Duke Energy International, Geração Paranapanema S.A.

Interim Financial Information for the Quarter Ended March 31, 2012 and Report on Review of Interim Financial Information

Summary

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim financial information of Duke Energy International, Geração Paranapanema S.A. (the "Company"), included in the Interim Financial Information Form (ITR), for the quarter ended March 31, 2012, which comprises the balance sheet as at March 31, 2012, and the related income statement, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the quarter then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the interim financial information

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

Other matters

Interim statements of value added

We have also reviewed the interim statements of value added ("DVA"), for the quarter ended March 31, 2012, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR). These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, in relation to the interim financial information taken as a whole.

Statements of financial position and interim financial information for 2011

The statements of financial position as of December 31, 2011 and the interim financial information for the quarter ended March 31, 2011, presented for purposes of comparison, were previously audited and reviewed by another independent auditor, respectively, who issued reports thereon without modification, dated March 21, 2012 and May 9, 2011, respectively.

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

São Paulo, May 8, 2012

DELOITTE TOUCHE TOHMATSU Auditores Independentes	Iara Pasian Engagement Partner

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

BALANCE SHEETS AS AT MARCH 31, 2012 AND DECEMBER 31, 2011
(In thousands of Brazilian reais - R$)

ASSETS	Notes	03/31/2012	12/31/2011
Current assets			
Cash and cash equivalents	6	424,037	210,371
Trade receivables	7	141,277	111,710
Recoverable taxes	8	3,539	22,223
Services in progress		5,677	5,203
Prepaid expenses		3,215	343
Sundry debtors		1,046	259
Related parties	13	352	847
Other assets		90	137
		579,233	**351,093**
Noncurrent assets			
Long-term receivables			
Recoverable taxes	8	398	398
Escrow deposits	9	11,117	10,897
Restricted funds		433	420
Prepaid expenses		4,318	4,426
		16,266	**16,141**
Investments		26	26
Property, plant and equipment	10	3,951,928	4,005,482
Intangible assets	11	37,034	37,726
		4,005,254	**4,059,375**
Total assets		**4,584,487**	**4,410,468**

The accompanying notes are an integral part of these interim financial information.

BALANCE SHEETS AS AT MARCH 31, 2012 AND DECEMBER 31, 2011
(In thousands of Brazilian reais - R$)

LIABILITIES AND EQUITY	Notes	03/31/2012	12/31/2011
Current liabilities			
Trade payables	12	17,163	20,739
Payroll and related taxes		8,169	9,254
Debentures	14	104,804	90,156
Taxes, fees and contributions	8	31,603	23,077
Dividends and interest on capital	20,6	99,574	183,119
Accrued liabilities		5,414	5,118
Cibacap	15	3,874	3,521
Regulatory charges	19	16,266	16,211
Other liabilities		263	203
		287,130	**351,398**
Noncurrent liabilities			
Debentures	14	874,313	721,094
Special obligations	18	7,021	7,047
Provision for tax, labor and environmental risks	17	18,006	18,239
Cibacap	15	7,314	8,432
Deferred income tax and social contribution	8	457,128	465,078
Regulatory charges	19	13,697	13,590
Other liabilities		325	325
		1,377,804	**1,233,805**
Equity			
Share capital	20,1	1,639,138	1,639,138
Capital reserves	20,2	99,330	99,330
Earnings reserves	20,3	71,863	71,863
Retained earnings	20,4	112,747	-
Equity valuation adjustments	20,5	996,475	1,014,934
		2,919,553	**2,825,265**
Total liabilities and equity		**4,584,487**	**4,410,468**

The accompanying notes are an integral part of these interim financial information.

INCOME STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

	Notes	03/31/2012	03/31/2011
Net revenue	21	**285,401**	**237,008**
Operating Expenses			
Personnel		(14,794)	(12,495)
Materials		(877)	(696)
Outside services		(6,813)	(7,283)
ANEEL inspection fee		(1,119)	(1,074)
Energy acquired for resale	23,2	(4,221)	(25)
Power grid charges	23,3	(20,535)	(18,128)
Regulatory charges - Financial compensation due to the use of water resources		(14,785)	(13,440)
Depreciation and amortization	10.b and 11.b	(55,785)	(57,718)
Provision for tax, labor and environmental risks		(70)	(1,749)
Allowance for doubtful debts		(2,324)	(4,560)
Leases and rents		(857)	(754)
Insurance		(900)	(644)
Other		(1,565)	(1,867)
		(124,645)	**(120,433)**
Operating profit		**160,756**	**116,575**
Financial income (expenses)			
Income	24	12,565	10,274
Expenses	24	(28,994)	(40,516)
		(16,429)	**(30,242)**
Profit before income tax and social contribution		**144,327**	**86,333**
Income tax and social contribution			
Current	8,3	(56,126)	(36,150)
Deferred	8,3	7,317	7,041
Profit for the period		**95,518**	**57,224**
Earnings per share from continuing operations (R$ per share)			
Basic/diluted earnings per share (PN)	25	1.01149	0.63750
Basic/diluted earnings per share (ON)	25	1.01149	0.55144

The accompanying notes are an integral part of these interim financial information.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

	03/31/2012	03/31/2011
Profit for the period	**95,518**	**57,224**
Actuarial gains/(losses) on defined-benefit pension plan	(1,864)	(1,208)
Deferred income tax and social contribution on actuarial gains/(losses)	634	411
	(1,230)	(797)
Comprehensive income for the period	**94,288**	**56,427**

The accompanying notes are an integral part of these interim financial information.

