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Companhia Paranaense de Energia - Copel

CNPJ/MF 76.483.817/0001-20

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MANAGEMENT REPORT

AND

FINANCIAL STATEMENTS

December 2004



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MANAGEMENT REPORT

TO OUR SHAREHOLDERS

We present for your appreciation the Management Report, the Financial Statements, the Opinion of the Audit Board and the Report of the Independent Auditors for the financial years ended December 31, 2004 and 2003.

Companhia Paranaense de Energia - **Copel** is a publicly-held corporation, with both private and public stockholders, controlled by the Government of the State of Paraná.

In accordance with CVM Instruction No. 247 of 1996, article 23, Copel has included in the consolidated financial statements of the current year the accounts of Companhia Paranaense de Gás - **Compagas**, a 51% owned subsidiary, and we have therefore reclassified the financial year 2003 to maintain the comparability of our consolidated financial statements. The consolidation of Compagas in the Financial Statements at December 31, 2004 was carried out according to OFÍCIO/CVM/SNC/No. 005/2005, of January 24, 2005.

MESSAGE FROM THE CEO

2004 was an extremely propitious year for the consolidation of the program intended to bring back to Copel the equilibrium and the economic and financial stability that started in 2003, when the new governor took office.

If in that first year the greatest struggles were to ensure the Company's continuity and survival, eliminating absolutely unsustainable commitments, contracts and partnerships, in 2004 efforts were concentrated on the recovery of the systems and the installations that serve the consumers of electricity.



The resumption of the investments in the maintenance and expansion of the electrical systems, plus the reinforcement and improvement of the structures for serving the public, can be recognized as Copel's great achievements in the year.

These, not by chance, symbolize the definitive return of the Company to the activities that justified its creation and that have always been an integral part of its principal mission as a company: endowing Paraná with the conditions of infrastructure in electricity needed for its full economic and social development, fostering well-being, and contributing towards improving the quality of life of the population.

Under the steadfast guidance of the Governor of the State, with the diligent support of the members of the Board of Directors and the zealous participation of the Audit Board, Copel - through its Executive Board and all its employees - is proud to present the results of operations for the year 2004. In addition, the many advances in the areas of corporate governance and socioenvironmental responsibility, with special emphasis on the commitments arising from the Company's commitment to the Global Compact and the Millennium Agenda of the UN, are also presented.

The Company is convinced that it is fulfilling its mission, contributing with work, creativity and dedication to the progress of the State and the well being of the citizens of Paraná.

Finally, we wish to record our recognition of Paulo Pimentel, who presided the Company with experience and firmness throughout 2004, and to whom are due the main merits for the achievements and the results attained.

Rubens Ghilardi

Chief Executive Officer



SCENARIOS

International Scenario

2004 was a year that stood out for the strong recovery in international trade, which continues to be an important driver of growth, due to the environment of low inflation and low interest rates enjoyed in the current world economic order. The United States continued to be the driving force of development, but the majority of the regions showed an improvement in economic performance. Japan recorded its best performance of recent years and, amongst the industrialized areas, the Euro area found itself practically isolated, with a slower pace of growth. This year was also one of the best of the last three decades for the emerging economies, which have shown development in several parts of the world. Accelerated growth has occurred not only in emergent Asia - including China and India - but also in the economies in transition in Europe, including Russia, Ukraine and the new members of the European Union - where the evolutionary process, up to this moment, has not been affected by the slower growth of the Euro area. Improvements have also occurred in many parts of Africa and the Middle East. In this context, the world Gross Domestic Product - GDP has shown the largest increase of recent years, estimated at around 5% by the International Monetary Fund - IMF.

Brazilian Scenario

Brazil took advantage of the favorable environment for global trade and increased its export sales through the expansion of its export base of products, destinations and companies. In addition to the number of new exporting companies tripling from 306 in the previous year to 1,020 in 2004, the number of small and medium-size companies amongst them also increased, to 90% of the total. The diversification of the exports achieved a similar result, with the inclusion of 600 new products. Of the US\$ 96.4 billion exported in 2004, US\$ 54.4 billion was of manufactured goods, US\$ 28.5 billion represented sales of raw materials, and US\$ 13.5 billion referred to semi-manufactured products. The destination of sales also made headway in 2004 to reach countries that until recently showed an insignificant volume of trade with Brazil, as is the case of Poland, exports to which grew 21.4%. These increases in the volume of exports, a factor that, associated with the increase in credit, particularly in the first half year, made an ample contribution towards increasing industrial production by 8.3%, and were of great importance for the economic growth of the country, resulting in a 5.2% rise in GDP in 2004.



Local Scenario

Although the volumes harvested in the 2004 agricultural crop were lower than those of the previous year, Paraná showed an increase in the activities connected with agribusiness and an expansion in alternative products sold abroad. Besides increasing the product export base, the State advanced in the numbers of exporting companies and of countries with which it maintains trade relations, recording an increase of 31.4% in the volume of exports, which totaled US\$ 9.4 billion.

The balance of trade in this period increased 46.4% in relation to 2003, to total US\$ 5.4 billion. This situation, associated with the favorable quotation of agricultural commodities on the international market, resulted in greater agricultural income. With regard to the secondary sector, Paraná's industrial production surpassed the national average with an increase of 10.1%; a strong growth occurred in the manufacture of automotive vehicles, publishing and printing, and machines and equipment, which showed increases of 50.6%, 39.7% and 21.4%, respectively. The growth of the automobile industry is due mainly to the sale of vehicles with a more accessible price and on a larger scale of production. The publishing and printing sector owed its performance to orders from the Government for books and textbooks, while the machinery and equipment sector grew because of the increased production of a series of manufactured goods, with special mention of machinery for the pulp, paper and paperboard industry. The volume of sales in the retail trade in Paraná increased 11.2% in 2004, compared to 11.4% countrywide. The sales of furniture and electrical and electronic goods were the highlight; they grew 29.4% in Paraná and 23.5% in Brazil.

Scenario of the Electricity Sector

In the regulatory scenario, 2004 was marked by the detailing of the rules for the new model of the electricity sector, instituted by Law 10848/2004 and regulated by Decree 5163/2004. The main event of the new model was the Mega Auction of Electricity held on December 7, 2004, where 17 thousand average MW of energy from already existing enterprises were traded. The total value traded reached R\$ 74.9 billion, and the event attracted 35 distribution companies as purchasers and 18 generation companies as sellers. The companies closed contracts with an eight-year term of duration and deliveries programmed from 2005, 2006 and 2007. 9,054 average MW was traded for delivery starting in 2005, 6,782 average MW for 2006, and 1,172 average MW for 2007.

Copel sold 980 average MW for R\$/MWh 57.50 for delivery in 2005; 368 average MW for R\$/MWh 67.62 for 2006, and 81 average MW for R\$/MWh 75.44 for 2007.



Although the Company had advised the MME of the need for purchasing 1003 average MW, 438 average MW and 0 average MW for those years, due to the mechanism of the auction, the electricity actually purchased was 992 average MW and 402 average MW for 2005 and 2006, respectively.

An important regulatory landmark for the distribution segment was the publication of MME/MF Regulation No. 361, of November 26, 2004, including the Proinfa in the Parcel A Item Variations - CVA Account of electricity purchase.

ANEEL Resolutions No. 067 and No. 068, published in June 2004, updated the criteria for the composition of the Basic Network and defined the responsibility for the expansion of the Other Transmission Installations - DITs.

The highlight in the generation segment was MME Regulation No. 303, of November 18, 2004, which established the methodology for the process of reviewing the electricity assured from the hydroelectric and thermal power plants, besides the values of the certificates that will be attributed to each enterprise in the country. The new values of electricity assured from the thermal power plants will come into force on January 1, 2008. In the case of the hydroelectric power plants, there will only be the reduction, on the same date, of the electricity assured from Itaipu Binacional, based on the balance of the alteration of the certificates of all the other water-based power plants. The change in the levels of electricity assured at the other hydroelectric power plants of the interconnected system will be implemented only in 2014.



