COPEL

COPEL - COMPANHIA PARANAENSE DE ENERGIA

Up to US$ 150,000,000

Senior Secured Term Loan Facility

BankBoston
A FleetBoston Financial Company

CITIBANK
SALOMON SMITH BARNEY
Members of citigroup

BANCO DO BRASIL

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COPEL

INVITATION TO OFFER

To: **Prospective Lenders**

Date: **February 28, 2002**

Ref: **US$150,000,000 Senior Secured Term Loan Facility (the "Facility") for the Trust.**

On behalf of Companhia Paranaense de Energia – COPEL , BankBoston N.A. , ("BankBoston" or "BKB") and Citibank/Salomon Smith Barney Inc. ("Citibank") (together the "Lead Arrangers") are pleased to invite you to offer to participate in US$150,000,000 Senior Secured Term Loan Facility for the Trust. We have enclosed a Confidential Information Memorandum describing the transaction, including an Indicative Summary of Terms and Conditions, a sample Form of Commitment Letter, and an Administrative Details Replay Form.

The Facility, an up to US$150,000,000, three-year bullet loan will be provided to a trust (the "Trust" or the "Borrower") and will be used by the Trust exclusively to purchase the COPEL 2005 9.75% Eurobonds from initial investors that exercise, or express their intention to exercise, their put option against COPEL on May 2, 2002. The bonds purchased by the Trust will be pledge in favor of the lenders under the Facility.

We ask that your institution commits at the following available levels:

Amount	**Title**	**Fee**
$15,000,000 to $19,999,999	Co-Arranger	0.875%
$10,000,000 to $14,999,999	Lead Manager	0.750%
$ 5,000,000 to $ 9,999,999	Manager	0.500%

The participation fee will be paid based on your institution's final allocated amount on the Disbursement Date. Final allocations will be determined by Copel and the Lead Arrangers no later than April 3, 2002 or such other date selected by Copel and the Lead Arrangers.

Your commitment should follow the format shown in section Form of Commitment Letter. In addition, please complete the Administrative Details Reply Form included herein.

Please be advised that you may not engage in or commence any secondary distribution or sales conversation regarding the Facility until you have received notice from the Lead Arrangers authorizing you to engage in or commence such activities. Additionally, any such permitted secondary distribution or conversations will be subject to the same Confidentiality Agreement set forth in the Confidential Information Memorandum.

Commitment letters, subject only to satisfactory legal documentation, should be sent to us as per the Form of Commitment Letter enclosed herewith, via facsimile, to the attention of Flavio Barbosa at BankBoston at (212) 819-5445 and to John Dankel at Salomon Smith Barney Inc. at (212) 723-8539 no later than March 26, 2002, 5:00 p.m New Yok City time.

Please do not hesitate to contact the representatives of Copel and the Lead Arrangers listed on the enclosed Contact List should you have any questions regarding the Facility:

Copel and the Lead Arrangers look forward to your response and to working with you on this transaction.

Thank you.

NOTICE TO RECIPIENTS

This confidential information memorandum (the " Confidential Information Memorandum") has been prepared solely for informational purposes from information provided by or on behalf of Companhia Paranaense de Energia - COPEL (“Copel”) and is being furnished by BankBoston N.A., and Salomon Smith Barney, Inc. (the “Lead Arrangers”), solely for use by prospective participants in considering participation in an up to US$150,000,000 Senior Secured Term Loan Facility (the “Facility”) to an offshore, special purpose trust (the “Trust” or the “Borrower”).

The information contained herein has been prepared to assist interested parties in making their own evaluation of the Borrower and Copel, and the Facility, and is not intended to be complete or to contain all information that a prospective participant in the transaction described herein may require. By accepting this Confidential Information Memorandum, each recipient acknowledges that it will make its own independent investigation and analysis of the transaction and the creditworthiness of Copel without reliance upon the Lead Arrangers and based upon such documents and information as it, in its sole discretion, has deemed appropriate. The information contained herein does not substitute your independent evaluation and analysis.

Neither the Lead Arrangers nor any of their respective affiliates have independently verified any of the information and/or data contained herein. The Lead Arrangers and their respective affiliates make no representation or warranty as to the accuracy or completeness of such information and by accepting this Confidential Information Memorandum each recipient agrees that the Lead Arrangers and their respective affiliates shall have no liability for any representation or warranty (express or implied) or other statement or information contained in this Confidential Information Memorandum, or for any omission from this Confidential Information Memorandum, or for any other written or oral communications to you from the Lead Arrangers, their respective affiliates and/or Copel, or for any other information provided for your evaluation of the proposed transaction.

This Confidential Information Memorandum includes certain statements, estimates and projections provided by Copel’s management with respect to the anticipated future performance of Copel. Such statements, estimates and projections reflect various assumptions by Copel’s management concerning anticipated results and have been included solely for illustrative purposes. No representations are made as to the accuracy of such statements, estimates or projections or with respect to any other materials herein. Actual results may vary materially from the projected results contained herein.

In furnishing this Confidential Information Memorandum, the Lead Arrangers and Copel reserve the right to amend or replace the information at any time but undertake no obligation to update, correct or supplement any information contained herein or to provide the recipient with access to any additional information regarding Copel.

The information and data contained herein are confidential and may not be divulged to any person or entity or reproduced, disseminated or disclosed, in whole or in part, except as set forth in the Confidentiality Agreement under which the information contained in this Confidential Information Memorandum is provided.

CONFIDENTIALITY AGREEMENT

In connection with your possible interest in becoming a lender in the Senior Secured Term Loan Facility ("Facility") to be extended to the borrower (as defined therein) which will use the proceeds of the Facility exclusively to purchase the Bonds from Initial Investors that exercise, or express their intention to exercise, their put option against Companhia Paranaense de Energia – Copel (the "Company"), you are receiving certain information which is non-public, confidential or proprietary in nature. That information and any other information concerning the Company or the Facility furnished to you by the Company or BankBoston N.A. and/or Salomon Smith Barney Inc. (the "Lead Arrangers") in connection with the Facility (at any time on, before or after the date of this Agreement), together with analyses, compilations or other materials prepared by you or your directors, officers, employees, agents, auditors, attorneys, consultants or advisors (collectively, "Representatives") which contain or otherwise reflect such information or your review of or interest in the Facility is hereinafter referred to as the "Information." In consideration of your receipt of the Information, you agree that:

1. You will not, without the prior written consent of the Company, use, either directly or indirectly, any of the Information except in concert with the Company or the Lead Arrangers and in connection with the proposed Facility.

2. You agree to reveal the Information only to your Representatives who need to know the Information for the purpose of evaluating the Facility, who are informed by you of the confidential nature of the Information, and who agree to be bound by the terms and conditions of this Agreement. You agree to be responsible for any breach of this Agreement by any of your Representatives and to indemnify and hold the Company, the Lead Arrangers, and their Representatives harmless from and against any and all liabilities, claims, causes of action, costs and expenses (including attorney fees and expenses) arising out of the breach of this Agreement by you or your Representatives.

3. Without the Company's prior written consent, you shall not disclose to any person (except as otherwise expressly permitted herein) the fact that the Information has been made available, that discussions are taking place between the Company and the Lead Arrangers or other financial institutions concerning the Facility, or any of the terms, conditions or other facts with respect thereto (including the status thereof), or that the Facility has been consummated.

4. This Agreement shall be inoperative as to any portion of the Information that (i) is or becomes generally available to the public on a nonconfidential basis through no fault or action by you or your Representatives, or (ii) is or becomes available to you on a nonconfidential basis from a source other than the Company or the Lead Arrangers or their representatives, which source, to the best of your knowledge, is not prohibited from disclosing such Information to you by a contractual, legal or fiduciary obligation to the Company or the Lead Arrangers.

5. You may disclose the Information at the request of any regulatory or supervisory authority having jurisdiction over you, provided that you request confidential treatment of such Information to the extent permitted by law.

6. In the event that you or anyone to whom you transmit the Information pursuant to this Agreement becomes legally compelled to disclose any of the Information or the existence of the Facility, you shall provide the Lead Arrangers with notice of such event promptly upon your obtaining knowledge thereof (provided that you are not otherwise prohibited by law from giving such notice) so that the Lead Arrangers may seek a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, you shall furnish only that portion of the Information that is legally required and shall disclose the Information in a manner reasonably designed to preserve its confidential nature.

7. In the event that discussions with you concerning the Facility are discontinued or your participation in the Facility is otherwise terminated, you shall redeliver to the Lead Arrangers the copies of the Information that were furnished to you by or on behalf of the Company and represent to the Company that you have destroyed all other copies thereof. All of your obligations hereunder and all of the Lead Arrangers' rights and remedies hereunder shall survive any return or destruction of the Information.

8. You acknowledge that disclosure of the Information in violation of the terms of this Agreement could have serious consequences, and agree that, in the event of any breach by you or your Representatives of this Agreement, the Company and the Lead Arrangers will be entitled to equitable relief (including injunction and specific performance) in addition to all other remedies available to it at law or in equity.

If you are not prepared to accept the enclosed Information on this basis, you will return the Confidential Information Memorandum to the Lead Arrangers or the Company immediately. Your acceptance of the enclosed Information will constitute your agreement to be bound by this Agreement.

AUTHORIZATION LETTER

February 28, 2002

Companhia Paranaense de Energia – COPEL
Rua Coronel Dulcidio, 800 – 8th Floor
Curitiba – Paraná – Brazil
80420-170

Re: Companhia Paranaense de EnergÍa – COPEL . Up to US$150,000,000 Senior Secured Term Loan Facility (the "Facility") for an offshore, special purpose trust.

Ladies and Gentlemen:

You have reviewed the Confidential Information Memorandum with respect to the above-captioned financing (the "Facility").

By signing and returning a copy of this letter, you acknowledge and confirm that: (i) the Confidential Information Memorandum is based upon information furnished by you to us for inclusion therein; (ii) neither BankBoston N. A nor Salomon Smith Barney Inc., Citibank, N.A., nor any of their respective affiliates or their respective officers, directors, employees, agents, advisors and representatives shall have any liability for the accuracy, completeness or use of the Confidential Information Memorandum; (iii) you represent and warrant that all information contained in the Confidential Information Memorandum, together with the information contained in your public filings, as updated from time to time, is complete and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which they were made; and (iv) you authorize us to deliver copies of the Confidential Information Memorandum to those institutions to whom we propose participation in the Facility.

Very truly yours,

BANBOSTON N. A

____
By: Name
Title

SALOMON SMITH BARNEY INC.

____
By: Name
Title

ACCEPTED AND AGREED
As of the date hereof:

Companhia Paranaense de Energía - COPEL

____
By: Name
Title

FORM OF COMMITMENT LETTER

[BANK LETTERHEAD]

[Date], 2002

BankBoston N.A. 1185 Avenue of the Americas, 16th Floor New York, NY 10022 Attention: Flavio Barbosa Fax: (212) 819-5445	Citibank/Salomon Smith Barney Inc. 390 Greenwich Street / 1st. fl. New York, NY 10013 Attention: Arthur Kenny Fax: (212) 723-8543

Re: Up to US$150,000,000 Senior Secured Term Loan Facility (the "Facility")

Ladies and Gentlemen,

___________ (the "Bank") is pleased to commit to the US$150,000,000 Senior Secured Term Loan Facility to the Trust (the "Borrower") as [TITLE] and to provide a portion of the above referenced Facility, for which Citibank, N.A. will act as Administrative Agent, in the aggregate amount provided below and substantially on the terms and conditions set forth in the Indicative Summary of Terms and Conditions included in the Confidential Information Memorandum dated February [ ]2002. Our proposed offered commitment amount ("Offered Commitment Amount") is $[_______] million.

The Bank acknowledges that it has, independently and without reliance upon BankBoston N.A., Citibank N.A. and Salomon Smith Barney Inc. (and all together the "Lead Arrangers"), or any other bank, and based on the financial statements of Companhia Paranaense de Energia ("Copel"), and its affiliates and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this commitment.

The Bank also acknowledges that entering into the Facility is subject to satisfactory documentation substantially on the terms and conditions set forth in the Indicative Summary of Terms and Conditions. The Lead Arrangers shall have no liability or responsibility to the Bank if such Facility is not entered into.

The Bank understands and agrees that the proposed Offered Commitment Amount is subject to acceptance by Companhia Paranaense de Energia – Copel ("Copel") and the Lead Arrangers, that the Offered Commitment Amount may be reduced by Copel and the Lead Arrangers, and that the Lead Arrangers will notify the Bank by April 3rd, 2002, or such other date as selected by Copel and the Lead Arrangers, of the amount of the Bank's accepted commitment ("Allocated Commitment"). The Bank further agrees that no secondary selling or offers to purchase will occur until the Lead Arrangers declare the primary offering to be complete.

Very truly yours,

[Print Name of Bank]

By:____

Title:____

COPEL

ADMINISTRATIVE DETAILS REPLY FORM

DEAL NAME: Companhia Paranaense de Energia - COPEL

[LEGAL NAME OF YOUR INSTITUTION TO APPEAR IN DOCUMENTATION]

GENERAL INFORMATION

DOMESTIC LENDING OFFICE:

Institution Name: ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Attention: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

EURODOLLAR LENDING OFFICE:

Institution Name: ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Attention: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

TAX WITHHOLDING:

Non-Resident Alien: _____ yes* _____ no (**Form 4224 Enclosed*)
Tax ID Number: ______________________

Attn.: Bank Loan Syndications

DEAL NAME: Companhia Paranaense de Energia - COPEL

CONTACT LIST

BUSINESS/CREDIT MATTERS:

Primary Contact: ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

Back-Up Contact: ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

ADMINISTRATIVE/OPERATIONS MATTERS:

Contact(s): ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

COMPETITIVE BID LOAN NOTIFICATION:

Contact Name: ______________________________
Street Address: ______________________________
City/State/Zip: ______________________________
Telephone #: ______________________________
Fax #: ______________________________

DEAL NAME: Companhia Paranaense de Energia - COPEL

ROUTING INSTRUCTIONS

PAYMENTS:

Credit Bank:	____________________
City, State:	____________________
ABA # of Credit Bank:	____________________
Name of Account:	____________________
Account #:	____________________
Benef. Acct. Name:	____________________
Benef Acct. #	____________________
Ref.:	____________________
Attention:	____________________

MAILINGS:

Please specify who should receive financial information:

Name:	____________________
Street Address:	____________________
City/State/Zip:	____________________

ADMINISTRATIVE AGENT INFORMATION

Bank Loan Syndications - Agent Contact:

Name:	Nina Qureshi
Tel:	(302) 894-6026
Fax:	(302) 894-6120

Initial Funding Standards

LIBOR - Fund 2 days after rates are set.

Agent Wire Instructions

Citibank, N.A.
ABA # 021-00-0089
Account Name: NAIB Agency Medium Term Finance
Reference: Companhia Paranaense de Energia - COPEL
Account # 36852248

Agent Notices Address

Nina Qureshi
Citibank, N.A.
Two Penn's Way, Suite 200
New Castle, Delaware 19720

CONTACT LIST

Companhia Paranaense de Energia – COPEL:

Rua Coronel Dulcidio, 800 – 8th Floor
Curitiba – Paraná – PR – Brazil
80420-170

Ricardo Portugal Alves Chief Financial Officer and Chief Investor Relations Officer	Tel: (55) (41) 223-8363 Fax:(55) (41) 331-3136 Email: ricardo.portugal@copel.com
Othon Mader Investor Relations Coordinator Manager	Tel: (55) (41) 222-2027/223-8141 Fax:(55) (41) 331-2849 Email: othon@copel.com
Ruth Elizabeth Bagatin Analyst	Tel: (55) (41) 331-4464 Fax:(55) (41) 331-2849 Email: ruth.bagatin@copel.com

Lead-Arrangers:

BankBoston NA
Rua Libero Badaró, 487. – 8th Floor
São Paulo – SP - Brazil.
01009-000

Corporate Finance & Specialized Industries:

Ricardo Caldeira Managing Director	Tel: (55) (11) 3118-5754 Fax: (55) (11) 3118-5262 Email: rdcaldeira@bkb.com.br
David Jana Director Origination & Structuring	Tel: (55) (11) 3118-5252 Fax: (55) (11) 3118-5262 Email: djana@bkb.com.br
Carlos Wilson Ribeiro Deputy Director Relationship Management	Tel: (55) (11) 3118-5014 Fax: (55) (11) 3118-5262 Email: cwribeiro@bkb.com.br

Loan Syndications:

Flavio R. Barbosa Director – Syndication – NY	Tel: (212) 819-5435 Fax: (212) 819-5445 Email: flavio_r_barbosa@fleet.com
Eugenio Favaro Deputy Director – Syndication	Tel: (55) (11) 3118-5075 Fax: (55) (11) 3118-6982 Email: epfavaro@bkb.com.br
Marcio Suzuki Analyst	Tel: (55) (11) 3118-6559 Fax: (55) (11) 3118-6982 Email: mrsuzuki@bkb.com.br

COPEL

Lead-Arrangers:

Citibank / Salomon Smith Barney Inc.

Banco Citibank – Relationship Management
Avenida Paulista, 1111 – 10th Floor
São Paulo – SP - Brazil.
01311-920

Eduardo Cutrim Power Industry Head	Tel: (55) (11) 5576-2217 Fax: (55) (11) 5576-1638 Email: eduardo.cutrim@citicorp.com
Renato Furtado Relationship Manager	Tel: (55) (11) 5576-2164 Fax: (55) (11) 5576-1638 Email: renato.furtado@citicorp.com
Jairo Dias Branch Head	Tel: (55) (41) 221-6724 Fax: (55) (41) 221-6611 Email: jairo.dias@citicorp.com
Joseph Carasso Relationship Manager	Tel: (55) (41) 221-6742 Fax: (55) (41) 221-6611 Email: joseph.carasso@citicorp.com

Salomon Smith Barney Inc. – Global Loans – Latin America
390 Greenwich Street, 1st Floor
New York, NY 10013

Marcelo Martins Director	Tel: (212) 723-6795 Fax: (212) 723-8543 Email: marcelo.martins@ssmb.com
Felipe Lima Associate	Tel: (212) 723-6636 Fax: (212) 723-8543 Email: felipe.lima@ssmb.com
Art Kenny Vice President	Tel: (212) 723-6968 Fax: (212) 723-8541 Email: arthur.kenny@ssmb.com
Roberto Ferrari Associate	Tel: (212) 723-6572 Fax: (212) 723-8543 Email: roberto.ferrari@ssmb.com
Kevin Krasovic Analyst	Tel: (212) 723-6637 Fax: (212) 723-8543 Email: kevin.krasovic@ssmb.com

U.S. Legal Counsel to Companhia Paranaense de Energia - COPEL:

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York - NY 10006

Nicolas Grabar Partner	Tel: (212) 225-2056 Fax: (212) 224-3999 Email: ngrabar@cgsh.com

COPEL

Brazilian Legal Counsel to Companhia Paranaense de Energia - COPEL:

Mattos Filho, Veiga Filho, Marrey Jr., Moherdaui e Quiroga
Avenida Paulista, 1499 – 20 th Floor
São Paulo –SP – Brazil
01311-928

Sérgio Spinelli Partner	Tel: (55) (11) 3147-7676 Fax: (55) (11) 3147-7770 Email: spinelli@mattosfilho.com.br
Flávia Andraus Troyano	Tel: (55-11) 3147-7642 Fax: (55-11) 3147-7770 Email: fandraus@mattosfilho.com.br

U.S. Legal Counsel to the Lenders:

Chadbourne & Park LLP
30 Rockefeller Plaza
New York - NY 10112

Vincent Dunn Partner	Tel: (212) 408-1064 Fax: (212) 541-5369 Email: vdunn@chadbourne.com
Alejandro San Miguel Partner	Tel: (212) 408-8009 Fax: (212) 541-5369 Email: asanmiguel@chadbourne.com
Aileen Haviland Associate	Tel: (212) 408-5345 Fax: (212) 541-5369 Email: ahaviland@chadbourne.com

Brazilian Legal Counsel to the Lenders:

Pinheiro Guimarães Advogados
Avenida Paulista, 1842 – 2 th Floor
São Paulo –SP – Brazil
01310-200

Plínio Pinheiro Guimarães Partner	Tel: (55) (11) 2533-3006 Fax: (55) (11) 2532-7333 Email: plinio@pinheiroguimaraes.com.br
Beatriz Fortuna	Tel: (55) (11) 2533-3006 Fax: (55) (11) 2532-7333 Email:bfortuna@pinheiroguimaraes.com.br

TRANSACTION TIMETABLE

Companhia Paranaense de Energia - COPEL
Up to $150 MM Senior Secured Term Loan Facility
INDICATIVE TIMETABLE

February / March 2002

S	M	T	W	T	F	S
				28	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	**29**	30
31						

April 2002

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

x **Brazilian Holiday**

	Action to be Implemented
February 28	Bank Meeting – Brazil (Sao Paulo)
March 4	Bank Meeting – New York
March 26	Lenders' commitments due
March 27	Legal documents distributed to Lenders
April 01	Final comments due on legal documentation
April 02	Last day for Bondholders Notification of Put
April 03	Final Allocations
April 08	Signing
April 26	Funding

EXECUTIVE SUMMARY

Introduction:

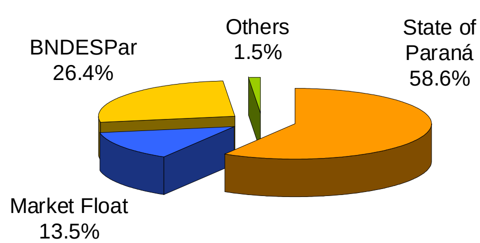
Copel is a vertically integrated electric utility, created in 1954 by the State Government of Paraná, which was looking forward to fostering the development of the State's electricity infrastructure in a coordinated manner. Previously this effort was under the responsibility of the National Department of Water and Electricity ("DNAEE") in Paraná. Over the years, Copel's work focused not only on the development of its distribution network, but also on the construction of a significant number of generation facilities, with a view to take advantage of the abundance of water basins suitable for the development of hydroelectric plants. Currently, Copel is the largest corporation in Paraná, its distribution subsidiary is the 6th largest electric distributor in Brazil and one of the most efficient electric utilities in Latin America.

The Government registered the Company's share capital on the Paraná and São Paulo Stock Exchanges in 1994. In 1997, this process of gradually opening Copel's capital to private shareholders continued, as the Company conducted a US$ 575 million primary equity offering (the largest to date by a Latin American corporate). The offering involved the registration of a Level 3 ADR on the New York Stock Exchange, making Copel the only Brazilian electricity company with a full registration.

Ownership Structure:

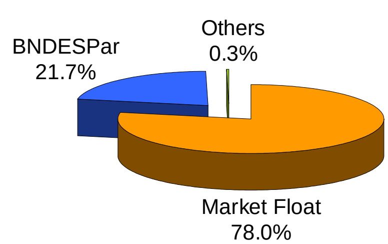
As of December 31, 2001:

Voting Stock



53% of Total Stock

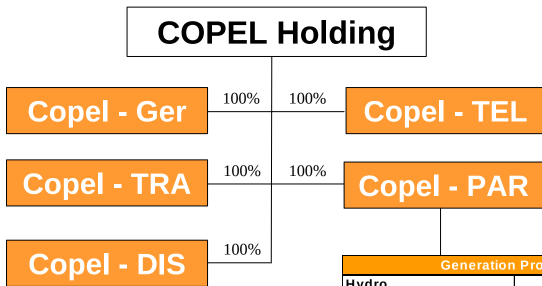
Preferred Stock



47% of Total Stock

Overview of Copel's businesses:

In January 1999, Copel initiated a restructuring process, in order to comply with federal regulations, which required vertical integrated utilities to implement the legal segregation of generation, transmission and distribution activities. In 2000, ANEEL published Circular 838/2000 and Copel's Board of Directors and General Assembly approved the creation of five whole-owned independent subsidiaries: Copel Geração S.A., Copel Transmissão S.A., Copel Distribuição S.A., Copel Telecomunicações S.A. and Copel Participações S.A.. These companies became operational as of July 1, 2001. The chart below illustrates the new organizational structure of Copel:



Generation Projects	
Hydro	
D. Francisca 23% - 125 MW	ELEJOR (Fundão 40% / Santa Clara 40%) - 338 MW
Campos Novos 15% - 880 MW	São Jerônimo 21% - 330 MW
Foz do Chopim 35.8% - 29 MW	
Thermal	
Araucária 20% - 480 MW	São Mateus 20% - 70 MW
Wind	
Palmas 30% - 2.5 MW	
Non-electric services	
Tradener 45%	Compagás 51%
Sercomtel 45%	Sercomtel celular 45%
Onda 24.5%	Sanepar (Domino) 15%
Escoelectric 40%	Copel - AMEC 48%
Carbocampel 49%	Nova Holanda 10.5%
BrasPower 49%	

Source: Copel. As of December 2001.

Through its three wholly-owned subsidiaries that operate in its core business of electricity, Copel oversees the operation of 4,549MW of installed capacity, 155,073 km of distribution and 6,781 km of transmission lines, providing electricity to 2.9 million customers. Leveraging its strong franchise and knowledge of Paraná's market, and through the utilization of its existing electricity infrastructure, Copel also provides telecommunications services to 160 corporate clients through its wholly-owned subsidiary Copel Telecomunicações S.A.. Through Copel's wholly-owned subsidiary Copel Participações S.A., the company maintains significant equity stakes in 15 generation projects, as well as in a number of additional generation projects in earlier stages of development. Moreover, via Copel Participações S.A., Copel also has participations on non-electric services, including gas distribution (as controlling shareholder of Compagás), water and sanitation services and fixed and cellular telecommunication services in the city of Londrina, through its minority stake in Sercomtel and Sercomtel Celular.

Summary of Historical Financial Data:

From January to September 2001, Copel achieved net revenues of R$1,626 million and EBITDA of R$ 608 million. The chart bellow presents Copel's main historical results and credit ratios since 1999:

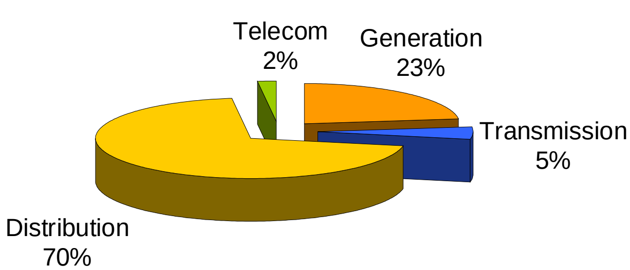
(R$ - Millions)

Operating Data	**FYE 1999**	**FYE 2000**	**3Q01**	
Net Sales	1,612	2,021	1,626	
EBITDA	625	924	608	
% EBITDA Margin	38.8%	45.7%	37.4%	
Cash Interest Expenses (*)	104	161	130	
Net Income	277	431	89	
Capex	676	428	347	
Balance Sheet				
Total Assets	7,696	7,956	8,533	
Total Funded Debt (**)	1,895	1,871	2,361	
Net Worth	4,627	4,898	4,750	
Ratios				
EBITDA/Cash Interest Exp.	6.01	5.74	4.68	
Total Funded Debt/EBITDA	3.03	2.02	2.91	(***)
Total Debt/EBITDA	2.24	1.47	1.96	(***)

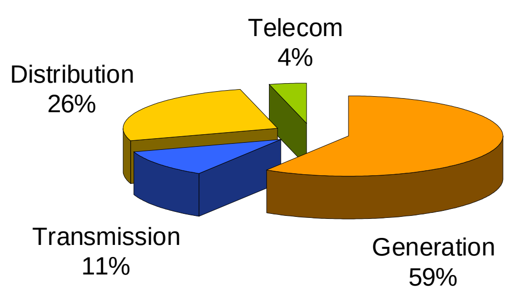
(*) Excluding Monetary Correction and Interest on Equity
(**) Including Debt with Pension Fund and excluding Debt Charges
(***) Considering 3Q2001 EBITDA annualized.

In 2001, the distribution business provided Copel with 70% of its net sales. However, its contribution to EBITDA was only 26% of the total amount. The generation business, which on the other hand generated only 23% of Copel's net sales in the first nine months of 2001, was responsible for 59% of the total EBITDA.

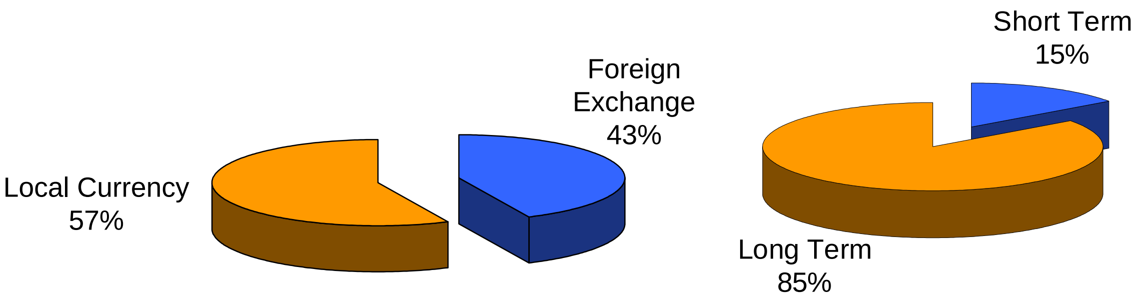
Revenues Breakdown (Jan-Sep 2001)



EBITDA Breakdown (Jan-Sep 2001)



Although Copel has increased its indebtedness, the Company still maintains a relatively low leverage ratio. Moreover, most of its debt is long term (85%) and denominated in foreign currencies (43%), as shown in the debt profile graph below:



Source: CVM ITR - September 2001. Debt includes Pension Fund and excludes Debt Charges.

Projections Highlights

Copel management projected net revenues of R$ 3,130 million and EBITDA of R$ 1,127 million for 2002. With regards to its capital expenditure plan, Copel expects to invest R$ 334 million in 2002. Details of the company's main financial projections and expected credit ratios from 2001 to 2005 are shown in the table below:

(R$ - Millions)					
Operating Data	**2001**	**2002**	**2003**	**2004**	**2005**
Net Sales	2,203	3,130	3,695	3,746	3,970
EBITDA	792	1,127	1,260	1,259	1,464
% EBITDA Margin	36.0%	36.0%	34.1%	33.6%	36.9%
Cash Interest Expenses (*)	176	240	229	223	196
Net Income	351	415	635	649	840
Capex	419	334	397	357	342
Balance Sheet					
Total Assets	8,703	9,463	9,870	10,103	10,140
Total Funded Debt (**)	2,238	2,621	2,562	2,470	1,976
Net Worth	4,990	5,122	5,447	5,784	6,219
Ratios					
EBITDA/Cash Interest Exp.	4.50x	4.70x	5.50x	5.65x	7.47x
Total Funded Debt/EBITDA	2.83x	2.33x	2.03x	1.96x	1.35x
Total Debt/EBITDA	1.91x	1.67x	1.47x	1.42x	0.91x

(*) Excluding Monetary Correction and Interest on Equity

(**) Including Debt with Pension Fund and excluding Debt Charges

TRANSACTION OVERVIEW

Transaction Summary. The transaction consists of an up to US$150,000,000 three-year Senior Secured Term Loan Facility (the "Facility") to be extended by a group of financial institutions to an offshore, special purpose trust (the "Trust"), with the exclusive purpose of acquiring the Copel 2005 9.75% Bonds (the "Bonds") whose current bondholders (the "Bondholders") decide to exercise the put option.. The current obligor under the Bond is Companhia Paranaense de Energia - Copel with the joint and several guarantee of all its main subsidiaries including Copel Geração S.A., Copel Transmissão S.A. and Copel Distribuição S.A.. Please refer to the chart below outlining the transaction.

(1) The loan under the Facility will be extended by the banks to the Trust, which will issue promissory notes (the "Notes") to the banks based on their pro-rata commitments to the Facility.

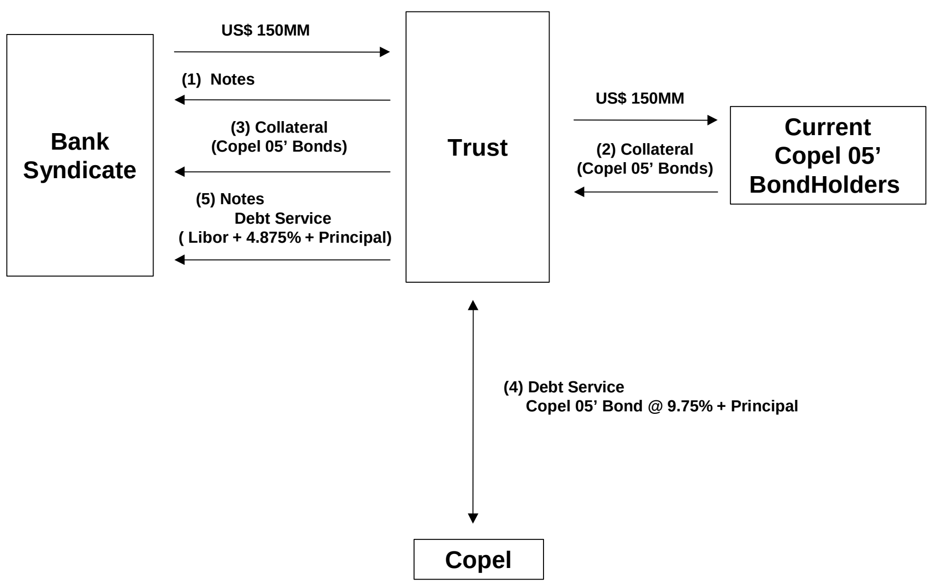
(2) The Trust will use the proceeds to purchase all Bonds from those Bondholders who timely exercise or timely express their intention to exercise their put option against Copel.