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	Share capital	Reserves: Capital	Reserves: Earnings	Retained earnings	Valuation adjustments to equity	Total
Balances as at December 31, 2011	**1,639,138**	**99,330**	**71,863**	**-**	**1,014,934**	**2,825,265**
Comprehensive income for the period						
Profit for the period	-	-	-	95,518	-	95,518
Pension and retirement plans	-	-	-	-	(1,864)	(1,864)
Deferred tax on pension plan	-	-	-	-	634	634
	-	**-**	**-**	**95,518**	**(1,230)**	**94,288**
Contributions and distributions to shareholders						
Realization of valuation adjustments to equity (see Note 20.7)	-	-	-	26,105	(26,105)	-
Deferred tax on valuation adjustments to equity	-	-	-	(8,876)	8,876	-
	-	-	-	17,229	(17,229)	-
Balances as at March 31, 2012	**1,639,138**	**99,330**	**71,863**	**112,747**	**996,475**	**2,919,553**

	Share capital	Reserves: Capital	Reserves: Earnings	Retained earnings	Valuation adjustments to equity	Total
Balances as at December 31, 2010	**1,999,138**	**99,133**	**63,401**	**-**	**1,092,135**	**3,253,807**
Comprehensive income for the period						
Profit for the period	-	-	-	57,224	-	57,224
Pension and retirement plans	-	-	-	-	(1,208)	(1,208)
Deferred tax on pension plan	-	-	-	-	411	411
	-	-	-	57,224	(797)	56,427
Contributions and distributions to shareholders						
Capital reduction	(360,000)					(360,000)
Realization of valuation adjustments to equity (see Note 20,7)	-	-	-	27,643	(27,643)	-
Deferred tax on valuation adjustments to equity	-	-	-	(9,399)	9,399	-
	(360,000)	-	-	18,244	(18,244)	(360,000)
Balances as at March 31, 2012	**1,639,138**	**99,133**	**63,401**	**75,468**	**1,073,094**	**2,950,234**

The accompanying notes are an integral part of these interim financial information.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	03/31/2012	03/31/2011
Cash flows from operating activities		
Profit for the period	95,518	57,224
Adjustments:		
Depreciation and amortization	55,785	57,718
Write-offs of property, plant and equipment	394	41
Deferred income tax and social contribution	(7,317)	(7,041)
Allowance for doubtful debts	2,324	4,560
Accrued interest on debentures	23,360	21,519
Inflation adjustment on debentures	3,488	15,139
Provision for tax, labor and environmental risks	70	1,749
Changes in assets and liabilities		
Trade receivables	(31,891)	(14,727)
Sundry debtors	(787)	(628)
Related parties	495	(47)
Escrow deposits	(220)	(84)
Services in progress	(474)	(65)
Restricted funds	(13)	(10)
Prepaid expenses	(2,764)	(1,973)
Trade payables	(3,576)	(9,156)
Payroll and related taxes	(1,085)	(1,607)
Taxes, fees and contributions	57,936	32,150
Accrued liabilities	296	(2,487)
Cibacap	(765)	(148)
Provision for tax, labor and environmental risks	(303)	181
Other gains and losses	(952)	380
Cash generated by operating activities	**189,519**	**152,688**
Interest on debentures	(8,981)	(11,776)
Income tax and social contribution paid	(16,748)	(24,592)
Net cash generated by operating activities	**163,790**	**116,320**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,678)	(1,000)
Purchase of intangible assets	(290)	(110)
Net cash used in investing activities	**(1,968)**	**(1,110)**
Cash flows from financing activities		
Amount received for the issuance of debentures	150,000	-
Dividends paid	(98,156)	(15,778)
Capital reduction	-	(360,000)
Net cash (used in)/generated by financing activities	**51,844**	**(375,778)**
Increase/(decrease) in cash and cash equivalents	**213,666**	**(260,568)**
Cash and cash equivalents at the beginning of period	**210,371**	**495,772**
Cash and cash equivalents at the end of period	**424,037**	**235,204**

The accompanying notes are an integral part of these interim financial infromation.

STATEMENTS OF VALUE ADDED
FOR THE PERIODS ENDED MARCH 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	03/31/2012	03/31/2011
Revenue		
Sales revenue	314,129	263,989
Other income	13	10
Allowance for doubtful debts	(2,324)	(4,560)
Other operating expenses	(255)	(17)
	311,563	**259,422**
Inputs acquired from third parties		
Materials and outside services	(7,690)	(7,979)
Energy purchased and power grid charges	(24,756)	(18,153)
Other operating costs	(1,857)	(3,790)
	(34,303)	**(29,922)**
Gross value added	**277,260**	**229,500**
Depreciation and amortization	(55,785)	(57,718)
Valuation adjustments to equity	17,229	18,245
Net value added	**238,704**	**190,027**
Finance income	12,565	10,274
Total value added for distribution	**251,269**	**200,301**
Distribution of value added		
Personnel		
Payroll and related taxes	8,020	6,855
Pension and retirement plans	209	178
FGTS	804	717
Other	4,055	3,399
	13,088	**11,149**
Taxes, fees and contributions		
Federal	94,459	69,298
State	1,124	3,116
	95,583	**72,414**
Lenders and lessors		
Finance costs	28,994	40,516
Rents	857	754
	29,851	**41,270**
Other		
Retained earnings	112,747	75,468
	112,747	**75,468**
Total value added distributed	**251,269**	**200,301**

The accompanying notes are an integral part of these interim financial information.

COMMENTS ON ECONOMIC AND FINANCIAL PERFORMANCE

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

Main indictors

	1Q2012	1Q2011	% Change
Economic indictors			
Gross operating revenue	314,142	263,999	19.0
(-) Deductions from operating revenue	(28,741)	(26,991)	6.5
Net operating revenue	285,401	237,008	20.4
(-) Operating expenses	(124,645)	(120,433)	3.5
Operating profit	160,756	116,575	37.9
EBITDA	216,541	174,293	24.2
EBITDA Margin - %	*75.9%*	*73.5%*	-
Finance income (costs)	(16,429)	(30,242)	-45.7
Profit before income tax and social contribution	144,327	86,333	67.2
Profit for the period	95,518	57,224	66.9
Net margin - %	33.5%	24.1%	-
Financial indicators			
Total assets	4,584,487	4,566,286	0.4
Debts in local currency	979,117	862,068	13.6
Equity	2,919,553	2,950,234	-1.0
Shares			
Outstanding shares (in thousands of shares)	94,433	94,433	-
Earnings per thousand shares (in R$)	1,011.49	605.97	66.9

Gross Operating Revenue

Gross operating revenue grew R$50,143 or 19.0% percent as compared to the same period last year. Performance reflects the better prices in bilateral contracts, auctions and mainly in the spot market, and the higher sales volume in bilateral contracts.

