

Duke Energy International, Geração Paranapanema S.A.

Interim Financial Information for the
Three and Nine-Month Period and Period Ended
at September 30, 2013 and
Report on Review of Quarter Financial
Information

Summary

| | |
|--|----|
| REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION..... | 3 |
| COMMENTS ON ECONOMIC AND FINANCIAL PERFORMANCE | 5 |
| BALANCE SHEETES AS AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012..... | 9 |
| INCOME STATEMENTS..... | 11 |
| STATEMENTS OF COMPREHENSIVE INCOME | 12 |
| STATEMENTS OF CHANGES IN EQUITY | 13 |
| STATEMENTS OF CASH FLOWS..... | 14 |
| STATEMENTS OF VALUE ADDED..... | 15 |
| 1. GENERAL INFORMATION..... | 16 |
| 1.1. Provisional Act 579/2012 and Law 12783/2013 | 16 |
| 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRESENTATION OF INTERIM FINANCIAL INFORMATION (ITR)..... | 16 |
| 3. KEY ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS | 17 |
| 4. FINANCIAL RISK MANAGEMENT..... | 17 |
| 4.1. Financial risk factors | 17 |
| 4.1.1. Sensitivity analysis..... | 17 |
| 4.2. Capital management | 18 |
| 4.3. Fair value estimate..... | 18 |
| 5. CREDIT QUALITY OF FINANCIAL ASSETS..... | 19 |
| 6. CASH AND CASH EQUIVALENTS | 19 |
| 7. TRADE RECEIVABLES | 19 |
| 8. TAXES AND FEES..... | 20 |
| 8.1. Tax benefits - merged goodwill | 21 |
| 8.2. Statements of income tax and social contribution calculation..... | 21 |
| 9. ESCROW DEPOSITS..... | 22 |
| 10. PROPERTY, PLANT AND EQUIPMENT | 22 |
| 10.1 Deemed cost of property, plant and equipment..... | 23 |
| 10.2 Depreciation rates | 24 |
| 10.3 Assets linked to the concession..... | 24 |
| 10.4 Concession agreements | 24 |
| 10.5 Concession Agreement..... | 25 |
| 10.6 15% expansion | 25 |
| 11. INTANGIBLE ASSETS | 25 |
| 12. TRADE PAYABLES | 26 |
| 13. RELATED PARTIES..... | 27 |
| 13.1. Balances and transactions..... | 27 |
| 13.2. Project development agreement | 27 |
| 13.3. Compensation of key management personnel | 28 |
| 14. DEBENTURES | 28 |
| 14.1. Breakdown and maturity of debentures..... | 28 |
| 14.2. Changes in Debentures | 29 |
| 15. CIBACAP – CAPIVARA BASIN INTERCITY CONSORTIUM | 30 |
| 16. PENSION PLAN | 30 |
| 17. PROVISION FOR TAX, LABOR AND ENVIRONMENTAL CONTINGENCIES..... | 30 |
| 17.1. Provision for tax, labor and environmental contingencies | 30 |
| 17.2. Possible contingencies | 31 |
| 18. SPECIAL OBLIGATIONS..... | 32 |
| 19. REGULATORY CHARGES | 32 |
| 20. EQUITY..... | 33 |
| 20.1. Share capital | 33 |
| 20.2. Capital reserves | 33 |
| 20.3. Earnings reserves..... | 33 |
| 20.4. Retained earnings..... | 34 |
| 20.5. Equity valuation adjustments..... | 34 |
| 21. NET REVENUE | 35 |
| 22. OPERATING COSTS AND EXPENSES | 36 |
| 23. ELECTRIC POWER SOLD AND PURCHASED AND GRID USAGE CHARGES..... | 37 |
| 23.1. Electric power sold | 37 |
| 23.2. Power purchased for resale | 38 |
| 23.3. Grid usage charges..... | 39 |
| 24. FINANCE INCOME (COSTS)..... | 39 |
| 25. EARNINGS PER SHARE | 40 |
| 26. FINANCIAL INSTRUMENTS | 40 |
| 27. INSURANCE | 41 |
| 28. SUBSEQUENT EVENT | 41 |
| MANAGEMENT MEMBERS | 42 |

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 three and nine-month period ended September 30, 2013, which comprises the balance sheet as at September 30, 2013, and the related income statement and statement of comprehensive income for the three and nine-month period then ended, and the statement of changes in equity and statement of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with 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 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(R1) 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).

Emphasis of matter

As described in Note 2.10 and 3.1.2 in the 2012 annual financial statements and valid for this quarterly information, those fixed assets intended for generation of electric power under an independent production regime are depreciated over their estimated useful lives, considering the facts and circumstances mentioned in that Note. As the regulatory agency or the concession grantor issue new information or decisions, the current depreciation term for such assets may be changed. Our opinion regarding this matter is unqualified.

Other Matters*Statements of Value Added*

We have also reviewed the interim statements of value added (“DVA”), for the three and nine-month period ended September 30, 2013, prepared under the responsibility of the Company’s management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and is considered as supplemental information for IFRS that does not require the presentation of a DVA. This statement was subject to the same review procedures described above and, based on our review, we are not aware of any fact that causes us to believe that this information was not prepared, in all material respects, consistently with the interim financial statements taken as a whole.

The accompanying interim financial information has been translated into English for the convenience of readers outside Brazil.

October 30, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Iara Pasian
Engagement Partner

**COMMENTS ON ECONOMIC AND FINANCIAL PERFORMANCE
 PERIODS FROM JULY 1st TO SEPTEMBER 30, 2013 AND 2012**
 (Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

| | 3Q2012 | 3Q2013 | % Change |
|--|--------------|--------------|----------|
| Economic indicators | | | |
| Gross operating revenue | 299,526 | 348,714 | 16.4 |
| (-) Deductions from operating revenue | (28,561) | (35,219) | 23.3 |
| Net operating revenue | 270,965 | 313,495 | 15.7 |
| (-) Operating expenses | (135,916) | (113,117) | -16.8 |
| Operating profit | 135,049 | 200,378 | 48.4 |
| EBITDA | 190,688 | 254,750 | 33.6 |
| <i>EBITDA Margin - %</i> | <i>70.4%</i> | <i>81.3%</i> | 15.5 |
| Finance income (costs) | (36,460) | (25,614) | -29.7 |
| Income before income tax and social contribution | 98,589 | 174,764 | 77.3 |
| Profit for the period | 64,968 | 115,618 | 78.0 |
| Net margin - % | <i>24.0%</i> | <i>36.9%</i> | 53.8 |
| Financial indicators | | | |
| Total assets | 4,265,752 | 4,488,441 | 5.2 |
| Debts in local currency | 922,544 | 1,073,937 | 16.4 |
| Equity | 2,768,252 | 2,745,488 | -0.8 |
| Shares | | | |
| Outstanding shares (in thousands of shares) | 94,433 | 94,433 | 0.0 |
| Earnings per thousand shares (in R\$) | 687.98 | 1,224.33 | 78.0 |

Gross operating revenue

Gross operating revenue increased R\$49,188 or 16.4 percent in the quarter as compared to the same period last year, this performance reflects the best prices negotiated in the period as compared to the same period last year.

Deductions from operating revenue

Deductions from operating revenue increased R\$6,658 or 23.3 percent as compared to the same period last year due to the PIS and Cofins increase resulting from the rise in gross revenues and due to the increase in power sales outside the State of São Paulo, which are subject to a higher ICMS tax rate.

Net operating revenue

Due to the factors described above, the net operating revenue totaled R\$313,495 for the quarter, 15.7 percent higher than in the same period last year.

Operating Expenses

| | 3Q2012 | 3Q2013 | % Change |
|--|------------------|------------------|--------------|
| Depreciation and amortization | (55,639) | (54,372) | -2.3 |
| Grid usage charges | (20,832) | (20,634) | -1.0 |
| Personnel | (16,582) | (18,763) | 13.2 |
| Compensation for the use water resources | (16,352) | (16,580) | 1.4 |
| Outside services | (11,036) | (10,183) | -7.7 |
| Other | (2,878) | (1,927) | -33.0 |
| Material | (1,073) | (1,362) | 26.9 |
| Insurance | (945) | (1,107) | 17.1 |
| ANEEL inspection fee | (1,118) | (1,048) | -6.3 |
| Lease and rents | (871) | (940) | 7.9 |
| (Allowance)/Write off for doubtful accounts | (722) | (385) | -46.7 |
| Allowance for tax, labor and environmental contingencies | (1,921) | (260) | -86.5 |
| Power for resale and system service charges | (5,947) | 14,444 | -342.9 |
| | (135,916) | (113,117) | -16.8 |

Operating expenses totaled R\$113,117 for the quarter, 16.8 percent lower than the R\$135,916 recorded for the same period last year.

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

- Power for resale and system service charges – Reduction of R\$ 20,391 or 342.9% due to the tariff revision set forth in Provisional Act 579, subsequently converted into Law 12783;
- Provisions for tax, labor, and environmental contingencies – Reduction of R\$1,661 or 86.5% compared to the same period last year mainly due to the provision recorded in the third quarter of 2012 in the amount of R\$1,351 relating to CIDE and IRRF;
- Other – The reduction of R\$951 or 33.0% compared to the same period last year resulted mainly from the write-offs of property, plant and equipment in the third quarter of 2012;
- Third-party services - The R\$853 or 7.7 percent decreased is mainly due to expenses incurred on financial advisory and small reforms in the São Paulo office carried out in the same period last year, not necessary in current year and reduction of technical services;
- Personnel – a period-on-period increase of R\$2,181 or 13.2 percent, mainly due to the increase in the number of employees and the salary rise.

EBITDA and EBITDA margin

| | 3Q2012 | 3Q2013 | % Change |
|------------------------------------|----------------|----------------|-------------|
| Profit for the period | 64,968 | 115,618 | 78.0 |
| Income tax and social contribution | 33,621 | 59,146 | 75.9 |
| Finance income (costs), net | 36,460 | 25,614 | -29.7 |
| Depreciation and amortization | 55,639 | 54,372 | -2.3 |
| EBITDA | 190,688 | 254,750 | 33.6 |
| <i>Net margin</i> | <i>70.4%</i> | <i>81.3%</i> | |

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) Instruction 527/2012. EBITDA should not be considered as an alternative to cash flows as a liquidity indicator.

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.

