Rio Paranapanema Energia S.A. and Controlled Company

Individual and Consolidated Interim Accounting Information

For the Three and Nine-Month Periods Ended
September 30, 2018 and
Report on the Review of Quarterly
Information

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Summary

Report on review of quarterly information

To the Board of Directors and Stockholders
Rio Paranapanema Energia S.A.

Introduction

We have reviewed the accompanying parent company and consolidated interim accounting information of Rio Paranapanema Energia S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2018, comprising the balance sheet at that date and the statements of income and comprehensive income for the quarter and nine-month periods then ended, and the statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

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

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim 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 Brazilian and International 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 information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim accounting information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information, and presented in accordance with the standards issued by the CVM.

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Other matters

Statements of value added

We have also reviewed the parent company and consolidated statements of value added for the nine-month period ended September 30, 2018. These statements are the responsibility of the Company's management, and are required to be presented in accordance with standards issued by the CVM applicable to the preparation of Quarterly Information (ITR) and are considered supplementary information under IFRS, which do not require the presentation of the statement of value added. These statements have been submitted 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 have not been prepared, in all material respects, in a manner consistent with the parent company and consolidated interim accounting information taken as a whole.

São Paulo, November 12, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Valdir Renato Coscodai
Contador CRC 1SP165875/O-6

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COMMENTS ON THE ECONOMIC AND FINANCIAL PERFORMANCE
PERIODS FROM JULY 1 TO SEPTEMBER 30, 2017 AND 2018
(In thousands of Brazilian Reais, except when designated otherwise)

Main indicators (in thousands of Brazilian Reais)

	Consolidated		% Variation
	3Q2018	3Q2017	
Economic indicators			
Gross operating revenue	389,060	382,966	1.6
(-) Deductions from the operating revenue	(33,310)	(44,743)	25.6
Net operating revenue	355,750	338,223	5.2
(-) Operating expenses	(317,939)	(357,610)	11.1
Service result	37,811	(19,387)	295.0
EBITDA	89,337	36,932	141.9
EBITDA margin - %	*25.1%*	*10.9%*	14,2 pp
Financial income	(47,895)	(13,046)	-267.1
Operating income	(10,084)	(32,433)	68.9
Net loss of the period	(7,122)	(21,793)	67.3
Net margin - %	*-2.0%*	*-6.4%*	4,4 pp
Actions			
Outstanding shares (in thousands of shares)	94,433	94,433	-
Net loss per batch of one thousand shares (in Brazilian Reais)	(75.42)	(230.77)	67.3

Of the consolidated amounts presented above, the Controlled Company represented 2.3% of the net operating revenue, or BRL 8.3 million (2.5% or BRL 8.5 million in the third quarter of 2017), 2.8% of the operating expenses, or BRL 9 million (3% or BRL 10.9 million in the second quarter of 2017) and 7,3% of the net loss recorded in the quarter, representing BRL 0.5 million (7.6% or BRL 1.6 million of the loss recorded for the third quarter of 2017).

The increase in the consolidated income was mainly due to the recognition of the effects of the agreement signed through Aneel Order No. 1.146/2018 (see note 1.5) and also the seasonality strategy of the physical guarantee implemented by the Company for the period, which aimed to mitigate the hydrological effects of the generation scaling factor (GSF) during the year.

	Consolidated		% Variation
	09/30/2018	09/30/2017	
Financial indicators			
Total assets	4,640,851	4,410,825	5.2
Debts in national currency	(1,496,219)	(1,462,294)	-2.3
Shareholders' equity	(1,821,542)	(1,981,628)	-8.1

Cost of electric power services and operating expenses (in thousands of Brazilian Reais)

	Consolidated		% Variation
	3Q2018	3Q2017	
Electricity purchased for resale	(174,333)	(211,381)	17.5
Depreciation and amortization	(51,526)	(56,319)	8.5
Charges for the use of the electric power grid	(31,773)	(30,512)	-4.1
Personnel	(18,826)	(21,377)	11.9
Financial offsetting of the use of water resources	(16,465)	(17,714)	7.1
Third-party services	(11,384)	(13,185)	13.7
Reversal do provision for tax, labor, civil and environmental risks	(5,460)	-	-100.0
Insurance	(2,769)	(2,910)	4.8
Electric power service inspection fee (TFSEE)	(1,407)	(1,403)	-0.3
Material	(1,246)	(1,401)	11.1
Rentals	(660)	(2,121)	68.9
Reversal of bad debt estimate	-00	2,264	-100.0
Others	(2,090)	(1,551)	-34.8
	(317,939)	(357,610)	11.1

The operating expenses amounted to BRL 318 million in the third quarter of 2018, a decrease of 11.1% compared to the same period of the previous year (BRL 357.6 million).

The main factors that affected the operating expenses were:

- Electric power purchased for resale: a decrease of BRL 37 million, or 17.5% compared to the same period of the previous year, due to the seasonality strategy of the physical guarantee implemented by the Company to mitigate the hydrological effects of the GSF;

- Personnel: a reduction of BRL 2.5 million or 11.9% in relation to the same period of the previous year, due to the Company's organizational restructuring;

- Third-party services: a decrease of BRL 1.8 million or 13.7% in comparison to the same period of the previous year, due to maintenance and conservation of the Capivara Plant in the third quarter of 2018;

- Power-grid charges: an increase of BRL 1.2 million or 4.1% compared to the same period of the previous year, due to adjustments on these charges;

- Provision for tax, labor and environmental risks: amount of BRL 5.4 million resulting from the progress of labor proceedings accompanied by external legal counsel whose rating has changed from possible to probable and the remeasurement of the amount involved.

EBITDA and EBITDA margin (in thousands of Brazilian Reais)

	Consolidated		% Variation
	3Q2018	3Q2017	
Net loss of the period	(7,122)	(21,793)	67.3%
Income tax and social contribution	(2,962)	(10,640)	72.2%
Finance income (net)	47,895	13,046	267.1%
Depreciation and amortization	51,526	56,319	-8.5%
EBITDA	**89,337**	**36,932**	**141.9%**
EBTIDA Margin	*25.1%*	*10.9%*	14,2p.p

EBITDA (Lajida – income before interest, income tax including social contribution on net income, depreciation and amortization) is calculated based on the net income added to the net finance income, income tax and social contribution, depreciation and amortization. EBITDA is a non-accounting measurement calculated based on the provision in CVM Instruction No. 527/2012. EBITDA should not be considered as an alternative to the cash flow as a liquidity indicator.

The Company's Management believes that EBITDA provides a useful measure of its performance, because it is widely used by investors and analysts to evaluate performance and compare companies.

EBITDA presented an increase of BRL 52.4 million or 141.9% compared to the same period of the previous year, mainly due to a reduction of BRL 39.6 million in operating costs and expenses and an increase of BRL 17.5 million in net revenue. The EBITDA margin assessed in the third quarter of 2018, 25.1%, represents an increase of 14.2% across the periods in question.

Finance income (in thousands of Brazilian Reais)

	Consolidated		% Variation
	3Q2018	3Q2017	
Revenue	19,092	19,078	0.1
Expenses	(66,987)	(32,124)	-108.5
Net finance income	**(47,895)**	**(13,046)**	**-267.1**

The net finance income in the third quarter of 2018 was an expense of BRL 47.9 million, which represents an increase of 267.1% compared to the same period of the previous year.

This variance is basically due to an increase in the basis for adjusting the GSF injunction (BRL 544 million on 09/30/2018 and BRL 318 million on 09/30/2017), in addition to variance of the General Market Price Index (inflation of 2.73% in the third quarter of 2018, compared to a deflation of -0.15% in the third quarter of 2017).

Debentures (in thousands of Brazilian Reais)

Issuance	Series	Compensation	Maturity	Consolidated	
				09/30/2018	09/30/2017
Fourth	1	Variation CDI + 0.65% p.y.	01/07/2016	-	84,903
Fourth	2	Variation IPCA + 6.07 % p.y.	07/16/2023	343,929	330,536
Fifth	1	Variation CDI + 0.89% p.y.	05/20/2019	81,502	164,673
Fifth	2	Variation IPCA + 7.01% p.y.	05/20/2021	316,130	303,473
Sixty	Single	Variation CDI + 2.00% p.y.	09/10/2018	-	160,265
Seventh	1	Variation CDI + 0.40% p.y.	08/15/2020	220,597	219,286
Seventh	2	Variation IPCA + 5.90% p.y.	08/15/2022	208,361	199,158
Eighth	1	Variation 106.75% of CDI p.y.	03/15/2023	159,261	-
Eighth	2	Variation IPCA + 5.50% per year	03/15/2025	166,439	-
				1,496,219	**1,462,294**

The balance of debentures in the third quarter of 2018 amounted to BRL 1,496.2 million, 2.32% higher compared to BRL 1,462.2 million in the same period of the prior year.

This increase was mainly due to the funding from the eighth issue of debentures (in April 2018) together with the appropriation of interest and monetary variance, offset by the amortization of the fifth issue (series 1) and the payment of interest on the fourth (series 2), fifth (series 1 and 2), and seventh (series 1 and 2) issues, as well as the discharge of the fourth issue (series 1) and sixth issue (single series).

Also in 2018, the interest rate related to the fifth issue (series 1) will be amortized.

Net financial debt (in thousands of Brazilian Reais)

	Consolidated		% Variation
	09/30/2018	09/30/2017	
Debentures	1,496,219	1,462,294	-2.3
Short term	202,324	342,436	40.9
Long term	1,293,895	1,119,858	-15.5
Cash and cash equivalents	(969,271)	(983,117)	-1.4
Net debt	**526,948**	**479,177**	**-10.0**

The net debt is made up of the indebtedness, less cash proceeds and cash equivalents.

The net debt balance compared to the same period of 2017 increased by 10%, mainly as a result of the funding from the eighth issue of debentures in April 2018. The decrease of the balances of cash and cash equivalents in the compared period was due to the suspension of the injunction granted to the Brazilian Association of Electric Energy Trading Agents (ABRACEEL). This suspension benefitted the company by allowing it to the priority of receiving the settlement of energy by the Chamber of Generation and Sale of Electric Power (CCEE).

The amount is still reserved in the Company's cash for the possible payment of the injunction on the GSF.

Net loss of the period

As a result of the abovementioned items, in the third quarter of 2018 the Company recorded a net loss of BRL 7.1 million, compared to a loss of BRL 21.8 million in the same period of the previous year.

The Controlling Company recorded as an equity result BRL 0.5 million (loss of BRL 1.7 million compared to the result for the same period in 2017), as a result of the Controlled Company’s assessment.

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BALANCE SHEETS AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(In thousands of Brazilian Reais)

ASSETS	Note	Controlling Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Current					
Cash and cash equivalents	6	877,673	899,463	969,271	976,841
Trade receivables	7	183,107	146,912	186,418	149,874
Recoverable taxes	8	16,237	14,270	17,761	16,460
Services in progress		10,150	10,054	10,150	10,054
Prepaid expenses		8,431	7,075	8,619	7,173
Sundry debtors		1,400	1,552	1,797	1,927
Related parties	14.1	600	700	600	700
Other assets		102	115	103	115
Total current assets		**1,097,700**	**1,080,141**	**1,194,719**	**1,163,144**
Non-current					
Long-term receivables					
Trade receivables	7	11,467	-	11,467	-
Recoverable taxes	8	819	960	2,177	2,286
Deferred taxes	8	336,107	114,677	336,107	114,677
Legal deposits	9	52,917	51,019	52,965	51,019
Restricted funds		467	324	467	324
Prepaid expenses		2,617	2,814	2,617	2,814
Total long-term receivables		**404,394**	**169,794**	**405,800**	**171,120**
Investments		239,388	235,397	2	2
Controlled companies	10	239,386	235,395	-	-
Others		2	2	2	2
Property, plant and equipment	11	2,845,490	2,970,417	3,009,638	3,140,463
Intangible assets	12	28,501	31,687	30,740	34,965
Total non-current assets		**3,517,773**	**3,407,295**	**3,446,180**	**3,346,550**
Total assets		**4,615,473**	**4,487,436**	**4,640,899**	**4,509,694**

The Management notes are an integral part of the financial statements.

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BALANCE SHEETS AS AT SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(In thousands of Brazilian Reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Controlling Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	12/31/2017
Current					
Trade payables	13	886,953	659,902	909,748	676,915
Salaries and welfare charges		8,902	13,275	9,049	13,529
Debentures	15	202,324	360,173	202,324	360,173
Taxes payable	8	248,753	309,392	249,641	310,254
Dividends and interest on equity	21.4.2	1,546	189,012	1,546	189,012
Estimated obligations		9,758	7,242	9,985	7,408
CIBACAP	16	890	890	890	890
Regulatory charges	20	25,486	24,604	25,493	24,611
Deferred revenue		1,381	5,565	1,420	5,694
Other liabilities		590	480	1,563	3,329
Total current liabilities		**1,386,583**	**1,570,535**	**1,411,659**	**1,591,815**
Non-current					
Debentures	15	1,293,895	1,127,521	1,293,895	1,127,521
Deferred revenue		24,410	19,831	24,760	20,323
Special obligations	19	1,049	1,385	1,049	1,385
Provision for tax, labor, civil and environmental risks	18	41,092	33,606	41,092	34,092
CIBACAP	16	10,731	9,881	10,731	9,881
Tariff for the Use of Distribution System (TUSD-G)	13	19,740	17,568	19,740	17,568
Regulatory charges	20	10,959	7,713	10,959	7,713
Others regulatory obligations (RGR - 1970)		4,692	4,947	4,692	4,947
Other liabilities		780	780	780	780
Total non-current liabilities		**1,407,348**	**1,223,232**	**1,407,698**	**1,224,210**
Total liabilities		**2,793,931**	**2,793,767**	**2,819,357**	**2,816,025**
Shareholders' equity					
Capital	21.1	839,138	839,138	839,138	839,138
Capital reserves	21.2	116,804	116,804	116,804	116,804
Earnings reserve	21.3	157,637	157,022	157,637	157,022
Retained earnings	21.4	172,282	-	172,282	-
Valuation adjustments to equity		668,126	713,150	668,126	713,150
Other comprehensive income		(132,445)	(132,445)	(132,445)	(132,445)
Total shareholders' equity		**1,821,542**	**1,693,669**	**1,821,542**	**1,693,669**
Total liabilities and shareholders' equity		**4,615,473**	**4,487,436**	**4,640,899**	**4,509,694**

The Management notes are an integral part of the financial statements.