Deductions from Operating Revenue

Deductions from operating revenue increased R$1,750 or 6.5 percent as compared to the same period last year, primarily due to the increase in gross revenue for the period.

Net Operating Revenue

Due to the factors described above, our net operating revenue totaled R$285,401 for the period, 20.4 percent higher than in the same period last year.

Operating Expenses

	1Q2012	1Q2011	% Change
Personnel	(14,794)	(12,495)	18.4
Supplies	(877)	(696)	26.0
Outside services	(6,813)	(7,283)	-6.5
ANEEL inspection fee	(1,119)	(1,074)	4.2
Energy acquired for resale	(4,221)	(25)	16,784.0
Power grid charges	(20,535)	(18,128)	13.3
Financial compensation due to the use water resources	(14,785)	(13,440)	10.0
Depreciation and amortization	(55,785)	(57,718)	-3.3
Provision for contingent liabilities	(70)	(1,749)	-96.0
Allowance for doubtful debts	(2,324)	(4,560)	-49.0
Lease and rentals	(857)	(754)	13.7
Insurance	(900)	(644)	39.8
Other	(1,565)	(1,867)	-16.2
	(124,645)	**(120,433)**	**3.5**

Operating expenses totaled R$124,645 for the period, 3.5 percent higher than the R$120,433 recorded for the same period last year.

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

- Personnel – increase of R$2,299 in the period, or 18.4 percent higher than in the same period last year, mainly due to the increase in the number of employees;

- Supplies – increase of R$181, or 26.0 percent higher than in the same period last year, mainly due to the increase in the maintenance costs of the Rosana and Jurumirim plants;

- Energy acquired for resale – increase of R$4,196 in the period corresponding to the purchase of electric power to cover the insufficient buffer estimated for 2012;

- Power grid charges – increase of R$2,407 in the period, or 13.3 percent higher than in the same period last year, mainly due to the 15.2 percent increase in the TUST (Transmission Grid Use Charge) tariff, pursuant to ANEEL Resolution 1.173/11;

- Financial compensation due to the use water resources – increase of R$1,345, or 10.0 percent as compared the same period last year, due to the higher volume generated in the quarter, which totaled 3,005,793 MWh, i.e., 3.2 percent higher than the 2,913,605 MWh generated in the same period last year. The Updated Benchmark Tariff (TAR) was increased by 6.6 percent to R$72.87/MWh from R$68.34/MWh, starting January 1, 2012;

- Provision for tax, labor and environmental risks – the R$1,679 decrease in the period, or 96.0 percent as compared the same period last year, in mainly due to the environmental and labor provisions of R$958 and R$791 respectively, recognized in the first quarter of 2011; and

- Allowance for doubtful debts – the R$2,236 decrease, or 49.0 percent as compared to the same period last year is mainly due to the allowance write-down due to the estimated decrease in default on bilateral and Electric Power Trade Chamber (CCEE) market contracts.

EBITDA and EBITDA Margin

	1Q2012	1Q2011	% Change
Profit for the period	95,518	57,224	66.9
Income tax and social contribution	48,809	29,109	67.7
Finance income (costs), net	16,429	30,242	-45.7
Depreciation and amortization	55,785	57,718	-3.3
EBITDA (R$'000)	**216,541**	**174,293**	**24.2**
Net margin	*75.9%*	*73.5%*	

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

Our EBITDA grew 24.2 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)

	1Q2012	1Q2011	% Change	Absolute change
Finance income	12,565	10,274	22.3	2,291
Finance costs	(28,994)	(40,516)	-28.4	11,522
Finance income (costs), net	**(16,429)**	**(30,242)**	**-45.7**	**13,813**

Net finance income increased by R$13,813, or 45.7 percent as compared to the same period last year. Finance income increased 22.3 percent, mainly due to the higher volume of short-term investments using the proceeds from the issue of debentures in January 2012. Finance costs decreased 28.4 percent, mainly due to the decrease in the General Market Price Index (IGP-M): 0.62 percent for the quarter over 2.43 percent for the same period last year. This index is one of the main indexers of our debt.

Debentures

Our debentures for the period totaled R$979,117, or a 13.6 percent increase as compared to the R$862,068 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 Debt

Net debt, consisting of debentures less cash and cash equivalents, totaled R$555,080, a 11.5 percent decrease as compared to the R$626,864 for the same period last year, mainly due to the higher cash volume generated.

	1Q2012	1Q2011	% Change
Debentures	979,117	862,068	13.6
Cash	(424,037)	(235,204)	80.3
Net debt	**555,080**	**626,864**	**-11.5**

Profit for the Period

Due to the effects referred to above, our profit for the first quarter of 2012 was R$95,518, 66.9 percent increased as compared to the R$57,224 recorded for the same period last year.

NOTES TO THE INTERIM FINANCIAL INFORMATION (ITR)
FOR THE QUARTER ENDED MARCH 31, 2012
(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

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

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

These financial statements were approved by the board of directors and authorized for issue on May 8, 2012.

