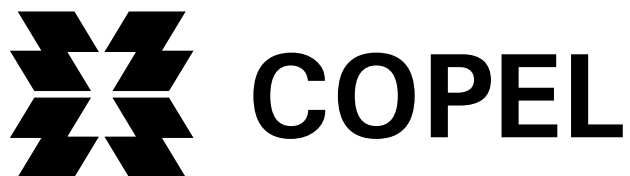


(A free translation of the original in Portuguese)



Companhia Paranaense de Energia - Copel

CNPJ/MF 76.483.817/0001-20

Publicly Listed Company - CVM 1431-1

www.Copel.com Copel@Copel.com

MANAGEMENT REPORT

AND

FINANCIAL STATEMENTS

December 2004

**FINANCIAL STATEMENTS 5**

Balance Sheet 5

Statement of Income 7

Statement of Changes in Stockholders' Equity 8

Statement of Changes in Financial Position 9

Statement of Changes in Financial Position 10

Statement of Added Value 11

Statement of Added Value 12

Notes to the Financial Statements 13

1. Operations 13

2. Presentation of the Financial Statements 15

3. Consolidated Financial Statements 15

4. Significant Accounting Practices 15

5. General Electricity Industry Agreement 18

6. Cash and Cash Equivalents 19

7. Consumers and Resellers 19

8. Provision for Doubtful Accounts 21

9. Services Provided to Third Parties, Net 21

10. Dividends Receivable 21

11. CRC Transferred to the Paraná State Government 21

12. Taxes and Social Contributions 23

13. "Portion A" Offsetting Account 24

14. Other Receivables 25

15. Subsidiary and Associated Company Receivables 26

16. Investments 26



17. Property, Plant and Equipment 28

18. Loans and Financing 29

19. Debentures 32

20. Suppliers 32

21. Payroll and Labor Accruals 35

22. Post-Employment Benefits 35

23. Regulatory Charges 35

24. Other Accounts Payable 36

25. Provisions for Contingencies 36

26. Stockholders' Equity 37

27. Operating Revenues 38

28. Deductions from Operating Revenues 38

29. Electric Energy Purchased for Resale 38

30. Personnel Expenses 38

31. Pension Fund and Health Care Plan 38

Pension fund 38

32. Materials 40

33. Raw Materials and Inputs Used in Energy Generation 40

34. Natural Gas and Inputs for Gas Operations 40

35. Third party Services 41

36. Regulatory Charges 41

37. Other Operating Expenses 41

38. Equity in the Earnings (Loss) of Subsidiary and Associated Companies 41

39. Financial Results 41

40. Tariff Adjustments 42



41. Wholesale Energy Market (MAE) 43

42. Reconciliation of Provision for Income Tax and Social Contribution on Net Income 44

43. Financial Instruments 44

44. Related Party Transactions 45

45. Profit Sharing 47

46. Insurance 47

47. Statement of Changes in Financial Position 49

48. Wholly-Owned Subsidiaries 49

49. Subsequent Events 49

Report of Independent Auditors 52

Opinion of the Audit Board 54

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

FINANCIAL STATEMENTS

Balance Sheet

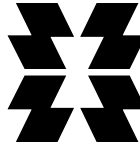
At December 31, 2004 and 2003
(In thousands of reais)

ASSETS	Parent company		Consolidated	
	2004	2003	2004	2003
Current assets				
Cash and cash equivalents (Note 6)	3,281	2,530	519,236	362,699
Consumers and resellers (Note 7)	-	-	846,144	705,192
Provision for doubtful accounts (Note 8)	-	-	(85,965)	(51,646)
Outsourced services, net (Note 9)	-	-	2,823	878
Dividends receivable (Note 10)	302,018	189,844	2,886	6,758
Services in progress	1,060	1,250	5,621	4,238
CRC transferred to the Paraná State Government (Note 11)	-	-	29,459	123,885
Taxes and contributions recoverable (Note 12)	9,212	-	49,269	77,126
Storeroom inventories	-	-	30,632	27,216
"Portion A" offsetting account (Note 13)	-	-	197,162	59,463
Other receivables (Note 14)	4,600	3,556	35,810	104,884
	320,171	197,180	1,633,077	1,420,693
Long-term receivables				
Consumers and resellers (Note 7)	-	-	56,921	73,207
CRC transferred to the Paraná State Government (Note 11)	-	-	1,167,945	912,441
Taxes and contributions recoverable (Note 12)	133,654	155,270	528,685	655,664
Judicial deposits (Note 25)	83,364	74,451	146,662	112,385
Subsidiary and associated companies (Note 15)	1,147,886	1,338,774	250,402	55,054
"Portion A" offsetting account (Note 13)	-	-	111,246	178,390
Other receivables (Note 14)	-	1,215	128,342	126,382
	1,364,904	1,569,710	2,390,203	2,113,523
Permanent assets				
Investments (Note 16)	5,062,165	4,771,769	456,707	425,547
Property, plant and equipment (Note 17)				
In use	-	-	5,530,383	5,574,945
Construction in progress	-	-	594,230	483,246
(-) Special liabilities	-	-	(725,448)	(677,523)
	-	-	5,399,165	5,380,668
Deferred charges	-	-	129	260
	5,062,165	4,771,769	5,856,001	5,806,475
Total assets	6,747,240	6,538,659	9,879,281	9,340,691

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

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Balance Sheet

At December 31, 2004 and 2003
In thousands of reais

LIABILITIES AND STOCKHOLDERS' EQUITY	Parent company		Consolidated	
	2004	2003	2004	2003
Current liabilities				
Loans and financing (Note 18)	418,735	22,515	514,396	114,665
Debentures (Note 19)	156,620	157,859	156,620	157,859
Suppliers (Note 20)	440	485	767,501	403,630
Taxes and social contributions (Note 12)	115,257	123,103	295,613	321,615
Dividends payable	86,306	43,219	91,352	46,287
Payroll and labor provisions (Note 21)	81	151	84,427	72,241
Post-employment benefits (Note 22)	16	-	124,783	92,173
Regulatory charges (Note 23)	-	-	64,135	50,113
Derivative transactions (Note 43)	-	-	124,629	-
Other accounts payable (Note 24)	12	124	24,481	31,109
	777,467	347,456	2,247,937	1,289,692
Long-term liabilities				
Loans and financing (Note 18)	135,932	594,952	702,868	1,229,730
Debentures (Note 19)	457,407	506,761	457,407	506,761
Suppliers (Note 20)	-	-	240,663	272,889
Post-employment benefits (Note 22)	-	-	540,587	566,306
Derivative transactions (Note 43)	-	-	-	33,724
Gas not used	-	-	-	53,715
Taxes and social contributions (Note 12)	-	-	78,408	84,967
Subsidiary and associated companies	-	-	-	5,812
Provisions for contingencies (Note 25)	240,117	231,260	428,762	408,304
Regulatory charges (Note 23)	-	-	1,588	1,588
	833,456	1,332,973	2,450,283	3,163,796
Minority interest	-	-	44,744	28,973
Stockholders' equity (Note 26)				
Capital	3,480,000	2,900,000	3,480,000	2,900,000
Capital reserves	817,293	817,293	817,293	817,293
Revenue reserves	839,024	1,140,937	839,024	1,140,937
	5,136,317	4,858,230	5,136,317	4,858,230
Total liabilities and stockholders' equity	6,747,240	6,538,659	9,879,281	9,340,691

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

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Statement of Income

For the years ended December 31, 2004 and 2003
In thousands of reais

	Parent company		Consolidated	
	2004	2003	2004	2003
Operating revenues (Note 27)				
Electric energy supply	-	-	4,605,469	3,736,473
Electric energy sales to distributors	-	-	445,856	334,157
Use of transmission grid	-	-	209,766	112,118
Revenues from telecommunications	-	-	41,434	32,212
Distribution of piped gas	-	-	161,227	140,279
Other operating revenues	-	-	80,573	64,984
	-	-	5,544,325	4,420,223
Deductions from operating revenues (Note 28)	-	-	(1,618,551)	(1,325,925)
Net operating revenues	-	-	3,925,774	3,094,298
Operating expenses				
Electric energy purchased for resale (Note 29)	-	-	(963,883)	(1,090,392)
Charges on use of transmission system	-	-	(289,606)	(219,893)
Transportation of electricity purchased	-	-	(21,547)	(17,710)
Personnel (Note 30)	(4,063)	(3,050)	(458,267)	(402,454)
Pension fund and health care plan (Note 31)	(86)	(66)	(137,566)	(106,551)
Materials (Note 32)	(30)	(78)	(54,462)	(43,827)
Raw materials and inputs used in energy generation (Note 33)	-	-	(83,212)	(52,867)
Natural gas and inputs used in gas operations (Note 34)	-	-	(207,948)	(200,153)
Third party services (Note 35)	(4,636)	(1,755)	(192,615)	(170,688)
Depreciation and amortization	-	-	(308,910)	(296,232)
Regulatory charges (Note 36)	-	-	(358,489)	(218,780)
Other operating expenses (Note 37)	(4,191)	(64,680)	(247,966)	(133,700)
	(13,006)	(69,629)	(3,324,471)	(2,953,247)
Results from operations	(13,006)	(69,629)	601,303	141,051
Equity in the earnings of subsidiary and associated companies (Note 38)	420,775	313,800	1,685	16,734
Financial results (Note 39)				
Financial income	(5,601)	7,207	415,913	325,823
Financial expenses	(22,899)	(28,085)	(418,719)	(182,247)
	(28,500)	(20,878)	(2,806)	143,576
Operating profit	379,269	223,293	600,182	301,361
Non-operating expenses, net	(26)	(38,535)	(6,358)	(20,530)
Profit before taxation	379,243	184,758	593,824	280,831
Income tax and social contribution on net income (Note 42)				
Income tax	(6,367)	(10,009)	(147,877)	(69,735)
Social contribution	1,272	(3,612)	(50,556)	(25,551)
	(5,095)	(13,621)	(198,433)	(95,286)
Net income before minority interest	374,148	171,137	395,391	185,545
Minority interest	-	-	(21,243)	(14,408)
Net income for the year	374,148	171,137	374,148	171,137
Net income per thousand shares	1.3672	0.6254	1.3672	0.6254

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

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Statement of Changes in Stockholders' Equity