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STATEMENTS OF INCOME - HOLDING COMPANY
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais, except when designated otherwise)

	Note	Controlling Company			
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Net operating revenue	22	**347,401**	**955,498**	**329,737**	**1,083,214**
Cost of electric power service					
Personnel		(12,227)	(35,256)	(12,997)	(39,023)
Material		(1,102)	(3,648)	(1,193)	(3,389)
Third-party services		(6,815)	(19,091)	(7,844)	(16,244)
Electric power service inspection fee (TFSEE)		(1,386)	(4,157)	(1,383)	(4,148)
Electricity purchased for resale	23.2	(169,387)	(230,696)	(205,332)	(277,970)
Charges for the use of the electric power grid	23.3	(31,620)	(92,698)	(30,392)	(88,537)
Financial offsetting of the use of water resources		(16,465)	(47,597)	(17,714)	(49,270)
Depreciation and amortization	11.2 and 12.2	(48,158)	(150,621)	(53,103)	(159,114)
(Constitution)/reversal of provision for tax, labor, civil and environmental risks		(3,900)	(4,064)	-	154
Rentals		(42)	(50)	(2)	(4)
Insurance		(2,722)	(8,174)	(2,852)	(8,260)
Others		(206)	(779)	(187)	(805)
		(294,030)	**(596,831)**	**(332,999)**	**(646,610)**
Gross profit		**53,371**	**358,667**	**(3,262)**	**436,604**
(Expenses)/operating revenue					
Personnel		(6,077)	(16,703)	(7,801)	(33,242)
Material		(21)	(112)	(111)	(484)
Third-party services		(3,606)	(11,029)	(4,182)	(12,124)
Depreciation and amortization	11.2 and 12.2	(662)	(2,333)	(517)	(1,435)
Constitution of Provision for tax, labor and environmental risks		(2,096)	(2,187)	-	(107)
Reversal of bad debt estimate	7.3	-	-	2,264	2,673
Rentals		(575)	(1,711)	(2,039)	(3,750)
Others		(1,871)	(2,421)	(1,350)	(14,791)
		(14,908)	**(36,496)**	**(13,736)**	**(63,260)**
Income from equity interest					
Equity equivalence	10	(516)	3,991	(1,654)	4,992
Operating income		**37,947**	**326,162**	**(18,652)**	**378,336**
Financial income	24				
Revenue		17,667	50,393	17,504	66,789
Expenses		(66,453)	(186,536)	(32,089)	(121,959)
		(48,786)	**(136,143)**	**(14,585)**	**(55,170)**
(Loss) / income before income tax and social contribution		**(10,839)**	**190,019**	**(33,237)**	**323,166**
Income tax and social contribution	25				
Current		(165,997)	(284,507)	(88,049)	(252,241)
Deferred		169,714	221,746	99,493	144,553
		3,717	**(62,761)**	**11,444**	**(107,688)**
(Loss) / net income of the period		**(7,122)**	**127,258**	**(21,793)**	**215,478**
(Loss) / income per share from continuing operations (in BRL per share)					
(Loss) / basic and diluted earnings per preferred share (PN)	26	(0.07542)	1.34760	(0.23077)	2.28181
(Loss) / basic and diluted earnings per common share (ON)	26	(0.07542)	1.34760	(0.23077)	2.28181

The Management notes are an integral part of the financial statements.

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STATEMENTS OF INCOME - CONSOLIDATED
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais, except when designated otherwise)

	Note	Consolidated			
		07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Net operating revenue	22	**355,750**	**980,354**	**338,223**	**1,107,922**
Cost of electric power service					
Personnel		(12,749)	(36,830)	(13,576)	(40,620)
Material		(1,225)	(4,056)	(1,290)	(3,826)
Third-party services		(7,622)	(21,899)	(8,872)	(19,307)
Electric power service inspection fee (TFSEE)		(1,407)	(4,219)	(1,403)	(4,210)
Electricity purchased for resale	23.2	(174,333)	(238,613)	(211,381)	(285,570)
Charges for the use of the electric power grid	23.3	(31,773)	(93,161)	(30,512)	(88,899)
Financial offsetting of the use of water resources		(16,465)	(47,597)	(17,714)	(49,270)
Depreciation and amortization	11.2 and 12.2	(50,854)	(158,736)	(55,793)	(166,945)
(Constitution)/reversal of provision for tax, labor, civil and environmental risks		(3,546)	(3,527)	-	154
Rentals		(42)	(184)	(8)	(15)
Insurance		(2,769)	(8,299)	(2,910)	(8,486)
Others		(210)	(949)	(188)	(852)
		(302,995)	**(618,070)**	**(343,647)**	**(667,846)**
Gross profit		**52,755**	**362,284**	**(5,424)**	**440,076**
(Expenses)/operating revenue					
Personnel		(6,077)	(16,703)	(7,801)	(33,242)
Material		(21)	(112)	(111)	(519)
Third-party services		(3,762)	(11,029)	(4,313)	(12,546)
Depreciation and amortization	11.2 and 12.2	(672)	(2,333)	(526)	(1,463)
Constitution of Provision for tax, labor and environmental risks		(1,914)	(2,187)	-	(107)
Reversal of bad debt estimate	7.3	-	-	2,264	2,673
Rentals		(618)	(1,711)	(2,113)	(3,975)
Others		(1,880)	(2,421)	(1,363)	(14,941)
		(14,944)	**(36,496)**	**(13,963)**	**(64,120)**
Operating income		**37,811**	**325,788**	**(19,387)**	**375,956**
Financial income	24				
Revenue		19,092	54,429	19,078	71,700
Expenses		(66,987)	(188,031)	(32,124)	(122,060)
		(47,895)	**(133,602)**	**(13,046)**	**(50,360)**
(Loss) / income before income tax and social contribution		**(10,084)**	**192,186**	**(32,433)**	**325,596**
Income tax and social contribution	25				
Current		(166,752)	(286,674)	(88,853)	(254,671)
Deferred		169,714	221,746	99,493	144,553
		2,962	**(64,928)**	**10,640**	**(110,118)**
(Loss) / net income of the period		**(7,122)**	**127,258**	**(21,793)**	**215,478**
(Loss) / income per share from continuing operations (in BRL per share)					
(Loss) / basic and diluted earnings per preferred share (PN)	26	(0.07542)	1.34760	(0.23077)	2.28181
(Loss) / basic and diluted earnings per common share (ON)	26	(0.07542)	1.34760	(0.23077)	2.28181

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COMPREHENSIVE INCOME
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais, except when designated otherwise)

	Controlling Company and Consolidated		Controlling Company and Consolidated	
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
(Loss) / Net income of the period	**(7,122)**	**127,258**	**(21,793)**	**215,478**
Actuarial gains on defined benefit pension plan	306	932	499	1,488
Deferred income tax and social contribution on actuarial gains	(104)	(317)	(170)	(506)
	202	**615**	**329**	**982**
Comprehensive Income for the period	**(6,920)**	**127,873**	**(21,464)**	**216,460**

The Management notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais)

	Capital	Reserves		Retained earnings	Valuation adjustments to equity	Other comprehensive income	Shareholder's equity of the Controlling Company and Consolidated
		Capital	Profits				
Balances as at December 31, 2017	**839,138**	**116,804**	**157,022**	**-**	**713,150**	**(132,445)**	**1,693,669**
Comprehensive Income for the period							
Net income of the period	-	-	-	127,258	-	-	127,258
Actuarial gains on defined benefit pension plan	-	-	-	-	-	932	932
Deferred income tax and social contribution on actuarial gains	-	-	-	-	-	(317)	(317)
Reclassifications of net actuarial gains - CPC 33 (R1)	-	-	615	-	-	(615)	-00
	-	**-**	**615**	**127,258**	**-**	**-**	**127,873**
Contributions and distributions to shareholders							
Realization of valuation adjustment to equity	-	-	-	68,218	(68,218)	-	-
Deferred tax on realization of valuation adjustment to equity	-	-	-	(23,194)	23,194	-	-
	-	**-**	**-**	**45,024**	**(45,024)**	**-**	**-**
Balances as at September 30, 2018	**839,138**	**116,804**	**157,637**	**172,282**	**668,126**	**(132,445)**	**1,821,542**

	Capital	Reserves		Retained earnings	Valuation adjustments to equity	Other comprehensive income	Shareholder's equity of the Controlling Company and Consolidated
		Capital	Profits				
Balances as at December 31, 2016	**839,138**	**116,804**	**155,753**	**-**	**792,739**	**(132,446)**	**1,771,988**
Comprehensive Income for the period							
Net income of the period	-	-	-	215,478	-		215,478
Actuarial gains on defined benefit pension plan	-	-	-	-	-	1,488	1,488
Deferred income tax and social contribution on actuarial gains	-	-	-	-	-	(506)	(506)
Reclassifications of net actuarial gains - CPC 33 (R1)	-	-	982	-	-	(982)	-
	-	**-**	**982**	**215,478**	**-**	**-**	**216,460**
Depreciation adjustment of previous fiscal years	-	-	-	-	(6,820)	-	(6,820)
Realization of valuation adjustment to equity	-	-	-	85,636	(85,636)	-	-
Deferred tax on realization of valuation adjustment to equity	-	-	-	(29,116)	29,116	-	-
	-	**-**	**-**	**56,520**	**(63,340)**	**-**	**(6,820)**
Balances as at September 30, 2017	**839,138**	**116,804**	**156,735**	**271,998**	**729,399**	**(132,446)**	**1,981,628**

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STATEMENTS OF CASH FLOWS
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais)

	Controlling Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Cash flow from operating activities				
Profit before income tax and social contribution	190,019	323,166	192,186	325,596
Adjustments to:				
Depreciation and amortization	152,954	160,549	161,069	168,408
(Profit)/losses from write off of property, plant and equipment/intangible assets	(194)	22,244	(194)	22,257
Reversal of bad debt estimate	-	(2,673)	-	(2,673)
Interest on loans - CCB (Bank Credit Notes)	-	10,426	-	10,426
Interest on debentures	79,584	77,767	79,584	77,767
Amortization of transaction costs on debentures	2,142	1,358	2,142	1,358
Monetary variation on debentures	29,754	12,065	29,754	12,065
Constitution/(reversal) of provision for tax, labor, civil and environmental risks	6,251	(47)	5,714	(47)
Monetary variation on provision for tax, labor and environmental risks	1,390	1,265	1,416	1,300
Monetary variation on legal deposits	(3,793)	(3,006)	(3,816)	(3,009)
Monetary variation pertaining to the GSF injunction	63,177	(7,675)	64,624	(7,755)
Monetary variation pertaining to the Cibacap	850	(218)	850	(218)
Equity equivalence	(3,991)	(4,992)	-	-
	328,124	**267,063**	**341,143**	**279,879**
Variations in assets				
Trade receivables	(47,662)	(745)	(48,011)	(1,080)
Sundry debtors	152	(424)	130	(458)
Related parties	100	(349)	100	(349)
Legal deposits	(222)	-	(222)	-
Services in progress	(1,724)	(2,723)	(1,724)	(2,723)
Restricted funds	(143)	(162)	(143)	(162)
Prepaid expenses	(1,159)	(9,503)	(1,249)	(9,664)
Other variations in assets	13	51	12	-
	(50,645)	**(13,855)**	**(51,107)**	**(14,436)**
Variations in liabilities				
Trade payables	168,045	219,171	172,380	227,363
Salaries and welfare charges	(4,373)	(8,765)	(4,480)	(8,839)
Taxes, fees and contributions	(26,051)	(21,982)	(26,864)	(22,754)
Estimated obligations	2,516	2,436	2,577	2,518
Deferred revenue	395	9,263	163	9,159
Constitution of Provision for tax, labor and environmental risks	(37)	(655)	(37)	(655)
Other variations in liabilities	6,542	(6,502)	4,666	(3,155)
	147,037	**192,966**	**148,405**	**203,637**
Cash generated by operations	**614,535**	**769,340**	**630,627**	**794,676**
Interest paid on debentures	(97,464)	(104,893)	(97,464)	(104,893)
Interest paid on loans - CCB (Bank Credit Notes)	-	(59,654)	-	(59,654)
Paid income tax and social contribution	(320,921)	(200,835)	(321,615)	(203,230)
Net cash from operating activities	**196,150**	**403,958**	**211,548**	**426,899**
Cash flow from investment activities				
Income from property, plant and equipment sale	3,428	517	3,428	517
Additions to property, plant and equipment	(28,337)	(57,294)	(29,515)	(58,233)
Additions in intangible assets	(74)	(6,491)	(74)	(10,726)
Net cash used in investment activities	**(24,983)**	**(63,268)**	**(26,161)**	**(68,442)**
Cash flow from financing activities				
Income from debentures issuance	320,000	420,000	320,000	420,000
Transaction costs from debentures issuance	(2,482)	(3,542)	(2,482)	(3,542)
Payment of debentures	(323,009)	(237,984)	(323,009)	(237,984)
Payment of loans	-	(181,000)	-	(181,000)
Dividends and interest on paid equity	(187,466)	(225,377)	(187,466)	(225,377)
Net cash used in financing activities	**(192,957)**	**(227,903)**	**(192,957)**	**(227,903)**
(Reduction) /net increase in cash and cash equivalents	**(21,790)**	**112,787**	**(7,570)**	**130,554**
Cash and cash equivalents at the beginning of the fiscal year	899,463	798,120	976,841	852,563
Cash and cash equivalents at the end of the fiscal year	877,673	910,907	969,271	983,117