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

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

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

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

3. KEY ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS

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

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

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

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

4.1.1. Market risk

Interest rate-related cash flow or fair value risk

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

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

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

4.1.2. Credit risk

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

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

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

4.1.3. Liquidity risk

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

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

4.1.4. Debt acceleration risk

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

4.1.5. Hydrological risk

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

4.1.6. Regulatory risk

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

4.1.7. Environmental risk

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

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

4.1.8. Sensitivity analysis

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

The sensitivity for the probable scenario for the next twelve months was calculated taking into consideration the changes in the rates and indices prevailing at March 31, 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		03/31/2012	Scenario ∆ Probable	Scenario ∆ 25%	Scenario ∆ 50%
Debentures					
IGPM	IGP-M increase	585,251	11,694	7,207	14,457
IPCA	IPCA increase	116,339	210	1,602	3,157
CDI	CDI increase	277,527	2,033	2,973	5,479
		979,117	**13,937**	**11,782**	**23,094**

Change in indices	Indices from 04/01/2011 to 03/31/2012	Index projections for the next 12 months	Scenario ∆ Probable	Scenario ∆ 25%	Scenario ∆ 50%
IGPM	3.23%	5.07%	1.83%	6.33%	7.60%
IPCA	5.49%	5.51%	0.02%	6.89%	8.27%
CDI	12.27%	9.25%	-3.03%	11.56%	13.87%

4.2. Capital management

	03/31/2012	12/31/2011
Total debentures	979,117	811,250
Cash and cash equivalents	424,037	210,371
Net debt	**555,080**	**600,879**
Total equity	2,919,553	2,825,265
Total capital	**3,474,633**	**3,426,144**
Financial leverage ratio (%)	**16.0**	**17.5**

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

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

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

4.3. Fair value estimate

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

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

5. CREDIT QUALITY OF FINANCIAL ASSETS

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

Cash and cash equivalents	**03/31/2012**	**12/31/2011**
Standard & Poor's		
A-3	314,553	163,129
A-2	9,471	3,955
A-1	12,023	8
Moody's		
BR-1	87,990	43,279
Total	**424,037**	**210,371**

6. CASH AND CASH EQUIVALENTS

	03/31/2012	**12/31/2011**
Cash and banks	1,689	1,296
Short-term investments		
Bank certificates of deposit (CDB)	417,385	204,226
Fixed-income fund	4,963	4,849
	424,037	**210,371**

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

7. TRADE RECEIVABLES

	03/31/2012	12/31/2011
	Current	**Current**
Receivables under bilateral contracts	71,040	66,177
Receivables under auction contracts	44,939	44,708
Spot-market energy (MRE/spot)	38,251	11,455
	154,230	**122,340**
Allowance for doubtful debts	(12,953)	(10,630)
	141,277	**111,710**

Changes in the allowance for doubtful debts

Balance as of 12/31/2011	**(10,630)**
Provisions in the period	(2,323)
Balance as of 03/31/2012	**(12,953)**

Aging list of trade receivables:

	03/31/2012	12/31/2011
Current	140,311	110,712
Past due		
Up to 30 days	2,676	1,026
31 to 60 days	596	573
61 to 90 days	17	418
Over 90 days	10,630	9,611
	13,919	**11,628**
	154,230	**122,340**

As of March 31, 2012, the Company presents R$13,919 (R$11,628 at December 31, 2011) in past-due trade receivables. As commented in the 2011 financial statements, the Company is an advanced negotiation process to recover part of the past-due billed amounts.

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

8. TAXES, FEES AND CONTRIBUTIONS

	03/31/2012		12/31/2011	
Assets	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Recoverable income tax and social contribution	3,211	-	21,853	-
Recoverable taxes on revenue (PIS and COFINS)	242	-	276	-
Recoverable State VAT (ICMS)	27	398	34	398
Service tax (ISS)	21	-	21	-
Social security tax (INSS)	38	-	39	-
	3,539	**398**	**22,223**	**398**
Liabilities				
Income tax and social contribution	22,070	-	-	-
PIS and COFINS	9,029	-	7,877	-
ICMS	387	-	472	-
Withholding income tax (IRRF) on interest on capital	-	-	14,611	-
Other	117	-	117	-
	31,603	**-**	**23,077**	**-**
Deferred tax assets				
Temporary differences	-	(11,319)	-	(11,646)
Tax benefit	-	(44,889)	-	(46,120)
Deferred tax liabilities				
Equity valuation adjustments	-	513,336	-	522,844
Deferred tax liabilities (net)	**-**	**457,128**	**-**	**465,078**

8.1. Deferred income tax and social contribution

As of March 31, 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$634 (R$411 at March 31, 2011).

As of March 31, 2012, the timing differences represented by expenses deductible in the future amount to R$33,291 (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

	03/31/2012			12/31/2011
	Goodwill	**Allowance**	**Net**	**Net**
Balance arising on merger	305,406	(201,568)	103,838	103,838
Realization	(173,367)	114,418	(58,949)	(57,718)
Closing balance	**132,039**	**(87,150)**	**44,889**	**46,120**

	03/31/2012	03/31/2011
Goodwill amortization	(3,622)	(3,804)
Reversal of allowance	2,391	2,510
Tax benefit	1,231	1,294
Net effect for the period	**-**	**-**

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

	2012	2013	2014	2015	2016 and thereafter	Total
Estimated realization	3,695	4,676	4,334	4,002	28,182	44,889

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:

	03/31/2012		03/31/2011	
	Income tax	Social contribution	Income tax	Social contribution
Income before income tax and social contribution	144,327	144,327	86,333	86,333
Adjustments under the RTT	26,105	26,105	27,646	27,646
Income before income tax and social contribution and after RTT adjustment	170,432	170,432	113,979	113,979
Income tax and social contribution statutory rate	25%	9%	25%	9%
Income tax and social contribution at statutory rates	**42,602**	**15,339**	**28,489**	**10,258**
Adjustments to effective rate				
Amortization of inflationary credit charge	(572)	19	(611)	20
Allowance for doubtful debts	581	209	615	221
Tax benefits - merged goodwill (Aneel Res. 02/2002)	(906)	(326)	(951)	(342)
Nondeductible expenses	273	33	359	40
Other	(831)	(296)	(1,408)	(503)
Current income tax and social contribution	**41,147**	**14,979**	**26,493**	**9,694**
Rouanet Act and Children's Fund	-	-	(37)	-
Total current income tax and social contribution affecting profit or loss	**41,147**	**14,979**	**26,456**	**9,694**
Taxable base of temporary differences in profit or loss	(21,520)	(21,520)	(20,706)	(20,706)
Applicable tax rate	25%	9%	25%	9%
Deferred income tax and social contribution affecting profit or loss	**(5,381)**	**(1,936)**	**(5,178)**	**(1,863)**
Taxable base of taxable differences in equity	(1,864)	(1,864)	(1,208)	(1,208)
Applicable tax rate	25%	9%	25%	9%
Deferred income tax and social contribution affecting equity	**(466)**	**(168)**	**(302)**	**(109)**

As of March 31, 2012, current and deferred income tax and social contribution total R$56,126 and R$7,317, respectively (R$36,150 and R$7,041 for the same period of last year, respectively).

