

## COPEL – Conference Call

### 2010 Results

March 30, 2011 – 11:00 a.m. (Brasilia Time)

#### SLIDE 1

**Operator:** Good morning and thank you for waiting. Welcome to the conference call to present the results of Companhia Paranaense de Energia (COPEL) in 2010.

We would like to inform you that all participants will be in a listen-only mode during the company's presentation, after which we will start a question and answer session, when further instructions will be given. Should any participant need assistance during the conference call, please press \*0 to reach an operator.

#### SLIDE 2

Before continuing, we would like to clarify that statements made during this conference call regarding COPEL's business outlook, or its operating and financial projections and goals, constitute the executive board's beliefs and assumptions and are formed by information currently available. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on future events that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect COPEL's future performance, and may lead to results that differ substantially from those expressed in such forward-looking statements.

We have with us Mr. Mauricio Schulman, who was elected Chairman of the Board of Directors on January 28, 2011, and Messrs. Lindolfo Zimmer and Ricardo Portugal Alves, who took over as the Chief Executive Officer and Chief Financial and Investor Relations Officer, respectively, on January 1, 2011. Mr. Schulman is a civil engineer with vast experience in the energy sector, having served as the CEO of Eletrobras, Chairman of Eletrobras and Light and Finance Secretary to the State Government of Paraná. Mr. Zimmer is a mechanical engineer and economist. Earlier he was the Chief Marketing Officer, Chief Operating Officer and Chief Engineering and Construction Officer at Copel. Mr. Alves is a business administrator who built his career as a finance professional in Copel, having already worked as the chief financial and investor relations officer.

You can follow the presentation made by Copel's management at the Company's website [www.copel.com/ri](http://www.copel.com/ri)

I now turn the floor to Mr. Mauricio Schulman.

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**MAURICIO SCHULMAN:** Good morning to all. I am extremely pleased to take over as the Chairman of Copel, which I joined in 1956 and have served for almost 30 years.

During my career, I could accompany the structuring and expansion of Copel, especially in the areas of energy generation and distribution, since its creation in 1954 till today.

Our desire is to come together to ensure that Copel continues to grow and becomes a strong company. Ethics, responsible management and the Company's commitment to all stakeholders will be respected and strengthened in the coming years. The pillars that will help us achieve our greater objectives are: a management team that is renowned in the electricity sector, a management system guided by the principles of corporate governance and a functional team that is prepared and is ready to take Copel back to leadership in its areas of operation.

In short, our main goals are: (1) improve the quality and reliability of the company's energy distribution system; (2) seek adequate profitability in each new project; (3) expand outside the State of Paraná; (4) focus on our core business; (5) improve the capital structure; and (6) increase productivity.

The pursuit and achievement of these objectives will certainly bring Copel a bright and sustainable future, maximize the profitability of its businesses, add value to the company and offer excellent service to its customers.

On behalf of the Board of Directors of Copel, I thank you all for your attention and now turn the floor to Lindolfo Zimmer, the CEO.

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LINDOLFO ZIMMER: Good morning to all. I am pleased to participate in this conference call with capital market professionals to present Copel's highlights and strategies. Later, Ricardo Portugal Alves will comment on the financial results of 2010.

I have a special bond with Copel and the energy sector, an area where I have been working since the start of my professional career of nearly four decades, during which I gathered a wealth of experience and knowledge that have enabled me to accept, with immense satisfaction, the challenge of presiding over this important company. My biggest incentive is to see Copel shining ever more brightly among the companies in the electricity sector.

I wish to reaffirm the commitment of Copel's new executive board, which is composed mostly of career employees and professionals with vast experience in the electricity sector. It is worth mentioning that Copel has a history of ethical and responsible management, which translates into respect for its employees, customers and shareholders.

First of all, I would like to mention that we are revising Copel's strategic plan, which will be complemented by a basic short-term plan containing the targets and objectives. By the end of April, we will have the final version, after which all of Copel's actions will be based on this guide, which will define the Company's important directions.