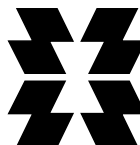
In thousands of reais

	<u>Capital</u>	<u>Capital reserves</u>	<u>Legal reserve</u>	<u>Profit retention reserve</u>	<u>Retained earnings</u>	<u>Total</u>
At December 31, 2002	2,900,000	817,288	157,438	851,348	-	4,726,074
Prior-year adjustment	-	-	-	-	3,598	3,598
Donations and investment grants	-	5	-	-	-	5
Net income for the year	-	-	-	-	171,137	171,137
Appropriations proposed to the AGM						
Legal reserve	-	-	8,557	-	(8,557)	-
Payment of dividends	-	-	-	-	(42,584)	(42,584)
Reserve for investments	-	-	-	123,594	(123,594)	-
At December 31, 2003	2,900,000	817,293	165,995	974,942	-	4,858,230
Capital increase	580,000	-	-	(580,000)	-	-
Net income for the year	-	-	-	-	374,148	374,148
Appropriation proposed to the AGM						
Legal reserve	-	-	18,707	-	(18,707)	-
Payment of dividends	-	-	-	-	(96,061)	(96,061)
Reserve for investments	-	-	-	259,380	(259,380)	-
At December 31, 2004	3,480,000	817,293	184,702	654,322	-	5,136,317

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

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

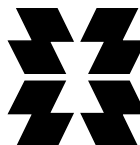
Statement of Changes in Financial Position

For the years ended December 31, 2004 and 2003
In thousands of reais

FINANCIAL RESOURCES WERE PROVIDED BY	Parent company		Consolidated	
	2004	2003	2004	2003
Operations				
Net income for the year	374,148	171,137	395,391	185,545
Expenses (income) not affecting working capital				
Depreciation and amortization	-	-	308,910	296,232
Monetary variations on long-term items, net	(4,175)	(5,638)	9,646	(184,400)
Equity in the earnings of subsidiary and associated companies (Note 38)	(420,131)	(313,734)	(5,849)	(21,476)
Deferred income tax and social contribution on net income	21,617	(49,391)	30,650	(49,958)
Provisions for loss on tax incentives	-	39,590	-	39,590
Provisions (reversals) in long-term liabilities	7,000	526	156,186	394,043
Disposals of long-term receivables	-	-	70,873	4,256
Disposals of investments	-	-	19	3,193
Disposals of property, plant and equipment in use, net	-	-	13,639	7,114
Amortization of goodwill on investments (Note 38)	-	-	4,808	4,808
	(395,689)	(328,647)	588,882	493,402
Adjusted results of operations	(21,541)	(157,510)	984,273	678,947
Dividends received from subsidiary and associated companies	130,060	211,748	5,237	7,738
Gain on sale of investment - Campos Novos Energia S.A.	-	-	-	(24,903)
	108,519	54,238	989,510	661,782
Third parties				
Refund of judicial deposits and guarantees	-	-	25,000	-
Subsidiary and associated companies	261,762	-	-	-
Sale of investment - Campos Novos Energia S.A.	-	-	-	88,309
Consumer contributions	-	-	47,925	44,109
Donations and subsidies received	-	5	-	5
Loans and financing (Note 18)	-	-	25,412	-
Long-term receivables transferred to current assets				
Consumers and resellers	-	-	20,489	10,385
CRC transferred to the Paraná State Government	-	-	24,214	19,097
ICMS recoverable	-	-	32,907	47,398
"Portion A" offsetting account	-	-	205,231	80,176
Loan agreements	7,961	4,999	4,585	1,260
Other assets	1,215	1,644	1,450	1,651
	270,938	6,648	387,213	292,390
Increase in net current liabilities	307,020	192,741	745,861	105,820
TOTAL FUNDS PROVIDED	686,477	253,627	2,122,584	1,059,992

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Statement of Changes in Financial Position

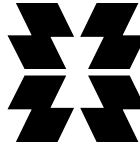
For the years ended December 31, 2004 and 2003
In thousand of reais

FINANCIAL RESOURCES WERE USED FOR	Parent company		Consolidated	
	2004	2003	2004	2003
Payment of dividends	96,061	42,584	101,533	45,954
Property, plant and equipment	-	-	404,220	297,220
Long-term receivables				
Consumers and resellers	-	-	1,859	45,307
CRC transferred to the Paraná State Government – transferred from current assets (Note 11)	-	-	170,149	-
Taxes and contributions deferred and for offset	-	-	11,407	17,676
Judicial deposits	7,056	2,713	35,020	35,005
Subsidiary and associated companies	-	90,092	-	-
“Portion A” offsetting account	-	-	111,937	114,404
“Portion A” offsetting account – reclassified from current assets	-	-	-	78,846
Loan agreements	-	-	177,044	24,000
PIS and COFINS regulatory asset (Note 14)	-	-	80,426	-
Other assets	-	-	-	4,116
	7,056	92,805	587,842	319,354
Investments	325	5	37,276	42,094
Transfer of long-term liabilities to current:				
Loans and financing (Note 18)	483,035	13,542	581,618	104,694
Debentures (Note 19)	100,000	100,000	100,000	100,000
Suppliers	-	-	32,227	5,627
Post-employment benefits	-	-	144,416	133,483
Derivative transactions (Note 43)	-	-	124,629	-
Taxes, social contributions and other accounts payable	-	-	7,216	6,555
Legal contingencies – net of judicial deposits	-	4,691	1,607	5,011
	583,035	118,233	991,713	355,370
TOTAL FUNDS USED	686,477	253,627	2,122,584	1,059,992
CHANGES IN WORKING CAPITAL				
Opening current assets	197,180	164,241	1,420,693	1,052,860
Opening current liabilities	347,456	121,776	1,289,692	816,039
Opening working capital (excess of current liabilities)	(150,276)	42,465	131,001	236,821
Closing current assets	320,171	197,180	1,633,077	1,420,693
Closing current liabilities	777,467	347,456	2,247,937	1,289,692
Closing working capital (excess of current liabilities)	(457,296)	(150,276)	(614,860)	131,001
Increase in net current liabilities	(307,020)	(192,741)	(745,861)	(105,820)

The accompanying notes are an integral part of these financial statements.
Note 47 presents the details of this financial statement.

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Statement of Added Value

For the years ended December 31, 2004 and 2003

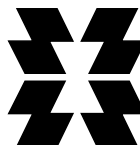
In thousands of reais

	Parent company		Consolidated	
	2004	2003	2004	2003
Revenues				
Electric energy sales, services and other revenues	-	-	5,544,325	4,420,223
Cancelled sales and discounts	-	-	(296)	(28)
Provision for doubtful accounts	-	-	(63,987)	(17,538)
Non-operating expenses, net	(26)	(38,535)	(6,358)	(20,530)
Total	(26)	(38,535)	5,473,684	4,382,127
(-) Inputs purchased from third parties				
Electricity purchased for resale	-	-	963,883	1,090,392
Charges for use of electric grid	-	-	311,153	237,603
Materials, inputs and third party services	4,666	1,833	538,237	467,535
Emergency capacity charges	-	-	137,243	106,391
Other inputs	4,055	64,659	167,380	102,384
Total	8,721	66,492	2,117,896	2,004,305
(=) GROSS ADDED VALUE	(8,747)	(105,027)	3,355,788	2,377,822
(-) Depreciation and amortization	-	-	308,910	296,232
(=) NET ADDED VALUE	(8,747)	(105,027)	3,046,878	2,081,590
(+) Added value transferred				
Financial income (-) taxes	6,138	17,890	439,459	349,684
Equity in the earnings of subsidiary and associated companies	420,775	313,800	1,685	16,734
Total	426,913	331,690	441,144	366,418
ADDED VALUE TO BE DISTRIBUTED	418,166	226,663	3,488,022	2,448,008

Note: This statement is presented in conformity with Brazilian Accounting Standard (NBC) 3.7 approved by the Federal Accounting Council (CFC) Resolution No. 1,010, published in the Official Federal Government Gazette (DOU) on January 25, 2005.

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Statement of Added Value

For the years ended December 31, 2004 and 2003

In thousands of reais

(continued)

	Parent company				Consolidated			
	2004	%	2003	%	2004	%	2003	%
DISTRIBUTION OF ADDED VALUE:								
Personnel								
Wages and salaries	3,300		2,415		346,755		282,399	
Social charges - FGTS	189		181		26,375		21,998	
Food and education allowance	-		-		30,443		23,280	
Labor and severance indemnities	-		-		(14,636)		16,931	
Transfers to construction in progress	-		-		(37,728)		(31,722)	
Pension fund and health care plan	86		66		137,566		106,551	
Profit sharing	-		-		18,319		16,000	
Total	3,575	0.9	2,662	1.2	507,094	14.5	435,437	17.8
Government								
Social charges - INSS	574		454		88,739		73,568	
ICMS security	-		-		1,175,935		951,723	
PIS	-		-		42,385		37,188	
COFINS	-		-		198,238		161,373	
Regulatory charges	-		-		358,489		218,780	
Income tax and social contribution on net income	5,095		13,621		198,433		95,286	
Financial	11,740		10,682		23,546		23,861	
Other taxes and rates	8,556		1,021		120,545		93,024	
Total	25,965	6.2	25,778	11.4	2,206,310	63.3	1,654,803	67.6
Financing agents								
Interest and monetary variations	14,342		27,065		362,628		158,445	
Rents	136		21		16,599		13,778	
Total	14,478	3.5	27,086	11.9	379,227	10.9	172,223	7.0
Stockholders								
Interest on equity	96,061		42,584		101,863		48,386	
Minority interest	-		-		21,243		14,408	
Retained earnings	278,087		128,553		272,285		122,751	
Total	374,148	89.4	171,137	75.5	395,391	11.3	185,545	7.6
	418,166	100.0	226,663	100.0	3,488,022	100.0	2,448,008	100.0
Added value (average) per employee					535		403	
Stockholders' equity contribution rate - %					67.9		50.4	
Wealth generation rate - %					35.3		26.2	
Wealth retention rate - %					8.4		5.6	

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

(A free translation of the original in Portuguese)

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Notes to the Financial Statements

at December 31, 2004 and 2003

(All amounts in thousands of reais unless otherwise indicated)

1. Operations

Companhia Paranaense de Energia - Copel (Copel, Company or Parent Company) is a publicly-held corporation, with both private and public stockholders, controlled by the Government of the State of Paraná, Brazil, with shares traded in stock exchanges in Brazil, the United States of America and Spain. The Company is engaged, through its subsidiaries, in the research, study, planning, building, and exploitation of production, transformation, transportation, distribution, and sale of energy, in any of its forms, in particular electric energy. These activities are regulated by the National Agency of Electric Energy (ANEEL), which reports to the Ministry of Mines and Energy. Additionally, COPEL is authorized to be a member, together with private companies, of consortiums or companies with the objective of engaging in operations in the energy, telecommunications and natural gas areas.



The subsidiaries of COPEL and their main activities are as follows:

Copel Geração S.A. – a wholly-owned subsidiary which exploits energy generation services; the company has 18 power plants in operation, 17 hydroelectric and one thermoelectric power plants with a combined installed capacity of 4,546.6 MW. This company received from ANEEL the following renewable concessions:

Erro! Vínculo não válido.

