EBITDA and EBITDA margin

|                                    | 3Q2012         | 3Q2011         | % Change    |
|------------------------------------|----------------|----------------|-------------|
| Profit for the period              | 64,968         | 61,723         | 5.3         |
| Income tax and social contribution | 33,621         | 32,844         | 2.4         |
| Finance income (costs), net        | 36,460         | 18,461         | 97.5        |
| Depreciation and amortization      | 55,639         | 57,687         | -3.6        |
| <b>EBITDA (R\$'000)</b>            | <b>190,688</b> | <b>170,715</b> | <b>11.7</b> |
| <i>Net margin</i>                  | 70.4%          | 70.6%          |             |

EBITDA (earnings before interest, taxes on income, including social contribution on net income, 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 11.7 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)

|                           | 3Q2012          | 3Q2011          | % Change    |
|---------------------------|-----------------|-----------------|-------------|
| Finance income            | 10,144          | 10,279          | -1.3        |
| Finance costs             | (46,604)        | (28,740)        | 62.2        |
| <b>Finance costs, net</b> | <b>(36,460)</b> | <b>(18,461)</b> | <b>97.5</b> |

Net finance costs increases R\$17,999, or 97.5 percent as compared to the same quarter last year. Finance costs increased 62.2 percent, mainly due to the impact of the 3.78 percent increase in the General Market Price Index (IGP-M) for the quarter over 0.97 percent for the same period last year. Approximately 64.6 percent of the Company's debt is indexed to the IGP-M.

## Debentures

| Debt profile | Series                | Currency               | Yield: | Maturity                       | 3Q2012         | 3Q2011         |         |
|--------------|-----------------------|------------------------|--------|--------------------------------|----------------|----------------|---------|
| Debentures   | 1 <sup>st</sup> issue | 1 <sup>st</sup> series | Reais  | CDI fluctuation + 2.15% p.a.   | 09/15/2013     | 62,029         | 124,540 |
| Debentures   | 1 <sup>st</sup> issue | 2 <sup>nd</sup> series | Reais  | IPCA fluctuation + 11.6% p.a.  | 09/15/2015     | 112,329        | 106,756 |
| Debentures   | 2 <sup>nd</sup> issue | Single series          | Reais  | IGP-M fluctuation + 8.59% p.a. | 07/16/2015     | 596,037        | 551,944 |
| Debentures   | 3 <sup>rd</sup> issue | Single series          | Reais  | CDI fluctuation + 1.15% p.a.   | 01/10/2017     | 152,149        | -       |
|              |                       |                        |        |                                | <b>922,544</b> | <b>783,240</b> |         |

Our debentures for the quarter is R\$922,544, or a 17.8 percent increase as compared to the R\$783,240 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 financial debt, consisting of debentures less cash and cash equivalents, totaled R\$689,785, a 23.6 percent increase as compared to the R\$557,943 for the same period last year, mainly due to the third issue of debentures, partially offset by the higher cash volume generated.

|                 | 3Q2012         | 3Q2011         | % Change    |
|-----------------|----------------|----------------|-------------|
| Debentures      | 922,544        | 783,240        | 17.8        |
| Cash            | (232,759)      | (225,297)      | 3.3         |
| <b>Net debt</b> | <b>689,785</b> | <b>557,943</b> | <b>23.6</b> |

### Profit for the Period

Due to the effects referred to above, our profit for the third quarter of 2012 was R\$64,968, a 5.3 percent increase as compared to the R\$61,723 recorded for the same period last year.



**NOTES TO THE INTERIM FINANCIAL INFORMATION (ITR)  
FOR THE QUARTER ENDED SEPTEMBER 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 percent 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 November 12, 2012.

**1.1. Provisional Act 579/2012**

The Federal Government enacted, on September 11, 2012, Provisional Act 579/2012 which addresses the reduction of sectorial charges and the accessibility of tariffs in the electric energy generation, transmission and distribution concessions. The Provisional Act allowed companies with concessions expiring in 2015-2017 to have the possibility of anticipating the renewal of the agreements under specific terms and conditions.

The Company's management understands that the Provisional Act does not impact the Company directly and is monitoring the discussions and the procedures subsequent to the issue of said Provisional Act, and any new relevant information that might impact the Company's results will be disclosed in due time.

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

The interim financial statements contained in this quarterly information have been prepared in accordance with the Brazilian accounting pronouncement CPC 21(R1) *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**

Excepting Cash and cash equivalents 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 (see Note 5). 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 23.1).

#### **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 percent 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 Safety 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 684/2012, the Company discloses below, in compliance with the provisions CPC 40(R1) *Financial Instruments: Disclosures*, paragraph 40, 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 September 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 |                | 09/30/2012                                  | Scenario<br>Δ Probable                            | Scenario<br>Δ 25%      | Scenario<br>Δ 50% |                   |
|------------------------------------|----------------|---|---|------------------------|-------------------|-------------------|
| <b>Debentures</b>                  |                |   |   |                        |                   |                   |
| IGP-M                              | IGP-M increase | 596,037                                     | 4,901   | 7,481                  | 13,479            |                   |
| IPCA                               | IPCA increase  | 112,329                                     | 197   | 701                    | 2,164             |                   |
| CDI                                | CDI increase   | 214,178                                     | (6,425)   | 2,867                  | 5,651             |                   |
|                                    |                | <b>922,544</b>                              | <b>(1,327)</b>                                    | <b>11,049</b>          | <b>21,294</b>     |                   |
| <b>Cash na cash equivalents</b>    |                |   |   |                        |                   |                   |
| CDI                                | CDI decrease   | 232,759                                     | 23,069  | 17,302                 | 11,534            |                   |
| Change in indices                  |                | Indices from<br>10/01/2011 to<br>09/30/2012 | Index<br>projections<br>for the next<br>12 months | Scenario<br>Δ Probable | Scenario<br>Δ 25% | Scenario<br>Δ 50% |
| <b>Debentures</b>                  |                |   |   |                        |                   |                   |
| IGP-M                              |                | 8.07%                                       | 5.46%   | -2.61%                 | 6.82%             | 8.18%             |
| IPCA                               |                | 5.16%                                       | 5.60%   | 0.44%                  | 6.99%             | 8.39%             |
| CDI                                |                | 9.52%                                       | 8.00%   | -1.52%                 | 10.00%            | 12.00%            |
| <b>Cash na cash equivalents</b>    |                |   |   |                        |                   |                   |
| CDI                                |                | 9.52%                                       | 8.00%   | -1,52%                 | 6,00%             | 4,00%             |