Thus, we have launched a management that looks forward, that plans, that sets targets and objectives, and then achieves them. We have set a few guidelines to achieve our objectives:

1. Creativity and initiative are given a free hand - always remembering that "great ideas do not respect hierarchies".
2. We encourage a relentless pursuit of results.

3. We need quick answers as we recognize that time is a value to be respected and which gives competitive advantage.
4. Our goal always is to seek adequate profitability in projects in order to add value to our company and lead it to a solid future. With legislation already allowing Copel to operate outside the state, whenever appropriate, we will hold minority stakes in projects and participate in a higher number of auctions for generation and transmission concessions, while always optimizing investments to obtain the returns expected by shareholders. It simply doesn't make any sense if the rate of return is lower than the opportunity cost of the resources, which signifies an erosion of the company's value. In addition to hydroelectric plants, we will design and implement projects involving other renewable sources.
5. By obtaining better results, Copel can pay higher dividends to its shareholders, which will directly benefit the Government of Paraná as such funds can be used in priority areas and programs of public interest.
6. In the generation segment, it is imperative that a more solid trading strategy is devised for the coming years to capitalize on the opportunities that will arise with the termination of a large number of energy contracts at the end of 2012, and,
7. We will return our focus on telecommunications projects, expanding the use of our optic fiber ring, thus bringing greater productivity and efficiency to the electricity system's operations.

Once these key guidelines are met, the Company will serve as the catalyst for attracting industries, fostering the state's economic development and strengthening its role in the national energy scenario. I wish to conclude by thanking, as the spokesperson of Copel's executive board, you for your attention and confidence in the new management. Now, I invite Mr. Ricardo Portugal Alves, the chief financial and investor relations officer, to present the financial results of 2010.

RICARDO PORTUGAL ALVES: Good morning to all. Continuing the conference call, I will now comment on the main effects of applying the International Financial Reporting Standards (IFRS) on the financial statements and will present the results of 2010, which, for the first time, were prepared in accordance with the new accounting practices.

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The main changes in COPEL's financial statements arising from the conversion to IFRS are:

- 1<sup>st</sup>. CVA and other regulatory assets and liabilities are not booked in the balance sheet. As a result, these amounts are now booked in the respective accounts in the income statement.

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- 2<sup>nd</sup>. Copel's fixed assets were affected in the following manner:

Energy generation assets were restated at their fair value, which generated an increase of R\$ 2.7 billion in the energy generation fixed assets on January 1, 2009, resulting in a R\$ 156 million increase in depreciation in 2010. Telecommunications assets were not impacted as the investments are recent.

In the transmission segment, the fixed assets were reclassified as indemnifiable financial assets, representing all the assets and rights that the Company is entitled to during the concession period, that is:

- for infrastructure construction services,
- for making available the transmission system, or
- for the indemnification to be received at the end of the concession.

Finally, in the energy distribution segment, the Company reclassified fixed assets to financial and intangible assets:

- indemnifiable financial assets correspond to the estimated portion of investments not amortized till the end of the concession as it is a right of reimbursement from the government; and
- intangible assets correspond to the residual value to be amortized until the end of the concession and recovered through the sale of energy to customers.

3<sup>rd</sup>. Shareholders' equity increased due to the adjustments to the valuation of the fixed assets in the generation segment;

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4<sup>th</sup>. The concession charges for the Use of Public Asset (UBP) were booked under liabilities. These charges were levied on Copel's Elejor, Mauá and Colíder plants. According to the previous accounting rules, these charges were booked as operating expenses when they were incurred; and,

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5<sup>th</sup>. Revenues and costs related to the construction and improvements to the infrastructure for the energy distribution and transmission activities were included in the result.

After detailing the main adjustments made with the application of IFRS, we will now analyze Copel's financial statements.

#### **SLIDE 9**

Copel's consolidated assets, which totaled R\$ 13.8 billion in 2009 according to Brazilian GAAP, rose to R\$ 16.3 billion according to IFRS. At the end of 2010, once again according to IFRS, Copel's total assets grew 9.5% to reach R\$ 17.9 billion.