Copel Transmissão S.A. – a wholly-owned subsidiary which exploits electric energy transportation and transformation services, in addition to operating part of the national interconnected power system located in the Southern Region of Brazil, for the National Electric System Operator (NOS). This company has 125 substations, operating at voltages equal to or higher than 69 kV, and 6,996.3 km of transmission lines.

Copel Distribuição S.A. – a wholly-owned subsidiary which exploits the distribution and sale of any type of energy, especially electric energy, fuel and energy raw materials. It distributes electric energy in 392 of the 399 municipalities of the State of Paraná, serving 98% of the State consumers, as well as the municipality of Porto União, in the State of Santa Catarina. Additionally, it used to serve independent consumers in the State of São Paulo, whose agreements terminated at the end of 2004.

Copel Telecomunicações S.A. – a wholly-owned subsidiary which exploits and provides telecommunication services and communication services in general.

Copel Participações S.A. – a wholly-owned subsidiary which holds investments in other companies or consortiums.

Companhia Paranaense de Gás – Compagas – a company with private and public shareholders in which Copel Participações holds 51% of the voting capital, and its main activity is the supply of piped natural gas.

Elejor – Centrais Elétricas Rio Jordão S.A. – a company with private and public shareholders in which Copel Participações holds 70% of the voting capital, and its main activity is electric energy generation, but it is still in the pre-operating stage.



2. Presentation of the Financial Statements

The financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, together with specific legislation established by ANEEL and the regulations of the Brazilian Securities Commission (CVM).

For comparison purposes, the Company made reclassifications and included, in addition to the wholly-owned subsidiaries, the subsidiary Companhia Paranaense de Gás - Compagas in the financial statements for the years ended December 31, 2004 and 2003.

The subsidiaries' accounting practices are consistent with those adopted by Copel.

3. Consolidated Financial Statements

The consolidated financial statements are being presented in conformity with CVM Instruction 247/1996 and include the wholly-owned subsidiaries COPEL Geração, COPEL Transmissão, COPEL Distribuição, COPEL Telecomunicações, and COPEL Participações, and the subsidiary Companhia Paranaense de Gás – Compagas.

The balance sheets and statements of income of the companies included in the consolidation are presented in Note 48.

The Company's investments in the net equities of subsidiaries, as well as the assets, liabilities, revenues and expenses arising from intercompany operations have been eliminated on consolidation, and the minority interest shown separately, so that the consolidated financial statements effectively represent balances and transactions with third parties.

As authorized by the CVM through Letter/CVM/SNC 009/05, the financial statements of the subsidiary Elejor – Centrais Elétricas Rio Jordão S.A. were not included in the consolidation since they do not represent material amounts in the consolidated economic unit. This investment is stated on the equity method of accounting in Copel Participações.

At December 31, 2004 and 2003, Elejor balances were as follows:

Erro! Vínculo não válido.

4. Significant Accounting Practices

a) Financial investments - Stated at cost plus accrued income earned up to the balance sheet date.



b) Consumers and resellers – These include amounts invoiced relating to energy supplied and estimates of energy supplied and not billed at year end, as well as supply of natural gas, recorded on the accrual basis of accounting.

c) Provision for doubtful accounts - Recorded at an amount considered sufficient by management to cover losses on the realization of accounts receivable from consumers and other receivables whose recovery is considered improbable.

d) Storeroom inventories (including items related to plant and equipment) – Materials in the storeroom, classified in current assets, are stated at average purchase cost and materials related to plant and equipment are stated at purchase cost (commodities are stated at average cost). The amounts recorded do not exceed their replacement or realizable values.

e) Investments – Investments in subsidiary and associated companies are recorded on the equity method of accounting. Other investments are recorded at cost, net of a provision for loss, when applicable.

f) Property, plant and equipment - These assets are stated at purchase or construction cost. Depreciation is calculated on the straight-line basis, based on the book balances recorded in the respective Registry Units (UCs), as required by the National Department of Electric Energy (DNAEE) Ordinance 815, of 1994, supplemented by ANEEL Resolution No. 015, of 1997. The annual depreciation rates are those established in the tables attached to ANEEL Resolutions No. 02, of 1997 and 44, of 1999 and presented in Note 17.

Administrative expenses are proportionally appropriated on a monthly basis to plant and equipment. The appropriation of direct personnel expenses and outsourced services is permitted if based on appropriately evidenced criteria.

In conformity with Accounting Instruction 6.3.23 of the Accounting Manual for Electric Utilities, concession-related obligations recorded in the books of account in a specific subgroup of long-term liabilities, are shown as a reduction of property, plant and equipment.

The financial charges, interest and inflationary effects incurred on loans received from third parties to finance constructions in progress are appropriated as costs thereof during the construction period.

g) Loans, financing, and debentures - Loans, financing, and debentures are restated based on the monetary and exchange variations accrued to the balance sheet date, and include interest and other charges established by contract.



h) Deferred income tax and social contribution on net income – These are calculated based on the current income tax and social contribution rates on temporary differences and tax loss carryforwards.

i) Pension Fund and Health Care Plan – Costs related to the pension fund and the health care plan defrayed to Fundação Copel are recognized according to CVM Deliberation No. 371, of 2000, with an adjustment against retained earnings in the 2001 financial year.

j) Provisions for contingencies – The probable losses are recognized at the balance sheet date, based on the nature of each contingency. The bases and nature of these provisions are described in Note 25.

k) Other assets and liabilities – Other current and long-term assets and liabilities are restated to the balance sheet date, when legally or contractually required.

l) Use of estimates – The preparation of financial statements in accordance with accounting practices adopted in Brazil requires management to make estimates to record certain transactions that affect assets and liabilities, income and expenses, as well as the disclosure of information in the financial statements. Actual results from these transactions and information could differ from the estimates. The main estimates related to the financial statements refer to the recording of the effects arising from the provision for doubtful accounts, the useful lives of property, plant and equipment, provisions for contingencies, income tax, pension plan assumptions and post-retirement benefits, as well as transactions involving the purchase and sale of electric energy in MAE, which are recognized based on estimates, and the billings and final settlement are subject to review by the MAE members.

m) Deferral of sector costs – The Brazilian tariff structure is designated to provide the recovery of the Company's permitted costs. Accordingly, and based on ANEEL regulations, the Company records the variations in permitted costs as deferred regulatory assets when there is a probable likelihood that future income equivalent to costs incurred will be billed and charged through the inclusion of these costs in an adjusted tariff, established by the regulatory agency. The deferred regulatory asset will be eliminated when the consumers are invoiced.

n) Determination of the results of operations - Income and expenses are recognized on the accrual basis of accounting.

o) Net income per share - Determined based on the number of paid up capital shares outstanding on the balance sheet date.



p) Currency hedge transactions - Unrealized net gains and losses related to currency hedge transactions, calculated based on contractual rates, are recognized on the accrual basis of accounting and recorded in long-term liabilities under “Derivatives transactions”, with contra entry to “Financial expenses”.

5. General Electricity Industry Agreement

In 2001, the Brazilian electricity industry was subject to an Emergency Energy Consumption Reduction Program. The Government established an Energy Crisis Management Committee to administer demand adjustment programs, coordinate efforts to increase supply and implement emergency measures during the rationing period, which was in force from June 1, 2001 to February 28, 2002.

During this exceptional period, applying market rules would have had severe consequences for electric energy market agents. For this reason, special efforts were required from the society, Government authorities, the Concession authorities, and all the agents of the National Electricity Industry.

At the end of 2001, Generators, Distributors, and the Federal Government reached a General Electricity Industry Agreement (the “Agreement”), with the National Bank for Economic and Social Development (BNDES) acting as the financing agent. The Agreement was administered by ANEEL who issued Resolutions establishing the accounting procedures required to reflect the Agreement, and several other Federal Government decisions through the Energy Crisis Management Committee. The Agreement, signed by the agents on December 18, 2001, was reflected in Provisional Measure No. 14, of December 21, 2001, and subsequently converted into Law 10.438, of April 26, 2002.

As required by the ANEEL regulations, these financial statements are being presented containing the results of processing the changes in the electric energy sector in Brazil, established by the Wholesale Energy Market (MAE) which, as from 2004, was replaced by the Electric Energy Trade Chamber (CCEE).

The accounting adjustments relating to the amounts arising from the General Electricity Industry Agreement are described in Notes 7 and 41.



In July 2002, COPEL Geração signed the General Industry Agreement. Copel Distribuição, a signatory of the Agreement on December 18, 2001, complemented the formalization of the Agreement in June 2002 in accordance with the general meeting of the Brazilian electric energy concessionaires, in compliance with article 6, first paragraph, of Law 10438/02, as well as the requirement established by ANEEL Resolution 90/02. As a result, the Company became entitled to the Special Tariff Readjustment (RTE) which, in June 2002, was requested to ANEEL on account of the losses incurred in the items comprising the so-called "Portion A", mentioned in the seventh clause of the concession agreement, from January 1, 2001 to October 25, 2001.

However, when ANEEL published Resolution 430 of August 19, 2002, replaced by Resolution 482 of August 30, 2002, including the amounts related to the RTE for all electric energy concessionaires, Copel Distribuição was not included.

In view of this exclusion, Copel Distribuição claimed its status as beneficiary of the RTE at the administrative level with ANEEL through ANEEL Administrative Process 48500.004963/02-40 which ANEEL, at the final administrative level, did not accept.

The Company did not agree with the ANEEL decision and, in 2004, filed an action which is being analyzed by the Federal Courts of the State of Paraná.

The 2004 regulatory scene was notable for the rules of the new electric energy model for the sector, introduced by Law 10848/04 and regulated by Decree 5163/04. The most important test of this new model was the Electric Energy Auction on December 7, 2004, in which 17,000 average MW of existing electric energy were negotiated. The total amount negotiated reached R\$ 74,900,000 with the participation of 35 distributors as purchasers and 18 generators as sellers. The companies signed agreements for eight years with deliveries scheduled as from 2005, 2006 and 2007 for a total of 9,054 average MW to be delivered as from 2005; 6,782 average MW as from 2006 and 1,172 average MW as from 2007.

6. Cash and Cash Equivalents

Erro! Vínculo não válido.

7. Consumers and Resellers

Erro! Vínculo não válido.