#### 4.2. Capital management

|                                     | <u>09/30/2012</u> | <u>12/31/2011</u> |
|-------------------------------------|-------------------|-------------------|
| Total debentures                    | 922,544           | 811,250           |
| Cash and cash equivalents           | (232,759)         | (210,371)         |
| <b>Net debt</b>                     | <b>689,785</b>    | <b>600,879</b>    |
| Total equity                        | 2,768,252         | 2,825,265         |
| <b>Total capital</b>                | <b>3,458,037</b>  | <b>3,426,144</b>  |
| <br>                                |                   |                   |
| <b>Financial leverage ratio (%)</b> | <b>19.9</b>       | <b>17.5</b>       |

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    | <u>09/30/2012</u>     | <u>12/31/2011</u>     |
|------------------------------|-----------------------|-----------------------|
| <b>Standard &amp; Poor's</b> |                       |                       |
| A-3                          | 145,691               | 163,129               |
| A-2                          | 79,324                | 3,955                 |
| A-1                          | 7,739                 | 8                     |
| <b>Moody's</b>               |                       |                       |
| BR-1                         | 5                     | 43,279                |
| <b>Total</b>                 | <u><b>232,759</b></u> | <u><b>210,371</b></u> |

## 6. CASH AND CASH EQUIVALENTS

|                                    | <u>09/30/2012</u>     | <u>12/31/2011</u>     |
|------------------------------------|-----------------------|-----------------------|
| Cash and banks                     | 1,216                 | 1,296                 |
| Short-term investments             |                       |                       |
| Bank certificates of deposit (CDB) | 231,444               | 204,226               |
| Fixed-income fund                  | 99                    | 4,849                 |
|                                    | <u><b>232,759</b></u> | <u><b>210,371</b></u> |

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

## 7. TRADE RECEIVABLES

| <b>Current assets</b>                 | <u>09/30/2012</u>     | <u>12/31/2011</u>     |
|---------------------------------------|-----------------------|-----------------------|
| Receivables under bilateral contracts | 60,712                | 66,177                |
| Receivables under auction contracts   | 45,298                | 44,708                |
| Spot-market energy (MRE/spot)         | 12,896                | 11,455                |
|                                       | <u><b>118,906</b></u> | <u><b>122,340</b></u> |
| Allowance for doubtful debts          | (4,175)               | (10,630)              |
|                                       | <u><b>114,731</b></u> | <u><b>111,710</b></u> |

### Changes in the allowance for doubtful debts

|   |                       |
|---|-----------------------|
| Balance at January 1 <sup>st</sup> , 2012 | <u>(10,630)</u>       |
| Allowances in the period                  | (4,111)               |
| Reversals in the period                   | 10,566                |
| <b>Balance at September 30, 2012</b>      | <u><b>(4,175)</b></u> |

**Aging list of trade receivables:**

|               | <u>09/30/2012</u>     | <u>12/31/2011</u>     |
|---------------|-----------------------|-----------------------|
| Current       | 114,731               | 110,712               |
| Past due      |                       |                       |
| Up to 30 days | 287                   | 1,026                 |
| 31 to 60 days | 951                   | 573                   |
| 61 to 90 days | -                     | 418                   |
| Over 90 days  | <u>2,937</u>          | <u>9,611</u>          |
|               | <b>4,175</b>          | <b>11,628</b>         |
|               | <u><b>118,906</b></u> | <u><b>122,340</b></u> |

As at September 30, 2012, the Company presents R\$4,175 (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**

|  | <u>09/30/2012</u> |                   | <u>12/31/2011</u> |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <u>Current</u>    | <u>Noncurrent</u> | <u>Current</u>    | <u>Noncurrent</u> |
| <b>Assets</b>  |                   |                   |                   |                   |
| Recoverable income tax and social contribution       | 5,917             | -                 | 21,853            | -                 |
| Recoverable taxes on revenue (PIS and COFINS)        | 244               | -                 | 276               | -                 |
| Recoverable State VAT (ICMS)                         | 21                | 318               | 34                | 398               |
| Service tax (ISS)                                    | 21                | -                 | 21                | -                 |
| Social security tax (INSS)                           | <u>39</u>         | <u>-</u>          | <u>39</u>         | <u>-</u>          |
|  | <b>6,242</b>      | <b>318</b>        | <b>22,223</b>     | <b>398</b>        |
| <b>Liabilities</b>                                   |                   |                   |                   |                   |
| Income tax and social contribution                   | 13,375            | -                 | -                 | -                 |
| PIS and COFINS                                       | 8,205             | -                 | 7,877             | -                 |
| ICMS   | 407               | -                 | 472               | -                 |
| Withholding income tax (IRRF) on interest on capital | -                 | -                 | 14,611            | -                 |
| Other  | <u>151</u>        | <u>-</u>          | <u>117</u>        | <u>-</u>          |
|  | <b>22,138</b>     | <b>-</b>          | <b>23,077</b>     | <b>-</b>          |
| <b>Deferred tax assets</b>                           |                   |                   |                   |                   |
| Temporary differences                                | -                 | (9,278)           | -                 | (11,646)          |
| Tax benefit  | -                 | (42,426)          | -                 | (46,120)          |
| <b>Deferred tax liabilities</b>                      |                   |                   |                   |                   |
| Equity valuation adjustments                         | <u>-</u>          | <u>492,748</u>    | <u>-</u>          | <u>522,844</u>    |
| <b>Deferred tax liabilities (net)</b>                | <b>-</b>          | <b>441,044</b>    | <b>-</b>          | <b>465,078</b>    |

### 8.1. Deferred income tax and social contribution

As at September 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\$1,909 (R\$1,234 at September 30, 2011).

As at September 30, 2012, the timing differences represented by expenses deductible in the future amount to R\$27,289 (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

|                           |                |                 | 09/30/2012    | 12/31/2011    |
|---------------------------|----------------|-----------------|---------------|---------------|
|                           | Goodwill       | Allowance       | Net           | Net           |
| Balance arising on merger | 305,406        | (201,568)       | 103,838       | 103,838       |
| Realization               | (180,612)      | 119,200         | (61,412)      | (57,718)      |
| <b>Closing balance</b>    | <b>124,794</b> | <b>(82,368)</b> | <b>42,426</b> | <b>46,120</b> |

|                                  | 09/30/2012 | 09/30/2011 |
|----------------------------------|------------|------------|
| Goodwill amortization            | (10,866)   | (11,411)   |
| Reversal of allowance            | 7,172      | 7,531      |
| Tax benefit                      | 3,694      | 3,880      |
| <b>Net effect for the period</b> | <b>-</b>   | <b>-</b>   |

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 | 1,232 | 4,676 | 4,334 | 4,002 | 28,182              | 42,426 |