(3) All Bonds purchased by the Trust will be pledged as collateral in favor of the banks.

The Facility will have a payment schedule matching that of the collateral, i.e. semi-annual interest payments with bullet principal payment at maturity by May 2, 2005.

(4) Copel will continue to serve its Bonds with a 9.75% coupon and will provide, or cause to be provided tothe Trust, a hedge agreement (or any other agreement or structure satisfactory to the Lenders and Copel) which shall convert the Trust's rights to receive a fixed rate cash flow under the collateral into a floating rate cash flow sufficient to serve the Notes.

(5) With the hedge agreement and with the funds received under the Bonds, the Trust will have enough funds to make payments due on the Notes.



Key Terms and Conditions:

Borrower:	An offshore, special purpose trust to be specifically constituted for this transaction (the "Trust").
Bond:	A US$150,000,000 Eurobond issued by Copel under that certain indenture agreement dated May 2, 1997 (the "Bond Indenture"). The Bond has a 9.75% per annum coupon and matures on May 2, 2005. On May 2, 2002, the Bondholders (as defined below) have the right to put the Bonds against Copel for 99,099% of their face value. The original Bond's obligor is Companhia Paranaense de Energia – Copel ("Copel") but is also jointly and severally guaranteed by Copel's main operating subsidiaries, including: Copel Geração S.A., Copel Transmissão S.A., Copel Distribução S.A., Copel Telecomunicaçoes S.A. and Copel Participaçoes S.A., (the "Guarantors").
Amount:	Up to US$150,000,000.
Final Maturity Date:	The Facility will mature on May 2005, on or promptly after the original maturity date of the Bonds.
Availability*:*	One single disbursement on the Disbursement Date.
Disbursement Date*:*	On or about May 2, 2002 or any such date as agreed between Copel and the Lead Arrangers.
Principal Amortization:	Bullet on the Final Maturity Date.
Collateral*:*	The Lenders will have a perfected first priority pledge of the Bonds acquired by the Borrower. The pledge may be subject to rights of the swap provider.
Interest Rate:	Interest will be paid semi-annually in arrears, from the Disbursement Date until the Final Maturity Date, using the proceeds of the payments made by Copel to the Borrower on the Bonds. Amounts outstanding under the Facility would bear interest at the six-month London Interbank Offered Rate ("LIBOR") as quoted on the Telerate page 3750 plus the Applicable Margin. Interest will be calculated on the outstanding principal on an actual days/360 basis. The Borrower will enter into a swap or other hedge agreement with a counter party acceptable to the Lead Arrangers, to ensure that the Borrower can service the Facility from payments under the Bonds.
Applicable Margin:	487.5 basis points per annum.
Governing Law:	All documentation in connection with the Facility would be governed by and construed in accordance with the laws of the state of New York. The parties herein would submit to the non-exclusive jurisdiction of Federal and State courts sitting in the City of New York. Sovereign immunity shall be waived.

INVESTMENT CONSIDERATIONS

Strong Business Platform. Copel is one of the key players in the electricity sector, not only in Brazil, but also in the Latin American region with a well-established integrated platform of generation, transmission and distribution of energy. Copel has **12.3%** of the generation market and **9.6%** of the distribution market in the key South/Southeast market in Brazil, the wealthiest region in the country and a market which represents approximately **80%** of the national GDP and 73% of the electricity consumption. Copel distribution subsidiary is Brazil's sixth largest in its sector, serving 2.9 million customers.

Strategic Location. Copel operates in the State of Paraná including the cities of Curitiba, Londrina and Maringá, which constitute the most densely populated urban areas of the state. The state of Paraná is one of the most economically developed and fastest growing regions in Brazil (GDP per capita as of 2000 of R$ 7,485.00 versus a country average of R$ 6,387.00). Moreover Copel's area of operation was excluded from the rationing implemented by the Brazilian government in 2001. Since the introduction of the Plano Real, residential and commercial demand has increased consistently, as a result of the increase in new connections as well as the higher average consumption per consumer.

Since 1996, Paraná's economy has grown at an average of **4.1%** per year compared with **2.2%** for Brazil. Moreover, Paraná has received some of the most important foreign direct investment in Latin America (Volvo, Audi, Volkswagen, Renault, Eletrolux and Siemens are examples of multinational companies that operate in the state).

Strong Financial Position. Copel benefits from a long-standing conservative financial management, witnessed by a noticeable low leverage of 1.96x Total Debt/EBITDA as of September 30, 2001 (EBITDA annualized) compared to other Brazilian and international utility companies as well as a strong cash generation. As a result of careful financial planning and through open access to local and international capital markets, Copel was able to structure its debt portfolio mostly with medium to long term debt, maintaining a well balanced capital structure (25% Total Debt/Total Capitalization).

High Projected Demand Growth. According to Brazilian government forecasts, electricity demand in the South of Brazil, which includes Paraná, is expected to grow **6.3%** p.a. during the next 10 years[1]. This expected growth is higher than the **5.8%** growth rate forecast for Brazil.

Experienced Management, and Outstanding Operational Efficiency. Copel is widely regarded as one of the most efficient power companies in Brazil in terms of quality of service, commercial policy and technical operations. Copel's experienced management has continuously made significant improvements in the company's operations. Since 1997 Copel has reduced its workforce in **27%** from **7.991** to **5.856** (as of December 31, 2001) employees and has streamlined its management layers. Copel has been focused on improving its cost structure in order to be more competitive in an increasingly deregulated market. Most recently the Company has split its businesses into 5 macro operating units which is expected to further improve the Company's efficiency. Copel's management has turned the Company into a world-class integrated energy concern, being the one with the lowest level of energy losses (**4.7%**) among Brazilian electric utilities (**15.7%** national average) and with outstanding quality indices in the distribution business (DEC and FEC of 13 hours and 12.5 outages for 2001 compared to 17.4 hours and 15.3 outages for Brazil in 2000).

[1] Generating Indicative Program of the Interconnected System 2001 – 2010 (CCPE Jun/01, see Appendix II).

Positive Economic Scenario for Brazil. After the introduction of the Real Plan, the election of President Fernando Henrique Cardoso in 1994, and following various constitutional and legislative reforms, the political and economic situation in Brazil has improved radically in comparison to previous years. Inflation was reduced from 941% in 1994 to an average of **8.2%** during 1995 to **2000.** The consistent growth in GDP which has increased every year since the plan's introduction, averaging 3.0% between 1994 and **2000** and the strength on foreign direct investment - Brazil ranked among the top 3 leading destination of foreign direct investment in emerging markets, receiving an average inflow of US$27 billion p.a. in 1999 and 2000 – shall benefit the electricity sector through increased demand continued development of the economy.

SUMMARY OF TERMS AND CONDITIONS

INDICATIVE SUMMARY OF TERMS AND CONDITIONS
US$150,000,000 SENIOR SECURED TERM LOAN FACILITY.

Borrower:	An offshore, special purpose trust to be specifically constituted for this transaction (the "Trust").
Bond:	A US$150,000,000 Eurobond issued by Copel under that certain indenture agreement dated May 2, 1997 (the "Bond Indenture"). The Bond has a 9.75% per annum coupon and matures on May 2, 2005. On May 2, 2002, the Bondholders (as defined below) have the right to put the Bonds against Copel for 99,099% of their face value. The original Bond's obligor is Companhia Paranaense de Energia – Copel ("Copel") but is also jointly and severally guaranteed by Copel's main operating subsidiaries, including: Copel Geração S.A., Copel Transmissão S.A., Copel Distribução S.A., Copel Telecomunicaçoes S.A. and Copel Participaçoes S.A., (the "Guarantors").
Bondholders:	A group of investors currently holding 100% of the outstanding Bond.
Lead Arrangers:	BankBoston N.A.[2] ("BankBoston" or "BKB") and Salomon Smith Barney Inc. ("SSBI") or any of their respective affiliates or subsidiaries.
Administrative Agent:	Citibank N.A.
Co-Syndication Agents:	BKB and SSBI.
Documentation Agent:	BKB.
Collateral Agent:	TBD.
Lenders:	BKB, Citibank N.A or any of their respective subsidiaries or affiliates and a group of financial institutions.
Credit Facility:	A Senior Secured Term Loan Facility ("Facility") to be extended by the Lenders to the Borrower and the proceeds of which will be used exclusively to purchase the Bonds from the Bondholders that timely exercise or timely express their intention to exercise their put option against Copel on May 2, 2002.
Amount:	Up to US$150,000,000.
Final Maturity Date:	The Facility will mature on May 2005, on or promptly after the original maturity date of the Bonds.
Closing Date:	April 2002.

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[2] *BankBoston N.A., a FleetBoston Financial Company, is the corporate name under which Fleet National Bank operates in Latin America.*

Availability*:*	One single disbursement on the Disbursement Date.
Disbursement Date*:*	On or about May 2, 2002 or any such date as agreed between Copel and the Lead Arrangers.
Principal Amortization:	Bullet on the Final Maturity Date.
Collateral*:*	The Lenders will have a perfected first priority pledge of the Bonds acquired by the Borrower. The pledge may be subject to rights of the swap provider.
Interest Rate:	Interest will be paid semi-annually in arrears, from the Disbursement Date until the Final Maturity Date, using the proceeds of the payments made by Copel to the Borrower on the Bonds . Amounts outstanding under the Facility would bear interest at the six-month London Interbank Offered Rate ("LIBOR") as quoted on the Telerate page 3750 plus the Applicable Margin. Interest will be calculated on the outstanding principal on an actual days/360 basis. The Borrower will enter into a swap or other hedge agreement with a counter party acceptable to the Lead Arrangers, to ensure that the Borrower can service the Facility from payments under the Bonds.
Applicable Margin:	487.5 basis points per annum.
Yield Protection*:*	The Facility will contain customary provisions satisfactory to the Lenders relating to increased costs, reserve requirements, capital adequacy protection, break funding costs, withholding and other taxes and illegality.
Default Interest*:*	Amounts outstanding under the Facility after maturity or acceleration (and any other amount not paid when due) will bear interest at a rate equal to the Interest Rate (as defined above) plus a penalty spread of 2% calculated on an actual/360 day basis, payable in manner as required by the Administrative Agent and upon demand by the Lenders, which amounts shall be payable only to the extent that the Borrower receives sufficient funds from Copel under the Bonds to make such payments.
Taxes*:*	All payments under the Facility to the Lenders will be made free and clear of any taxes, duties, withholding or other deductions whatsoever. Any and all taxes, levies or contributions imposed by taxing authorities in any jurisdiction relating to the Facility or its extension to the Borrower by the Lenders, will be borne and paid by [Copel on behalf of] the Borrower or grossed up, where appropriate.
Conditions Precedent	***:*** The closing and disbursement of the Facility will be subject to the fulfillment of the following conditions, including, without limitation: a) The Borrower, Copel and its respective subsidiaries shall be existing and duly constituted and all the documents relating to their formation and organizational structure must be under terms and conditions acceptable to the Lead Arrangers; b) All requisite governmental and corporate approvals for the Facility shall have been obtained;

c) Receipt of all appropriate approvals, opinions and authorizations necessary for the Borrower and Copel to consummate the transaction;

d) Completion, to the satisfaction of the Lead Arrangers, of a due diligence investigation on Copel;

e) Preparation, negotiation and execution of definitive documentation for the Facility satisfactory in form and substance to the Lead Arrangers, including a Credit Agreement between the Lenders and the Trust, an Amendment to the Bond Indenture and a Pledge Agreement, contemplating the perfection of the Lenders' security interest in the Collateral (the "Facility Documentation");

f) All such legal opinions and certificates that the Lead Arrangers may require;

g) No Default or Event of Default or material litigation of the Borrower, Copel and/or its subsidiaries;

h) The absence of material adverse change in (or continuation of an existing condition): (A) the international financial, banking or capital markets in general; (B) the economic, political or financial condition of Brazil or the Borrower or Copel or the Guarantors or (C) the condition (financial or other), business, regulatory environment or prospects of the Borrower, Copel or its subsidiaries or affiliates; which in each case in the sole judgment of any of the Lead Arrangers would make it impractical or inadvisable to proceed with the Facility;

i) Full payment of all fees and expenses in the transaction including but not limited to fees owed to the Lead Arrangers in connection with their services rendered herein, out-of-pocket and external legal expenses;

j) Appointment of a process agent for service of process in New York;

k) Copel entering, or having an investment grade rated foreign financial institution entering, in a swap agreement with the Trust to convert the cash flow to be received by the Trust under the Bonds from fixed to floating rate or adequacy of the Certificate of Registration for the Bond, in order to allow for and being subject to, the cash flow of payments under the Bond to be sufficient to service all the obligations under the Facility;

l) Execution of a legal instrument, in form and substance satisfactory to the Lead Arrangers whereby Copel shall agree to modify and/or amend the terms of the Bond as specified herein; and

m) Conclusion of documentation of the swap or other hedge agreement referred to above.

Representations and Warranties:

Customary and usual Representations and Warranties of Borrower and Copel for a financing of this type shall include, but will not be limited to, the following:

a) The Borrower and Copel are duly incorporated and validly existing and they have the power to enter into and perform pursuant to the Facility Documentation;

b) Information regarding the Bond supplied by Copel to the Lead Arrangers is complete and accurate;

c) All necessary consents, permits etc. have been obtained and are in full force and effect;

d) The Facility Documentation is in proper legal form for enforcement;

e) There is no default or event which would become a default with the giving of notice or passage of time or both under the Facility Documentation which would materially adversely affect the Borrower or Copel or the consummation of the transactions contemplated under the Facility Documentation;

f) There is no litigation, proceedings, governmental investigation, arbitration or winding up, dissolution or similar process pending or threatened which would materially affect the Borrower or Copel or any their respective rights or the consummation of the transactions contemplated under the Facility Documentation;

g) The Borrower and Copel have good title to all their assets and no encumbrances exist except as permitted and disclosed before the Disbursement Date;

h) No government or regulatory approvals, authorizations, licenses, permits or other third-party consents are required other than those already obtained and in full force and effect; and

i) The absence of any material adverse change in the condition (financial or other), business, regulatory environment or prospects of the Borrower, Copel or its subsidiaries which would make it impractical or inadvisable to proceed with the Facility.

Covenants: Affirmative and negative covenants standard for this type of transaction, including but not limited to the following (subject to negotiation):

a) Compliance with laws;

b) Payment of taxes and material obligations;

c) Preservation and maintenance of corporate existence;

d) Maintenance of books and records;

e) Visitation and inspection rights;

f) Maintenance of insurance, properties and licenses and all necessary governmental and non-governmental approvals;

g) Limitations on transactions with affiliates;

h) Use of proceeds (binding obligation on the Borrower);

i) Disclosure reports (including, but not limited to, quarterly and annual audited financial statements, quarterly "*compliance* *certificates*", notices of default, material litigation and other information that the Lenders might request);

j) Certain restrictions on consolidations, mergers, and sales of assets;

k) Certain restrictions on change of business or corporate structure;

l) Limitation on dividends and share repurchase; provided that such limitations will not apply if there is no default;

m) Limitations on loan, capital contributions, "*joint ventures*" and other investments;

n) Limitations on acquisition, sale and transfer of assets;

o) Limitations on renegotiation or repurchase of debt;

All obligations listed from a) to o) are referred herein as the "Usual Obligations".

The covenants set forth in the Bond Indenture shall be amended and/or modified as necessary to include the Usual Obligations and the Financial Covenants as described below.

Financial Covenants:

The Bonds will be amended to incorporate the following financial covenants**:**

Minimum EBITDA/Cash Interest Expense of 2.5:1 times; and

Maximum Total Funded Debt/EBITDA of 3.25:1 times.

Total Funded Debt and Cash Interest expense shall include obligations with Pension Funds and guarantees provided by Copel or any of the Guarantors. These ratios will be measured quarterly based on Copel's consolidated financials and on the previous twelve months financials.

Events of Default:

Events of Default customary in facilities of this nature, including but not limited to the following (subject to negotiation):

Failure to promptly amend the Bond Indenture after the purchase of the Bonds by the Borrower, as required hereunder;

Failure to pay any scheduled principal payments and interest when due;

Bankruptcy, insolvency of the Borrower, Copel or any of the guarantors of the Bond;

Unsatisfied judgments of Borrower or Copel in excess of US$ 10,000,000 remaining un-discharged for a period of 30 days;

Failure to perform under or observe any covenants and the passage of any remedy or grace period, if applicable;

Any representation or warranty is incorrect in any material respect when made;

Change in ownership of Copel, the Borrower and/or any of their direct or indirect subsidiaries;

Government action which restricts or limits the ability of the Borrower, Copel or any of its subsidiaries to perform their obligations under the Facility Documentation;

Brazil declares a moratorium on the payment of indebtedness denominated in foreign currencies or impose foreign exchange control regulations;

Unenforceable Facility Documentation in accordance with the applicable legislation;

Cross-default and cross-acceleration to other indebtedness (including guarantees) of Copel or the Guarantors in an amount exceeding $10,000,000;

The Facility Documentation will contain those cures, rights and remedies upon several Events of Defaults customarily found in transactions of this type. In an event of default, the Administrative Agent will have the right to, and at the request of the Lenders shall, accelerate the indebtedness under the Facility, declare all outstanding principal and interest due and payable, and to exercise any other rights available under the Facility Documentation, applicable laws or any other document or instrument entered into in connection therewith.

Other: The Facility Documentation will also include:

Indemnification of the Administrative Agent and Lenders and their respective affiliates, officers, directors, employees, agents and advisors for any liabilities and expenses arising out of the Facility or the use or proposed use of proceeds, and

Customary agency, set-off and sharing language.

Transferability: The Lenders will be permitted, upon written notice to the Administrative Agent, to assign and sell participations to other financial institutions in the minimum amount of US$3,000,000 and increments of US$1,000,000 in excess thereof. The transferor lender shall pay to the Agent an administrative fee of US$2,500 for the processing of the transfer. Each Lender under the Facility will have the right to sell participations in its rights and obligations under the Facility Documentation, subject to customary restrictions on the participants' voting rights. Participations will not be subject to approval from any of the parties.

Governing Law:	All documentation in connection with the Facility would be governed by and construed in accordance with the laws of the state of New York. The parties herein would submit to the non-exclusive jurisdiction of Federal and State courts sitting in the City of New York. Sovereign immunity shall be waived.
US Counsel to the Lenders:	Chadbourne & Parke LLP.
Brazilian Counsel to the Lenders:	Pinheiro Guimarães Advogados.

INDUSTRY OVERVIEW

THE BRAZILIAN ELECTRICITY INDUSTRY

Introduction

Electricity represents approximately 40% of all the energy consumed in Brazil and approximately 93% of this electricity is generated by hydroelectric power plants. At December 31st, 2000, the Brazilian nominal installed capacity was 65,800MW (including 50% of Itaipu's capacity).

The electricity industry in Brazil, has the following principal areas:

Generation — the production of electricity at generation stations using nuclear, fossil fuel or hydroelectric power plants.

Transmission — the transfer of electricity across large, high-voltage power lines from generation stations to consumption centers.

Distribution — the sale and delivery of electricity within local areas to homes and businesses using relatively low-voltage power lines together with a range of related services such as metering, billing and energy management.

Energy Trade – With the beginning of the Brazilian Wholesale Energy Market (MAE), some dealers are starting operations.

Electricity produced at a generation station is boosted by nearby transformers to high voltages so it can be moved long distances over transmission lines with limited power loss. The voltage is then reduced or stepped down at transformer stations for supply to large customers or distributors. Distributors carry the power over sub-transmission lines to distribution points at which distribution stations further step down the voltage for supply to local consumers.

The Federal Government holds its interests in the electricity transmission sector through Eletrobrás, which controls the following regional generation, transmission and distribution companies:

Furnas, a generation and transmission company in the Southeast of Brazil (States of São Paulo, Rio de Janeiro, Minas Gerais and Espírito Santo);

Chesf, a generation and transmission company in the Northeast of Brazil (including the States of Maranhão, Alagoas, Bahia, Ceará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte and Sergipe);

Eletronorte, a generation, transmission and distribution company in the North of Brazil (States of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins and Maranhão);

Eletrosul, a transmission company in the South of Brazil (States of Paraná, Rio Grande do Sul, Santa Catarina and Mato Grosso do Sul);

Eletronuclear, a nuclear generation company in the Southeast of Brazil; and

LightPar, a company which holds an equity participation in Eletronet.

Eletrobrás also holds Brazil's 50% interest in Itaipu as well as non-controlling minority interests in various other electricity generation, transmission and distribution companies. Although the Brazilian Federal Government has begun to implement its program of privatization of the electricity sector, including a more market driven framework for electricity sales, the Brazilian Federal Government retains control of Eletrobrás which, on a consolidated basis, was responsible for companies which generated approximately 40% of all the electricity generated in Brazil in 2000.

Generation

The electricity sector in Brazil is organized according to five geographic regions: the Southeast, the South, the Midwest, the North and the Northeast. Each of these regions is served by three federally-owned regional generation and transmission companies or by one transmission company controlled by Eletrobrás. Each of these companies develop electricity generation (both hydro and, to a lesser extent, thermal power) in its region and generates and transmits electricity, mainly to power distribution utilities. In addition, through Eletronuclear, Eletrobrás develops nuclear power generation.

Certain large consumers of electricity, such as industrial consumers, also produce electricity principally for their own consumption.

Hydroelectric plants generate approximately 93% of the electricity produced in Brazil. The remainder of production is derived from thermal plants using diesel, fuel oil, coal, charcoal, wood, wind or nuclear fuel. The thermal plants, except for the isolated systems in the North are used when hydroelectric production cannot meet demand because of insufficient water in the system or at times of peak demand. This accounts for the fact that the percentage of overall installed capacity of thermal plants is greater than the percentage of power generated. The Federal Government has announced plans to authorize the construction of up to 44 new thermal power plants, most of which will be fired by natural gas. Participation by Eletrobrás in this program is likely to be by way of minority participations in the new construction projects.

The following table shows Brazil's installed generation capacity, divided into hydroelectric and thermal generation capacity, from 1986 through 1999:

		Thermal					
Year	**Hydro-electric**[(1)]	**Diesel**	**Fuel Oil**	**Coal**	**Uranium**	**Others**[(2)]	**Total**
				(in MW)			
1990	44,196	1,100	1,842	1,040	657	113	48,948
1991	45,965	1,120	1,842	1,040	657	113	50,737
1992	47,058	1,127	1,842	1,040	657	—	51,724
1993	47,961	1,231	1,842	1,040	657	—	52,731
1994	49,308	1,276	1,842	1,040	657	1	54,124
1995	50,572	1,286	1,842	1,040	657	1	55,398
1996	52,436	1,282	1,810	1,040	657	3	57,228
1997	53,987	1,286	1,778	1,410	657	27	59,145
1998	55,859	1,277	1,784	1,410	657	324	61,311
1999	58,387	1,474	1,786	1,410	657	252	63,966

(1) Includes 50% of Itaipu's total operating capacity.
(2) Includes firewood, charcoal and wind.
Source: Electric Power Sector Managerial Information System ("SIESE").

It is expected that thermal power capacity will increase to supplement Brazil's hydroelectric resources, which are limited due to Brazil's finite water resources and the high construction costs and delays associated with hydroelectric projects. Thermal plants can be installed more rapidly and at a lower cost than hydroelectric plants and, therefore, may prove more attractive to independent power producers and other outside financing sources. However, it is not expected that there will be a significant increase in the proportion of thermal power generation compared to hydroelectric power within the next five years.

Transmission

To encourage private sector investment, as a prelude to privatization, the Federal Government is introducing a profit-making element to the transmission business and providing funding for such transmission assets. The Power Sector Law permits owners of transmission assets to charge certain tariffs for the generation of electricity throughout Brazil in order to allow movement of electricity between Northern and Southern Brazil, as demand dictates, and to encourage independent power producers to build or expand generation facilities to take advantage of the existing developed transmission system. See "— Reform of the Electricity Sector".

Brazil comprises two major integrated systems for the transmission of electricity located in the North-Northeast and South-Southeast regions of Brazil and which are co-ordinated by Eletrobrás. Furnas and Eletrosul are linked through a transmission grid to which Itaipu is also linked. This transmission grid forms the interconnected power system for the South, Southeast and Midwest regions and serves approximately 80% of Brazil's electricity market. The transmission lines of Eletronorte and Chesf form the interconnected power system for the North and Northeast regions of Brazil. The two systems were connected recently through the North/South transmission line, thus creating a link between the two regions (the "interconnected system"). Most of the energy generation, transmission and distribution companies in Brazil are linked to one of these systems through a network of transmission lines. The primary generators are Eletronorte and Chesf, in the North-Northeast system, and CESP (the São Paulo state-owned electricity company), Furnas, Gerasul, Companhia Energética de Minas Gerais — CEMIG ("CEMIG") the Minas Gerais state-owned electricity company and Companhia Paranaense de Energia — COPEL ("COPEL"), in the South-Southeast system. Each system is fully integrated, allowing energy to flow freely among concessionaires in each system as determined by the *Operador Nacional do Sistema* 'ONS', or the independent system operator which is fully described later in this section.

In addition to the interconnected system, there are isolated thermal systems in the northern states that do not have a link with the integrated systems because the distances, capacities and costs involved would make such interconnection technically and economically unfeasible. All of the isolated systems are operated by Eletronorte and by local concessionaires in the Northern region of Brazil.

Distribution

Distribution and retail sales of electricity comprise the sale and delivery of electricity to distribution companies which then sell and deliver electricity by low-voltage power lines to end consumers and industrial consumers together with a range of related services such as metering, billing and energy management.

Between 1990 and 2000, the consumption of electricity in Brazil grew by approximately 52.2%, from 200,800 GWh to 305,570 GWh, the number of residential customers increased by approximately 46.6%, from approximately 27.5 million to approximately 40.3 million, and the total nominal installed capacity (including 50% of Itaipu) increased by approximately 31.3%, from 49.0 GW to 64.3 GW.

In the year ended December 31, 2000, consumption of electricity by the industrial sector accounted for approximately 42.9% of electricity consumed in Brazil, while consumption by residential users accounted for approximately 27.3%, commercial users for approximately 15.5% and the rural sector, street lighting and other users for approximately 14.2%.

National Electric Energy Plans

As the Brazilian electricity supply system is mainly hydro-powered, involving a large geographic area and substantial energy interchanges between the different regions of Brazil, strategic energy expansion programs are necessary to ensure continuity of supply and to monitor and control development. These expansion programs are known as the "National Electricity Energy Plans".

Historically, the *Grupo Coordenador de Planejamento dos Sistemas* — GCPS, the executive committee of Eletrobrás which had the responsibility of coordinating the expansion of Brazil's electricity systems prior to the reform of the regulatory framework (the "GCPS") had the responsibility of preparing the *Plano Decenal de Expansão* ("Ten-Year Expansion Plan" or the "Plan") which established the number, location and generation capacity of electricity plants for each region of Brazil. This responsibility has now passed to the *Comitê Coordenador do Planejamento da Expansão dos Sistemas Elétricos* — CCPE (the "CCPE") which replaced the GCPS as of January 2000. The Ten-Year Expansion Plans are the principal short- and medium-term planning guidelines for the electricity sector. The Plan was first updated in 1989 with the Ten-Year 1990-1999 Expansion Plan, and it has been updated annually since then. The current version is the Ten-Year 2000-2009 Expansion Plan (the "2009 Plan"). Prior to the enactment of the Power Sector Law in 1995, the Ten-Year Expansion Plans specifically indicated which utility would be responsible for building each facility. Currently, most hydroelectric generation concessions must be preceded by a public bidding process. As a result, the Ten-Year Expansion Plans only effectively suggest where it would be appropriate for a generation facility to be built and a public bidding process determines which company will actually build the plant. Furthermore, if a thermal plant, which does not require a public bidding process when being built by an independent electricity producer or by a self generator, is constructed that is not specifically called for in the Ten-Year Expansion Plan, the need to build one of the hydroelectric plants contemplated in the Plan may be obviated.

The following table shows the projected investments for the Brazilian electricity sector as a whole for the period 2001 to 2004 as set out in the 2009 Plan:

	For the year ended December 31,				
Item	**2001**	**2002**	**2003**	**2004**	**Total**
			(in billions of reais)		
Generation [1]	5.3	5.6	4.0	3.4	22.1
Transmission	3.4	2.5	1.1	1.0	10.7
Distribution	1.5	1.5	1.5	1.4	7.6
General Installations	0.5	0.5	0.4	0.3	2.1
Total	10.7	10.1	7.0	6.1	42.5

(1) Including the portion of investments relating to independent power producers.

The estimated increase in total consumption of electricity of concessionaires, which has been adopted as a point of reference for Brazil as a whole, is 4.7% per year for the 2000-2009 period. The supply of electricity is expected to increase from 64,300MW to 107,195MW over the same period including the electricity imported from foreign countries within South America. The participation of thermal plants in the total supply of electricity is expected to increase from 9.2% to 25.2% in the 2000-2009 period. Approximately 49,813Km of transmission lines are expected to be installed in Brazil, and approximately 93,373MVA are expected to be installed in substations. Expansion in the sector will demand investment of approximately R$8.5 billion per year between 2001 and 2004.

There can be no assurance that the 2009 Plan will be implemented or, if implemented, will be implemented in accordance with its terms. In addition, the Federal Government has entered into various other agreements to help meet Brazil's energy needs, such as those relating to the Brazil-Bolívia natural gas pipeline, and to the transmission lines between Brazil and Argentina.

Reform of the Electricity Sector

In recent years, the Federal Government has taken a number of measures to transform the Brazilian electricity sector, and further significant initiatives are under consideration. In very general terms, all of these initiatives are aimed at increasing the role of private investment, eliminating barriers to foreign investment and increasing competition in the electricity industry.

The following is a summary of the principal measures taken by the Federal Government to date:

Concessions Law and Power Sector Law. The Concessions Law and the Power Sector Law (i) require that all concessions provide electricity services be awarded only after a public bidding process, (ii) permit the formation of independent power producers to generate and sell electricity for their own account to certain classes of customers, (iii) permit certain customers to purchase electricity from any power supplier, (iv) require that suppliers and large consumers be given open access (for a fee) to the distribution and transmission systems of concessionaires that are included in the basic national transmission grid, and (v) eliminate the requirement to obtain concessions for certain small electricity projects.

Constitutional Amendment. The Brazilian federal constitution was amended on August 15, 1995 (Constitutional Amendment N°8/95) to permit a company established in Brazil with its headquarters and management based in Brazil, irrespective of the nationality of the persons controlling such company, to become a concessionaire and to hold authorisations in the electricity sector. Previously, a company holding a concession or authorisation was required to be controlled by Brazilian nationals, the Federal Government or a Brazilian state government.

Privatizations. Since 1995, controlling interests in distribution companies previously owned by the Federal Government through Eletrobrás, or the various States, have been sold to private investors. Certain state governments have also sold minority interests in major distribution companies in the same period.

ANEEL and the Federal Government have adopted measures beginning with the Power Sector Restructuring Law (Law N°9,648 of May 27, 1998) and implemented regulations. Measures taken by ANEEL include (i) requiring distributors and generation companies to enter into supply agreements covering the transition period leading to the establishment of a wholesale energy market, (ii) establishing the ONS with powers to ensure a fair, competitive market for the generation and energy distribution segments of the energy supply chain, (iii) demanding that energy sector companies split into generation, distribution and transmission affiliates within a specified period and segregate accounting for generation, distribution, transmission and distribution activities immediately, including segregating costs related to operating the basic grid, supplying captive customers, operating the distribution grid, and businesses outside the energy sector, (iv) requiring distributors and energy retailers to contract 85% of the energy required to meet their obligations to final customers through long-term contracts with generation companies, (v) limiting market share and cross-ownership in the generation, transmission and distribution markets nation-wide and regionally, (vi) requiring generation, transmission and distribution companies to enter into agreements relating to energy supply, interconnection and use of the basic transmission grid, (vii) establishing a single pricing methodology and uniform rules and procedures for access to the basic transmission grid, and (viii) holding public bidding processes for authorizations and concessions to construct and operate power plants. In addition, ANEEL regulations allow large customers to choose whether to purchase energy from the local distribution company, a transmission company or an energy distributor.