**a) Emergency capacity charges**

Law 10,438/02 determines that the costs, including operating, tax and administrative expenses, relating to the purchase of electric energy (kWh) and the contracting of generation capacity or power (kW) by Comercializadora Brasileira de Energia Emergencial (CBEE), be shared by all classes of end consumers served by the National Interconnected Electricity System, based on their measured individual consumption, in the form of a specific tariff surcharge. The tariff surcharge currently charged to consumers as emergency capacity charge is R\$ 0.0067/kWh (ANEEL Resolution 262, effective as from 11/01/2004), and the prior charges were: R\$ 0.0085/kWh (ANEEL Resolution 496/03, effective from 09/29/2003 to 10/31/2004), R\$ 0.0066/kWh (ANEEL Resolution 295/03, effective from 06/26/2003 to 09/28/2003), R\$ 0.0057/kWh (ANEEL Resolution 351/02, effective from 06/28/2002 to 06/25/2003), and from March 1, 2002 the charge was R\$ 0.0049/kWh (ANEEL Resolutions 071/02 and 249/02).

Accordingly, the amounts billed and transferred to CBEE as tariff surcharge during 2004 were R\$ 136,498 and R\$ 128,137, respectively.

The charge is transferred to CBEE when actually received by the Company.

b) Low-income consumer tariff

The Federal Government, through Law 10,438/02, established the application of the residential low-income consumer tariff, which materially affected the Company's operating revenues.

Presidential Decree No. 4336, of 2002, authorized ELETROBRÁS (Brazilian Electricity Authority) to use the funds from the Global Reversal Reserve (RGR) to compensate the concessionaires for the loss of revenue resulting from charging the low-income consumer tariff as a result of the new criteria established by Law 10438/02, revised by Law 10604/02.

ANEEL advised, through Resolution No. 491, of August 30, 2002, the procedures, conditions, and deadlines for the approval of the amounts used as the basis for the financing to be obtained from ELETROBRÁS.

Beginning September 2002, the Company started to bill the supply of electric energy by applying the low-income consumer tariff based on the new classification criteria of low-income consumer households.

ANEEL, through Normative Resolution 089/04, determined the methodology to be used for calculating the subsidy to be granted to the concessionaire or authorized distributor of electric energy or the amount to be used for reducing their rates, in order to balance the effects of the rate policy applicable to low-income consumer households.



c) Generators' right of reimbursement

This right of reimbursement of the generators refers to the amounts of electricity from independent suppliers sold within the context of MAE during the electric energy emergency rationing period, from June 1, 2001 to February 28, 2002. These amounts were formally approved by ANEEL Resolution No. 483, of August 29, 2002, ratified by ANEEL Resolution No. 036, of January 29, 2003, and rectified by ANEEL Regulatory Resolutions No. 40, of January 28, 2004 and 45, of March 3, 2004.

The COPEL Geração receivables were separated into current and long-term based on their expected realization, according to the Special Tariff Recovery (RTE) approved for the electric energy distribution utilities.

8. Provision for Doubtful Accounts

The provision for doubtful accounts was recorded in conformity with ANEEL's Accounting Manual for the Electric Energy Utilities. After a detailed analysis of overdue receivables, Company management considered the following amounts as sufficient to cover possible losses on the realization of receivables:

Erro! Vínculo não válido.

9. Services Provided to Third Parties, Net

Erro! Vínculo não válido.

10. Dividends Receivable

Erro! Vínculo não válido.

11. CRC Transferred to the Paraná State Government

Under an agreement dated August 4, 1994 and addendum of December 1995, the remaining balance of the Result for Offset Account (CRC) was negotiated with the Paraná State Government to be reimbursed in 240 monthly installments, adjusted by the General Price Index - Internal Availability (IGP-DI) and annual interest of 6.65%. On October 1, 1997, the balance payable was renegotiated for payment in the following 330 months, under the *price* amortization system, the first installment payable on October 30, 1997 and the last on March 30, 2025, the original adjustment and interest clauses being maintained.



On March 19, 2003, the Paraná State Government filed with the Ministry of Finance a request to “federalize” the CRC receivables of COPEL. This request was sent to the National Treasury Secretariat for analysis.

The Company renegotiated the CRC balance at December 31, 2004, of R\$ 1,197,403, with the Paraná State Government through the fourth addendum, signed on January 21, 2005, in 244 installments under the *price* amortization system, the first installment payable on January 30, 2005 and the others in subsequent and consecutive monthly installments.

The renegotiated amount, in addition to the installments not yet due, includes the balance of the installment payable in February 2003 and the installments from March 2003 to December 2004, restated by the IGP-DI rate plus interest of 1% per month. The other original clauses were maintained.

The State Government is complying with the payment of the renegotiated installments as determined by the fourth addendum.



12. Taxes and Social Contributions

Erro! Vínculo não válido.

a) Deferred income tax and social contribution on net income

The Company records deferred income tax calculated at the standard rate of 25% (15% plus an additional 10%) and deferred social contribution at the rate of 9%.

The provision for the pension fund deficit is being realized in conformity with the amortization plan of the respective liability and the provision for health care plan in accordance with the payment of post-employment benefits. The remaining provisions are being realized based on court decisions and the realization of the regulatory assets.

Under current tax legislation, the income and social contribution tax losses may be offset against future taxable income up to the limit of 30% of taxable income of each year, and do not prescribe.

The basis of the tax credits is recorded as follows:

Erro! Vínculo não válido.

In compliance with CVM Instruction No. 371 of June 27, 2002, the table below shows the expected generation of taxable income in amounts sufficient to offset tax credits recorded by the Company, based on studies submitted for the appreciation of and approved by management:

Erro! Vínculo não válido.

These projections of future results will be reviewed by management at the end of 2005.

b) ICMS recoverable

The Paraná State Government approved on September 5, 2002, in favor of COPEL Distribuição, the right to record the previously unused Value-Added Tax on Sales and Services (ICMS) credits, originally amounting to R\$ 167,485, on the purchase of permanent assets, which were being offset in 48 monthly installments against ICMS payable, adjusted by the Escalator and Conversion Factor (FCA).

From September 2002 to May 2004, 21 installments were offset, totaling R\$ 80,552.



The State Government disallowed the right to this credit in 2004, and COPEL therefore reversed the 21 installments already offset, resulting in an ICMS liability, after monetary restatement and interest on arrears, of R\$ 108,777. This liability was settled through the offset of part of the receivable from the State of Paraná relating to the CRC account.

c) Tax Recovery Program (REFIS)

In 2000, the Company included in the Tax Recovery Program (REFIS), created by Law 9,964 of 2000, a total debt of R\$ 89,766, arising from payables to the National Institute of Social Security (INSS), and settled R\$ 45,766 relating to the interest thereon using credits from income tax and social contribution losses purchased from third parties. Considering that the Federal Revenue Secretariat (SRF) has not yet completed the analysis of this transfer of tax credits, in September 2003 the Company recorded a provision which, restated to December 31, 2004, amounts to R\$ 67,942 (R\$ 45,766 of interest and R\$ 22,176 of monetary restatement).

13. “Portion A” Offsetting Account

Interministerial Ordinance 25, of January 24, 2002, issued by the Ministries of Finance and of Mines and Energy, established the Account for Offsetting “Portion A” Differences (CVA), with the intention of registering the differences in costs occurring during the period between annual tariff adjustments, beginning in 2001, relating to the items established in the electric energy distribution concession contracts.

Erro! Vínculo não válido.

Interministerial Ordinance 116, of April 4, 2003, postponed for 12 months the offset of the balance of the “Portion A” Offsetting Account for the annual tariff adjustments occurring between April 8, 2003 and April 7, 2004.



The balance of CVA for 2002/2003, whose offset was postponed by Ordinance 116/03, including the CVA balance determined for the subsequent twelve months, in accordance with Ordinance 25 of January 24, 2002, will be offset in the electric energy supply tariffs charged by utility concessionaires during the 24 months subsequent to the annual tariff adjustment to be made in the period from April 8, 2004 to April 7, 2005.

Accordingly, in conformity with the ANEEL Technical Note 146 of June 21, 2004, the tariff adjustment in June 2004 included 50% of the balance of the Portion A Offsetting Account for 2002/2003, of R\$ 112,193, and R\$ 75,184 relating to 2003/2004.

The remaining balances of the two periods will be considered in the 2005 adjustment.

Ordinance 116 also establishes that for purposes of calculating the electric energy supply tariff adjustment, the CVA must also include the differences in the fee payable to the Energy Development Account (CDE).

14. Other Receivables

Erro! Vínculo não válido.

a) PIS and COFINS regulatory assets

Federal Laws 10637 and 10833 changed the calculation basis and increased the rates of PIS and COFINS. As a result, PIS expenses increased from December 2002 to 2004 and COFINS expenses from February to December 2004.

ANEEL, through Circular Letter 302/2005-SFF/ANEEL sent to Copel, recognizes the Company's right to be reimbursed the additional PIS and COFINS costs, stating that the concessionaires must determine the effects of the changes in the PIS and COFINS calculations up to the balance sheet date, and recognize them as an asset or liability, according to their positive or negative impact, respectively. Based on this, and in accordance with the ANEEL regulations, the Company recorded credits of R\$ 80,426 (consolidated) in long-term receivables and a contra entry reducing PIS and COFINS expenses.

The Company believes that the amounts recorded will be recovered in the tariff as from July 2005 but the restatement criteria and recovery period must still be defined by ANEEL.



15. Subsidiary and Associated Company Receivables

The Company has the following receivables from subsidiary and associated companies, recorded at their net amounts:

Erro! Vínculo não válido.

a) Interest on equity receivable

These relate to dividends receivable from the wholly-owned subsidiaries, calculated as interest on stockholders' equity, as established in the Company's by-laws, relating to 2001, 2003 and 2004.

b) Loans, financing and debentures transferred

The Company assigned loans and financing to its wholly-owned subsidiaries when these were formed in 2001. However, the agreements whose transfer to the respective subsidiaries have not yet been formalized are also recorded in the parent company.

For financial statement purposes, the balances of these loans and financing transferred, without interest charges, are shown separately as receivables from wholly-owned subsidiaries and as loans and financing payable, totaling R\$ 554,667 at December 31, 2004 (Note 18).

The amount of R\$ 614,027 relating to debentures was also transferred to COPEL Distribuição, the same comment as in the previous paragraph being applicable (Note 19).

c) Loan agreement with Elejor

The loan agreement with Elejor, of R\$ 216,926 (R\$ 24,000 in 2003), aims at assuring the continuity of the construction of the plants comprising the Fundação-Santa Clara Electric Energy Complex, as well as the transmission system. The loan will be paid in 120 monthly and consecutive installments, with a grace period of six months after the start of operations of the fourth turbine of the Complex, estimated for October 2006, plus interest "pro rata temporis" of 3.198% p.a., and as spread the Interbank Certificate of Deposit (CDI) interest rate as from the date of each transfer.

16. Investments

Investments comprise the following:

Erro! Vínculo não válido.

**a) Associated companies and subsidiary**

Erro! Vínculo não válido.