### 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:



|  | 09/30/2012      |                     | 09/30/2011      |                     |
|--|-----------------|---------------------|-----------------|---------------------|
|  | Income tax      | Social contribution | Income tax      | Social contribution |
| <b>Income before income tax and social contribution</b>                          | <b>372,756</b>  | <b>372,756</b>      | <b>264,895</b>  | <b>264,895</b>      |
| Adjustments under the RTT  | 83,007          | 83,007              | 83,723          | 83,723              |
| <b>Income before income tax and social contribution and after RTT adjustment</b> | <b>455,763</b>  | <b>455,763</b>      | <b>348,618</b>  | <b>348,618</b>      |
| Income tax and social contribution statutory rate                                | 25%             | 9%                  | 25%             | 9%                  |
| <b>Income tax and social contribution at statutory rates</b>                     | <b>113,923</b>  | <b>41,019</b>       | <b>87,137</b>   | <b>31,376</b>       |
| Adjustments to effective rate  |                 |                     |                 |                     |
| Amortization Inflationary credit charge  | (1,677)         | 56                  | (1,832)         | 59                  |
| Allowance/reversal of allowance for doubtful debts                               | (1,613)         | (581)               | 309             | 111                 |
| Tax benefits - merged goodwill (Aneel Res. 02/2002)                              | (2,716)         | (978)               | (2,853)         | (1,027)             |
| Nondeductible expenses   | 1,300           | 393                 | 2,019           | 628                 |
| Other  | (155)           | (46)                | (284)           | (91)                |
| <b>Current income tax and social contribution</b>                                | <b>109,062</b>  | <b>39,863</b>       | <b>84,496</b>   | <b>31,056</b>       |
| Rouanet Act and Children's Fund  | (636)           | -                   | (1,148)         | -                   |
| <b>Total current income tax and social contribution affecting profit or loss</b> | <b>108,426</b>  | <b>39,863</b>       | <b>83,348</b>   | <b>31,056</b>       |
| Taxable base of temporary differences in profit or loss                          | (65,073)        | (65,073)            | (72,333)        | (72,333)            |
| Applicable tax rate  | 25%             | 9%                  | 25%             | 9%                  |
| <b>Deferred income tax and social contribution affecting profit or loss</b>      | <b>(16,268)</b> | <b>(5,857)</b>      | <b>(18,084)</b> | <b>(6,509)</b>      |
| Taxable base of taxable differences in equity                                    | (5,615)         | (5,615)             | (3,629)         | (3,629)             |
| Applicable tax rate  | 25%             | 9%                  | 25%             | 9%                  |
| <b>Deferred income tax and social contribution affecting equity</b>              | <b>(1,404)</b>  | <b>(505)</b>        | <b>(907)</b>    | <b>(327)</b>        |

As at September 30, 2012, current and deferred income tax and social contribution total R\$148,289 and R\$22,125 respectively (R\$114,404 and R\$24,593 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.

|  | 09/30/2012    | 12/31/2011    |
|--|---------------|---------------|
| Environmental  | 2,886         | 2,752         |
| Tax:   |               |               |
| Real Estate Tax (IPTU) (City of Primeiro de Maio Municipality)                       | 1,188         | 1,134         |
| Late payment fine on IRRF, IRPJ and CSLL   | 841           | 800           |
| ISS (Município de Sandovalina)   | 95            | -             |
| Late payment fine on PIS, COFINS, IRPJ, CSLL and Tax on Financial Transactions (IOF) | 6,003         | 5,632         |
| Economic Intervention Contribution (CIDE) tax  | -             | 579           |
|  | <b>11,013</b> | <b>10,897</b> |

In September 2012, the escrow report related to the CIDE, which at September 30, 2012 is R\$604 (R\$579 at December 31, 2011), was reclassified to noncurrent liabilities, in line item 'Provision for tax, labor and environmental risks' and is carried net of the recognized contingent liability (see Note 17.1).

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

## 10. PROPERTY, PLANT AND EQUIPMENT

### a) Breakdown

|  | 09/30/2012       |                          | 12/31/2011       |                  | Annual depreciation/<br>amortization rate |
|--|------------------|--------------------------|------------------|------------------|---|
|  | Cost             | Accumulated depreciation | Net              | Net              |   |
| In service                                       |                  |                          |                  |                  |   |
| Land   | 210,997          | -                        | 210,997          | 210,997          | -   |
| Reservoirs, dams and water mains                 | 3,444,206        | (578,141)                | 2,866,065        | 3,027,258        | 4.4%                                      |
| Buildings, constructions and improvements        | 466,157          | (121,596)                | 344,561          | 361,393          | 4.2%                                      |
| Machinery and equipment                          | 773,425          | (164,045)                | 609,380          | 579,587          | 5.5%                                      |
| Vehicles   | 5,218            | (2,197)                  | 3,021            | 2,544            | 19.2%                                     |
| Furniture and fixtures                           | 1,732            | (1,095)                  | 637              | 4,394            | 5.5%                                      |
| (-) Canoas I and II plant reserves               | (200,675)        | -                        | (200,675)        | (200,675)        |   |
|  | <b>4,701,060</b> | <b>(867,074)</b>         | <b>3,833,986</b> | <b>3,985,498</b> |   |
| in progress                                      |                  |                          |                  |                  |   |
| Reservoirs, dams and water mains                 | 489              | -                        | 489              | 145              |   |
| Buildings, constructions and improvements        | 139              | -                        | 139              | -                |   |
| Machinery and equipment                          | 8,837            | -                        | 8,837            | 14,820           |   |
| Furniture and fixtures                           | 588              | -                        | 588              | 689              |   |
|  | <b>10,053</b>    | <b>-</b>                 | <b>10,053</b>    | <b>15,654</b>    |   |
| Land   | 4,249            | -                        | 4,249            | 4,249            |   |
| Vehicles   | 283              | -                        | 283              | 81               |   |
|  | <b>4,715,645</b> | <b>(867,074)</b>         | <b>3,848,571</b> | <b>4,005,482</b> |   |
| (-) Concession-related obligations (see note 18) | (6,942)          | 243                      | (6,699)          | (6,748)          |   |
|  | <b>4,708,703</b> | <b>(866,831)</b>         | <b>3,841,872</b> | <b>3,998,734</b> |   |

### b) Changes in property, plant and equipment

|   | Net amount at 12/31/2011 | Additions    | Depreciation     | Write-offs     | Reclassifications and transfers | Net value at 09/30/2012 |
|---|--------------------------|--------------|------------------|----------------|---------------------------------|-------------------------|
| Land                                      | 215,246                  | -            | -                | -              | -                               | 215,246                 |
| Reservoirs, dams and water mains          | 3,027,403                | 501          | (116,375)        | -              | (44,975)                        | 2,866,554               |
| Buildings, constructions and improvements | 361,393                  | 138          | (14,695)         | -              | (2,136)                         | 344,700                 |
| Machinery and equipment                   | 594,407                  | 7,099        | (32,542)         | (1,846)        | 51,099                          | 618,217                 |
| Vehicles                                  | 2,625                    | 1,348        | (616)            | (53)           | -                               | 3,304                   |
| Furniture and fixtures                    | 5,083                    | 397          | (263)            | (4)            | (3,988)                         | 1,225                   |
| (-) Canoas I and II plant reserves        | (200,675)                | -            | -                | -              | -                               | (200,675)               |
|   | <b>4,005,482</b>         | <b>9,483</b> | <b>(164,491)</b> | <b>(1,903)</b> | <b>-</b>                        | <b>3,848,571</b>        |
| (-) Concession-related obligations        | (6,748)                  | (8)          | 78               | -              | (21)                            | (6,699)                 |
|   | <b>3,998,734</b>         | <b>9,475</b> | <b>(164,413)</b> | <b>(1,903)</b> | <b>(21)</b>                     | <b>3,841,872</b>        |