1. HIGHLIGHTS

Copel in Figures

CONSOLIDATED	2004	2003	Δ %
Financial - R\$ million			
Operating revenues	5,544.3	4,420.2	25.4
Net operating revenues	3,925.8	3,094.3	26.9
EBITDA or LAJIDA	910.2	437.3	108.2
Net income	374.1	171.1	118.6
Stockholders' equity	5,136.3	4,858.2	5.7
Economic-financial indicators			
Current liquidity ratio	0.73	1.10	(33.6)
Net operating margin (%)	15.32	4.56	236.0
Return on stockholders' equity (%)	7.86	3.65	115.3
Net income per thousand shares - R\$	1.37	0.63	118.7
Book value per thousand shares - R\$	18.77	17.75	5.7
Stockholders' equity indebtedness (%)	35.65	41.35	(13.8)
- Local currency (%)	20.77	23.36	(11.1)
- Foreign currency (%)	14.88	17.99	(17.3)
Service			
Consumer units	3,180,077	3,095,498	2.7
Employees (*)	6,749	6,298	7.2
Consumers per employee	471	492	(4.3)
Consumers per distribution employee	659	693	(4.9)
Number of municipalities served	393	393	-
Total population served	9,393,668	9,275,751	1.3
-Urban (**)	7,956,197	7,824,939	1.7
- Rural (**)	1,437,471	1,450,812	(0.9)
Market			
Concession area(km ²)	194,854	194,854	-
Own generation (GW h)	19,121	16,598	15.2
Direct distribution (GW h)	17,669	17,417	1.4
Average annual supply tariff (R\$/MWh) (***)	180.26	151.98	18.6
- Residential	251.97	215.09	17.1
- Industrial	128.84	109.56	17.6
- Commercial	212.77	177.50	19.9
- Rural	151.23	126.06	20.0
Average duration of outage by consumer (DEC)	14,03	18,90	(25.7)
Average frequency of outages by customer (FEC) (Number of outages)	14.18	16.54	(14.3)
Operating			
Power plants in operation	18	18	-
Substations	364	360	1.1
Transmission lines (km)	6,996	6,977	0.3
Distribution network (km)	165,576	165,167	0.2
Installed capacity (MW)	4,550	4,550	-
(*) Does not include Compagas employees.			
(**) Data estimated by IBGE census.			
(***) Average annual tariff. See average tariff for December in "Tariffs and Discount Policy".			



Principal Events in 2004

- **Copel's Fiftieth Anniversary**

In 2004, Copel commemorated 50 years of existence, always performing its historical role as an agent of development, dynamizing the economy of Paraná, fostering social inclusion and improving the conditions of life of the citizens. To celebrate this date, besides the ceremonies held in Paraná, the Government of the State of Paraná and Copel took part in the "The Opening Bell Ceremony" at the New York Stock Exchange (NYSE).

- **New Model for the Electricity Sector**

With the introduction of the New Regulatory Model for the Electricity Sector, Copel went through a process of adaptation to the new rules for marketing electricity via federal auctions and to the significant alterations to the criteria for planning, controls and forecasts in the sector's legal landmarks.

- **Compliance with the Sarbanes-Oxley Act**

To comply with the Sarbanes-Oxley Act, Copel contracted the external audit firm Ernst & Young, and in 2004 started to diagnose and to implement improvements in the Company's internal controls, with completion forecast for September 2005.

PROFILE OF THE COMPANY

The Company

Copel is a publicly-held corporation, with both private and public stockholders, operating in power generation, transmission, and distribution and in telecommunications, with a concession from the Federal Government for its wholly-owned subsidiaries.

Copel has built, operates and maintains a structure that includes its own electricity generating units, which accounts for the production of roughly 5.5% of all the electricity consumed in Brazil, a transmission system with 6.9 thousand transmission lines, 165 thousand km of distribution lines, and 364 substations.



Copel also owns investments in several enterprises in various sectors, such as sanitation, services, distribution of gas, and telecommunications.

Copel's Businesses

Copel's businesses include its wholly-owned subsidiaries, which are unlisted, and its subsidiary Compagas, in which it holds 51% of the shares.

Generation

Through **Copel Geração S.A.**, which is responsible for the electricity generation service, Copel has 18 power plants in operation, of which 17 are hydroelectric and one thermal, with an installed capacity of 4,550 MW.

- **Operation and maintenance of the power plants**

Over 99% of Copel's installed productive capacity is operated out of the Generating Operation Center (COG), located in Curitiba. An experience without any equivalent in the Brazilian scenario.

The modernization and automation process of the Chaminé Hydroelectric Power Plant has been started with completion estimated for 2005. The project includes the modernization of the equipment of the power plant, the inside and outside painting of the forced conduit, teleoperation of the COG, and the construction of a new step-up transmission power station to improve the service for Copel's customers in the region, with a forecast cost of R\$ 10 million.

An underwater robot was purchased for carrying out inspections in dams and submersed structures like grilles, lock gates and ducts. The robot is a guarantee of security, agility and economy in the preventive and corrective processes.

- **Availability of Copel's generating plant in 2004:**

Machinery with output of more than 10 MW: 94.8%

Machinery with output of less than 10 MW: 92.3%

- **Expansion of the Generation of Electricity**

a) Studies carried out for assessing the hydroelectric potential and opportunities for expansion include:



- analysis and studies of hydroelectric power plants included in the Hydroelectric Inventory Studies of the Chopim, Tibagi, Iguaçu and Capivari rivers;
 - drawing up inventory studies of the Cavernoso river and drawing up the basic project for a small hydroelectric power plant;
 - analysis of the hydroelectric inventory studies and feasibility studies carried out by other companies on Paraná rivers;
 - monitoring of the tender processes for concessions of hydroelectric power plants requested by the Ministry of Mines and Energy (MME) and ANEEL;
 - studies for expanding the electricity system of Paraná to serve the Paraná market;
 - support in drawing up the Ecological-Economic Zoning on issues of the electricity sector;
 - discussions with the MME, the Ministry of the Environment, Ibama and the IAP with a view to accompanying the 2005 Concession Tender Program;
 - drawing up studies to take part in the tenders for the concession of four power plants located in the state of Paraná, with a total estimated capacity of 893 MW, included in the MME 2005 Tender Program.
- b) Continuing the studies for taking advantage of the potential for wind power in the state, through the Ventar Project, which involves the installation and operation of wind measurement stations.
- c) A plant for processing organic waste and producing electricity: a proposal resulting from a study of several alternatives for the destination of urban solid waste for the Metropolitan Region of Curitiba, putting to good use a major portion of the material processed for the generation of electricity, as part of a policy of sustainable development for the state of Paraná.
- Copel's proposal took shape with the creation of a working group involving Comec, Sanepar, Lactec, Tecpar, Petrobrás and Sema/IAP. The result of this project will be the implementation of a genuinely national technology for sustainable development (without any payment of royalties) and the generation of employment (particularly in the communities that survive from collecting garbage).
- d) The following events are to be highlighted in connection with the Fundação Santa Clara Energy Complex (240MW):
- Copel became the majority shareholder in the enterprise, acquiring 70% of the common shares from Elejor;
 - an increase in Copel's participation in its technical management, in the electromechanical area of the enterprise;



- Santa Clara HEP: civil construction at the final stage; the electromechanical assembly is under way;
 - Fundão HEP: work started in April and the river diverted in November to enable the start of construction of the dam.
- e) Environmental studies: drawing up and revising environmental studies, obtaining licenses and environmental authorizations for the following projects:
- Cavernoso power plant: drawing up the Environmental Viability Study and the EIA/RIMA;
 - revision of the environmental studies of the basins of the Chopim and Baixo Iguaçu rivers.

Transmission

Through **Copel Transmissão S.A.**, whose main activity is the exploitation of the services of transportation and transformation of electricity, the Company operates part of the national grid system located in the southern region of the country, for the National System Operator - ONS.

In the tables below, we show the extent of Copel's transmission network, subdivided by voltage levels, as well as the size of the Copel system of transmission substations:

Transmission Lines	km
69 kV	1,137.2
88 kV	58.2
138 kV	4,063.9
230 kV	1,575.7
525 kV	161.3
TOTAL	6,996.3

Substations	No.	Automated	MVA
69 kV	31	31	1,912.0
88 kV	-	-	5.0
138 kV	68	68	4,725.6
230 kV	22	22	6,843.0
525 kV	4	4	1,600.0
TOTAL	125	125	15,085.6

Copel's transmission system has undergone a series of reinforcements, technological updating and expansion that guarantee the maintenance of the Company's high standard of service, specifically:

Automation of the totality of the Copel transmission substations.



Substations constructed: Cristo Rei (138 kV) and Cidade Industrial de Curitiba (230 kV).

Substations expanded: Umbará (230 kV), São Mateus do Sul (230 kV), Uberaba (230 kV) and Paranavaí (138 kV).

Substations with work in progress: Sarandi (230 kV), Santa Mônica (230 kV), Laranjeiras do Sul (138 kV), Palmas (138 kV) and Thomaz Coelho (69 kV).

Expansions of substations in progress: Bateias (500 kV) - second bank of 600 MVA transformers, Cascavel Oeste (500 kV) - second bank of 600 MVA transformers, Ponta Grossa Sul (230 kV), Cascavel (230 kV), Pinheiros (230 kV) and Toledo (138 kV).

Transmission lines constructed: LT 138 kV Apucarana - Arapongas (3.71 km) and LT 138 kV Cristo Rei - LT Apucarana-Mandaguari Junction (13.66 km).

Improvements and readaptations in transmission lines: LT 69 kV Campo Comprido - Mercês (7.2 km), LT 69 kV Mercês - Centro (7.2 km), LT 69 kV Pinherinho - Uberaba (7 km), LT 69 kV Uberaba - Boqueirão (5.7 km), LT 69 kV Boqueirão - Tatuquara (10.5 km), LT 69 kV Umbará - Tatuquara (4.7 km), LT 69 kV Umbará - Pinherinho (11.3 km), LT 230 kV Campo Comprido - Pilarzinho (17.7 km), LT 69 kV Atuba - Quatro Barras (13.03 km) and LT 69 kV Barigui - Araucária (12.7 km).