EBITDA increased 33.6 percent as compared to the same period last year, mainly, due to the increase in net operating revenues and lower operating expenses in amounts in items such as purchased power and provisions for tax, labor, and environmental contingencies.

Finance Income (Costs)

| | 3Q2012 | 3Q2013 | % Change |
|---------------------------|-----------------|-----------------|--------------|
| Finance income | 10,144 | 11,862 | 16.9 |
| Finance costs | (46,604) | (37,476) | -19.6 |
| Finance costs, net | (36,460) | (25,614) | -29.7 |

Net finance costs decreased R\$10,846, or 29.7 percent as compared to the same quarter last year. There was a 16.9 percent increase in finance income primarily due to the lower volume invested in the period and finance costs decreased 19.6 percent, mainly due to the impact of the 1.54 percent increase in the General Market Price Index (IGP-M) for the quarter over 3.62 percent for the same period last year. Approximately 38.5 percent of the Company's debt is indexed to the IGP-M.

Debentures

| Debt profile | Series | Currency | Yield: | Maturity | 3Q2012 | 3Q2013 | |
|--------------|-----------------------|------------------------|--------|--------------------------------|------------|-----------|---------|
| Debentures | 1 st issue | 1 st series | Reais | CDI fluctuation + 2.15% p.y. | 09/15/2013 | 62,029 | - |
| Debentures | 1 st issue | 2 nd series | Reais | IPCA fluctuation + 11.6% p.y. | 09/15/2015 | 112,329 | - |
| Debentures | 2 nd issue | Single series | Reais | IGP-M fluctuation + 8.59% p.y. | 07/16/2015 | 596,037 | 413,995 |
| Debentures | 3 rd issue | Single series | Reais | CDI fluctuation + 1.15% p.y. | 01/10/2017 | 152,149 | 152,581 |
| Debentures | 4 th issue | 1 st series | Reais | CDI fluctuation + 0.65% p.y. | 07/16/2018 | - | 253,984 |
| Debentures | 4 th issue | 2 nd series | Reais | IPCA fluctuation + 6.07% p.y. | 07/17/2023 | - | 253,377 |
| | | | | | 922,544 | 1,073,937 | |

The debentures for the quarter are R\$1,073,937 or 16.4% higher as compared to the R\$922,544 for the same period last year, due to the 4th issuance of debentures, in the amount of R\$500,000, offset against the advanced settlement of the balance from the 1st series of the 1st issuance and payments.

Net financial debt

Net financial debt, consisting of debentures less cash and cash equivalents, totaled R\$469,786, a 31.9 percent decrease as compared to the R\$689,785 for the same period last year, mainly due to the 4th issuance of debentures.

| | 3Q2012 | 3Q2013 | % Change |
|-----------------|----------------|----------------|--------------|
| Debentures | 922,544 | 1,073,937 | 16.4 |
| Cash | (232,759) | (604,151) | 159.6 |
| Net debt | 689,785 | 469,786 | -31.9 |

Profit for the Period

Due to the effects referred to above, our profit for the third quarter of 2013 was R\$115,618, a 78.0 percent higher as compared to the R\$64,968, recorded for the same period last year.

BALANCE SHEETS AS AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
 (Amounts in thousands of Brazilian reais - R\$)

| ASSETS | Note | 09/30/2013 | 12/31/2012 |
|------------------------------------|-------------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 6 | 604,151 | 169,552 |
| Trade receivables | 7 | 137,951 | 116,369 |
| Recoverable taxes | 8 | 3,877 | 22,735 |
| Services in progress | | 12,622 | 8,414 |
| Prepaid expenses | | 1,512 | 363 |
| Sundry debtors | | 1,430 | 64 |
| Due from related parties | 13 | 363 | 391 |
| Other assets | | 1,477 | 97 |
| Total current assets | | 763,383 | 317,985 |
| Noncurrent assets | | | |
| Long-term receivables | | | |
| Trade receivables | 7 | 1,704 | - |
| Recoverable taxes | 8 | 318 | 318 |
| Escrow deposits | 9 | 12,181 | 11,998 |
| Restricted funds | | 518 | 475 |
| Prepaid expenses | | 3,926 | 4,123 |
| Total long-term receivables | | 18,647 | 16,914 |
| Investments | | 26 | 26 |
| Property, plant and equipment | 10 | 3,673,420 | 3,804,779 |
| Intangible assets | 11 | 32,965 | 34,667 |
| Total noncurrent assets | | 3,725,058 | 3,856,386 |
| Total assets | | 4,488,441 | 4,174,371 |

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

BALANCE SHEETS AS AT SEPTEMBER 30, 2013 AND DECEMBER 31, 2012
 (Amounts in thousands of Brazilian reais - R\$)

| LIABILITIES AND EQUITY | Note | 09/30/2013 | 12/31/2012 |
|--|-------------|-------------------|-------------------|
| Current liabilities | | | |
| Trade payables | 12 | 14,721 | 49,796 |
| Payroll and related taxes | | 9,616 | 13,638 |
| Debentures | 14 | 221,202 | 346,139 |
| Taxes, fees and contributions | 8 | 141,869 | 22,200 |
| Dividends and interest on capital | 20.4 | 1,189 | 158,926 |
| Accrued liabilities | | 9,366 | 5,901 |
| Cibacap | 15 | 1,110 | 2,278 |
| Regulatory charges | 19 | 24,559 | 24,209 |
| Other liabilities | | 304 | 298 |
| Total current liabilities | | 423,936 | 623,385 |
| Noncurrent liabilities | | | |
| Debentures | 14 | 852,735 | 604,024 |
| Deferred revenues | | 8,318 | 5,310 |
| Special obligations | 18 | 6,809 | 6,915 |
| Provision for tax, labor and environmental contingencies | 17 | 18,594 | 17,804 |
| Cibacap | 15 | 7,984 | 7,368 |
| Deferred income tax and social contribution | 8.2 | 409,555 | 431,762 |
| Distribution system tariff (Tusd-g) | 12 | 4,362 | 3,469 |
| Regulatory charges | 19 | 10,335 | 6,455 |
| Other liabilities | | 325 | 325 |
| Total noncurrent liabilities | | 1,319,017 | 1,083,432 |
| Equity | | | |
| Share capital | 20.1 | 1,339,138 | 1,339,138 |
| Capital reserves | 20.2 | 99,512 | 99,432 |
| Earnings reserve | 20.3 | 91,333 | 90,211 |
| Retained earnings | 20.4 | 326,750 | - |
| Valuation adjustments to equity | 20.5 | 888,755 | 938,773 |
| Total equity | | 2,745,488 | 2,467,554 |
| Total liabilities and equity | | 4,488,441 | 4,174,371 |

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

INCOME STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012
 (In thousands of Brazilian reais - R\$, unless otherwise stated)

| | Note | 07/01/2013 to 09/30/2013 | 01/01/2013 to 09/30/2013 | 07/01/2012 to 07/30/2012 | 01/01/2012 to 09/30/2012 |
|--|-----------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net sales revenue | 21 | 313,495 | 875,466 | 270,965 | 834,006 |
| Operating income (expenses) | | | | | |
| Personnel | | (18,763) | (52,166) | (16,582) | (47,026) |
| Materials | | (1,362) | (3,227) | (1,073) | (2,786) |
| Outside services | | (10,183) | (28,147) | (11,036) | (29,889) |
| Aneel inspection fee | | (1,048) | (3,143) | (1,118) | (3,356) |
| Energy acquired for resale | 23.2 | 14,444 | (16,969) | (5,947) | (14,146) |
| Power grid charges | 23.3 | (20,634) | (57,413) | (20,832) | (61,907) |
| Regulatory charges – Financial compensation due to the use of water resources | | (16,580) | (43,809) | (16,352) | (44,452) |
| Depreciation and amortization | 10 and 11 | (54,372) | (163,177) | (55,639) | (167,199) |
| Allowance for tax, labor and environmental contingencies (Allowance)/Write off for doubtful accounts | 17 | (260) | (3,519) | (1,921) | (1,857) |
| Leases and rents | | (385) | 2,004 | (722) | 3,888 |
| Insurance | | (940) | (2,715) | (871) | (2,615) |
| Other | | (1,107) | (3,297) | (945) | (2,778) |
| | 22 | (1,927) | (5,496) | (2,878) | (6,765) |
| | | (113,117) | (381,074) | (135,916) | (380,888) |
| Operating profit | | 200,378 | 494,392 | 135,049 | 453,118 |
| Finance income (costs) | | | | | |
| Income | | 11,862 | 22,519 | 10,144 | 35,875 |
| Costs | | (37,476) | (99,129) | (46,604) | (116,237) |
| | 24 | (25,614) | (76,610) | (36,460) | (80,362) |
| Profit before income tax and social contribution | | 174,764 | 417,782 | 98,589 | 372,756 |
| Income tax and social contribution | | | | | |
| Current | | (67,897) | (163,835) | (43,106) | (148,289) |
| Deferred | | 8,751 | 22,785 | 9,485 | 22,125 |
| | 8.2 | (59,146) | (141,050) | (33,621) | (126,164) |
| Net profit for the period | | 115,618 | 276,732 | 64,968 | 246,592 |
| Earnings per share (R\$ per share) | | | | | |
| Basic/diluted earnings per share (PN) | 25 | 1,22433 | 2,93044 | 0,68797 | 2,61128 |
| Basic/diluted earnings per share (ON) | 25 | 1,22433 | 2,93044 | 0,68797 | 2,61128 |

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012
 (In thousands of Brazilian reais - R\$, unless otherwise stated)

| | <u>07/01/2013 to 09/30/2013</u> | <u>01/01/2013 to 09/30/2013</u> | <u>07/01/2012 to 09/30/2012</u> | <u>01/01/2012 to 09/30/2012</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Profit for the period | 115,618 | 276,732 | 64,968 | 246,592 |
| Actuarial gains (losses) on defined-benefit pension plan | 548 | 1,699 | (1,881) | (5,615) |
| Deferred income tax and social contribution on actuarial losses | (186) | (577) | 639 | 1,909 |
| | <u>362</u> | <u>1,122</u> | <u>(1,242)</u> | <u>(3,706)</u> |
| Comprehensive income for the period | <u><u>115,980</u></u> | <u><u>277,854</u></u> | <u><u>63,726</u></u> | <u><u>242,886</u></u> |