### c) Concession Agreement

| Concessions at 09/30/2012        |              |                     |       |              |                            |                                  |                        |                      |
|----------------------------------|--------------|---------------------|-------|--------------|----------------------------|----------------------------------|------------------------|----------------------|
| ANEEL<br>Concession<br>Agreement | Plant        | Type                | State | River        | Installed<br>power<br>(MW) | Guaranteed<br>power<br>(avg. MW) | Start of<br>concession | End of<br>concession |
| 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            |
|                                  |              |                     |       |              | <b>2,241</b>               | <b>1,087</b>                     |                        |                      |

#### 10.1. 15% expansion

The Company reports that the Performance Commitment Action filed by the State of São Paulo related to the 15% expansion of its installed capacity is in secrecy.

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 September 30, 2012 consist of software licenses and rights of way and to the Use of Public Assets (UBP).

#### a) Changes in intangible assets

|  | 09/30/2012    |                             | 12/31/2011    |               | Annual<br>amortization<br>rates |
|--|---------------|-----------------------------|---------------|---------------|---------------------------------|
|  | Cost          | Accumulated<br>amortization | Net           | Net           |                                 |
| <b>In service</b>                                |               |                             |               |               |                                 |
| UBP  | 53,494        | (21,588)                    | 31,906        | 33,284        | 3%                              |
| Software   | 21,022        | (18,888)                    | 2,134         | 3,569         | 9%                              |
| Rights of way                                    | 75            | -                           | 75            | 75            |                                 |
|  | <b>74,591</b> | <b>(40,476)</b>             | <b>34,115</b> | <b>36,928</b> |                                 |
| <b>In progress</b>                               |               |                             |               |               |                                 |
| Software   | 1,484         | -                           | 1,484         | 798           |                                 |
|  | <b>76,075</b> | <b>(40,476)</b>             | <b>35,599</b> | <b>37,726</b> |                                 |
| (-) Concession-related obligations (see note 18) | (320)         | 69                          | (251)         | (299)         |                                 |
|  | <b>75,755</b> | <b>(40,407)</b>             | <b>35,348</b> | <b>37,427</b> |                                 |

## b) Changes in intangible assets

|                                    | Net amount at<br>12/31/2011 | Additions  | Amortization   | Reclassifications<br>and transfers | Net amount at<br>09/30/2012 |
|------------------------------------|-----------------------------|------------|----------------|------------------------------------|-----------------------------|
| UBP                                | 33,284                      | -          | (1,378)        | -                                  | 31,906                      |
| Software                           | 4,367                       | 686        | (1,435)        | -                                  | 3,618                       |
| Rights of way                      | 75                          | -          | -              | -                                  | 75                          |
|                                    | <b>37,726</b>               | <b>686</b> | <b>(2,813)</b> | <b>-</b>                           | <b>35,599</b>               |
| (-) Concession-related obligations | (299)                       | -          | 27             | 21                                 | (251)                       |
|                                    | <b>37,427</b>               | <b>686</b> | <b>(2,786)</b> | <b>21</b>                          | <b>35,348</b>               |

## 12. TRADE PAYABLES

|                               | 09/30/2012    | 12/31/2011    |
|-------------------------------|---------------|---------------|
|                               | Current       | Current       |
| Electricity supply            | 3,237         | 72            |
| Materials and services        | 5,073         | 5,158         |
| Grid usage charges            |               |               |
| TUST                          | 7,700         | 7,630         |
| Connection charges            | 16            | 16            |
|                               | <b>16,026</b> | <b>12,876</b> |
| TUSD-G                        | 1,125         | 50,709        |
| (-) Escrow deposit re. TUSD-G | -             | (42,846)      |
|                               | <b>1,125</b>  | <b>7,863</b>  |
|                               | <b>17,151</b> | <b>20,739</b> |

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 September 30, 2012 is R\$47,131 (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 second quarter of 2012, the net amount of which at September 30, 2012 is R\$2,841.

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\$3,570 and R\$660 respectively. The amount receivable from related parties at September 30, 2012 is R\$409 (R\$847 at December 31, 2011), of which R\$15 (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 require guarantees in business transactions, Duke Brasil provides such guarantees on behalf of the Company. As at September 30, 2012 these guarantees amount to R\$114,943 (R\$106,497 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:

|   | <u>07/01/2012 to<br/>09/30/2012</u> | <u>01/01/2012 to<br/>09/30/2012</u> | <u>07/01/2011 to<br/>09/30/2011</u> | <u>01/01/2011 to<br/>09/30/2011</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Employee and management short-term benefits | 1,552                               | 4,526                               | 1,401                               | 3,966                               |
| Postemployment benefits                     | 49                                  | 136                                 | 44                                  | 122                                 |
|   | <b>1,601</b>                        | <b>4,662</b>                        | <b>1,445</b>                        | <b>4,088</b>                        |
| Share-based compensation                    | -                                   | 101                                 | -                                   | 197                                 |
|   | <b>1,601</b>                        | <b>4,763</b>                        | <b>1,445</b>                        | <b>4,285</b>                        |

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).

For the nine-month period ended at September 2012 the Company recognized expenses of R\$101 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

| Issuance              | Series                 | Principal + charges at |                |               |                |
|-----------------------|------------------------|------------------------|----------------|---------------|----------------|
|                       |                        | 09/30/2012             |                | 12/31/2011    |                |
|                       |                        | Current                | Noncurrent     | Current       | Noncurrent     |
| 1 <sup>st</sup> issue | 1 <sup>st</sup> series | 62,029                 | -              | 66,719        | 62,053         |
| 1 <sup>st</sup> issue | 2 <sup>nd</sup> series | 30,619                 | 81,711         | 3,352         | 108,124        |
| 2 <sup>nd</sup> issue | Single                 | 175,593                | 420,443        | 20,085        | 550,917        |
| 3 <sup>rd</sup> issue | Single                 | 2,782                  | 149,367        | -             | -              |
|                       |                        | <b>271,023</b>         | <b>651,521</b> | <b>90,156</b> | <b>721,094</b> |

## b) Maturity

|            | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>Total</u> |
|------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Noncurrent | 36,555      | 232,264     | 232,897     | 74,805      | 75,000      | 651,521      |

### 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 189<sup>th</sup> 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.