The investments in Sercomtel S.A. Telecomunicações and Sercomtel Celular S.A. include goodwill on acquisition (R\$ 42,289 and R\$ 5,814), with net balances of R\$ 14,252 and R\$ 1,963, respectively. This goodwill is being amortized at the annual rate of 10% with a charge to income of R\$ 4,808 (R\$ 4,228 and R\$ 580) in 2004 and 2003. The goodwill paid on these investments was based on the expected future return and the amortization over ten years, at the annual rate of 10%, resulted from the valuation of the return on the investments based on discounted cash flows.



On December 18, 2003, the Company entered into an agreement with Triunfo Participações e Investimentos S.A. under which the latter commits to sell 30% of the common shares held in Elejor – Centrais Elétricas Rio de Jordão S.A. Accordingly, the Company's investment in this venture increased to 70% of the common shares. Elejor capital comprises 60,300 thousand common shares and 59,900 thousand preferred shares. This transaction was approved by ANEEL in conformity with Resolution 302 of July 27, 2004, published in the Official Federal Government Gazette on July 28, 2004, and by the Administrative Council for Economic Defense (CADE) in the 330th Ordinary Meeting held on September 15, 2004.

The Company signed an agreement with Lanis Ltda., on July 9, 2004 for the sale of its 24.5% shareholding in Onda Provedor de Serviços S.A., and received the proceeds in October 2004.

17. Property, Plant and Equipment

Erro! Vínculo não válido.

Under Articles 63 and 64 of Decree 41,019, of 1957, assets and premises used to generate, transmit, distribute, and sell electric energy are attached to these services and cannot be withdrawn, sold, assigned, or pledged in guarantee without the prior written consent of the Regulatory Agency. ANEEL Resolution No. 20/1999 regulates the release of assets from the concessions of the Public Electric Energy Utilities, by granting prior authorization to release assets not used in the concession, when intended for sale. This Resolution also determines that the proceeds from the sale be deposited in a blocked bank account and invested in the concession.

The principal depreciation rates established by ANEEL Resolution No. 44/1999 and Ministry of Communications Ordinance 96, of 1995, are as follows:

Erro! Vínculo não válido.

a) Special liabilities

These liabilities refer to obligations linked to the electric energy utility concession and represent funds provided by the Federal Government and consumers, as well as donations for which there are no obligations of any return to the donors, as well as subsidies for investments in distribution. The maturity of these special liabilities is established by the Regulatory Agency for transmission and distribution concessions, to be settled at the end of the concessions.



b) Electric Energy Universalization Plans

ANEEL established through Resolution No. 223, of April 29, 2003, the overall conditions for preparing the Electric Energy Universalization Plans intended to supply new consumer households and units or increase capacity. This Resolution regulates the provisions of Articles 14 and 15 of Law 10,438/02, and defines the responsibilities of the concessionaires and authorized electricity distribution utilities. Up to December 31, 2004, the consumers were refunded R\$ 4,427.

The “light for everyone” program, implemented by the Federal Government, aims at advancing this goal and providing electric energy to 100% of Brazil up to 2008, with no costs to the consumer.

c) Inventory taking of property, plant and equipment

The Company takes periodic physical inventories of all its assets within its concession area.

18. Loans and Financing

As mentioned in Note 15, all the Company’s loans and financing refer to liabilities with financial institutions assigned to wholly-owned subsidiaries, whose transfers are being formalized. The balance comprises:

Erro! Vínculo não válido.

Consolidated loans comprise:

Erro! Vínculo não válido.

- (1) **Eurobonds** – Issue of Eurobonds on May 2, 1997 due on May 2, 2005, equivalent to US\$150,000, bearing interest of 9.75% per annum, with semi-annual payment as from November 2, 1997. The agreement contains the following restrictive clause.

The EBITDA/financial expenses ratio (consolidated) must be at least 2.5 and the total debt/EBITDA ratio should not exceed 3.25 (consolidated). These are being complied with.

- (2) **IDB (Interamerican Development Bank)** – Loan to the Segredo hydroelectric power plant and Jordão river deviation project, received on January 15, 1991, totaling US\$ 135,000. The principal, the first installment of which was paid on January 15, 1997, and interest are due semi-annually to 2011. Interest is calculated according to the IDB funding rate, which in the second half of 2004 was 4.62% p.a.
- (3) **National Treasury** – The rescheduling of medium and long-term debt, signed on May 20, 1998, of the financing received under Law 4.131/62, is shown below:



Erro! Vínculo não válido.

The annual interest rates and repayments are as follows:

- a) Par Bond – Interest of 4.0% p.a. in the first year and 6.0% p.a. to final maturity, with a single repayment at the end of the agreement.
- b) Capitalization Bond – Interest of 4.0% p.a. in the first year and 8.0% p.a. to final maturity, repayable in 21 semi-annual installments as from April 2004.
- c) Debt Conversion Bond – Interest equivalent to semi-annual LIBOR + 7/8 of 1% p.a., repayable in 17 semi-annual installments as from April 2004.
- d) Discount Bond – Interest equivalent to semi-annual LIBOR + 13/16 of 1% p.a., with a single repayment at the end of the agreement.
- e) EI Bond – Interest Bonds – Interest equivalent to semi-annual LIBOR + 13/16 of 1% p.a., repayable in 19 semi-annual installments as from April 1997.
- f) New Money Bonds – Interest equivalent to semi-annual LIBOR + 7/8 of 1% p.a., repayable in 17 semi-annual installments as from April 2001.
- g) FLIRB – Interest of 4.0% to 5.0% p.a. in the first years and semi-annual LIBOR + 13/16 of 1% p.a. after the 6th year to the end of the agreement, repayable in 13 semi-annual installments as from April 2003.

As collateral for this agreement, the Company assigned and transferred to the Federal Government, conditioned to the non-payment of any financing installment, the credits that are made to the Company's centralized revenues account, up to a limit sufficient to cover the payment of installments and other charges payable at each maturity. For the Discount and Par Bonds, there are collateral deposits of R\$ 11,149 and R\$ 15,871 (R\$ 10,690 and R\$ 15,217 at December 31, 2003), respectively, recorded in long-term receivables, other receivables (Note 14).

- (4) **Banco do Brasil S.A.** – Agreements denominated in Japanese yen for the gas-insulated substation – Salto Caxias, repayable in 20 semi-annual installments as from March 7, 2000, bearing interest of 6.6% p.a. The debt is guaranteed by COPEL's revenues.

A Private Contract of Credit Assignment with the Federal Government, through Banco do Brasil S.A., signed on March 30, 1994, repayable in 240 monthly installments based on the *Price* system as from April 1, 1994, monthly restated by the TJLP and IGPM and interest of 5.098% p.a.



- (5) **Eletrobrás** - Loans derived from the Eletrobrás Financing Fund (FINEL) and the Global Reversal Reserve (RGR) for expansion of the generation, transmission and distribution systems. Repayments started in February 1999 and the last payment is due in August 2021. Interest of 5.5% to 6.5% p.a. and repayments of principal are made monthly, adjusted by the Eletrobrás Financing Rate (FINEL) and Federal Reference Unit (UFIR) indices. The contract transferred to COPEL Distribuição, using IBRD funds, bears interest at 3.98% p.a. paid semi-annually; this loan is collateralized by the Federal Government.
- (6) **BNDES** – Loan to finance the Deviation of the Jordão river, repayable in 99 monthly installments as from October 15, 1997. Interest is based on the TJLP (long-term interest rate) (limited to 60%) plus a 6% p.a. spread. The loan is collateralized by COPEL revenues.

Four agreements of Companhia Paranaense de Gás – Compagas, signed on December 14, 2001, repayable in 99 installments, with interest of 4% p.a. – two for the purchase of machinery and equipment, subject to the TJLP rate (limited to 6.0% p.a.) and two for works, facilities and services, subject to the UNBND rate.

- (7) **Banco Banestado S.A.** – Urban Development Fund contracts, signed on December 2, 1996 and July 23, 1998, repayable in 96 monthly installments under the *Price* repayment method, with a grace period of 12 months, and adjustments based on the monthly Referential Rate (TR) and interest of 8.5% p.a. The contract signed on December 2, 1996 was concluded in September 2004.

a) Breakdown of loans and financing by currency and index:

Erro! Vínculo não válido.

b) Changes in foreign currencies and index rates used in the Company's loans and financing:

Erro! Vínculo não válido.

c) Maturity of the long-term portion:

Erro! Vínculo não válido.

In order to comply with the 2005 investments and Debt Service Program, the Company is conducting studies and evaluations in order to raise funds by May 2005, in addition to using own funds.

**d) Changes in loans and financing:**

Erro! Vínculo não válido.

19. Debentures

The issue of debentures was completed on May 9, 2002 by the full subscription of the total amount of R\$ 500,000, divided into three series (R\$ 100,000, R\$ 100,000 and R\$ 300,000, respectively), with a term of five years, payable on March 1, 2007. The first series was repurchased on February 27, 2004 and the second series was renegotiated in March 2005 with the Interbank Deposit (DI) interest rate plus 1.50% p.a.

The debentures are non-preferred (subordinated liability), jointly and severally collateralized by the wholly-owned subsidiaries of COPEL and are not convertible into shares. The funds were used to pay the Euro-Commercial Paper and applied in the 2002-2004 program of investments in the wholly-owned subsidiaries.

Interest of the 1st and 2nd series is equal to the Interbank Deposit (DI) interest rate [calculated and disclosed by the Central System for Custody and Financial Settlement of Securities (CETIP)], expressed as an annual percentage, base 252 days, compounded by a 1.75% p.a. spread. This interest will be paid semi-annually on the first business day of March and September. The nominal unit value of the 3rd series bears interest as from the issue date, March 1, 2002, based on the IGP-M, prorated to the number of business days, plus interest of 13.25% p.a. Interest will be paid annually on the first business day of March, adjusted based on the IGP-M, in a single installment, together with the principal.

In March 2005, Copel filed with the CVM the request for recording a Debenture Program in the amount of R\$ 1,000,000. The 1st series of this program will amount to R\$ 400,000 and the funds therefrom will be used to pay Eurobonds of US\$ 150,000 issued in 1997.

At December 31, 2004, the balance of debentures was as follows:

Erro! Vínculo não válido.

These balances of debentures of R\$ 614,027 were transferred to COPEL Distribuição (R\$ 557,911, at December 31, 2003), in the same manner as the transfer of loans and financing (Notes 15 and 48).

20. Suppliers

Erro! Vínculo não válido.



