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## **Information about the judicial issue involving COPEL and UEG Araucária**

Companhia Paranaense de Energia COPEL informs that the State of Paraná Court of Law revoked on July 5, 2004 the injunction that authorized the pursuance of the arbitration established in Paris by UEG Araucária against Copel.

Since it took office, in January 2003, Copel's management tried to negotiate with the controlling partners of UEG Araucária aiming to review the terms of the contract settled by the previous management.

Some meetings actually occurred, but before reaching an agreement, UEG decided to stop negotiating and execute the contract, accessing an arbitration committee. Upon being informed about such arbitration, Copel went to Court, filing for a lawsuit aiming to void the arbitration clause, justifying that the jurisdiction for discussing contractual issues involving the Public Administration should be Brazil, where the Company is based.

Accepting Copel's arguments, the 3<sup>rd</sup> Public Finances Court granted Copel a preliminary order in June 2003, which was ratified through a merit sentence on March 15, 2004. UEG Araucária submitted, then, an appeal and obtained, through a preliminary injunction, the suspension of the order that prevented it from taking any action aiming to pursue the arbitration abroad up to the conclusion of a new judgment.

Upon Copel's request, that injunction was nullified by the Court of Law and reestablished the situation previously in force.

Such decision, favorable to Copel, declared the nullity of the arbitration clause and determined that divergences resulting from that contract are appreciated and judged by the Brazilian Court. Additionally, it maintained the previous order that prevents UEG Araucária from taking any action aiming to pursue the arbitration procedures commenced in Paris, being subject to a daily penalty of R\$ 500 thousand in case of default.

Sincerely,

Ronald Thadeu Ravedutti  
CFO and Investor Relations Officer

For additional information, please contact Copel's Investor Relations team:  
[ri@copel.com](mailto:ri@copel.com) or (55-41) 222-2027

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