Regulation

General

The Brazilian electricity sector is in a transitional period from a heavily regulated industry in which the most significant players were also Federal Government-owned, to a market with open competition subject to a governing regulatory framework, including tariff controls. Two new agencies have been created: the ONS, the independent system operator responsible for operation planning and the *Associação do Mercado Atacadista de Energia Elétrica* – ASMAE, the wholesale electricity market association (the "ASMAE"), the market entity responsible for providing administrative, legal and technical support for the activities of the Wholesale Electricity Market. Pursuant to Law N°3,890-A, dated as of April 25, 1961, as amended by the Power Sector Restructuring Law of 1998, Eletrobrás is the holding company for certain generation, transmission and distribution companies. Power utilities are directly responsible for designing, building and operating their own power projects subject to applicable licensing requirements. Eletrobrás also transferred its responsibilities for planning to the Brazilian supply systems to the CCPE, retaining only the responsibility for ancillary activities. Utilities participate in the ONS, which draws up working guidelines and operates the basic grid to ensure continuous energy supply. Utilities also participate in the Wholesale Electricity Market, which operates a spot market for bulk energy through the wholesale energy market administrator, ASMAE. ASMAE is a non-profit entity created under the *Acordo do Mercado* to provide administrative, legal and technical support to the activities of the Wholesale Electricity Market. The *Acordo do Mercado* is a document that is subscribed to by all the Wholesale Electricity Market participants and establishes the conditions that shall regulate the market ("*Acordo do Mercado*"). The activities of ASMAE are subject to the regulations established by the Wholesale Electricity Market itself to mitigate exposure of the Wholesale Electricity Market's clearing system to its participants' financial condition. The GCPS was responsible for establishing working guidelines and action plans. The CCPE replaced the GCPS as of January 2000.

ONS

The ONS was created in 1998, pursuant to the Power Sector Restructuring Law of 1998, and succeeded the *Grupo Coordenador da Operação Interligada* – GCOI, the interconnected operation co-ordination group (the "GCOI"). The role of the GCOI was to optimize the use of Brazil's available installed electricity capacity through its interconnected systems at a time of market growth. The ONS is a non-profit organization controlled by electricity utilities engaged in generation, transmission (defined as operators of lines of 230kV or higher voltage) and distribution or retail of electricity. The organization of the ONS, as set out in its by-laws, is similar to that of a corporation, where the generation, transmission and distribution companies, as well as large importers, exporters and free consumers, are members with voting rights and where the Federal Department of Energy and consumer representatives are members without voting rights. Members vote to elect nominees to the administrative council, an audit committee and certain other deliberative bodies. The administrative council elects the board of directors and produces working guidelines and lines of action for the ONS.

The primary role of the ONS is to co-ordinate the operations of the interconnected systems in order to (i) achieve appropriate levels of load supply that minimize operating costs, (ii) maintain an adequate reliability level and (iii) ensure open access to the basic transmission grid. The Brazilian electricity system is jointly operated by different utilities, which own plants and reservoirs in sequence in river basins, thus creating interdependence in power production. Only a few of these generation companies own thermal plants.

The ONS co-ordinates and supervises the operation of the transmission system at levels that maintain adequate voltage and frequency standards. The utilities' transmission systems are interconnected to form a grid that has more than 55,000Km of lines at voltages equal or greater than 230kV. The ONS carries out electrical and energy management studies, with variable time scales and planning horizons ranging from years to real-time operation in order to assist in planning for the operation of the power system. The following are some of the principal considerations the ONS takes into account when formulating its operational plans:

- peak demand and energy supply contracts between utilities;
- annual mean system short-run marginal costs;
- forecasts for thermal generation and fuel consumption;
- projections of financial resources for the CCC Account;
- strategies for hydroelectric operations adopted monthly in short-term planning; and
- conditions for supplying the consumer market and estimates of energy shortage risks.

The ONS also carries out studies to identify the most likely emergencies in order to prepare emergency plans to minimize breakdowns. Studies are also carried out in relation to flood control and specific projects such as how to bring a new plant on-line. The technical groups of the ONS also carry out research to develop new technologies to improve the overall operation of the system with the help of *Centro de Pesquisas de Energia Elétrica* — CEPEL, the research center for electric energy.

The ONS has come to play a key role in ensuring that generation companies, distribution companies, energy retailers and large customers have open access to the basic transmission grid. The expansion of the transmission grid is dictated by the mandatory planning guidelines issued by the CCPE. ANEEL, in turn, is responsible for conducting the public bidding process for the construction and maintenance of the newly added segment of the basic transmission grid.

GCPS and CCPE

The GCPS was a national committee comprised of representatives from the principal electricity concessionaires which co-ordinated planning for electricity systems throughout Brazil. The Federal Department of Energy created the CCPE, which replaced the GCPS in January 2000. Accordingly, the CCPE has assumed the responsibility of preparing the Ten-Year Expansion Plans. The last plan drawn under the responsibility of the GCPS was the 2009 Plan. The first plan to be drawn under the CCPE's responsibility is the 2001/2010 Plan.

Wholesale Electricity Market

In order to provide a spot market of energy in Brazil upon the deregulation of the electricity market, the Federal Government created the Wholesale Electricity Market pursuant to the Power Sector Restructuring Law of 1998, and approved by ANEEL pursuant to Resolution N°18 of January 28, 1999.

The Wholesale Electricity Market is a self-regulatory body responsible for the operation of the wholesale electricity market and for ensuring that purchases of energy in the spot market are settled and cleared in an efficient manner. Participants in the Wholesale Electricity Market are subject to rules contained in the charter of the Wholesale Electricity Market which have been approved by ANEEL, and to applicable ANEEL regulations. Parties which must participate in the Wholesale Electricity Market include (i) generation companies with an installed generation capacity of 50MW or more, (ii) energy retailers, including distribution companies, having sold 300 GWh of electricity or more during the preceding year, and (iii) importers or exporters of electricity with an available capacity of 50MW or more. Other parties have the option to participate in the Wholesale Electricity Market, such as (i) self-producers having a generation capacity of 50MW or more, (ii) large energy consumers eligible for bulk energy purchases, (iii) generation companies with an installed generation capacity of less than 50MW, (iv) importers and exporters of energy having available capacity under 50MW, and (v) energy distributors, having sold under 300 GWh of electricity, during the preceding year. All electricity supply contracts must be registered with the Wholesale Electricity Market. Distributors and energy retailers must show, through registration, their compliance with the requirement that 85% of their contractual obligations to final customers are covered by long-term electricity supply contracts with generation companies. Registration of electricity supply contracts with the Wholesale Electricity Market is also designed to ensure that generation companies do not commit to supplying more than their maximum available capacity as set by ANEEL. See "— The Tariff System — Generation Tariffs".

The Wholesale Electricity Market is expected to determine the spot price for energy according to guidelines that are currently in use and available to the public. The spot price is currently determined by market conditions and by certain public policy and operational considerations, including the optimal use of resources, transmission bottlenecks, the costs of an energy deficit, the self-restraint of customers caused by a high spot price, projected energy requirements and international alternative markets.

Prevailing spot prices are expected to vary in each of the several sub-markets within the wholesale energy market. Sub-markets are defined by the Wholesale Electricity Market and take into account restrictions in transmission capacity that effectively limit the ability of generation companies to supply purchasers to the basic grid in a market, as defined by the Wholesale Electricity Market.

Electricity purchase contracts guarantee electricity purchasers that they will be able to purchase electricity for a fixed price, and thus avoid the volatility of the Wholesale Electricity Market. The Wholesale Electricity Market insures that amounts due from participants are collected and distributed as necessary to observe supply arrangements.

ASMAE

The ASMAE is a non-profit entity created under the *Acordo do Mercado* to provide administrative, legal and technical support to the activities of the Wholesale Electricity Market.

Independent Power Producers and Self-Producers

The Power Sector Law also introduced the concept of the independent power producer as a further factor in opening up the electricity sector to private investment and enhancing competition in energy generation. An independent power producer is a legal entity or consortium that trades in energy with (i) certain large industrial and commercial consumers, (ii) consumers who have not been supplied by the local distribution concessionaire for more than 180 days, (iii) certain other customers upon previous agreement with the local distribution concessionaire, (iv) existing consumers with demand for at least 10MW who are supplied at a voltage level equal to or greater than 69kV and (v) new consumers with demand of at least 3MW who are supplied at a voltage level equal to or greater than 69kV. The Power Sector Law also provides for the formation of consortia to generate power for public utilities, for use by consortium members, for independent power production or for any one or more of these, in each case governed by applicable rules. Self-producers, producers who generate power primarily for their own use, may (i) contribute or exchange energy with other self-producers within a consortium, (ii) sell excess energy to the local distribution concessionaire, or (iii) exchange energy with the local distribution concessionaire to allow for consumption by industrial plants owned by the self-producer and located somewhere other than in the area of generation.

Decree N°2,003 dated September 10, 1996 ("Decree N°2,003") sets forth the regulatory framework for independent power producers and self-producers. Pursuant to Decree N°2,003, the development of hydroelectric power plants by an independent power producer or a self-producer requires a concession, awarded following a bidding process, only when the project generates power in excess of 1MW in the case of an independent power producer and 10MW in the case of a self-producer. In all other cases, including the development of thermoelectric power plants, the independent power producer or self-producer is only required to obtain authorization from, or to register with, the applicable authority. Decree N°2,003 also provides that concessions and authorizations granted thereunder have terms of 35 and 30 years, respectively, with the possibility of extensions for periods equal to the initial terms, at the option of ANEEL.

Large volume electricity consumers

Large consumers of electricity are also eligible, pursuant to the *Acordo de Mercado*, to purchase bulk electricity directly through the Wholesale Electricity Market. ANEEL regulations define eligibility requirements for large consumers and institute safeguards to permit access to the basic grid and to any interposed distribution lines for the benefit of large consumers. The transmission and distribution companies are obliged to incur any expenses arising from the access of large consumers to their respective transmission lines, except for a tariff reflecting marginal operating costs and expenses directly related to interconnection.

The Tariff System

General

Law N°8,631 dated March 4, 1993, as clarified in related regulations, generally established that each utility was to propose a tariff structure, based on its particular circumstances, for approval by federal regulatory authorities. The proposed rate was to be calculated, taking into account the concessionaire's desired level of remuneration, as well as, among other things, operating expenditures, including personnel costs, the cost of Itaipu electricity, any other external generation supply costs and electricity purchased from other concessionaire companies, certain construction costs, depreciation and amortization charges, RGR Fund charges and taxes other than income taxes.

The introduction of the Real Plan in 1994 abolished the rate-setting process introduced by Law N°8,631. Under the Real Plan, rate increases for public utilities relating to inflation were no longer to be granted automatically. Instead, rate increases were frozen and any increase in rates would require the approval of the Ministry of Finance. Tariff-setting authority was subsequently transferred from DNAEE to ANEEL in 1997.

No rate increases were granted to Brazil's public utilities between July 1994 and November 1995. Consequently, despite the considerable decrease in the rate of inflation resulting from the implementation of the Real Plan, public utilities' *real* rates declined during this period. In November 1995, DNAEE set new rates for many public utilities.

In August 1998, ANEEL issued new regulations governing distribution tariffs. According to such regulations, ANEEL has the authority to readjust and review tariffs in response to changes in energy purchase costs and market conditions. In readjusting distribution tariffs, ANEEL considers the following:

- costs of electricity purchased for resale under the contracts and from Itaipu;

- costs of electricity purchased under freely negotiated contracts;

- costs of electricity purchased in the wholesale electricity market where energy that is not contracted for under the contracts and surplus energy will be purchased and sold; and

- certain other charges for transmission and distribution systems. Each distribution company's concession contract also provides for an annual readjustment of tariffs based on certain regulatory charges, costs of electricity purchased for resale, costs for the use of hydroelectric resources and transmission costs. Tariffs are also reviewed every four years in accordance with a productivity factor (referred to as the "X" Factor).

Rates that Brazilian energy utility companies pay for the purchase of electricity generated by Itaipu and charge for the sale of such electricity are established pursuant to the agreement between Brazil and Paraguay to construct and operate the Itaipu power plant signed on April 26, 1973. The rates are denominated in U.S. dollars. As a consequence, tariffs for electricity sold by Itaipu rise or fall independently of the rates established by federal regulatory authorities for sales by electric utilities. Such sales by Itaipu is equal to the tariff paid by the Brazilian energy utility company.

The rate-setting model in Brazil, prior to the comprehensive reform of the energy sector, set rates independently for generation (including transmission) tariffs, applied to distributors, and distribution tariffs, applied to final consumers. Whereas both generation and distribution tariffs failed to keep pace with inflation and declined in real terms over the period from 1988 to 1993, from 1994 through 1999 annual average generation tariffs rose 53% in real terms while annual average distribution tariffs rose 75% in real terms over the same period. The result of this divergence in rates was an increase in the operating income of energy distribution companies and a decrease in profit margin of companies focused on generation and transmission, in respect of the construction and operation of the Itaipu power plant. No assurance can be given that future generation and distribution tariffs will converge or that the new regulatory regime will rectify this discrepancy in tariffs in whole or in part.

Generation Tariffs

Pursuant to ANEEL Resolution N°143 of June 9, 1999, generation and distribution companies are required over time to enter into supply agreements, otherwise known as "Initial Agreements", as the electricity sector evolves from a regulated electricity market into a liberalized market. Such initial agreements establish that generation companies will supply a specified amount of energy to distribution companies at a price set by ANEEL for seven years from the date of execution of each agreement. The assured energy supply for the first year is equal to the projected consumption of the relevant markets, and the assured energy supply for subsequent years includes additional energy supplies to cover projected growth in energy consumption until the end of 2001. For 2002, the assured energy supply is the same as for 2001. For each year after 2002, the assured energy supply decreases by 25% of the assured energy supply for 2001 until the assured energy supply reaches zero in 2006. Distribution companies will then rely on purchases at competitive market prices made through the Wholesale Energy Market or under long-term supply agreements to obtain bulk energy in excess of its assured energy supply.

Generation companies may only commit to supply energy up to a limit established by ANEEL. This is equal to the nominal capacity of thermal plants, which means that it is equal to 95% of the projected energy capacity of hydroelectric plants as calculated by the ONS. The effect of the gradual deregulation of prices, through the initial agreements, will be to create a competitive market for the available generating capacity. Once a competitive market has been created, prices will be established by mutual agreement or by reference to the spot market prices set by the Wholesale Energy Market.

Transmission Tariffs

Transmission tariffs are established in accordance with ANEEL's approved rate at the time the concessions are granted to construct each transmission line. The ONS collects such tariffs from customers and passes them on to the transmission companies. The fees due to transmission companies are established in the applicable concession agreement and are subject to adjustment for certain additional costs. Transmission companies also charge a tariff stipulated by the ONS for interconnection by generation and distribution companies. Strict price regulation of transmission services and non-discriminatory pricing are considered by ANEEL to be necessary conditions to ensure that open access to the basic transmission grid is maintained as part of the ongoing comprehensive sectorial reform. The basic transmission grid includes all transmission lines with a voltage equal to or higher than 230kV, as defined by ANEEL Resolution N°245 of July 31, 1998. In addition, certain other unbundled facilities related to transmission must be available to interested parties at regulated rates as part of open access to the transmission grid.

Distribution Tariffs

Tariffs charged by distribution companies are subject to price regulations in order to protect captive retail customers ("price-caps") from the monopoly power of the distribution companies, except for unregulated tariffs charged to large customers that are eligible for purchasing bulk energy supplies from generation companies and energy retailers.

The price regulations applicable to the captive customer base of distribution companies allows for unmanageable increases in costs to be passed through to consumers. These costs include, for example, the cost of energy from Itaipu (since distributors are obliged to purchase certain specified energy requirements from Itaipu). Any increase in real term in tariffs requires the approval of the Federal Government acting through ANEEL. The regulation is based on the "RPI-X" criteria, RPI representing the inflation value measured by the *Índice de Preços de Atacado* — IPA-FGV, the wholesale price index published by the *Fundação Getúlio Vargas* for inflation measurement purposes ("IPA-FGV"), with X as the efficiency parameter. The X value varies depending on each company.

Distribution companies will face additional price competition from energy retailers for large customers (3MW to 69kV). They have been assured open access to the basic transmission grid and to the distribution grid in order to permit competition in the retailing segment of the energy supply chain. Energy retailers may offer energy supplies that will be delivered through another company's transmission or distribution lines subject to payment of regulated tariffs established by ANEEL.

Privatization

Since 1995, a number of federal and state electric utilities have been privatized. The Federal Government has disposed of its indirect controlling interest in:

- ESCELSA, the power distribution company for the State of Espírito Santo (1995);
- Light Serviços de Eletricidade, one of the power electricity companies for the State of Rio de Janeiro (1996); and
- Centrais Geradoras do Sul do Brasil S.A.—Gerasul, a generation company formed from the generation assets of Centrais Elétricas do Sul do Brasil S.A.—Eletrosul, a subsidiary of Eletrobrás (1998).

Electric utility privatizations have also been occurring at the state level:

- the State of Rio de Janeiro disposed of its controlling interest in Companhia de Eletricidade do Rio de Janeiro—CERJ, a distribution company (1996);
- the State of Minas Gerais sold a minority stake in CEMIG, a distribution company, to a consortium of strategic investors (1997);
- the State of Bahia sold a majority stake in COELBA, a distribution company, to a consortium of strategic investors (1997);
- the State of Rio Grande do Sul sold its indirect interest in two distribution companies (1997);
- the State of Mato Grosso do Sul and Eletrobrás sold a majority interest in ENERSUL, the distribution company in the state (1997);
- the State of São Paulo, Companhia Paulista de Administração de Ativos—CPA, Nossa Caixa Nosso Banco and Banco do Estado de São Paulo S.A.—BANESPA sold a majority interest in Companhia Paulista de Força e Luz—CPFL (1997);
- the State of São Paulo sold its controlling interest in Eletropaulo Metropolitana—Eletricidade de São Paulo S.A. ("Metropolitana"), a distribution company which was acquired by the Company through LightGás Ltda. (1998);
- the State of São Paulo sold its controlling interest in Empresa Bandeirante de Energia S.A., a distribution company (1998);
- the State of São Paulo sold its controlling interest in Paranapanema, a generation company (1999); and
- the State of São Paulo sold its controlling interest in Tietê, a generation company (1999).

Regulatory Charges

Electricity companies are compensated for certain assets used in connection with a concession if the concession is revoked or is not renewed. In 1971, the Brazilian Congress created a reserve fund designed to provide funds for such compensation (the "RGR Fund"). Pursuant to Law 9,427, of December 26, 1996, ANEEL revised the assessment of the RGR fee requiring public-sector electricity companies to make monthly contributions to the RGR Fund at an annual rate equal to 2.5% of assets in service, not to exceed 3% of total operating revenues in any year. In recent years, virtually no concession has been revoked or failed to be renewed, and the RGR Fund has been used principally to finance generation and distribution projects. The RGR Fund is scheduled to be terminated by 2002.

The Federal Government has imposed a fee on IPPs similar to the fee levied on public-sector generation companies in connection with the RGR Fund. IPPs are required to make contributions to the Fundo de Uso de Bem Público (the "UBP Fund") for five years from the date that they receive their concessions. Eletrobrás will receive the UBP Fund payments until December 31, 2002. All subsequent payments to the UBP Fund will be paid directly to the Federal Government.

Distribution companies are required to contribute to the Conta de Consumo de Combustível ("CCC Account"). The CCC Account was created in 1973 to generate financial reserves to cover fossil fuel costs in thermal power plants in the event of a rainfall shortage, which would require increased use of thermal plants. Thermal power plants have higher marginal operating costs than hydroelectric plants. Each electricity company is required to contribute annually to the CCC Account. The annual contributions are calculated on the basis of estimates of the cost of fuel needed by the thermal power plants in the succeeding year. Eletrobrás administers the CCC Account. The CCC Account, in turn, reimburses electricity companies for a substantial portion of the fuel costs of their thermal power plants.

In February 1998, the Federal Government provided for the gradual elimination of the CCC Account. Subsidies from the CCC Account will be phased out over a three-year period beginning in 2003 for thermal power plants constructed prior to February 1998. Thermal power plants constructed after that date will not be entitled to subsidies from the CCC Account. Protection from hydrological risk for centrally dispatched hydro generators is now provided through an Energy Reallocation Mechanism (the "ERM"). The ERM will ensure that, under normal operating conditions, hydro generators will receive the income associated with their assured energy entitlement by allocating generation from those in surplus to those in deficit.

All hydroelectric utilities in Brazil are required to pay fees to Brazilian states and municipalities for the use of hydrological resources. Such amounts are based on the amount of energy generated by each utility and are paid to the states and municipalities where the plant or the plant's reservoir is located.

Guaranteed Capacity and Assured Energy

Electric energy in Brazil is generated primarily by hydroelectric facilities. The interaction of rainfall and water flows has great influence on the hydroelectric system dispatch. It means that, at any given time, certain hydroelectric facilities in the system may aggregate more stored energy than other facilities, for a given basin. In order to optimize the generation of electricity throughout the system, the Federal Government, through ANEEL, has allocated to each plant within the system the generating capacity (such plant's "Guaranteed Capacity") that, under a hydrothermal optimization model, should result in the most efficient and maintainable production of energy in the system as a whole. This model takes into account the water flow uncertainties, the energy needs of the system and the schedule of implementation of new plants. ANEEL also establishes the amount of assured energy associated to each plant, which is the amount of energy that should be sold by each such plant (even if it does not generate such energy, it has to obtain such energy from the system as a whole) (such plant's "Assured Energy"). Any surplus actually generated, referred to as "secondary energy," may be sold by the system to others.

Environmental Regulations

The Brazilian Constitution gives both the Federal Government and state governments power to enact laws designed to protect the environment and to issue regulations under such laws. While the Federal Government has power to promulgate environmental regulations, state governments have the power to enact more stringent environmental regulations. Accordingly, most of the environmental regulations in Brazil have been enacted at the state and local level rather than at the level of the Federal Government. An entity that violates applicable environmental laws may be subject to substantial fines and restrictions on otherwise permissible activities.

In the context of a potential expansion of the Company's distribution, transmission and generation activities, the procedure for constructing generation plants as well as the installation of new distribution and transmission lines or substations, require compliance with a number of environmental safeguards in accordance with the Brazilian Constitution and related federal legislation. First, environmental impact studies must be prepared by outside experts who make recommendations as to how to minimize the impact of such construction on the environment, except in the case of the installation of transmission lines that will operate at a voltage level under 230kV, and certain other projects, which only require authorization from the Brazilian environmental regulatory agency (the Instituto Brasileiro do Meio Ambiente - "IBAMA"). The environmental impact study or IBAMA authorization, as the case may be, must then be submitted to Federal and State governmental authorities for analysis and approval. Once approved, the project goes through a three-stage licensing process, which includes a license to (i) begin construction; (ii) complete the project and (iii) operate the hydroelectric plant, transmission line or substations. In addition, each such company is mandated by law to devote 0.5% of the total cost of any investment in new hydroelectric plants to environmental preservation, through the creation of environmental preservation areas.

Annex V- Negative Financial Implication of Spot Market Purchases

The rules set forth in Annex V of the Initial Electric Power Purchase and Sale Agreements (the "Initial Contracts"), establish certain procedures for the reduction of electrical power scheduled to be delivered by generators (the majority of which continue to be owned by the Federal Government) to distributors in the event of a hydroelectric energy crisis, such as the crisis currently confronting Brazil. Annex V of the Initial Contracts sets forth rules pursuant to which Brazilian generators are required to provide a certain reduced percentage of a distributor's contracted energy in the event of a hydroelectric energy crisis, thereby mitigating the exposure of generators to spot market purchases to fulfill energy demands of distributors.

However, recent market conditions, together with the practical implementation of Annex V, have inadvertently resulted in an increase in the exposure of Brazil's generators to spot market prices and have prompted industry-wide discussions regarding the validity and enforceability of Annex V in respect to the current energy crisis. In the event that Annex V is declared inapplicable and unenforceable in respect to the current energy crisis, some generation companies may be subject to certain adverse effects, including the reversal of the operating revenues related to the market value of the excess energy required to be provided to it by Brazilian generators under Annex V. However, this issue should not materially affect Copel, given its generation/distribution integrated platform.

SELECTED FINANCIAL INFORMATION

As illustrated on the consolidated income statement presented below, Copel has registered strong revenues and earnings growth rates since 1996.

	September	December				
Profit & Loss Account (R$m)	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
Net revenues	1,626	2,021	1,612	1,393	1,257	1,075
Personnel Expenses	(259)	(303)	(297)	(314)	(319)	(275)
Electricity purchases	(297)	(292)	(305)	(172)	(155)	(136)
3rd party services	(92)	(111)	(93)	(82)	(78)	(75)
Other costs	(370)	(392)	(291)	(238)	(152)	(136)
EBITDA	608	924	625	587	553	454
EBITDA margin	*37%*	*46%*	*39%*	*42%*	*44%*	*42%*
Depreciation and amortization	(212)	(261)	(232)	(211)	(224)	(211)
Operating Profit (Loss)	396	663	393	377	329	243
Net financial expenses (1)	(37)	(21)	54	120	92	20
Net monetary correction	(268)	(36)	(55)	(24)	1	15
Interest on equity	(80)	(160)	(110)	(136)	(150)	(117)
Non-operating profit (Loss)	(14)	(25)	(20)	56	(23)	(25)
Others	17	2	4	(9)	-	-
Profit (Loss) before tax	14	424	266	384	250	136
Income tax and social contribution	(5)	(133)	(89)	(103)	(73)	(40)
Reversal of interest on equity	80	160	110	136	150	117
Others	-	(20)	(10)	(14)	(25)	(19)
Net profit (Loss)	89	431	278	404	303	194
Net margin	*5%*	*21%*	*17%*	*29%*	*24%*	*18%*

(1) Excluding Net monetary correction and Interest on equity

In Copel's balance sheet below, the gradual leveraging of the Company since 1996 can be observed. Nonetheless, with a net debt to total capitalization ratio (ND/(ND+E)) of **23%**, Copel still presents a low degree of indebtedness.

	September	December				
Balance sheet (R$m)	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
ASSETS	8,533	7,956	7,697	7,071	7,436	6,239
Fixed assets	6,348	6,225	6,087	5,630	5,615	5,219
Long term receivables	1,134	958	891	814	704	625
Current assets	1,051	773	719	627	1,117	395
Trade receivables	545	450	297	225	203	220
LIABILITIES	8,533	7,956	7,697	7,071	7,436	6,239
Shareholders' equity	4,750	4,898	4,628	4,459	4,860	4,056
Long term liabilities	2,930	2,404	2,369	2,052	1,887	1,564
Of which, LT debt	1,290	1,104	1,117	917	744	445
Current liabilities	853	654	700	560	688	619
Of which, ST debt	330	276	297	171	376	235
ND/(ND+E)	23.0%	19.1%	21.0%	16.4%	8.5%	12.7%

CAPITALIZATION

The following table sets forth the consolidated unaudited capitalization as of September 30, 2001 and the consolidated audited capitalization as of December 31, 2000 of Companhia Paranaense de Energia - Copel. There have been no material changes to the capitalization of Companhia Paranaense de Energia - Copel since September 30, 2001.

Consolidated Capitalization of Copel

(in thousands of Reais)

	September 30, 2001	December 31, 2000
Short-term Bank Debt		
Loans and Financings	329,664	275,674
Long-term Bank Debt		
Loans and Financings	1,289,708	1,104,078
Total Bank Debt	**1,619,372**	**1,379,752**
Shareholders' Equity:	**4,749,722**	**4,898,154**
Paid-up Capital	1,620,247	1,620,247
Reserves	1,546,447	1,546,446
Accumulated Profit/(Loss)	1,583,028	1,731,461
Total Capitalization	**6,369,094**	**6,277,906**

As of September 30, 2001 (in thousands of Reais)	Short Term Principal	Interest and Charges	Long Term Principal	Total	Final Maturity
Foreign Currency					
Eurobonus		16,387	400,695	417,082	2005
BID	23,227	2,948	197,946	224,121	2011
Euro CPs	170,513	763		171,276	2002
National Treasury	3,933	6,087	168,948	178,968	Several
Banco do Brasil	5,529	36	38,730	44,295	2010
Eletrobras	8,652	67	6,379	15,098	2021
Total Foreign Currency	**211,854**	**26,288**	**812,698**	**1,050,840**	
Local Currency					
Eletrobras	51,552	2,616	432,206	486,374	2021
BNDES	4,686	94	15,231	20,011	2005
Banestado	7,592	48	5,286	12,926	2002
HSBC Bank Brazil	409	3		412	2002
FINEP	4,861	49	4,861	9,771	2003
Other Banks	580	6	930	1,516	Several
Pension Fund	18,844	182	18,496	37,522	2003
Total Local Currency	**88,524**	**2,998**	**477,010**	**568,532**	
Total	**300,378**	**29,286**	**1,289,708**	**1,619,372**	

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations for January through September 2001

STATEMENT OF INCOME

Operating Revenues – In the third quarter of 2001, COPEL's net operating revenues grew by 6.8% over the second quarter, due mostly to the power rates increase of 17.31% effective June 24, 2001.

Operating Expenses – Operating expenses increased by 6.3% over the previous quarter. Personnel costs increased by 7.7% due to the Voluntary Termination Program and to provisions for labor claims. "Materials and supplies" recorded a 17.0% increase, due mostly to the purchase of power system supplies. "Third party services" decreased by 10.5% on account of larger capitalization of service in progress during the period. The 12% increase in "electricity purchased for resale" reflects basically the exchange rate variations through-out the third quarter. The increase in "depreciation and amortization" results from untimely accounting of indemnity paid to contractors with whom COPEL had settled lawsuits in 2000. The accounting of the depreciation of such amounts had been suspended since 1998. The variation in "compensation for the use of water resources" resulted from an increase in COPEL's own power generation. The increase in the "CCC (fuel consumption account) regulatory charge" resulted from greater thermal power generation during the period. The decrease in "other" reflects an additional provision for the COFINS charges for the months of September through December 1998 that took place in the second quarter.

Operating Income – COPEL's operating income for the third quarter amounted to R$ 138.1 million, an increase of 8.2% over the figures for the second quarter (R$ 127.6 million).

Financial income – In the third quarter, "revenues from cash investments, interest, and fees" recorded a 21.6% increase due to greater cash availability and to the increase in the IGP-DI inflation index. The 6.5% increase in "interest and fees" reflects the impact of exchange rate variations on the Company's loans and financing denominated in foreign currencies. "Monetary variations" increased on account of the variation in the US dollar exchange rates and the IGP-DI index applicable to the obligations denominated in Brazilian currency.

Non-operating income – Non-operating income is almost entirely represented by the net proceeds from the write-off of goods and rights from the permanent assets.

Income for the period – Net income for the third quarter reached R$ 21 million, having recorded a 45.6% decrease as compared to the previous quarter (R$ 38.5 million).

BALANCE SHEET

Current assets – In the third quarter of 2001, current assets increased by 18.7% over the previous quarter. The most important changes were:

- an increase in "customers and distributors", resulting mainly from the power rate increase of 17.31% effective June 24, 2001;
- an increase in "service in progress", due to new service orders being issued, mostly in connection with the Araucária Thermal Power Plant, among others;
- an increase in "allowance for doubtful accounts", due to a greater number of overdue consumer bills;

- an increase in “CRC transferred to the State Government”, as a result of transfers from the long-term, re-statement of the accrued balance, and overdue installments for the months of March through September 2001; and
- an increase in “other” due to the accounting of taxes to be offset because of the acknowledgement of the debt related to the healthcare agreement (Brazilian Securities and Exchange Commission Resolution nr 371), the estimated advance payment of income tax and social contribution and the advance payment of employee’s profit sharing.

Long-term assets – Long-term assets increased by 9.0% in the third quarter, mainly because of the accounting of taxes to be offset as a result of the acknowledgement of the debt related to the healthcare agreement (Brazilian Securities and Exchange Commission Resolution nr 371) and the restatement of CRC’s accrued balance.

Permanent assets – Permanent assets grew by 0.5% in the third quarter as a result of COPEL’s capital expenditures, which amounted to R$ 288.6 million. Out of this total, R$ 52.3 million were invested in power generation, R$ 81.4 million in transmission, R$ 144.0 million in distribution, and R$ 10.9 million in other projects.