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012
 (Amounts in thousands of Brazilian reais - R\$)

| | Share capital | Reserves | | Retained earnings | Valuation adjustments to equity (see Note 20.5) | Total |
|--|------------------|---------------|---------------|-------------------|---|------------------|
| | | Capital | Earnings | | | |
| Balances as at January 1st, 2013 | 1,339,138 | 99,432 | 90,211 | - | 938,773 | 2,467,554 |
| Comprehensive income for the period | - | - | - | 276,732 | - | 276,732 |
| Profit for the period | - | - | - | - | 1,699 | 1,699 |
| Pension and retirement plans | - | - | - | - | (577) | (577) |
| Deferred tax on pension plan | - | - | 1,122 | - | (1,122) | - |
| Reclassification of actuarial gains – CPC 33 (R1) | - | - | 1,122 | 275,732 | - | 277,854 |
| Contributions from and distributions to shareholders | - | 80 | - | - | - | 80 |
| Share-based payment | - | - | - | 75,785 | (75,785) | - |
| Valuation adjustments realization (see note 20.5) | - | - | - | (25,767) | 25,767 | - |
| Deferred tax on valuation adjustments to equity | - | 80 | - | 50,018 | (50,018) | 80 |
| Balances as at September 30, 2013 | 1,339,138 | 99,512 | 91,333 | 326,750 | 888,755 | 2,745,488 |

| | Share capital | Reserves | | Retained earnings | Valuation adjustments to equity | Total |
|--|------------------|---------------|---------------|-------------------|---------------------------------|------------------|
| | | Capital | Earnings | | | |
| Balances as at January 1st, 2012 | 1,639,138 | 99,330 | 71,863 | - | 1,014,934 | 2,825,265 |
| Comprehensive income for the period | - | - | - | 246,592 | - | 246,592 |
| Profit for the period | - | - | - | - | (5,616) | (5,616) |
| Pension and retirement plans | - | - | - | - | 1,909 | 1,909 |
| Deferred tax on pension plan | - | - | (3,707) | - | 3,707 | - |
| Reclassification of actuarial losses – CPC 33 (R1) | - | - | (3,707) | 246,592 | - | 242,885 |
| Contributions from and distributions to shareholders | (300,000) | - | - | - | - | (300,000) |
| Capital reduction | - | 102 | - | - | - | 102 |
| Share-based payment | - | - | - | 78,611 | (78,611) | - |
| Valuation adjustments realization | - | - | - | (26,728) | 26,728 | - |
| Deferred tax on valuation adjustments to equity | (300,000) | 102 | - | 51,883 | (51,883) | (299,898) |
| Balances as at September 30, 2012 | 1,339,138 | 99,432 | 68,156 | 298,475 | 963,051 | 2,768,252 |

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

STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012
 (Amounts in thousands of Brazilian reais - R\$)

| | 09/30/2013 | 09/30/2012 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Profit for the period | 276,732 | 246,592 |
| Adjustments: | | |
| Depreciation and amortization | 163,178 | 167,199 |
| Write-offs of property, plant and equipment | 421 | 1,903 |
| Deferred income tax and social contribution | (22,785) | (22,125) |
| Reversal of allowance for doubtful debts | (2,004) | (3,888) |
| Accrued interest on debentures | 68,035 | 70,380 |
| Inflation adjustment on debentures | 22,557 | 39,716 |
| Provision/(reversal) for tax, labor and environmental contingencies | 3,498 | 1,857 |
| Inflation adjust to provisions for tax, labor and environmental contingencies | 230 | 673 |
| Inflation adjust to escrow deposit | (584) | (624) |
| Share-based payment | 80 | 102 |
| Changes in assets and liabilities | | |
| Trade receivables | (21,282) | 867 |
| Sundry debtors | (1,366) | (984) |
| Related parties | 28 | 438 |
| Escrow deposits | 401 | (96) |
| Services in progress | (4,208) | (3,526) |
| Restricted funds | (43) | (41) |
| Prepaid expenses | (952) | (784) |
| Trade payables | (34,182) | (747) |
| Payroll and related taxes | (4,022) | (711) |
| Taxes, fees and contributions | 178,545 | 144,265 |
| Estimated payables | 3,465 | 2,975 |
| Deferred revenues | 3,008 | 4,295 |
| Cibacap | (552) | (1,793) |
| Provision for tax, labor and environmental contingencies | (2,938) | (1,648) |
| Other gains and losses | 3,978 | 160 |
| Cash provided by operations | 629,238 | 644,455 |
| Interest on debentures | (147,598) | (86,362) |
| Income tax and social contribution | (26,561) | (116,441) |
| Net cash provided by operating activities | 455,079 | (441,652) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (30,139) | (9,483) |
| Purchase of intangible | (505) | (686) |
| Net cash used in investing activities | (30,644) | (10,169) |
| Cash flows from financing activities | | |
| Amount received for the issuance of debentures | 501,000 | 150,000 |
| Payment of debentures | (320,220) | (62,440) |
| Dividends and interest on capital | (170,616) | (196,655) |
| Capital reduction | - | (300,000) |
| Net cash used in financing activities | 10,164 | (409,095) |
| Increase in cash and cash equivalents | 434,599 | 22,388 |
| Cash and cash equivalents at the beginning of period | 169,552 | 210,371 |
| Cash and cash equivalents at the end of period | 604,151 | 232,759 |

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

STATEMENTS OF VALUE ADDED
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013 AND 2012
 (Amounts in thousands of Brazilian reais - R\$)

| | <u>09/30/2013</u> | <u>09/30/2012</u> |
|---|-------------------|-------------------|
| Revenue | | |
| Sales revenue | 963,486 | 919,924 |
| Revenue relating to property construction | 30,139 | 9,483 |
| Allowance for doubtful debts | 2,004 | 3,888 |
| | <u>995,629</u> | <u>933,295</u> |
| Inputs acquired from third parties | | |
| Energy purchased and power grid charges | (74,382) | (76,053) |
| Materials and outside services | (31,374) | (32,675) |
| Property construction | (30,139) | (9,483) |
| Other operating costs | (11,132) | (10,342) |
| | <u>(147,027)</u> | <u>(128,553)</u> |
| Gross value added | <u>848,602</u> | <u>804,742</u> |
| Depreciation and amortization | (163,177) | (167,199) |
| Net value added | <u>685,425</u> | <u>637,543</u> |
| Rents | 45 | 42 |
| Finance income | 22,519 | 35,875 |
| Other | 13,588 | - |
| Wealth received in transfer | <u>36,152</u> | <u>35,917</u> |
| Total value added for distribution | <u>721,577</u> | <u>673,460</u> |
| Distribution of value added | | |
| Personnel | | |
| Salaries and wages | 26,806 | 24,153 |
| Benefits | 5,658 | 5,338 |
| FGTS | 2,739 | 2,460 |
| Accrued bonuses | 5,054 | 4,825 |
| Profit sharing | 3,186 | 2,525 |
| Payroll taxes (except INSS) | 2,410 | 2,137 |
| | <u>45,853</u> | <u>41,438</u> |
| Taxes, fees and contributions | | |
| Federal | 285,046 | 262,701 |
| State | 11,999 | 3,778 |
| Municipal | 104 | 99 |
| | <u>297,149</u> | <u>266,578</u> |
| Lenders and lessors | | |
| Rents | 2,715 | 2,615 |
| Interest on debentures | 68,035 | 70,380 |
| Inflation adjustment on debentures | 22,557 | 39,716 |
| Other finance costs | 8,536 | 6,141 |
| | <u>101,843</u> | <u>118,852</u> |
| Other | | |
| Retained earnings | 276,732 | 246,592 |
| | <u>276,732</u> | <u>246,592</u> |
| Total value added distributed | <u>721,577</u> | <u>673,460</u> |

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

**NOTES TO THE INTERIM FINANCIAL INFORMATION (ITR)
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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

1. GENERAL INFORMATION

Duke Energy International, Geração Paranapanema S.A. ("Company") is a share-based 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 October 30, 2013.

1.1. Provisional Act 579/2012 and Law 12783/2013

On September 11, 2012, the Brazilian government has enacted Provisional Act 579, converted into Law 12783 of January 11, 2013, which provides for power generation, transmission and distribution concessions, reduction of sector charges and tariff moderation, granting companies with concessions expiring between 2015 and 2017 the possibility of anticipating the renewal of agreement based on specific conditions.

Concessions under art. 1 of Provisional Act 579, subsequently converted into Law 12783, correspond to public service concessions granted prior to February 14, 1995. The Company's concessions are of Utilization of Public Assets (UBP), granted after February 14, 1995, and are, therefore, outside the scope of the aforesaid law.

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 (CVM) 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 2012 annual financial statements. Consequently, the related information is disclosed in notes 2.1 to 2.18 to those financial statements.

The Company evaluated the new pronouncements and interpretation of CPC/IFRS with effect from January 1st, 2013 and concluded that they do not have significant impact in these financial statements.

3. KEY ESTIMATES AND CRITICAL ACCOUNTING JUDGMENTS

The Company hereby declares that the key estimates and critical accounting judgments disclosed in the 2012 annual financial statements are applicable to this interim financial information, as presented in note 3 of the 2012 financial statements.

4. FINANCIAL RISK MANAGEMENT

4.1. Financial risk factors

The Company hereby declares that the information on the financial risk factors described in the 2012 annual financial statements is applicable to this interim financial information, as presented in notes 4.1.1 to 4.1.7 thereto, except for the sensitivity analysis described below:

4.1.1. Sensitivity analysis

In complement to item 40 of CPC 40 (R1) - Financial Instruments the Company discloses below the sensitivity analysis for each type of market risk considered as relevant by management, arising from financial instruments comprised of debentures, cash and cash equivalents, to which the Company is exposed at the end of the year.

The sensitivity for the probable scenario was calculated taking into consideration the variations between the rates and indexes in September 30, 2013 and the estimates available in the market for 2013 (Source: Focus of Brazilian Central Bank), and also considered another two scenarios, with 25 percent and 50 percent variations on the interest rates and floating indexes in relation to the probable scenario.