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

9. ESCROW DEPOSITS

	03/31/2012	12/31/2011
Environmental	2,794	2,752
Tax:		
Real Estate Tax (IPTU) (Primeiro de Maio Municipality)	1,151	1,134
Late payment fine on IRRF, IRPJ and CSLL	811	800
Late payment fine on PIS, COFINS, IRPJ, CSLL and Tax on Financial Transactions (IOF)	5,771	5,632
Economic Intervention Contribution (CIDE) tax	590	579
	11,117	**10,897**

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

10. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

			03/31/2012	12/31/2011	
	Cost	**Accumulated depreciation**	**Net**	**Net**	**Depreciation/ amortization rate - %**
In service					
Land	210,997	-	210,997	210,997	-
Reservoirs, dams and watermains	3,443,107	(500,754)	2,942,353	3,027,258	4.5%
Buildings, constructions and improvements	466,157	(111,811)	354,346	361,393	4.2%
Machinery and equipment	770,160	(143,044)	627,116	579,587	6.1%
Vehicles	4,393	(1,961)	2,432	2,544	18.7%
Furniture and fixtures	1,681	(958)	723	4,394	7.4%
(-) Canoas I and II plant reserves	(200,675)	-	(200,675)	(200,675)	
	4,695,820	**(758,528)**	**3,937,292**	**3,985,498**	
In progress					
Reservoirs, dams and water mains	49	-	49	145	
Buildings, constructions and improvements	-	-	-	-	
Machinery and equipment	9,590	-	9,590	14,820	
Furniture and fixtures	748	-	748	689	
	10,387	**-**	**10,387**	**15,654**	
Land	4,249	-	4,249	4,249	
Vehicles	-	-	-	81	
	4,710,456	**(758,528)**	**3,951,928**	**4,005,482**	
(-) Concession-related obligations (see note 18)	(6,943)	205	(6,738)	(6,748)	
	4,703,513	**(758,323)**	**3,945,190**	**3,998,734**	

b) Changes in property, plant and equipment

	Net amount at 12/31/2011	Additions	Depreciation	Write-offs	Reclassifications and transfers	Net amount at 03/31/2012
Land	215,246	-	-	-	-	215,246
Reservoirs, dams and water mains	3,027,403	11	(38,996)	-	(46,016)	2,942,402
Buildings, constructions and improvements	361,393	-	(4,910)	-	(2,137)	354,346
Machinery and equipment	594,407	1,592	(10,614)	(394)	51,715	636,706
Vehicles	2,625	6	(200)	-	1	2,432
Furniture and fixtures	5,083	69	(118)	-	(3,563)	1,471
(--) Canoas I and II plant reserves	(200,675)	-	-	-	-	(200,675)
	4,005,482	**1,678**	**(54,838)**	**(394)**	**-**	**3,951,928**
(-) Concession-related obligations	(6,748)	(9)	19	-	-	(6,738)
	3,998,734	**1,669**	**(54,819)**	**(394)**	**-**	**3,945,190**

c) Concession Agreement

ANEEL Concession Agreement	Plant	Type	State	River	Installed power (MW)	Guaranteed power (avg. MW)	Start of concession	End of concession
							Concessions atm 03/31/2012	
76/1999	Jurumirim	Hydroelectric plant	SP	Paranapanema	101	47	09/22/1999	09/21/2029
76/1999	Chavantes	Hydroelectric plant	SP	Paranapanema	414	172	09/22/1999	09/21/2029
76/1999	Salto Grande	Hydroelectric plant	SP	Paranapanema	73	55	09/22/1999	09/21/2029
76/1999	Capivara	Hydroelectric plant	SP	Paranapanema	619	330	09/22/1999	09/21/2029
76/1999	Taquaruçu	Hydroelectric plant	SP	Paranapanema	525	201	09/22/1999	09/21/2029
76/1999	Rosana	Hydroelectric plant	SP	Paranapanema	354	177	09/22/1999	09/21/2029
183/1998	Canoas I	Hydroelectric plant	SP	Paranapanema	83	57	07/30/1998	07/29/2033
183/1998	Canoas II	Hydroelectric plant	SP	Paranapanema	72	48	07/30/1998	07/29/2033
					2,241	**1,087**		

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

11. INTANGIBLE ASSETS

Intangible assets as at March 31, 2012 consist of software licenses and rights of way and to the Use of Public Assets (UBP).

a) Breakdown

			03/31/2012		12/31/2011	
	Cost	Accumulated amortization	Net	0	Net	Amortization rates
In service						
UBP	53,494	(20,669)	32,825		33,284	3.4%
Software	21,022	(17,976)	3,046		3,569	9.9%
Rights of way	75	-	75		75	
	74,591	**(38,645)**	**35,946**		**36,928**	
in progress						
Software	1,088	-	1,088		798	
	75,679	**(38,645)**	**37,034**		**37,726**	
(-) Concession-related obligations (see note 18)	(320)	37	(283)		(299)	
	75,359	**(38,608)**	**36,751**		**37,427**	

b) Changes in intangible assets

	Net amount at 12/31/2011	Additions	Amortization	Net amount at 03/31/2012
UBP	33,284	-	(459)	32,825
Software	4,367	290	(523)	4,134
Rights of way	75	-	-	75
	37,726	**290**	**(982)**	**37,034**
(-) Concession-related obligations	(299)	-	16	(283)
	37,427	**290**	**(966)**	**36,751**

12. TRADE PAYABLES

	03/31/2012	12/31/2011
	Current	Current
Electric power supply	1,518	72
Materials and services	4,243	5,158
Power grid charges		
TUST	7,629	7,630
Connection charges	16	16
	13,406	**12,876**
TUSD-G	49,248	50,709
(-) Escrow deposit ref. TUSD-g	(45,491)	(42,846)
	3,757	**7,863**
	17,163	**20,739**

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$3,328 and R$624 respectively. The amount receivable from related parties at March 31, 2012 is R$352 (R$847 at December 31, 2011), of which R$23 (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 March 31, 2012 these guarantees amount to R$113,585 (R$103,384 at December 31, 2011). The other material transactions with related parties refer to the distribution of dividends.