Company management constantly renegotiates contracts, conducts studies, surveys, analyses, and audits to improve the existing contractual terms and conditions. Accordingly, on February 25, 2003, the Board of Directors authorized the suspension of payments of the UEG Araucária Ltda. and Companhia Paranaense de Gás – Compagas contracts.

a) UEG Araucária Ltda. – Contract entered into with COPEL for the purchase and sale of guaranteed power, at the nominal amount of 484.7 MW, signed on May 31, 2000 and effective for 20 years as from the start-up of the thermal plan being built in the Municipality of Araucária, State of Paraná.

Under the purchase and sale of the guaranteed power contract, and the operation and maintenance of the natural gas thermal power plant, COPEL and UEG Araucária agreed that the entire initial guaranteed power of the plant, of 484.7 MW, would be exclusively sold to COPEL.

The monthly amounts paid to December 2002 refer to advances of the amounts which would be due under the terms of the agreement that would be signed between the parties to the original contract, provided that the new agreement would receive the required regulatory authorization. The payments were suspended as from January 2003 by the new management due to the cessation of the negotiations for preparing the new agreement to replace the purchase and sale agreement of the guaranteed electric energy.

On April 1, 2003, UEG Araucária filed a claim against the Company in the Paris Court of Arbitration with the objective of obtaining an arbitration regarding the alleged non-performance of the contract. On April 22, 2003, UEG Araucária sent to COPEL a notification terminating the contract.

On June 22, 2003, COPEL filed in the Paraná State courts an action claiming the annulment of the arbitration clause and was granted an injunction suspending the arbitration procedures, or otherwise subjecting the other party to a daily fine.

Based on the Legal Opinion of the Civil Law Institute (IDC), prepared by renowned jurists, Company management understands that this contract is null and void from a legal standpoint because it was not approved by ANEEL.

Additionally, this opinion mentions that the payment of the purchase value of the plant as a contractual fine, as claimed in the arbitration request, cannot be considered payable before there is a final decision on the litigation by the Brazilian courts. Moreover, this contractual fine is significantly higher than the market value of a similar plant, which is not in compliance with applicable legislation.

Company management, based on this legal opinion and on the understanding that the contract signed by the parties is null and void, decided to reverse the accrued monthly billings of the UEG Araucária contract at June 30, 2003.



On August 14, 2003, the Company filed a new lawsuit against UEG Araucária, called Anticipated Evidence Injunction, notified under No. 24.546/2003 with the 3rd District Tax Court of Curitiba, currently in the final audit stage. The Company intends, in this manner, to provide evidence in its favor that it is impossible to operate the plant in a continuous, safe, permanent manner. A court audit inspection is currently being carried out by an expert appointed by the court based on prerequisites filed by the Company and UEG Araucária, who will issue a technical opinion containing his/her conclusions. The Company and UEG Araucária have appointed technical assistants to follow up on the inspection and they will also issue their conclusions on the same prerequisites.

The preliminary hearing at the Arbitration Court, CCI, Paris, was held on February 22, 2004. This hearing was adjourned to April 15, 2004. On that occasion, COPEL reaffirmed its position that it will not accept the arbitration and noted that there is a decision by Brazilian courts nullifying the contract's arbitration clause that supported the Paris proceedings. In July 2004, there was a further hearing in Paris, continuing the arbitration procedure, when COPEL reaffirmed its previous position. On December 6, 2004, the Arbitration Court, by majority, decided that it was competent to judge the proceedings. This judgment will not affect or change the decisions of the Brazilian courts concerning this matter. After this, the Arbitration Court will discuss the merits of the litigation between the parties.

b) Cia. Paranaense de Gás - Compagas – Contract for sale of natural gas, signed in 2000, intended exclusively to be consumed by UEG Araucária to generate electric energy. The agreement period is 20 years, starting on the date the first supply was made (2002).

Because of the litigation with UEG Araucária and the fact that the energy purchase agreement entered into by the Company with UEG was not approved by ANEEL, the Company suspended the payments relating to the natural gas purchase agreement (this natural gas would be the fuel for the power plant that has never operated) to Compagas which, in turn, suspended payments to Petrobras.

The amount recorded in this account refers to the accrual of the natural gas volume guaranteed by the agreement signed by the parties on a "take or pay" basis. The agreement also prescribes that the amount paid can be recovered over a seven-year period, linked to the equivalent gas consumption. However, this recovery depends on the results of the Company's discussions with the other shareholders of UEG Araucária, as mentioned in item "a" of this Note.

c) Petróleo Brasileiro S.A. - Petrobras – The amounts of the liabilities to Petrobras result from the inclusion of Compagas in the consolidated balance sheets.



21. Payroll and Labor Accruals

Erro! Vínculo não válido.

22. Post-Employment Benefits

The company's subsidiaries sponsor Fundação Copel which administers retirement pension plans ("Pension Fund") and a medical and dental assistance plan ("Health Care Plan") offered to their current and former employees and their dependents. Both the sponsors and the beneficiaries make contributions to the fund and plan based on actuarial calculations prepared by independent actuaries, according to the current regulations applicable to closed-end supplementary pension entities in order to raise sufficient funds to cover obligations of future benefits.

With the formation of the wholly-owned subsidiaries in 2001, the balance of the debt related to the change in plan (Pension Plan III) in 1998, restated to that date, was transferred to these companies and financed in 210 monthly installments, indexed to the INPC and bearing interest of 6% p.a., payable as from August 1, 2001. As guarantee of these contracts, the sponsors authorized Fundação Copel to block the bank current accounts held by them and the Company is a co-guarantor of any deficit arising from the benefits granted.

The Company adopts the accounting practices established by CVM Deliberation No. 371, of December 13, 2000, to record the costs of the pension fund and the health care plan, as well as the charges on the debt assumed with Plan III (Note 31). The effects of the plan changes were recorded in 2001, directly in stockholders' equity.

23. Regulatory Charges

Erro! Vínculo não válido.



24. Other Accounts Payable

	Parent company		Consolidated	
	2004	2003	2004	2003
Public lighting charge collected	-	-	13,562	17,998
Energy presale	-	-	96	108
Low -income consumers	-	-	443	827
Advances from customers - ICMS credit	-	-	-	3
Consumers	-	-	2,788	2,270
Provision for exchange variation on gas transportation	-	-	420	5,630
Guarantees	-	-	259	270
Compulsory loan - Eletrobrás	9	9	1,043	-
Insurance company - premium payable	-	-	1,601	1,828
Triunfo Participações e Investimentos S.A.	-	-	1,791	-
Other liabilities	3	115	2,478	2,175
	12	124	24,481	31,109

25. Provisions for Contingencies

The Company is a party to several labor claims, tax suits, and civil actions filed with different courts. Company management, based on the opinion of its legal counsel, provides for contingencies relating to litigation where the chances of unfavorable outcomes are probable.

Erro! Vínculo não válido.

a) COFINS

On August 18, 1998, the Federal Court of the 4th Region issued a decision granting COPEL immunity from the COFINS social contribution on electric energy transactions. On August 10, 2000, the Federal Government filed a claim to annul this judgment and the Company was subpoenaed on November 21, 2000, initiating the discussion as to whether this claim could be filed. On December 14, 2000, the case was sent to the Judge containing an objection by COPEL, filed on December 6, 2000 and based on conclusive opinions of renowned jurists on the lack of basis for the claim to annul the judgment. Conservatively, management decided to maintain the provision for contingency only in the amount of the principal being discussed, without interest. In August 2003, the claim was accepted, that is, not favorable to Copel, by majority. Copel filed an appeal requesting clarification of the decision, which was partially accepted. In June 2004, Copel filed a request for reconsideration and judgment was scheduled for December 2, 2004. Following the start of the judgment on that day and presentations by representatives of both parties, the Federal Court announced its postponement. The parties are waiting for a new date to be scheduled.



This provision was not included in the REFIS because the Company considers it has probable chances of a favorable outcome, based on the opinion of several jurists.

b) INSS

In addition to deposits related to accrued third-party payments, court deposits involving Social Security (INSS) include other lawsuits involving the Company that are being challenged and supported by appeal deposits.

26. Stockholders' Equity

a) Capital

At December 31, 2004, capital amounts to R\$ 3,480,000 and the shares (without par value) are held by the following main stockholders:

Erro! Vínculo não válido.

Each share entitles its holder to one vote in General Meetings.

Class "A" preferred shares do not have any voting rights, however, they have priority in the reimbursement of capital and the right to annual, non-cumulative, dividends of 10% calculated on capital represented by these class shares.

Class "B" preferred shares do not have any voting rights, however, they have priority in the minimum dividends, calculated based on 25% of net income, adjusted as prescribed by corporate legislation and the Company's by-laws. The dividends that are assured to class "B" shares have priority only over common shares, paid using the remaining net income after the payment of preferred dividends to class "A" shares.

Under Article 17 and its paragraphs of Law 6,404/1976, dividends paid to preferred shares must be at least 10% higher than those attributed to common shares.

b) Capital reserves

Erro! Vínculo não válido.

c) Revenue reserves

Erro! Vínculo não válido.

The legal reserve is recorded based on 5% of net income for the year, limited to 20% of capital.



The reserve for investment arises from the retention of net income remaining after legal and statutory distributions, to ensure the Company's future investment programs, approved by the 106th Board of Directors' Ordinary Meeting held on September 21, 2004. This reserve was also used to offset the 2002 net loss.

d) Interest on equity for the year

Erro! Vínculo não válido.

Interest on equity was recorded under financial expenses and, for financial statement purposes, presented as a distribution of net income for the year. As prescribed by the CVM, it was reversed from financial expenses for purposes of presentation of the statement of income.

27. Operating Revenues

Erro! Vínculo não válido.

28. Deductions from Operating Revenues

Erro! Vínculo não válido.

29. Electric Energy Purchased for Resale

Erro! Vínculo não válido.

30. Personnel Expenses

Erro! Vínculo não válido.

31. Pension Fund and Health Care Plan

Company subsidiaries sponsor retirement pension plans ("Pension Fund") and a medical and dental assistance plan ("Health Care Plan") offered to their current and former employees and their dependents.

Pension fund

The current Pension fund for the companies' employees is originated from a "defined benefit" plan, which was changed into a new "defined contribution" pension plan in 1998, called "Pension Fund III".



Because of the change in the former pension plan, the participants' prorated right generated a debt assumed by, and recorded in the financial statements of, COPEL, as the single sponsor of the plan, payable in 240 monthly installments, beginning on February 1, 1999, indexed to the INPC and bearing interest of 6% p.a.

With the formation of wholly-owned subsidiaries on July 1, 2001, the debt balance restated to that date was formally transferred to these companies, individually separated based on their respective employees on the base date for calculating liabilities, i.e. December 31, 1997, to be paid in 210 monthly installments, indexed to the INPC and bearing interest of 6% p.a., beginning August 1, 2001. As guarantee, the sponsors authorized Fundação Copel to block bank current account balances held by these companies.