We show below the impacts on the Company's financial results for the five scenarios estimated for the next 12 months:

| Risk of change in floating index | | | Balance at 09/30/2013 | Net effect on income | | | | |
|--------------------------------------|--------------------|-------|--------------------------|----------------------|---------------------|----------------------|---------------------|---------------------|
| | | | | Scenario - Δ 50% | Scenario - Δ 25% | Scenario Probable | Scenario + Δ 25% | Scenario + Δ 50% |
| (+) Debentures | Issue | | | | | | | |
| IGP-M | 2nd | IGP-M | (413,995) | (49,071) | (55,825) | (62,579) | (69,333) | (76,088) |
| CDI | 3 rd | IPCA | (152,581) | (9,193) | (12,912) | (16,631) | (20,350) | (24,070) |
| CDI | 4 th S1 | CDI | (253,984) | (14,033) | (20,223) | (26,414) | (32,605) | (38,796) |
| CDI | 4 th S2 | IPCA | (253,377) | (23,639) | (27,769) | (31,899) | (36,029) | (40,158) |
| | | | (1,073,937) | (95,936) | (116,729) | (137,523) | (158,317) | (179,112) |
| (-) Cash and cash equivalents | | CDI | 604,151 | 29,453 | 44,179 | 58,905 | 73,631 | 88,358 |
| Net exposure | | | (469,786) | (66,484) | (72,550) | (78,618) | (84,686) | (90,754) |

| Change in index | Scenario - Δ 50% | Scenario - Δ 25% | Scenario Probable | Scenario + Δ 25% | Scenario + Δ 50% |
|-----------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| IGPM | 3.26% | 4.89% | 6.53% | 8.16% | 9.79% |
| IPCA | 3.26% | 4.89% | 6.52% | 8.15% | 9.78% |
| CDI | 4.88% | 7.31% | 9.75% | 12.19% | 14.63% |

4.2. Capital management

| | 09/30/2013 | 12/31/2012 |
|--------------------------------------|------------------|------------------|
| Total debentures | 1,073,937 | 950,163 |
| Cash and cash equivalents | (604,151) | (169,552) |
| Net debt | 469,786 | 780,611 |
| Total equity | 2,745,488 | 2,467,554 |
| Total capital | 3,215,274 | 3,248,165 |
| Financial leverage ratio (%)* | 14.6 | 24.0 |

*Net debt/total capital

The changes in the Capital Management balance arise from the normal changes in the current quarter.

4.3. Fair value estimate

The Company hereby declares that the fair value estimates disclosed in the 2012 annual financial statements are applicable to this interim financial information, as presented in note 4.3 thereto.

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 | Moody's | 09/30/2013 | 12/31/2012 |
|------------------------------|---------|----------------|----------------|
| Standard & Poor's | | | |
| A-3 | BR-1 | 276,283 | 126,977 |
| A-2 | BR-1 | 262,718 | 39,202 |
| A-2 | - | 65,144 | 3,365 |
| - | BR-1 | 3 | 5 |
| * | * | 3 | 3 |
| | | 604,151 | 169,552 |

* The R\$3 balance as at September 30, 2013 (R\$3 at December 31, 2012) refers to the cash fund and, therefore, it does not have a risk classification.

6. CASH AND CASH EQUIVALENTS

| | 09/30/2013 | 12/31/2012 |
|------------------------------------|----------------|----------------|
| Cash and banks | 5,703 | 493 |
| Short-term investments | | |
| Bank certificates of deposit (CDB) | 598,448 | 164,939 |
| Fixed-income fund | - | 4,120 |
| | 604,151 | 169,552 |

The changes in the cash and cash equivalents balance arise from the normal changes in the current quarter and the complete information thereon is disclosed in note 6 to the 2012 annual financial statements.

7. TRADE RECEIVABLES

| | 09/30/2013 | | 12/31/2012 | |
|---------------------------------------|----------------|--------------|----------------|------------|
| | Current | Noncurrent | Current | Noncurrent |
| Receivables under bilateral contracts | 81,841 | - | 67,118 | - |
| Receivables under auction contracts | 29,220 | 1,896 | 48,544 | - |
| Spot-market energy (MRE/spot) | 27,636 | - | 3,643 | - |
| | 138,697 | 1,896 | 119,305 | - |
| Allowance for doubtful debts | (746) | (192) | (2,936) | - |
| | 137,951 | 1,704 | 116,369 | - |

Changes in the allowance for doubtful debts:

| | |
|--|----------------|
| Balance at December 31st, 2012 | (2,936) |
| Reversals in the period | 2,848 |
| Allowances in the period | (850) |
| Balance at September 30, 2013 | (938) |

In February 2013 the Company reversed the allowance for doubtful debts amounting to R\$2,744 due to the collection of the first of the 60 installments due, under the court recovery plan filed by the customer and approved at the creditors' general meeting in September 2012. During the year, other allowances for doubtful accounts were recorded followed by the respective reversals.

Aging list of trade receivables:

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|-----------------------|-----------------------|-----------------------|
| Current – short term | 138,342 | 116,369 |
| Current – long term | 1,896 | - |
| Over 90 days past-due | 355 | 2,936 |
| | <u>140,593</u> | <u>119,305</u> |

The changes in the Trade receivables balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 7 to the 2012 annual financial statements.

8. TAXES AND FEES

| | <u>09/30/2013</u> | | <u>12/31/2012</u> | |
|--|-----------------------|-----------------------|----------------------|-----------------------|
| | <u>Current</u> | <u>Noncurrent</u> | <u>Current</u> | <u>Noncurrent</u> |
| Assets | | | | |
| Recoverable income tax and social contribution | 3,617 | - | 22,404 | - |
| Recoverable taxes on revenue (PIS and COFINS) | 200 | - | 254 | - |
| Recoverable State VAT (ICMS) | - | 318 | 17 | 318 |
| Service tax (ISS) | 39 | - | 21 | - |
| Social security tax (INSS) | 21 | - | 39 | - |
| | <u>3,877</u> | <u>318</u> | <u>22,735</u> | <u>318</u> |
| Liabilities | | | | |
| Income tax and social contribution | 130,949 | - | - | - |
| PIS and COFINS | 9,475 | - | 8,351 | - |
| ICMS | 1,210 | - | 741 | - |
| Withholding income tax (IRRF) on interest on capital | - | - | 12,879 | - |
| Other | 235 | - | 229 | - |
| | <u>141,869</u> | <u>-</u> | <u>22,200</u> | <u>-</u> |
| Deferred tax assets | | | | |
| Temporary differences | - | (9,441) | - | (9,939) |
| Tax benefit | - | (37,687) | - | (41,194) |
| Deferred tax liabilities | | | | |
| Equity valuation adjustments | - | 456,683 | - | 482,895 |
| Deferred tax liabilities (net) | <u>-</u> | <u>409,555</u> | <u>-</u> | <u>431,762</u> |

The changes in the Recoverable taxes/Taxes payable balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in notes 8 and 8.1 to the 2012 annual financial statements.

8.1. Tax benefits - merged goodwill

The Company constituted a provision to maintain the integrity of net equity, the reversal of which will neutralize the effect of goodwill amortization. The composition of the balances is as follows:

| | | | 09/30/2013 | 12/31/2012 |
|---------------------------|----------------|-----------------|---------------|---------------|
| | Goodwill | Allowance | Net | Net |
| Balance arising on merger | 305,406 | (201,568) | 103,838 | 103,838 |
| Realization | (194,549) | 128,398 | (66,151) | (62,644) |
| Closing balance | 110,857 | (73,170) | 37,687 | 41,194 |

Net amount corresponding to the tax benefit – income tax and social contribution

| | 09/30/2013 | 09/30/2012 |
|----------------------------------|------------|------------|
| Goodwill amortization | (10,314) | (10,866) |
| Reversal of allowance | 6,807 | 7,172 |
| Tax benefit | 3,507 | 3,694 |
| Net effect for the period | - | - |

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

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 - 2019 | 2020 - 2023 | 2023 and thereafter | Total |
|-----------------------|-------|-------|-------|-------|-------|-------------|-------------|---------------------|--------|
| Estimated realization | 1,169 | 4,334 | 4,002 | 3,695 | 3,299 | 5,576 | 6,317 | 9,295 | 37,687 |

The changes in the Tax benefits balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 8.2 to the 2012 annual financial statements.

8.2. 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:

| | 09/30/2013 | | 09/30/2012 | |
|--|----------------|---------------------|----------------|---------------------|
| | Income tax | Social contribution | Income tax | Social contribution |
| Income before income tax and social contribution | 417,782 | 417,782 | 372,756 | 372,756 |
| Income tax and social contribution statutory rate | 25% | 9% | 25% | 9% |
| Income tax and social contribution at statutory rates | 104,446 | 37,600 | 93,189 | 33,548 |
| Amortization Inflationary credit charge | (1,659) | 56 | (1,677) | 56 |
| Allowance/(reversal) of allowance for doubtful debts | (548) | (197) | (1,613) | (581) |
| Tax benefits - merged goodwill (Aneel Res. 02/2002) | (2,579) | (928) | (2,716) | (978) |
| Nondeductible expenses | 915 | 190 | 1,300 | 393 |
| Rouanet law | (480) | - | (636) | - |
| Adjustments under the RTT | 19,718 | 7,099 | 20,752 | 7,471 |
| Temporary differences in profit or loss | (16,754) | (6,031) | (16,268) | (5,857) |
| Others | 138 | 65 | (173) | (46) |
| Total current income tax and social contribution affecting profit or loss | 103,196 | 37,854 | 92,158 | 34,006 |
| Income tax and social contribution | 119,950 | 43,885 | 108,426 | 39,863 |
| Deferred income tax and social contribution | (16,754) | (6,031) | (16,268) | (5,857) |
| | 103,196 | 37,854 | 92,158 | 34,006 |
| Applicable tax rate | 24.70% | 9.06% | 24.72% | 9.12% |

The changes in the Current and deferred income tax and social contribution balances arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 8.3 to the 2012 annual financial statements.

9. ESCROW DEPOSITS

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|--|----------------------|----------------------|
| Environmental | 4,556 | 3,846 |
| Tax: | | |
| Real Estate Tax (IPTU) (City of Primeiro de Maio Municipality) | 1,133 | 1,206 |
| Late payment fine on IRRF, IRPJ and CSLL | 101 | 851 |
| Late payment fine on PIS, COFINS, IRPJ, CSLL, and IOF | 6,391 | 6,095 |
| | <u>7,625</u> | <u>8,152</u> |
| Total escrow deposits | <u>12,181</u> | <u>11,998</u> |

This line item includes the escrow deposits made for appeals not related to provision for the probable risks and are adjusted for inflation (see Note 17).