Improvements in transmission lines in progress: LT 138 kV Areia - Canteiro Segredo (54.69 km), LT 525 kV Salto Caxias - Cascavel Oeste (reinforcement of 119 structures) and LT 525 kV Salto Caxias - Salto Santiago (reinforcement of 190 structures).

Operation Center of the System (COS): Refurbishment of the system's control room, including a new control panel.

Mobile transformer (145-13.8 kV) purchased to bring agility when attending to emergency situations in substations.

Emergency pylons: structures have been purchased for emergency replacement of transmission line pylons; they are easy to transport and allow for a swift and simple assembly.

Insulated aerial baskets: two pieces of equipment were purchased that make it possible to inspect and maintain transmission lines without needing to switch them off, guaranteeing the reliability of the electricity supply, without jeopardizing the safety of the employees; mounted on trucks, the baskets reach up to 25 m in height.



Distribution

COPEL's system, through **Copel Distribuição S.A.**, is made up of 165,576 km of distribution networks, 1,260,661 structures, 315,287 transformers, 6,651 MVA of installed capacity in transformers, 227 substations, of which 176 are automated, 1,467 MVA of installed capacity at substations. The Company serves 1,112 localities, 392 municipalities in Paraná, plus the municipality of Porto União, in the state of Santa Catarina.

Telecommunications

Copel acts in the Telecommunications area through **Copel Telecomunicações S.A.**, a company intended to exploit and to provide Multimedia Communication System (MCS) services, which is a telecommunications system for an undetermined period, not exclusive in nature, domestically and internationally, capable of transmitting, emitting and receiving multimedia information using any means, for subscribers. The area for providing the service is Region II of the General Grant Plan. Its main physical indicators referring to 2004 are the following:

- **4,534 km of optical cables installed in the main ring**
- **2,473 km of self-sustained optical cables**
- **145 cities served**
- **211 customers**

1,120 km have been added to the transmission network (backbone), with optical cables, including 64 new cities to the 81 already served by COPEL, covering about 78% of the population of the state (145 cities), as well as 810 km of urban access optical network, for an investment of R\$ 51 million.

The telecommunication services generated revenues of R\$ 70.0 million in the year, which kept the business self-sustainable and contributed towards the reduction in prices and improvement in quality of telecommunications services in Paraná.

Accordingly, in alignment with government policies, Copel contributes towards the digital inclusion of the citizens of Paraná by means of a high-speed network. This network will interlink the State public schools, making the implementation of the **Paraná Digital** program feasible.



Investments

Copel has interests in companies and consortiums in various sectors, such as electricity, sanitation, services, gas, and telecommunications, through **Copel Participações S.A.** The Company is currently reassessing its portfolio of investments. The objective is to concentrate investments in enterprises aligned with the core business and the Company's strategic point of reference.

The results of operations of the companies in which investments are held are shown in the notes to the financial statements.

- **Electricity Sector**

Copel has investments in four electricity generation companies, organized in the form of a Special Purpose Company (SPC), with the nature of an independent producer of electricity, and an installed capacity of 640 MW.

Dona Francisca Hydroelectric Power Plant - Copel holds 23.03% of the capital stock, in common shares, of Dona Francisca Energética S.A. (DFESA). The other partners are Gerdau S.A., with 51.82% of the common shares; Centrais Elétricas de Santa Catarina - CELESC, with 23.03%, and Desenvix, with 2.12%. DFESA is a corporation founded in August 1998 to implement the Dona Francisca Hydroelectric Power Plant and to market the electricity generated. The power plant is located in the State of Rio Grande do Sul and has an installed capacity of 125 MW and assured power of 80 average MW. The project received financing from the BNDES and the IADB and commercial operations commenced in February 2001. The electricity is marketed through a PPA (power purchase agreement) with Copel Geração S.A., signed in 2003, for 12 years. ANEEL and MAE do not recognize DFESA's right to sell its power to any submarket and, consequently, do not accept as a right of DFESA the revenues obtained from the sale of electricity during the rationing in 2001.

With the objective of safeguarding and preserving its legitimate rights, DFESA filed an ordinary declaratory lawsuit on November 12, 2002 claiming the nonexistence of liability, with a request for legal protection. On November 19, 2002, the incumbent Federal Judge of the 9th Law Court of the Federal District granted an injunction in favor of DFESA. As the lawsuit has not yet been judged, DFESA recorded a provision in its Long-term Liabilities in the amount of the revenues from the sale of power to MAE during the rationing period.



Palmas Eolian Plant – This enterprise, Centrais Eólicas do Paraná Ltda., was founded as a partnership between Copel, with 30.0% of the capital quotas, and Wobben Windpower Ind. Com. Ltda., with 70%, and has been in operation since February 1999. The plant is made up of five wind turbines of 500 kW each, totaling an installed capacity of 2.5 MW, and is located in the region of Horizonte, about 30 km from Palmas - PR. The average generation of electricity is 4,900 MWh/year. In 1999, Copel signed a contract for purchasing power from the plant for a 20-year period. This contract is being renegotiated to adapt it better to the requirements of ANEEL.

Foz do Chopim Hydroelectric Power Plant – Foz do Chopim Energética Ltda., a company in which Copel participates with 35.77% of the capital quotas and DM Planejamento e Participações Ltda. with 64.23%, was founded to exploit the remaining potential of the Júlio de Mesquita Filho Hydroelectric Power Station, on the Chopim river. The power plant has two generating units with a nominal output of 14.8 MVA each, with a total installed capacity of 29.70 MW, and assured power established by ANEEL at 21.46 average MW. In October 2003, the operating license was renewed by the Paraná Environmental Institute - IAP, to remain in force until October 2007.

Araucária Gas Power Plant – Located in the municipality of Araucária, in the metropolitan region of Curitiba, this power plant uses as its fuel the natural gas coming from Bolivia with installed capacity of 480 MW. The company is structured as a Special Purpose Company (SPC), and its capital is held by Copel, with 20% of the quotas, El Paso 60.0% and Petrobras 20.0%.

On August 14, 2003, Copel filed a lawsuit against UEG Araucária Ltda., referred to as Anticipated Evidence Injunction, which is now in the final stage, with the expert examination having been completed and the publication of the expert examination report expected at any moment.

The Company intends to constitute proof in its favor to show the technical impossibility of operating the power plant in a continuous, safe and permanent manner.

The preliminary hearing at the Paris Arbitration Court, scheduled for February 22, 2004, was postponed after being opened, to April 15, 2004. On that occasion, Copel reaffirmed – and expressly registered – its position of non-acceptance of arbitration, pointing out that it even had a legal decision in Brazil which nullified the validity of the arbitral clause in the contract that was the object of the litigation and was supporting the procedure in Paris.



In July 2004, there was another hearing in Paris, a further step in the arbitration procedure, at which opportunity Copel reiterated its previous position. On December 6, 2004, the Arbitration Court manifested its formal understanding, by a majority of votes, that it was competent to analyze and decide on the matter submitted to it, but assured that it would not make any value judgment on administrative decisions already taken by the National Electrical Energy Agency, such as, for example, the decision of the agency not to ratify the contract signed between UEGA and Copel. This arbitral decision, however, will neither influence nor alter the tenor of the decisions already pronounced in the Brazilian Court on the same subject.

Even not recognizing the competence of the Arbitration Court for this case, Copel will continue to defend its interests before this Court, thus preventing the case from being carried on in its absence. By May 15, 2005, it will have to submit a plea containing the justification by which sustains an objection to that of UEGA (countercharge), as well indicating the proof that it intends to provide to the Court.

- **Telecommunications Sector**

Sercomtel S.A. - Telecomunicações: Sercomtel is a corporation headquartered in Londrina (PR). Its capital stock is R\$ 246.9 million, held as follows between the partners: Copel, with 45.0% of the common shares and 45.0% of the preferred shares; the Municipality of Londrina, with 55.0% of the common shares and 31.8% of the preferred shares; and Banestado S.A. Corretora, with 23.2% of the preferred shares. Sercomtel is responsible for the fixed telephony in the municipalities of Londrina and Tamarana in the State of Paraná, with 162,384 phone lines installed, 11 telephone exchanges, 2 transit centers and 72 wire centers. It is the only Brazilian operator to have its system totally digitalized. The level of terminals in service for every 100 inhabitants is 29.6. There are 4,043 public payphones and they all now accept telephone cards. The operator has been working on the expansion of its optical fiber network.