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STATEMENTS OF VALUE ADDED
NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(In thousands of Brazilian Reais)

	Controlling Company		Consolidated	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Revenue				
Electric power sales	1,060,365	1,213,774	1,086,159	1,239,432
Revenue related to the construction of own assets	28,337	57,440	29,515	58,378
Reversal of bad debt estimate	-	2,673	-	2,673
	1,088,702	**1,273,887**	**1,115,674**	**1,300,483**
Inputs acquired from third parties				
Electric power purchased and power grid charges	(323,394)	(366,507)	(331,774)	(374,469)
Materials and services from third parties	(62,217)	(89,682)	(66,611)	(94,578)
Other operating costs	(16,947)	(22,723)	(16,623)	(23,035)
	(402,558)	**(478,912)**	**(415,008)**	**(492,082)**
Gross value added	**686,144**	**794,975**	**700,666**	**808,401**
Depreciation and amortization	(152,954)	(160,549)	(161,069)	(168,408)
Net value added produced	**533,190**	**634,426**	**539,597**	**639,993**
Rentals	291	300	291	300
Equity accounting result	3,991	4,992	-	-
Finance revenue	50,393	66,789	54,429	71,700
Value added received through transfers	**54,675**	**72,081**	**54,720**	**72,000**
Total value added to be distributed	**587,865**	**706,507**	**594,317**	**711,993**
Value added distribution				
Personnel				
Direct compensation	26,916	37,710	27,812	38,564
Benefits	7,298	9,254	7,623	9,582
FGTS (Government Severance Indemnity Fund for Employees)	3,544	5,537	3,616	5,608
Provision for gratuities (bonuses)	-	6,263	(24)	6,312
Profit-sharing	4,628	2,932	5,644	2,997
Welfare charges (except for INSS)	2,560	2,660	1,672	2,717
	44,946	**64,356**	**46,343**	**65,780**
Taxes, fees and contributions				
Federal	222,227	284,151	225,653	287,875
State	5,077	16,627	5,078	16,629
Municipal	60	182	60	182
	227,364	**300,960**	**230,791**	**304,686**
Remuneration of third-party capital				
Rentals	1,761	3,754	1,895	3,990
Interest and amortization of costs on debentures	81,723	79,130	81,723	79,130
Interest on loans	-	10,426	-	10,426
Monetary variation on debentures	29,754	12,065	29,754	12,065
Other finance expenses	75,059	20,338	76,553	20,438
	188,297	**125,713**	**189,925**	**126,049**
Others				
Retained earnings	172,282	271,998	172,282	271,998
Realization of deemed cost of property, plant and equipment	(45,024)	(56,520)	(45,024)	(56,520)
	127,258	**215,478**	**127,258**	**215,478**
Value added distributed	**587,865**	**706,507**	**594,317**	**711,993**

The Management notes are an integral part of the financial statements.

MANAGEMENT NOTES
TO THE QUARTERLY INFORMATION - ITR - SEPTEMBER 30, 2018
(In thousands of Brazilian Reais, except when designated otherwise)

1. GENERAL INFORMATION

1.1. Operating context

Rio Paranapanema Energia S.A. (the "Company") is a publicly-held corporation and public utility concessionaire, operating as an independent generator, with its registered office in São Paulo. It 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 2,257.3 MW, consisting of the following generation plants operational in the State of São Paulo: Hydroelectric Power Plant (UHE) Capivara, UHE Chavantes, UHE Jurumirim, UHE Salto Grande, UHE Taquaruçu, UHE Rosana and 49.7% of the Canoas Complex consisting of the UHEs Canoas I and II.

As mentioned in note 10, the Company holds a 99.99% equity interest in Rio Sapucaí-Mirim Energia Ltda. (the Controlled Company or Sapucaí Mirim).

The installed capacity of the Controlled Company is 32.5 MW, consisting of the Small Hydroelectric Plant (PCH) Retiro and PCH Palmeiras, located in the Sapucaí River, in the municipalities of Guará and São Joaquim da Barra, both in the State of São Paulo.

On September 30, 2018, the Company presented negative net working capital in the amount of BRL 288,883 in the Controlling Company, and BRL 216,940 in the Consolidated, mainly due to:

i. Transfer of balance to current liabilities of the fifth issue of debentures, with settlement scheduled for May 2019.

ii. Recognition of monetary adjustment for inflation (IGPM) of the amounts related to injunctions of the Chamber of Generation and Sale of Electric Power (CCEE).

Management has reviewed all of the available information on its cash flow and has concluded that it will have sufficient resources arising from the generation of cash resulting from its operating activities. Management also considers the cash disbursement if the GSF injunction needs to be settled (in the amount of BRL 655,990 in the Controlling Company and BRL 663,904 in the Consolidated).

1.2. Injunction on the GSF

Brazil is still feeling the effects of a severe water crisis in recent years, which has reduced the levels of reservoirs and increased to the maximum the output level of the thermoelectric plants. According to the available meteorological data, the expectation is another long period of water scarcity.

As a consequence, the differences settlement price (PLD) remained at high levels, elevating the exposure of electric power generators in the short-term market (MCP) due to the GSF.

On July 2015, the Brazilian Association of Independent Electric Power Producers (APINE) filed an injunction requesting the removal of all non-hydrological risks from the GSF calculation, namely:

i. Dispatch out of order of merit;

ii. Import of energy; and

iii. Reduction in the loads of distributors.

On April 20, 2018, ANEEL filed a request to suspend the appeal concerning the principal action which was rejected on April 30.

Similarly, on April 27, APINE also filed a request to suspend the rejected appeal. Furthermore, on May 07, the court accepted the request to uphold the decision that ordered ANEEL to refrain from adjusting the energy reallocation mechanisms (MRE) in relation to APINE's associates.

On May 23, ANEEL entered, with the Superior Court of Justice (STJ), a plea in suspension of the injunction to request the extension of the effects of the injunction the Superior Court itself granted to the Brazilian Association for the Generation of Clean Energy (Abragel).

In any event, the result of the lawsuit is still uncertain, since appeal to the higher courts is still possible. Thus, it is not possible to predict the impact on the future operations of the Company and its Controlled Company.

Meanwhile, Bill (PL) No. 10.332/18, which deals with the privatization of Eletrobras' distributors, was amended with a proposal conceived by APINE for the hydro power plants participating in the MRE to treat the non-hydrological risks. This proposal is of primary interest to the Company, regarding the resolution of hydrological risks.

This bill was approved in the House of Representatives on July 10. It was sent on that same date to the Federal Senate, where it received the Bill (PLC) No. 77/2018.

The matter concerning the GSF may have an outcome determined if the amendment on the subject included in Bill No. 10,332/18, which is being read in the Congress and allows the privatization of the Eletrobras distributors, is approved and well received by the Hydroelectric generators, which, in case of adhesion of the terms, will lead them to withdraw the action concerning this subject.

The amendment has proposed an amount to be put aside to cover the proceedings in this action.

The Company records provision for amounts effectively received as a result of the GSF injunction in the line item “trade payables” (see Note 13).

The update on this subject can be verified in the note to subsequent events No. 31.2.

1.3. Injunction on the settlement priority of CCEE

On November 4, 2015, ABRACEEL filed a writ of mandamus against ANEEL and CCEE, seeking to release its associates from being held liable for liens arising from any decisions and lawsuits to which they are not a party.

On November 6, 2015, an injunction was issued in favor of ABRACEEL’s associates, including the Company, and priority settlement to agents not favored by the mechanisms. During the period of effectiveness of the injunction, credits settled in the MCP at the CCEE (after the expiration of the effects of agents that had an injunction addressing the GSF Factor and protection of third parties) were paid to the agents affected by the effects of the injunction obtained by ABRACEEL.

On September 4, 2017, the injunction granted in favor of ABRACEEL was suspended to release the credits and debts of its associates from the effects of injunctions rendered in third-party proceedings. With the suspension of this injunction, the Company ceased to have the benefit of priority in financial settlement, and was able to participate equally with the other agents of the apportionment of the liquidation. Several judicial strategies were used to reestablish the previous effects, all of them unsuccessful to date.

1.4. Review of physical guarantees of hydroelectric power plants

According to Decree No. 2655/1998, an ordinary review of the guarantees of the hydroelectric power plants of the system should occur every five years, starting in 2003. Later, such ordinary review was postponed to 2015, and then to 2016. In December 2016, the review was once again postponed by the MME to 2018.

On May 4, 2017, Administrative Rule No. 178/2017 was published, which defines a new electric power physical guarantee for centrally dispatched hydroelectric power plants, effective from January 1, 2018, as a result of the ordinary physical electric power guarantee review. Thus, from that date, there will be a decrease of approximately 5% of the physical guarantee of the Company in relation to the physical guarantee in effect in December 2017.

On February 2, 2018, the Company filed two actions before the Federal Court of the Federal District before the Federal Government, requesting a preliminary injunction to suspend the application of Administrative Rule No. 178/2017 and to question the parameters of the physical guarantee. In both lawsuits, the injunctions were not granted in the trial court.

The Company appealed in both cases and, on April 6 2018 before the TRF, obtained an injunction to dismiss the applicability of Administrative Rule 178/2017 in relation to the UHEs Chavantes, Capivara, Taquaruçu and Rosana and, on April 25, 2018, the injunction to “suspend the effects of MME Administrative Rule No. 178/2017” in relation to UHEs Canoas I and II plants in “the part that exceeds the percentage of ten percent (10%) of the reduction of the physical guarantee over the base value established for the year 2000 in the First Instrument of Amendment to Concession Agreement No. 183/1998.”

On July 5, 2018, ANEEL Order No. 1.434/2018 was published, which approved new parameters related to the repowering of the Generating Unit No. 1 of the UHE Capivara, resulting in an increase of 2.9 MW in the plant's physical guarantee.

As a result of the extraordinary review, the new total physical guarantee of the UHE Capivara was updated to 327.2 MWm (previously 324.3 MWm), as established in Administrative Rule No. 178/2017.

1.5. ANEEL Order No. 1.146/2018 (FID II)

According to ANEEL Order No. 1.146/2018 – Carrying Values of Unavailability Factor – FID II, one of the agents related to the CCEE proposed an agreement for the discharge of its debt in the amount of BRL 724,808 to the agents of the MCP.

CCEE decided to partially accept the proposed installment payment of the debts of this agent to the participants of the MRE, setting, among the constraints, the presentation of the protocol for withdrawal of proceeding No. 0033266-70.2015.4.01.3400 and correlated actions by August 3, 2018.

Through the Association for the Generation of Clean Energy (Abragel) in July 2018 some of the creditor companies filed an objection against the CCEE’s decision. The objection aimed to complement this condition in order to include the obligation of the agent to request the withdrawal of one more lawsuit, which also deals with FID II. The objection was rejected by CCEE and is currently being analyzed by ANEEL. This matter is further detailed in Note No. 31.1.

In view of its financial incapacity to settle the debt in a single installment, the amount will be settled in up to 36 installments according to the participation of each creditor in the amount owed by the agent.

According to the calculation, the positive effect for the Company arising from this matter in its consolidated results was BRL18,807, whose balance in the accounts receivable is BRL 6,448 in the current asset and BRL 11,377 in the non-current assets, net of the amortization of the first installment in the amount of BRL 982.

1.6. Approval of the financial statements

The issuance of these financial statements was approved by the Company's Board of Directors on November 12, 2018.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis for preparation

Individual and consolidated financial statements

The interim financial statements were prepared according to Technical Pronouncement CPC 21 (R1) – Interim Statements and with international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and presented in a form that is compliant with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR).

Consequently, as described in Circular Letter CVM/SNC/SEP 03/2011, the Company opted to present the notes to this quarterly information in a summarized manner in cases where there is redundancy relative to the information presented in the annual financial statements. In these cases, we have included a reference to the full note to the annual financial statements to avoid any misunderstanding of the financial position and the individual and consolidated performance of the Company and its Controlled Company for the interim period.

The Management of the Company confirms that all relevant information related to the quarterly information, and only this information, is being evidenced, and corresponds to that used by Management.

The Management states that the basis for the preparation and accounting policies is the same as used in the 2017 annual financial statements. The related information is disclosed in Notes 2.1 to 2.23 to the financial statements mentioned.

2.2. Consolidation

Consolidated financial statements

On September 30, 2018, the Company held control over Rio Sapucaí-Mirim Energia Ltda., as described in Note 10. The accounting policies and consolidation criteria have not changed in relation to the content published in the note of the annual financial statements.