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

#### 15. CIBACAP – CAPIVARA BASIN INTERCITY CONSORTIUM

|            | <u>09/30/2012</u>    | <u>12/31/2011</u>    |
|------------|----------------------|----------------------|
| Current    | 2,365                | 3,521                |
| Noncurrent | 7,795                | 8,432                |
|            | <u><u>10,160</u></u> | <u><u>11,953</u></u> |

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

#### 16. PENSION PLAN

In the quarter ended September 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):

|                                  | <u>07/1/2012 to<br/>09/30/2012</u> | <u>01/01/2012 to<br/>09/30/2012</u> | <u>07/01/2011 to<br/>09/30/2011</u> | <u>01/01/2011 to<br/>09/30/2011</u> |
|----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Cost of current service          | 545                                | 1,635                               | 589                                 | 1,767                               |
| Interest on actuarial obligation | 3,825                              | 11,475                              | 3,623                               | 10,869                              |
| Expected return on plan assets   | (5,930)                            | (17,790)                            | (5,134)                             | (15,402)                            |
| Employees' contributions         | (171)                              | (513)                               | (161)                               | (483)                               |
|                                  | <u><u>(1,731)</u></u>              | <u><u>(5,193)</u></u>               | <u><u>(1,083)</u></u>               | <u><u>(3,249)</u></u>               |

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 to those deposits with provisions for labor contingencies and tax are stated in a specific note (see note 9).

## 17.1. Provision for tax, labor and environmental contingencies

### Breakdown

| Proceedings   | Adjusted amount | Provision     | Escrow deposit | 09/30/2012   | 12/31/2011   |
|---------------|-----------------|---------------|----------------|--|--|
|               |                 |               |                | Provision for tax, labor and environmental contingencies | Provision for tax, labor and environmental contingencies |
| Labor         | 5,835           | 5,835         | (1,609)        | 4,226  | 5,789  |
| Tax           | 12,096          | 12,096        | (604)          | 11,492   | 9,681  |
| Environmental | 2,799           | 2,799         | -              | 2,799  | 2,769  |
|               | <b>20,730</b>   | <b>20,730</b> | <b>(2,213)</b> | <b>18,517</b>  | <b>18,239</b>  |

### Changes in the provision for tax, labor and environmental contingencies

|   | Labor          | Tax           | Environmental | Total          |
|---|----------------|---------------|---------------|----------------|
| <b>Balance as at January 1<sup>st</sup>, 2012</b> | <b>5,789</b>   | <b>9,681</b>  | <b>2,769</b>  | <b>18,239</b>  |
| Provisions in the period                          | 1,724          | 1,762         | -             | 3,486          |
| Reversals in the period                           | (1,629)        | -             | -             | (1,629)        |
|   | <b>95</b>      | <b>1,762</b>  | <b>-</b>      | <b>1,857</b>   |
| Adjustments in the period                         | (81)           | 653           | 101           | 673            |
| Escrow deposits                                   | (638)          | (604)         | -             | (1,242)        |
| Disbursements / agreements in the period          | (939)          | -             | (71)          | (1,010)        |
|   | <b>(1,658)</b> | <b>49</b>     | <b>30</b>     | <b>(1,579)</b> |
| <b>Total changes in the period</b>                | <b>(1,563)</b> | <b>1,811</b>  | <b>30</b>     | <b>278</b>     |
| <b>Balance as at September 30, 2012</b>           | <b>4,226</b>   | <b>11,492</b> | <b>2,799</b>  | <b>18,517</b>  |

#### a) Labor

As at September 30, 2012, net labor contingencies total R\$4,226 (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 September 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 the Amazons Investment Fund (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\$2,451 (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 September 2012 total R\$7,740 (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 September 2012 total R\$544.
- iv. Restraining Injunction Lawsuit No. 2006.61.00.012067-7 filed by the Company, seeking an injunction to avoid that the São Paulo Federal Revenue Service Officer collects any penalties, including arrears fine, on the Withholding Income Tax (IRRF) debt (2006) settled under a self-assessment. In August 2012, the Superior Court of Justice denied the Special Appeal filed by the Company, which resulted in the need to reassess the existing risk. The debt amount adjusted through September 2012 totals R\$747 and;
- v. Injunction Lawsuit No. 0900033-03.2005.4.03.6100 filed by the Company, seeking an injunction to avoid the collection of the Economic Intervention Contribution (CIDE) tax, created by Law 10168/02, as subsequently amended, on the payments made abroad under the agreement for the provision of financial consulting. The 3<sup>rd</sup> Region Federal Court issued in July 2012 a decision unfavorable to the Company, which resulted in the need to reassess the existing risk. The debt amount adjusted through September 2012 totals R\$604. The provision is carried net of the related escrow deposit (see Note 9).

### **c) Environmental**

As at September 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\$2,360 (R\$2,275 at December 31, 2011);
- ii. Lawsuits filed by fishermen referring to environmental damages amounting to R\$362 (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\$77 (R\$148 at December 31, 2011).

## 17.2. Possible contingencies

| <u>Proceedings</u> | <u>09/30/2012</u>     | <u>12/31/2011</u>     |
|--------------------|-----------------------|-----------------------|
| Labor              | 11,612                | 10,138                |
| Tax                | 42,811                | 39,976                |
| Environmental      | 30,080                | 53,007                |
| Regulatory         | 43,120                | 16,371                |
|                    | <u><b>127,623</b></u> | <u><b>119,492</b></u> |

### a) Labor

As at September 30, 2012, the labor contingencies with possible likelihood of an unfavorable outcome are valued at R\$11,612 (R\$10,138 at December 31, 2011).

### b) Tax

As at September 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\$6,003 (R\$5,470 at December 31, 2011);
- ii. Tax assessment notices related to the imposition of fine for alleged failure to 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\$8,882 (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\$11,933 (R\$11,475 at December 31, 2011);
- iv. Administrative proceedings arising from offset requests of overpaid taxes (CSLL, IRPJ and COFINS) amounting to R\$13,521 (R\$10,851 at December 31, 2011).

### c) Environmental

As at September 30, 2012, environmental contingencies with likelihood of a possible loss refer to Fine Notices issued by the Environmental Institute of Paraná (IAP) and 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 Company obtained a partially favorable decision on one of the administrative appeals

filed, resulting in the decrease of the amount classified as possible loss. The amount adjusted through September 2012 is R\$30,080 (R\$53,007 at December 31, 2011).

#### d) Regulatory

As at September 30, 2012, the main regulatory contingent liabilities classified as possible losses are as follows:

- i. 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\$18,664, classified as a possible loss (R\$16,371 at December 31, 2011);
- ii. In 2002, an electric energy distributor filed a lawsuit to not be subjected to the retrospective enforcement of ANEEL Resolution 288. The Company could be affected by a possible decision favorable to such distributor, and the amount adjusted through September 30, 2012 is R\$24,456.