Sercomtel Celular S.A.: With a capital of R\$ 36.5 million, its principal shareholders are Copel, with 45.0% of the common and preferred shares and the Municipality of Londrina, with 55.0% of each. In May 1996, Sercomtel Celular became the first operator in Latin America to offer TDMA digital cell phone services. The 39 TDMA radio base stations and the 37 GSM radio base stations ensure signal coverage in the whole of the Municipality (both in the urban and rural areas). In December 2003, Sercomtel Celular inaugurated the GSM system, and was the first to launch this product. Sercomtel Celular has a capacity of 90,167 terminals in TDMA and 38,561 in GSM, and has 86,428 terminals in service, which is equivalent to 17.34 terminals for each 100 inhabitants.



Onda Provedor de Serviços de Internet: In harmony with the strategic policy of strengthening the Company's core business, the Directors approved the sale of Copel's investment in Onda Provedor de Serviços S.A., to Lanis Ltda, a partner in the enterprise. The negotiation of the sale occurred in July 2004, for R\$ 400 thousand, in 10 monthly installments of R\$ 40 thousand as from August but all the installments were paid in advance in October 2004.

- **Sanitation Sector**

Dominó Holdings S.A.: The company comprises Copel with 15.0% of the common shares, Construtora Andrade Gutierrez S.A. with 27.5%, Opportunity Daleth S.A. with 27.5%, and Sanedo Ltda. – Vivendi Group, with 30.0%. On June 8, 1998, Dominó Holdings S.A. acquired, at a public auction, 39.71% of the voting capital of Companhia de Saneamento do Paraná - Sanepar, a company created in 1963 to take care of the actions in basic sanitation in the whole of the state of Paraná; it is a corporation with both private and public shareholders controlled by the Government of the State, which holds 60% of the shares. Further information can be found at the electronic address: www.sanepar.com.br. In February 2003, the Government of the State of Paraná issued a decree canceling the shareholders' agreement and removing the representatives of Dominó Holdings S.A. from Sanepar's Executive Board and from its Vice-Presidency of the Board of Directors. In 2004, the Government of the State of Paraná decided to convert the loan from the Japan Bank for International Cooperation (JBIC), of which it is an intermediary, into an AFAC (Advance for Future Capital Increase), so as to increase its stake in Sanepar's capital stock, and took on the commitment to service the debt with JBIC. The capitalization of this financing was declared improper by the Brazilian Securities Commission (CVM), according to Law 6404/76. The Government of Paraná entered an appeal against this decision. In July 2004, the Higher Court of Justice (STJ) granted an injunction in favor of Dominó Holdings against the decisions of the Government of the State of Paraná and, in December 2004, the same court gave a definitive judgment of the appeal, in favor of Dominó Holdings.



- **Services Sector**

Braspower: Braspower is an association of Copel, which holds 49.0% of the capital quotas, with Engevix Engenharia, which has 51.0%. Its focus is the international market, in particular South-East Asia and China, where it offers technologies developed in Brazil relating to projects associated with energy and infrastructure. A service contract is being carried out for the Shuibuya Dam Project, for consultancy services during the stages of construction. The feasibility study of the Lower Arun hydroelectric project (330 MW), in Nepal, is now in its final stage. Braspower is taking part in a bid for one more project in Nepal (Khimti-Dhalkebar 220 kV Transmission Line Project) and has now been selected in the first stage of the tender process. The cooperation agreement between Yunnan Huaneng Lancang River Hydropower Co. Ltd. (Hydrolancang) and Braspower has now evolved into a first proposal for rendering consultancy services for the Nuozhadu Hydropower Project (Lancang River), in China.

Escoelectric: Founded in December 1998 and comprised of the partners Copel Participações with 40.0% of the capital quotas, and Lactec, with 60.0%, Escoelectric is an Energy Service Company – ESCO, which offers the market multidisciplinary, specific and differentiated services to meet the customer's needs and demands with flexibility, quality, time limits and the best technology, always seeking to bring technical and economic advantages. In its structure, Escoelectric has business divisions aimed at providing services in energy management, cooperation and maintenance, commissioning and testing.

Copel Amec Ltda: The company has as its partners Copel Participações, with 48.0% of the capital quotas, Amec, with 47.5%, and Lactec, with 4.5%. With its headquarters in Curitiba and aimed mainly at the Brazilian market, the company offers engineering services that range from the stage of planning and flexibility studies of works in infrastructure to the provision of complete packages of EPC (Engineering, Procurement and Construction) and of Owner's Engineering, including projects, consultancies, and technical and environmental investigations. The Owner's Engineering contract with Elejor, relating to the Fundão and Santa Clara complex, continues under way, with the time limit for conclusion set for June 2006. In parallel, the partners of Copel Amec are considering the possibility of its closure.

Subsequent event: At the 68th meeting of Copel's Board of Directors, held on February 1, 2005, the dissolution of Copel Amec S.C Ltda. was approved.



- **Projects in progress**

Copel is taking part in two partnerships in electricity generation enterprises that are at the implementation stage. They are hydraulic generation projects, whose concessions were obtained through tenders from ANEEL, and will enable Copel to increase its production and sale of electricity by about 571 MW of installed capacity in the next few years.

São Jerônimo Hydroelectric Power Plant: The São Jerônimo project covers the future hydroelectric use of São Jerônimo, located between the municipalities of Tamarana and São Jerônimo da Serra, on the Tibagi river, in the state of Paraná. The power station will have two generating units with a nominal capacity of 165.5 MW each, totaling a minimum installed capacity of 331 MW, with minimum assured power of 165.5 average MW. The implementation of the enterprise will be based on the concession of use of a public asset for exploiting the hydroelectric potential of São Jerônimo, covered in ANEEL's Tender Notice No. 002//2001 and granted to the São Jerônimo Consortium on October 3, 2001. The budgeted cost of this project is R\$ 510 million. The date of commercial operation remains undefined, as it depends on reassessments of its economic, political and environmental feasibility, as well as a redefinition of the partnership.

Elejor - Centrais Elétricas do Rio Jordão S.A.: The Fundão - Santa Clara Energy Complex is made up of two hydroelectric developments on the Jordão river, in the state of Paraná: the Santa Clara Hydroelectric Power Plant and the Fundão Hydroelectric Power Plant, which, added together, have an installed capacity of 240 MW (total assured power of 135.4 average MW). The chosen physical arrangements also include two small hydroelectric plants with an extra installed capacity of 5.63 MW. The complex was put up for tender at ANEEL Auction 002/2001 and had its concession granted on October 25, 2001 to Elejor, a special purpose company incorporated to make viable the implementation and exploitation of the enterprise through the commercial operation and sale of power, over 35 years, with renewal for a like period, according to ANEEL's concession contract. The company comprises 50.8% of common shares and 49.8% of preferred shares. The common shareholders are COPEL PAR, with 70.0%, and Paineira Participações e Investimentos S/A, with 30.0%. Eletrobrás holds all the preferred shares. The total investment in the project is budgeted at R\$ 474.6 million (January 2004 figures). Of this amount, R\$ 255 million is being negotiated with the BNDES, through an issue of debentures convertible into shares.



- **Projects under Study**

In partnership with private enterprise, Copel is carrying out several technical-economic and environmental feasibility studies of electricity generation projects established as consortiums. Eight PCHSs (Small Hydroelectric Plants) totaling 153 MW of installed capacity are the object of these studies.

Compagas

At the end of 2004, Companhia Paranaense de Gás - **Compagas** served 752 consumer units, of which 86 industrial, including 2 fuel cells, 17 Vehicle Natural Gas (VNG) stations, 34 commercial establishments, 613 residences, 1 company with cogeneration, and 1 thermal power plant; it has a piped gas distribution network of 437 km in the municipalities of Araucária, Curitiba, Campo Largo, Balsa Nova, Palmeira, Ponta Grossa and São José dos Pinhais.

Results: The total supply was 218.4 million m³ of gas, which corresponds to a daily average of 596.6 thousand m³, distributed as follows: industrial – 463.6 thousand m³; cogeneration – 75.0 thousand m³; vehicle – 54.1 thousand m³; thermal power – 0.7 thousand m³; commercial – 2.7 thousand m³; and residential – 0.5 thousand m³.

The Company's net income was R\$ 43.4 million, before reserves, employees' profit sharing, and the distribution of the compulsory dividends and interest on own capital to the stockholders.

At the end of 2004, Compagas concluded the construction of the household distribution network for supplying the residential/commercial market in Curitiba, in the districts of Campo Comprido, Mossunguê, Campina do Siqueira, Bigorriho, Batel, Água Verde and Rebouças. Besides the commercial consumers, small industrial concerns and VNG stations, this network can supply over 800 buildings, covering some 30 thousand households. The gas distribution network of the gastronomic district of Santa Felicidade was also concluded, and this should benefit over 40 restaurants. Several projects were also carried out in constructing branches to supply consumers located in the neighborhood of the existing network, Compagas investments totaling R\$ 19.6 million in this financial year.

The investment plan in 2004 was enabled by the company's own cash generation and the use of retained earnings, without any need to supplement the loan received from the BNDES at the end of 2001, which was used by 2003. The debt profile of borrowings of third party funds is the following: BNDES – Current: R\$ 6.2 million; Long-term: R\$ 37.8 million.