2.3. Concession agreements

								Controlling Company
ANEEL Concession Contract	Plant	Type	State	River	Installed Capacity (MW)	Assured Energy (MW average)	Beginning of Concession	Maturity Concession
76/1999	Jurumirim	UHE - Hydropower	SP	Paranapanema	101.0	44.7	09/22/1999	09/21/2029
76/1999	Chavantes	UHE - Hydropower	SP	Paranapanema	414.0	169.1	09/22/1999	09/21/2029
76/1999	Salto Grande	UHE - Hydropower	SP	Paranapanema	73.8	52.3	09/22/1999	09/21/2029
76/1999	Capivara	UHE - Hydropower	SP	Paranapanema	635.0	327.2	09/22/1999	09/21/2029
76/1999	Taquaruçu	UHE - Hydropower	SP	Paranapanema	525.0	195.6	09/22/1999	09/21/2029
76/1999	Rosana	UHE - Hydropower	SP	Paranapanema	354.0	173.9	09/22/1999	09/21/2029
183/1998	Canoas I	UHE - Hydropower	SP	Paranapanema	82.5	54.2	07/30/1998	07/29/2033
183/1998	Canoas II	UHE - Hydropower	SP	Paranapanema	72.0	45.6	07/30/1998	07/29/2033
					2,257.3	**1,062.6**		

As described in Note 1.4, after modernization and repowering, new parameters for Generating Unit No. 1 of UHE Capivara were approved by ANEEL, through Order No. 1.434/2018, issued on July 5, 2018.

The information related to concession agreements is the same as described in Note 2.13.1 to the 2017 annual financial statements.

2.4. Authorizing resolutions

								Controlled company
ANEEL Authorization Resolution	Plant	Type	State	River	Installed Capacity (MW)	Assured Energy (MW average)	Beginning of Authorization	Maturity Authorization
549/2002	Retiro	SPP - Hydropower	SP	Sapucaí	16.0	8.1	10/10/2002	10/09/2032
706/2002	Palmeiras	SPP - Hydropower	SP	Sapucaí	16.5	8.1	12/18/2002	12/17/2032
					32.5	**16.2**		

The information related to authorizing resolutions is the same as that described in Note 2.13.2 to the 2017 annual financial statements.

2.5. Impairment of non-financial assets

The Company declares that the information presented in Note 2.14 of the annual financial statements of 2017 is the same as the information included in this ITR.

3. CRITICAL ESTIMATES AND ACCOUNTING JUDGMENTS

The Company hereby declares that the key estimates and critical accounting judgments described in the 2017 annual financial statements, as presented in Note 3 to those financial statements, are applicable to this ITR.

3.1. New CPC pronouncements

3.1.1 CPC 47/IFRS 15

The Company's management assessed the characteristics indicated by the new standard and concluded that, in view of the existing processes, including the requirements for implementation of the new standards, there should not be a substantial impact on the accounting treatment already made regarding the application of CPC 47.

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Requirements	Previous procedure	Necessary adequacy
i. Approval of the agreement between the parties;	Formalization of negotiation by means of a contract where parties are duly identified and these contracts are signed by the companies' representatives.	None
ii. Identification of all obligations of each party, ensuring its commercial grounds;	The contracts have a standard draft which is aligned with the negotiation between the parties, detailing the obligations assumed.	None
iii. Identification of the values and payment terms for the signe	The value per MWm and the payment form that must be met for the discharge of invoices issued.	None
v. When the inflow of resources is likely to occur as the obligation is fulfilled.	One of the items detailed in the contract is the payment date, the billing date is already anticipated, considering the energy already supplied to the client.	None

3.1.2 CPC 48/IFRS 9

The Company's management assessed the characteristics indicated by the new standard and concluded that, in view of the new classifications/measurements, covering all financial assets and liabilities, there is no substantial impact on the records already made regarding the application of CPC 48/IFRS 9

Financial asset	Rio Paranapanema S.A.	SPPI Test	Impairment effect	Classification CPC 38	Classification CPC 48
Cash and cash equivalents	Amortized cost	Yes	The entities have operations only with first-line institutions with low credit risk, therefore an evaluation of expected substantial loss was not carried out.	Loans and receivables	Amortized cost
Trade receivables	Amortized cost	Yes	The generators sell through the ACR to a group of distributors and the PLD in CP market. They usually have a PMR of approximately 45 days. It was also assessed that there are guarantees provided by distributors, although they are sometimes insufficient to cover the full exposure to the risk of default. The determination of the model of expected losses in generation companies was not relevant, considering the following aspects: (i) functioning of the guarantees provided by distributors/clients and their level of risk coverage; (ii) possibility of justifying that the guarantees provided by the sector/SIN cover the entire risk of non-compliance by the distributors, which, complemented by the fact that there is no history of default, would justify a zero or close to zero risk analysis as appropriate (current sector position).	Loans and receivables	Amortized cost
Trade payables	Amortized cost	N/A	N/A	Other financial liabilities	Other financial liabilities
Dividends and interest on equity	Amortized cost	N/A	N/A	Other financial liabilities	Other financial liabilities
Regulatory charges	Amortized cost	N/A	N/A	Other financial liabilities	Other financial liabilities
Debentures	Amortized cost	N/A	N/A	Other financial liabilities	Other financial liabilities
Loans	Amortized cost	N/A	N/A	Other financial liabilities	Other financial liabilities

4. BUSINESS RISK MANAGEMENT

The information on financial risk factors described in Note 4 to the 2017 annual financial statements, except for the sensitivity analysis and capital management, is applicable to this ITR, as described below:

4.1. Sensitivity analysis

At the consideration of Management, the Company and its Controlled Company, in accordance with item 40 of CPC 40 (R1) - Financial Instruments: Disclosure, disclose the statement of sensitivity analysis for each type of market risk considered arising from financial instruments, including debentures and cash and cash equivalents, to which the Company and its Controlled Company are exposed at the end of the fiscal year.

The sensitivity calculation for the probable scenario was made taking into consideration the variance in the rates and indexes in effect on September 30, 2018, and the assumptions available in the market for the next 12 months (source: Banco Central do Brasil) and also took into consideration four other scenarios, with favorable and unfavorable risk variances of 25% and 50% on interest rates and floating indexes compared to the probable scenario.

The following table shows the impacts on the finance income for the Controlling Company and the Consolidated Company in the five scenarios estimated for the next 12 months:

Debt			Controlling Company					
Debentures	Issuance	Indexer	09/30/2018	Scenario - Δ 50%	Scenario - Δ 25%	Scenario Probable	Scenario + Δ 25%	Scenario + Δ 50%
	Forth S2	IPCA + 6.07% p.y.	(343,929)	(27,721)	(31,143)	(34,565)	(37,987)	(41,409)
	Fifth S1	CDI + 0.89% p.y.	(81,502)	(3,839)	(5,395)	(6,952)	(8,509)	(10,065)
	Fifth S2	IPCA + 7.01% p.y.	(316,130)	(28,452)	(31,597)	(34,743)	(37,888)	(41,034)
	Seventh S1	CDI + 0.40% p.y.	(220,597)	(9,309)	(13,523)	(17,736)	(21,949)	(26,163)
	Seventh S2	IPCA + 5.90% p.y.	(208,361)	(16,440)	(18,513)	(20,586)	(22,659)	(24,732)
	Eight S1	106,75% of CDI p.y.	(159,261)	(6,905)	(9,947)	(12,989)	(16,031)	(19,073)
	Eight S2	IPCA + 5.50% p.y.	(166,439)	(12,466)	(14,122)	(15,778)	(17,434)	(19,091)
			(1,496,219)	**(105,132)**	**(124,240)**	**(143,349)**	**(162,457)**	**(181,567)**
Cash and cash equivalents		CDI	877,673	33,527	50,291	67,054	83,818	100,580
Total net exposure			**(618,546)**	**(71,605)**	**(73,949)**	**(76,295)**	**(78,639)**	**(80,987)**

Debt			Consolidated					
Debentures	Issuance	Index	9/30/2018	Scenario - Δ 50%	Scenario - Δ 25%	Scenario Probable	Scenario + Δ 25%	Scenario + Δ 50%
	Fourth S2	IPCA + 6.07% p.y.	(343,929)	(27,721)	(31,143)	(34,565)	(37,987)	(41,409)
	Fifth S1	CDI + 0.89% p.y.	(81,502)	(3,839)	(5,395)	(6,952)	(8,509)	(10,065)
	Fifth S2	IPCA + 7.01% p.y.	(316,130)	(28,452)	(31,597)	(34,743)	(37,888)	(41,034)
	Seventh S1	CDI + 0.40% p.y.	(220,597)	(9,309)	(13,523)	(17,736)	(21,949)	(26,163)
	Seventh S2	IPCA + 5.90% p.y.	(208,361)	(16,440)	(18,513)	(20,586)	(22,659)	(24,732)
	Eighth S1	106,75% of DI p.y.	(159,261)	(6,905)	(9,947)	(12,989)	(16,031)	(19,073)
	Eighth S2	IPCA + 5.90% p.y.	(166,439)	(12,466)	(14,122)	(15,778)	(17,434)	(19,091)
			(1,496,219)	**(105,132)**	**(124,240)**	**(143,349)**	**(162,457)**	**(181,567)**
Cash and cash equivalents		CDI	969,271	37,026	55,539	74,052	92,565	111,078
Total net exposure			**(526,948)**	**(68,106)**	**(68,701)**	**(69,297)**	**(69,892)**	**(70,489)**
			Indexes variation	Scenario - Δ 50%	Scenario - Δ 25%	Scenario Probable	Scenario + Δ 25%	Scenario + Δ 50%
			IPCA	1.99%	2.99%	3.98%	4.98%	5.97%
			CDI	3.82%	5.73%	7.64%	9.55%	11.46%

4.2. Capital management

	Controlling Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Debentures (see Note No. 15)	1,496,219	1,487,694	1,496,219	1,487,694
Cash and cash equivalents (see Note No. 6)	(877,673)	(899,463)	(969,271)	(976,841)
Net debt	**618,546**	**588,231**	**526,948**	**510,853**
Shareholders' equity	1,821,542	1,693,669	1,821,542	1,693,669
Total capital	**2,440,088**	**2,281,900**	**2,348,490**	**2,204,522**
Financial leverage ratio (%)*	**25.3**	**25.8**	**22.4**	**23.2**

*Net debt / total capital

5. CREDIT QUALITY OF FINANCIAL ASSETS

5.1. Cash and cash equivalents

The credit quality of cash and cash equivalents that are not overdue can be assessed with reference to external credit ratings, as seen in the table below:

		Cash and Cash equivalents			
Standard & Poor's	Moody's	Controlling Company		Consolidated	
		09/30/2018	12/31/2017	09/30/2018	31/12/2017
B	BR-1	875,485	872,724	966,447	938,151
B	-	2,188	26,736	2,824	38,687
*	*	-	3	-	3
		877,673	**899,463**	**969,271**	**976,841**

* The balance of BRL 3 as at December 31, 2017 refers to fixed cash funds, and therefore does not have a risk rating.

5.2. Trade receivables

Transactions relevant to the Company's business in which there is a credit exposure are the electric power sales made in the deregulated contracting framework (ACL), through bilateral agreements. For agreements entered into in the ACL, it is impossible to assess the credit of clients to be served, since any client meeting the call notice for auction will be serviced, regardless of their credit rating.

The history of losses in the Company as a result of difficulties presented by clients in complying with their commitments is irrelevant to the policies and procedures in force.

The credit risk of electric power sale agreements with clients in the ACL is minimized by the prior analysis of the Company's credit area for all its potential clients. This analysis is based on qualitative and quantitative information for each potential client and, based on this analysis, the classification is made following the internal rating assumptions.

The composite internal rating has a rating of 1 to 5, where clients are classified as:

1 - Excellent;
2 - Good;
3 - Satisfactory;
4 - Regular;
5 - Critical.

Based on the aforementioned credit policy and rating classifications, all of the Company's bilateral agreements must deliver a type of guarantee (including: bank deposit certificates (CDB), and bank and corporate guarantees).

Like the credit area analysis, the analysis of the risk/portfolio are is based on the internal rating system. The Company’s client portfolio is diversified in order to reduce specific sector risks and to optimize liquidity.

On September 30, 2018, according to the internal rating, the Company had, in relation to the balances receivable from its bilateral clients, the following proportions of settlement risk:

Internal rating	Controlling Company		Consolidated	
	%	BRL	%	BRL
1 - Excellent	4.3%	4,355	4.2%	4,356
2 - Good	77.5%	78,996	77.5%	81,089
3 - Satisfactory	15.7%	16,046	15.8%	16,563
4 - Regular	2.5%	2,569	2.5%	2,569
5 - Critical	-	-	-	-
	100.00%	**101,967**	**100.00%**	**104,578**

6. CASH AND CASH EQUIVALENTS

	Controlling Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Cash and banks	262	1,578	351	1,597
Financial investments				
Bank Deposit Certificates - CDBs	877,304	897,782	968,626	974,962
Fixed-income fund	107	103	294	282
	877,673	**899,463**	**969,271**	**976,841**

Financial investments correspond to transactions involving bank deposit certificates and fixed-income investment funds, which are carried out with institutions operating in the domestic financial market and contracted under regular market conditions and rates which are highly liquid, pose low credit risk and yield interest based on market practices.

The characteristics of the balances are the same as those described in Note 6 to the 2017 annual financial statements.

7. TRADE RECEIVABLES

7.1. Breakdown of balance

	Controlling Company					
	09/30/2018			12/31/2017		
	Current	Non-current	Total	Current	Non-current	Total
Bilateral agreements	101,967	196	102,163	114,686	196	114,882
Auction agreements	2,913	-	2,913	3,063	-	3,063
MRE/MCP	78,227	11,467	89,694	29,163	-	29,163
	183,107	**11,663**	**194,770**	**146,912**	**196**	**147,108**
Estimate of bad debt	-	(196)	(196)	-	(196)	(196)
	183,107	**11,467**	**194,574**	**146,912**	**-**	**146,912**

	Consolidated					
	09/30/2018			12/31/2017		
	Current	Non-current	Total	Current	Non-current	Total
Bilateral agreements	104,578	324	104,902	117,648	324	117,972
Auction agreements	2,913	-	2,913	3,063	-	3,063
MRE/MCP	78,927	11,467	90,394	29,163	-	29,163
	186,418	**11,791**	**198,209**	**149,874**	**324**	**150,198**
Estimate of bad debt	-	(324)	(324)	-	(324)	(324)
	186,418	**11,467**	**197,885**	**149,874**	**-**	**149,874**

Accounts receivable increased because the Company did not receive settlement of all its energy in the MCP. In large part, this was because of an injunction giving other agents priority. It was partly offset by a small reduction in the average price billed in the contracts in force compared to those that ended in the prior year.