#### 18. SPECIAL OBLIGATIONS

|  | <u>09/30/2012</u> | <u>12/31/2011</u> |
|--|-------------------|-------------------|
| Arising from PP&E (see note 10)        |                   |                   |
| General reversion reserve (RGR) charge | 4,947             | 4,947             |
| Equipment donations (ONS)              | 1,588             | 1,632             |
| Research and development (R&D)         | 164               | 169               |
|  | <u>6,699</u>      | <u>6,748</u>      |
| Arising from intangibles (see note 11) |                   |                   |
| R&D - software                         | 251               | 299               |
|  | <u>6,950</u>      | <u>7,047</u>      |

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:

|  | <u>09/30/12</u> |                   | <u>12/31/2011</u> |                   |
|--|-----------------|-------------------|-------------------|-------------------|
|  | <u>Current</u>  | <u>Noncurrent</u> | <u>Current</u>    | <u>Noncurrent</u> |
| Compensation for the use water resources (CFURH) | 10,833          | -                 | 9,898             | -                 |
| ANEEL inspection fee                             | 373             | -                 | 358               | -                 |
| Research and development (R&D)                   | 6,921           | 14,970            | 5,955             | 13,590            |
|  | <u>18,127</u>   | <u>14,970</u>     | <u>16,211</u>     | <u>13,590</u>     |

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\$1,339,138 (R\$1,639,138 at December 31, 2011) 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.

| Shareholders                               | Share position at 09/30/2012<br>in thousands of shares |               |               |               |               |               |
|--|--|---------------|---------------|---------------|---------------|---------------|
|  | 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 Metropolitana 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          |
|  | <b>31,478</b>  | <b>100.00</b> | <b>62,955</b> | <b>100.00</b> | <b>94,433</b> | <b>100.00</b> |

The R\$300,000 capital reduction, approved by ANEEL under Ruling 107 of January 13, 2012 and at the Extraordinary Shareholders' Meeting of May 21, 2012, was paid to the Company's shareholders on August 10, 2012 after the 60-day creditor objection period, provided for Article 174, Paragraph 2, of Law 6404/1976, without any adjustment of the amount credited to the shareholders for the period between the Extraordinary Shareholders' Meeting and the date the amount is actually credited to the shareholders. The capital reduction does not entail the cancellation of any Company common shares or preferred shares and also maintain the percentage interest held by the shareholders in the Company's capital unchanged.

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 represented 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

|                               | <u>09/30/2012</u>    | <u>12/31/2011</u>    |
|-------------------------------|----------------------|----------------------|
| 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                |
|                               | <u><b>99,431</b></u> | <u><b>99,330</b></u> |

Goodwill on downstream merger – In accordance with CVM Instruction 319/99 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 September 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.

|   | <u>09/30/2012</u>     | <u>12/31/2011</u>       |
|---|-----------------------|-------------------------|
| Profit for the period   | 246,592               | 281,261                 |
| Realization of equity valuation adjustments                   | 78,611                | 112,071                 |
| Deferred taxes on realization of equity valuation adjustments | (26,728)              | (38,104)                |
|   | <u><b>298,475</b></u> | <u><b>355,228</b></u>   |
| Allocation  |                       |                         |
| Interim dividends   | -                     | (144,286)               |
| Interest on capital   | -                     | (98,211)                |
| Dividends   | -                     | (98,668)                |
| Legal reserve   | -                     | (14,063)                |
|   | <u>-</u>              | <u><b>(355,228)</b></u> |
|   | <u><b>298,475</b></u> | <u><b>-</b></u>         |

## 20.5. Equity valuation adjustments

|   | <u>Deemed cost</u> | <u>Pension plan</u> | <u>Total</u>     |
|---|--------------------|---------------------|------------------|
| <b>Balance at 12/31/2011</b>                | <b>1,007,829</b>   | <b>7,105</b>        | <b>1,014,934</b> |
| Depreciation                                | (77,400)           |                     | (77,400)         |
| Write-offs                                  | (1,211)            | -                   | (1,211)          |
| <b>Effect of depreciation/ write-offs</b>   | <b>(78,611)</b>    | <b>-</b>            | <b>(78,611)</b>  |
| Deferred income tax and social contribution | 26,728             | -                   | 26,728           |
| Pension plan                                | -                  | (5,615)             | (5,615)          |
| Deferred income tax and social contribution | -                  | 1,909               | 1,909            |
| <b>Equity valuation adjustments</b>         | <b>(51,883)</b>    | <b>(3,706)</b>      | <b>(55,589)</b>  |
| <b>Balance at 09/30/2012</b>                | <b>955,946</b>     | <b>3,399</b>        | <b>959,345</b>   |

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

|                      | <u>09/30/2012</u> | <u>12/31/2011</u> |
|----------------------|-------------------|-------------------|
| Dividends            | -                 | 98,668            |
| Interest on capital  | 68                | 83,611            |
| Capital reduction    | 103               | -                 |
| Dividends in custody | 904               | 840               |
|                      | <b>1,075</b>      | <b>183,119</b>    |

### 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 6,404/76.

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 nine-month period do not exceed the amount of the capital reserves addresses by Article 182, Par. 1, of Law 6,404/76.

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.

## 20.7. Share-based payments

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

## 21. NET REVENUE

|  | 07/1/2012 to<br>09/30/2012 | 01/01/2012 to<br>09/30/2012 | 07/1/2011 to<br>09/30/2011 | 01/1/2011 to<br>09/30/2011 |
|--|----------------------------|-----------------------------|----------------------------|----------------------------|
| <b>Electric power supply</b>             |                            |                             |                            |                            |
| Bilateral contracts                      | 186,211                    | 539,367                     | 165,252                    | 470,700                    |
| Auction contracts                        | 97,381                     | 287,988                     | 94,702                     | 276,670                    |
| Spot market                              | 7,008                      | 79,782                      | 4,647                      | 26,546                     |
| MRE                                      | 8,912                      | 12,787                      | 2,961                      | 5,677                      |
|  | <b>299,512</b>             | <b>919,924</b>              | <b>267,562</b>             | <b>779,593</b>             |
| Other income                             | 14                         | 42                          | 13                         | 35                         |
|  | <b>299,526</b>             | <b>919,966</b>              | <b>267,575</b>             | <b>779,628</b>             |
| <b>Deductions from operating revenue</b> |                            |                             |                            |                            |
| PIS and COFINS                           | (24,608)                   | (73,935)                    | (22,234)                   | (64,998)                   |
| ICMS                                     | (1,232)                    | (3,642)                     | (1,485)                    | (6,638)                    |
| R&D                                      | (2,721)                    | (8,383)                     | (2,055)                    | (6,650)                    |
|  | <b>(28,561)</b>            | <b>(85,960)</b>             | <b>(25,774)</b>            | <b>(78,286)</b>            |
| <b>Net operating revenue</b>             | <b>270,965</b>             | <b>834,006</b>              | <b>241,801</b>             | <b>701,342</b>             |