Human Resources – The Compagas's personnel in December 2004 totaled 65, 58 own employees, 7 staff lent by shareholders, besides 17 university trainees.

The Ongoing Educational Program provided to Compagas employees a total of 2.347 hours of training, with participation in courses and events, an average of 36 hours a year per person.

Socioenvironmental Aspects – During 2004, Compagas implemented a system of Health, Environment and Security Management – SMS, which is based on the company's policy for SMS, on which its various activities will be based in the future. Furthermore, it has kept up its communication programs with the communities of the municipalities in which it is present, and also in the regions where it plans to build its distribution network. It has worked in partnership with schools, local resident associations and charitable entities, taking part in science fairs, lectures, theater and the distribution of informative material in the regions of the construction work.

Compagas achieved an evaluation of over 95% in satisfaction, in post-sales surveys carried out in buildings recently converted to the use of natural gas, on the questions of service from the technicians, quality of the gas and of the company as a whole.

Targets – In 2005, Compagas intends to continue the expansion of the existing basic network to serve new customers, located in its area of coverage, accelerate adaptation work in buildings and conversion of the equipment in residences and commercial establishments, as well as acting decisively in making the supply of Compressed Natural Gas – CNG and Liquefied Natural Gas – LNG feasible in regions not served by the distribution network.

MANAGEMENT

Strategic Planning

The integrated model of management and business planning seeks to align the efforts of the organization's people to attain and to guarantee, based on Copel's values and on the optimized management of its processes, that it will meet the interests of its shareholders, its customers, society and its employees, as well as the survival and growth of the Company.



Using the BSC – Balanced Scorecard as the main tool for transforming Copel into a strategy-oriented company, in December 2004 the Executive Board approved the Copel Strategic map, which expresses a strategic hypothesis for attaining the Company's vision, with 23 objectives, distributed in five perspectives: sustainability, financial, customer, internal processes, and learning and growth.

The current strategic positioning emphasizes productivity, cost reductions, and better use of assets, but without detriment to the actions that stimulate medium and long-term growth. The emphasis for growth will be given as from 2005.

- **Strategic References**

Mission – To generate, transmit, distribute and market power, as well as to provide related services, fostering sustainable development with a return for society in Paraná.

Vision – To be the best company in the electricity sector in Brazil by 2006, maintaining the equilibrium between the interests of society and of the stockholders.

Values:

Ethics – A transparent, honest and balanced relationship with all the interested parties;

Social responsibility – Running the Company's life in a sustainable manner, respecting the rights of all the interested parties, including of future generations;

Strategic alliances – Partnership and collaboration with all the sectors of the Company and of society, in search of alignment of objectives and maximization of results;

Commitment – Carrying out the work with heart and mind, in the sense of a mission, in search of excellence;

Accepting risks – Deciding, daring, and taking the initiative, as the owner of the Company;

Continuous improvement – Continuous learning, sharing and disseminating knowledge;

Valuing the employees – Fostering the growth of the integral human being – employees and workforce – with the continuous improvement of their satisfaction, competence, and professional qualification;

Clarity of objectives – A clear definition and transparent communication of the Company's strategic courses;

Customer satisfaction – In all of its actions, consider that the customer as the Company's reason for existence;

Shareholder value – The quest for responsible profit in fulfilling the company's mission; and



Security – Professionalism in running the business, in such a way as to guarantee the Company's longevity, giving priority to people's security.

Corporate Governance

In 2004, Copel carried on with the process of improvement of its Corporate Governance practices, with a view to growth and to generating value for the Company's stockholders.

Management has been reinforcing these practices with a series of measures. The Policy for Disclosing Material Events and the Policy for Trading its Own Shares have already been introduced, observing CVM Instruction 358/02.

In 2003, Copel instituted its Ethical Conduct Code, based on the business values and corporate culture that have been consolidated over its 50 years, reflecting the integrity of the Company's procedures in its internal relations and with the environment in which it finds itself and acts, at the most varied levels. In 2004, the Ethical Conduct Code underwent a process of internal disclosure, with the objective of disseminating the company's values amongst all the employees.

Furthermore, the Company is promoting a greater involvement of the Audit Board and the Board of Directors in the decision-taking process. In February 2004, the Company's by-laws were altered, with a view to adapting them and reflecting a better Governance, with a reduction in the number of Management Groups from eight to six, while the structure of the Board of Directors gained power.

- **Sarbanes-Oxley Act**

Copel is also taking all the necessary measures to adapt to the new regulations of the U.S. Securities and Exchange Commission - SEC (Sarbanes-Oxley Act). These include studies for adapting the Audit Board or the creation of an Audit Committee, mapping the internal controls, and creation of a Permanent Committee for Disclosing Material Acts and Facts.

For this purpose, the Company contracted the external audit firm Ernst & Young to provide services relating to the diagnosis and implementation of Copel's internal control environment.

All these measures have as their main objective making the decisions of Management more transparent and directing the Company's businesses strategically towards the future.



Dividend Policy

Copel regularly pays its stockholders the annual dividends for each financial year within 60 days following the declaration at the Annual General Meeting.

According to the by-laws, the class “A” Nominative Preferred shares – PNA dividends and for the class “B” Nominative Preferred shares – PNB are annual, minimum and non-cumulative. The PNA shares have priority for receiving dividends over the PNB shares, and the latter have priority over the Nominative Common shares – ON. The dividends distributed per preferred share, independent of class, will be at least 10% higher than those distributed to each common share, according to the provisions of item II of paragraph 1 of article 17 of Law No. 6404/76, with the wording determined by Law No. 10303, of October 31, 2001.

To the extent that there are funds available, a total of at least 25% of the adjusted net income is distributed, in accordance with article 202 and its paragraphs of Law No. 6404/76, in the following order:

- a) The PNA shares will have priority in the distribution of a minimum dividend of 10% per year, to be distributed equally amongst them, calculated on the basis of the capital specific to this species and class of shares existing at the end of the financial year in relation to which the dividends are being declared;
- b) To the extent that there are funds after the deduction of those allocated to the PNA shares having been distributed, the PNB shares will have priority in the distribution of dividends, to be distributed equally amongst them, calculated proportionally to the capital specific to this species and class of shares existing at the end of the financial year in relation to which the dividends are being declared; and
- c) To the extent that there are funds after the deduction of those allocated to the PNA shares and PNB shares having been distributed, the common shares have the right to receive an amount calculated proportionally to the capital specific to this species of shares existing at the end of the financial year in relation to which the dividends are being declared.

The preferred shares will acquire the right to vote if the minimum dividends to which they are entitled are not paid for three consecutive financial years.



Market Relations

In the course of the year, the Finance and Investor Relations Management was visited by a significant number of investors and capital market (domestic and international) analysts. The Company also took part in conferences, seminars and meetings, and held road shows at the main financial centers of Brazil, Europe and the United States.

Worthy of mention is the celebration of 50 years of Copel's existence, on November 22, 2004 at the New York Stock Exchange (NYSE), with the start of trading on this exchange, an event known as "The Opening Bell Ceremony" and which attracted the presence of numerous authorities, including the Governor of the State of Paraná.

With its commitment to increasing transparency in the disclosure of information, Copel has created new communication channels with capital market analysts and investors, with the objective of facilitating and expanding access to communication and answering the questions of this public. In 2004, the bilingual version of the Investor Relations page on Copel's website (www.copel.com), was restructured, and the e-mail address ri@copel.com was made available for obtaining additional information.

Investment Program

2004 was a year marked by the redirecting of business to satisfy the demands of consumers, with emphasis on improving the reliability of the distribution systems and on the modernization of the transmission networks. R\$ 404.2 million was invested in construction projects, of which R\$ 18.3 million in generation, R\$ 88.65 million in transmission, R\$ 233.8 million in distribution, R\$ 43.3 million in telecommunications, and R\$ 20.2 million in gas pipelines, including R\$ 0.6 million referring to studies and projects.

Research and Development

In accordance with Law No. 9991/2000, Copel should invest, on an annual basis, 1% of its Net Operating Revenues from electricity concessions in Research & Development programs.

In 2004, the R&D projects relating to the 2002/2003 cycle totaled investments of R\$ 4.21 million. The projects carried out were directed towards the areas of new technologies, procedures and environment, amongst which the highlights were:

- a) Fuel cell – new technology for obtaining hydrogen from sugarcane alcohol, to act as fuel in fuel cells;



- b) New methodologies for assessing wind power enterprises in technical and economic terms;
- c) Development of systems for detecting the golden mussel (*Limnoperma fortunei*) in hydroelectric power plant reservoirs;
- d) Environmental management of waste, effluents and emissions in electricity generating plants.

Continuing the R&D program, in 2004 the projects of the 2003/2004 cycle were started involving a total investment of R\$ 3.54 million.