Fixed assets, which consist of assets relating to energy generation and telecommunications activities, totaled R\$ 6.7 billion. Intangible assets, composed mainly of the portion to be amortized till the end of the concession for distribution activities, closed the year at R\$ 1.7 billion, while indemnifiable assets, which represent the portion to be reimbursed in the distribution and transmission activities, totaled R\$ 2.5 billion, of which R\$ 54.7 million was booked under short-term assets and corresponded to the portion of annual revenue permitted from the transmission segment.

#### **SLIDE 10**

In the liabilities side, the effects of the migration to IFRS were basically in the valuation adjustments to the generation assets. After the changes envisaged in the accounting rules were made, shareholders' equity rose from R\$ 8.8 billion in 2009 to R\$ 10.5 billion.

## SLIDE 11

In the income statement, I wish to highlight the growth of net operating revenue in 2010, mainly driven by:

- the 5.9% growth in energy consumption in the grid market;
- the tariff increase applied to all the customers and the discontinuance of the tariff discount policy for customers that used to pay their bills on time; and
- the price increases in bilateral contracts and in the energy purchase contracts in the regulated market.

With the application of IFRS, operating revenues also include revenues relating to the construction or improvements to the infrastructure used to provide energy distribution and transmission services.

## SLIDE 12

Operating expenses in 2010 were 14.5% higher than in 2009, mainly due to:

- the 8.6% increase in “electricity purchased for resale” on account of the higher costs of energy from auctions and the Alternative Energy Sources Incentive Program (Proinfa);
- the mere 0.2% increase in the ‘personnel and management expenses’ account over 2009, which includes wage increases applied from October 2009 (6.02%) and October 2010 (6.5%), partially offset by the results of the Voluntary Retirement Program (PDV), which was accepted by 408 employees in 2010; and
- the variation in “provisions and reversals”, mainly due to the provision of R\$ 234.6 million for the tax administrative proceedings related to Cofins. Copel was notified by the Federal Revenue Service of Brazil demanding the payment of Cofins relating to the periods from August 1995 to December 1996 and from October 1998 to June 2001.

There are other effects of IFRS, notably (i) the increase in depreciation due to the attribution of fair value of the energy generation assets, and (ii) the booking of construction costs, reflecting the investments in transmission and distribution.

## SLIDE 13

With regard to equity income, I wish to highlight the facts that significantly drove income growth this year:

1. income earned by our associated companies,
2. reversal of impairment losses at Sercomtel Telecom in the amount of R\$ 23.4 million, and
3. adjustment made in the first quarter of 2010 to standardize the accounting practices at Dona Francisca Energética in response to ANEEL Ruling 288, amounting to R\$ 28.6 million.

Finally, I wish to highlight the growth in interest income, mainly due to the monetary variation on financial assets from the distribution activity.

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Thus, net income attributed to the controlling shareholders in 2010 was R\$ 988 million, 25% higher than in the previous year. Comparing the net income in Brazilian GAAP of 2009 with the IFRS in the same year, net income is down 23%, mainly due to the effects of the reversal of regulatory assets and liabilities to the income statement and the increase in depreciation.

That basically represents COPEL's performance in 2010. I would like to thank you for your attention, and remind you that we are available for any clarifications you may need on the results presented.

Thank you.

#### QUESTIONS SESSION

**Operator:** We will now begin the question and answer session. Instructions.

#### Q&A SESSION

**Operator:** If there are no further questions at this time, we will turn the conference call over to Mr. **Lindolfo Zimmer** for his closing remarks.

#### WRAP-UP

**LINDOLFO ZIMMER:** I would once again like to express my satisfaction for presiding over Copel and am at your disposal for further questions. It was a pleasure to hold this conference call and once again I thank all of you for your participation and interest. Also, feel free to contact our Investor Relations Department, which is always ready to assist you. Thank you very much.

**Operator:** Ladies and gentlemen, this concludes COPEL's conference call for the 2010 results. Thank you all.