## 22. OPERATING COSTS AND EXPENSES

Breakdown of operating costs and expenses by nature:

|  | 07/01/2012 to 09/30/2012  |  |                | 07/1/2011 to 09/30/2011 |
|--|---------------------------|--|----------------|-------------------------|
| <b>Operating expenses/(income)</b>                       | <b>Cost of power sold</b> | <b>General and administrative expenses</b> | <b>Total</b>   | <b>Total</b>            |
| Personnel  | 9,463                     | 7,119                                      | 16,582         | 14,281                  |
| Supplies   | 1,026                     | 47   | 1,073          | 1,055                   |
| Outside services   | 6,829                     | 4,207                                      | 11,036         | 8,829                   |
| ANEEL inspection fee                                     | 1,118                     | -  | 1,118          | 1,074                   |
| Power purchased for resale                               | 5,947                     | -  | 5,947          | 301                     |
| Grid usage charges                                       | 20,832                    | -  | 20,832         | 20,706                  |
| Compensation for the use water resources                 | 16,352                    | -  | 16,352         | 13,258                  |
| Depreciation and amortization                            | 55,059                    | 580  | 55,639         | 57,687                  |
| Provision for tax, labor and environmental contingencies | 376                       | 1,545                                      | 1,921          | 7,431                   |
| Allowance for doubtful debts                             | -                         | 722  | 722            | 44                      |
| Leases and rents   | 5                         | 866  | 871            | 830                     |
| Insurance  | 945                       | -  | 945            | 643                     |
| Other  | 218                       | 2,660                                      | 2,878          | 2,634                   |
|  | <b>118,170</b>            | <b>17,746</b>                              | <b>135,916</b> | <b>128,773</b>          |

|  | 01/01/2012 to 09/30/2012  |  |                | 01/1/2011 to 09/30/2011 |
|--|---------------------------|--|----------------|-------------------------|
| <b>Operating expenses/(income)</b>                       | <b>Cost of power sold</b> | <b>General and administrative expenses</b> | <b>Total</b>   | <b>Total</b>            |
| Personnel  | 25,768                    | 21,258                                     | 47,026         | 40,571                  |
| Supplies   | 2,696                     | 90   | 2,786          | 2,638                   |
| Outside services   | 16,181                    | 13,708                                     | 29,889         | 25,139                  |
| ANEEL inspection fee                                     | 3,356                     | -  | 3,356          | 3,223                   |
| Power purchased for resale                               | 14,146                    | -  | 14,146         | 1,257                   |
| Grid usage charges                                       | 61,907                    | -  | 61,907         | 56,995                  |
| Compensation for the use water resources                 | 44,452                    | -  | 44,452         | 38,500                  |
| Depreciation and amortization                            | 165,364                   | 1,835                                      | 167,199        | 173,106                 |
| Provision for tax, labor and environmental contingencies | 63                        | 1,794                                      | 1,857          | 10,216                  |
| Allowance for doubtful debts                             | -                         | (3,888)                                    | (3,888)        | 2,907                   |
| Leases and rents   | 3                         | 2,612                                      | 2,615          | 2,397                   |
| Insurance  | 2,778                     | -  | 2,778          | 1,927                   |
| Other  | 691                       | 6,074                                      | 6,765          | 6,421                   |
|  | <b>337,405</b>            | <b>43,483</b>                              | <b>380,888</b> | <b>365,297</b>          |



## 23. ELECTRIC POWER SOLD AND PURCHASED AND GRID USAGE CHARGES

### 23.1. Electric power sold

| <i>Supply</i>       | 07/01/2012 to 09/30/2012 |                | 07/01/2011 to 09/30/2011 |                |
|---------------------|--------------------------|----------------|--------------------------|----------------|
|                     | MWh (*)                  | R\$            | MWh (*)                  | R\$            |
| Bilateral contracts | 1,273,732                | 186,211        | 1,205,647                | 165,252        |
| Auction contracts   | 996,424                  | 97,381         | 1,025,342                | 94,702         |
| Spot market         | 87,244                   | 7,008          | 280,519                  | 4,647          |
| MRE                 | 933,336                  | 8,912          | 334,195                  | 2,961          |
|                     | <b>3,290,736</b>         | <b>299,512</b> | <b>2,845,703</b>         | <b>267,562</b> |

| <i>Supply</i>       | 01/01/2012 to 09/30/2012 |                | 01/01/2011 to 09/30/2011 |                |
|---------------------|--------------------------|----------------|--------------------------|----------------|
|                     | MWh (*)                  | R\$            | MWh (*)                  | R\$            |
| Bilateral contracts | 3,720,644                | 539,367        | 3,440,020                | 470,700        |
| Auction contracts   | 2,996,021                | 287,988        | 3,059,643                | 276,670        |
| Spot market         | 868,492                  | 79,782         | 1,134,726                | 26,546         |
| MRE                 | 1,339,727                | 12,787         | 637,278                  | 5,677          |
|                     | <b>8,924,884</b>         | <b>919,924</b> | <b>8,271,667</b>         | <b>779,593</b> |

(\*) 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 September 30, 2012.

|   | MW (*)       |            |
|---|--------------|------------|
|   | 2012         | 2013       |
| Power available for sale                | 1,010        | 1,005      |
| <b>ACR</b>                              | <b>463</b>   | <b>268</b> |
| 2005 (8 years)                          | 195          | -          |
| 2006 (8 years)                          | 54           | 54         |
| 2007 (8 years)                          | 214          | 214        |
| <b>ACL</b>                              | <b>545</b>   | <b>706</b> |
| Bilateral Contracts with free consumers | 545          | 706        |
| Subtotal                                | <b>1,008</b> | <b>974</b> |
| Deregulated Power Supply                | 2            | 31         |
| Percentage power contracted             | 99.8%        | 96.9%      |

(\*) Not reviewed by independent auditors.

### 23.2. Power purchased for resale

|                               | 07/01/2012 to 9/30/2012 |              | 07/01/2011 to 09/30/2011 |            |
|-------------------------------|-------------------------|--------------|--------------------------|------------|
|                               | MWh (*)                 | R\$          | MWh (*)                  | R\$        |
| Purchased power - bilateral   | 44,160                  | 4,022        | -                        | -          |
| Purchased power - spot market | 10,317                  | 1,925        | -                        | 301        |
|                               | <b>54,477</b>           | <b>5,947</b> | <b>-</b>                 | <b>301</b> |

  

|                               | 01/01/2012 to 09/30/2012 |               | 01/01/2011 to 09/30/2011 |              |
|-------------------------------|--------------------------|---------------|--------------------------|--------------|
|                               | MWh (*)                  | R\$           | MWh (*)                  | R\$          |
| Purchased power - bilateral   | 131,540                  | 11,979        | -                        | -            |
| Purchased power - spot market | 10,317                   | 2,131         | -                        | 687          |
| Purchased power - MRE         | 3,137                    | 36            | 63,168                   | 570          |
|                               | <b>144,994</b>           | <b>14,146</b> | <b>63,168</b>            | <b>1,257</b> |

(\*) Not reviewed by independent auditors.