Internal Public

Copel's employees are admitted by public entrance exam, in accordance with the requirements of Article 37 of the Federal Constitution. In the exams held by Copel, vacancies are reserved for admitting persons with special needs.

Besides reconstituting the workforce numbers in essential service-providing areas, the increase of 589 new employees also had the objective of replacing part of the outsourced services in some areas of the Company's core business.

- **Training and Development**

In its quest for improving the business performance and the professional and personal growth of its employees, Copel offers various forms of qualification and ongoing improvement. The majority are courses held in house to meet demands generated by the implementation of new technologies and processes.

Held in 2004:

- Events (courses, seminars and lectures): 1,945
- Number of participants: 29,557
- Workload/average: 79.8 hours/employee

Copel has 178 employees with schooling of primary school level, which represents only 2.5% of the Company's workforce.

- **Succession Plan**

In 2004, Copel concluded the implementation of the 1st stage of its Succession Plan, which has the purpose of making available a management tool to preserve the knowledge needed for the development of work in activities regarded as "key" for the success of the organization.



- **Salary Policy**

The compensation practices, recognition and incentive, are based in the compensation model structured by the Company, and this is based on two pillars: fixed and variable compensation. In order to determine the fixed amount, Copel is constantly carrying out salary and market monitoring surveys.

2004 saw the continuation of the implementation of Copel's new Salary Policy, as well as the studies, analyses and formatting of the New Job Description Plan.

- **Benefits**

By means of the Collective Labor Agreement, Copel granted in 2004 several improvements in the benefits offered by the Company. To be mentioned, amongst others, are increases higher than inflation for the Education Grant Program, the Day Nursery Grant, the Vacation Bonus, the Food/Meal Voucher, and the Grant for Persons with Special Needs.

These adjustments had the objective of recognizing and rewarding the dedication and efforts of staff in their quest for constant improvements in productivity and quality of the services rendered.

- **Profit Sharing**

Within a new philosophy of negotiation of the sharing of the employees in the company's profits and/or results, Copel and the Employees' Committee for Negotiating the Profit Sharing Program (PLR), especially commissioned for this purpose, achieved significant advances during the negotiations held in 2004.

From the beginning, an attempt was made to establish a new philosophy in dealing with this issue, that is, that the sharing of the employees in the profits should have as its main focus the commitment to setting business targets and attaining the results negotiated.

- **Organizational Climate**

One important point for assessing the Capital-Labor Relations and that merits highlighting was the carrying out of the "Organizational Climate Survey of the Company" in a new format, which indicated a high level of employee satisfaction – 82.4% - in practically all the factors analyzed.



The result achieved shows the resolve and dedication of the whole of the Executive Board and the people managers, to have a satisfied and motivated workforce, and thus improve their quality of life and of their families, and of the institutional image, with a view to attaining Copel's organizational objectives.

- **Quality of Life at Work**

Within the Quality of Life at Work Process, the "Energy and Health Program" is being implemented in Copel, with gymnastics for all employees, with a particular focus on the electricians (with physical conditioning activities) and call center attendants (with anti-stress activities).

Safety

- **Work Safety**

The Company's efforts to eliminate work accidents must be highlighted, strengthening the value of safety and thus improving the quality of life of the employees.

The Safety at Work Plan encompasses a series of preventive actions, amongst which the highlight in 2004 was the II Safety, Health and Environment at Work Encounter Seminar at Copel, which brought together over 200 employees, managers and professionals connected with the theme. Another initiative worthy of mention was the launch of the Internal Campaign for Work Safety, the largest safety event ever carried out at Copel.

- Accidents with employees: 166
- Frequency Rate: 12.95
- Seriousness Rate: 576
- Accidents with contracted parties and subcontractors: 70
- Accidents with the community: 118

Internal Accident Prevention Committee - CIPA: As determined by NR-5, the CIPAs have as their objective the prevention of accidents and illness arising from work, so as make work permanently compatible with the preservation of life and fostering the health of the worker. In compliance with NR-5 and its Guidelines and Policies on safety at work and the health of the worker, Copel maintained in activity, in 2004, in the whole of its concession area, 37 CIPAs and a contingent of 544 employees as CIPA Members and Secretaries, who had an effective involvement in adopting preventive measures in the field of work accidents and workers' health.



- **Civil Liability Insurance**

The Company holds insurance to provide cover for redressing involuntary damage, bodily and/or material and/or personal, caused to third parties.

In 2004, there were 88 accidents with third parties, with the exception of damage caused to electronic equipment and household appliances; 4 of these cases liable for reimbursement by the insurance company, amounting to R\$ 7.8 thousand, were indemnified by Copel. In this period, however, Copel paid indemnities in the total amount of R\$ 204.3 thousand relating to claims made during 2004 and previous years. In the same year, though, Copel was reimbursed by the insurance companies R\$ 331.5 thousand relating to indemnities paid by Copel during 2003 and 2004.

With the objective of reducing the number of accidents with third parties, Copel is carrying out several actions for preventing accidents with the community and with contracted parties:

- **Community**

School Kit – A talk on the dangers of electricity for pupils of the 4th class of the state schools and other schools and universities that request the Company to take part;

The lecture "Prevention of Accidents with Electricity" for presentation at safety events in other companies in the state of Paraná, when requested by them;

An agreement with radio stations in the state of Paraná to broadcast warnings for preventing accidents with electricity;

Participation in regional festivities (agricultural fairs, traditional festivities, trade meetings, etc.) with a stand to provide information on the risks of electricity to the population;

Distribution of Copel's calendar, with illustrations on the risks of electricity, to all rural consumers;

Direct correspondence to the owners of places that present an imminent risk of electric shock; and

A statistical control of accidents.

- **Contracted Parties**

Safety training for subcontractors at the entrance to major projects;

Safety meetings with owners of subcontracting companies;

Safety meetings with electricians from subcontracting companies;

Safety meetings with autonomous electricians who provide services in constructing electrical installations;



Partnership with SENAI for training electricians from subcontracting companies;
Periodical safety inspections;
Systematic inspection by Copel both of the procedures and of the conditions for carrying out the work; and
A statistical control of accidents.

Information Technology

Aligned with the strategies established for taking the Information Technology area to the level of the organization's strategic decisions and of transforming the way it acts into all that is most modern in terms of governance, in 2004, the Information Technology area continued its process of internal restructuring, aiming to draw closer to its internal customers. The figure of the "business analyst" was created, a professional responsible for assisting the business functions, channeling the demands, getting to know the business processes, and accompanying the solutions given by IT.

Business processes of company functions have been mapped, and this knowledge is being used to guide new IT solutions, besides preserving the Company's intellectual capital.

The "Revenue Management" system was implemented, the main objective of which is to make information available on Copel's current assets, payments received and cash flow, generating greater speed, reliability and security for taking operational, tactical and strategic decisions.

In parallel to these activities, the Information Technology area has worked intensely on the maintenance and improvement of the legacy systems, on the network infrastructure, on the group of servers, on improving services and the efficiency of the operation, seeking to fulfill the business strategy of increasing productivity.

Recognition

- **Important awards received in 2004**

In 2004, the award "**Great Brand of Paraná – Remarkable Brands**" was bestowed on Copel for having been, according to a survey carried out by the Mapa Institute, one of the companies most remembered and desired in Paraná.

Another award won by Copel was the one for the "**Largest Company in the South – Electricity Sector**", regarded as the largest company in sales in the electricity sector in the south of Brazil, according to a ranking by the Getúlio Vargas Foundation.



Copel was also awarded, for the fourth time, the title of “**Best Company in the Electricity Service and Power Provision Sector in Latin America**”, by the American magazine Global Finance.

Also for the fourth time, the Company was indicated by the Tomorrow Magazine, working jointly with the Bonilha Research Institute, as the “Great Brand of Paraná”, receiving the **Top of Mind as the large Paraná company most recalled by the public** award.

Besides these, the company was honored as “**Top of Marketing**” by the ADVB-PR – Association of Sales and Marketing Managers of Paraná, for the School Kit.

- **Relevant international participations**

Participation in the Summit Meeting of the Global Compact at the UN headquarters in June 2004, in New York, USA.

Participation in the 6th Latibex Forum, promoted by the Madrid Stock Exchange, bringing together Latin American countries with shares traded in that exchange, in November 2004, in Madrid, Spain.

External Audit

In its relationship with the independent auditors, the Company has as a fundamental issue not contracting other consultancy services that may possibly come to conflict with the independence of the external audit work.

In 2004, the independent external audit firm for Copel and its wholly-owned subsidiaries, PricewaterhouseCoopers, provided services exclusively in relation to the financial statements, and no other services.

OPERATING PERFORMANCE

Market

In 2004, Copel's performance in the power market was influenced mainly by the residential, industrial and commercial consumers, which accounted for 25.3%, 40.3% and 17.1% of the total consumption, respectively.