Current liabilities – In the third quarter of 2001, current liabilities grew by 29.0 % as compared to the previous quarter, due mostly to:

- a 9.2% increase in “suppliers”, as a result of the impact of exchange rate variations on the purchase of power from Itaipu;
- an 11.2% increase in “ loans and financing” due to the accounting of exchange rate variations;
- a 30.2% increase in “taxes and contribution”, due to an increase in value-added tax to be paid as a result of power rates readjustments;
- an increase in “interest on own capital”, as a result of the proposal for advance payment in October 2001 of a portion of the amounts due; and
- an increase in “pension plan”, as a result of the accounting of provisions for the healthcare agreement (Brazilian Securities and Exchange Commission Resolution nr 371).

Long-term liabilities – Long-term liabilities increased by 15.2 % in the third quarter. This result was influenced by:

- a 7.1% increase in “loans and financing”, as a result of the accounting of the exchange rate variations that took place during the period; and
- a 42.3% increase in “pension plan”, as a result of the accounting of provisions for the healthcare agreement (Brazilian Securities and Exchange Commission Resolution nr 371).

Shareholders’ equity – By the end of September 2001, COPEL shareholders’ equity amounted to R$ 4.7 billion, having decreased by 4.4% over the previous quarter due to the accounting of provisions for the healthcare agreement (Brazilian Securities and Exchange Commission Resolution nr 371). As of September 30, the equity value of each lot of one thousand shares was R$ 17.36 (under the Corporate Law).

Results of Operations for the Years Ended December 31, 2000 and 1999

Operating Revenues

Net operating revenues increased by 25.4% in 2000. The increase was primarily due to higher revenues from sales to final customers, particularly industrial customers, and to growth in revenues from use of Copel's network for data transmission.

Electricity Sales to Final Customers. The Company's revenues from electricity sales to final customers increased by 20.7% in 2000 due to growth in the volume of energy sold, as prices generally declined in real terms. The increase was due to increases in revenues from residential, industrial and commercial customers. Revenues from public services, rural customers and other customers (12.4% of total revenues from sales to final customers) increased 17,1% due to higher consumption.

Industrial. Revenues from sales to industrial customers increased by 29.2%, from R$556.7 million in 1999 to R$719.3 million in 2000. The increase was primarily due to sales to free customers, which began in November 1999 as a result of regulatory changes permitting Copel to sell to out-of-state customers. Sales to free customers represented 6.1% of total industrial sales revenues in 2000. Revenues from other industrial customers increased by 22,2% from R$552,4 in 1999 to R$675,1 in 2000, due to a 10,1% increase in consumption primarily driven by economic growth. Nominal tariff increases in 2000 were more than offset by the effect of inflation on real rates, resulting in an 8% reduction in average tariff in 2000.

Residential. Revenues from sales to residential customers increased by 15.9%, from R$800.3 million in 1999 to R$928.2 million in 2000. The increase was primarily due to a 3.3% increase in consumption, which resulted mainly from a 3.1% increase in the number of customers (2.23 million at December 31, 2000, compared to 2.16 million at December 31, 1999). Tariffs increased in nominal terms by 15.43% in June 2000 and 12.65% in 1999 (9.37% in June, 1.64% in July and 1.64% in August), but the increase in nominal rates was more than offset by the effect of inflation on real rates, resulting in a 1% reduction in average tariff in 2000.

Commercial. Revenues from sales to commercial customers increased by 20.5%, from R$367.0 million in 1999 to R$442.2 million in 2000. The increase was due to a 7.5% increase in consumption, which resulted in part from a 2.7% increase in the number of customers and in part from higher consumption driven by economic growth. Nominal tariff increases in 2000 were more than offset by the effect of inflation on real rates, resulting in a 1% reduction in average tariff in 2000.

Taxes on Sales Revenues. Revenues from sales include certain taxes collected from customers, which are deducted in arriving at net operating revenues. As a percentage of gross operating revenues, these taxes were 24.0% in 2000 and 25.7% in 1999. The decrease in such taxes was due to the increase in sales to Unregulated Customers and Low Income Residential Customers, which are not subject to value-added taxes. During 2000, Copel also reclassified certain services as nontaxable for purposes of the state value-added tax, resulting in a tax credit in the income statement for the current year. The decrease in such taxes was partially offset because in 2000 Copel began paying taxes on services related to other revenues such as consulting services. Because different services are subject to different taxes and rates, the aggregate rates vary from year to year with the change in the mix of Copel's revenues.

Electricity Sales to Distributors. Revenues from electricity sales to distributors increased by 24,7% in 2000. The composition of Copel's sales to distributors changed significantly in 2000, as a result of regulatory changes that permitted Copel to phase out sales to the ICPS in favor of sales in the Wholesale Energy Market and, to shift part of Copel's sales from Initial Supply Contracts, which are subjected to regulated rates, to Bilateral Agreements in the Wholesale Energy Market at negotiated market prices. Nominal rate increases in 2000 were partially offset by the effect of inflation on real rates. As a result of these changes, in 2000 Copel sold 30.0% less energy to distributors, but the average real price was R$35.75 per MWh, compared to R$23.09 in 1999. Sales in the Wholesale Energy Market (R$117.1 million) accounted for 64,4% of Copel's revenues from sales to distributors in 2000, while they were not material in 1999. Because of problems with the Wholesale Energy Market clearing system from September to December 2000, participants in the Wholesale Energy Market did not receive invoices in connection with sales and purchases during this period. As a result, Copel recognized R$25 million in 2000 for estimated net revenues (net of costs of energy purchased in the Wholesale Energy Market) during this period. Revenues from sales under Initial Supply Contracts and bilateral contracts (sales to distributors in the state of Paraná) decreased 46,9% to R$64,8 million in 2000 from R$122,1 million in 1999. .

*Use of Transmission Plan*t. Revenues from the use of the Company's transmission plant increased by 49.3% in 2000. The increase was primarily due to the completion of five new substations, the upgrading of 30 existing substations and the expansion of Copel's transmission system, which together provided increased access to Copel's transmission plant.

*Other Revenue*s. Other revenues increased by 93.8% in 2000. The increase was primarily due to increases in revenues from use of Copel fiber optic network and other facilities for data transmission.

Operating Expenses

Total operating expenses increased by 11.4% in 2000, primarily due to the increase in depreciation and amortization expenses, pension costs and regulatory charges such as the fuel usage quota, which were partially offset by a decrease in the cost of electricity purchased for resale and lower personnel costs.

Electricity purchased for resale . Expenses to purchase electricity for resale decreased by 4.2% in 2000. For energy purchased from Itaipu, the effect of increased volume was more than offset by lower prices due to the effect of inflation. The volume of energy purchased from other sources increased by 353% in 2000 due to changes in the regulatory framework, which allowed for purchases of energy on the Wholesale Energy Market. Because of problems with the Wholesale Energy Market clearing system certain expenses for the purchase of energy on the Wholesale Energy Market have not been accounted for and have been provisioned on a net basis as a portion of sales revenues from sales to final customers.

*Use of transmission plan*t. Expenses for use of transmission plant increased by 22.0% in 2000. The increase was due to the 13.5% increase in Itaipu's power transportation tariff and the 14.7% increase in the ICPS's power transportation tariff, which were largely offset by the effect of inflation on real rates.

*Depreciation and amortizatio*n. Depreciation expenses increased by 12.5% in 2000, primarily due to the increase in property, plant and equipment resulting from the completion of new facilities, including the Bateias, Campo do Assobio and Foz do Chopim substations.

Personnel. Personnel expenses increased by 1.8% in 2000. Despite the 5.9% decrease in the number of employees (6,148 employees at December 31, 2000, compared to 6,536 employees at December 31, 1999), and the decrease in average wages, as the effects of inflation on real wages offset annual wage increases, the increase occurred in personnel was due to the Early Termination Program (PDV) and to the salary increase agreement settled on October 2000 (4% salary increase plus bonus).

Regulatory Charges. Regulatory charges increased by 95.7% in 2000 primarily due to a 130,9% increase in expenses for the fuel usage quota, which is computed by ANEEL and charged to all hydroelectric distributors in order to subsidize thermoelectric production costs during periods of poor hydroelectric generation. The increase in the quota in 2000 reflected the low generation capacity of hydroelectric plants as a result of the deterioration of hydrological conditions in 2000. Fees due to the RGR fund, which are computed by ANEEL and charged to all hydroelectric distributors, increased by 15,3% from R$47,7 in 1999 to R$55,0in 2000.

*Third-Party Service*s. Expenses for third-party services, consisting primarily of miscellaneous expenses, such as technical consulting fees, maintenance services and travel expenses, increased by 18.2% from R$93.5 million in 1999 to R$110.5 million in 2000.

Pension and other benefits. Pension and other benefits increased by 116.9% in 2000 from 1999, primarily because of the favorable impact in 1999 of reversing a R$11,0 million provision for under-funding of the pension plan related to 1998.

*Other Expense*s. Other expenses decreased by 5.0% in 2000 from 1999. Other expenses in 1999 reflected a provision for tax contingencies related to a government audit of social security contributions.

Operating Income

As a result of revenue growth, Copel's operating income increased by 68.7% in 2000.

Equity in Results of Investments

Copel had equity of R$2.5 million in net income of affiliates in 2000, compared to equity of R$3,8 million in 1999. The amounts in both periods were primarily attributable to Sercomtel, which were partially offset by losses by Compagás and CNI.

Other Income (Expenses)

Other income decreased by 76.9% in 2000. The decrease was primarily due to the reduction of financial income, which was partially offset by an increase in non-operating income.

*Financial Income (Expense), Ne*t. Net financial expense increased by 103.9% in 2000 from 1999 as result of lower income on treasury investments and long-term receivables and the reduction in inflationary gains on Copel's obligations to Copel's pension fund, which was partly offset by lower interest on loans and financing.

*Income on temporary cash investment*s. Income on treasury investments decreased by 18.4%, from R$52.2 million in 1999 to R$42.5 million in 2000. The decrease was primarily due to a reduction in the average cash balances invested in 2000.

*Charges on long-term receivable*s (Interest and Commission). Income from charges on long-term receivables increased by 2.5% from R$56.4 million in 1999 to R$57.8 million in 2000. The increase was primarily due to the 9,4 increase in the interest from CRC transferred to the State of Paraná, and the interests from Compagás and Foz do Chopim mutual contracts. There was a decrease by 39,0% of interests receivable from the State of Paraná related to anticipated state value-added tax in August 2000, wich are offset by increase in other revenues.

In 2000 there were not accounting of monetary gains of customer participation and Finsocial recovery, like 1999.

Monetary expenses. In 2000

*Interest on loans and financin*g. Interest on loans and financing increase by 81,5%, from R$61.5 million in 1999 to R$111,5 million in 2000. The increase was due to interests transferred to construction work in progress.

*Monetary and exchange variations, gains and losses and othe*r. Monetary and exchange variation, gains and losses and other decreased by 34.3% from R$54,7 million in 1999 to R$35,9 million in 2000 due to a *decrease by* 42,9% in IGP-DI index variation gains, that index CRC transferred to the State of Paraná, and a decrease by 40,0% in losses, primarily due to the exchange tax variation under loans and financings, recognized on January 1999, offset by a decrease in interests and fees in property, plant and equipment on account of the start of commercial operation of the Salto Caxias Hydroeletric Plant..

Non-operating Income (Expense). Copel had net non-operating expense of R$16.3 million in 2000, compared with R$20.31 million in 1999. The increase was primarily due to increased losses on disposal and retirement of fixed assets, partially offset by a gain arising from the settlement of federal taxes through the Tax Recovery Program (REFIS). See Note 33 to the Financial Statements.

Income Tax

The provision for income tax and social contributions increased by 50.2% in 2000. This increase was primarily due to an increase of 33.1% in pretax income, offset in part by a reduction in tax rate from 37% in 1999 to 34% in 2000 and by the increase in tax gain on deductible interest on capital paid to shareholders.

Employee Participation

In 1996, Copel adopted an employee profit sharing plan in which employees are entitled to participate in net profits in years when ratio of net profits to shareholders' equity is at least 6.0% and according to certain criteria negotiated with Copel's employees. In 2000, Copel allocated R$20.0 million for distribution among its employees in respect of 2000 profits as compared with R$10.0 million in 1999, reflecting higher net income in 2000.

Net income

As a result of the foregoing factors, Copel's net income increased by 55.4% in 2000 from 1999.

PROJECTED FINANCIAL DATA

COPEL PROJECTED FINANCIAL DATA – CONSOLIDATED

The following Summary of Projected Financial Data, which covers a period of five years, from the year 2001 to 2005, is derived from management's financial projections. In the opinion of the Company's management the following unaudited credit statistics present, to the best of management's knowledge and belief, the expected results of operations for the periods presented below. There will be differences between the projections and actual results achieved because events and circumstances frequently do not occur as expected.

Projected Financial Results
COPEL Consolidated

(R$ millions)	2001	2002	2003	2004	2005
Balance Sheet					
Cash + Marketable Securities	185	791	1,051	1,282	1,261
Net Fixed Assets	5,922	5,893	5,905	5,874	5,833
Total Assets	8,703	9,463	9,870	10,103	10,140
Total Funded Debt (Short Term + Long Term)	2,238	2,621	2,562	2,470	1,976
Long Term Debt	1,490	2,433	2,295	1,857	1,818
Shareholders' Equity	4,991	5,122	5,447	5,784	6,219
Total Capitalization (Shareholders' Equity + Total Funded Debt)	7,229	7,743	8,009	8,254	8,195
Income Statement					
Net Sales	2,203	3,130	3,695	3,746	3,970
% Growth	9.01%	42.07%	18.05%	1.38%	5.98%
EBITDA	792	1,127	1,260	1,259	1,464
%Margin	36.0%	36.0%	34.1%	33.6%	36.9%
Interest Income	136	85	87	103	117
Interest Expenses	176	240	229	223	196
Net Interest Expenses	40	155	142	120	79
Net Profit	351	415	635	649	840
Capex	419	334	397	357	342
Ratios					
Total Funded Debt / EBITDA	2.83	2.33	2.03	1.96	1.35
Net Funded Debt / EBITDA	2.59	1.62	1.20	0.94	0.49
EBITDA / Interest Expenses	4.50	4.70	5.50	5.65	7.47
EBITDA / Net Interest Expenses	19.80	7.27	8.87	10.49	18.54
Shareholders' Equity/ Total Capitalization	69%	66%	68%	70%	76%

1) Interest Income and Interest Expenses do not include monetary and F/X gains or losses

2) Net Funded Debt = Total Funded Debt - (Cash + Marketable Securities)

APPENDIX A – COMPANHIA PARANAENSE DE ENERGIA – COPEL
QUARTERLY INFORMATION REPORT AS OF SEPTEMBER 30th, 2000 AND 2001

Companhia Paranaense de Energia - COPEL

Financial Statements Together with
Special Review Report of Independent Public Accountants
(Free translation of report originally issued in Portuguese)

September 30, 2001

COPEL

COMPANHIA PARANAENSE DE ENERGIA - COPEL

BALANCE SHEETS

As of September 30, 2001 and June 30, 2001

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

A S S E T S

	September 30, 2001		June 30, 2001
	Consolidated	Company	Company
CURRENT ASSETS			
Cash and banks	64,612	523	15,244
Temporary cash investments	192,728	167,282	226,292
Power purchase liquidity fund	78,738	78,738	89,659
Accounts receivable	545,316	-	463,018
Allowance for doubtful accounts	(13,235)	-	(10,177)
Services in progress	15,243	1,571	9,641
Recoverable rate deficit (CRC)	46,135	-	30,533
Income and social contribution taxes paid in advance	54,758	56,523	2,139
Materials and supplies	15,988	-	15,156
Prepaid expenses and other receivables	50,748	1,943	44,255
	1,051,031	306,580	885,760
NONCURRENT ASSETS			
Recoverable rate deficit (CRC)	687,537	-	671,268
Deferred income taxes	308,192	100,638	240,122
Judicial deposits	52,066	49,999	49,329
Credits with related parties	-	1,109,113	-
Other noncurrent receivables	86,234	53,909	79,666
	1,134,029	1,313,659	1,040,385
PERMANENT ASSETS			
Investments	399,677	4,742,963	354,156
Property, plant and equipment			
In service	5,420,494	-	5,403,322
Construction in progress	528,249	-	558,368
	5,948,743	-	5,961,690
	6,348,420	4,742,963	6,315,846
TOTAL ASSETS	8,533,480	6,363,202	8,241,991

The accompanying notes are an integral part of these balance sheets.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

BALANCE SHEETS

As of September 30, 2001 and June 30, 2001

(In thousands of Brazilian reais)

(Translated from the of report original in Portuguese)

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 30, 2001		June 30, 2001
	Consolidated	Company	Company
CURRENT LIABILITIES			
Loans and financing	329,664	197,683	296,514
Suppliers	122,630	715	112,254
Taxes and social contributions	121,102	87,407	93,024
Interest on capital	72,836	72,836	1,302
Accrued payroll costs	55,735	3,080	48,985
Advance billings of electric power	14,230	-	15,256
Regulatory charges	31,861	-	34,489
Pension plan	63,355	-	22,621
Other current liabilities	41,502	78	36,600
	852,915	361,799	661,045
LONG-TERM LIABILITIES			
Loans and financing	1,289,708	569,643	1,204,193
Debts with related parties	5,319	456,084	-
Pension plan	707,656	-	497,238
Advance billings of electric power	1,215	-	4,575
Taxes and social contributions	234,454	225,954	225,695
Deferred income taxes	-	-	-
Other long-term liabilities	104,334	-	101,354
	2,342,686	1,251,681	2,033,055
SPECIAL LIABILITIES	588,157	-	581,252
SHAREHOLDERS' EQUITY			
Capital stock	1,620,247	1,620,247	1,620,247
Capital reserves	1,546,446	1,546,446	1,546,446
Income reserves	1,583,029	1,583,029	1,799,946
	4,749,722	4,749,722	4,966,639
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,533,480	6,363,202	8,241,991

The accompanying notes are an integral part of these balance sheets.

COPEL

COMPANHIA PARANAENSE DE ENERGIA - COPEL

STATEMENT OF INCOME FOR THE NINE MONTHS PERIODS

ENDED SEPTEMBER 30, 2001 AND 2000

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

	September 30, 2001		September 30, 2000
	Consolidated	Company	Company
OPERATING REVENUES			
Electricity sales to final customers	2,009,266	1,282,534	1,749,187
Electricity sales to distributors	89,565	64,067	124,402
Use of transmission plant	39,752	27,173	30,260
Telecommunication services	68,167	-	-
Other revenues	12,010	51,581	65,178
	2,218,760	1,425,355	1,969,027
DEDUCTIONS FROM OPERATING REVENUES			
State VAT (ICMS)	(463,027)	(296,333)	(401,182)
PASEP tax	(15,507)	(8,952)	(12,471)
COFINS tax	(71,572)	(41,317)	(57,559)
Tax on services (ISSQN)	(627)	(234)	(1,336)
Global reserve for reversion quota (RGR)	(41,866)	(30,929)	(42,332)
	(592,599)	(377,765)	(514,880)
NET OPERATING REVENUES	1,626,161	1,047,590	1,454,147
OPERATING EXPENSES			
Personnel	(259,075)	(169,103)	(218,602)
Pension and other benefits	(14,515)	(8,913)	(11,867)
Materials and supplies	(32,770)	(19,970)	(24,608)
Third-party services	(92,261)	(63,213)	(75,832)
Electricity purchased for resale	(297,162)	(186,137)	(212,533)
Transmission of electricity purchased	(10,579)	(6,794)	(9,603)
Use of transmission system	(97,888)	(62,849)	(84,576)
Depreciation and amortization	(211,771)	(132,536)	(195,710)
Regulatory charges	(155,086)	(99,254)	(112,775)
Other expenses	(58,982)	(42,870)	(38,342)
	(1,230,089)	(791,639)	(984,448)
SERVICE INCOME	396,072	255,951	469,699
EQUITY IN RESULTS OF INVESTEES	17,194	(14,115)	2,565
FINANCIAL INCOME			
Income on temporary cash investments	31,539	30,978	30,930
Interest and commissions	40,031	28,077	44,805
Exchange and monetary gains	52,554	31,994	50,195
Charges on past-due receivables	15,687	10,481	14,074
Other	5,339	4,110	8,080
	145,150	105,640	148,084
FINANCIAL EXPENSES			
Debt charges	(91,967)	(58,881)	(83,352)
Exchange and monetary losses	(320,179)	(154,684)	(47,309)
Interest on capital	(80,001)	(80,001)	-
Other financial expenses	(37,915)	(25,945)	(34,842)
	(530,062)	(319,511)	(165,503)
FINANCIAL INCOME (EXPENSE), NET	(384,912)	(213,871)	(17,419)
NON OPERATING EXPENSES, NET	(13,900)	131,425	(19,690)
INCOME BEFORE TAXES	14,454	159,390	435,155
Income tax	(3,289)	(7,303)	(106,837)
Social contribution tax	(1,706)	(3,150)	(39,650)
Deferred taxes	-	(139,478)	-
	(4,995)	(149,931)	(146,487)
Reversion of interest on capital	80,001	80,001	-
NET INCOME	89,460	89,460	288,688
EARNINGS PER THOUSAND OUTSTANDING SHARES	0,33	0,33	1,05

The accompanying notes are an integral part of these statements.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

NOTES TO THE FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2001 AND JUNE 30, 2001
(Amounts in thousands of Brazilian reais, unless otherwise indicated)

(Translated from the original in Portuguese)

1. THE COMPANY AND ITS OPERATIONS

Companhia Paranaense de Energia - COPEL ("COPEL" or the "Company") is a mixed-capital corporation (sociedade de economia mista), organized under the laws of Brazil and controlled by the Paraná State Government.

The Company's principal business is the researching, planning, construction and operation of electricity generation plants and the transmission and distribution of electric energy in the State of Paraná. In addition COPEL is authorized to participate in the ownership of other companies, in the energy and telecommunications areas.

As concessionaire of electric utility services, the Company is subject to regulations set by Agência Nacional de Energia Elétrica – ANEEL ("the Department of Energy", formerly DNAEE – Departamento Nacional de Energia Elétrica), an agency of the Federal Government.

2. CORPORATE RESTRUCTURING SERVICES

On December 20, 2000, Copel was granted authorization by ANEEL Instruction No. 558/2000, to create the wholly-owned subsidiaries: Copel Geração S/A, Copel Distribuição S/A, Copel Transmissão S/A, Copel Participações S/A and Copel Telecomunicações S/A, in order to unbundled its principal business units.

On March 20, 2001 the Annual Stockholder's Meeting approved the institution of wholly owned subsidiaries, whose by-laws were registered on April 4, 2001.

In July 2001, through Resolution No.258, ANEEL has authorized the Company's corporate restructuring, concessions transference and Company spin-off into its subsidiaries which has also authorized the beginning of its operations as from July 1, 2001.

From that date on Company's wholly owned subsidiaries started its operations as following:

COPEL Geração S.A. – designated to explore generation services, it has 18 operating power plants, 17 hydroelectric and 1 thermoelectric, with a combined installed capacity of 4,548 MW. Concessions granted to the three biggest power plants, Foz do Areia, Segredo and Salto Caxias, representing 92% of total Company's installed capacity, expire, respectively, in 2023, 2009 and 2010.

COPEL Transmissão S.A. – has as main activities the exploration of energy transportation services and energy conversion, as long as it is responsible for operating part of national transmission network, located on South Region of the country, for the National System Operator

(ONS). It is granted concessions for the energy transportation up to 2015, counting on 124 substations with voltages higher than 69 kV and 6,773 km of transmission facilities.

COPEL Distribuição S.A. – designated to explore energy distribution and commercialization, in all sorts, mainly electric, from fuel and energetic raw material sources. It is granted with concessions valid until 2015, for the distribution of energy throughout 393 of 399 municipalities in the State of Paraná, representing 98% of consumers in the State. Additionally, the Company is providing energy to industrial customers in the State of São Paulo.

COPEL Telecomunicações S.A. – designated to exploring and providing telecommunication services, in all permitted sorts, in the State of Paraná and wherever there is a demand and possibility for the Company. It has the authorization to explore specialized circuit network services, during 10 years and renewable for the same period, in compliance with ANATEL acts No. 61 and 62, which have been converted into collective interest service by Act 4,500 as of August 20, 1999.

COPEL Participações S.A. – has as main activity to acquire participation in other companies.

3. PRESENTATION OF THE FINANCIAL STATEMENTS

These Financial Statements are prepared in accordance with practices emanated from Brazilian corporate law, together with specific Regulations established by ANEEL - *Agência Nacional de Energia Elétrica* (the Department of Energy) and instructions from the *Comissão de Valores Mobiliários* – CVM (Brazilian Securities Commission).

On March 19, 1996, the CVM issued Instruction No. 248, stating that quarterly and annual Financial Statements should be prepared in accordance with the corporate law method, which no longer accounts for the effects of inflation; however, optionally, companies are allowed to present supplementary constant currency adjusted Financial Statements, following the standards previously established by the CVM. Accordingly, for additional information purposes, the Company is presenting on form 16/ITR the balance sheet and related income statement under the constant currency methods, as well as the reconciliation between shareholder's equity and net income per corporate law and per constant currency method.

In order to adequate the presentation of Financial Statements, and for a better understanding of it, the Company has done some reclassifications in June, 2001 and September, 2000 Balance Sheets.

The translated interim balance sheets and statements of income were presented based on about the same level of details as of yearend presentation. The quarterly financial information originally issued in Portuguese presents a more detailed disclosure in some of the account captions.

4. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements are presented in compliance with CVM Instruction No. 247/1996 and contemplate the subsidiaries COPEL Geração S.A, COPEL Transmissão S.A, COPEL Distribuição S.A, COPEL Telecomunicações S.A. and COPEL Participações S.A..

In the Consolidated Financial Statements included in the third quarter Financial Statements, Company's investments on subsidiaries capital, receivables and liabilities as well as revenues and expenses generated from operations among the Consolidated Companies were eliminated; in order to provide an effective representation of balances and transactions with third parties. Additionally, non-realized income generated from such transactions was also eliminated.

On June 30, 2001 and September 30, 2000 the Company did not present Consolidated Financial Statements considering that (i) Companhia Paranaense de Gás and Companhia Nacional de Intervias' Financial Statements do not imply into relevant changes on Company's financial, patrimonial and economic positions; and that (ii) wholly-owned subsidiaries have begun their operations in the third quarter, 2001, as from July 1st, 2001.

5. TEMPORARY CASH INVESTMENTS

Financial institution	Interest rates CDI (1)	September 30, 2001		June 30, 2001
		Consolidated	Company	Company
Banco do Estado do Paraná S/A	100.00	42,908	42,331	53,294
Banco do Brasil S/A	99.50	112,598	87,729	112,695
Banco Brasileiro de Descontos S/A	99.50	37,222	37,222	37,612
HSBC Bank Brasil S/A	100.00	-	-	22,657
Other		-	-	34
		192,728	167,282	226,292

(1) – Interbank deposit rates: CDI is negotiated among financial institutions in the Brazilian financial market

6. POWER PURCHASE LIQUIDITY FUND

Financial institution	Interest rates CDI (1)	September 30, 2001		June 30, 2001
		Consolidated	Company	Company
Caixa Econômica Federal	99.00	62,588	62,588	89,659
HSBC Bank Brasil S.A.	100.00	13,090	13,090	-
Banco do Brasil S.A. (in US Dollars)	3% p.y. over US$ variation	3,060	3,060	-
		78,738	78,738	89,659

To assure the purchase of power generated by *Companhia de Interconexão Energética* - CIEN (Argentina) and *Usina Termoelétrica de Araucária*, during the term of the contracts with those companies, at the Board of Directors' Meeting of August 29, 2000, COPEL created the FLICE fund (Power Purchase Liquidity Fund), equivalent to an amount up to US$47 million, to be totally funded by March 2002, being deposited with *Caixa Econômica Federal*. All receivables regarding fees related to price assurance given by Copel will also be invested in the fund. As of September 30, 2001, the Fund balance was R$78,738 (equivalent to US$ 29,476).

COPEL

7. ACCOUNTS RECEIVABLE

Consumer Classes	September 30, 2001 To mature	September 30, 2001 Past due Up to 90 days	September 30, 2001 Past due More than 90 days	September 30, 2001 Total Consolidated	June 30, 2001 Total Company
Consumers					
Residential	52,655	48,284	7,630	108,569	88,910
Industrial	47,942	18,461	2,219	68,622	54,580
Commercial	24,268	16,446	3,081	43,795	33,995
Rural	6,260	3,137	252	9,649	7,829
Public Entities	6,859	11,628	14,555	33,042	23,891
Public Lighting	6,571	8,004	16,874	31,449	25,826
Public Services	5,339	605	118	6,062	5,063
Unbilled	73,503	-	-	73,503	62,343
Other	41,193	-	-	41,193	44,339
	264,590	106,565	44,729	415,884	346,776
Distributors	4,649	3,429	310	8,388	5,748
Distributors – short term	7,255	597	103,862	111,714	105,188
Use of transmission network	5,733	-	26	5,759	5,306
Network usage service	2,945	432	194	3,571	-
	20,582	4,458	104,392	129,432	116,242
	285,172	111,023	149,121	545,316	463,018

The Company has recorded the amount of R$62,506 as accounts receivable resulting from the estimates of the surplus power supplied to the Wholesale Energy Market (MAE) during the period from September 1st, 2000 to September 30, 2001.

From that amount, R$25,000 relating to the period from September 1st to December 31, 2000 and recognized in the last quarter of 2000, were estimated based on the net surplus power supplied to the wholesale market considering the Company's own generation and purchases for distribution in its concession area. Such amount has been confirmed through pre-invoices issued by the Wholesale Energy Market Services Association - ASMAE.

The remaining amount of R$37,506, corresponding to the period from January 1st to September 30, 2001, was recognized as revenue until the third quarter. The estimation criteria used was the following:

a) From January 1st to April 30, 2001, the Company has recognized R$6,104 based in the pre-invoices issued by ASMAE, estimated in accordance to the wholesale market rules and considering the tariffs practiced by that market in such period; and

b) From May 1st to September 30, 2001, the Company has estimated, as net revenue, the amount of R$31,402, based on the surplus power supplied and acquired from wholesale energy market. The amount was accrued based on the market tariffs commercialized during the period, including the monetary restatement of balances related to operations negotiated at the wholesale market until the balance sheet date. From that amount, R$6,944 were recognized as revenues in the current quarter.

The adopted criteria takes into account uncertainties regarding the volumes and tariffs negotiated in the wholesale energy market, which, for the entire mentioned period, has been discussed by the several agents of the electric sector, with the representatives of the Federal Government, in face of the energy rationing program. These negotiations can result in relevant changes in the amounts registered by the Company, who recognizes that there might be uncertainties regarding the final closing of the transactions registered in the MAE.

8. RECOVERABLE RATE DEFICIT (CRC)

Under an agreement dated August 4, 1994, the remaining balance of the CRC account was negotiated with the Paraná State Government to be reimbursed in 240 monthly installments updated based on IGP-DI and interest of 6.65% annually. On October 1, 1997, the balance of R$506,692 was renegotiated extending the term to 330 equal monthly installments, which include interest and principal amortization. The first installment matured on October 30, 1997, and the last monthly installment will be due on March 30, 2025.The remaining clauses of the original contract, including interest rates, were maintained. Interest earned is recorded as interests and commissions in the income statement and the IGP-DI accumulated variation in the in the first semester of 2001 was 7.81% (8.15% in the same period of 2000).

The CRC balance has been transferred to COPEL Distribuição S.A.

The Paraná State Government has not amortized March to September 2001 installments, which compound the current assets balance.

9. CREDITS (DEBTS) WITH RELATED PARTIES

Company's credits (debts) with related parties (consolidated controlled companies) are:

	Long term assets	Long term liabilities	Net
COPEL Geração S.A.			
Financing transferred	417,082	-	417,082
Pension plan reversion	-	23,489	(23,489)
Other	50,609	44,085	6,524
	467,691	67,574	400,117
COPEL Transmissão S.A.			
Financing transferred	37,379	-	37,379
Pension plan reversion	-	21,353	(21,353)
Other	193	2,510	(2,317)
	37,572	23,863	13,709
COPEL Distribuição S.A.			
Financing transferred	312,865	-	312,865
Pension plan reversion	-	57,655	(57,655)
Other	265,118	301,228	(36,110)
	577,983	358,883	219,100
COPEL Telecomunicações S.A.			
Pension plan reversion	-	4,164	(4,164)
Other	15,710	63	15,647
	15,710	4,227	11,483
COPEL Participações S.A.			
Pension plan reversion	-	107	(107)
Other	10,157	1,430	8,727
	10,157	1,537	8,620
	1,109,113	456,084	653,029

As part of wholly owned subsidiaries inception process, all loans and financing contracts agreed with financial institutions were transferred to subsidiaries.

Therefore, due to non-legal formalization, at the balance sheet date, of transference from these contracts to the respective subsidiaries, the Company was obligated to recognize such liabilities in its books.