The Company hereby declares that the information on the escrow deposits disclosed in the 2012 annual financial statements is applicable to this interim financial information, as presented in note 9 thereto.

10. PROPERTY, PLANT AND EQUIPMENT

a) Breakdown

| | <u>09/30/2013</u> | | <u>12/31/2012</u> | | Annual depreciation/ amortization rate |
|--|-------------------|-----------------------------|-------------------|------------------|--|
| | Cost | Accumulated depreciation | Net | Net | |
| In service | | | | | |
| Land | 210,997 | - | 210,997 | 210,997 | - |
| Reservoirs, dams and water mains | 3,445,864 | (732,933) | 2,712,931 | 2,827,376 | 3.4% |
| Buildings, constructions and improvements | 466,467 | (137,691) | 328,776 | 339,977 | 2.4% |
| Machinery and equipment | 778,071 | (207,770) | 570,301 | 600,719 | 4.2% |
| Vehicles | 5,505 | (2,685) | 2,820 | 2,936 | 12.1% |
| Furniture and fixtures | 1,764 | (1,325) | 439 | 580 | 10.3% |
| (-) Canoas I and II plant reserves | (200,675) | - | (200,675) | (200,675) | - |
| | <u>4,707,993</u> | <u>(1,082,404)</u> | <u>3,625,589</u> | <u>3,781,910</u> | |
| in progress | | | | | |
| Reservoirs, dams and water mains | 1,434 | - | 1,434 | 506 | |
| Buildings, constructions and improvements | 636 | - | 636 | 331 | |
| Machinery and equipment | 40,457 | - | 40,457 | 17,143 | |
| Furniture and fixtures | 705 | - | 705 | 549 | |
| | <u>43,232</u> | <u>-</u> | <u>43,232</u> | <u>18,529</u> | |
| Land | 4,249 | - | 4,249 | 4,249 | |
| Vehicles | 350 | - | 350 | 91 | |
| | <u>4,755,824</u> | <u>(1,082,404)</u> | <u>3,673,420</u> | <u>3,804,779</u> | |
| (-) Concession-related obligations (see note 18) | (6,942) | 320 | (6,622) | (6,680) | |
| | <u>4,748,882</u> | <u>(1,082,084)</u> | <u>3,666,798</u> | <u>3,798,099</u> | |

b) Changes in property, plant and equipment

| | Net amount at 12/31/2012 | Additions | Depreciation | Write-offs | Reclassifications and transfers | Net amount at 09/30/2013 |
|---|--------------------------|---------------|------------------|--------------|---------------------------------|--------------------------|
| Land | 215,246 | - | - | - | - | 215,246 |
| Reservoirs, dams and water mains | 2,827,882 | 928 | (116,096) | - | 1,651 | 2,714,365 |
| Buildings, constructions and improvements | 340,308 | 856 | (11,201) | - | (551) | 329,412 |
| Machinery and equipment | 617,862 | 26,757 | (32,967) | (215) | (679) | 610,758 |
| Vehicles | 3,027 | 1,004 | (633) | (200) | (28) | 3,170 |
| Furniture and fixtures | 1,129 | 594 | (180) | (6) | (393) | 1,144 |
| (-) Canoas I and II plant reserves | (200,675) | - | - | - | - | (200,675) |
| | 3,804,779 | 30,139 | (161,077) | (421) | - | 3,673,420 |
| (-) Concession-related obligations | (6,680) | - | 58 | - | - | (6,622) |
| | 3,798,099 | 30,139 | (161,019) | (421) | - | 3,666,798 |

10.1 Deemed cost of property, plant and equipment

The Company applied the deemed cost at first-time adoption of IFRS in accordance with CPC 27 ("Property, Plant and Equipment") and engaged advisors from an external consultant to prepare the appraisal of its property, plant and equipment. The appraisal was carried out in accordance with the standards and procedures of the Brazilian Association of Technical Standards (ABNT) and the Ross-Heidecke depreciation method which considers the state of conservation and elapsed life of the asset to obtain its deemed cost, in addition to other requirements of the applicable legislation.

At January 1, 2009, date of the first-time adoption of IFRS, property, plant and equipment were increased by R\$ 2,083,565 through the application of the deemed cost with a corresponding entry to "Carrying value adjustments" in equity. In the fair value calculation, the Company considered as reimbursable the residual values related to concessions and the increase in fair value was limited to the indemnity amount. Accordingly, the Company established a provision of R\$ 200,675, relating to the residual value at the end of the concession period of the Canoas I and II plants.

The additional depreciation expense calculated on the adjustments to deemed cost in the years ended September 30, 2013 and 2012 was R\$ 75,689 and R\$ 77,400 respectively.

For the appraisal of movable assets, the Company used mainly the cost quantification method. As regards the direct comparison with market data, this method depends on the nature of the asset, the availability of relevant market data, as well as information on the fixed assets themselves.

The method of directly comparing market data is based on market conditions and transactions. Under this method, deemed cost is determined through a comparison with recent transactions and offers of items which are similar to the assets that are being appraised, when available.

Under this method, physical depreciation and other obsolescence factors are measured at market rates, since the assets are quoted in their current condition (used).

In the case of assets for which there is not enough market information, the cost quantification method was used. In the analysis of the appraisers, the Replacement Cost New (RCN) was calculated both in the direct and indirect manner for each asset. Under the direct method, the Replacement Cost New estimated for the assets was calculated by using the Greenfield principles which, in this context, indicates that the estimated RCN considers the replacement of the asset in a new location, taking into account all the costs related to its installation and operation.

The Company used the indirect method for all the other assets to which the direct cost method was not applied. Under this method, the RCN of each asset or group of assets was determined by updating the original book cost taking into account the age and type of each asset. These costs generally include the base cost of the asset and any additional costs related to its installation.

Since the assets have been in use for some time, it is reasonable to assume that the deemed cost is lower than the RCN. Therefore, physical and functional obsolescence should be considered, as well as various economic factors that can affect their use and value.

In addition, residual factors were considered for the assets. based on the assumption that, if an asset is in use, it has value for the Company, regardless of its elapsed life. For the captions "Dam", "Machinery" and "Furniture", a 5% residual factor was applied to their replacement value. For the "Vehicles" caption, the residual factor applied was 10%. It is important to note that, in the case of vehicles valued at market value, there is no need to use a residual factor.

Land was maintained at historical cost.

10.2 Depreciation rates

The Company records its depreciation in accordance with the estimated useful life determined by the appraisers, which takes into consideration the useful lives estimated by the regulatory agencies that have been accepted by the market as appropriate, unless there is strong evidence that another useful life is more adequate. Land is not depreciated.

10.3 Assets linked to the concession

In accordance concession contracts, the Company 76/1999 and 183/1998 is not allowed to sell or assign for any purpose the assets and installations considered usable by the concession, without the previous and express authorization of ANEEL. ANEEL Resolution 20/1999 regulates the release of assets from the concessions of the Public Electric Energy Service, granting prior authorization to release the assets not usable by the concession when they are destined for sale. The definition on the public hearing 39/2010 is pending decision by Aneel, which deals with the review of this resolution.

10.4 Concession agreements

On September 22, 1999, the Company and ANEEL signed the Generation Concession Agreement 76/1999, which regulates the concessions for use of public assets in electric power generation held by the Jurumirim, Chavantes, Salto Grande, Capivara, Taquaruqu and Rosana power plants, granted by an unnumbered Decree dated September 20, 1999. The agreement grants the Company the right to generate and sell electric power as an independent producer, no longer paying, as of that date, the Global Reversion Reserve (RGR), but instead a Charge for Use of Public Assets, for a five-year period. The concession and contractual term is 30 years counted from the execution date of the agreement, and can be renewed for an additional period, at the discretion of Aneel, in conformity with the concession arrangement.

On January 14, 2000, ANEEL, through Resolution 14/2000, approved the 6th amendment to the contract for the constitution of the Canoas Consortium, which is formed by the Company, as an independent producer of electric energy, and Companhia Brasileira de Alumínio (CBA). This agreement establishes that 50.3% refers to the participation of CBA and the remaining 49.7% will belong to the Company. Any surpluses of energy not used by CBA must be absorbed, without onus, by the Company. Reciprocally, in the normal course of operations, when generation is lower than that established in the contract, the difference will be supplemented, without onus, by the Company. The concession agreement is effective for 35 years, as from the date of signature, and may be renewed at the discretion of Aneel, in conformity with the concession arrangement.

10.5 Concession Agreement

| Concessions at 09/30/2013 | | | | | | | | |
|----------------------------------|--------------|---------------------|-----------|--------------|-------------------------|----------------------------------|------------------------|----------------------|
| ANEEL Concession Agreement | Plant | Type | Sta te | River | Installed power (MW) | Guaranteed power (avg. MW) | Start of concession | End of concession |
| 76/1999 | Jurumirim | Hydroelectric plant | SP | Paranapanema | 101.0 | 47.0 | 9/22/1999 | 9/21/2029 |
| 76/1999 | Chavantes | Hydroelectric plant | SP | Paranapanema | 414.0 | 172.0 | 9/22/1999 | 9/21/2029 |
| 76/1999 | Salto Grande | Hydroelectric plant | SP | Paranapanema | 73.8 | 55.0 | 9/22/1999 | 9/21/2029 |
| 76/1999 | Capivara | Hydroelectric plant | SP | Paranapanema | 619.0 | 330.0 | 9/22/1999 | 9/21/2029 |
| 76/1999 | Taquaruçu | Hydroelectric plant | SP | Paranapanema | 525.0 | 200.6 | 9/22/1999 | 9/21/2029 |
| 76/1999 | Rosana | Hydroelectric plant | SP | Paranapanema | 354.0 | 176.0 | 9/22/1999 | 9/21/2029 |
| 183/1998 | Canoas I | Hydroelectric plant | SP | Paranapanema | 82.5 | 57.0 | 7/30/1998 | 7/29/2033 |
| 183/1998 | Canoas II | Hydroelectric plant | SP | Paranapanema | 72.0 | 48.0 | 7/30/1998 | 7/29/2033 |
| | | | | | 2,241.3 | 1,085.6 | | |

On December 27, 2012 MME Ordinance 184/2012 was published, and provides for the reduction of 1.4 (average MW) in the Company's total physical guarantee, changing the amount relating to UHE – Taquaruçu from 201 average MW to 200.6 average MW and relating to UHE - Rosana from 177 average MW to 176 average MW. These reductions were caused by a physical guarantee extraordinary review process, set forth in MME Ordinance 861/2010, and are being discussed at administrative level for purposes of reversal.