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

13.2. Compensation of key management personnel

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

	03/31/2012	03/31/2011
Employee and management short-term benefits	1,497	1,268
Postemployment benefits	43	39
	1,540	**1,307**

See additional comments in note 13.2 to the 2011 annual financial statements.

14. DEBENTURES

14.1. Breakdown and maturity of debentures

a) Breakdown

		Principal + charges at			
		03/31/2012		12/31/2011	
Issuance	Series	Current	Noncurrent	Current	Noncurrent
1st issue	1st series	62,561	62,190	66,719	62,053
2nd issue	2nd series	6,567	109,771	3,352	108,124
3rd issue	Single	32,168	553,082	20,085	550,917
3rd issue	Single	3,508	149,270	-	-
		104,804	**874,313**	**90,156**	**721,094**

b) Maturity

	2013	2014	2015	2016	2017	Total
Noncurrent	283,037	220,475	220,801	75,000	75,000	874,313

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

14.2. Third issue of debentures

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

The offer was issued based on the decisions made: (i) at the Extraordinary Shareholders' Meeting held on December 27, 2011, whose minutes were registered with the São Paulo's State Division of Corporations (JUCESP) on January 4, 2012 under No. 22.800/12-8 (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. 21.836/12-7 and January 3, 2012 under No. 21.881/12-1, respectively, which approved the proposal submitted by Banco BTG Pactual S.A. during the 189th Meeting of the Executive Committee, held on November 17, 2011 and filed with the JUCESP on January 2, 2012 under No. 21.835/12-3, for the Company's fundraising. All minutes of the decisions above were published in the São Paulo State Official Gazette and the newspaper Valor Econômico on December 28, 2011.

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

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

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

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

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

15. CIBACAP – CAPIVARA BASIN INTERCITY CONSORTIUM

	03/31/2012	12/31/2011
Current	3,874	3,521
Noncurrent	7,314	8,432
	11,188	**11,953**

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

16. PENSION PLAN

In the quarter ended March 31, 2012 there were no changes in the assumptions used for the actuarial valuations or in the fair values of the plans or the existing surplus.

The table below shows the determined and recognized expenses for the quarter ended:

	03/31/2012	03/31/2011
Cost of current service	544	589
Interest on actuarial obligation	3,825	3,623
Expected return on plan assets	(5,930)	(5,134)
Employees' contributions	(170)	(160)
	(1,731)	**(1,082)**

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 RISKS

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

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

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

17.1. Provision for tax, labor and environmental risks

Breakdown

				03/31/2012	12/31/2011
Proceedings	**Adjusted amount**	**Provision**	**Escrow deposit**	**Provision for tax, labor and environmental risks**	**Provision for tax, labor and environmental risks**
Labor	7,068	7,068	(1,717)	5,351	5,789
Tax	9,894	9,894	-	9,894	9,681
Environmental	2,761	2,761		2,761	2,769
	19,723	**19,723**	**(1,717)**	**18,006**	**18,239**

Changes in the provision for tax, labor and environmental risks

	Labor	Tax	Environmental	Total
Balance at 12/31/2011	**5,789**	**9,681**	**2,769**	**18,239**
Provisions in the period	423	-	-	423
Reversals in the period	(353)	-	-	(353)
	70	**-**	**-**	**70**
Adjustments in the period	(28)	213	27	212
Write-offs in the period	(480)	-	(35)	(515)
	(508)	**213**	**(8)**	**(303)**
Total changes in the period	**(438)**	**213**	**(8)**	**(233)**
Balance at 03/31/2012	**5,351**	**9,894**	**2,761**	**18,006**

a) Labor

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 March 31, 2012, the provision for tax contingent liabilities with probable unfavorable outcomes refer to the following:

i. Tax assessment notices related to the allocation of the tax paid on inflationary profit to a tax incentive (Finam) in January, February and March 2000. The Company filed administrative proceeding No. 11831.000528/02-92 with the Brazilian Federal Revenue Service, which validated the payments made in January and February. The Company maintains the provision for March 2000, amounting to R$2,415;

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 had not been confirmed by the Federal Revenue Service. The amounts adjusted through March 2012 totaled R$7,479 (provisioned amounts).

c) Environmental

As of March 31, 2012, the provision for environmental contingent liabilities 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$2,300;

ii. Lawsuits filed by fishermen referring to environmental damages amounting to R$348; and

iii. Provision for the offset of environmental impacts in land located in the municipality of Pederneiras amounting to R$113.