Consequently, it was created an account receivable from subsidiaries, related to the total financing transferred, which, for presentation purposes, were stated separately, as account receivables from subsidiaries and as an account payable, in the amount of R$767,326; R$197,683 in current liabilities and the remaining balance as long term liabilities (see Note 12).

10. INVESTMENTS

The investments are as follow:

	Ownership %	Company September 30, 2001	Consolidated September 30, 2001	Company June 30, 2001
Affiliates:				
Sercomtel S/A – Telecomunicações	45	-	149,188	149,335
Sercomtel Celular S/A	45	-	21,108	21,191
Tradener Ltda.	45	-	1,191	39
Domino Holdings S.A.	15	-	57,239	37,475
Escoelectric Ltda.	40	-	317	400
Copel Agra S/C	48	-	119	-
Centrais Eólicas do Paraná Ltda.	30	-	1,176	1,170
Dona Francisca Energética S.A.	23	-	9,921	13,205
Carpocambel S.A.	49	-	127	127
Braspower S/C Ltda.	49	-	98	98
Foz do Chopim Energética Ltda.	36	-	8,228	6,332
UEG Araucária Ltda.	20	-	21,687	21,686
Campos Novos Energia S.A.	15		7,974	4,158
		-	278,373	255,216
Subsidiaries:				
Cia. Paranaense de Gás – COMPAGÁS	51	-	16,287	16,584
Companhia Nacional de Intervias	50	-	773	470
		-	17,060	17,054
Wholly-owned subsidiaries:				
COPEL Geração S.A	100	2,233,442	-	-
COPEL Transmissão S.A	100	670,263	-	-
COPEL Distribuição S.A	100	1,351,717	-	-
COPEL Telecomunicações S.A	100	106,438	-	-
COPEL Participações S.A	100	345,911	-	-
		4,707,771	295,433	272,270
Other:				
UEG Araucária Ltda.		-	56,140	34,166
Investments in other companies		-	17	17
Fiscal incentives		35,184	35,184	34,599
Assets designated to disposal		-	2,225	458
Assets for future use		8	4,937	5,555
Other investments		-	5,741	7,091
		35,192	104,244	81,886
		4,742,963	399,677	354,156

The investments in Sercomtel S/A Telecomunicações and Sercomtel Celular S/A include goodwill in the amounts of R$27,993 and R$3,848, respectively, which are being amortized at an annual rate of 10%. The amortization effects in the income statement were R$3,606 in 2001 (and the same value in the third quarter of 2000). Accumulated amortization as of September 30, 2001 was R$16,262.

The equity in results of investees (subsidiaries and affiliates) is presented as follows:

	Ownership %	Company September 30, 2001	Consolidated September 30, 2001	Company June 30, 2001
Affiliates:				
Sercomtel S/A – Telecomunicações	45	2,300	3,210	2,300
Sercomtel Celular S/A	45	8	70	8
Tradener Ltda.	45	(735)	417	(735)
Domino Holdings S.A.	15	-	19,450	-
Escoelectric Ltda.	40	-	(83)	-
Copel Agra S/C	48	-	71	-
Centrais Eólicas do Paraná Ltda.	30	-	6	-
Dona Francisca Energética S.A.	23	(827)	(4,111)	(827)
		746	19,030	746
Subsidiaries:				
Cia. Paranaense de Gás – COMPAGÁS	51	(1,479)	(1,776)	(1,479)
Companhia Nacional de Intervias	50	(358)	(60)	(358)
		(1,837)	(1,836)	(1,837)
Wholly-owned subsidiaries:				
COPEL Geração S.A	100	(83,539)	-	-
COPEL Transmissão S.A	100	(60,729)	-	-
COPEL Distribuição S.A	100	(147,480)	-	-
COPEL Telecomunicações S.A	100	(7,839)	-	-
COPEL Participações S.A	100	15,792	-	-
		(283,795)	-	-
		(284,886)	17,194	(1,091)

Until June 30, 2001, the Company evaluated the investment on subsidiary Dominó Holding S.A. by cost method. As from July 1st, 2001, with the inception of wholly owned subsidiaries, the investment on it has become relevant in the subsidiary COPEL Participações S.A., from that date on, the evaluation has being registered by equity method, in order to comply with CVM Instruction No. 247/1996.

A portion of equity in results of investees, in the amount of (R$270,771) is related to effects of the recognition of liabilities with Pension Plan, transferred from Company to wholly owned subsidiaries, as mentioned in Note 15. This liability was registered as an extraordinary item in the respective wholly owned subsidiaries and, consequently, the equity on results of these investees was recognized as an extraordinary item in the Company.

11. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2001			June 30, 2001
	Consolidated			Company
	Monetarily Restated Cost	Accumulated Depreciation	Net	Net
In service:				
Generation	4,115,093	(1,080,515)	3,034,578	3,046,718
Transmission	1,073,521	(300,158)	773,363	732,246
Distribution	2,545,594	(1,052,540)	1,493,054	1,446,387
Telecommunication	162,817	(43,536)	119,281	-
Partnership	299	(81)	218	-
Administration	-	-	-	177,971
	7,897,324	(2,476,830)	5,420,494	5,403,322
Construction in progress:				
Generation	210,934	-	210,934	198,326
Transmission	167,186	-	167,186	140,572
Distribution	133,797	-	133,797	130,207
Telecommunication	13,792	-	13,792	-
Partnership	2,540	-	2,540	-
Administration	-	-	-	89,263
	528,249	-	528,249	558,368
	8,425,573	(2,476,830)	5,948,743	5,961,690

	Consolidated September 30, 2001 Monetarily Restated Cost	Consolidated September 30, 2001 Accumulated Depreciation	Consolidated September 30, 2001 Net	Company June 30, 2001 Net
In service:				
Intangible assets	37,193	(9,479)	27,714	26,681
Land	104,884	-	104,884	105,648
Reservoirs, dams and water mains	2,404,789	(656,954)	1,747,835	1,760,598
Buildings and improvements	582,091	(191,999)	390,092	389,668
Machinery and equipment	4,718,611	(1,581,196)	3,137,415	3,106,380
Vehicles	39,938	(32,640)	7,298	9,560
Furniture and fixture	9,818	(4,562)	5,256	4,787
	7,897,324	(2,476,830)	5,420,494	5,403,322
Construction in progress:				
Intangible assets	4,413	-	4,413	5,282
Land	36,864	-	36,864	36,736
Reservoirs, dams and water mains	30,396	-	30,396	22,900
Buildings and improvements	20,886	-	20,886	27,598
Machinery and equipment	208,481	-	208,481	244,580
Vehicles	-	-	-	2
Furniture and fixture	743	-	743	1,111
To be apportioned	75,614	-	75,614	73,562
Research and projects	44,234	-	44,234	43,253
Judicial deposits	48,532	-	48,532	48,532
Materials and supplies	43,645	-	43,645	42,004
Purchases in transit	14	-	14	19
Advances to suppliers	14,427	-	14,427	12,789
	528,249	-	528,249	558,368
	8,425,573	(2,476,830)	5,948,743	5,961,690

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12. LOANS AND FINANCING

As informed in Note 9, Company's loans and financing balances refer to the debts with financial institutions transferred to wholly owned subsidiaries, which legal formalization is in progress.

The mentioned balance is present as follow:

	September 30, 2001			
	Current Debt		Long Term	Total
	Principal	Interests	Principal	Consolidated
FOREIGN CURRENCY:				
Eurobonds (1)	-	16,387	400,695	417,082
Euro-Commercial Paper Program (3)	170,513	763	-	171,276
National Treasury Department (4)	3,933	6,087	168,948	178,968
	174,446	23,237	569,643	767,326

	September 30, 2001				June 30, 2001
	Current Debt		Long Term	Total	Total
	Principal	Interests	Principal	Consolidated	Company
FOREIGN CURRENCY:					
Eurobonds (1)	-	16,387	400,695	417,082	351,260
IDB (2)	23,227	2,948	197,946	224,121	201,031
Euro-Commercial Paper Program (3)	170,513	763	-	171,276	144,246
National Treasury Department (4)	3,933	6,087	168,948	178,968	151,694
Banco do Brasil S.A. (5)	5,529	36	38,730	44,295	39,521
Dresdner Bank (6)	-	-	-	-	20,568
Eletrobrás (7)	8,652	67	6,379	15,098	14,053
	211,854	26,288	812,698	1,050,840	922,373
LOCAL CURRENCY:					
Eletrobrás (7)	51,552	2,616	432,206	486,374	488,728
BNDES (8)	4,686	94	15,231	20,011	21,014
Banestado (9)	7,592	48	5,286	12,926	15,771
HSBC Bank Brasil (10)	409	3	-	412	831
FINEP (11)	4,861	49	4,861	9,771	10,903
Other Commercial Banks (12)	580	6	930	1,516	1,938
Fundação Copel (13)	18,844	182	18,496	37,522	39,149
	88,524	2,998	477,010	568,532	578,334
	300,378	29,286	1,289,708	1,619,372	1,500,707

Loans and financing per wholly owned subsidiary:

COPEL Geração S.A.	Current Debt Principal	Current Debt Interests	Long Term Principal	Total September 30, 2001
FOREIGN CURRENCY:				
Holding – Eurobônus transference (1)	-	16,387	400,695	417,082
IDB (2)	23,227	2,948	197,946	224,121
Eletrobrás (7)	8,652	67	6,379	15,098
	31,879	19,402	605,020	656,301
LOCAL CURRENCY:				
Eletrobrás (7)	29,155	2,024	340,749	371,928
BNDES (8)	4,686	94	15,231	20,011
HSBC Bank Brasil (10)	409	3	-	412
	34,250	2,121	355,980	392,351
	66,129	21,523	961,000	1,048,652

COPEL Transmissão S.A.	Current Debt Principal	Current Debt Interests	Long Term Principal	Total September 30, 2001
FOREIGN CURRENCY:				
Holding – National Treasury Department transference (4)	821	1,298	35,260	37,379
Banco do Brasil S.A. (5)	5,529	36	38,730	44,295
	6,350	1,334	73,990	81,674
LOCAL CURRENCY:				
Eletrobrás (7)	11,013	471	75,394	86,878
	11,013	471	75,394	86,878
	17,363	1,805	149,384	168,552

COPEL Distribuição S.A.	Current Debt Principal	Current Debt Interests	Long Term Principal	Total September 30, 2001
FOREIGN CURRENCY:				
Holding – Euro Commercial Paper program transference (3)	170,513	763	-	171,276
Holding – National Treasury Department transference (4)	3,112	4,789	133,688	141,589
	173,625	5,552	133,688	312,865
LOCAL CURRENCY:				
Eletrobrás (7)	11,384	121	16,063	27,568
Banestado (9)	7,592	48	5,286	12,926
FINEP (11)	4,861	49	4,861	9,771
Other commercial banks (12)	580	6	930	1,516
Fundação Copel (13)	18,844	182	18,496	37,522
	43,261	406	45,636	89,303
	216,886	5,958	179,324	402,168

(1) Eurobonds – Consists of Eurobonds Notes issued on May 2, 1997, maturing on May 2, 2005, equivalent to US$150 million, subject to interest of 9.75% annually paid semi-annually, starting on November 2, 1997. The bonds are subject to early redemption in 2002, at the option of COPEL or of the investors.

(2) IDB (Inter-American Development Bank) – Consists of a loan for the Segredo hydroelectric power plant and the Rio Jordão deviation project, guaranteed by the Federal Government, released on January 15, totaling US$135 million. The first payment of principal was due January 15, 1997; interest and principal payments are due semi-annually up to 2011. Interest is calculated according to a rate determined by the institution each year, which in the third semester of 2001 was 6.29% per year.

(3) Euro-Commercial Paper Program - Notes issued outside Brazil to finance working capital. The Euro-Commercial Paper Program was established on March 1995, under which there is currently one tranche outstanding renegotiated to mature on February 17, 2002, issued with a discount to face value and subject to interest of 8.50% annually.

(4) National Treasury Department - The debt classified as National Treasury Department, which terms and payment conditions were established as part of the Brazilian foreign debt restructuring, under Law 4,131/62, is as follows:

Bond type	(years)	(years)	Amortization	Consolidated	Company
				September 30, 2001	June 30, 2001
Par Bond (a)	30	30	One payment at maturity	43,287	36,786
Capitalization Bond (b)	20	10	21 semi-annual payments	39,103	33,075
Debt Conversion Bond (c)	18	10	17 semi annual payments	35,274	29,885
Discount Bond (d)	30	30	One payment at maturity	30,399	25,760
EI Bond – interest bond (d)	12	3	19 semi-annual payments	14,886	12,614
New Money Bonds (c)	15	7	17 semi-annual payments	8,781	7,440
FLIRB (f)	15	9	13 semi-annual payments	7,238	6,134
				178,968	151,694

The annual interest rates are as follows:
(a) From 4% in the first year to 6% to maturity; amortization due in one only final payment at the end of contract;
(b) From 4% in the first year to 8% to maturity; amortization due in 21 semi-annual installments;
(c) Six month Libor + 7/8% annually; amortization due in 17 semi-annual installments;
(d) Six month Libor semi-annual + 13/16% annually; amortization due in one only final payment at the end of contract;
(e) Six month Libor semi-annual + 13/16% annually; amortization due in 19 semi-annual installments;
(f) From 4% in the first year to Six month Libor semi-annual + 13/16% annually to maturity;

Discount Bonds and Par Bond are guaranteed by collateral deposits classified in noncurrent assets, as follow:

Bonus	September 30, 2001	June 30, 2001
	Consolidated	Company
Par Bond		
COPEL Transmissão S.A.	2,257	
COPEL Distribuição S.A	8,556	
	10,813	9,330
Discount Bond		
COPEL Transmissão S.A.	1,583	
COPEL Distribuição S.A	6,002	
	7,585	6,544
	18,398	15,874

(5) Banco do Brasil S.A. – Consists of a loan in Japanese Yen for the gas thermoelectric substation of the Salto Caxias plant, with amortization in 20 semi-annual installments, beginning March 7, 2000, subject to and interest of 2.8% per year.

(6) Dresdner Bank – Brazilian Central Bank Resolution 63 contracts, maturing to August 2, 2001, subject to interest of 12.8% annually, to finance the expansion of the transmission network.

(7) Eletrobrás – Consists of loans from Eletrobrás originating from resources obtained from FINEL, for the expansion of generation, transmission and distribution systems. Amortization started on June 30, 1996 and will end in August 2021. Interest of 6.5% annually and principal is due on a monthly basis updated by the FINEL index (Eletrobrás financing rate). The foreign currency portion is subject to interest of 0.8125% over the six-month LIBOR rate. A portion of Copel's revenues secures these loans, in case of default.

(8) BNDES – Consists of a loan used to finance the Rio Jordão deviation project (Segredo Hydroelectric Power Plant) payable in 99 monthly installments, starting October 15, 1997. The interest rate is based upon TJLP plus 6% annual interest.

(9) Banco do Estado do Paraná S.A. – Turnkey suppliers - Consists of several contracts starting September 2, 1996, payable in 48 monthly installments (principal + interest) starting July 15, 1997. The interest rate is based upon the TJLP plus a floating spread between 3.5% to 6% per annum. The loan was used to finance the electricity distribution network and is secured by a portion of Copel's revenues.

(10) HSBC Bank Brasil – Consists of a loan through FINAME (machinery and equipment financing) to build the Segredo Hydroelectric Power Plant, dated on October 10, 1991, with 84 monthly installments starting December 9, 1993, subject to interest based on TJLP plus 11% and 12% per annum.

(11) FINEP – Consists of a loan on September 13, 1996, to finance the Company's laboratory equipment, with interest and principal payments due in 49 monthly installments, beginning September 15, 1999, subjected to interest of TJLP plus 12% per annum.

(12) Other commercial banks – Loans used to finance the acquisition of electrical components. Interest is based on TJLP plus 6% and 8.5% per annum, with monthly payments.

(13) Fundação Copel - On March 30, 2001, the Company and Fundação Copel signed a contract through which COPEL acquires part of the buildings the Company was renting from Fundação Copel. The negotiated price was defined based on individual appraisal reports of each of the assets, prepared by a specialized company dated January 31, 2001. The agreement states the amortization to be paid by the Company in 30 monthly installments, including principal and interest, bearing annual interests of 6% plus INPC variation. The first payment was due in April 2001, commercial papers and commission pact secure this loan, in case of default.

Composition of foreign currency loans by currency and index:

Currency (equivalent R$) / Index	Consolidated		Company	
	September 30, 2001		June 30, 2001	
FOREIGN CURRENCY	R$ thousand	%	R$ thousand	%
U.S. dollar	782,424	48.30	681,821	45.43
Japanese yen	44,295	2.74	39,521	2.63
IDB – currency pool	224,121	13.84	201,031	13.40
	1,050,840	64.88	922,373	61.46
LOCAL CURRENCY				
TR	3,491	0.22	3,700	0.25
URBNDES and TJLP	40,255	2.49	45,785	3.05
IGP-M	892	0.06	971	0.06
UFIR	21,230	1.31	14,491	0.97
FINEL	465,142	28.72	474,238	31.60
INPC	37,522	2.32	39,149	2.61
	568,532	35.12	578,334	38.54
	1,619,372	100.00	1,500,707	100.00

Variations in the principal currencies used in the Company's loans and financing in relation to the Brazilian Real:

Currency/Index	Annual increase (decrease)		
	3rd Quarter of 2001	3rd Quarter of 2000	In the year 2000
U.S. dollar	36.61	3.06	9.30
Japanese yen	30.91	(2.34)	(2.16)
IDB – currency pool	(1.54)	(3.30)	(4.64)
TR	1.74	1.76	2.19
URBNDES	2.38	3.63	4.56
IGP-M	7.67	8.53	9.95
FINEL	1.50	1.66	1.93
INPC	6.26	4.24	5.29

13. LONG-TERM TAXES AND SOCIAL CONTRIBUTIONS

	Consolidated		Company
	September 30, 2001		June 30, 2001
COFINS - provision for contingencies	198,185	198,185	198,185
PASEP	27,769	27,769	27,510
INSS – provision for contingencies	-	8,500	-
	225,954	234,454	225,695

On August 18, 1998, the Federal Court of Appeals, 4th Region, issued a judgement granting COPEL immunity from COFINS levied on electric energy operations. On August 10, 2000, the Government requested a new trial to annul such judgement. The Company was summoned on November 21, 2000, thus raising the issue of the loss of the exemption. On December 14, 2000, the lawsuit was concluded for the Government, appealed by COPEL, based on conclusive opinions of renowned jurists on the dismissal of the original judgement. Conservatively, based on its legal advisers understanding, Management elected to maintain an accrual for its exposure on this matter, only related to the principal amount, without charges.

The value of PASEP refers to the remaining balance deposited in an escrow account deposited that, for the adoption of the benefits of Instruction No. 2.037-25 December 21, 2000 might be reverted to Copel. The Company is waiting for the final pronouncement of the Federal Court on the residual value to be refunded.

The Company was subjected to additional tax assessment on several aspects of the INSS Legislation, mainly regarding vacation additional charges, indemnity charges paid, other social security matters and employees' pension plan retained contributions. Based on the risk evaluation made by its legal advisers, the Company recognized the provision for eventual losses regarding this additional tax assessment in the amount of R$8,500. The possible additional loss concluded by legal advisers are estimated in approximately R$30,000.

14. OTHER LONG-TERM LIABILITIES

	Consolidated	Company
	September 30, 2001	June 30, 2001
Contingencies:		
Customers – rate litigation	12,977	8,502
Land expropriation	46,484	46,484
Labor	32,885	32,885
	92,346	87,871
Financing of RGR	11,988	13,483
	104,334	101,354

The Company is awaiting a definition from ANEEL regarding the amounts and terms of the additional RGR for 2000. Historically, this definition is made in the following year and, accordingly, this liability is shown as long-term.

15. PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Wholly owned subsidiaries sponsor a pension plan, which is administered by Fundação COPEL, to provide supplementary retirement and pension benefits to employees and their dependents. Both the sponsors make contributions to the plan and the participants, based on an actuarial study prepared by an independent actuary, to provide sufficient funds to cover future cash requirements arising from the benefit obligations.

Additionally, wholly owned subsidiaries sponsor a healthcare assistance post-retirement benefit pension plan for their employees and dependants, integrally costed by sponsors.

Pension Plan

The actual Pension Plan sponsored by wholly owned subsidiaries is originated from a "defined benefit" plan, which has become into a "defined contribution" plan in 1998, designated as "Pension Plan III".

Due to the changes in the former plan, participants' rights have generated an obligation amounting to R$468,253 (at 1998 price-levels), which the Company agreed with Fundação COPEL to be paid in 240 monthly installments beginning February 1, 1999, indexed based on the INPC (National Consumer Price Index) plus interest of 6% annually.

With the inception of wholly owned subsidiaries, as from July 1st, 2001, the debt was transferred to them, segregated based on the number of active employees in each subsidiary on the date of debt calculation, i.e., December 31, 1997.

The debts assumed by subsidiaries were subjected to new contracts, agreed between them and Fundação Copel.

The debts assumed by subsidiaries were R$112,887 by COPEL Geração S.A., R$102,624 by COPEL Transmissão S.A., R$277,086 by COPEL Distribuição, R$20,012 by COPEL Telecomunicações S.A. and R$513 by COPEL Participações S.A..

The amortization is due in 210 monthly installments beginning August 1st, 2001, indexed based on the INPC (National Consumer Price Index) plus interest of 6% annually.

Due to the celebration of the new contracts, the former contract signed on January 20, 1999 between Fundação Copel and the Sponsor Company was rescinded, giving the parties the liquidity regarding rights and duties.

In the period there were amortization payments in the amount of R$12,368, which were registered as expenses in the income statement and the related debt restatement amounted in R$32,897. A portion of this expense, in the amount of R$27,102 was recognized in the 1st semester, before the inception of wholly owned subsidiaries, being the remaining balance recognized in the current semester.

	Consolidated	Company
	September 30, 2001	June 30, 2001
Current liabilities	20,555	19,779
Long-term liabilities	506,129	497,238
	526,684	517,017

Benefit Plan to Employees

As from CVM Instruction No.371, December 13, 2000, that approved the IBRACON announcement regarding Employees Benefit Accounting, new accounting practices related to the accrual and presentation of consequences from this benefits were issued and they shall be considered in the 2002 Financial Statements. The consequences of these new practices must be presented in the 2001 Financial Statements and its anticipated accounting recognition, as informed in the announcement, must be registered in the Shareholder's Equity, as prior year adjustments.

Company's subsidiaries decided to anticipate the recognition of post-retirement benefit pension plan, as a prior year adjustment, in the following amounts:

	Liability	Deferred income taxes	Income Reserves
COPEL Geração S.A.	33,259	11,308	(21,951)
COPEL Transmissão S.A.	31,815	10,817	(20,998)
COPEL Distribuição S.A.	163,592	55,621	(107,971)
COPEL Telecomunicações S.A.	9,656	3,283	(6,373)
COPEL Participações S.A.	908	309	(599)
	239,230	81,338	(157,892)

The balance presented above was computed based on actuarial assumptions, which are presented in the actuarial report.

Pension Plan reserves

Certain financial information pertaining to the fund computed based on actuarial practices prevailing in Brazil, as reported by Fundação Copel, were as follow:

	September 30, 2001	June 30, 2001
Current value of Fundação Copel net assets	1,775,971	1,775,741
(-)Mathematical reserves (actuarial value of pension benefits):		
Vested benefits	1,244,920	1,201,578
Nonvested benefits	508,598	502,508
Reserves to be amortized	-	(810)
	1,753,518	1,703,276
Surplus	22,453	72,465

Mathematical reserves represent the present value of future actuarial benefits, less the present value of projected future contributions to the plan, all discounted at an annual interest rate of 6%.

16. RETAINING EARNING (LOSS):

Changes on retaining earning (loss) in the quarter are presented as follow:

	Company
Balance as of June 30, 2001	68,485
Prior year adjustments – CVM 371/2000 (see Note 15)	(157,892)
Income for the quarter	20,975
Interest on capital	(80,001)
	(148,433)

17. PERSONNEL EXPENSES

Personal expenses for the nine months period ended June are as follow:

	September 30, 2001		September 30, 2000
	Company	Consolidated	Company
Salaries and wages	112,905	174,995	149,089
Social charges	37,096	60,534	52,175
Meal assistance to employees	9,278	13,907	13,223
Health plans and other benefits	6,012	9,547	14,502
Provision for severance payments	20,811	31,700	8,729
Transfer to construction in progress	(16,999)	(31,608)	(19,116)
	169,103	259,075	218,602

Personal expenses per wholly owned subsidiaries:

	September 30, 2001				
	(G)	(T)	(D)	(TE)	(PAR)
Salaries and wages	11,972	9,980	36,564	3,094	480
Social charges	4,682	3,963	13,534	1,097	162
Meal assistance to employees	709	609	3,114	180	17
Health plans and other benefits	508	422	2,396	191	18
Provision for severance payments	9,406	390	1,038	49	6
Transfer to construction in progress	(6,836)	(3,125)	(4,365)	(283)	-
	20,441	12,239	52,281	4,328	683

18. FINANCIAL EXPENSES

Debt charges and monetary variations, distributed to the main operating activities (macroactivities), are recorded in both the income statement and construction in progress, in accordance with General Instruction No. 36 of the Electricity Public Services Chart of Accounts and CVM Instruction No. 193, of July 11, 1996, as shown below:

	September 30, 2001		September 30, 2001
	Company	Consolidated	Company
Total debt charges	60,793	94,038	87,526
Transfer to construction in progress	(1,912)	(2,071)	(4,174)
Net debt charges in income statement	**58,881**	**91,967**	**83,352**
Total monetary and exchange variations	157,126	322,661	48,481
Transfer to construction in progress	(2,442)	(2,482)	(1,172)
Net monetary and exchange variations in income statement	154,684	320,179	47,309

19. FINANCIAL INSTRUMENTS

Up to September 30, 2001, the Company has not had transactions classified as financial instruments, as defined by the CVM Instruction No. 235, of March 23, 1995.

20. TAX RECOVERY PROGRAM (REFIS)

The Law 9,964, date April 10, 2000, instituted the Tax Recovery Program-REFIS, established to regularize all Government receivables arising from corporate taxpayer debts, related to taxes and contributions administered by the Federal Revenue Secretariat and the National Institute of Social Security – INSS.

In 2000, Copel included in REFIS a debt of R$89,766, originated from liabilities with the INSS. The Company has paid the amount of R$45,766, related to interests and fines, with credits arising from tax loss carry forwards of income tax and social contribution tax acquired from third parties, remaining a debt in the amount of R$44,000.

Up to September 30, 2001, the Company has liquidated R$5,760 related to the amortization of principal and its monetary restatement, by the SELIC rate and is still awaiting the approval of its REFIS account by the Tax Recovery Program Management Committee, once there were unduly debt additions in that account made by the INSS.

Due to the legal requirement contained in Article 14 of the related law, on guarantees, although the Company has made the transactions described above in its REFIS account to liquidate the aforementioned debt, it has pledged certain property items as guarantees required by the Program.

Right after the consolidation of final debts, the obligation with REFIS will be segregated by wholly owned subsidiary.

21. PRIVATIZATION PROGRAM

Based on State of Paraná Law No. 12,355, December 08, 1998, the Paraná State Executive Power was authorized to dispose of shares issued by COPEL owned by Paraná State Government. Shares' sale general arrangements, including the minimum economic value, minimum value and shares' value offered to employees were approved by Paraná State decree No. 4,660, September 5, 2001 and are mentioned in the call for bid No. 001, September 6, 2001.

The mentioned process occurred in two distinct stages: employees' share offering and auction. Share's auction will occur in the Rio de Janeiro Stock Exchange – BVRJ, in conjunction with Paraná Stock Exchange – BVPR, on October 31, 2001.

COPEL was subjected to two independent financial and economical appraisals executed by Booz Allen & Hamilton do Brasil Consultores Ltda. and Consórcio Diamante (comprised by the companies: Dresdner Kleinwort Wasserstein do Brasil S/C Ltda., Banco Fator S.A., Fator Projetos e Assessoria Ltda., Ulhôa Canto, Rezende e Guerra Advogados, J.P. Engenharia Ltda.). The companies were hired through International Public Bidding, which defined minimum value and auction model.

COPEL's total economic value was evaluated in the amount of R$10,587,000. The minimum price of auction object will vary from R$4,324,593 to R$5,152,312 and is subjected to the extension of minority stockholders adhesion in the public offering process. The minimum value was calculated in order to compensate the 50% negative goodwill granted on minimum economic value per share, for the employee's shares offering calculation effect, in order to remain the minimum economic value.

22. WHOLLY-OWNED SUBSIDIARIES

Wholly owned subsidiaries' Financial Statements, from July 1st (beginning of their operation) to September 30, 2001 is presented as follow:

COPEL Geração S.A.

BALANCE SHEET	September 30, 2001	July 1, 2001
ASSETS		
Current assets		
Cash, banks and temporary investments	28,296	11,000
Accounts receivable	137,489	53,626
Services in progress	7,480	4,077
Income and social contribution taxes paid in advance	5,409	-
Materials and supplies	18	2
Prepaid expenses and other	5,405	2,435
	184,097	71,140
Long term assets		
Deferred income taxes	41,740	-
Judicial deposits	543	-
Credits with related parties	24,199	-
Other noncurrent receivables	106	-
	66,588	-
Permanent assets		
Investments	7,849	9,220
Property, plant and equipment	3,245,512	3,265,124
	3,253,361	3,274,344
TOTAL ASSETS	3,504,046	3,345,484

	September 30, 2001	July 1, 2001
LIABILITIES		
Current liabilities		
Loans and financing	71,265	68,210
Financing – transference from Holding	16,387	-
Suppliers	11,863	8,918
Taxes and social contributions	3,046	-
Accrued payroll costs	9,643	8,586
Advance billing of electric power	13,567	13,474
Pension plan	10,505	310
Other current liabilities	11,684	7,721
	147,960	107,219
Long term assets		
Loans and financing	560,305	892,048
Financing – transference from Holding	400,695	-
Pension plan	139,182	-
Taxes and social contributions	8,500	-
Debts with related parties	9,243	-
Other long term liabilities	4,716	7,285
	1,122,641	899,333
Shareholders' equity		
Capital stock	1,000	1,000
Capital reserves	2,337,932	2,337,932
Income reserves	(105,487)	-
	2,233,445	2,338,932
TOTAL ASSETS	3,504,046	3,345,484

COPEL Transmissão S.A.

BALANCE SHEET	September 30, 2001	July 1, 2001
ASSETS		
Current assets		
Cash, banks and temporary investments	6,474	21,000
Accounts receivable	19,646	5,128
Services in progress	788	1
Income and social contribution taxes paid in advance	4,208	-
Materials and supplies	5,927	5,222
Prepaid expenses and other	4,295	2,383
	41,338	33,734
Long term assets		
Deferred income taxes	35,768	-
Judicial deposits	348	-
Credits with related parties	24,118	-
Other noncurrent receivables	4,362	3,313
	64,596	3,313
Permanent assets		
Investments	4,073	2,905
Property, plant and equipment	940,549	939,859
	944,622	942,764
TOTAL ASSETS	1,050,556	979,811

	September 30, 2001	July 1, 2001
LIABILITIES		
Current liabilities		
Loans and financing	17,049	16,594
Financing – transference from Holding	2,119	-
Suppliers	2,113	1,407
Taxes and social contributions	711	-
Accrued payroll costs	8,696	7,420
Pension plan	9,832	291
Other current liabilities	3,175	2,251
	43,695	27,963
Long term assets		
Loans and financing	114,124	142,148
Financing – transference from Holding	35,260	-
Pension plan	127,851	-
Debts with related parties	1,565	-
Special liabilities	7,139	7,050
Other long term liabilities	50,661	50,661
	336,600	199,859
Shareholders' equity		
Capital stock	1,000	1,000
Capital reserves	750,990	750,989
Income reserves	(81,729)	-
	670,261	751,989
TOTAL ASSETS	1,050,556	979,811

COPEL Distribuição S.A.