The complete information on the concession agreements is described in note 10.4 to the 2012 annual financial statements.

10.6 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.

11. INTANGIBLE ASSETS

Intangible assets as at September 30, 2013 consist of software licenses and rights of way and to the Use of Public Assets (UBP).

a) Breakdown

| | 09/30/2013 | | 12/31/2012 | | Annual amortization rates |
|--|---------------|--------------------------|---------------|---------------|---------------------------|
| | Cost | Accumulated amortization | Net | Net | |
| In service | | | | | |
| UBP | 53,494 | (23,425) | 30,069 | 31,447 | 3% |
| Software | 21,838 | (20,121) | 1,717 | 1,729 | 11% |
| Rights of way | 75 | - | 75 | 75 | |
| | 75,407 | (43,546) | 31,861 | 33,251 | |
| In progress | | | | | |
| Software | 1,104 | - | 1,104 | 1,416 | |
| | 76,511 | (43,546) | 32,965 | 34,667 | |
| (-) Concession-related obligations (see note 18) | (320) | 133 | (187) | (235) | |
| | 76,191 | (43,413) | 32,778 | 34,432 | |

b) Changes in intangible assets

| | Net amount at 12/31/2012 | Additions | Amortization | Net amount at 09/30/2013 |
|--|--------------------------|------------|----------------|--------------------------|
| UBP | 31,447 | - | (1,378) | 30,069 |
| Software | 3,145 | 505 | (829) | 2,821 |
| Rights of way | 75 | - | - | 75 |
| | 34,667 | 505 | (2,207) | 32,965 |
| (-) Concession-related obligations (see note 18) | (235) | - | 48 | (187) |
| | 34,432 | 505 | (2,159) | 32,778 |

12. TRADE PAYABLES

| | 09/30/2013 | | 12/31/2012 | |
|------------------------|---------------|--------------|---------------|--------------|
| | Current | Noncurrent | Current | Noncurrent |
| Electricity supply | 373 | - | 36,236 | - |
| Materials and services | 5,502 | - | 4,609 | - |
| TUSD-G | 789 | 4,362 | 1,321 | 3,469 |
| Grid usage charges | | | | |
| TUST | 8,020 | - | 7,614 | - |
| Connection charges | 37 | - | 16 | - |
| | 14,721 | 4,362 | 49,796 | 3,469 |

The electricity supply line item refers to the power purchased in the spot market (PLD), at the CCEE.

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 is presented net of the related escrow deposits in noncurrent liabilities.

The changes in the Trade payables balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 12 to the 2012 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 2013 are R\$3,225 and R\$836 respectively. The amount receivable from related parties at September 30, 2013 is R\$363 (R\$391 at December 31, 2012), of which R\$24 (R\$73 at December 31, 2012) 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, 2013 these guarantees amount to R\$167,254 (R\$115,489 at December 31, 2012). The other material transactions with related parties refer to the distribution of dividends.

13.2. Project development agreement

On December 21, 2012, the Extraordinary General Meeting (AGE) approved the execution of the Project Development Agreement (“Agreement”), whose counterparty is a company of the Company’s economic group, called Duke Energy International, Brasil Ltda. (“Duke Brasil”), the Company’s controlling shareholder, whose purpose is the participation in bids and/or auctions conducted in the scope of the power, by obtaining the related concessions, permits or authorizations. The purpose of the Agreement is to set: (a) the overall guidelines and method of implementation of cooperation between Duke Brasil and the Company for development of the projects, as supported by the Company.

The signature of this instrument by the Company and Duke Commercial is in accordance with the dispositions of ANEEL’s Normative Resolution 334/2008 and the Company’s Internal Policies.

The complete information on the Project Development Agreement is described in note 13.3 to the 2012 annual financial statements.

13.3. Compensation of key management personnel

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

| | <u>07/01/2013 to 09/30/2013</u> | <u>01/01/2013 to 09/30/2013</u> | <u>07/01/2012 to 09/30/2012</u> | <u>01/01/2012 to 09/30/2012</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Employee and management short-term benefits | 1,489 | 4,201 | 1,552 | 4,526 |
| Postemployment benefits | 46 | 125 | 49 | 136 |
| | <u>1,535</u> | <u>4,326</u> | <u>1,601</u> | <u>4,662</u> |
| Share-based payments (note 20.6) | - | 80 | - | 102 |
| | <u>1,535</u> | <u>4,406</u> | <u>1,601</u> | <u>4,764</u> |

The changes in the Compensation of key management personnel balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 13.4 to the 2012 annual financial statements.

14. DEBENTURES

14.1. Breakdown and maturity of debentures

a) Breakdown

| | | | | | Principal + charges at | | | |
|-----------------------|------------------------|--------------------|------------|----------------|------------------------|----------------|-------------------|--|
| | | | | | <u>09/30/2013</u> | | <u>12/31/2012</u> | |
| Issuance | Series | Index | Due date | Current | Noncurrent | Current | Noncurrent | |
| 1 st issue | 1 st series | CDI + 2,15% p.y. | 09/15/2013 | - | - | 63,569 | - | |
| 1 st issue | 2 nd series | IPCA + 11,60% p.y. | 09/15/2015 | - | - | 57,212 | 60,410 | |
| 2 nd issue | Single | IGPM + 8,59% p.y. | 07/16/2015 | 210,495 | 203,500 | 219,592 | 394,198 | |
| 3 rd issue | Single | CDI + 1,15% p.y. | 01/10/2017 | 3,019 | 149,562 | 5,766 | 149,416 | |
| 4 th issue | 1 st series | CDI + 0,65% p.y. | 07/16/2018 | 4,576 | 249,408 | - | - | |
| 4 th issue | 2 nd series | IPCA + 6,07% p.y. | 07/16/2023 | 3,112 | 250,265 | - | - | |
| | | | | <u>221,202</u> | <u>852,735</u> | <u>346,139</u> | <u>604,024</u> | |

b) Long term maturity

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|-------------|-------------------|-------------------|
| 2014 | - | 242,544 |
| 2015 | 202,957 | 211,675 |
| 2016 | 157,896 | 74,805 |
| 2017 | 158,091 | 75,000 |
| 2018 | 83,194 | - |
| 2021 | 83,404 | - |
| 2022 | 83,560 | - |
| 2023 | 83,633 | - |
| | <u>852,735</u> | <u>604,024</u> |

14.2. Changes in Debentures

| | 1st issue | | 2nd issue | 3rd issue | 4th issue | | Total |
|---------------------------------|-----------------|------------------|------------------|----------------|----------------|----------------|------------------|
| | 1st series | 2nd series | Single | Single | 1st series | 2nd series | |
| Net amount at 12/31/2012 | 63,569 | 117,622 | 613,790 | 155,182 | - | - | 950,163 |
| Changes in Debentures | | | | | | | |
| Issuance of debentures | - | - | - | - | 251,445 | 251,113 | 502,558 |
| Transaction costs | - | - | - | - | (779) | (779) | (1,558) |
| Principal amortization | (62,440) | (91,130) | (166,650) | - | - | - | (320,220) |
| Interest accrual | 4,261 | 10,274 | 36,232 | 9,650 | 3,279 | 2,080 | 65,776 |
| Inflation adjustment accrual | - | 4,565 | 17,048 | - | - | 944 | 22,557 |
| Costs amortization | 475 | 543 | 1,037 | 146 | 39 | 19 | 2,259 |
| Interest payments | (5,865) | (13,872) | (51,728) | (12,397) | - | - | (83,862) |
| Inflation payments | - | (28,002) | (35,734) | - | - | - | (63,736) |
| | (63,569) | (117,622) | (199,795) | (2,601) | 253,984 | 253,377 | 123,774 |
| Net amount at 09/30/2013 | - | - | 413,995 | 152,581 | 253,984 | 253,377 | 1,073,937 |

Under the Public Issue of Nonconvertible Debentures Indenture, entered into on July 3, 2013, the Company issued, on July 16, 2013, R\$500,000 in the market as debt through the fourth issue of simple, unsecured, nonconvertible debentures for public distribution in the domestic market, in two series, with restricted placement efforts, as prescribed by CVM Instruction 476/2009, directed to qualified buyers only. The covenants contained in the fourth issue debentures indenture are similar to the covenants set out in the first, second and third issue debentures indenture (see Note 14.2 to the 2012 annual financial statements).

The offering was issued based on the resolutions of: (i) Extraordinary Shareholders' Meeting held on June 13, 2013; (ii) Supervisory Board's Meeting, held on May 17, 2013, which approved the proceeds from the fourth issue; (iii) Board of Directors' Meeting held on May 17, 2013.

According to the material fact disclosed on August 30, 2013, the Company redeemed in advance, on September 23, 2013, all Second Series Debentures (First Issue), under the terms of clause 6.14. ("Mandatory Advanced Redemption") of Public Issue of Simple, Unsecured, Nonconvertible Debentures Indenture entered into on October 2, 2008.

The other changes in the Debentures balance arise from the normal changes in the current quarter, and the complete information there on is disclosed in note 14 to the 2012 annual financial statements.

15. CIBACAP – CAPIVARA BASIN INTERCITY CONSORTIUM

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|------------|---------------------|---------------------|
| Current | 1,110 | 2,278 |
| Noncurrent | 7,984 | 7,368 |
| | <u>9,094</u> | <u>9,646</u> |

The changes in the Cibacap balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 15 to the 2012 annual financial statements.

16. PENSION PLAN

In the quarter ended September 30, 2013 there were no changes in the assumptions used for the actuarial valuations.

In the table below, is demonstrated the expense recognized during the period (see note 24):

| | <u>07/01/2013 to 09/30/2013</u> | <u>01/01/2013 to 09/30/2013</u> | <u>07/01/2012 to 09/30/2012</u> | <u>01/01/2012 to 09/30/2012</u> |
|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Cost of current service | 675 | 2,025 | 545 | 1,635 |
| Interest on actuarial obligation | 4,397 | 13,191 | 3,825 | 11,475 |
| Expected return on plan assets | (4,745) | (14,235) | (5,930) | (17,790) |
| Employees' contributions | 405 | 1,215 | (171) | (513) |
| | <u>732</u> | <u>2,196</u> | <u>(1,731)</u> | <u>(5,193)</u> |

The changes in the pension plan balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 16 to the 2012 annual financial statements.