The amount of BRL 11.467 recorded in the item MRE/MCP as non-current derives from ANEEL Order No. 1.146/18, explained in Note 1.5.

7.2. Opening by maturity of trade receivables balances:

	Controlling Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Balances to become overdue	134,010	146,912	136,940	149,874
in up to 90 days	49,108	-	49,488	-
from 91 to 365 days	-	-	-	-
in more than 365	11,652	196	11,781	324
	194,770	**147,108**	**198,209**	**150,198**

The amount reported in the item maturing up to 90 days, refers to transactions with electric power not fully received from companies participating within the scope of the CCEE.

7.3. Activity of estimate for doubtful accounts (ECLD)

	Controlling Company	Consolidated
Balance as at December 31, 2016	**(2,877)**	**(3,005)**
Constitution	(33,119)	(33,136)
Reversal	35,792	35,809
Balance as at September 30, 2017	**(204)**	**(332)**
Reversal	9	9
Balance as at December 31, 2017	**(196)**	**(324)**
Constitution/Reversal	-	-
Balance as at September 30, 2018	**(196)**	**(324)**

All information related is described in Note 7 to the 2017 annual financial statements.

8. RECOVERABLE/PAYABLE TAXES

	Controlling Company				Consolidated			
	30/09/2018		31/12/2017		30/09/2018		31/12/2017	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Assets								
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income)	9,411	819	8,903	819	10,935	819	11,093	819
PIS and COFINS	6,826	-	5,367	141	6,826	-00	5,367	141
INSS (National Institute of Social Security)	-	-	-	-	-	1,358	-	1,326
	16,237	**819**	**14,270**	**960**	**17,761**	**2,177**	**16,460**	**2,286**
Liabilities								
IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income)	238,205	-	282,920	-	238,951	-	283,628	-
PIS and COFINS	9,945	-	13,300	-	10,060	-	13,424	-
ICMS	288	-	2,021	-	288	-	2,021	-
IRRF (Withholding Income Tax) on JSCP (Interest on Equity)	-	-	10,894	-	-00	-	10,894	-
Others	315	-	257	-	341	-	287	-
	248,753	**-**	**309,392**	**-**	**249,640**	**-**	**310,254**	**-**
Deferred tax asset								
Temporary differences	-	(596,886)	-	(396,255)	-	(596,886)	-	(396,255)
Tax benefit	-	(18,980)	-	(21,189)	-	(18,980)	-	(21,189)
Deferred revenue	-	(8,743)	-	(8,610)	-	(8,743)	-	(8,610)
Deferred tax liability								
Valuation adjustment to equity	-	275,957	-	299,151	-	275,957	-	299,151
Actuarial adjustment - pension plan	-	3,687	-	3,370	-	3,687	-	3,370
Surplus - Investments in Controlled Company	-	8,859	-	8,856	-	8,859	-	8,856
Deferred tax asset (net)	**-**	**(336,107)**	**-**	**(114,677)**	**-**	**(336,107)**	**-**	**(114,677)**

The Controlled Company has opted for the deemed profit tax regime.

Complete information thereon is disclosed in Notes 8 and 8.1 to the 2017 annual financial statements.

8.1. Tax benefit – Merged goodwill

The Company recognized a provision to maintain the integrity of equity, the reversal of which will neutralize the effects arising from the amortization of goodwill on the balance sheet. The composition of the balance is as follows:

	Controlling Company and Consolidated			
	09/30/2018			12/31/2017
	Goodwill	Provision	Net Amount	Net Amount
Balances from incorporation (refer to Note No. 21.2)	305,406	(201,568)	103,838	103,838
Realization	(249,571)	164,713	(84,858)	(82,649)
Balances at the end of the fiscal year	**55,835**	**(36,855)**	**18,980**	**21,189**

Net amount corresponding to the tax benefit - income tax and social contribution:

	Controlling Company and Consolidated	
	09/30/2018	09/30/2017
Amortization of goodwill	(6,499)	(7,277)
Provision reversal	4,289	4,803
Tax benefit	2,209	2,474
Net effect of the period	**-**	**-**

Realization of the tax benefit related to the merged goodwill of Duke Sudeste:

	2018	2019	2020	2021	2022 - 2025	2026 onwards	Total
Estimated realization	737	2,630	2,348	2,097	6,367	4,801	**18,980**

Variances in the balance of tax benefits - merged goodwill arise from the ordinary activity in the current period, and complete information thereon is disclosed in Note 8.2 to the annual financial statements for 2017.

9. LEGAL DEPOSITS

	Controlling Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Environmental	6,488	6,283	6,488	6,283
Labor	-	-	48	-
Tax:	11,299	10,715	11,299	10,715
Urban Real Estate Tax (IPTU) (Municipality of Primeiro de Maio)	1,644	1,570	1,644	1,570
IRRF, IRPJ and CSLL	144	138	144	138
PIS and COFINS, IRPJ , CSLL, Tax on Financial Transactions (IOF) and Tax on Services (ISS)	9,511	9,007	9,511	9,007
TUSD-G	35,130	34,021	35,130	34,021
	52,917	**51,019**	**52,965**	**51,019**

This line item only includes the legal deposits made for appeals or not related to provision for probable risks, described in Note 18, and all of these are adjusted for inflation.

The characteristics of the balances are the same as those described in Note 9 to the 2017 annual financial statements.

10. INVESTMENT

10.1. Controlled Company – Equity value

Controlled Company	Number of Quotas	Direct Interest (%)	Equity Value	
			09/30/2018	12/31/2017
Rio Sapucaí-Mirim Energia Ltda.	398,617,358	99.99%	239,386	235,395

10.2. Activities related to the Controlled Company’s investments

	Controlled company
Balance as at December 31, 2016	**215,216**
Equity equivalence	4,992
Balance as at September 30, 2017	**220,208**
Equity equivalence	15,187
Balance as at December 31, 2017	**235,395**
Equity equivalence	3,991
Balance as at September 30, 2018	**239,386**

10.3. Financial information of the Controlled Company

	Controlled company	
	09/30/2018	12/31/2017
Total assets	264,811	257,652
Shareholders' equity	239,386	235,395
Net revenue of the period/fiscal year	24,856	32,798
Net income of the period/fiscal year	3,991	20,178

11. PROPERTY, PLANT AND EQUIPMENT

11.1. Breakdown

	Controlling Company				Annual average depreciation rate
	09/30/2018			12/31/2017	
	Costs	Accumulated depreciation	Net amount	Net amount	
In operation					
Lands	213,865	-	213,865	213,865	
Reservoir, dams and pipelines	3,375,586	(1,420,333)	1,955,253	2,049,142	3.7%
Buildings, civil works and improvements	456,508	(220,154)	236,354	260,248	7.5%
Machinery and equipment	948,002	(372,884)	575,118	554,031	4.1%
Vehicles	6,798	(3,870)	2,928	3,669	13.2%
Furniture and utensils	1,484	(1,214)	270	299	2.7%
(-) Power plant reserves Canoas I and II	(200,675)	-	(200,675)	(200,675)	
	4,801,568	**(2,018,455)**	**2,783,113**	**2,880,579**	
In progress					
Lands	1,046	-	1,046	1,046	
Reservoir, dams and pipelines	590	-	590	589	
Buildings, civil works and improvements	-	-	-	1,658	
Machinery and equipment	60,183	-	60,183	86,190	
Vehicles	557	-	557	-	
Furniture and utensils	1	-	1	355	
	62,377	**-**	**62,377**	**89,838**	
Loss due to non-recoverability of assets (CPC 01)	-	-	-	-	
	4,863,945	**(2,018,455)**	**2,845,490**	**2,970,417**	
(-) Special obligations (see Note 19)	(1,509)	523	(986)	(1,039)	
	4,862,436	**(2,017,932)**	**2,844,504**	**2,969,378**	

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	Consolidated				Annual average depreciation rate
	09/30/2018			12/31/2017	
	Costs	Accumulated depreciation	Net amount	Net amount	
In operation					
Lands	223,698	-	223,698	223,698	
Reservoir, dams and pipelines	3,610,585	(1,445,853)	2,164,732	2,262,233	3.6%
Buildings, civil works and improvements	494,795	(224,546)	270,249	294,042	7.1%
Machinery and equipment	1,069,784	(391,986)	677,798	659,448	4.0%
Vehicles	6,859	(3,919)	2,940	3,686	13.2%
Furniture and utensils	1,625	(1,254)	371	400	3.0%
(-) Power plant reserves Canoas I and II	(200,675)	-	(200,675)	(200,675)	
	5,206,671	**(2,067,558)**	**3,139,113**	**3,242,832**	
In progress					
Lands	11,721	-	11,721	10,702	
Reservoir, dams and pipelines	590	-	590	589	
Buildings, civil works and improvements	-	-	-	2,383	
Machinery and equipment	60,244	-	60,244	86,190	
Vehicles	557	-	557	-	
Furniture and utensils	1	-	1	355	
	73,113	**-**	**73,113**	**100,219**	
Loss due to non-recoverability of assets (CPC 01)	(202,588)	-	(202,588)	(202,588)	
	5,077,196	**(2,067,558)**	**3,009,638**	**3,140,463**	
(-) Special obligations (see Note 19)	(1,509)	523	(986)	(1,039)	
	5,075,687	**(2,067,035)**	**3,008,652**	**3,139,424**	

11.2. Activity of property, plant and equipment

	Controlling Company					
	Net amount on 12/31/2017	Additions	Depreciation	Write-offs	Reclassification and transfer	Net amount on 09/30/2018
Lands	214,911	-	-	-	-	214,911
Reservoir, dams and pipelines	2,049,731	-	(94,689)	(675)	1,476	1,955,843
Buildings, civil works and improvements	261,906	-	(25,552)	-	-	236,354
Machinery and equipment	640,221	27,368	(28,955)	(2,114)	(1,219)	635,301
Vehicles	3,669	935	(674)	(445)	-	3,485
Furniture and utensils	654	34	(30)	-	(387)	271
(-) Power plant reserves Canoas I and II	(200,675)	-	-	-	-	(200,675)
	2,970,417	**28,337**	**(149,900)**	**(3,234)**	**(130)**	**2,845,490**
(-) Special obligations (see Note 19)	(1,039)	-	53	-	-	(986)
	2,969,378	**28,337**	**(149,847)**	**(3,234)**	**(130)**	**2,844,504**

	Consolidated					
	Net amount on 12/31/2017	Additions	Depreciation	Write-offs	Reclassification and transfer	Net amount on 09/30/2018
Lands	234,400	1,049	-	-	(30)	235,419
Reservoir, dams and pipelines	2,262,822	-	(98,301)	(675)	1,476	2,165,322
Buildings, civil works and improvements	296,425	-	(26,176)	-	-	270,249
Machinery and equipment	745,638	27,497	(31,753)	(2,114)	(1,226)	738,042
Vehicles	3,686	935	(679)	(445)	-	3,497
Furniture and utensils	755	34	(37)	-	(380)	372
(-) Power plant reserves Canoas I and II	(200,675)	-	-	-	-	(200,675)
	3,343,051	**29,515**	**(156,946)**	**(3,234)**	**(160)**	**3,212,226**
Loss due to non-recoverability of assets (CPC 01)	(202,588)	-	-	-	-	(202,588)
	3,140,463	**29,515**	**(156,946)**	**(3,234)**	**(160)**	**3,009,638**
(-) Special obligations (see Note 19)	(1,039)	-	53	-	-	(986)
	3,139,424	**29,515**	**(156,893)**	**(3,234)**	**(160)**	**3,008,652**

The additional depreciation expenses, calculated based on the adjustments to the deemed cost in the periods ended September 30, 2018 and 2017, amounted to BRL 68,523 and BRL 76,036, respectively. The other information on the deemed cost of property, plant and equipment is described in Note 11.3 to the 2017 annual financial statements.

In relation to the additions during the period of 2018, the main variation was related to the renovation of the Capivara Plant.

All information related is described in Note 11 to the 2017 annual financial statements.