BALANCE SHEET	September 30, 2001	July 1, 2001
ASSETS		
Current assets		
Cash, banks and temporary investments	50,022	21,000
Accounts receivable	479,741	404,264
Allowance for doubtful accounts	(13,235)	(10,177)
Services in progress	5,158	4,219
Recoverable rate deficit (CRC)	46,135	30,533
Income and social contribution taxes paid in advance	27,261	15,799
Materials and supplies	8,171	8,480
Prepaid expenses and other	37,445	42,980
	640,698	517,098
Long term assets		
Recoverable rate deficit (CRC)	687,537	671,268
Deferred income taxes	121,161	-
Judicial deposits	1,176	-
Credits with related parties	354,099	-
Other noncurrent receivables	27,590	24,051
	1,191,563	695,319
Permanent assets		
Investments	646	646
Property, plant and equipment	1,626,851	1,622,698
	1,627,497	1,623,344
TOTAL ASSETS	3,459,758	2,835,761

	September 30, 2001	July 1, 2001
LIABILITIES		
Current liabilities		
Loans and financing	43,667	201,910
Financing – transference from Holding	179,177	-
Suppliers	201,036	99,603
Taxes and social contributions	68,199	43,303
Accrued payroll costs	30,981	26,900
Advance billing of electric power	663	1,782
Pension plan	41,945	2,136
Other current liabilities	58,250	60,997
	623,918	436,631
Long term assets		
Loans and financing	45,636	169,997
Financing – transference from Holding	133,688	-
Pension plan	409,962	-
Debts with related parties	263,865	-
Special liabilities	581,018	574,202
Other long term liabilities	49,952	47,763
	1,484,121	791,962
Shareholders' equity		
Capital stock	1,000	1,000
Capital reserves	1,606,168	1,606,168
Income reserves	(255,449)	-
	1,351,719	1,607,168
TOTAL ASSETS	3,459,758	2,835,761

COPEL Telecomunicações S.A.

BALANCE SHEET	September 30, 2001	July 1, 2001
ASSETS		
Current assets		
Cash, banks and temporary investments	4,712	11,000
Accounts receivable	3,571	-
Income and social contribution taxes paid in advance	682	-
Materials and supplies	1,872	1,452
Prepaid expenses and other	1,503	1,293
	12,340	13,745
Long term assets		
Deferred income taxes	8,493	-
Credits with related parties	4,594	-
Other noncurrent receivables	267	-
	13,354	-
Permanent assets		
Property, plant and equipment	133,073	132,055
	133,073	132,055
TOTAL ASSETS	158,767	145,800

	September 30, 2001	July 1, 2001
LIABILITIES		
Current liabilities		
Loans and financing	-	20,568
Suppliers	1,991	1,749
Taxes and social contributions	1,132	-
Accrued payroll costs	2,880	2,400
Pension plan	878	93
Other current liabilities	172	120
	7,053	24,930
Long term assets		
Pension plan	29,395	-
Debts with related parties	15,659	-
Other long term liabilities	220	220
	45,274	220
Shareholders' equity		
Capital stock	1,000	1,000
Capital reserves	119,650	119,650
Income reserves	(14,210)	-
	106,440	120,650
TOTAL ASSETS	158,767	145,800

COPEL Participações S.A.

BALANCE SHEET	September 30, 2001	July 1, 2001
ASSETS		
Current assets		
Cash, banks and temporary investments	31	21,000
Service in progress	246	1,258
Income and social contribution taxes paid in advance	69	-
Prepaid expenses and other	157	82
	503	22,340
Long term assets		
Deferred income taxes	392	-
Credits with related parties	1,839	-
	2,231	-
Permanent assets		
Investments	351,917	306,778
Property, plant and equipment	2,758	1,954
	354,675	308,732
TOTAL ASSETS	357,409	331,072

	September 30, 2001	July 1, 2001
LIABILITIES		
Current liabilities		
Suppliers	41	-
Taxes and social contributions	1	-
Accrued payroll costs	455	342
Pension plan	195	12
Other current liabilities	4	-
	696	354
Long term assets		
Pension plan	1,266	-
Debts with related parties	9,538	-
Other long term liabilities	-	-
	10,804	-
Shareholders' equity		
Capital stock	1,000	1,000
Capital reserves	329,718	329,718
Income reserves	15,191	-
	345,909	330,718
TOTAL ASSETS	357,409	331,072

Income statement					**September 30, 2001**
	(G)	(T)	(D)	(TE)	(PAR)
Operating revenues					
Electricity sales to final customers	-	-	726,732	-	-
Electricity sales to distributors	190,217	-	20,634	-	-
Use of transmission plant	-	44,128	636	-	-
Telecommunication services	-	-	-	16,935	-
Other revenues	3,891	486	12,209	-	-
Equity in results of investees	-	-	-	-	-
Deductions from operating revenues	(12,839)	(3,030)	(197,165)	(1,800)	18,285
Net operating revenues	181.269	41.584	563.046	15.135	18.285
Operating expenses					
Personnel	(21,159)	(13,026)	(56,062)	(4,601)	(725)
Materials and supplies	(2,383)	(953)	(9,349)	(96)	(19)
Third-party services	(7,565)	(1,832)	(22,921)	(1,097)	(558)
Electricity purchased for resale	(5,791)	-	(361,599)	-	-
Depreciation and amortization	(32,813)	(10,835)	(31,800)	(3,778)	(8)
Regulatory charges	(13,195)	(100)	(42,500)	(36)	-
Other expenses	(890)	(1,116)	(13,411)	(647)	(18)
	(83.796)	(27.862)	(537.672)	(10.255)	(1.328)
Service income	97.473	13.722	25.374	4.880	16.957
Other revenues (expenses)					
Financial income, net	(121,963)	(20,026)	(25,984)	(2,173)	(896)
Non-operating income, net	(2,369)	(271)	(3,220)	14	-
	(124.332)	(20.297)	(29.204)	(2.159)	(896)
Income before taxes	(26.859)	(6.575)	(3.830)	2.721	16.061
Income tax and social contribution	2,891	-	2,565	-	2
Extraordinary item	(59,570)	(54,154)	(146,216)	(10,560)	(271)
Net income (loss)	(83.538)	(60.729)	(147.481)	(7.839)	15.792

23. ENERGY RATIONING PROGRAM

Due to serious collapse risks that Brazilian power generation system is facing and in order to prevent an excessive decrease on water reservoirs' level that could commit the energy supply during winter and spring seasons, effective June 2001, the Federal Government has implemented an energy rationing program in the Center-West, Southeast and Northeast regions of Brazil. Such rationing program has not been formally implied into South region and consequently do not impacted directly into Company's operations.

24. FINANCIAL STATEMENTS UNDER CONSTANT CURRENCY METHOD

The Company has opted for presenting its Financial Statements under the constant currency method, composed by the balance sheet as of September 30, 2001 and June 30, 2001, and income statements for the six months period ended September 30, 2001 and 2000.

The main basic difference between the corporate law and constant currency Financial Statements is due to the non-recognition, on corporate law Financial Statements, of inflationary effects on permanent assets and shareholders' equity, representing a relevant accumulated difference on the Company's financial position as of the balance sheet date.

The reconciliation between the shareholders' equity and net income by both methods is presented in Note 24a bellow.

These Financial Statements were prepared in accordance with generally accepted accounting principles in Brazil and CVM rules, mainly through CVM Instruction No. 191/1992.

Due to the Company inception in the international market, mainly in the United States, to comply with accounting principles in that country (U.S.GAAP), the Company has indexed its Financial Statements, prepared in accordance with the mentioned principles, by the IGP-DI (General Prices Index-DI). Thus, the Financial Statements presented under the constant currency method were also price-level adjusted by the IGP-DI variation as of September 30, 2001. Additionally, monetary assets and liabilities were restated to present value, when applicable.

COPEL

BALANCE SHEETS

As of September 30, 2001 and June 30, 2001

ASSETS

	In constant currency method	
	September 30, 2001	June 30, 2001
CURRENT ASSETS		
Cash and banks	64,612	15,690
Temporary cash investments	192,728	232,914
Power purchase liquidity fund	78,738	92,283
Accounts receivable	542,773	473,257
Allowance for doubtful accounts	(13,235)	(10,475)
Services in progress	15,243	9,923
Recoverable rate deficit (CRC)	46,135	31,426
Income and social contribution taxes paid in advance	51,862	2,202
Materials and supplies	16,356	16,019
Prepaid expenses and other receivables	50,748	45,550
	1,045,960	908,789
NONCURRENT ASSETS		
Recoverable rate deficit (CRC)	687,537	690,911
Deferred income taxes	308,192	247,148
Judicial deposits	52,066	50,772
Other noncurrent receivables	86,234	81,997
	1,134,029	1,070,828
PERMANENT ASSETS		
Investments	528,263	482,961
Property, plant and equipment		
In service	7,903,701	7,944,819
Construction in progress	852,047	882,276
	9,284,011	9,310,056
TOTAL ASSETS	11,464,000	11,289,673

BALANCE SHEETS

As of September 30, 2001 and June 30, 2001

LIABILITIES AND SHAREHOLDERS' EQUITY

	In constant currency method	
	September 30, 2001	June 30, 2001
CURRENT LIABILITIES		
Loans and financing	329,664	305,191
Suppliers	122,630	115,539
Taxes and social contributions	121,102	87,857
Interest on capital	72,836	1,340
Accrued payroll costs	55,735	50,418
Advance billings of electric power	14,230	15,702
Regulatory charges	31,383	34,657
Pension plan	63,355	23,283
Other current liabilities	41,386	37,512
	852,321	671,499
LONG-TERM LIABILITIES		
Loans and financing	1,289,708	1,239,430
Pension plan	707,656	511,788
Advance billings of electric power	1,215	4,709
Taxes and social contributions	234,454	232,299
Deferred income taxes	997,145	944,117
Other long-term liabilities	107,986	101,483
	3,338,164	3,033,826
SPECIAL LIABILITIES	588,157	598,261
SHAREHOLDERS' EQUITY		
Capital stock	2,606,309	2,606,309
Capital reserves	2,627,729	2,627,728
Income reserves	1,451,320	1,752,050
	6,685,358	6,986,087
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,464,000	11,289,673

STATEMENT OF INCOME

FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2001 AND 2000

	In constant currency method	
	September 30, 2001	September 30, 2000
OPERATING REVENUES		
Electricity sales to final customers	2,044,316	1,983,320
Electricity sales to distributors	83,157	107,026
Use of transmission plant	41,235	33,146
Telecommunication services	12,124	-
Other revenues	70,537	73,561
Deductions from operating revenues	(616,534)	(590,280)
	1,634,835	1,606,773
OPERATING EXPENSES		
Personnel	(280,818)	(239,079)
Materials and supplies	(32,078)	(19,324)
Outside services	(86,504)	(79,237)
Electricity purchased for resale	(423,657)	(352,139)
Depreciation and amortization	(336,347)	(296,125)
Regulatory charges	(157,915)	(124,355)
Other expenses	(60,566)	(42,842)
	(1,377,885)	(1,153,101)
OPERATING INCOME	256,950	453,672
Equity in results of investees	17,194	2,807
FINANCIAL INCOME		
Income on temporary cash investments	4,923	10,918
Interest and commissions	36,811	44,733
Charges on past-due receivables	16,343	16,172
Other financial income	(19,503)	(13,064)
	38,574	58,759
FINANCIAL EXPENSES		
Debt charges	(278,642)	(14,291)
Other financial expenses	31,457	29,977
	(247,185)	15,686
FINANCIAL INCOME (EXPENSE), NET	(208,611)	74,445
INCOME FROM OPERATIONS	65,533	530,924
NON OPERATING EXPENSES, NET	(23,146)	(32,230)
INCOME BEFORE TAXES	42,387	498,694
Income taxes	12,708	(167,952)
NET INCOME	55,095	330,742

a) RECONCILIATION BETWEEN SHAREHOLDERS' EQUITY AND NET INCOME

The reconciliation of shareholders' equity and net income by corporate law to constant currency method adjusted figures is as follows:

	Shareholders' equity		Net income	
	September 30, 2001	June 30, 2001	September 30, 2001	September 30, 2000
Under corporate law method	4,749,722	4,966,639	89,460	288,668
Inflationary effects on permanent assets and shareholders' equity	2,935,591	2,954,729	(47,307)	50,358
Discount to present value of assets	(5,439)	(3,310)	(5,439)	(1,851)
Discount to present value of liabilities	2,261	11,726	2,261	9,079
Restatement of materials and supplies	368	420	368	466
Reversion of prior year discounts to present value	-	-	(1,951)	(8,345)
Income tax on price-level adjustments	(997,145)	(944,117)	17,703	(7,633)
Under constant currency method	6,685,358	6,986,087	55,095	330,742

b) STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	September 30, 2001
Balance as of December 31, 2000 restated to September 30, 2001	6,998,339
Income taxes on inflationary effects on permanent assets	(129,728)
Health Assistance CVM Instruction 371	(158,194)
Interest on capital	(80,154)
Net income for the period	55,095
Ending balance	6,685,358

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The accompanying Financial Statements are presented on the basis of accounting practices emanating from Brazilian corporate law and, with respect to those under "constant currency method", in conformity with generally accepted accounting principles in Brazil. Certain accounting practices and principles applied by the Company that conform to those accounting practices and principles in Brazil may not conform with generally accept accounting principles in other countries.

APPENDIX B – COMPANHIA PARANAENSE DE ENERGIA – COPEL
CONSOLIDATED FINANCIAL INFORMATION FOR THE YEARS ENDED DECEMBER 31st, 1999 AND 2000

COPEL

Companhia Paranaense de Energia - COPEL

Financial Statements Together with
Report of Independent Public Accountants

December 31, 2000 and 1999

Report of Independent Public Accountants

(See Note 36 to the financial statements.) Translation of the report originally issued in Portuguese.

To the Board of Directors and Shareholders

Companhia Paranaense de Energia - COPEL

(1) We have audited the accompanying balance sheets of COMPANHIA PARANAENSE DE ENERGIA - COPEL (a Brazilian corporation) as of December 31, 2000 and 1999, presented as “Corporate Law” and as “Price-level basis”, and the related statements of income, changes in shareholders’ equity, and changes in financial position for the years then ended, prepared under the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements.

(2) Our audits were conducted in conformity with auditing standards in Brazil and comprised: (a) planning of the work, considering the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the relevant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

(3) In our opinion, the financial statements under “Corporate Law”, mentioned in paragraph (1), present fairly, in all material respects, the financial position of Companhia Paranaense de Energia - COPEL as of December 31, 2000, and 1999, and the results of its operations, the changes in its shareholders’ equity and the changes in its financial position for the years then ended in conformity with accounting practices emanating from corporate law in Brazil.

(4) In our opinion, the financial statements under “Price-level basis”, mentioned in paragraph (1), present fairly, in all material respects, the financial position of Companhia Paranaense de Energia - COPEL as of December 31, 2000, and 1999, and the results of its operations, the changes in its shareholders’ equity, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles in Brazil.

(5) The supplementary information presented in Exhibits I and II, related to the statements of cash flows and added value, is intended to provide additional analysis and is not a required part of the basic financial statements. This supplementary information has been audited in accordance with the audit procedures mentioned in paragraph (2) above and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Curitiba, February 22, 2001

Arthur Andersen S/C

José Écio Pereira da Costa Jr.
Engagement Partner

COPEL

COMPANHIA PARANAENSE DE ENERGIA - COPEL

BALANCE SHEETS

December 31, 2000 and 1999

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

A S S E T S

	Corporate law		Price-level basis	
	2000	1999	2000	1999
CURRENT ASSETS				
Cash and banks	28,361	20,596	28,361	22,611
Temporary cash investments	130,984	159,850	130,984	175,490
Power purchase liquidity fund	64,741	-	64,741	-
Accounts receivable	450,443	297,128	448,222	324,614
Allowance for doubtful accounts	(6,038)	(6,796)	(6,038)	(7,461)
Services in progress	6,416	11,088	6,416	12,173
Recoverable rate deficit (CRC)	11,503	10,335	11,503	11,346
Prepaid State VAT (ICMS)	-	182,392	-	200,237
Income and social contribution taxes paid in advance	28,430	4,605	27,429	5,056
Materials and supplies	14,315	12,294	14,630	14,247
Prepaid expenses and other receivables	44,198	27,807	44,198	30,527
	773,353	719,299	770,446	788,840
NONCURRENT ASSETS				
Recoverable rate deficit (CRC)	646,988	599,797	646,988	658,482
Deferred income taxes	215,901	191,308	215,901	210,026
Escrow deposits	50,039	64,109	50,039	70,381
Other noncurrent receivables	45,350	35,473	45,350	38,944
	958,278	890,687	958,278	977,833
PERMANENT ASSETS				
Investments	345,480	328,171	444,529	428,345
Property, plant and equipment				
In service	5,444,337	5,255,056	7,493,080	7,160,658
Construction in progress	434,873	503,500	700,223	1,046,676
	5,879,210	5,758,556	8,193,303	8,207,334
	6,224,690	6,086,727	8,637,832	8,635,679
TOTAL ASSETS	7,956,321	7,696,713	10,366,556	10,402,352

The accompanying notes are an integral part of these balance sheets.

COPEL

COMPANHIA PARANAENSE DE ENERGIA - COPEL

BALANCE SHEETS

December 31, 2000 and 1999

(In thousands of Brazilian reais)

(Translated from the of report original in Portuguese)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Corporate law		Price-level basis	
	2000	1999	2000	1999
CURRENT LIABILITIES				
Loans and financing	275,674	296,870	275,674	325,916
Suppliers	84,982	86,099	84,982	94,523
Taxes and social contributions	41,982	86,463	41,982	94,923
Interest on Capital	96,764	101,796	96,764	111,756
Accrued payroll costs	57,034	51,182	57,034	56,189
Advance billings of electric power	13,466	13,079	13,466	14,359
Regulatory charges	37,509	20,122	35,724	21,981
Pension plan	21,675	19,692	21,675	21,619
Other current liabilities	24,811	24,738	24,692	25,059
	653,897	700,041	651,993	766,325
LONG-TERM LIABILITIES				
Loans and financing	1,104,078	1,117,391	1,104,078	1,226,717
Pension plan	487,442	478,156	487,442	524,939
Advance billings of electric power	11,230	24,044	11,230	26,396
Taxes and social contributions	170,681	129,468	170,681	142,135
Deferred income taxes	-	-	821,084	666,798
Other long-term liabilities	63,137	92,408	60,323	95,082
	1,836,568	1,841,467	2,654,838	2,682,067
SPECIAL LIABILITIES	567,702	527,654	567,702	579,280
SHAREHOLDERS' EQUITY				
Capital stock	1,620,247	1,620,247	2,417,748	2,417,748
Capital reserves	1,546,446	1,546,446	2,437,617	2,437,617
Income reserves	1,731,461	1,460,858	1,636,658	1,519,315
	4,898,154	4,627,551	6,492,023	6,374,680
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,956,321	7,696,713	10,366,556	10,402,352

The accompanying notes are an integral part of these balance sheets.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

STATEMENTS OF INCOME FOR THE TWELVE MONTHS PERIOD

YEARS ENDED DECEMBER 31, 2000 and 1999

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

	Corporate law		Price-level basis	
	2000	1999	2000	1999
OPERATING REVENUES				
Electricity sales to final customers	2,386,081	1,977,156	2,456,932	2,310,257
Electricity sales to distributors	181,938	145,904	179,451	165,610
Use of transmission plant	43,885	29,398	44.581	33,317
Other revenues	101,664	52,448	104,869	54,756
	2,713,568	2,204,906	2,785,833	2,563,940
DEDUCTIONS FROM OPERATING REVENUES				
State VAT (ICMS)	539,314	466,068	566,546	562,345
PASEP tax	17,104	14,111	17,932	18,061
COFINS tax	78,941	65,129	82,761	77,124
Tax on services (ISSQN)	1,993	-	2,088	-
Global reserve for reversion quota (RGR)	54,959	47,712	57,401	49,690
	692,311	593,020	726,728	707,220
NET OPERATING REVENUES	2,021,257	1,611,886	2,059,105	1,856,720
OPERATING EXPENSES				
Personnel	302,766	297,370	312,947	350,321
Pension and other benefits	16,358	7,540	17,281	9,030
Materials and supplies	35,268	33,982	31,486	35,571
Outside services	110,527	93,485	107,144	110,637
Electricity purchased for resale	291,847	304,549	306,403	333,812
Transmission of electricity purchased	13,016	16,766	13,666	20,283
Use of transmission system	114,794	94,039	120,540	112,652
Depreciation and amortization	261,490	232,417	366,422	350,640
Regulatory charges	156,170	79,791	158,950	91,895
Other expenses	56,129	59,118	57,527	69,327
	1,358,365	1,219,057	1,492,366	1,484,168
GROSS PROFIT FROM ENERGY SERVICES	662,892	392,829	566,739	372,552
EQUITY IN RESULTS OF INVESTEES	2,485	3,755	2,485	4,371
FINANCIAL INCOME				
Income on temporary cash investments	42,546	52,166	17,463	24,258
Interest and commissions	57,822	56,426	54,112	65,659
Exchange and monetary gains	60,277	105,608	-	-
Charges on past-due receivables	19,498	15,367	20,476	18,197
Other	11,667	33,930	-	51,160
	191,810	263,497	92,051	159,274
FINANCIAL EXPENSES				
Debt charges	111,543	61,471	43,209	69,136
Exchange and monetary losses	96,217	160,297	-	-
Other financial expenses	49,391	42,270	6,030	3,760
	257,151	264,038	49,239	72,896
Interest on capital	160,000	110,000	-	-
	417,151	374,038	49,239	72,896
FINANCIAL INCOME (EXPENSE), NET	(225,341)	(110,541)	42,812	86,378
INCOME FROM OPERATIONS	440,036	286,043	612,036	463,301
NON OPERATING EXPENSES, NET	(24,635)	(20,257)	(36,961)	(25,068)
Extraordinary income	8,311	-	8,311	-
INCOME BEFORE TAXES	423,712	265,786	583,386	438,233
Income tax	(96,315)	(62,593)	(96,233)	(75,019)
Social contribution tax	(36,794)	(26,028)	(36,765)	(35,379)
INCOME BEFORE EMPLOYEE PROFIT SHARING	290,603	177,165	450,388	327,835
Employee profit sharing	(20,000)	(10,000)	(20,000)	(10,978)
Reversal of Interest on capital	160,000	110,000	-	-
NET INCOME	430,603	277,165	430,388	316,857
EARNINGS PER THOUSAND OUTSTANDING SHARES	1,5735	1,0128	1,5727	1,1579

The accompanying notes are an integral part of these statements.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(In thousands of Brazilian Reais.)

(Translated from the original in Portuguese)

Corporate law

	Capital stock	Capital reserves	Income reserves	Retained earnings	Funds for capital increase	Total
BALANCE AS OF DECEMBER 31, 1998................	1,225,351	1,927,099	1,293,693	-	12,778	4,458,921
Remuneration on construction in progress.......	-	5,514	-	-	-	5,514
Capitalization of Reserves..................................	394,896	(394,896)	-	-	-	-
Tax Incentives..	-	8,729	-	-	-	8,729
Refund of advances for capital increase..............	-	-	-	-	(12,778)	(12,778)
Realization of income reserves...........................	-	-	(159,921)	159,921	-	-
Net income	-	-	-	277,165	-	277,165
Distribution of net income:						
Legal reserve..	-	-	13,858	(13,858)	-	-
Interest on capital..	-	-	-	(110,000)	-	(110,000)
Investment reserve..	-	-	313,228	(313,228)	-	-
BALANCE AS OF DECEMBER 31, 1999................	1,620,247	1,546,446	1,460,858	-	-	4,627,551
Realization of income reserves...........................	-	-	(223,501)	223,501	-	-
Net income...	-	-	-	430,603	-	430,603
Distribution of net income:						
Legal reserve..	-	-	21,530	(21,530)	-	-
Interest on capital...	-	-	-	(160,000)	-	(160,000)
Investment reserve...	-	-	472,574	(472,574)	-	-
BALANCE AS OF DECEMBER 31, 2000....................	1,620,247	1,546,446	1,731,461	-	-	4,898,154

The accompanying notes are an integral part of these statements.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

Price-level basis

	Capital stock	Capital reserves	Income reserves	Retained earnings	Funds for capital increase	Total
BALANCE AS OF DECEMBER 31, 1998………………	1,808,861	3,030,172	1,664,081	-	19,524	6,522,638
Remuneration on construction in progress…….	-	6,691	-	-	-	6,691
Deferred income taxes on price-level adjustments	-	-	(340,860)	-	-	(340,860)
Capitalization of reserves………………………….	608,887	(608,887)	-	-	-	-
Tax Incentives………………………………………….	-	9,641	-	-	-	9,641
Refund of advances for capital increase………..	-	-	-	-	(19,524)	(19,524)
Realization of income reserves…………………….	-	-	(253,129)	253,129	-	-
Net income……………………………………………..	-	-	-	316,857	-	316,857
Distribution of net income:						
Legal reserve..	-	-	15,214	(15,214)	-	-
Interest on capital……………………...……….	-	-	-	(120,763)	-	(120,763)
Investment reserve…………………………………….	-	-	434,009	(434,009)	-	-
BALANCE AS OF DECEMBER 31, 1999……………..	2,417,748	2,437,617	1,519,315	-	-	6,374,680
Defferred income taxes on price-level adjustments	-	-	(153,045)	-	-	(153,045)
Realization of income reserves………………………	-	-	(353,766)	353,766	-	-
Net income ……………………………….	-	-	-	430,388	-	430,388
Distribution of net income:						
Legal reserve...	-	-	21,530	(21,530)	-	-
Interest on capital………………………………..	-	-	-	(160,000)	-	(160,000)
Investment reserve........…………………………….	-	-	602,624	(602,624)	-	-
BALANCE AS OF DECEMBER 31, 2000....................	2,417,748	2,437,617	1,636,658	-	-	6,492,023

The accompanying notes are an integral part of these statements.

COMPANHIA PARANAENSE DE ENERGIA – COPEL

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
SOURCE OF FUNDS				
From operations:				
Net income	430,603	277,165	430,388	316,857
Items not affecting working capital:				
Depreciation and amortization	261,490	232,417	366,422	350,640
Long- term monetary and exchange variations	18,509	168,003	(93,115)	156,159
Equity in results of investees	(2,485)	(3,755)	(2,485)	(4,371)
Disposal of property, plant and equipment and other	36,697	32,666	51,588	38,919
Deferred income tax	(24,593)	(19,395)	(24,402)	(17,787)
Provisions for long-term liabilities	92,138	86,844	93,625	97,670
	812,359	773,945	822,021	938,087
From third-parties:				
Loans and financing	62,165	96,802	65,844	117,626
Consumer contributions (special liabilities)	40,048	18,934	42,224	20,787
Taxes and social contributions (capitalized)	-	19,400	-	23,676
Other account payables (capitalized)	18,000	7,113	18,069	9,316
Transfer from noncurrent to current assets:				
Recoverable rate deficit - CRC	11,137	18,945	11,695	22,766
Accounts receivable – SANEPAR	4,878	13,378	5,289	16,061
Other assets	6,301	1,620	6,684	1,860
	142,529	176,192	149,805	212,092
TOTAL SOURCES	954,888	950,137	971,826	1,150,179
APPLICATION OF FUNDS				
In noncurrent assets:				
Loans to related party	19,136	3,511	20,029	4,017
Escrow deposits	4,554	16,561	4,772	20,603
In investments	27,495	40,717	28,608	47,690
In property, plant and equipment	400,233	634,855	408,005	788,287
Transfers from long-term to current liabilities :				
Loans and financing	130,715	149,478	137,944	180,379
Pension plan	15,748	13,983	16,544	16,655
Taxes and social contributions (other taxes)	56,725	5,122	57,366	7,239
Reserve for contingencies net of deposits	25,013	-	26,744	-
Advance billings of electric power and other	15,071	11,063	15,876	13,215
Interest on capital	160,000	110,000	160,000	120,763
Refund of advances for capital increase	-	12,778	-	19,524
TOTAL APPLICATIONS	854,690	998,068	875,888	1,218,372
INCREASE (DECREASE) IN WORKING CAPITAL	100,198	(47,931)	95,938	(68,193)
Represented by:				
Current assets	773,353	719,299	770,446	788,840
Current liabilities	(653,897)	(700,041)	(651,993)	(766,325)
	119,456	19,258	118,453	22,515
Less – beginning working capital	19,258	67,189	22,515	90,708
INCREASE (DECREASE) IN WORKING CAPITAL	100,198	(47,931)	95,938	(68,193)

The accompanying notes are an integral part of these statements.

COPEL

COMPANHIA PARANAENSE DE ENERGIA - COPEL

EXHIBIT I

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

(In thousands of Brazilian reais)

(Translated from the original in Portuguese)

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	430,603	277,165	430,388	316,857
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for doubtful accounts	8,981	3,095	9,199	3,858
Depreciation and amortization	261,490	232,417	366,422	350,640
Monetary variations on long-term items	18,509	168,003	(93,115)	156,159
Equity in investees	(2,485)	(3,755)	(2,485)	(4,371)
Reduction in escrow deposits and other	2,166	6,032	2,174	7,199
Investment disposals	16,402	10,879	18,840	12,760
Disposal of property, plant and equipment	18,129	15,755	30,574	18,960
Deferred income taxes	(24,593)	(19,395)	(24,402)	(17,787)
Provision for long-term liabilities – Financing of RGR	11,197	2,152	8,856	(3,496)
Provision for long-term liabilities – Labor contingencies	2,000	-	2,008	-
Provision for long-term liabilities – COFINS without escrow deposits	78,941	65,129	82,761	77,156
Provision for long-term liabilities - INSS claim 1999	-	20,398	-	24,895
Long-term liabilities – other	-	(835)	-	(885)
	390,737	499,875	400,832	625,088
Changes in current assets:				
Accounts receivable	(163,054)	(80,630)	(134,230)	(42,919)
Services in progress	4,672	1,160	5,757	4,514
Other receivables	(28,789)	30,410	(23,856)	37,564
Materials and supplies	(2,021)	(1,845)	(383)	(380)
Prepaid State VAT (ICMS)	182,392	(59,385)	200,237	(38,192)
Recoverable rate deficit (CRC)	9,969	16,329	11,538	21,588
Prepaid expenses	(248)	(1,886)	(215)	(1,374)
	2,921	(95,847)	58,848	(19,199)
Changes in current liabilities:				
Suppliers	(1,117)	32,375	(9,541)	23,749
Accrued payroll costs	5,852	(4,631)	845	(17,337)
Taxes and social contributions	(84,279)	7,421	(92,892)	(10,015)
Advance billings of electric power	(14,684)	(10,348)	(16,769)	(15,144)
Regulatory charges	460	2,020	(3,672)	(795)
Pension plan	(13,765)	(21,197)	(16,488)	(30,483)
Other current liabilities	(24,940)	(1,183)	(27,111)	1,642
	(132,473)	4,457	(165,628)	(48,383)
Changes in noncurrent assets:				
Loans to related party	(19,136)	(3,511)	(20,029)	(4,017)
Escrow deposits	(4,554)	(15,367)	(4,772)	(19,118)
Other noncurrent assets	-	(1,194)	-	(1,485)
	(23,690)	(20,072)	(24,801)	(24,620)
Changes in long-term liabilities:				
Provision for contingencies – capitalize	18,000	26,513	18,069	32,992
	18,000	26,513	18,069	32,992
NET CASH PROVIDED BY OPERATING ACTIVITIES	686,098	692,091	717,708	882,735
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to investments:				
Companhia Paranaense de Gás – Compagás	-	(10,201)	-	(11,712)
Machadinho Energética – S/A	-	(7,956)	-	(9,738)
Dona Francisca Energética – S/A	(2,672)	(7,327)	(2,815)	(8,826)
Campos Novos Energia S/A	(4,085)	(74)	(4,299)	(81)
Foz do Chopim Energética S/A	-	(5,724)	-	(6,323)
Other investments	(800)	(5,956)	(833)	(6,761)
Advances for future investments – Generation	(19,938)	(3,479)	(20,661)	(4,249)
	(27,495)	(40,717)	(28,608)	(47,690)
Additions to property, plant and equipment:				
Salto Caxias hydroelectric power plant	(75,386)	(307,752)	(70,640)	(387,338)
Segredo hydroelectric power plant	(68,216)	-	(72,937)	-
Other generation plants	(13,960)	(4,161)	(14,515)	(5,475)
Transmission network	(87,296)	(178,963)	(89,925)	(218,485)
Distribution network	(113,905)	(116,687)	(116,521)	(144,373)
Other	(41,470)	(27,292)	(43,467)	(32,616)
	(400,233)	(634,855)	(408,005)	(788,287)
Consumer contributions	40,048	18,934	42,224	20,787
NET CASH USED IN INVESTING ACTIVITIES	(387,680)	(656,638)	(394,389)	(815,190)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans and financing	(89,746)	75,769	(122,342)	40,251
Interest on capital	(165,032)	(143,404)	(174,992)	(189,805)
NET CASH USED IN FINANCING ACTIVITIES	(254,778)	(67,635)	(297,334)	(149,554)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,640	(32,182)	25,985	(82,009)
Cash and cash equivalents, beginning of year	180,446	212,628	198,101	280,110
Cash and cash equivalents, end of year	224,086	180,446	224,086	198,101
	43,640	(32,182)	25,985	(82,009)

The accompanying notes are an integral part of these statements.