During the year, the residential sector consumed 4,466,727 MWh, which represents growth of 1.9% compared to 2003. In December 2004, the number of residences served totaled 2,495,584, an increase of 2.7% in relation to the same month of the previous year. The average consumption per consumer residential unit was 149.2 kWh in the year, a decrease of 0.8% in relation to that in 2003.

With an increase of 5.6% in relation to the consumption in 2003, the commercial consumer showed, in 2004, the largest rate of growth amongst the main classes of consumer, totaling 3,024,575 MWh. This performance was due mainly to the increase in the number of connections that this class has been showing, above the average of the five previous years, a reflection of the upturn in the sector following the increase in the supply of credit. In December, 266,491 consumer units were billed, 3.5% higher than the 257,408 billed in December 2003.

The consumption of the industrial class totaled 7,129,565 MWh in the year, a decrease of 1.4% in relation to 2003, caused by the departure of large consumers from the market billed by the concessionaire. When, however, these customers are excluded, the industrial market in Paraná showed an increase of 8.5%, mainly a reflection of the increased production for export. The sectors that showed the best results during the year were: timber (12.3%), chemicals (16.0%), building industry (5.2%), textiles (7.9%), basic metallurgy (8.0%), food products (8.5%) and the clothing and accessories industry (14.9%). The contracts with free consumers of the distribution company outside the concession area were terminated at the end of 2004.

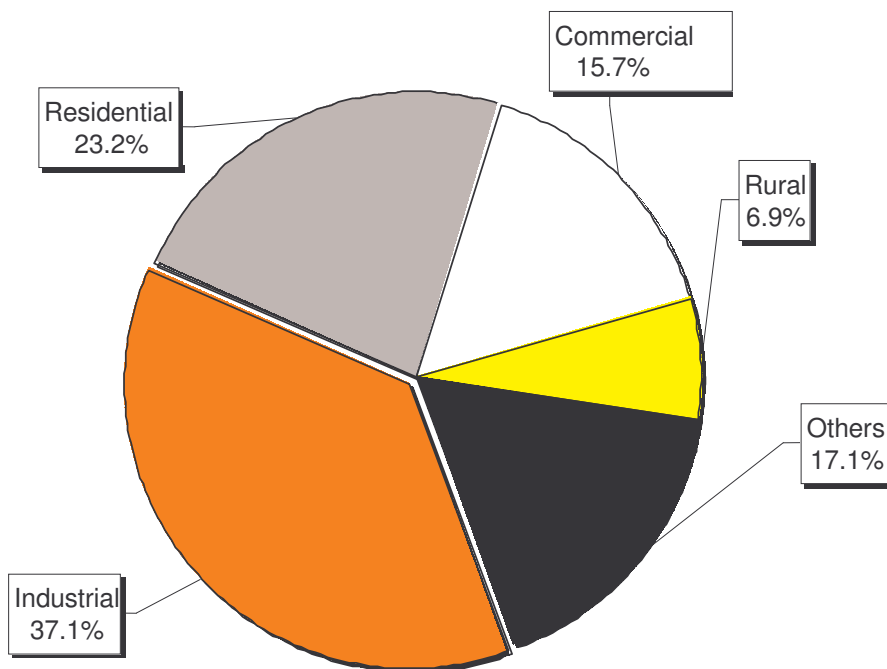
The total consumption of electricity in Copel's area of activity in 2004 was 17,669,346 MWh, which represents an increase of 1.4% over 2003. Excluding the free customers who have left the market, the total growth of the market was 5.5%.

Increases in Consumption (GWh)	2004	2003	%
Residential	4,467	4,382	1.9
Industrial	7,130	7,233	(1.4)
Commercial	3,024	2,864	5.6
Rural	1,320	1,250	5.6
Others	1,728	1,688	2.3
Total Direct Distribution	17,669	17,417	1.4
Concessionaires	484	468	3.2
Direct Distribution + Concessionaires	18,153	17,885	1.5
Free Consumers (Industrial)**	1,067	1,365	(21.8)
Grand Total	19,220	19,250	(0.2)

** Free consumers: Generation + Free Distribution Outside the State

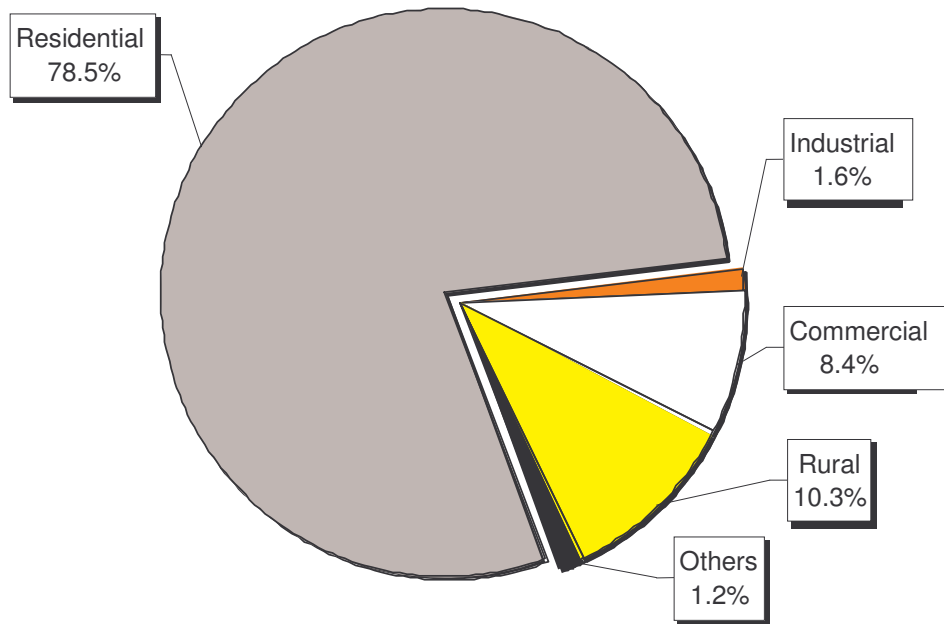


Consumption by Class (MWh)





Percentage of Customers by Class

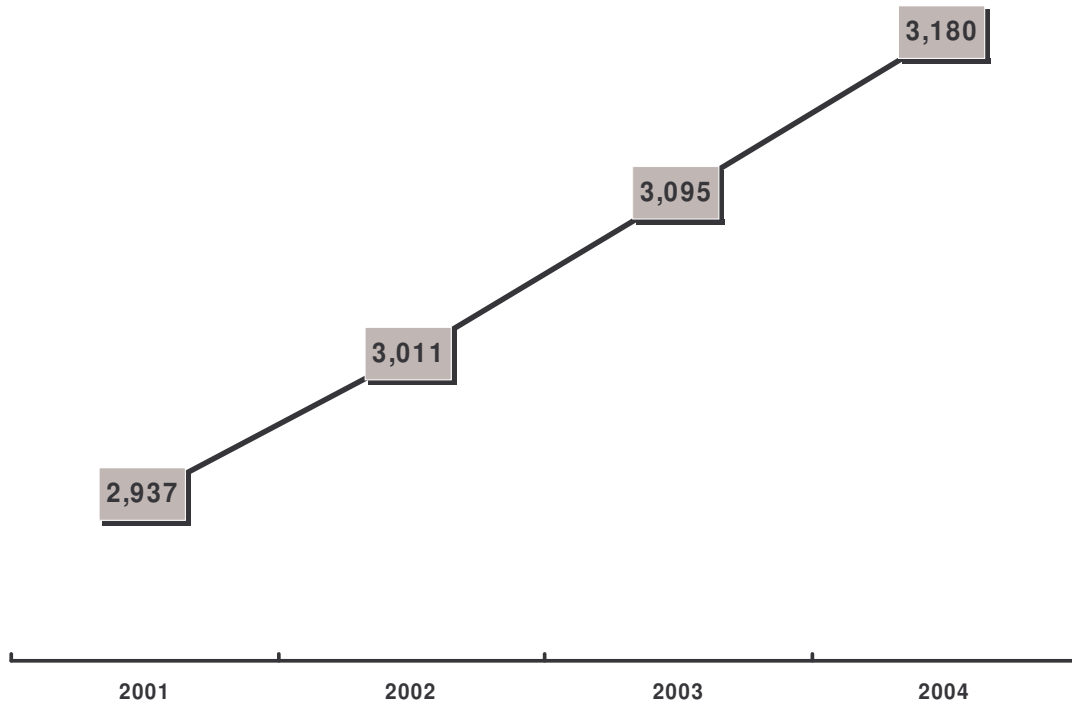


In 2004, 84,583 new connections were incorporated into the Copel system, of which 66,772 were residential, 970 industrial, 9,083 commercial and 7,758 of other classes. In December, 3,180,077 consumers were billed, a 2.7% growth in relation to the 3,095,498 consumers billed in December 2003.