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12. INTANGIBLE ASSETS

12.1. Breakdown

	Controlling Company				Annual average amortization rate
	09/30/2018			12/31/2017	
	Costs	Accumulated Amortization	Net amount	Net amount	
In operation					
Public Property Utilization (UBP)	53,494	(32,677)	20,817	22,205	3.5%
Software	32,993	(25,419)	7,574	9,014	8.1%
Access easement	75	-	75	75	
	86,562	**(58,096)**	**28,466**	**31,294**	
In progress					
Software	35	-	35	393	
Access easement	-	-	-	-	
	35	**-**	**35**	**393**	
	86,597	**(58,096)**	**28,501**	**31,687**	
(-) Special obligations (see Note No. 19)	(2,208)	2,145	(63)	(346)	
	84,389	**(55,951)**	**28,438**	**31,341**	

	Consolidated				Annual average amortization rate
	09/30/2018			12/31/2017	
	Costs	Accumulated Amortization	Net amount	Net amount	
In operation					
UBP	53,494	(32,677)	20,817	22,207	3.5%
Renewal of operating license (LO)	4,235	(2,235)	2,000	3,059	33.3%
Software	33,059	(25,480)	7,579	9,030	8.1%
Access easement	265	-	265	262	
	91,053	**(60,392)**	**30,661**	**34,558**	
In progress					
Software	35	-	35	393	
Access easement	44	-	44	14	
	79	**-**	**79**	**407**	
	91,132	**(60,392)**	**30,740**	**34,965**	
(-) Special obligations (see Note No. 19)	(2,208)	2,145	(63)	(346)	
	88,924	**(58,247)**	**30,677**	**34,619**	

12.2. Activities related to intangible assets

	Controlling Company				
	Net amount on 12/31/2017	Additions	Amortization	Reclassification and transfer	Net amount on 09/30/2018
UBP	22,205	-	(1,388)	-	20,817
Software	9,407	74	(2,002)	130	7,609
Access easement	75	-	-	-	75
	31,687	**74**	**(3,390)**	**130**	**28,501**
(-) Special obligations (see Note No. 19)	(346)	-	283	-	(63)
	31,341	**74**	**(3,107)**	**130**	**28,438**

	Consolidated				
	Net amount on 12/31/2017	Additions	Amortization	Reclassification and transfer	Net amount on 09/30/2018
UBP	22,207	-	(1,387)	(3)	20,817
Renewal of operating license (LO)	3,059	-	(1,059)	-	2,000
Software	9,423	74	(2,013)	130	7,614
Access easement	276	-	-	33	309
	34,965	**74**	**(4,459)**	**160**	**30,740**
(-) Special obligations (see Note No. 19)	(346)	-	283	-	(63)
	34,619	**74**	**(4,176)**	**160**	**30,677**

All information related is described in Note 12 to the 2017 annual financial statements.

13. TRADE PAYABLES

	Controlling Company					
	09/30/2018			12/31/2017		
	Current	Non-current	Total	Current	Non-current	Total
Electric power supply	867,837	-	867,837	638,443	-	638,443
Materials and services from third parties	5,358	-	5,358	8,797	-	8,797
Charges for the use of the electric power grid	13,758	19,740	33,498	12,662	17,568	30,230
Tust	12,597	-	12,597	11,538	-	11,538
TUSD-G	1,130	19,740	20,870	1,114	17,568	18,682
Connection charges	31	-	31	10	-	10
	886,953	**19,740**	**906,693**	**659,902**	**17,568**	**677,470**

	Consolidated					
	09/30/2018			12/31/2017		
	Current	Non-current	Total	Current	Non-current	Total
Electric power supply	890,097	-	890,097	654,603	-	654,603
Materials and services from third parties	5,861	-	5,861	9,609	-	9,609
Charges for the use of the electric power grid	13,790	19,740	33,530	12,703	17,568	30,271
Tust	12,597	-	12,597	11,538	-	11,538
TUSD-G	1,162	19,740	20,902	1,155	17,568	18,723
Connection charges	31	-	31	10	-	10
	909,748	**19,740**	**929,488**	**676,915**	**17,568**	**694,483**

The line item “electric power supply” includes the effect of BRL 655,990 on the Controlling Company and BRL 663,904 on the Consolidated Company (BRL 465,978 and BRL 470,764, respectively, as at December 31, 2017). These effects are related to the receipt from the CCEE to the injunction regarding GSF granted to APINE, according to the description in Note 1.2. and the review injunction of the electric power physical guarantee, as described in Note 1.4.

There were no new events related to the legal discussion regarding the review of the amounts to be paid due to Tusd-g, which are stated net of legal deposits in non-current liabilities. All related information is described in Note 13 to the 2017 annual financial statements.

14. RELATED PARTIES

14.1. Transactions and balances

The Company has expense-sharing agreements with the controlling company Rio Paranapanema Participações. The receivables from related parties under these agreements as at September 30, 2018 amounted to BRL 600 (BRL 700 as at December 31, 2017).

From 2018, according to ANEEL Order No. 91 of January 16, 2018, the Company became part of the human resources sharing agreement with China Three Gorges Brasil Energia Ltda. and its subsidiaries Rio Paraná Energia S.A., Rio Canoas Energia S.A. and Rio Verde Energia S.A.. The sharing agreement was previously approved by ANEEL Order No. 2018, dated July 10, 2017 and follows the provisions of ANEEL Normative Resolution No. 699, of January 26, 2016.

To the extent that the Company and the Controlled Company’s clients require guarantees in commercial transactions, Rio Paranapanema Participações offers such guarantees, which amounted as at September 30, 2018 to BRL 56,962 and BRL 1,806, respectively, (BRL 144,870 and BRL 3,629 as at December 31, 2017). Other significant transactions with related parties refer to the distribution of dividends and interest on equity. The ultimate indirect controlling company is China Three Gorges Corporation, a Chinese public company involved in energy generation.

14.2. Compensation of key Management personnel

The table below shows the breakdown of the compensation of key Management personnel:

	Controlling Company and Consolidated			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Short-term benefits to employees and managers	1,327	3,394	1,212	7,152
Post-employment benefits	47	91	43	154
Supervisory Board	556	826	276	805
	1,930	**4,311**	**1,531**	**8,111**

The reduction in the accumulated value refers to the Company's organizational restructuring.

15. DEBENTURES

15.1. Breakdown

Issuance	Series	Compensation	Maturity	Controlling Company and Consolidated 09/30/2018					
				Current			Non-current		
				Principal	Interest and Monetary Variations and (Transaction Costs)	Total	Principal	Monetary Variations and (Transaction Costs)	Total
Fourth	2	Variation IPCA + 6.07% per year	07/16/2023	-	4,163	4,163	250,000	89,766	339,766
Fifth	1	Variation CDI + 0.89% per year	05/20/2019	79,682	1,820	81,502	-	-	-
Fifth	2	Variation IPCA + 7.01% per year	05/20/2021	79,992	30,503	110,495	160,008	45,627	205,635
Seventh	1	Variation CDI + 0.40% per year	08/15/2020	-	1,168	1,168	220,000	(571)	219,429
Seventh	2	Variation IPCA + 5.90% per year	08/15/2022	-	1,100	1,100	200,001	7,260	207,261
Eighth	1	Variation 106.75% of CDI p.y.	03/15/2023	-	130	130	160,000	(869)	159,131
Eighth	2	Variation IPCA + 5.50% per year	03/15/2025	-	3,764	3,766	160,000	2,675	162,673
				159,674	**42,648**	**202,324**	**1,150,009**	**143,888**	**1,293,895**

Issuance	Series	Compensation	Maturity	Controlling Company and Consolidated 12/31/2017					
				Current			Non-current		
				Principal	Interest and Monetary Variations and (Transaction Costs)	Total	Principal	Interest and Monetary Variations and (Transaction Costs)	Total
Fourth	1	Variation CDI + 0.65% per year	07/16/2018	83,350	3,223	86,573	-	-	-
Fourth	2	Variation IPCA + 6.07% per year	07/16/2023	-	8,910	8,910	250,000	79,407	329,407
Fifth	1	Variation CDI + 0.89% per year	05/20/2019	79,659	1,028	80,687	79,683	(167)	79,516
Fifth	2	Variation IPCA + 7.01% per year	05/20/2021	-	12,380	12,380	240,000	58,934	298,934
Sixth	Single	Variation CDI + 2.00% per year	09/10/2018	160,000	4,032	164,032	-	-	-
Seventh	1	Variation CDI + 0.40% per year	08/15/2020	-	4,488	4,488	220,000	(1,039)	218,961
Seventh	2	Variation IPCA + 5.90% per year	08/15/2022	-	3,103	3,103	200,000	703	200,703
				323,009	**37,164**	**360,173**	**989,683**	**137,838**	**1,127,521**

15.2. Maturity

Long-term maturity	2019-2020	2021	2022	2023	2024	2025	Total
Debentures	321,017	319,291	296,467	193,691	81,648	81,781	**1,293,895**

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15.3. Activity

	Fourth Issue		Fifth Issue		Sixth Issue	Seventh Issue		Eighth Issue		Total
	Series 1	Series 2	Series 1	Series 2	Single Series	Series 1	Series 2	Series 1	Series 2	
Balance as at December 31, 2017	**86,573**	**338,317**	**160,203**	**311,314**	**164,032**	**223,449**	**203,806**	**-**	**-**	**1,487,694**
Debentures activities										
Issue of debentures	-	-	-	-	-	-	-	160,000	160,000	320,000
Transaction costs	-	-	-	-	-	-	-	(1,241)	(1,241)	(2,482)
Amortization of transaction costs	78	58	300	214	530	468	281	124	89	2,142
Appropriation of interest	3,156	15,601	6,562	16,085	9,388	11,112	8,977	4,762	3,941	79,584
Appropriation of monetary variations	-	10,301	-	9,526	-	-	6,277	-	3,650	29,754
Payment of debentures	(83,350)	-	(79,659)	-	(160,000)	-	-	-	-	(323,009)
Interest payment	(6,457)	(20,348)	(5,904)	(21,009)	(13,950)	(14,432)	(10,980)	(4,384)	-	(97,464)
	(86,573)	**5,612**	**(78,701)**	**4,816**	**(164,032)**	**(2,852)**	**4,555**	**159,261**	**166,439**	**8,525**
Balance as at September 30, 2018	**-**	**343,929**	**81,502**	**316,130**	**-**	**220,597**	**208,361**	**159,261**	**166,439**	**1,496,219**

15.4. Financial covenants

The Controlling Company has met all of the covenants set forth in the debenture indenture. These clauses are described in Note 16.4 to the 2017 annual financial statements.

15.5. Non-financial covenants

The Controlling Company has met all of the covenants set forth in the debenture indenture. These clauses are described in Note 16.5 to the 2017 annual financial statements.

15.6. Debentures – eighth issue of debentures

On March 15, 2018, the Company raised BRL 320,000 in the market as debt, by means of an eighth public issue of simple debentures, not convertible into shares, registered, book-entry, unsecured and destined for the local market, which have been distributed with restricted efforts, according to CVM Instruction No. 476/2009, aimed exclusively at professional investors. The effective release of the funds from the first and second series occurred on April 20, 2018, and there were no interest and monetary variations incurred between the debenture's issue date and the effective release of the funds.

The debentures were issued in two series, the first of 160,000 debentures with a par value of BRL 1,000 each, with a maturity term of five years, and the second of 160,000 debentures, with a par value of BRL 1,000 each, with a maturity term of seven years, for a total of 320,000 debentures.

The offer was issued based on resolutions:

i. from the meeting of the Company's Executive Board ("RD") held on January 18, 2018;
ii. from the meeting of the Company's Board of Directors ("RCA") held on April 16, 2018;
iii. from the favorable opinion of the Company's Supervisory Board issued on January 18, 2018, and;
iv. from the extraordinary general meeting of the Company's shareholders, held on February 15, 2017 ("AGE") that approved the proposal presented by Banco Bradesco S.A.

The net resources received by the Company from the Issue were fully used for the payment of:

i. the principal of the second amortization installment of debentures of the first series from Company's fifth issue.
ii. the principal of the third amortization installment of debentures of the first series from Company's fourth issue;
iii. the principal of the single amortization installment of debentures of the Company's sixth issue.

The transaction costs incurred in relation to the fund-raising were accounted for as a decrease in the fair value initially recognized to determine the effective interest rate, according to CPC 08 – Transaction Costs and Premiums on the Issue of Securities.

The covenants provided for in the indenture of the fifth issue of debentures are similar to those contained in the indentures of the fourth, fifth and sixth issues, except for the capital reduction permitted, which shall be similar to or lower than ninety hundredths (0.90).

The compensatory interest on the eighth issue of debentures of first series corresponds to 106.75% of the Interbank Deposit Rate (CDI). Debentures of the second series will be updated by the Extended Consumer Price Index (IPCA) variation, plus compensatory interest of 5.50% per year.

16. CIBACAP - CAPIVARA BASIN INTERCITY CONSORTIUM

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
Current	890	890
Non-current	10,731	9,881
	11,621	**10,771**

All information related is described in Note 18 to the 2017 annual financial statements.

17. PENSION AND RETIREMENT PLAN

In the period ended September 30, 2018, there were no changes to the assumptions used to calculate the actuarial valuations.

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

Expenses/(revenue) for the period recognized in the income for the quarter

	Controlling Company and Consolidated			
	04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Cost of current service	541	1,623	748	2,211
Interest on actuarial liability	6,425	19,275	6,375	19,125
Expected return on plan assets	(7,182)	(21,545)	(6,867)	(20,601)
Interest on asset restriction	731	2,193	466	1,398
	515	**1,546**	**722**	**2,133**

All related information is described in Note 19 to the 2017 annual financial statements.

18. PROVISION FOR TAX, LABOR AND ENVIRONMENTAL RISKS

The Company declares that the information on the nature of contingencies and their circumstances, as described in 2017 annual financial statements and remain valid for these ITR, as presented in Note 20 to those financial statements.