Because of these new, individual agreements, the agreement entered into by the Fundação and the Company as the original sponsor was terminated and the parties waived all rights and obligations arising thereon. However, the Company was appointed as co-guarantor of any deficit arising from the benefits granted.

Health care plan

Until August 2001, the Company provided medical care to its employees and their dependents directly but administered by Fundação Copel. Thereafter, the Company and its subsidiaries implemented a health care plan for their employees and dependents called "Plano Pró-Saúde", funded by monthly contributions from both parties – sponsors and employees – calculated based on actuarial criteria and current regulations applicable to this type of health care plan.

CVM Deliberation No. 371/2000 – Accounting for employee benefits

As the pension fund obligation relating to the prorated right of employees, following the change in pension plans stated above, had already been recognized in the accounting records since 1998, the Company and its subsidiaries adjusted the balance of this obligation balance in 2001, amounting to R\$ 72,857 (Note 15), to comply with CVM Deliberation No. 371/2000, then stated at its historic amount, restated pursuant to contractual provisions less monthly amortizations made to that date.

In the case of the Health Care Plan, the Company subsidiaries chose to recognize the related obligation on July 1, 2001, calculated under the criteria established by CVM Deliberation No. 371/2000, net of income tax and social contribution, amounting to R\$ 159,949, directly against stockholders' equity.



In order to permit the implementation of and provide financial guarantees to the new Pró-Saúde Plan, the Company's wholly-owned subsidiaries contributed with funds as calculated by the actuary specially hired by Fundação Copel. These funds were recorded as a contra entry to the obligation recognized on July 1, 2001.

The consolidated amounts recognized in the balance sheet at December 31, 2004, under post-employment benefits, are summarized below:

Erro! Vínculo não válido.

In 2004, the expense incurred with the pension fund and health care plan was as follows:

Erro! Vínculo não válido.

The cost estimate for each plan for 2005 and 2004, calculated according to the actuarial criteria established by CVM Deliberation No. 371/2000, is as follows:

Erro! Vínculo não válido.

The actuarial assumptions applied in the calculation of obligations and costs for 2005 and 2004 were as follows:

Erro! Vínculo não válido.

32. Materials

Erro! Vínculo não válido.

33. Raw Materials and Inputs Used in Energy Generation

Erro! Vínculo não válido.

34. Natural Gas and Inputs for Gas Operations

Erro! Vínculo não válido.

The gas purchased relates to the Compagas operations, which serves Copel Geração and other customers.



35. Third party Services

Erro! Vínculo não válido.

36. Regulatory Charges

Erro! Vínculo não válido.

37. Other Operating Expenses

Erro! Vínculo não válido.

38. Equity in the Earnings (loss) of Subsidiary and Associated Companies

Erro! Vínculo não válido.

a) Equity in the earnings (loss) of associated companies

Erro! Vínculo não válido.

The Company has been recording its investments on the equity method of accounting, limited to the amount of each investment.

At December 31, 2003, the equity accounting adjustments of Sercomtel S.A. – Telecomunicações and Escoelectric Ltda. were calculated based on preliminary financial statements. Consequently, the equity in earnings were understated by R\$ 2,645 and R\$ 833, and adjusted in the first and fourth quarters of 2004.

The Company, based on financial statements of the associated company Sercomtel S.A. Telecomunicações at December 31, 2004 audited by PricewaterhouseCoopers Auditores Independentes – paragraph 4, report dated February 11, 2005 — recognized an equity accounting loss of R\$ 7,881. This amount refers to the equity loss in Copel arising from investments made by Sercomtel in other companies, which recorded a provision for net capital deficiency.

39. Financial Income (Expenses), Net

Erro! Vínculo não válido.



40. Tariff Adjustments

a) Annual tariff adjustment

ANEEL approved, through Resolution No. 284 of June 23, 2003, electric energy tariffs chargeable to the Company's end consumers, established the annual revenue of the connection installations, set the annual amount of the electric energy inspection service fee, and the tariffs for the use of distribution systems.

The tariff increase applies since June 24, 2003, with an average increase of up to 25.27%.

As disclosed in the Material Event published on June 27, 2003, in order to mitigate the impacts of this increase for the Paraná consumers and avoid a possible decrease in consumption, reduce default, reward timely payments by consumers, and attract new consumers, especially manufacturers, the Board of Directors of the Company at the 60th Extraordinary Meeting held on August 26, 2003 and the 102nd Ordinary Meeting held on December 9, 2003, granted a discount on energy bills to performing consumers in the same amount of the increase authorized by ANEEL. This measure was also analyzed by the 159th Extraordinary General Meeting of stockholders held on October 3, 2003, re-ratified by the 160th Extraordinary General Meeting on November 13, 2003.

Starting January 2004, the Company decided to reduce to 8.2% the percentage of discount offered to performing consumers. This decision resulted in an average increase of 15% in the total amount of energy bills.

b) Periodic tariff review

Electric energy utility concession contracts establish that ANEEL can periodically review regulated tariffs to increase or decrease them because of changes in the cost structure and the market of the concessionaire, the tariffs charged by similar domestic and foreign companies, incentives to stimulate investments, efficiency, and the type of tariffs.

ANEEL Resolution 146, published in the Official Government Gazette on June 24, 2004, contained the final result of the periodical tariff review of COPEL. Based on this resolution, the average readjustment was 14.43% on the tariffs approved by Resolution 284/2003. This adjustment comprises 9.17% relating to the rate determined by the process of tariff review, and 5.26% relating to cost recoveries already realized (CVA).

In order to control the default levels and stimulate the electric energy consumption in the State of Paraná, the Company decided to continue granting discounts to those consumers who pay bills on time. Accordingly, on the amounts of Resolution 146/04 (which includes the adjustment of 25.27% for 2003 and 14.43% for 2004), the Company granted an average discount of 12.5%.



As a result, the average increase transferred to consumers who pay bills on time, as from June 24, 2004, was some 9%.

As from February 1, 2005, the Copel tariff discounts were reduced to some 8.2% on the amounts of Resolution 146/04, resulting in an average adjustment of 5%.

To enable the discounts granted by Copel Distribuição to its end consumers, Copel Geração also granted an average discount of 28% in 2004.

41. Wholesale Energy Market (MAE)

COPEL Distribuição electric energy sale details, considered in the MAE accounting records, were not recognized by the Company as effective and definite for 2000, 2001 and the first quarter of 2002. This data was calculated based on criteria and amounts established in ANEEL Decision No. 288/2002 and ANEEL Resolution No. 395/2002. The Company has challenged these decisions at the administrative level and in the courts.

The Company's claim is basically based on the fact that the Decision and Resolution were applied retroactively to the date of operations, especially as regards the partial sale of its share of energy from Itaipu in the Southern and Southeastern submarkets to meet independent electricity supply bilateral agreements during the rationing period in 2001, when there was a significant difference in the prices of spot market energy. At December 31, 2004, the estimated amount of the calculation differences was approximately R\$ 534,000, which has not been recognized by the Company in its payables for spot market energy.

On August 27, 2002, the Company obtained a favorable injunction issued by the 1st Federal Region Court, intended to stay the settlement of the amount determined by ANEEL Decision No. 288 and Resolution No. 395.

Management, based on the opinion of its legal counsel, considers that there are good chances of a favorable outcome on these proceedings.

The accumulated balances related to transactions carried out by the Company, are as follows:

Erro! Vínculo não válido.

Changes in spot-market energy amounts (MAE) in 2004, were as follows:

Erro! Vínculo não válido.



On June 24, 2003, after the completion of audit work, MAE issued a communication approving the new calendar for the settlement of the remaining 50% of transactions carried out from December 2000 to December 2002. This settlement was made on July 3, 2003, and the previously agreed dates for the settlement of transactions carried out in October, November, and December 2002 were maintained, i.e., July 7, 2003, July 10, 2003, and July 17, 2003, respectively.

The long-term energy amounts may be subject to change depending on the decisions on the ongoing lawsuits filed by certain industry companies and the interpretation of COPEL of the current market rules. These companies, that were not included in the rationing area, were granted an injunction that nullifies ANEEL Decision No. 288, of May 16, 2002, the purpose of which was to explain to industry companies the treatment and the application of certain MAE accounting rules included in the General Electricity Industry Agreement.

42. Reconciliation of Provisions for Income Tax and Social Contribution

The reconciliation of the provisions for Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), calculated at the standard rates of tax, with the amounts in the statement of income is as follows:

Erro! Vínculo não válido.

43. Financial Instruments

Company management carries out, through a derivatives policy, currency hedge transactions to protect against the effects of foreign exchange fluctuations on US dollar-denominated liabilities.

The nominal outstanding amount of the derivatives is R\$ 444,383, where the Company has an asset position corresponding to exchange fluctuations and a liability position in relation to the percentage change of the Interbank Deposit Certificate (CDI) interest rate.

The book value of these financial instruments is restated in accordance with the contractual rates. The unrealized loss on these transactions intended to minimize the exposure to foreign exchange fluctuations of R\$ 124,629 is recorded in financial expenses (R\$ 90,905 in 2004 and R\$ 33,724 in 2003).



44. Related Party Transactions

COPEL carried out a number of unconsolidated related party transactions, including the sale of electric energy. Tariffs charged were approved by ANEEL and the amounts billed were not considered material for disclosure purposes. All other transactions were carried out under terms and conditions similar to market.

The main balances of the related party transactions in the balance sheet are:

Erro! Vínculo não válido.

The main balances of related party transactions in the statement of operations are:

Erro! Vínculo não válido.

The balances of transactions between the Company and its wholly-owned subsidiaries are stated in Note 15.

Braspower International Engineering S/C Ltda. – The Company loans employees to Braspower International Engineering S/C Ltda. and recorded as recovery of expenses the amounts of R\$ 370 in 2004 and R\$ 302 in 2003, with a balance receivable of R\$ 982 (R\$ 612 in 2003).

Copel Amec S/C Ltda. – The Company loans employees to Copel Amec S/C Ltda. and recorded as recovery of expenses the amounts of R\$ 143 in 2004 and R\$ 239 in 2003, with a balance receivable of R\$ 18 (R\$ 7 in 2003).

Paraná State Government – The Company has CRC credits with the Paraná State Government, as described in Note 11, which resulted in financial income of R\$ 198,278 (R\$ 126,945 in 2003). The Company also loans employees to the Government and recorded as recovery of expenses the amounts of R\$ 109 in 2004 and R\$ 192 in 2003, with a balance receivable of R\$ 1,154 (R\$1,110 in 2003).

Onda Provedor de Serviços S.A. – The Company has balances of optical fiber leasing bills receivable from Onda Provedor de Serviços S.A. of R\$ 4,594, (R\$ 3,550 in 2003) and lease revenues in 2004 of R\$ 483 (R\$ 1,353 in 2003), and financial income of R\$ 276 (R\$ 448 in 2003).