17. PROVISION FOR TAX, LABOR AND ENVIRONMENTAL CONTINGENCIES

The Company hereby declares that the information on estimates involving the risks of an unfavorable outcome classified by our legal counsel as probable and possible disclosed in the 2012 annual financial statements are applicable to this interim financial information, as presented in note 17 thereto.

17.1. Provision for tax, labor and environmental contingencies

Breakdown

| Proceedings | Provision | Escrow deposit | <u>09/30/2013</u> | <u>12/31/2012</u> |
|---------------|----------------------|-----------------------|--|--|
| | | | Provision for tax, labor and environmental contingencies | Provision for tax, labor and environmental contingencies |
| Labor | 5,453 | (3,361) | 2,092 | 3,250 |
| Tax | 12,558 | (627) | 11,931 | 11,692 |
| Environmental | 4,571 | - | 4,571 | 2,862 |
| | <u>22,582</u> | <u>(3,988)</u> | <u>18,594</u> | <u>17,804</u> |

Changes in the provision for tax, labor and environmental contingencies

| | Labor | Tax | Environmental | Total |
|---|----------------|---------------|---------------|----------------|
| Balance as at January 1st, 2013 | 3,250 | 11,692 | 2,862 | 17,804 |
| Contingencies | | | | |
| Provisions in the period | 1,156 | 903 | 1,589 | 3,648 |
| Write offs in the period | (85) | - | (65) | (150) |
| Inflation adjust in the period | - | 130 | 203 | 333 |
| Disbursements/agreements in the period | (284) | (776) | (18) | (1,078) |
| | 787 | 257 | 1,709 | 2,753 |
| Escrow deposits | | | | |
| Inflation adjust in the period | (85) | (18) | - | (103) |
| (Additions) | (2,163) | - | - | (2,163) |
| Write offs | 303 | - | - | 303 |
| | (1,945) | (18) | - | (1,963) |
| Total changes in the period | (1,158) | 239 | 1,709 | 790 |
| Balance as at September 30, 2013 | 2,092 | 11,931 | 4,571 | 18,594 |

The changes in the Provision for tax, labor and environmental contingencies balance arise from the normal changes in the current quarter, and the main new lawsuits are described below:

a) Tax

The addition to the provision for tax contingencies with a probable likelihood of an unfavorable outcome, made in the quarter ended September 30, 2013, refers to:

- i. Administrative proceeding No. 16349.720176/2012-22, which refers to PIS and COFINS offset requests made using electronic tax offset applications (PER/DCOMP) not approved beginning FY 2008.

b) Environmental

The addition to the provision for environmental contingencies with a probable likelihood of an unfavorable outcome, made in the quarter ended September 30, 2013, refers to:

- i. Revaluation of the lawsuits filed by fishermen for alleged environmental damages based on the State of Paraná Court of Justice decision, amounting to R\$1,550 in January 2013 (R\$ 395 at December 31, 2012).

17.2. Possible contingencies

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|---------------|-----------------------|-----------------------|
| Labor | 8,974 | 9,892 |
| Tax | 55,370 | 48,553 |
| Environmental | 34,861 | 30,679 |
| Regulatory | 53,491 | 42,225 |
| | <u>152,696</u> | <u>131,349</u> |

The changes in the Possible contingencies balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 17.2 to the 2012 annual financial statements.

18. SPECIAL OBLIGATIONS

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|--|-------------------|-------------------|
| Arising from PP&E (see note 10) | | |
| General reversion reserve (RGR) charge | 4,947 | 4,947 |
| Equipment donations (ONS) | 1,530 | 1,574 |
| Research and development (R&D) | 145 | 159 |
| | <u>6,622</u> | <u>6,680</u> |
| Arising from intangibles (see note 11) | | |
| R&D - software | 187 | 235 |
| | <u>6,809</u> | <u>6,915</u> |

See additional comments in note 18 to the 2012 annual financial statements.

19. REGULATORY CHARGES

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

| | <u>09/30/2013</u> | | <u>12/31/2012</u> | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>Current</u> | <u>Noncurrent</u> | <u>Current</u> | <u>Noncurrent</u> |
| Compensation for the use water resources (CFURH) | 10,521 | - | 9,053 | - |
| ANEEL inspection fee | 349 | - | 373 | - |
| Research and development (R&D) | 13,689 | 10,335 | 14,783 | 6,455 |
| | <u>24,559</u> | <u>10,335</u> | <u>24,209</u> | <u>6,455</u> |

See additional comments in note 19 to the 2012 annual financial statements.

20. EQUITY

20.1. Share capital

The Company's authorized capital on September 2013 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\$1,339,138 at December 31, 2012) 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 09/30/2013 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 Metropolitan 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 |

See additional comments in note 20.1 to the 2012 annual financial statements.

20.2. Capital reserves

| | 09/30/2013 | 12/31/2012 |
|-------------------------------|---------------|---------------|
| Share subscription premium | 468 | 468 |
| Spin-off account | (6,418) | (6,418) |
| Goodwill on downstream merger | 103,838 | 103,838 |
| Share-based payments | 1,624 | 1,544 |
| | 99,512 | 99,432 |

See additional comments in note 20.2 to the 2012 annual financial statements.

20.3. Earnings reserves

| | 09/30/2013 | 12/31/2012 |
|------------------|---------------|---------------|
| Earning reserves | 88,095 | 88,094 |
| Pension plan | 3,238 | 2,117 |
| | 91,333 | 90,211 |

20.4. Retained earnings

a) Distribution of profit for the year

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|---|-----------------------|-----------------------|
| Profit for the period | 276,732 | 324,648 |
| Legal reserve constitution | - | (16,231) |
| Depreciation (deemed cost) | 75,688 | 103,423 |
| Disposals (deemed cost) | 97 | 1,208 |
| Deferred income tax and social contribution | (25,767) | (35,575) |
| | <u>326,750</u> | <u>377,473</u> |

b) Composition of dividends and interest on capital payable

| | <u>09/30/2013</u> | <u>12/31/2012</u> |
|---|---------------------|-----------------------|
| Dividends approved | - | 83,969 |
| Interest on capital payable | 118 | 73,879 |
| Dividends, interest on capital and capital reduction in custody | <u>1,071</u> | <u>1,078</u> |
| | <u>1,189</u> | <u>158,926</u> |

20.5. Equity valuation adjustments

| | <u>Deemed cost</u> | <u>Pension plan</u> | <u>Total</u> |
|---|------------------------|---------------------|------------------------|
| Balance at 12/31/2012 | 938,773 | - | 938,773 |
| Depreciation | (75,688) | - | (75,688) |
| Write-offs | (97) | - | (97) |
| Deferred income tax and social contribution | 25,767 | - | 25,767 |
| | <u>(50,018)</u> | - | <u>(50,018)</u> |
| Comprehensive income | | | |
| Pension plan | - | 1,699 | 1,699 |
| Deferred income tax and social contribution | - | (577) | (577) |
| | <u>-</u> | <u>1,122</u> | <u>1,122</u> |
| Reclassification to earnings reserve | - | (1,122) | (1,122) |
| Balance at 09/30/2013 | <u>888,755</u> | <u>-</u> | <u>888,755</u> |

See additional comments in note 20.6 to the 2012 annual financial statements.

21. NET REVENUE

| | 07/01/2013 to 09/30/2013 | 01/01/2013 to 09/30/2013 | 07/01/2012 to 09/30/2012 | 01/01/2012 to 09/30/2012 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Electric power supply | | | | |
| Bilateral contracts | 245,248 | 717,041 | 186,211 | 539,367 |
| Auction contracts | 64,549 | 189,714 | 97,381 | 287,988 |
| Spot market | 26,023 | 37,774 | 7,008 | 79,782 |
| MRE | 8,812 | 18,957 | 8,912 | 12,787 |
| | 344,632 | 963,486 | 299,512 | 919,924 |
| Other income | 4,082 | 13,632 | 14 | 42 |
| | 348,714 | 977,118 | 299,526 | 919,966 |
| Deductions from operating revenue | | | | |
| PIS and COFINS | (28,249) | (80,935) | (24,608) | (73,935) |
| ICMS | (3,828) | (11,850) | 1,232 | (3,642) |
| R&D | (3,142) | (8,867) | (2,721) | (8,383) |
| | (35,219) | (101,652) | (28,561) | (85,960) |
| Net operating revenue | 313,495 | 875,466 | 270,965 | 834,006 |

22. OPERATING COSTS AND EXPENSES

Breakdown of operating costs and expenses by nature:

| Operating expenses/(income) | 07/01/2013 to 09/30/2013 | | | 07/01/2012 to 09/30/2012 |
|--|--------------------------|-------------------------------------|----------------|--------------------------|
| | Cost of power sold | General and administrative expenses | Total | Total |
| Personnel | 10,513 | 8,250 | 18,763 | 16,582 |
| Supplies | 1,308 | 54 | 1,362 | 1,073 |
| Outside services | 6,298 | 3,885 | 10,183 | 11,036 |
| ANEEL inspection fee | 1,048 | - | 1,048 | 1,118 |
| Power purchased for resale and system use charges | (14,444) | - | (14,444) | 5,947 |
| Grid usage charges | 20,634 | - | 20,634 | 20,832 |
| Compensation for the use water resources | 16,580 | - | 16,580 | 16,352 |
| Depreciation and amortization | 53,891 | 481 | 54,372 | 55,639 |
| Provision/(write off) for tax, labor and environmental contingencies | 158 | 102 | 260 | 1,921 |
| Allowance/(write off) for doubtful debts | - | 385 | 385 | 722 |
| Leases and rents | - | 940 | 940 | 871 |
| Insurance | 1,107 | - | 1,107 | 945 |
| Other | 228 | 1,699 | 1,927 | 2,878 |
| | 97,321 | 15,796 | 113,117 | 135,916 |

| Operating expenses/(income) | 01/01/2013 to 09/30/2013 | | | 01/01/2012 to 09/30/2012 |
|--|--------------------------|-------------------------------------|----------------|--------------------------|
| | Cost of power sold | General and administrative expenses | Total | Total |
| Personnel | 28,294 | 23,872 | 52,166 | 47,026 |
| Supplies | 3,100 | 127 | 3,227 | 2,786 |
| Outside services | 16,411 | 11,736 | 28,147 | 29,889 |
| ANEEL inspection fee | 3,143 | - | 3,143 | 3,356 |
| Power purchased for resale and system use charges | 16,969 | - | 16,969 | 14,146 |
| Grid usage charges | 57,413 | - | 57,413 | 61,907 |
| Compensation for the use water resources | 43,809 | - | 43,809 | 44,452 |
| Depreciation and amortization | 161,706 | 1,471 | 163,177 | 167,199 |
| Provision/(write off) for tax, labor and environmental contingencies | 2,254 | 1,265 | 3,519 | 1,857 |
| Write off for doubtful debts | - | (2,004) | (2,004) | (3,888) |
| Leases and rents | (3) | 2,718 | 2,715 | 2,615 |
| Insurance | 3,297 | - | 3,297 | 2,778 |
| Other | 773 | 4,723 | 5,496 | 6,765 |
| | 337,166 | 43,908 | 381,074 | 380,888 |