18.1. Provision for tax, labor and environmental risks

18.1.1 Breakdown

	Controlling Company			
	09/30/2018			12/31/2017
	Provision	Judicial deposit	Net provision	Net provision
Labor	19,666	(2,194)	17,472	10,519
Tax	18,314	(839)	17,475	17,168
Civil	87	-	87	-
Environmental	6,225	(167)	6,058	5,919
	44,292	**(3,200)**	**41,092**	**33,606**

	Consolidated			
	09/30/2018			12/31/2017
	Provision	Judicial deposit	Net provision	Net provision
Labor	19,666	(2,194)	17,472	11,005
Tax	18,314	(839)	17,475	17,168
Civil	87	-	87	-
Environmental	6,225	(167)	6,058	5,919
	44,292	**(3,200)**	**41,092**	**34,092**

18.1.2 Activities related to the provision for tax, labor and environmental risks

	Controlling Company				
	Labor	Tax	Civil	Environmental	Total
Balance as at December 31, 2017	**10,519**	**17,168**	**-**	**5,919**	**33,606**
Contingencies					
Period provision	7,152	-	87	-	7,239
Period reversals	(974)		-	(14)	(988)
Contingency updates	846	338	-	206	1,390
Agreements/period payments	(752)	-		(53)	(805)
	6,272	**338**	**87**	**139**	**6,836**
Legal deposits					
Monetary adjustment for inflation	(87)	(31)		-	(118)
(Additions)	(29)	-		-	(29)
Write-offs	797	-		-	797
	681	**(31)**	**-**	**-**	**650**
Balance as at September 30, 2018	**17,472**	**17,475**	**87**	**6,058**	**41,092**

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	Consolidated				
	Labor	Tax	Civil	Environmental	Total
Balance as at December 31, 2017	**11,005**	**17,168**	**-**	**5,919**	**34,092**
Contingencies					
Period provision	7,152	-	87	-	7,239
Period reversals	(1,511)	-		(14)	(1,525)
Contingency updates	920	338		206	1,464
Agreements/period payments	(752)	-		(53)	(805)
	5,809	**338**	**87**	**139**	**6,373**
Legal deposits					
Monetary adjustment for inflation	(110)	(31)		-	(141)
(Additions)	(29)	-		-	(29)
Write-offs	797	-		-	797
	658	**(31)**	**-**	**-**	**627**
Balance as at September 30, 2018	**17,472**	**17,475**	**87**	**6,058**	**41,092**

The variance in the balance of labor contingencies increased by BRL 6.5 million, due mainly to a reassessment made by external legal counsel of processes previously classified as possible to probable, in addition to the remeasurement of the amount involved.

18.2. Possible contingencies

	Controlling Company		Consolidated	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Labor	14,650	17,024	15,686	17,268
Tax	145,239	141,557	145,239	141,557
Environmental	28,627	26,431	28,627	26,431
Regulatory	100,850	97,378	100,850	97,378
Civil	5,484	8,487	5,484	8,487
	294,850	**290,876**	**295,886**	**291,120**

The period variances refer to new actions and revaluations by the Company's legal advisors resulting from unfavorable judgments in the period. Write-offs for the period refer to termination of actions in the normal course of proceedings and/or through the execution of legal agreements.

All related information is described in Note 20.2 to the 2017 annual financial statements.

19. SPECIAL OBLIGATIONS (*)

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
From property, plant and equipment (see Note 11)		
Equipment Donation (ONS)	509	527
P&D	477	512
	986	**1,039**
From intangible assets (see Note 12)		
Research and development (P&D) *Software*	63	346
	1,049	**1,385**

(*) Concession-related obligations

See additional comments in Note 21 to the 2017 annual financial statements.

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20. REGULATORY CHARGES

The payables arising from charges set out under the power sector law are as follow:

	Controlling Company					
	09/30/2018			12/31/2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Financial offsetting of the use of water resources - CFURH	11,716	-	11,716	10,897	-	10,897
Electric power service inspection fee - TFSEE	939	-	939	470	-	470
P&D	12,831	10,959	23,790	13,237	7,713	20,950
	25,486	**10,959**	**36,445**	**24,604**	**7,713**	**32,317**

	Consolidated					
	09/30/2018			12/31/2017		
	Current	Non-Current	Total	Current	Non-Current	Total
CFURH	11,716	-	11,716	10,897	-	10,897
TFSEE	946	-	946	477	-	477
P&D	12,831	10,959	23,790	13,237	7,713	20,950
	25,493	**10,959**	**36,452**	**24,611**	**7,713**	**32,324**

See additional comments in Note 22 to the 2017 annual financial statements.

21. SHAREHOLDERS' EQUITY

21.1. Capital

As at September 30, 2018, the authorized capital of the Company amounted to BRL 2,355,580, BRL 785,193 of which was comprised of common shares and BRL 1,570,387 of which was preferred shares, all registered, book-entry and without par value.

The subscribed and paid-in capital was BRL 839,138 (BRL 839,138 as at December 31, 2017) represented by 94,433,283 shares, 31,477,761 of which were common shares and 62,955,522 of which were preferred shares, all registered, book-entry and without par value.

	Shareholding Position on 09/30/2018 (In unitary shares)					
	Common	%	Preferred	%	Total	%
Shareholders						
Rio Paranapanema Participações S.A.	31,180,725	99.06	59,655,272	94.76	90,835,997	96.19
Vinci Gas Dividendos Stock Investment Fund	2,800	0.01	1,004,601	1.60	1,007,401	1.07
Other individual and corporate	294,236	0.93	2,295,649	3.64	2,589,885	2.74
	31,477,761	**100.00**	**62,955,522**	**100.00**	**94,433,283**	**100.00**

See additional comments in Note 23.1 to the 2017 annual financial statements.

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21.2. Capital reserves

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
Goodwill on stock subscription	468	468
Spin-off	(6,418)	(6,418)
Goodwill in the merger of a controlling company (see Note No. 8.1)	103,838	103,838
Share-based payment	1,720	1,720
Reserve - Corporate Reorganization - Purchase Duke Energy Int. Geração Sapucai-Mirim Ltda.	17,196	17,196
	116,804	**116,804**

21.3. Earnings Reserves

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
Legal reserve	150,471	150,471
Pension plan	7,167	6,551
	157,638	**157,022**

21.4. Retained earnings

21.4.1 Breakdown of retained earnings

	Controlling Company and Consolidated
	09/30/2018
Net income of the period	127,258
Depreciation (deemed cost)	68,523
Write-offs (deemed cost)	(305)
Deferred IRPJ and CSLL	(23,194)
	172,282

21.4.2 Breakdown of dividends and interest on equity payable

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
Proposed dividends	-	122,649
Interest on Equity (JSCP)	115	64,874
Dividends, interest on equity and reduction of capital in custody	1,431	1,489
	1,546	**189,012**

See additional comments in Note 23.4 to the 2017 annual financial statements.

22. NET OPERATING REVENUE

	Controlling Company			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Electric power supply				
Bilateral agreements	308,908	892,805	341,551	996,229
Auction agreements	8,573	25,781	8,503	25,871
Short term Market - MCP	42,561	94,277	2,348	154,985
Electric Power Reallocation Mechanisms - MRE	20,286	47,502	21,674	36,689
	380,328	**1,060,365**	**374,076**	**1,213,774**
Other revenue	64	292	77	300
	380,392	**1,060,657**	**374,153**	**1,214,074**
Deductions from the operating revenue				
PIS and COFINS	(28,770)	(90,912)	(35,745)	(104,013)
ICMS	(923)	(4,939)	(5,533)	(16,456)
P&D	(3,298)	(9,308)	(3,138)	(10,391)
	(32,991)	**(105,159)**	**(44,416)**	**(130,860)**
Net operating revenue	**347,401**	**955,498**	**329,737**	**1,083,214**

	Consolidated			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Electric power supply				
Bilateral agreements	316,876	917,524	350,348	1,021,151
Auction agreements	8,573	25,781	8,503	25,871
MCP	43,261	95,152	2,364	155,707
MRE	20,286	47,702	21,674	36,703
	388,996	**1,086,159**	**382,889**	**1,239,432**
Other revenue	64	292	77	300
	389,060	**1,086,451**	**382,966**	**1,239,732**
Deductions from the operating revenue				
PIS and COFINS	(29,089)	(91,850)	(36,072)	(104,963)
ICMS	(923)	(4,939)	(5,533)	(16,456)
P&D	(3,298)	(9,308)	(3,138)	(10,391)
	(33,310)	**(106,097)**	**(44,743)**	**(131,810)**
Net operating revenue	**355,750**	**980,354**	**338,223**	**1,107,922**

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The reduction in the accumulated net revenue was mainly to new prices executed in the bilateral agreements and a reduction of energy invoiced in the MCP, offset by the recognition of the events of ANEEL Order No. 1.146/2018 (see Note 1.5).

The reduction in the PIS/COFINS item was directly related to the billing of bilateral agreements that also suffered a reduction in the period, mainly due to the PIS/COFINS of energy billed in the MCP to have incidence of the Special Regime(1); the reduction in the ICMS line was due to the billing of bilateral agreements for consumer units where the rates were lower or even exempt.

23. ELECTRIC POWER SOLD AND PURCHASED AND POWER GRID CHARGES

23.1. Electric power sold

	Controlling Company			
	07/01/2018 to 09/30/2018		07/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	1,859,959	308,908	1,945,395	341,551
Auction agreements	42,561	8,573	53,875	8,503
MCP	3,090	42,561	3,787	2,348
MRE	1,504,744	20,286	1,981,192	21,674
	3,410,354	**380,328**	**3,984,249**	**374,076**

	Controlling Company			
	01/01/2018 to 09/30/2018		01/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	5,377,506	892,805	5,676,148	996,229
Auction agreements	94,277	25,781	163,918	25,871
MCP	128,462	94,277	728,247	154,985
MRE	3,561,885	47,502	3,703,013	36,689
	9,162,131	**1,060,365**	**10,271,326**	**1,213,774**

	Consolidated			
	07/01/2018 to 09/30/2018		07/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	1,891,477	316,876	1,981,228	350,348
Auction agreements	43,261	8,573	53,875	8,503
MCP	3,336	43,261	3,787	2,364
MRE	1,504,744	20,286	1,981,192	21,674
	3,442,818	**388,996**	**4,020,082**	**382,889**

	Consolidated			
	01/01/2018 to 09/30/2018		01/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	5,476,859	917,524	5,777,987	1,021,151
Auction agreements	95,152	25,781	163,918	25,871
MCP	128,709	95,152	732,188	155,707
MRE	3,578,901	47,702	3,704,360	36,703
	9,279,620	**1,086,159**	**10,378,453**	**1,239,432**

(*) Not reviewed by independent auditors

The table below summarizes the volumes in MWm of assured energy contracted/expected from the completion of contracts by the Company in the ACL and the Regulated Contracting Framework (ACR) as at September 30, 2018 and December 31, 2017:

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	Controlling Company MWm (*)		Controlled company MWm (*)	
	09/30/2018	09/30/2017	2018	2017
Electric power available for sale	**981**	**1,031**	**15.9**	**16**
Regulated Contracting Framework (ACR)	**25**	**25**	**0.0**	**-**
2016 (3 years)	25	25	0.0	-
Deregulated Contracting Framework (ACL)	**717**	**755**	**13.9**	**15**
Bilateral agreements for the sale of electrical power	814	874	15.0	15
Bilateral agreements for the purchase of electrical power	97	119	1.1	-
Free electric power for contracting	**239**	**250**	**2.0**	**0**
Percentage of contracted electric power	75.6%	75.7%	87.3%	97.2%

(*) Not reviewed by independent auditors

23.2. Electric power purchased for resale

	Controlling Company			
	07/01/2018 to 09/30/2018		07/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	524,887	158,874	462,840	197,918
MCP	-	10,514	143,445	7,414
MRE	-	-	-	-
	524,887	**169,387**	**606,285**	**205,332**

	Controlling Company			
	01/01/2018 to 09/30/2018		01/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	721,277	219,184	724,248	269,788
MCP	3,477	11,512	143,445	8,182
MRE	-	-	-	-
	724,755	**230,696**	**867,693**	**277,970**

	Consolidated			
	07/01/2018 to 09/30/2018		07/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	534,439	163,256	462,840	197,918
MCP	-	10,518	152,582	13,094
MRE	17,837	558	18,515	369
	552,276	**174,333**	**633,937**	**211,381**

	Consolidated			
	01/01/2018 to 09/30/2018		01/01/2017 to 09/30/2017	
	MWh (*)	BRL	MWh (*)	BRL
Bilateral agreements	730,829	223,567	724,248	269,788
MCP	10,157	14,394	148,023	15,100
MRE	21,052	652	13,655	682
	762,038	**238,613**	**885,926**	**285,570**

(*) Not reviewed by independent auditors

The reduction in the purchase of energy in relation to the same period of the previous year was due to the seasonality strategy of the physical guarantee implemented by the Company, aiming to mitigate the hydrological effects of the GSF.

23.3. Electric power grid charges

	Controlling Company			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Tust	28,743	84,092	27,465	79,808
TUSD-G	2,830	8,514	2,904	8,585
Connection charges	46	93	23	144
	31,620	**92,698**	**30,392**	**88,537**

	Consolidated			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Tust	28,743	84,092	27,465	79,808
TUSD-G	2,983	8,977	3,024	8,947
Connection charges	46	93	23	144
	31,773	**93,161**	**30,512**	**88,899**

See additional comments in Note 25.3 to the 2017 annual financial statements.