Sercomtel S.A. Telecomunicações – The Company leases optical fibers to Sercomtel S.A. Telecomunicações and has a receivable of R\$ 89 (R\$ 1 in 2003) and lease revenues of R\$ 1,557 (R\$ 1,713 in 2003).

Elejor – Centrais Elétricas do Rio Jordão S.A. – The Company has a loan agreement with Elejor – Centrais Elétricas do Rio Jordão S.A., as described in Note 15, and recorded financial income of R\$ 19,852 in 2004.



Foz do Chopim Energética Ltda. – The Company has a loan agreement with Foz do Chopim Energética Ltda., as described in Note 15, and recorded financial income of R\$ 3,034 (R\$ 4,065 in 2003). The Company also has an agreement for the purchase of electric energy with this company, totaling R\$ 21,785 (R\$ 18,463 in 2003), and a balance payable of R\$ 44,878 (R\$ 18,463 in 2003). The Company also incurred fines on the purchase agreement of R\$ 3,167 (R\$ 732 in 2003).

BNDES - A BNDES Participações S.A. - BNDESPAR holds 26.4% of the Company's common shares and has the right to indicate two members of the Board of Directors. BNDESPAR is a wholly-owned subsidiary of BNDES, with which the Company has loan agreements as described in Note 18. These agreements incurred financial expenses of R\$ 6,847 (R\$ 1,198 and R\$ 5,649) in 2004 and R\$ 8,615 (R\$ 2,093 and R\$ 6,522) in 2003.

Centrais Eólicas do Paraná Ltda. – the Company has an agreement for the purchase of electric energy with Centrais Eólicas do Paraná Ltda. The purchases in 2004 totaled R\$ 964 (R\$ 691 in 2003) and a balance payable of R\$ 1,357 (R\$ 225 in 2003).

Dona Francisca Energética S.A. - The Company provided guarantees to its indirect associated company Dona Francisca Energética S.A. for the loans from the Interamerican Development Bank (IDB) (guaranteed by shares of the associated company held by the Company) and the National Economic and Social Development Bank (BNDES) (joint debtor), in the amounts of US\$ 40,700 and R\$ 47,300, respectively.

The Company has an agreement for the purchase of electric energy from Dona Francisca Energética S.A. The purchases in 2004 totaled R\$ 44,112 (R\$ 32,336 in 2003) and a balance payable of R\$ 30,517 (R\$ 3,625 in 2003). The Company also incurred fines on the purchase agreement of R\$ 739, in 2004.

Eletrobrás –Eletrobrás holds 1.1% of the Company's common shares. The Company has loans with Eletrobras, as described in Note 18, with financial expenses of R\$ 42,480 (R\$ 40,661 in 2003). The Company has an agreement for the purchase of electric energy from Eletrobrás (Itaipu). The purchases in 2004 totaled R\$ 439,494 (R\$ 395,664 in 2003) and a balance payable of R\$ 62,736 (R\$ 68,741 in 2003).

UEG Araucária Ltda. – The Company entered into an agreement with UEG Araucária for the purchase of assured electric energy. The term of this agreement is being discussed in court (Note 20).



45. Profit Sharing

In 1996, the Company adopted a program of profit sharing for its employees, based on operating and financial goals agreed with these employees. In 2004 (Note 30) profit sharing was accrued as follows:

Erro! Vínculo não válido.

The profit sharing has been accounted for in conformity with Circular No. 01/2003-CVM/SEP/SNC, of January 16, 2003, which among other aspects, determines that profit sharing not specified in the by-laws must be classified as operating costs or expenses.

46. Insurance

The table below shows the main insurance by type of risk and the maturity date of the policies:

Erro! Vínculo não válido.

a) Nominated risks – the policy indicates the substations and plants, listing the main equipment and the respective insured amounts and the maximum indemnity amounts. The policy includes basic insurance cover such as fire, lightning, and any type of explosion, and additional cover against possible electric damages, sundry risks, electric and electronic IT equipment risks.

b) Fire – own and leased properties – covers the property and part of its contents. Ensures the payment of indemnity to the insured or the property owner for damages caused by fire, lightning, and any type of explosion risk and their consequences.

c) Civil liability – covers indemnities for involuntary, personal and/or material damages and/or pain and suffering caused to third parties as a result of the business operations of the Company.

d) Engineering risks – covers installation, assembling, disassembling and testing risks in new equipment, especially in substations and plants. The policy was contracted with variable cover, according to the case and need to cover the risks related to the engineering services.

e) Freight insurance – covers damages caused to merchandise transported by any appropriate means in the domestic market and during import and export transactions in the foreign market. The policy was contracted with variable cover, basically used for insure the transportation of electric, electronic and telecommunication services.

f) Multiple risks – policy which includes the Compagas assets, covering them against fire, lightning, explosion, electric damages, electronic equipment risks, smoke, theft or compound larceny.



g) Vehicles insurance – assures indemnities for damages and expenses incurred arising from covered risks relating to eleven Compagas vehicles. It has basic cover for the vehicles and additional cover for civil responsibility for material, personal and moral damages to third parties amounting to R\$ 150, R\$ 300 and R\$ 45, respectively.



47. Statement of Changes in Financial Position

Erro! Vínculo não válido.

Erro! Vínculo não válido.

Erro! Vínculo não válido.

Erro! Vínculo não válido.

48. Wholly-Owned Subsidiaries

Shown below are the financial statements at December 31, 2004 and 2003 of the wholly-owned subsidiaries: Copel Geração (GER), Copel Transmissão (TRA) and Copel Distribuição (DIS):

Erro! Vínculo não válido.

Erro! Vínculo não válido.

Erro! Vínculo não válido.

Shown below are the financial statements at December 31, 2004 and 2003 of the wholly-owned subsidiaries: Copel Telecomunicações (TELECOM) and Copel Participações (PAR) and the subsidiary Companhia Paranaense de Gás – Compagas (COM):

Erro! Vínculo não válido.

Erro! Vínculo não válido.

Erro! Vínculo não válido.

49. Subsequent Events

Tariff discount reduction – As from February 1, 2005, the average discount granted to consumers who pay bills on time was reduced to be 8.2% on the tariffs of ANEEL Resolution 146/04, resulting in an average adjustment of 5%.



Debentures – In February 2005, Copel successfully renegotiated the 2nd series of the 2nd issue of debentures, in the amount of R\$ 100,000, to the DI rate plus 1.5% p.a. Prior to the renegotiation, the rate was DI plus 1.75% p.a. In March 2005, Copel filed with the CVM a request for recording a Debenture Program of R\$ 1,000,000. The 1st series of this program will amount to R\$ 400,000, to be used to pay Eurobonds of US\$ 150,000 issued in 1997.

COMPANHIA PARANAENSE DE ENERGIA



COPEL

Erro!

Vínculo

não

válido.



Report of Independent Auditors

To the Board of Directors and Stockholders
Companhia Paranaense de Energia - COPEL

- 1 We have audited the accompanying balance sheets of Companhia Paranaense de Energia - COPEL and the consolidated balance sheets of Companhia Paranaense de Energia - COPEL and its subsidiaries as of December 31, 2004 and 2003, and the related statements of income, of changes in stockholders' equity and of changes in financial position of Companhia Paranaense de Energia - COPEL, as well as the related consolidated statements of income and of changes in financial position, for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

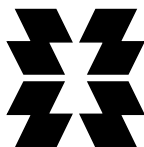
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Companhia Paranaense de Energia - COPEL and of Companhia Paranaense de Energia - COPEL and its subsidiaries at December 31, 2004 and 2003, and the results of operations, the changes in stockholders' equity and the changes in financial position of Companhia Paranaense de Energia – COPEL, as well as the consolidated results of operations and of changes in financial position, for the years then ended, in accordance with accounting practices adopted in Brazil.
- 4 As mentioned in Note 41 to the financial statements, the Company is challenging the calculations made by the Wholesale Energy Market (MAE), which take into consideration the decisions of the National Agency of Electric Energy (ANEEL) contained in ANEEL Decision No. 288/2002 and ANEEL Resolution No. 395/2002, because the Company believes that these regulations introduced changes in market rules prevailing at the time when the transactions occurred. The amount payable involved is approximately R\$ 534,000 thousand, which was not recorded by the Company based on the opinion of its external and internal legal counsel who, respectively, believe that the chances of a favorable outcome for the Company are probable and possible.

Curitiba, March 24, 2005

PricewaterhouseCoopers Valdir Renato Coscodai

Auditores Independentes Contador

CRC 2SP000160/O-5 "F" PR CRC 1SP165875/S-2 "S" PR



Opinion of the Audit Board

The Audit Board of Companhia Paranaense de Energia (COPEL), in compliance with legal and statutory provisions, in addition to having accompanied the economic and financial management of the Company – by analyzing its trial balances - examined the Financial Statements (parent company and consolidated) as of and for the year ended December 31, 2004, comprising the Balance Sheet and other Financial Statements, as well as the Management Report, and considered all the points contained in the Report of PricewaterhouseCoopers Auditores Independentes, as well as the information and explanations provided by these independent auditors, is of the opinion that the financial statements present fairly the financial position of the Company and its subsidiaries and the corresponding results of its operations and are appropriate to be presented for the appreciation and approval of the Company's stockholders.

Curitiba, March 18, 2005

PAULO ROBERTO TROMPCZYNSKI

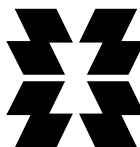
Chairman

ANTÔNIO RYCHETA ARTEN

NELSON PESSUTI

ARIOVALDO DOS SANTOS

ERNESTO RUBENS GELBCKE



* Não destaque * Não destaque * Não destaque * Não destaque *

DEPARTAMENTO DE TRADUÇÕES - REGISTRO DE TRABALHO

Arquivo em MS-Word

DADOS DO TRABALHO

Cliente	- COPEL
Tipo de trabalho	- DF 31.12.04 e 03
Idioma	- P/I
Nome do arquivo	- copelgcs.doc / copelgcs.xls
Código para débito	- 01013462 / 0001
Pedido por: Sócio	-
Gerente	- Mario Tannhauser
Sócio substituto	-
Encaminhar para	- Alexandre Fedalto

ANDAMENTO

Entrada	-
Tradução	- GCS
Correções	- Dari 13.4.05
Revisão da tradução	- AHS 18/19.4.2005
Correções	- Dari 20.4.05
2ª. Revisão	- AHS 20/04/2005
Correções	- Débora 20/04/2005
3ª. Revisão	- AHS 20/04/2005
Correções	- Dari 25/04/2005
Cheque	-