17.2. Possible contingencies

Proceedings	03/31/2012	12/31/2011
Labor	9,888	10,138
Tax	40,076	39,976
Environmental	54,462	53,007
Regulatory	16,785	16,371
	121,211	**119,492**

a) Labor

As at March 31, 2012, the labor contingent liabilities with possible likelihood of an unfavorable outcome are valued at R$9,888.

b) Tax

As at March 31, 2012, the main tax contingent liabilities classified as possible losses are as follows:

i. Injunction Request No. 2004.61.00.025355-3 filed against the São Paulo Federal Revenue Service Tax Administration Secretary to exempt the Company from the late payment fine on its settlement of its PIS, COFINS, IRPJ, CSLL and IOF debts both through payments and offsets, as the Company conduct a self-assessment, in accordance with Article 138 of the National tax Code (CTN). Debts with payment suspended by escrow deposits and possible loss estimated at R$5,532;

ii. Tax assessment notices related to the imposition of fine for alleged failure lo issue tax invoices related to the Canoas II power plant, in the period 2001-2005. The Company filed administrative proceedings with Paraná State Department of Finance. All the proceedings, amounting to R$8,644, 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$11,654;

iv. Administrative proceedings arising from offset requests of overpaid taxes (CSLL, IRPJ and COFINS) amounting to R$11,152.

c) Environmental

As at March 31, 2012, environmental contingencies with likelihood of a possible loss refer lo Fine Notices issued by the Environmental Institute of Paraná (IAP) and the by the Brazilian Environmental protection Agency, or IBAMA, related to alleged environmental violations at the Chavantes, Canoas I, Canoas II, Taquaruçu and Capivara power plants. The Company filed administrative appeals and lawsuits seeking the annulment of the fines. The amount classified as a possible loss for these cases is R$54,462.

d) Regulatory

In 2008 the Company filed a lawsuit against the collection of transmission tariffs resulting from two ANEEL resolutions. These resolutions imposed on power generating companies in the State of São Paulo the payment of retroactive tariffs for the use of the electricity transmission system. Because of the Company’s refusal to pay the amounts under litigation, in 2009 ANEEL imposed a fine in the current amount of R$16,785, classified as a possible loss.

18. SPECIAL OBLIGATIONS

	03/31/2012	12/31/2011
Arising from PP&E (see note 10)		
General reversion reserve (RGR) charge	4,947	4,947
Equipment donations (ONS)	1,617	1,632
Research and development (R&D)	174	169
	6,738	**6,748**
Arising from intangibles (see note 11)		
R&D - software	283	299
	7,021	**7,047**

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

19. REGULATORY CHARGES

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

	03/31/2012		12/31/2011	
	Current	Noncurrent	Current	Noncurrent
Financial compensation due to the use water resources (CFURH)	10,076	-	9,898	-
ANEEL inspection fee	70	-	358	-
Research and development (R&D)	6,120	13,697	5,955	13,590
	16,266	**13,697**	**16,211**	**13,590**

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

20. EQUITY

20.1. Share capital

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

Subscribed and paid-in capital is R$1,639,138 (R$1,639,138 at March 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.

Share position at 03/31/2012
in thousands of shares

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

The preferred shares have the following features:

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

ii. Noncumulative priority dividend of 10% per year calculated on capital 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

	03/31/2012	12/31/2011
Share subscription premium	468	468
Spin-off account	(6,418)	(6,418)
Goodwill on downstream merger	103,838	103,838
Share-based payments	1,442	1,442
	99,330	**99,330**

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

20.3. Earnings reserves

As at March 31, 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.

20.5. Valuation adjustments to equity

	Deemed cost	Pension plan	Total
Balance at 12/31/2011	**1,007,829**	**7,105**	**1,014,934**
Depreciation	(25,772)	-	(25,772)
Write-offs	(333)	-	(333)
Effect of depreciation/write-offs	**(26,105)**	**-**	**(26,105)**
Deferred income tax and social contribution	8,876	-	8,876
Pension plan	-	(1,864)	(1,864)
Deferred income tax and social contribution	-	634	634
Balance at 03/31/2012	**990,600**	**5,875**	**996,475**

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

	03/31/2012	12/31/2011
Dividends in custody	837	840
Interest on capital	69	83,611
Proposed dividends	98,668	98,668
	99,574	**183,119**

b) Amount per share in dividends and interest on capital payable

			Amount per share	
Approval	**Type of payment**	**Amount**	**Preferred shares**	**Common shares**
Board meeting of 03/20/2012	Proposed dividends	98,668	0.83699	1.46055
ESM of 12/27/2011	Interest on capital	98,211	1.04000	1.04000

c) 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. 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 March 31, as prescribed by the bylaws, in accordance with the provisions of Article 205, Par. 3, of Law 6.404/1976.

The Board of Directors can decide for the distribution of quarterly dividends, based on special financial statements prepared for this purpose, provided that total dividends paid in each calendar six-month period do not exceed the amount of the capital reserves addresses by Article 182, Par. 1, of Law 6.404/1976.

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

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

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

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

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

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

The Board of Directors unanimously approved, at the meeting held on March 20, 2012, in light of the results obtained in 2011, management's proposal for distribution of dividends totaling R$98,668, to be fully debited from the retained earnings account and paid to Company shareholders at the rate of R$0.836991741 per preferred share and R$1.460548370 per common share, incompliance with Article 32 of the Company's Bylaws. The approved dividends will be credited to the shareholders by June 30, 2012 and, therefore, they are not subject to inflation adjustment between the date the dividends were declared, at the Annual Shareholders' Meeting, and the actual credit to shareholders.

20.7. Share-based payments

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

21. NET REVENUE

	03/31/2012	03/31/2011
Electric power supply		
Bilateral contracts	174,739	152,180
Auction contracts	97,723	91,908
Spot market	40,523	18,507
MRE	1,144	1,394
Other income	13	10
	314,142	**263,999**
Deductions from operating revenue		
PIS and COFINS	(24,763)	(21,505)
ICMS	(1,124)	(3,116)
R&D	(2,854)	(2,370)
	(28,741)	**(26,991)**
Net operating revenue	**285,401**	**237,008**

22. OPERATING COSTS AND EXPENSES

Breakdown of operating costs and expenses by nature:

			03/31/2012	03/31/2011
	Cost of power sold	General and administrative expenses	Total	Total
Personnel	8,001	6,793	14,794	12,495
Materials	852	25	877	696
Outside services	3,602	3,211	6,813	7,283
ANEEL inspection fee	1,119	-	1,119	1,074
Energy acquired for resale	4,221	-	4,221	25
Power grid charges	20,535	-	20,535	18,128
Financial compensation due to the use water resources	14,785	-	14,785	13,440
Depreciation and amortization	55,157	628	55,785	57,718
Provision for contingent liabilities	46	24	70	1,749
Allowance for doubtful debts	-	2,324	2,324	4,560
Leases and rents	(1)	858	857	754
Insurance	900	-	900	644
Other	272	1,293	1,565	1,867
	109,489	**15,156**	**124,645**	**120,433**