COMPANHIA PARANAENSE DE ENERGIA - COPEL

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2000 AND 1999

(Amounts in thousands of Brazilian reais, unless otherwise indicated)

(Translated from the original in Portuguese)

1. THE COMPANY AND ITS OPERATIONS

Companhia Paranaense de Energia - COPEL ("COPEL" or the "Company") is a mixed-capital corporation controlled by the Paraná State Government. The Company's principal business is the researching, planning, construction and operation of electricity generation plants and the transmission and distribution of electric energy in the State of Paraná. The National Electric Energy Agency – ANEEL, part of the Ministry of Mines and Energy, regulates its principal activities. In addition, Copel is authorized to participate in other companies, in the energy and telecommunications areas, in accordance with the applicable legislation.

COPEL has 18 power plants in operation, 17 hydroelectric and 1 thermoelectric, with an installed capacity of 4,548 MW. Copel was the first company in the Brazilian electric energy sector to obtain permission, through authorization of *Agência Nacional de Telecomunicações* - ANATEL – Acts 61, 62 in March 1998, to explore the specialized circuit and network services. Such authorization lasts for a 10-year period, and can be renewed for an equal period.

2. PUBLIC SERVICE CONCESSIONS

The concessions to provide public services for electric energy granted to COPEL by ANEEL are as follows:

Power Plant	River	Installed Capacity (MW)	Date Concession was Issued	Year of Expiration
Hydroelectric plants:				
Gov. Bento Munhoz da Rocha Neto (Foz do Areia)	Iguaçu	1,676.00	May 25, 1973	2023
Gov. Ney Aminthas de Barros Braga (Segredo)	Iguaçu	1,260.00	Nov 16, 1979	2029
Salto Caxias	Iguaçu	1,240.00	May 02, 1980	2010
Governador Parigot de Souza	Capivari	260.00	Nov 05, 1971	2021
Guaricana	Arraial	36.00	Aug 16, 1976	2026
Chaminé	São João	18.00	Aug 16, 1976	2026
Marumbi	Ipiranga	4.80	Mar 14, 1956	2015
Apucaraninha	Apucaraninha	9.50	Oct 14, 1975	2025
Mourão I	Mourão	7.50	Jan 27, 1964	2014
Derivação do Rio Jordão	Jordão	6.50	Nov 14, 1979	2009
São Jorge	Pitangui/Tibagi	2.30	Dec 05, 1974	2024
Chopim I	Chopin	1.80	Mar 25, 1964	2014
Rio dos Patos	Rio dos Patos/Ivaí	1.70	Feb 15, 1984	2034
Cavernoso	Cavernoso/Iguaçu	1.20	Jan 08, 1981	2031
Salto do Vau	Palmital	0.90	Jan 27, 1954	2004
Pitangui	Pitangui	0.80	Dec 05, 1954	2004
Melissa	Melissa	0.80	Oct 08, 1993	2015
Thermoelectric plant:				
Figueira		20.00	Mar 27, 1969	2019

COPEL distributes electricity to 393 municipalities, primarily in the State of Paraná, representing 98% of the consumers in the State, under concessions valid through 2016. Additionally, the Company has been providing, in accordance with the new electric sector rules, energy to customers in the State of São Paulo, since 1999.

3. PRESENTATION OF THE FINANCIAL STATEMENTS

These financial statements are prepared in accordance with practices emanating from Brazilian corporate law, together with specific Regulations established by ANEEL and instructions of the Comissão de Valores Mobiliários – CVM (Brazilian Securities Commission).

On March 19, 1996, the CVM issued Instruction No. 248, stating that quarterly and annual financial statements should be prepared in accordance with the corporate law method, which no longer recognizes the effects of inflation; however, optionally, companies are allowed to present supplementary constant currency adjusted financial statements, following the standards previously established by the CVM. Accordingly, the Company has elected to present its financial statements following both the “Corporate Law” and “Price-level basis” methods.

Certain additional information in these notes is presented to comply with ANEEL communication No. 838/2000 and CVM Instruction No. 2/2000, both on December 29, 2000.

Due to the reclassifications of some accounts this year and in order to provide better comparability, we have made the respective reclassifications for 1999.

4. SUMMARY OF ACCOUNTING POLICIES

Temporary Cash Investments - Highly liquid investments (with original maturity dates of three months or less), stated at cost plus income accrued to the balance sheet date.

Accounts Receivable - Includes both amounts billed to customers and accrued revenue for unbilled energy supplied to customers as of the balance sheet date.

Allowance for Doubtful Accounts - Recognized in an amount considered sufficient to cover potential losses on the realization of account receivable.

Materials and Supplies – Those classified in current assets, are stated at average cost, materials and supplies to be used in construction are included in property, plant and equipment at cost.

Investments - In subsidiaries and affiliates companies are accounted for under the equity method of accounting. Other investments are stated at cost, less valuation reserves when applicable.

Property, Plant and Equipment – These assets are stated at acquisition or construction cost classified in accordance with DNAEE (predecessor of ANEEL) notification No. 815 of November 30, 1994, net of depreciation computed on the straight-line method at annual rates based on ANEEL Instruction No. 44 of March 17, 1999. Instructions 35 and 36 of the Chart of Accounts for Electric Energy Utilities provide that interest and other financial charges on third-party loans applied to construction in progress are capitalized and considered as part of the cost of the respective construction in progress.

Deferred Income and Social Contribution Taxes – Calculated at the applicable rates (in force at the balance sheet date) and computed on temporary differences.

Pension Plans - The costs associated with pension plans are accounted for on the cash basis.

Income Statement - Revenues and expenses are recognized on the accrual basis.

Other assets and liabilities – Other current and noncurrent assets and liabilities are restated to the balance sheet date, when legally or contractually required.

Price-level basis presentation – The main difference between the corporate law and constant currency financial statements is due to the nonrecognition, in the corporate law financial statements, of inflationary effects on permanent assets and shareholders' equity, representing a significant accumulated difference in the Company's financial position as of December 31, 2000 and 1999 (See reconciliation in Note 31).

These financial statements were prepared in accordance with generally accepted accounting principles in Brazil and CVM criteria, principally CVM Instruction No. 191/92.

Due to the Company's visability in the international market, mainly in the United States, to comply with accounting principles in that country (U.S.GAAP), the Company has indexed its financial statements, prepared in accordance with the afore mentioned principles, using the IGP-DI (General Price Index-DI). Thus, the financial statements presented under the constant currency method were also price-level adjusted using the IGP-DI index as of December 31, 2000. Additionally, monetary assets and liabilities were discounted present value, when applicable.

5. TEMPORARY CASH INVESTMENTS

Financial institution	Interest rates	Corporate law		Price–level basis	
	CDI [1]	2000	1999	2000	1999
Banco do Estado do Paraná S/A	100.00	47,804	79,408	47,804	87,177
Banco do Brasil S/A	99.50	49,309	39,187	49,309	43,021
Caixa Econômica Federal	99.50	-	31,105		34,149
Banco Brasileiro de Descontos S/A – BRADESCO	99.50	16,720	10,150	16,720	11,143
HSBC Bank Brasil S/A	100.00	15,636	-	15,636	-
Banco Araucária S/A	104.00	1,515	-	1,515	-
		130,984	159,850	130,984	175,490

(1) – Interbank deposit rates: CDI is negotiated among financial institutions in the Brazilian financial market

6. POWER PURCHASE LIQUIDITY FUND

To assure the purchase of power generated by Companhia de Interconexão Energética - CIEN (Argentina) and Usina Termoelétrica de Araucária, during the term of the contracts with those companies, at the Board of Directors' Meeting on August 29, 2000, COPEL created the FLICE fund (Power Purchase Liquidity Fund), equivalent to an amount up to US$47 million, to be totally funded by March 2002, being deposited with Caixa Econômica Federal. All receivables regarding fees related to price assurance given by Copel will also be invested in the fund. As of December 31, 2000, the Fund balance was R$64,741, earning 99.5% of the CDI rate.

7. ACCOUNTS RECEIVABLE

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Consumers				
Billed	286,697	194,056	286,024	212,009
Unbilled	66,462	57,021	66,011	62,600
	353,159	251,077	352,035	274,609
Electricity companies	97,284	46,051	96,187	50,005
	450,443	297,128	448,222	324,614

Accounts receivable composition - 2000

Consumer Classes	To mature	Past due Up to 90 days	Past due More than 90 days	Corporate Law 2000	Price-level basis 2000
Residential	67,042	36,884	2,095	106,021	105,707
Industrial	73,733	13,373	820	87,926	87,640
Commercial	40,801	11,354	961	53,116	52,911
Rural	17,326	2,544	109	19,979	19,930
Public Entities	9,090	10,423	14,074	33,587	33,483
Public Lighting	8,564	5,226	7,566	21,356	21,257
Public Services	6,409	411	19	6,839	6,772
Other	24,335	-	-	24,335	24,335
	247,300	80,215	25,644	353,159	352,035
Distributors	8,529	-	308	8,837	8,737
Distributors – short term	81,118	-	-	81,118	80,204
Use of transmission network	7,329	-	-	7,329	7,246
	96,976	-	308	97,284	96,187
	344,276	80,215	25,952	450,443	448,222

Based on ANEEL Instruction No. 066 as of January 30, 2001, the Company recognized R$25,000 in accounts receivable (Distributors – short term) related to the estimated revenue on the additional power made available to the wholesale energy market (MAE) from September to December 2000.

Accounts receivable composition - 1999

Consumer Classes	To mature	Past due Up to 90 days	Past due More than 90 days	Corporate Law 1999	Price-level basis 1999
Residential	59,764	27,254	1,546	88,564	97,004
Industrial	56,647	8,258	446	65,351	71,575
Commercial	31,433	7,510	862	39,805	43,556
Rural	22,247	1,845	119	24,211	26,540
Public Entities	7,068	2,183	1,951	11,202	12,151
Public Lighting	7,484	834	69	8,387	9,058
Public Services	5,641	104	1	5,746	6,201
Other	7,811	-	-	7,811	8,524
	198,095	47,988	4,994	251,077	274,609
Distributors	16,325	491	1,449	18,265	19,813
Distributors – short term	23,793	-	-	23,793	25,809
Use of transmission network	3,993	-	-	3,993	4,383
	44,111	491	1,449	46,051	50,005
	242,206	48,479	6,443	297,128	324,614

8. RECOVERABLE RATE DEFICIT (CRC)

Under an agreement dated August 4, 1994, the remaining balance of the CRC account was negotiated with the Paraná State Government to be reimbursed in 240 monthly installments updated based on IGP-DI and interest of 6.65% annually. On October 1, 1997, the balance of R$506,692 was renegotiated extending the term to 330 equal monthly installments, which include interest and principal amortization. The first installment matured on October 30, 1997, and the last monthly installment will be due on March 30, 2025.The remaining clauses of the original contract, including interest rates, were maintained. Interest earned is recorded as Interests and commissions in the Income Statement and the accumulated variation in the IGP-DI in 2000 was 9.81% (19.98% in 1999).

9. OTHER NONCURRENT ASSETS

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Loans to related party– Machadinho Energética S.A.	-	3,511	-	3,855
Loans to related party– Foz do Chopim Energética S.A.	3,238	-	3,238	-
Loans to related party– Companhia Paranaense de Gás	17,134	-	17,134	-
Advances to suppliers	4,257	3,658	4,257	4,016
Accounts receivable – SANEPAR	-	4,807	-	5,278
Service orders – Rural Program Lig Luz	-	1,761	-	1,933
Tax incentive – FINAM	1,180	1,180	1,180	1,295
Compulsory loans	5,111	4,706	5,111	5,166
Refundable PASEP	-	4,454	-	4,890
Collateral deposits NTD (see Note 12.4)	14,187	11,153	14,187	12,244
Other noncurrent receivables	243	243	243	267
	45,350	35,473	45,350	38,944

The loan contract with Companhia Paranaense de Gás, signed on July 3, 2000, ensures the continuation of the project for construction and implementation of a natural gas distribution network. The loan will be amortized in 48 monthly installments after a grace period of 12 months, subject to with TJLP (Brazilian long-term rate) plus 7.5% interest per year.

On October 26, 2000, Copel and Companhia de Saneamento do Paraná signed an amendment tothe debt recognized on January 30, 1996, related to electric energy supplied in 1993 and 1994, to be paid in 8 monthly installments plus 6.65% annual interest. The amount of R$9,761 maturing in 2001 is recorded in current assets as “other receivables”.

10. INVESTMENTS

	Corporate law		Price-level basis	
	2000	1999	2000	1999
Affiliates:				
Sercomtel S/A – Telecomunicações	149,924	152,149	197,367	201,568
Sercomtel Celular S/A	21,473	21,697	28,396	28,893
Tradener Ltda.	774	608	906	742
Esco Electric Ltda.	400	80	426	95
Dona Francisca Energética S.A.	15,341	12,669	18,740	15,924
Usina Hidrelétrica de Campos Novos	4,158	74	4,379	81
Foz do Chopim Energética Ltda.	5,724	5,724	6,323	6,323
UEG Araucária Ltda.	2,837	2,837	3,134	3,134
Usina Eólica de Palmas	1,170	1,170	1,292	1,292
	201,801	197,008	260,963	258,052
Subsidiaries:				
Cia Paranaense de Gás – COMPAGÁS	18,038	19,024	22,533	23,522
Companhia Nacional de Intervias	828	1,418	1,110	1,677
	18,866	20,442	23,643	25,199
Other:				
Domino Holdings	37,475	37,662	49,497	49,699
Investments in other companies	17,675	13,899	21,598	17,624
Tax incentives	34,539	34,539	39,976	39,976
Assets for future use	5,565	14,043	13,625	22,255
Other investments	29,559	10,578	35,227	15,540
	124,813	110,721	159,923	145,094
	345,480	328,171	444,529	428,345

In 2000, the relevant investments accounted for under the equity method of accounting were as follow:

				Corporate law	
	Ownership %	Investment	Investees' Shareholders' equity	Investees' net income (loss) for the year	Equity in results of investees
Affiliates:					
Sercomtel S/A – Telecomunicações	45	149,924	263,913	7,562	3,581
Sercomtel Celular S/A	45	21,473	38,200	2,222	1,041
Tradener Ltda.	45	774	1,720	1,384	616
Esco Electric Ltda.	40	400	1,000	-	-
Dona Francisca Energética S.A.	23	15,341	66,700	-	-
Usina Hidrelétrica de Campos Novos	15	4,158	27,720	-	-
Foz do Chopim Energética Ltda.	36	5,724	15,900	-	-
UEG Araucária Ltda.	20	2,837	14,185	-	-
Usina Eólica de Palmas	30	1,170	3,900	-	-
		201,801			5,238
Subsidiares:					
Cia Paranaense de Gás – COMPAGÁS	51	18,038	35,369	(3,430)	(1,689)
Companhia Nacional de Intervias	50	828	1,656	(2,128)	(1,064)
		18,866			(2,753)
		220,667			2,485

The investments in Sercomtel S/A Telecomunicações and Sercomtel Celular S/A included goodwill in the amounts of R$31,164 and R$4,283, respectively, being amortized at an annual rate of 10%; the effects in the Income Statement were R$4,808 in 2000 (same value as 1999). Accumulated amortization as of the balance sheet date was R$12,656.

The economic basis for the goodwill payment was the expectation of future profitability and the 10-year amortization results from the return on investment based on discounted cash flow.

The financial statements of Companhia Paranense de Gás (subsidiary) were not consolidated with Copel`s financial statements, due to not representing relevant changes in the consolidated economic financial position, in accordance with CVM authorization.

11. PROPERTY, PLANT AND EQUIPMENT

				Corporate law
	Monetarily Restated Cost	Accumulated Depreciation	2000 Net	1999 Net
In service:				
Generation	4,065,290	(968,701)	3,096,589	2,978,858
Transmission	1,067,004	(284,070)	782,934	718,295
Distribution	2,352,025	(919,671)	1,432,354	1,434,438
Administration	234,967	(102,507)	132,460	123,465
	7,719,286	(2,274,949)	5,444,337	5,255,056
Construction in progress:				
Generation	170,103	-	170,103	227,429
Transmission	118,826	-	118,826	140,316
Distribution	91,833	-	91,833	100,935
Administration	54,111	-	54,111	34,820
	434,873	-	434,873	503,500
	8,154,159	(2,274,949)	5,879,210	5,758,556

				Price-level basis
	Monetarily Restated Cost	Accumulated Depreciation	2000 Net	1999 Net
In service:				
Generation	5,944,018	(1,517,922)	4,426,096	4,074,359
Transmission	1,423,242	(423,829)	999,413	946,807
Distribution	3,281,914	(1,433,964)	1,847,950	1,921,116
Administration	383,699	(164,078)	219,621	218,376
	11,032,873	(3,539,793)	7,493,080	7,160,658
Construction in progress:				
Generation	285,609	-	285,609	616,982
Transmission	182,674	-	182,674	204,845
Distribution	158,044	-	158,044	170,920
Administration	73,896	-	73,896	53,929
	700,223	-	700,223	1,046,676
	11,733,096	(3,539,793)	8,193,303	8,207,334

The principal annual depreciation rates by type of activity, in accordance with resolution Aneel No. 44/1999 are as follows:

Generation	%
Equipment	10.0
Water intake equipment	3.7
Water intake structures	4.0
Reservoirs, dams and water mains	2.0
Hydraulic motors	2.5
Transmission	
Conductor system	2.5
Equipment	10.0
System structure	2.5
Re-connectors	4.3
Distribution	
Capacitors	6.7
Distribution switches	6.7
Conductor system	5.0
System structure	5.0
Voltage regulators	4.8
Voltage transformers	5.0

In accordance with Articles 63 and 64 of Decree No. 41,019 of February 26, 1957, assets used in the generation, transmission, distribution and sale of electric energy cannot be retired, disposed of, transferred, sold or pledged in mortgage guarantee without ANEEL's authorization.

ANEEL Instruction No. 20/1999 regulates the liberation of Electric Energy Public Service Concession assets, granting prior authorization for the liberation of assets not used in the Concession, when designated for sale determining that the proceeds from the sale be deposited in a specific bank account for application in the Concession.

12. LOANS AND FINANCING

	Corporate Law					Price-level basis	
	Current portion		Long				
		Debt	Term	Total	Total	Total	Total
	Principal	charges	Principal	2000	1999	2000	1999
FOREIGN CURRENCY							
Eurobonds (1)	-	4,846	293,310	298,156	272,783	298,156	299,47
IDB (2)	17,316	5,370	164,040	186,726	194,595	186,726	213,63
Euro-Commercial	116,935	905	-	117,840	97,237	117,840	106,75
National Treasury	2,879	2,375	125,110	130,364	117,994	130,364	129,53
Banco do Brasil S.A.	4,224	637	33,812	38,673	46,430	38,673	50,973
Dresdner Bank (6)	15,624	847	-	16,471	39,122	16,471	42,950
Bilbao Viscaya (7)	5,530	584	-	6,114	-	6,114	-
Eletrobrás (8)	5,833	98	9,167	15,098	17,866	15,098	19,614
Turnkey suppliers –	24,178	-	-	24,178	66,362	24,178	72,855
	192,519	15,662	625,439	833,620	852,389	833,620	935,78
LOCAL CURRENCY							
Eletrobrás (8)	39,722	966	440,928	481,616	459,074	481,616	503,99
BNDES (10)	4,578	108	18,311	22,997	26,393	22,997	28,975
Banestado (11)	10,609	73	6,754	17,436	27,286	17,436	29,956
Banco do Brasil S.A.	770	5	-	775	10,562	775	11,595
HSBC Bamerindus S.A	2,916	18	-	2,934	10,610	2,934	11,648
FINEP (14)	4,749	66	8,309	13,124	16,093	13,124	17,668
Other Commercial	2,889	24	4,337	7,250	11,854	7,250	13,014
	66,233	1,260	478,639	546,132	561,872	546,132	616,84
	258,752	16,922	1,104,078	1,379,752	1,414,261	1,379,752	1,552,6

(1) Eurobonds – Consists of Eurobonds issued on May 2, 1997, maturing on May 2, 2005, equivalent to US$150 million, subject to interest of 9.75% annually paid semi-annually, starting on November 2, 1997. The bonds are subject to early redemption in 2002, at the option of COPEL or of the investors.

(2) IDB (Inter-American Development Bank) – Consists of a loan for the Segredo hydroelectric power plant and the Rio Jordão deviation project, guaranteed by the Federal Government, released on January 15, 1 totaling US$135 million. The first payment of principal was due January 15, 1997; interest and principal payments are due semi-annually up to 2011. Interest is calculated according to a rate determined by the institution each year, which in the fourth quarter of 2000 was 6.36% per year.

(3) Euro-Commercial Paper Program - Notes issued outside Brazil to finance working capital. The Euro-Commercial Paper Program was established on March 1995, under which there is currently one tranche outstanding renegotiated to mature on May 21, 2001, issued with a discount to face value and subject to interest of 9.48% annually.

(4) National Treasury Department - The debt classified as National Treasury Department, which terms and payment conditions were established as part of the Brazilian foreign debt restructuring, under Law 4,131/62, is as follows:

Bond type	Maturity (years)	Grace Period (years)	Amortization	Corporate law 2000	Corporate law 1999	Price-level basis 2000	Price-level basis 1999
Par Bond (a)	30	30	One payment at maturity	31,270	28,524	31,270	31,315
Capitalization Bond (b)	20	10	21 semi-annual payments	28,046	24,103	28,046	26,461
Debt Conversion Bond (c)	18	10	17 semi annual payments	25,458	23,136	25,458	25,400
Discount Bond (d)	30	30	One payment at maturity	21,899	19,946	21,899	21,897
EI Bond – interest bond (d)	12	3	19 semi-annual payments	11,796	11,466	11,796	12,588
New Money Bonds (c)	15	7	17 semi-annual payments	6,699	6,102	6,699	6,699
FLIRB (e)	15	9	13 semi-annual payments	5,196	4,717	5,196	5,178
				130,364	117,994	130,364	129,538

The annual interest rates are as follows:
(a) From 4% in the first year to 6% to maturity.
(b) From 4% in the first year to 8% to maturity.
(c) Six month Libor + 7/8% annually
(d) Six month Libor semi-annual + 13/16% annually
(e) From 4% in the first year to Six month Libor + 13/16% until maturity.

Discount Bonds and Par Bond are guaranteed by collateral deposits in the amounts of R$5,853 and R$8,334, (R$4,594 and R$6,559 in 1999), respectively, classified in noncurrent assets (see Note 9).

(5) Banco do Brasil S.A. – Consists of a loan in Japanese Yen for the gas thermoelectric substation of the Salto Caxias plant, with amortization in 20 semi-annual installments, beginning March 7, 2000, subject to and interest of 2.8% per year.

(6) Dresdner Bank – Brazilian Central Bank Resolution 63 contracts, maturing to August 2, 2001, subject to interest of 12.8% annually, to finance the expansion of the transmission network.

(7) Banco Bilbao Vizcaya – Resolution 63 contracts, maturing to March 5, 200, subject to interest of 12.5% annually, to finance the expansion of the transmission network.

(8) Eletrobrás – Consists of loans from Eletrobrás originating from resources obtained from FINEL, for the expansion of generation, transmission and distribution systems. Amortization started on June 30, 1996 and will end in August 2021. Interest of 6.5% annually and principal is due on a monthly basis updated by the FINEL index (Eletrobrás financing rate). The foreign currency portion is subject to interest of 0.8125% over the six-month LIBOR rate. A portion of Copel's revenues secures these loans, in case of default.

(9) Turnkey suppliers – Transmission – Consists of agreements with domestic suppliers signed starting April 3, 1998; amortized in 5 semi-annual installments beginning February 11, 1999, without interest and restated by the variation in the U.S. dollar exchange rate, to expand the transmission system.

(10) BNDES – Consists of a loan payable in 99 monthly installments, starting October 15, 1997,TJLP plus 6% annual interest, used to finance the Rio Jordão deviation project (Segredo Hydroelectric Power Plant).

(11) Banco do Estado do Paraná S.A. – Turnkey suppliers - Consists of several contracts starting September 2, 1996, payable in 48 monthly installments (principal + interest) starting July 15, 1997. The interest rate is based upon the TJLP plus a floating spread between 3.5% to 6% per annum. The loan was used to finance the electricity distribution network and is secured by a portion of Copel's revenues.

(12) Banco do Brasil S.A. – Consists primarily of FINAME (machinery and equipment financing) as of November 26, 1991 for a 7-year period with payments starting February 9, 1994 subject to interest at 11% and 12% per annum, over the TJLP, all collateralized by chattel mortgages.

(13) HSBC Bamerindus S.A. – Consists of a loan through FINAME to build the Segredo Hydroelectric Power Plant, on October 10, 1991, 84 monthly installments starting December 9, 1993, subject to interest based on TJLP plus 11% and 12% per annum.

(14) FINEP – Consists of a loan on September 13, 1996, to finance the Company's laboratory equipment, with interest and principal payments due in 49 monthly installments, beginning September 15, 1999, with interest of TJLP plus 12% per annum.

(15) Other commercial banks – Loans used to finance the acquisition of electrical components. Interest is based on TJLP plus 6% and 8.5% per annum, with monthly payments.

Composition of foreign currency loans by currency and index:

	Corporate law				Price-	
Currency (equivalent R$)/ Index						
FOREIGN CURRENCY	2000	%	1999	%	2000	1999
U.S. dollar	608,221	44.08	611,364	43.23	608,221	671,180
Japanese yen	38,673	2.80	46,430	3.28	38,673	50,973
IDB – currency pool	186,726	13.53	194,595	13.76	186,726	213,634
	833,620	60.41	852,389	60.27	833,620	935,787
LOCAL CURRENCY						
TR	4,126	0.30	4,879	0.34	4,126	5,356
URBNDES and TJLP	59,428	4.31	96,997	6.86	59,428	106,487
IGP-M	3,769	0.27	8,308	0.59	3,769	9,121
UFIR	21,759	1.58	17,186	1.22	21,759	18,868
FINEL	457,050	33.13	434,502	30.72	457,050	477,014
	546,132	39.59	561,872	39.73	546,132	616,846
	1,379,752	100.00	1,414,261	100.00	1,379,752	1,552,633

Variations in the principal currencies used in the Company's loans and financing in relation to the Brazilian Real:

Currency/ Index	Annual increase (decrease) (%)	
	2000	1999
U.S. dollar	9.30	48.01
Japanese yen	(2.16)	62.55
IDB – currency pool	(4.64)	(0.14)
TR	2.19	5.07
URBNDES	4.56	6.92
IGP-M	9.95	20.10
FINEL	1.93	3.76

Maturity of the principal of long-term loans and financing:

	Local Currency	Foreign Currency	Corporate law		Price-level basis	
			2000	1999	2000	1999
2001	-	-	-	114,328	-	125,514
2002	60,332	30,333	90,665	80,872	90,665	88,785
2003	48,930	28,363	77,293	70,058	77,293	76,912
2004	38,979	30,709	69,688	63,501	69,688	69,714
2005	36,523	324,019	360,542	330,359	360,542	362,681
2006	31,180	29,656	60,836	55,903	60,836	61,373
2007	30,622	28,603	59,225	54,899	59,225	60,270
2008	30,110	28,603	58,713	54,899	58,713	60,270
2009	27,208	27,827	55,035	51,285	55,035	56,303
2010	26,240	23,598	49,838	46,410	49,838	50,951
After 2010	148,515	73,728	222,243	194,877	222,243	213,944
	478,639	625,439	1,104,078	1,117,391	1,104,078	1,226,717

Summary of changes in loans and financing

	Corporate Law					Price-level basis accounting
	Local Currency		Foreign Currency			
	Current portion	Long Term	Current portion	Long Term	Total	Total
Balance as of December 31, 1998	59,442	452,945	111,441	464,195	1,088,023	1,433,324
Proceeds new loans	-	87,505	131,337	9,297	228,139	278,744
Interest	49,599	-	66,409	-	116,008	139,228
Monetary and exchange variations	3,630	20,321	106,612	232,606	363,169	159,786
Transfer from long-term to current portion	70,048	(70,048)	79,430	(79,430)	-	-
Payments	(111,569)	-	(269,509)	-	(381,078)	(458,449)
Balance as of December 31, 1999	71,150	490,723	225,720	626,668	1,414,261	1,552,633
Proceeds – new loans	-	42,281	115,647	19,884	177,812	190,755
Interest	47,553	-	73,582	-	121,135	69,268
Monetary and exchange variations	1,818	10,016	16,938	45,221	73,993	-
Transfer from long-term to current portion	64,381	(64,381)	66,334	(66,334)	-	-
Payments	(117,409)	-	(290,040)	-	(407,449)	(432,904)
Balance as of December 31, 2000	67,493	478,639	208,181	625,439	1,379,752	1,379,752

13. SUPPLIERS

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Electricity suppliers				
ANDE (Paraguay)	6,531	11,059	6,531	12,141
Eletrosul (Itaipu)	61,719	62,226	61,719	68,314
	68,250	73,285	68,250	80,455
Suppliers of materials and services				
Billed	11,197	9,784	11,197	10,741
Unbilled	5,535	3,030	5,535	3,327
	16,732	12,814	16,732	14,068
	84,982	86,099	84,982	94,523

14. REGULATORY CHARGES

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Compensation for land usage	3,744	2,060	3,643	2,198
Global reserve for reversion quota – RGR	3,828	3,362	3,802	3,664
RGR – differences 1997/1998/1999	15,622	10,432	14,026	11,453
Fuel usage quota – CCC	13,736	3,825	13,674	4,180
ANEEL – inspection fee	579	443	579	486
	37,509	20,122	35,724	21,981

The annual differences in the Global reserve for reversion quotas for 1997 and 1998 are being paid according to ANEEL Instruction No. 043, of February 1, 2000. The accrual for financing of 1999 differences (R$5,190) and payment terms were determined by ANEEL Instruction No. 572, on December 28, 2000. The accrual for differences in 2000 is included registered in other long-term liabilities (see Note 18).

15. ADVANCE BILLINGS OF ELECTRIC POWER

Refers to the pre-sale of energy to industrial consumers in accordance with DNAEE Bulletin No. 173, dated September 27, 1989. These obligations are subject to monetary restatement based on the higher of TR (Brazilian Reference Interest Rate) or the Company's average tariff increase. Repayment is due in periods from 18 to 120 months and is offset against the customers' monthly bills.

16. OTHER TAXES AND SOCIAL CONTRIBUTIONS – LONG TERM

	Corporate Law				Price-level basis	
	Escrow Deposits					
	2000	1999	2000	1999	2000	1999
Reserve for contingency – COFINS	-	-	144,071	65,130	144,071	71,502
PASEP	26,325	24,227	26,610	24,540	26,610	26,941
Social security litigation – INSS	-	-	-	39,798	-	43,692
	26,325	24,227	170,681	129,468	170,681	142,135

On August 18, 1998, the Federal Court of Appeals, 4th Region, issued a judgement granting COPEL immunity from COFINS (tax on revenue) levied on electric energy operations. On August 10, 2000, the Government requested a new trial to annul such judgement. The Company was summoned on November 21, 2000, thus raising the issue of the loss of the exemption. On

December 14, 2000, the lawsuit was concluded for the Government, appealed by Copel, based on conclusive opinions of renowned jurists on the dismissal of the original judgement. Conservatively, the Company is maintaining the accrual.

The PASEP amount refers to the remaining balance deposited in court that, by the adoption of the benefits of Provisional Measure No. 2,037-25 of December 21, 2000, will be reversed to COPEL. The Company is awaiting the final court decision on the residual value to be refunded.

The INSS lawsuit accrued in the amount of R$39,798 was transferred in 2000 to current liabilities due to the Company's option for REFIS (Government Tax Recovery Program), which is pending approval to be settled with tax credits acquired from third parties (Note 33).

17. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

The tax effect of temporary differences that generated deferred tax assets (liabilities) was as follows:

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Current assets				
Allowance for doubtful accounts	-	1,744	-	1,915
Reserve for slow moving inventories	-	968	-	1,063
	-	2,712	-	2,978
Noncurrent assets				
Accrual for pension plan deficit	141,727	141,034	141,727	154,833
Reserve for tax contingencies	68,225	42,316	68,225	46,456
Reserve for other contingencies	5,949	5,246	5,949	5,759
	215,901	188,596	215,901	207,048
	215,901	191,308	215,901	210,026
Long-term liabilities				
Inflationary effects	-	-	821,084	666,798

The accrual for the pension plan deficit is being realized in conformity with the debt amortization schedule. Other reserves will be realized according to judicial decisions.

Law No. 9, 249/95, prohibits recognition of the effects of inflation in the corporate law financial statements. The company is recognizing deferred taxes on income on the differences in assets and liabilities, indexed in the price-level basis financial statements.