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

During the year of 2012 the Company recorded expenses related to the power purchased in the *Spot* market amounting to R\$2,131 (R\$687 at September 30, 2011), of such amount R\$1,925 refer to the exposure at the short-term market at September, 2012, wich the volume negotiated was 10,317 MWh and R\$206 refer to the recounting process conducted by CCEE, which does not breakdown the corresponding power volumes.

### 23.3. Grid usage charges

|                    | 07/01/2012 to<br>09/30/2012 | 01/01/2012 to<br>09/30/2012 | 07/01/2011 to<br>09/30/2011 | 01/01/2011 to<br>09/30/2011 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TUST               | 17,525                      | 51,940                      | 17,433                      | 47,560                      |
| TUSD-G             | 3,271                       | 9,859                       | 3,227                       | 9,335                       |
| Connection charges | 36                          | 108                         | 46                          | 100                         |
|                    | <b>20,832</b>               | <b>61,907</b>               | <b>20,706</b>               | <b>56,995</b>               |

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

## 24. FINANCE INCOME (COSTS)

|   | 07/01/2012 to<br>09/30/2012 | 01/01/2012 to<br>09/30/2012 | 07/01/2011 to<br>09/30/2011 | 01/01/2011 to<br>09/30/2011 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>Income</b>                                     |                             |                             |                             |                             |
| Short-term investments                            | 7,204                       | 26,313                      | 7,655                       | 22,578                      |
| Pension plan income<br>(see note 16)              | 1,731                       | 5,193                       | 1,083                       | 3,249                       |
| Inflation adjustments                             |                             |                             |                             |                             |
| Escrow deposits                                   | 24                          | 81                          | 21                          | 49                          |
| Other inflation adjustments                       | 962                         | 2,843                       | 1,265                       | 2,583                       |
| Interest on RTE                                   | -                           | 261                         | 168                         | 444                         |
| Interest and discounts obtained                   | 223                         | 1,184                       | 87                          | 1,518                       |
|   | <b>10,144</b>               | <b>35,875</b>               | <b>10,279</b>               | <b>30,421</b>               |
| <b>Costs</b>                                      |                             |                             |                             |                             |
| Interest on debentures                            | (23,047)                    | (70,380)                    | (22,129)                    | (65,777)                    |
| Losses on inflation adjustments                   |                             |                             |                             |                             |
| Debentures  | (21,585)                    | (39,716)                    | (4,462)                     | (27,632)                    |
| TUSD-G  | (943)                       | (3,137)                     | (1,689)                     | (5,086)                     |
| Provisions for tax, labor and environmental risks | (284)                       | (754)                       | (35)                        | (164)                       |
| Other   | (577)                       | (1,455)                     | (325)                       | (1,615)                     |
| CCEE finance costs                                | -                           | -                           | -                           | (148)                       |
| Other finance costs                               | (168)                       | (795)                       | (100)                       | (1,149)                     |
|   | <b>(46,604)</b>             | <b>(116,237)</b>            | <b>(28,740)</b>             | <b>(101,571)</b>            |
|   | <b>(36,460)</b>             | <b>(80,362)</b>             | <b>(18,461)</b>             | <b>(71,150)</b>             |

## 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:

|   | 07/1/2012<br>to<br>09/30/2012 | 01/01/2012<br>to<br>09/30/2012 | 07/01/2011<br>to<br>09/30/2011 | 01/01/2011<br>to<br>09/30/2011 |
|---|-------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Numerator</b>  |                               |                                |                                |                                |
| <b>Profit for the period attributable to the Company shareholders</b> |                               |                                |                                |                                |
| Profit attributable to preferred shareholders                         | 43,312                        | 164,395                        | 41,149                         | 116,723                        |
| Profit attributable to common shareholders                            | 21,656                        | 82,197                         | 20,574                         | 58,361                         |
|   | <b>64,968</b>                 | <b>246,592</b>                 | <b>61,723</b>                  | <b>175,084</b>                 |
| <b>Denominator</b>  |                               |                                |                                |                                |
| 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                         |
|   | <b>94,433</b>                 | <b>94,433</b>                  | <b>94,433</b>                  | <b>94,433</b>                  |
| Basic and diluted earnings per share                                  |                               |                                |                                |                                |
| <b>Per preferred share</b>  | <b>0.68797</b>                | <b>2.61128</b>                 | <b>0.65363</b>                 | <b>1.85407</b>                 |
| <b>Per common share</b>   | <b>0.68797</b>                | <b>2.61128</b>                 | <b>0.65360</b>                 | <b>1.85404</b>                 |

## 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 Market 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).

|            | 09/30/2012      |            | 12/31/2011      |            |
|------------|-----------------|------------|-----------------|------------|
|            | Carrying amount | Fair value | Carrying amount | Fair value |
| Debentures | 922,544         | 1,037,327  | 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:

| Line                                 | Coverage in R\$'000 |            |
|--------------------------------------|---------------------|------------|
|                                      | 09/30/2012          | 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. Dividends**

The Extraordinary Shareholders' Meeting held on October 31, 2012 approved the Management' proposal for the distribution of interim dividends based on profit disclosed in the Company's financial statements for the first half of 2012, in the overall amount of R\$206,814, to be fully deducted from profit for the year, and allocated to preferred shares or common shares at the ratio of R\$2.190050242 per share, in compliance with Article 5, (ii), and Article 28 of the Company's Bylaws. Total dividends approved at the Extraordinary Shareholders' Meeting will be paid by December 31, 2012, therefore, without any inflation adjustment to the amount to be credited to the shareholders from the date they were declared, at the Extraordinary Shareholders' Meeting, and the date the amount is actually credited to the shareholders. These dividends are mandatorily construed as an advance for fixed priority dividends calculation purposes attributable to the holder of preferred shares at the 2013 Annual Shareholders' Meeting, as provided for by the relevant legislation the Company's bylaws.

## MANAGEMENT MEMBERS

### Board of Directors

Jairo de Campos  
Chairman

Andréa Elizabeth Bertone  
Member

Elizabeth Christina DeLaRosa  
Member

Maurício Lotufo Maudonnet  
Member

Gláucio João Agostinho  
Member

Paulo Nicácio Júnior  
Alternate Member

### 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  
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