23. ELECTRIC POWER SOLD AND PURCHASED AND POWER GRID CHARGES

23.1. Electric power sold

		03/31/2012		03/31/2011
Supply	**MWh (*)**	**R$**	**MWh (*)**	**R$**
Bilateral contracts	1,216,958	174,739	1,109,803	152,180
Auction contracts	1,032,369	97,723	1,036,136	91,908
Spot market	585,567	40,523	544,869	18,507
MRE	120,689	1,144	156,040	1,394
	2,955,583	**314,129**	**2,846,848**	**263,989**

(*) 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 March 31, 2012.

	MW (*)	
	2012	**2013**
Power available for sale	1,011	1,005
ACR	**464**	**268**
2005 (8 years)	196	-
2006 (8 years)	54	54
2007 (8 years)	214	214
ACL	**537**	**721**
Bilateral Contracts with free consumers	537	721
Subtotal	**1,001**	**989**
Deregulated Power Supply	10	16
Percentage power contracted	99%	98%

(*) Not reviewed by independent auditors

23.2. Power purchased for resale

	03/31/2012		03/31/2011	
	MWh (*)	**R$**	**MWh (*)**	**R$**
Purchased power - bilateral	43,700	3,980	-	-
Purchased power - *Spot* market	-	205	-	1
Purchased power - MRE	3,137	36	2,352	24
	46,837	**4,221**	**2,352**	**25**

(*) Not reviewed by independent auditors

In the first quarter of 2012 the Company recorded R$205 (R$1 at March 31, 2011) related to the recounting process conducted by CCEE, which does not breakdown the corresponding power volumes.

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

23.3. Power grid charges

	03/31/2012	**03/31/2011**
TUST	17,238	15,134
TUSD-G	3,262	2,994
Connection charges	35	-
	20,535	**18,128**

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

24. FINANCIAL INCOME (EXPENSES)

	03/31/2012	21/08/2012
Income		
Short-term investments	8,910	7,561
Pension plan income (see note 16)	1,731	1,082
Other inflation adjustments	826	742
Interest on RTE	261	151
Interest and discounts obtained	837	724
Other financial income	-	14
	12,565	**10,274**
Expenses		
Interest on debentures	(23,360)	(21,518)
Losses on inflation adjustments		
Debentures	(3,488)	(15,139)
TUSD-G	(1,179)	(1,704)
Other	(588)	(853)
CCEE financial expenses	-	(1,191)
Other financial expenses	(379)	(111)
	(28,994)	**(40,516)**
	(16,429)	**(30,242)**

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:

	03/31/2012	03/31/2011
Numerator		
Profit for the period attributable to the Company shareholders		
Profit attributable to preferred shareholders	63,679	38,149
Profit attributable to common shareholders	31,839	19,075
	95,518	**57,224**
Denominator		
Weighted average number of preferred shares	62,956	59,842
Weighted average number of common shares	31,477	34,591
	94,433	**94,433**
Basic and diluted earnings per share		
Per preferred share	**1.01149**	**0.63750**
Per common share	**1.01149**	**0.55144**

26. FINANCIAL INSTRUMENTS

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

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

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

Financial instruments in the balance sheet:

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

b) Debentures (see note 14).

	03/31/2012		12/31/2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Debentures	979,117	1,131,430	811,250	940,651

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

27. INSURANCE

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

	Coverage in R$'000	
Description	**03/31/2012**	**12/31/2011**
Property damages and loss of profits	914,200	825,500
Civil liability (Concessionaire)	9,142	8,255

28. EVENTS AFTER THE REPORTING PERIOD

28.1. Dividend distribution

The shareholders unanimously approved, at the Annual Shareholders' Meeting held on April 27, 2012, the Company's management's proposal for distribution of interim dividends totaling R$98,668. The approved dividends shall be fully debited from the retained earnings account and allocated, in accordance with Article 32 of the Company's Bylaws, to preferred shareholders at the rate of R$0.836991741 per share and to common shareholders at the rate of R$1.460548370 per share. These amounts will be credited to the shareholders by June 30, 2012 and, therefore, they are not subject to inflation adjustment between the date the dividends were declared, at the Annual Shareholders' Meeting, and the actual credit to shareholders.

28.2. Capital reduction

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

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

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

After the aforementioned corporate and regulatory approvals, the reduction of the Company's capital will be submitted to the appreciation, discussion and subsequent approval by the Extraordinary Shareholders' Meeting called to May 21, 2012.

28.3. Overall management compensation for 2012

The Annual Shareholders' Meeting held on April 27, 2012 approved the overall amount of the Company's management annual compensation of up to R$9,900 for 2012, to be 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.

MANAGEMENT MEMBERS

Board of Directors

Jairo de Campos
Chairman

Andréa Elizabeth Bertone
Director

Elizabeth Christina DeLaRosa
Director

Maurício Lofuto Maudonnet
Director

Gláucio João Agostinho
Director

Ana Amélia de Conti Gomes
Alternate Director

Paulo Nicácio Júnior
Alternate Director

Executive Committee

Armando de Azevedo Henriques
Chief Executive Officer

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

Carlos Alberto Dias Costa
Chief Operating Officer

César Teodoro
Environment, Health and
Safety Officer

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

Supervisory Board

Jarbas Tadeu Barsanti Ribeiro
Chairman of the Supervisory Board

Marcelo Curti
Member

François Moreau
Member

Ary Waddington
Alternate Member

Edmundo Falcão Koblitz
Alternate Member

Marcello Joaquim Pacheco
Alternate Member

Jacqueline Ribeiro
Corporate Controller

Claudio Herrans
Accountant - CRC 1SP200641/O-5