18. OTHER LONG-TERM LIABILITIES

	Corporate law				Price-level basis	
	Escrow Deposits					
	2000	1999	2000	1999	2000	1999
Contingencies for:						
Customers	39	39	9,867	9,867	9,867	10,832
Contractors	-	18,527	-	43,541	-	47,801
Land expropriation	12,841	12,810	11,333	11,333	11,333	12,442
Labor	10,834	8,506	29,870	9,870	29,870	10,836
	23,714	39,882	51,070	74,611	51,070	81,911
Financing of RGR	-	-	12,067	17,797	9,253	13,171
	23,714	39,882	63,137	92,408	60,323	95,082

Customers - A number of industrial consumers have brought suits against the Company seeking refunds of amounts paid to COPEL as a result of a rate increase that became effective during the Brazilian government's "Cruzado Plan" in 1986, in accordance with DNAEE Bulletins No. 38 and 45. The reserve was calculated based on the amount paid by the consumers under dispute.

Contractors

The Company agreed to pay amounts in litigation to contractors related to the construction of the Segredo Hydroelectric Power Plant, which amount was paid in confirmation of the agreement in court, in July 2000.

Land Expropriation

Lawsuits brought by owners whose land was expropriated for the installation of transmission lines.

Labor Contingencies

During 2000, an outside law firm made a specific review of labor matters, and as a consequence of this review, the necessity of an additional reserve to cover probable losses was determined.

RGR Financing

The Company is awaiting a definition from ANEEL regarding the amounts and terms of the additional RGR for 2000. Historically, this definition is made in the following year and, accordingly this liability is shown as long-term.

The Company is party to other lawsuits and administrative proceedings before various courts involving environmental, tax, civil and labor matters. COPEL believes that the ultimate effect of these proceedings will not have a material impact on its financial position and, therefore, did not provide for losses on these matters.

19. SPECIAL LIABILITIES

Consumers' contributions consist of assets and funds provided to COPEL by the Federal Government and by certain residential, rural and industrial customers, to facilitate connection. The liquidation of these special liabilities will occur at the end of the concession, as determined by the regulatory authorities.

Effective January 1, 1996, these obligations are no longer subject to monetary restatement for inflation. For price-level financial statement purposes, the monetary gains on special liabilities were allocated to the related property, plant and equipment financed by these resources, in proportion to the remaining book value.

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Consumers' contributions	566,563	526,515	566,563	578,030
Federal Government	1,139	1,139	1,139	1,250
	567,702	527,654	567,702	579,280

20. SHAREHOLDERS' EQUITY

Capital stock

As of December 31, 2000, capital stock is R$1,620,247; the composition by type of share and the principal shareholders are as follows:

	Number of Shares in Thousands							
	Common		Preferred				Total	
Shareholders		%	A	%	B	%		%
State of Paraná	85,028,464	58.6	-	-	-	-	85,028,464	31.1
Paraná Investimentos S.A.	134	0.0	-	-	13,639	0.0	13,773	0.0
Eletrobrás	1,530,775	1.1	-	-	-	-	1,530,775	0.6
BNDESPAR	38,298,775	26.4	15	0.0	28,510,928	22.2	66,809,718	24.4
Stock exchanges	19,273,373	13.3	127,482	29.7	99,558,733	77.7	118,959,588	43.5
Municipalities	184,295	0.1	14,715	3.4	-	-	199,010	0.1
Other	715,265	0.6	286,610	66.9	112,173	0.1	1,114,048	0.3
	145,031,081	100.0	428,822	100.0	128,195,473	100.0	273,655,376	100.0

The preferred shares "A" do not have voting rights; however, they have priority in the redemption of capital and the right to dividend payments of 10% per annum, non-cumulative, calculated on the capital stock of this class.

The preferred shares "B" have essentially the same rights as preferred "A", except that the minimum dividends on preferred shares "B" are computed based on 25% of net income, adjusted as prescribed by corporate law and the Company's by-laws.

Capital Reserves

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Remuneration on construction in progress	5,514	5,514	6,691	6,691
Contributions and grants for investments	234,428	234,428	371,062	371,062
Recovery of rate deficit - CRC	1,100,111	1,100,111	1,741,301	1,741,301
Other	206,393	206,393	318,563	318,563
	1,546,446	1,546,446	2,437,617	2,437,617

Income Reserves

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Legal reserve	133,672	112,142	181,903	160,372
Unrealized profits	-	223,501	-	353,766
Investments reserve	1,597,789	1,125,215	1,454,755	1,005,177
	1,731,461	1,460,858	1,636,658	1,519,315

The legal reserve is computed based on 5% of Corporate Law net income up to 20% of capital stock. The unrealized profits reserve results from the net credit balance of monetary restatement in the statutory accounts up to 1995. The balance of this reserve was reversed, in full, to retained earnings and included in the basis for dividend computation.

21. INTEREST ON CAPITAL

Article No. 9 of Law 9,249 on December 26, 1995, permits the deductibility for income tax and social contribution tax purposes of interest on capital paid to shareholders, provided such interest is computed based on the TJLP rate, effective in the year the interest on capital is computed. The Company elected to pay interest on capital in the amount of R$160,000 (R$70,000 was paid in December 2000) as of December 31, 2000, and retaining the remaining net income as an investment reserve in order to ensure the investment program for the following year, supported by the annual budget.

The computation of such interest on capital, based on the statutory minimum dividends, is as follows:

	Corporate Law	
	2000	1999
Net income	430,603	277,165
Tax effects due to the option of paying interest on capital	(54,400)	(40,700)
Net income excluding tax effects of interest on capital	376,203	236,465
Legal reserve (5%)	(18,810)	(11,823)
Reversal of unrealized profits	223,501	159,921
Basis for dividend computation	580,894	384,563
Minimum dividends (25%)	145,224	96,141
Income tax withheld on interest on capital-effective rate (*)	13,940	9,058
Minimum dividend, including the effect of income tax withholding	159,164	105,199
Excess over minimum dividend	836	4,801
Interest on capital	160,000	110,000

(*) On the portion of interest distributed to exempt shareholders, income tax withholding is not applicable, resulting in an effective rate of 8.71% for 2000 and 8.23% for 1999.

22. OPERATING REVENUES

Electricity sales to final customers

	No. of Consumers (*)		MWh (*)	
Customers	2000	1999	2000	1999
Residential	2,226,052	2,159,603	4,447,391	4,306,162
Industrial	44,227	43,092	7,847,548	6,333,648
Commercial	242,115	235,671	2,562,616	2,383,606
Rural	286,710	279,932	1,128,692	1,082,043
Public entities	28,778	27,826	431,529	407,232
Public lighting	3,840	3,180	672,684	662,423
Public service	3,297	3,165	505,344	496,069
Own consumption	1,033	1,152	33,341	35,725
Distributors	2,836,052	2,753,621	17,629,145	15,706,908
Distributors	11	12	2,565,535	3,382,723
Distributors – short term	61	44	2,453,455	3,789,339
	72	56	5,018,990	7,172,062
Total	2,836,124	2,753,677	22,648,135	22,878,970

(*) Unaudited

Customers	Revenues – Corporate law 2000	Revenues – Corporate law 1999	Revenues – Price-level basis 2000	Revenues – Price-level basis 1999
Residential	928,152	800,271	957,643	935,921
Industrial	719,285	556,682	742,786	650,475
Commercial	442,239	367,048	455,728	429,849
Rural	101,289	85,980	104,230	100,503
Public entities	71,779	59,841	72,190	65,804
Public lighting	70,750	61,477	71,236	75,316
Public service	52,587	45,857	53,029	52,389
Distributors	2,386,081	1,977,156	2,456,932	2,310,257
Distributors	64,807	122,111	66,625	138,604
Distributors – short term	117,131	23,793	112,826	27,006
	181,938	145,904	179,451	165,610

23. OPERATING EXPENSES

Personal expenses:

	Corporate law 2000	Corporate law 1999	Price-level basis 2000	Price-level basis 1999
Salaries and wages	222,119	216,124	229,588	254,608
Social charges	72,219	69,565	74,647	81,593
Meal assistance to employees	17,893	19,102	18,495	22,503
Health plans and other benefits	18,073	20,890	18,681	24,610
Termination and retirement incentive program	13,385	29,119	13,835	34,304
Provision for employee bonuses	-	3,000	-	3,534
Less - Costs capitalized to construction in progress	(40,923)	(60,430)	(42,299)	(71,191)
	302,766	297,370	312,947	350,321

Electricity purchase for resale:

	MWh(*) 2000	MWh(*) 1999	Corporate law 2000	Corporate law 1999	Price-level basis 2000	Price-level basis 1999
Eletrosul (Itaipu)	5,546,176	5,375,168	270,435	283,880	283,923	312,176
Others	1,900,238	419,177	21,412	20,669	22,480	21,636
	7,446,414	5,794,345	291,847	304,549	306,403	333,812

*Unaudited

Other operating expenses:

	Corporate law 2000	Corporate law 1999	Price-level basis 2000	Price-level basis 1999
Insurance	1.183	1.414	1.242	1.805
Taxes	18,175	13,225	18,951	15,293
Rentals	17,571	20,453	18,398	24,285
Provision for contingencies	-	26,749	-	32,070
Provision for doubtful accounts	8,981	3,095	9,083	3,751
Donations and grants	4,774	3,873	4,990	4,614
General expenses	18,302	9,246	18,335	10,953
Recovery of expenses	(12,857)	(18,937)	(13,472)	(23,444)
	56,129	59,118	57,527	69,327

24. FINANCIAL EXPENSES

Debt charges and monetary variations, distributed to the principal operating activities, are recorded in both the income statement and construction in progress, in accordance with General Instruction No. 36 of the Electricity Public Services Chart of Accounts and CVM Instruction No. 193, of July 11, 1996, as shown below:

				Corporate law	
	Generation	Transmission	Distribution	2000	1999
Total debt charges	85,072	29,048	51,690	165,810	158,279
Transfer to construction in progress	(15)	(2,380)	(2,481)	(4,876)	(54,538)
Net debt charges in income statement	85,057	26,668	49,209	160,934	103,741
Total monetary and exchange variations	51,890	13,518	32,578	97,986	343,984
Transfer to construction in progress	-	(1,484)	(285)	(1,769)	(183,687)
Net monetary and exchange variations in income statement	51,890	12,034	32,293	96,217	160,297
	136,947	38,702	81,502	257,151	264,038

				Price-level basis	
	Generation	Transmission	Distribution	2000	1999
Total debt charges	29,343	7,324	14,461	51,128	267,740
Transfer to construction in progress	(6)	(922)	(961)	(1,889)	(194,844)
	29,337	6,402	13,500	49,239	72,896

25. NONOPERATING EXPENSES, NET

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Loss on retirement of assets	(13,530)	(14,758)	(20,300)	(18,104)
Loss on disposal of assets	(3,953)	(360)	(5,931)	(700)
Other	(7,152)	(5,139)	(10,730)	(6,264)
	(24,635)	(20,257)	(36,961)	(25,068)

26. RECONCILIATION OF INCOME AND SOCIAL CONTRIBUTION TAXES

The reconciliation of income and social contribution taxes, calculated at the rates in effect, with the amounts shown in the statements of income, is as follows

	Corporate law		Price-level basis	
	2000	1999	2000	1999
Income before taxes	423,712	265,786	583,386	438,233
Income and social contribution taxes at rates in effect (34% and 37%)	144,062	98,341	198,351	162,146
Tax effects on:				
Employee profit sharing	(6,800)	(3,700)	(6,800)	(4,062)
Interest on capital	-	-	(54,400)	(44,682)
Tax incentives	(3,114)	(3,029)	(3,114)	(3,326)
Capitalized interest	-	1,379	-	1,514
Equity in results of investees	(845)	(1,389)	(845)	(1,617)
Offset social contribution tax with COFINS	-	2,354	-	(2,584)
Other Reported taxes on income	(194)	(627)	(194)	3,009
	133,109	88,621	132,998	110,398

27. EMPLOYEE PROFIRT SHARING

In 1996, the Company adopted a program of profit sharing for its employees, provided certain previously agreed upon financial and operating goals are met. In 2000, the amount of this profit sharing was R$20,000 (R$10,000 in 1999).

28. PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Company sponsors a pension plan, which is administered by Fundação COPEL, to provide supplementary retirement and pension benefits to employees and their dependents. Contributions to the plan are made by both the sponsor and the participants, based on an actuarial study prepared by an independent actuary, to provide sufficient funds to cover future cash requirements arising from the benefit obligations.

At the extraordinary Shareholders Meeting on October 15, 1998, the shareholders approved a new “defined contribution” pension plan in which 98% of the employees are participating.

The rights earned by the participants due to changes in the pension plan generated an obligation amounting to R$468,253 (at 1998 price-levels), which the Company agreed with Fundação COPEL to be paid in 240 monthly installments beginning February 1, 1999, indexed based on the INPC (National Consumer Price Index) plus interest of 6% annually, composed as follows:

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Current liabilities	18,621	19,602	18,621	21,520
Long-term liabilities	487,442	478,156	487,442	524,939
	506,063	497,758	506,063	546,459

Certain financial information pertaining to the fund computed based on actuarial practices prevailing in Brazil, as reported by an independent actuary to Fundação Copel, as of December 31, was as follows:

	Corporate Law	
	2000	1999
Net assets of Fundação Copel	1,707,504	1,580,525
Less -Mathematical reserves (actuarial value of pension benefits):	1,638,437	1,518,378
Vested benefits	1,158,585	1,079,941
Nonvested benefits	480,774	438,437
Unamortized reserves	(922)	-
Surplus	69,067	62,147

Mathematical reserves represent the present value of future actuarial benefits, less the present value of projected future contributions to the plan, all discounted at an annual interest rate of 6%.

Contributions during the years were charged as follows:

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
Construction in progress	2,173	2,209	2,182	2,646
Operating expenses	16,358	7,540	17,281	9,030
	18,531	9,749	19,463	11,676

29. RELATED-PARTY TRANSACTIONS

COPEL enters into a variety of related-party transactions, including the sale and purchase of electricity and certain financial transactions. Electricity sales are based on tariffs approved by ANEEL. All other transactions are completed on an arms-length basis.

Related parties	Nature of transactions	Notes
Government of the State of Paraná	Sale of electric energy and CRC Account	8
Sanepar	Long-term receivables	9
Machadinho, Compagás and Foz do Chopim	Investments and loans	9 and 10
Sercomtel and Compagás	Investments, purchase and sale of services	10
Dona Franscica Energética	Investments and bank guarantee	10
Eletrobrás	Loans and financing	12
Eletrosul (Itaipu)	Purchase of electric energy for resale	13 and 23
Fundação Copel	Employee pension plan	28

30. FINANCIAL INSTRUMENTS

Up to December 31, 2000, the Company has not had transactions classified as financial instruments, as defined by the CVM Instruction No. 235, of March 23, 1995.

Cash and cash equivalents – The book values approximate fair value due to the short-term maturity of these financial instruments.

Investments – The market values of investments were calculated based on the average quotations on the stock market with the highest trading volume for each security. Estimates of the market values of investments in non-traded companies were not made, since there is no active market for these securities. Also, market values calculated based on stock market quotations reflect transactions between minority shareholders and do not necessarily represent the amount that could be obtained in a transaction involving the transfer of shareholder control. The Company does not have information regarding these amounts.

Loans and financing – Market value is calculated based on the present value of future cash flows for each financial instrument, using equivalent interest rates for similar financial instruments with similar maturities. As of December 31, 2000, book value was approximately R$40,100 higher than market value.

31. RECONCILIATION OF CORPORATE LAW AND PRICE-LEVEL BASIS AMOUNTS

The reconciliation of shareholders' equity and net income between the corporate law and price-level basis amounts are as follows:

	Shareholders' equity		Net income	
	2000	1999	2000	1999
Under Corporate Law method	4,898,154	4,627,551	430,603	277,165
Net inflationary effects on permanent assets and shareholders' equity	2,413,142	2,406,186	5,604	44,556
Discount to present value of assets	(3,222)	(1,585)	(3,222)	(1,585)
Discount to present value of liabilities	4,718	8,576	4,718	8,576
Restatement of materials and supplies	315	750	315	750
Reversal of prior year discounts to present value	-	-	(7,741)	(6,132)
Income tax on price-level adjustments	(821,084)	(666,798)	111	(6,473)
As reported in the accompanying price-level basis financial statements	7,313,107	7,041,478	430,277	323,330

32. PRINCIPAL ACTIVITIES

In order to comply with ANEEL Instruction No. 838/2000, the financial statements divided by Business Unit: Generation (G), Transmission (T), Distribution (D), Information Technology (IT) and Telecommunication (TE), as of December 31, 2000, are as follows:

Balance Sheet	Corporate law					
Assets	G	T	D	IT	TE	TOTAL
Current assets						
Cash and banks	18,186	2,469	6,702	313	691	28,361
Temporary cash investments	83,991	11,404	30,954	1,446	3,189	130,984
Power purchase liquidity fund	64,741	-	-			64,741
Accounts receivable	31,222	7,329	411,892			450,443
Allowance for doubtful accounts	-	-	(6,038)			(6,038)
Services in progress	2,867	4	3,103	111	331	6,416
Recoverable rate deficit (CRC)	-	-	11,503			11,503
Income and social contribution taxes paid in	20,459	1,349	5,730	341	551	28,430
Materials and supplies	1	4,391	8,574	3	1,346	14,315
Prepaid expenses and other	1,539	1,861	31,647	3,160	2,012	40,219
	223,006	28,807	504,067	5,374	8,120	769,374
Noncurrent assets						
Recoverable Rate Deficit (CRC)	-	-	646,988			646,988
Deferred income taxes	44,662	32,755	123,973	8,620	5,891	215,901
Escrow deposits	1,636	8,716	39,687			50,039
Other noncurrent receivables	7,495	2,961	17,760			28,216
	53,793	44,432	828,408	8,620	5,891	941,144
Permanent assets						
Investments	78,720	2,503	35,274	72		116,569
Property, plant and equipment						
In service	3,117,145	787,06	1,453,88	21,901	64,336	5,444,3
Construction in progress	172,675	143,99	101,776	6,436	9,996	434,873
	3,368,540	933,56	1,590,93	28,409	74,332	5,995,7
TOTAL ASSETS	3,645,339	1,006,8	2,923,41	42,403	88,343	7,706,2

Balance Sheet	Corporate law					
Liabilities and shareholders' equity	G	T	D	IT	TE	TOTAL
Current liabilities						
Loans and financing	56,517	62,045	157,112			275,674
Suppliers	8,417	2,154	71,709	1,378	1,324	84,982
Taxes and social contributions	4,065	2,717	33,391	1,071	738	41,982
Interest on Capital	67,296	9,123	18,648	6	1,691	96,764
Accrued payroll costs	8,595	9,123	32,396	4,488	2,432	57,034
Advance billing of electric power	13,466	-	-			13,466
Regulatory charges	4,434	465	32,610			37,509
Pension plan	4,477	4,726	10,393	1,249	830	21,675
Other current liabilities	1	3	24,793	14		24,811
	167,268	90,356	381,052	8,206	7,015	653,897
Long-term liabilities						
Loans and financing	825,446	139,795	138,837			1,104,078
Advance billing of electric power	103,032	107,739	230,647	27,719	18,305	487,442
Taxes and social contributions	11,230	-	-			11,230
Deferred income taxes	35,689	7,356	122,550	2,816	2,270	170,681
Other long-term liabilities	4,926	16,034	42,177			63,137
	980,323	270,924	534,211	30,535	20,575	1,836,568
Special liabilities	-	6,536	561,166			567,702
	980,323	277,460	1,095,377	30,535	20,575	2,404,270
Shareholders' equity	2,497,748	638,984	1,446,983	3,662	60,753	4,648,130
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,645,339	1,006,800	2,923,412	42,203	88,343	7,706,297

Statement of Income	Corporate law					
	G	T	D	IT	TE	TOTAL
OPERATING REVENUES						
Electricity sales to final customers	-	-	2,386,081	-	-	2,386,081
Electricity sales to distributors	782,515	-	103,188	-	-	885,703
Use of transmission plant	-	177,572	-	-	-	177,572
Other revenues	22,535	1,923	48,193	54,881	48,232	175,764
	805,050	179,495	2,537,462	54,881	48,232	3,625,120
DEDUCTIONS FROM OPERATING REVENUES						
State VAT (ICMS)	-	-	539,314	-	-	539,314
PASEP tax	3,798	847	11,972	259	228	17,104
COFINS tax	17,531	3,909	55,256	1,195	1,050	78,941
Tax on services (ISSQN)	442	38	945	102	466	1,993
Global reserve for reversion quota (RGR)	12,205	2,721	38,470	832	731	54,959
	33,976	7,515	645,957	2,388	2,475	692,311
NET OPERATING REVENUES	771,074	171,980	1,891,505	52,493	45,757	2,932,809
OPERATING EXPENSES						
Personnel	40,792	33,666	195,019	20,394	12,895	302,766
Pension and other benefits	2,204	1,819	10,536	1,102	697	16,358
Materials and supplies	9,504	2,048	19,962	2,791	963	35,268
Outside services	30,285	16,098	117,855	16,385	4,004	184,627
Electricity purchased for resale	17,440		978,172	-	-	995,612
Transmission of electricity purchased	-	-	13,016	-	-	13,016
Use of transmission system	27,419	-	213,744	-	-	241,163
Depreciation and amortization	98,612	30,315	120,198	3,802	8,563	261,490
Regulatory charges	24,368	422	131,380	-	-	156,170
Other expenses	12,574	5,559	33,532	3,818	7,964	63,447
	263,198	89,927	1,833,414	48,292	35,086	2,269,917
GROSS PROFIT FROM ENERGY OF SERVICES	507,876	82,053	58,091	4,201	10,671	662,892
FINANCIAL INCOME						
Income on temporary cash investments	26,462	4,930	9,904	390	860	42,546
Interest and commissions	2,787	503	53,168	40	88	56,586
Exchange and monetary gains	-	-	60,277	-	-	60,277
Charges on past-due receivables	-	-	19,498	-	-	19,498
Other	317	139	3,656	176	153	4,441
	29,566	5,572	146,503	606	1,101	183,348
FINANCIAL EXPENSES						
Debt charges	70,727	11,911	28,905	-	-	111,543
Exchange and monetary losses	51,510	10,826	31,271	1,853	757	96,217
Other financial expenses	8,972	8,631	21,850	1,528	889	41,870
	131,209	31,368	82,026	3,381	1,646	249,630
FINANCIAL INCOME (EXPENSE), NET	(101,643)	(25,796)	64,477	(2,775)	(545)	(66,282)
INCOME FROM OPERATIONS	406,233	56,257	122,568	1,426	10,126	596,610
Nonoperating expenses, net	(15,202)	(1,943)	(6,502)	(788)	(200)	(24,635)
Extraordinary income	1,828	1,912	2,909	997	665	8,311
INCOME BEFORE TAXES	392,859	56,226	118,975	1,635	10,591	580,286
Income tax	(66,983)	(9,081)	(18,562)	(6)	(1,683)	(96,315)
Social contribution tax	(25,589)	(3,469)	(7,091)	(2)	(643)	(36,794)
INCOME BEFORE EMPLOYEE PROFIT SHARING	300,287	43,676	93,322	1,627	8,265	447,177
Employee profit sharing	(3,200)	(3,400)	(11,000)	(1,600)	(800)	(20,000)
NET INCOME FOR THE YEAR	297,087	40,276	82,322	27	7,465	427,177

Principal accounting practices adopted in the preparation of the financial statements by Business Units:

The Company did not consider the amounts related to investments in other companies and related impacts, in the amount of R$250,024, since such investments are related to nonoperating activities.

In order to prepare these financial statements by activity, each business unit's own revenues from third party transactions were considered, plus the revenues related to transfers to other business units, computed based on tariffs internally negotiated, as follows:

	Unit expenses					
Unit revenues	G	T	D	IT	TE	TOTAL
Generation - G	-	-	703,765	-	-	703,765
Transmission - T	26,692	-	99,677	-	7,318	133,687
Information Technology – IT	4,187	5,085	38,981	-	1,399	49,652
Telecommunications - TE	3,045	3,662	10,340	7,401	-	24,448
TOTAL	33,924	8,747	852,763	7,401	8,717	911,552

The tariffs were negotiated between the Units, except for the Generation and Transmission tariffs, which were calculated as follows:

Generation tariff:
The transfer price used for the energy resold by the Distribution Unit was R$43.45 per MWh, as determined by ANNEL.

Transmission tariff:
Based on the annual revenues applied to the connection of distribution and Generation Units, based on ANEEL Instruction No. 167, of May 31, 2000.

Reconciliation of income statements by business unit to corporate law financial statements:

	Business Units	COPEL(*)	Difference
Operating revenue	3,625,120	2,713,568	(911,552)
Deductions from operating revenues	(692,311)	(692,311)	-
Net operating revenues	2,932,809	2,021,257	(911,552)
Operating expenses	(2,269,917)	(1,358,365)	911,552
Gross profit from energy services	662,892	662,892	-
Income before income taxes	580,286	583,712	3,426
Net income	427,177	430,603	-

(*) Corporate law financial statements

Operating revenue and expenses are accounted for in each Business Unit, adjusted by virtual amounts determined based on inter-unit revenue transferred..
All revenue deductions, such as taxes, contributions and the RGR quota were, computed on the adjusted revenues by applying the respective effective rates incurred by Copel.

Financial income from temporary cash investments was allocated to each Business Unit in proportion to their respective EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for debt service charges.

Income and social contribution taxes were calculated based on the effective income tax rate reflected in Copel's financial statements and were not applied on transferred revenues and expenses.

The difference between net income for the Business Units and the Company in the amount of R$3,426, refers to the equity in results of investees, interest on capital received and goodwill amortization.

33. TAX RECOVERY PROGRAM (REFIS)

On April 10, 2000, the Federal Government instituted, through Law No. 9,964, the Tax Recovery Program, established to regularize all Government receivables arising from corporate taxpayer debts, related to taxes and contributions administered by the Federal Revenue Secretariat and the National Institute of Social Security – INSS.

On November 16, 2000, Copel submitted its request for participation, confirmed by the Federal Revenue Secretariat.

The total debt included in REFIS was R$89,766, originating from liabilities with the INSS, payment of which was suspended by means of judicial and administrative actions, and for which the following settlement was proposed:

a) R$45,766 related to interest and fines is being liquidated with third party credits for tax loss carry forwards, acquired from Laps Patrimonial S/A. in the amount of R$25,066 and from Unimar Supermercados S/A in the amount of R$20,700, which were submitted on a specific form to the Federal Revenue Secretariat for "Request for utilization of third-party credits" on December 8 and 12, 2000.
b) R$44,000 related to principal is being liquidated with third party credits, acquired from Lewiston Importadora Ltda, derived from a lawsuit refund request to the Federal Revenue Secretariat, both as set forth in the documentation submitted in the REFIS request.

   During the year, the debt was paid through the credits mentioned above and, as determined in the legislation, Copel awaits approval of its REFIS account by the Tax Recovery Program Management Committee.

   Due to the legal requirement contained in article 14 of the related Law, on guarantees, the Company, although it has made the transactions described above in its REFIS account to liquidate the aforementioned debt, has pledged certain property items as guarantees required by the Program.

The net effect of the Tax Recovery Program is recorded as "Extraordinary income", in the amount of R$8,311, as a result of:

Extraordinary income	Corporate law
Updated debt	89,766
Amount paid for the tax credits	(31,487)
Gross income	58,279
Updated debt	89,766
Debt accrued	(39,798)
Additional accrual	49,968
Extraordinary income	8,311
Tax effects on extraordinary income	(2,826)

34. INSURANCE

The specification by risk classification and expiration dates of the principal insurance policies are as follows:

Risk	Expiration date	Amount insured	Premium
Specified equipment	August 28, 2001	576,063	722,7
Fire – buildings owned	August 28, 2001	99,745	87,4
Civil liability	August 28, 2001	765	88,1
Other Assets	March 23, 2001	110	6,2
Engineering	August 28, 2001	4,013	4,5
Transportation – import and export	August 28, 2001	11,454	6,7

Specified equipment – The substations and power plants are spelled out in the policy together with the principal equipment items, the respective amounts insured and the maximum limits of coverage. The basic risks covered include fire, lightning and explosion of any type; there is also additional coverage for electrical damage, various risks, and for electronic and computer equipment.

Civil Liability- Coverage for accidental, injury loss or damage, personal or property, to third parties as a result of the Company's operations.

Other assets – Coverage for losses incurred by the Company related to cash, checks and similar items held in its safes and lockboxes, as well as these and other items of value in transit in the possession of authorized persons or in delivery vehicles, when the related locations are spelled out in the policy.

Engineering – Coverage for risks involved in the installation, assembly and testing of new equipment, principally for substations and power plants.

Transportation – Coverage for damages to products, equipment, etc. being transported by any acceptable method, both domestically and in operations involving imports or exports.

35. SUBSEQUENT EVENTS

Privatization Program – The Government of the State of Paraná, through the State Finance Secretary, published on January 9, 2001, the call for bid No. 01/2001 for International Public Bidding for the hiring of advisors in order to sell its shares in the Company..

Wholly-owned subsidiaries – On December 20, 2000, Copel was granted authorization, by ANEEL (Instruction No. 558/2000), to create the following wholly-owned subsidiaries: Copel Geração S/A, Copel Distribuição S/A, Copel Transmissão S/A, Copel Participações S/A and Copel Telecomunicações S/A, in order to unbundle its principal business units.
On February 22, 2001, a meeting of the Board of Directors was called, to the held on March 1, 2001, in order to report to the Annual Stockholders' Meeting, on March 20, 2001, regarding the legal formation of the wholly-owned subsidiaries.

Management considers it unnecessary to recognize a reserve for the related corporate restructuring costs, since it believes that such costs will not be significant.

36. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The accompanying financial statements are presented on the basis of accounting practices emanating from corporate law and, with respect to those under “price-level basis”, in conformity with generally accepted accounting principles, respectively, in Brazil. Certain accounting practices and principles applied by the Company that conform with those accounting practices and principles in Brazil may not conform with generally accept accounting principles in the countries where these financial statements may be used.

COPEL

EXHIBIT II

STATEMENTS OF ADDED VALUE
For the Years Ended December 31, 2000 and 1999
(In thousands of Brazilian Reais)

(Translated from the original in Portuguese)

	Corporate Law		Price-level basis	
	2000	1999	2000	1999
REVENUES				
Electric energy and services sales	2,713,568	2,204,906	2,785,833	2,563,940
Provision for doubtful accounts	(8,981)	(3,095)	(9,083)	(3,751)
Non-operating expenses	(24,635)	(20,257)	(36,961)	(25,068)
	2,679,952	2,181,554	2,739,789	2,535,121
PURCHASES FROM THIRD-PARTIES				
Electricity purchased	419,657	415,354	440,609	466,747
Materials and outside services	145,795	127,467	138,630	146,208
Other	29,577	35,570	30,046	41,291
	595,029	578,391	609,285	654,246
GROSS ADDED VALUE	2,084,923	1,603,163	2,130,504	1,880,875
DEPRECIATION AND AMORTIZATION	261,490	232,417	366,422	350,640
NET ADDED VALUE	1,823,433	1,370,746	1,764,082	1,530,235
ADDED VALUE TRANSFERRED				
Financial income	192,600	258,689	138,176	196,641
Equity in results of investees	2,485	3,755	2,485	4,371
	195,085	262,444	140,661	201,012
ADDED VALUE TO DISTRIBUTE	2,018,518	1,633,190	1,904,743	1,731,247
DISTRIBUTION OF ADDED VALUE :				
PERSONNEL				
Compensation	222,119	216,124	229,588	254,608
Social charges on payroll (except INSS)	38,218	36,310	39,503	42,776
Pension plan	16,358	7,540	17,281	9,030
Meal benefits to employees	17,893	19,102	18,495	22,503
Provision for severance payments	13,385	29,119	13,835	34,304
Bonuses	-	3,000	-	3,534
Medical benefits to employees	18,073	20,890	18,681	24,610
Employee profit sharing	20,000	10,000	20,000	10,978
Costs capitalized to construction in progress	(40,923)	(60,430)	(42,299)	(71,191)
	305,123	281,655	315,084	331,152
GOVERNMENT				
Social security charges on payroll – INSS	34,001	33,255	35,144	39,177
State VAT (ICMS)	539,314	466,068	566,546	562,345
Income and social contribution taxes	133,109	88,621	132,998	110,398
Other	322,023	216,066	332,602	247,005
	1,028,447	804,010	1,067,290	958,925
FINANCIING				
Interest and exchange variations	236,774	249,907	73,583	100,028
Rentals	17,571	20,453	18,398	24,285
	254,345	270,360	91,981	124,313
SHAREHOLDERS				
Dividends	160,000	110,000	160,000	120,763
Retained earnings	270,603	167,165	270,388	196,094
	430,603	277,165	430,388	316,857
	2,018,518	1,633,190	1,904,743	1,731,247
ADDED VALUE (AVERAGE) PER EMPLOYEE (*)	318,3	233,7	300,3	247,7

(*) Unaudited

The accompanying notes are an integral part of these statements.