24. FINANCE INCOME

	Controlling Company			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Revenue				
Financial investments	16,244	46,354	12,140	46,937
Monetary variation	1,284	3,765	5,326	19,398
Legal deposits	1,284	3,765	2,134	6,830
CIBACAP	-	-	73	350
GSF injunction	-	-	3,119	12,218
Obtained interest and discounts	139	274	38	454
	17,667	**50,393**	**17,504**	**66,789**
Expenses				
Interest on debentures	(27,111)	(79,584)	(23,129)	(77,767)
Interest on loans	-	-	-	(10,426)
Monetary variations	(37,077)	(99,777)	(5,827)	(25,308)
Debentures	(12,796)	(29,754)	(1,228)	(12,065)
TUSD-G	(1,419)	(4,171)	(1,877)	(6,330)
Provision for tax, labor and environmental risks	(565)	(1,390)	(527)	(1,642)
Monetary adjustment for inflation pertaining to the GSF injunction	(21,841)	(63,177)	(1,932)	(4,543)
Others	(456)	(1,285)	(263)	(728)
Expenses of the pension plan (see note No. 17)	(515)	(1,546)	(722)	(2,133)
Other finance expenses	(1,750)	(5,629)	(2,411)	(6,325)
	(66,453)	**(186,536)**	**(32,089)**	**(121,959)**
	(48,786)	**(136,143)**	**(14,585)**	**(55,170)**

	Consolidated			
	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Revenue				
Financial investments	17,617	50,229	13,613	51,509
Monetary variation	1,319	3,877	5,404	19,657
Legal deposits	1,319	3,877	2,174	6,966
CIBACAP	-	-	73	350
GSF injunction	-	-	3,157	12,341
Obtained interest and discounts	156	323	61	534
	19,092	**54,429**	**19,078**	**71,700**
Expenses				
Interest on debentures	(27,111)	(79,584)	(23,129)	(77,767)
Interest on loans	-	-	-	(10,426)
Monetary variations	(37,606)	(101,250)	(5,858)	(25,385)
Debentures	(12,796)	(29,754)	(1,228)	(12,065)
TUSD-G	(1,419)	(4,171)	(1,877)	(6,330)
Provision for tax, labor and environmental risks	(565)	(1,416)	(537)	(1,676)
Monetary adjustment for inflation pertaining to the GSF injunction	(22,370)	(64,624)	(1,953)	(4,586)
Others	(456)	(1,285)	(263)	(728)
Expenses of the pension plan (see note No. 17)	(515)	(1,546)	(722)	(2,133)
Other finance expenses	(1,755)	(5,651)	(2,415)	(6,349)
	(66,987)	**(188,031)**	**(32,124)**	**(122,060)**
	(47,895)	**(133,602)**	**(13,046)**	**(50,360)**

25. INCOME TAX AND SOCIAL CONTRIBUTION CALCULATION

A reconciliation of income tax and social contribution expenses at nominal and effective rates is presented below:

	Controlling Company					
	09/30/2018			09/30/2017		
	IRPJ	CSLL	Total	IRPJ	CSLL	Total
Profit before IRPJ and CSLL	**190,019**			**323,166**		
Nominal rate of IRPJ and CSLL	25%	9%	34%	25%	9%	34%
IRPJ and CSLL to statutory rates	**47,505**	**17,102**	**64,607**	**80,792**	**29,085**	**109,877**
Adjustments to calculate the effective rate						
Amortization of charges for inflation creditor	(1,695)	55	(1,640)	(1,695)	55	(1,640)
Non-deductible expenses	926	271	1,197	1,094	155	1,249
Timing difference in the result of previous years	(8)	(3)	(11)	177	64	241
Equity result of controlled companies	(998)	(359)	(1,357)	(1,477)	(532)	(2,009)
Others	(35)	-00	(35)	(74)	44	(30)
IRPJ and CSLL affecting net income.	**45,695**	**17,066**	**62,761**	**78,817**	**28,871**	**107,688**
Current IRPJ and CSLL	208,744	75,763	284,507	185,106	67,135	252,241
Deferred IRPJ and CSLL	(163,049)	(58,697)	(221,746)	(106,289)	(38,264)	(144,553)
Total IRPJ and CSLL affecting net income	**45,695**	**17,066**	**62,761**	**78,817**	**28,871**	**107,688**
Effective rate	**24.0%**	**9.0%**	**33.0%**	**24.4%**	**8.9%**	**33.3%**

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						Consolidated
			09/30/2018			09/30/2017
	IRPJ	CSLL	Total	IRPJ	CSLL	Total
Profit before IRPJ and CSLL	**192,186**			**325,596**		
Nominal rate of IRPJ and CSLL	25%	9%	34%	25%	9%	34%
IRPJ and CSLL to statutory rates	**48,047**	**17,297**	**65,344**	**81,399**	**29,304**	**110,703**
Adjustments to calculate the effective rate						
Amortization of charges for inflation creditor	(1,695)	55	(1,640)	(1,695)	55	(1,640)
Non-deductible expenses	926	271	1,197	1,094	155	1,249
Timing difference in the result of previous years	(8)	(3)	(11)	177	64	241
Difference by taxation of presumed profits in controlled companies	968	462	1,430	1,106	498	1,604
Others	(1,033)	(359)	(1,392)	(1,551)	(532)	(2,083)
IRPJ and CSLL affecting net income.	**47,205**	**17,723**	**64,928**	**80,530**	**29,544**	**110,074**
Current IRPJ and CSLL	210,254	76,420	286,674	186,820	67,852	254,672
Deferred IRPJ and CSLL	(163,049)	(58,697)	(221,746)	(106,290)	(38,264)	(144,554)
Total IRPJ and CSLL affecting net income	**47,205**	**17,723**	**64,928**	**80,530**	**29,588**	**110,118**
Effective rate	**24.6%**	**9.2%**	**33.8%**	**24.7%**	**9.1%**	**33.8%**

The Controlled Company has chosen the deemed profit tax regime and does not have a provision for deferred income tax and social contribution.

The variances in the balances of current and deferred income tax and social contribution arise from ordinary activity during this period, and the complete information thereon is disclosed in Note 8.3 to the 2017 annual financial statements.

26. EARNINGS PER SHARE

The basic and diluted net earnings per share are calculated by dividing the net income for the period attributable to the holders of the Company's common and preferred shares by the weighted average number of common and preferred shares outstanding in the period.

The table below presents information on the income and shares used to calculate basic and diluted earnings per share:

	07/01/2018 to 09/30/2018	01/01/2018 to 09/30/2018	07/01/2017 to 09/30/2017	01/01/2017 to 09/30/2017
Numerator				
Net income for the period attributable to the Company's shareholders				
Preferred	(4,748)	84,839	(14,528)	143,652
Ordinary	(2,374)	42,419	(7,265)	71,826
	(7,122)	**127,258**	**(21,793)**	**215,478**
Denominator (Weighted average of the number of shares)				
Preferred	62,955	62,955	62,955	62,955
Ordinary	31,478	31,478	31,478	31,478
	94,433	**94,433**	**94,433**	**94,433**
Basic and diluted earnings per share				
Preferred	**(0.07542)**	**1.34760**	**(0.23077)**	**2.28181**
Ordinary	**(0.07542)**	**1.34760**	**(0.23077)**	**2.28181**

27. FINANCIAL INSTRUMENTS

The Company declares that the information on financial instruments described in the annual financial statements for 2017, as presented in Note 29 to those financial statements, is the same as that included in this ITR.

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27.1. Financial instruments in the balance sheet

The Company's main financial instruments were represented by:

Nature	Classification	Fair Value Hierarchy	09/30/2018		12/31/2017	
			Book Value	Market Value	Book Value	Market Value
Assets						
Cash and cash equivalents	Amortized cost	Level 1	969,271	969,271	976,841	976,841
Trade receivables	Amortized cost	Level 1	186,418	186,418	149,874	149,874
			1,155,689	**1,155,689**	**1,126,715**	**1,126,715**
Liabilities						
Trade payables	Other financial liabilities	Level 2	909,748	909,748	676,915	676,915
Dividends and interest on equity	Other financial liabilities	Level 2	1,546	1,546	189,012	189,012
Regulatory Charges	Other financial liabilities	Level 2	36,452	36,452	32,324	32,324
Debentures	Other financial liabilities	Level 2	1,496,219	1,499,953	1,487,694	1,503,699
			2,443,965	**2,447,699**	**2,385,945**	**2,401,950**

The Company did not carry out derivative transactions in the fiscal year 2017 or in the nine month period ended September 30, 2018. There was also no exposure to currency fluctuations or to foreign currency, since the Company did not carry out such transactions.

27.2. Liquidity risk

Issuance	Series	Compensation	Controlling Company and Consolidated					
			Less than one month	From one to three months	From three months to one year	From one to two years	Over two years	Total
Fourth	2	Variation IPCA + 6.07% per year	-	-	21,450	22,397	444,987	488,834
Fifth	1	Variation CDI + 0.89 % per year	2,918	-	82,648	-	-	85,566
Fifth	2	Variation IPCA + 7.01 % per year	-	-	128,722	115,906	134,544	379,172
Seventh	1	Variation CDI + 0.40 % per year	-	-	15,282	238,014	-00	253,296
Seventh	2	Variation IPCA + 5.90 % per year	-	-	12,516	13,072	257,967	283,555
Eighth	1	Variation 106.75% of DI	-	-	11,394	13,184	186,314	210,892
Eighth	2	Variation IPCA + 5.50 % per year	-	-	8,294	9,540	254,481	272,316
			2,918	**-**	**280,306**	**412,113**	**1,278,293**	**1,973,631**

28. INSURANCE

	Maximum Indemnity Limit in BRL million	
	Effective from 08/04/2018 to 08/04/2019	Effective from 08/04/2017 to 08/04/2018
Operating risk	2,000,000	2,000,000
Civil liability	110,000	110,000
Lost profits	1,137,596	1,137,596

See additional comments in Note 30 to the 2017 annual financial statements.

29. NON-CASH TRANSACTIONS

	Controlling Company and Consolidated	
	09/30/2018	12/31/2017
Proposed dividends and interest on equity	-	316,649
Realization of valuation adjustment to equity	45,024	72,768
Reclassifications of net actuarial gains	615	1,269
Deferred tax on pension plan	317	654

30. COMMITMENTS

30.1. Electric power purchase and sale agreements

The Controlling Company and its Controlled Company have bilateral agreements for the sale of electrical power negotiated until the year 2027, and for auction agreements, until the year 2018.

31. SUBSEQUENT EVENTS

31.1. ANEEL Order No. 1.146/2018 – FID II

As described in Note 1.5, ANEEL was analyzing Abragel's request for an objection against the CCEE's decision, aiming at complementing the withdrawal of one more lawsuit related to the FID II.

On October 09, 2018, ANEEL dismissed Abragel's request for an objection against the decision issued by CCEE.

31.2. Adjustments related to the injunction on the Generation Scaling Factor (GSF)

On October 16, 2018, the Federal Senate rejected a bill whose purpose was to privatize the power distributors controlled by Eletrobras (PLC 77/18) and to give due consideration to the non-hydrological risks assumed by the hydro power plants participating in the MRE.

On October 22, the president of the Superior Court of Justice (STJ), minister João Otávio de Noronha, accepted ANEEL's request to suspend the injunction of the Regional Federal Court of the 1st Region (TRF1) in the lawsuit filed by some of the electric power generators affiliated to Apine, whose purpose is to protect the effects of hydrological risk to settle the CCM. This decision did not cover GSF values retained from July 2015 to February 2018. However, the decision did not clarify whether the payment should occur from February 2018, when the effects of the injunction previously given to Apine were restored or as from the date of the decision, that is, October 2018. For this reason, on October 31, Apine filed a Motion for Resettlement, which was not granted, against the decision of Minister Noronha in order to clarify the period over which said decision became effective. As a consequence, the CCEE made the settlement, taking into account the amounts as of February 2018.

Management believes that this decision has no effect on its accounting information since all measurements obtained from this injunction were recorded for control and provisioned for the purposes of the financial statement.

Meanwhile, a recent agreement among leaders in the Senate made it possible to insert a proposed amendment to the GSF debt into a Bill already in progress in the Senate (PLS 209/2015), which had been approved by the Infrastructure Committee on October 31, 2018 and is currently awaiting a vote in the Trial by Jury.

REPRESENTATION BY THE EXECUTIVE BOARD

RIO PARANAPANEMA ENERGIA S.A.

C.N.P.J. nº 02.998.301/0001-81
NIRE 35.300.170.563

REPRESENTATION BY THE EXECUTIVE BOARD In compliance with the provision of items V and VI of Article 25 of CVM Instruction No. 480, of December 7, 2009, the members of the Executive Board of Rio Paranapanema Energia S.A. (the "Company"), a publicly-held corporation, headquartered at Rua Funchal, No.418, 29th floor, Vila Olímpia, in the city of São Paulo, State of São Paulo, enrolled with the National Corporate Taxpayer's Register (CNPJ) under No. 02.998.301/0001-81, state the following: (i) that they have reviewed, discussed and agreed upon the Company's quarterly financial statements for the quarter ended 6/30/2018; and (ii) that they have reviewed, discussed and agreed upon the wording in the opinion of Pricewaterhousecoopers Auditores Independentes, Company's independent auditors, regarding the quarterly financial statements of the Company for the quarter ended 9/30/2018.

São Paulo, November 12, 2018.

Carlos Alberto Rodrigues de Carvalho
Executive Officer and Investor Relations Officer
Rio Paranapanema Energia S.A.

MANAGEMENT MEMBERS

Board of Directors

Yinsheng Li
CEO

Yujun Liu
Effective Member

Evandro Leite Vasconcelos
Effective Member

Mônica Louise Luling Caldana
Effective Member

Altair Carrer
Alternate Member

Supervisory Board

Jarbas Tadeu Barsanti Ribeiro
CEO

François Moreau
Effective Director

Marcelo Curti
Effective Director

Ary Waddington
Alternate Member

Edgard Massao Raffaelli
Alternate Member

Murici dos Santos
Alternate Member

Executive Board

Yinsheng Li
Chief Executive Officer

Carlos Alberto Rodrigues de Carvalho
Chief Financial, Administration and Computing Officer
and Chief Investor Relations Officer

João Luis Campos da Rocha Calisto
Chief Regulatory Matters ,Energetic Planning Officer and
Research and Development

Vitor Hugo Lazzareschi
Chief Commercial Officer

Rodrigo Teixeira Egreja
Controllership Director

Narciso Meschiatti Filho
Accountant - 1SP-101290/O-0