23. ELECTRIC POWER SOLD AND PURCHASED AND GRID USAGE CHARGES

23.1. Electric power sold

| Supply | 07/01/2013 to 09/30/2013 | | 07/01/2012 to 09/30/2012 | |
|---------------------|--------------------------|----------------|--------------------------|----------------|
| | MWh (*) | R\$ | MWh (*) | R\$ |
| Bilateral contracts | 1,572,832 | 245,248 | 1,273,732 | 186,211 |
| Auction contracts | 572,521 | 64,549 | 996,424 | 97,381 |
| Spot market | 126,085 | 26,023 | 87,244 | 7,008 |
| MRE | 891,472 | 8,812 | 933,336 | 8,912 |
| | 3,162,910 | 344,632 | 3,290,736 | 299,512 |

| Supply | 01/01/2013 to 09/30/2013 | | 07/01/2012 to 09/30/2012 | |
|---------------------|--------------------------|----------------|--------------------------|----------------|
| | MWh (*) | R\$ | MWh (*) | R\$ |
| Bilateral contracts | 4,690,650 | 717,041 | 3,720,644 | 539,367 |
| Auction contracts | 1,714,427 | 189,714 | 2,996,021 | 287,988 |
| Spot market | 167,939 | 37,774 | 868,492 | 79,782 |
| MRE | 1,925,632 | 18,957 | 1,339,727 | 12,787 |
| | 8,498,648 | 963,486 | 8,924,884 | 919,924 |

(*) 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, 2013.

| | MW (*) | | |
|---|------------|------------|------------|
| | 2013 | 2014 | 2015 |
| Power available for sale | 1,009 | 1,004 | 1,004 |
| ACR | 264 | 211 | - |
| 2005 (8 years) | - | - | - |
| 2006 (8 years) | 53 | - | - |
| 2007 (8 years) | 211 | 211 | - |
| ACL | 710 | 695 | 850 |
| Bilateral Contracts with free consumers | 710 | 695 | 850 |
| Subtotal | 974 | 906 | 850 |
| Deregulated Power Supply | 35 | 98 | 154 |
| Percentage power contracted | 96.5% | 90.2% | 84.7% |

(*) Not reviewed by independent auditors.

23.2. Power purchased for resale

| | 07/01/2013 to 09/30/2013 | | 07/01/2012 to 09/30/2012 | |
|-------------------------------|--------------------------|-----------------|--------------------------|--------------|
| | MWh (*) | R\$ | MWh (*) | R\$ |
| Purchased power - bilateral | - | - | 44,160 | 4,022 |
| Purchased power - spot market | 7,570 | (6,210) | 10,317 | 1,925 |
| System services charge (ESS) | - | (8,234) | - | - |
| | 7,570 | (14,444) | 54,477 | 5,947 |

| | 01/01/2013 to 09/30/2013 | | 01/01/2012 to 09/30/2012 | |
|-------------------------------|--------------------------|---------------|--------------------------|---------------|
| | MWh (*) | R\$ | MWh (*) | R\$ |
| Purchased power - bilateral | - | - | 131,540 | 11,979 |
| Purchased power - spot market | 95,220 | 15,264 | 10,317 | 2,131 |
| Purchased power – MRE | - | - | 3,137 | 36 |
| System services charge (ESS) | - | 1,705 | - | - |
| | 95,220 | 16,969 | 144,994 | 14,146 |

(*) Not reviewed by independent auditors.

In the third quarter of 2013 the provision for the purchase of energy in the short-term market amounting to (R\$ 8,060) was written-off, and was offset by the appropriation of purchase of energy in the short-term market in the amount of R\$ 1,076 and the appropriation of remeasurement from previous periods amounting to R\$ 774.

In March 6, 2013, CNPE resolution number 3 introduced a new criteria for apportionment of costs of the thermal plants dispatch. These costs were apportioned to consumers, distributors, generators and traders. However, in May 2013, the Brazilian Association of Independent Power Producers (APINE), which is associated with the Company, obtained an injunction to invalidate the effect of Articles 2 and 3 of that resolution suspending the effect of charging the ESS. In accordance with this injunction, CCEE made the financial settlements, from April to September 2013, using the above criteria, without the effect of the ESS. Based on the opinion of APINE's legal counsel, the injunction suspends payment and therefore the accrued amount of R \$ 8,234 was reversed in the third quarter.

In 2013 the company recognized R\$1,705 (without an equivalent amount for the prior period) related to the collection of the system services charge - ESS, under a supplementary ruling applicable to thermal power plants for power supply reasons. These amounts do not present a corresponding power volume and are used exclusively to reimburse the thermal power companies for the costs incurred on maintaining the reliability and stability of the national interconnected system.

The changes in the Power purchased for resale balance arise from the normal changes in the current quarter, and the complete information thereon is disclosed in note 23.2 to the 2012 annual financial statements.

23.3. Grid usage charges

| | 07/01/2013 to 09/30/2013 | 01/01/2013 to 09/30/2013 | 07/01/2012 to 09/30/2012 | 01/01/2012 to 09/30/2012 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TUST | 18,474 | 50,554 | 17,525 | 51,940 |
| TUSD-G | 2,107 | 6,717 | 3,271 | 9,859 |
| Connection charges | 53 | 142 | 36 | 108 |
| | 20,634 | 57,413 | 20,832 | 61,907 |

See additional comments in note 23.3 to the 2012 annual financial statements.

24. FINANCE INCOME (COSTS)

| | 07/01/2013 to 09/30/2013 | 01/01/2013 to 09/30/2013 | 07/01/2012 to 09/30/2012 | 01/01/2012 to 09/30/2012 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Income | | | | |
| Short-term investments | 9,964 | 18,469 | 7,204 | 26,313 |
| Pension plan income (see note 16) | - | - | 1,731 | 5,193 |
| Inflation adjustments | | | | |
| Escrow deposits – TUSD-g | 692 | 1,844 | 866 | 2,213 |
| Escrow deposits – other | 253 | 686 | 210 | 711 |
| Other | - | - | - | - |
| Interest on RTE | - | - | - | 261 |
| Interest and discounts obtained | 953 | 1,520 | 133 | 1,184 |
| | 11,862 | 22,519 | 10,144 | 35,875 |
| Costs | | | | |
| Costs on pension plan (see note 16) | (731) | (2,184) | - | - |
| Interest on debentures | (24,888) | (68,035) | (23,047) | (70,380) |
| Losses on inflation adjustments | (9,994) | (26,426) | (23,373) | (45,005) |
| Debentures | (8,411) | (22,557) | (21,585) | (39,716) |
| TUSD-G | (1,137) | (2,737) | (943) | 3,137 |
| Provisions for tax, labor and environmental contingencies | (89) | (287) | (268) | (697) |
| Other | (357) | (845) | (577) | (1,455) |
| Finance costs CCEE | (410) | (436) | - | - |
| Other fees | (1,181) | (1,181) | - | - |
| Other finance costs | (272) | (867) | (184) | (852) |
| | (37,476) | (99,129) | (46,604) | (116,237) |
| | (25,614) | (76,610) | (36,460) | (80,362) |

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:

| | <u>07/01/2013 to 09/30/2013</u> | <u>01/01/2013 to 09/30/2013</u> | <u>07/01/2012 to 09/30/2012</u> | <u>01/01/2012 to 09/30/2012</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Numerator | | | | |
| Profit for the period attributable to the Company shareholders | | | | |
| Profit attributable to preferred shareholders | 77,079 | 184,488 | 43,312 | 164,395 |
| Profit attributable to common shareholders | 38,539 | 92,244 | 21,656 | 82,197 |
| | 115,618 | 276,732 | 64,968 | 246,592 |
| Denominator | | | | |
| Weighted average number of preferred shares | 62,955 | 62,955 | 62,955 | 62,955 |
| Weighted average number of common shares | 31,478 | 31,478 | 31,478 | 31,478 |
| | 94,433 | 94,433 | 94,433 | 94,433 |
| Basic and diluted earnings per share | | | | |
| Preferred share | 1,22433 | 2,93044 | 0,68797 | 2,61128 |
| Common share | 1,22433 | 2,93044 | 0,68797 | 2,61128 |

26. FINANCIAL INSTRUMENTS

The Company hereby declares that the information on financial instruments disclosed in the 2012 annual financial statements are applicable to this interim financial information, as presented in note 26 thereto.

Financial instruments in the balance sheet:

a) Cash and cash equivalents (see note 6)

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).

| | <u>09/30/2013</u> | | <u>12/31/2012</u> | |
|------------|------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying amount</u> | <u>Fair value</u> | <u>Carrying amount</u> | <u>Fair value</u> |
| Debentures | 1,073,937 | 1,268,074 | 950,163 | 1,049,724 |

The Company did not carry out derivative transactions during 2013 and 2012, 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 thousand reais | |
|--------------------------------------|----------------------------|------------|
| | 09/30/2013 | 12/31/2012 |
| Property damages and loss of profits | 983,062 | 914,200 |
| Civil liability (concessionaire) | 10,168 | 9,142 |

28. SUBSEQUENT EVENT

28.1. Dividends

The Extraordinary Shareholders' Meeting held on October 14, 2013 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 2013, in the overall amount of R\$186,314, to be fully deducted from profit for the year, and allocated to preferred shares or common shares at the ratio of R\$1.972965087 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, 2013, 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 2014 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

Bernardo Almeida Brito Garcia
Alternate Member