Increases in the Number of Consumers:

Number of customers



Tariffs and Discount Policy

- **Tariff review**

On June 21, 2004, the National Agency of Electric Energy (ANEEL) published Resolution No. 146, with the final result of Copel's periodical tariff review. An average readjustment of 14.43% was authorized, as from June 24, on the tariffs approved by Resolution No. 284, of June 2003. The readjustment comprises 9.17% relating to the rate determined by the tariff review process, and 5.26% relating to the recovery of costs already incurred (Variation of Items from Parcel A Offsetting Account - CVA).



- **Discount policy**

In 2004, Copel, authorized by the Company's Board of Directors, continued the policy of granting discounts to its consumers with a view to lessening the impact of the readjustments, increasing the consumption of power by attracting new consumers, and reducing the levels of default. The following table shows a summary of the readjustments and discounts applied in 2003 and 2004.

Date	Average readjustment authorized by ANEEL	Average readjustment applied by Copel	Average discount on the authorized tariffs
June 24, 003	25.27%	-	20.17%
January 1, 2004	-	15%	8.2%
June 24, 2004	14.43%	9%	12.5%
February 1, 2005	-	5%	8.2%

- **Tariff realignment**

In compliance with the provisions of Decree 4667/2003, ANEEL started in 2004 the realignment of tariffs and the gradual withdrawal of the cross subsidies between the high and low voltage consumer groups. Accordingly, the average readjustment of 14.43% for Copel's consumers was reflected in a readjustment of 21.09% in group A (high voltage) and of 10.39% in group B (low voltage). The conclusion of the realignment process is forecast for 2007.

Average supply tariffs by class of consumer (in R\$/MWh)

TARIFFS	Dec/04	Dec/03	Increase %
Residential	262.12	224.57	16.72
Industrial	139.74	103.84	34.57
Commercial	221.31	187.02	18.33
Rural	157.84	131.52	20.01
Others	164.60	134.77	22.13
Supply/Total	187.08	152.79	22.44

Purchase of power from Itaipu. By ANEEL Resolution ANEEL No. 131/2004, effective as from January 1, 2005, the tariffs for passing on power received from Itaipu Binacional were increased from US\$/kW 17.8474 to US\$/kW 19.2071.

**Default**

As from the 2003 accounting year, Copel has been calculating the Default Level of the Electricity Supply product using the following methodology for calculation:

$$I = \frac{\text{Past due receivables} > 15 \text{ days} \leq 360 \text{ days}}{\text{Billing in the 12-month period}}$$

I = Percentage of Default

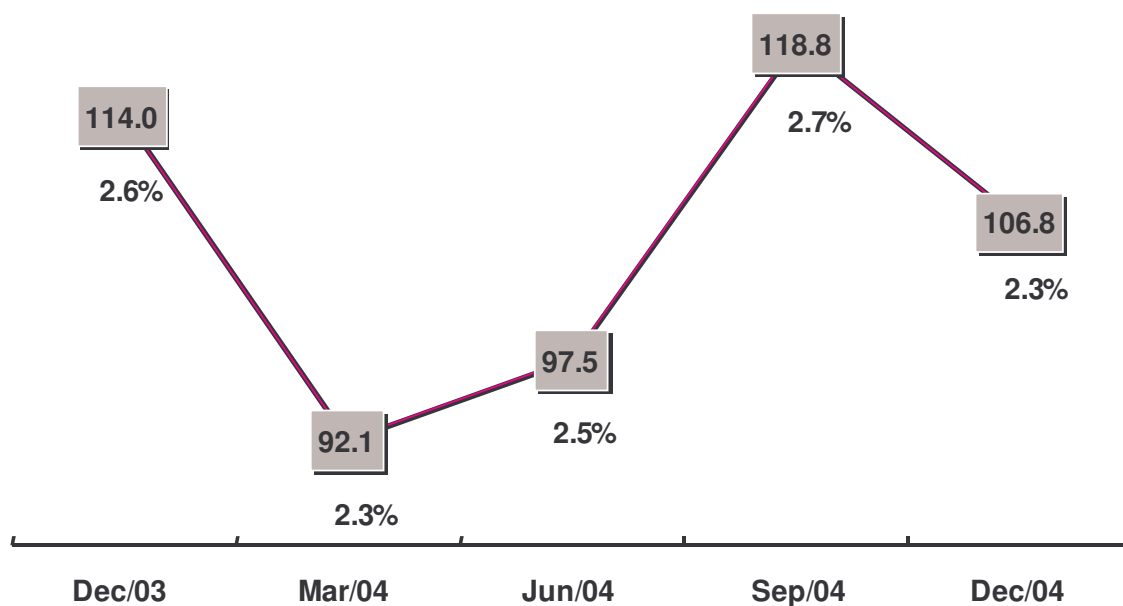
The consumer with a bill overdue for more than 15 days is regarded as in default, in accordance with the date on the electricity bill (ANEEL Resolution No. 456/00).

Losses recognized by the Company are excluded from past due receivables.

There was a small reduction, from R\$ 114.0 million to R\$ 106.8 million in 2004, as a result of the continuation of the discount policy, besides the measures adopted by Copel to combat default.



Graph of Electricity Supply Default (R\$ million / %)



Power Quality

The two main indicators of the quality of supply are Equivalent Length of Outages per Consumer (DEC) and Equivalent Frequency of Outages per Consumer (FEC).

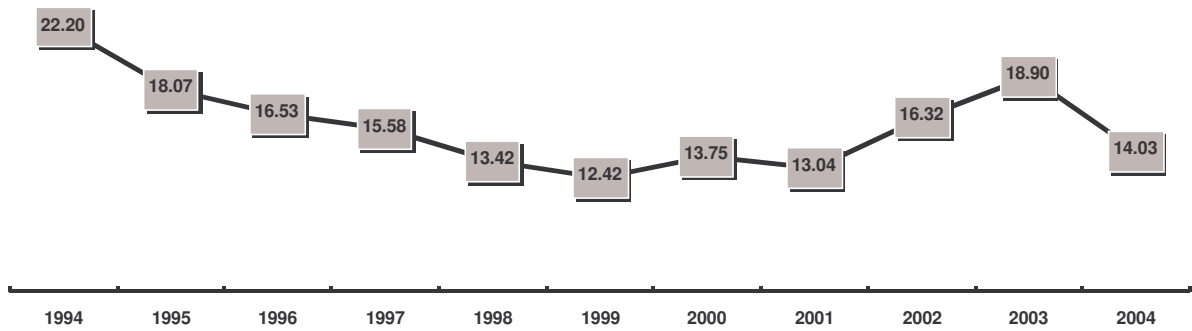
The DEC expresses the interval of time that, on average, each consumer in the unit considered has remained without electricity in the period under observation, taking into consideration the outages greater than or equal to three minutes.

The FEC expresses the number of outages that, on average, each consumer of the unit considered has undergone in the period under observation, taking into consideration outages greater than or equal to three minutes.

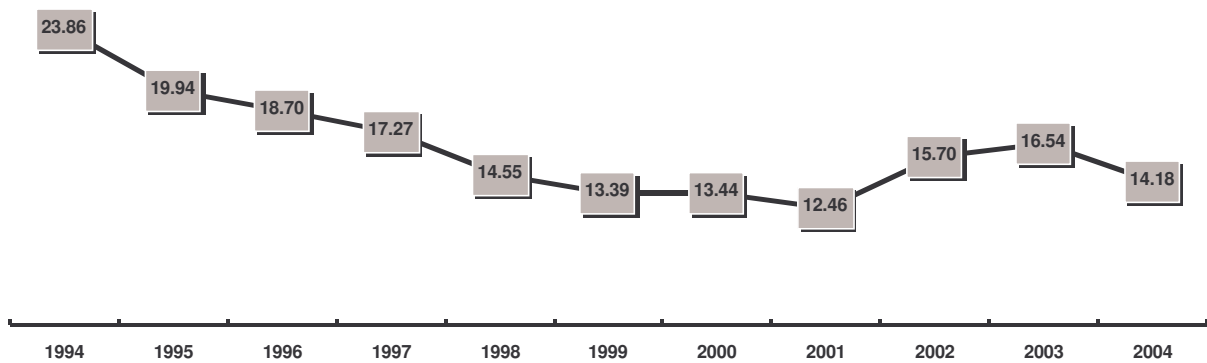
A graph showing the history of Copel's DEC and FEC indicators levels in the last eleven years follows.



DEC



FEC



Copel's DEC reached its lowest historical level in 1999, while the FEC recorded its lowest point in 2001.



As the growth of the electricity system has been positive every year, expansions and reinforcements have to be carried out constantly in the networks, seeking better service for the consumer, as well as the need for implementing new technologies with a view to serving the market in a satisfactory and optimized manner.

While undergoing a privatization process from 2000 onwards, Copel naturally suffered an impact with the reduction in personnel and investments which, coupled with adverse climatic conditions, led to inadequate indicators for 2002 and 2003.

At the beginning of 2003, the Management for Distribution approved the creation of a Working Group responsible for proposing actions to improve and reduce the levels relating to the groups of consumers, as well as for presenting a pluriannual investment plan compatible with the need for improving the indicators.

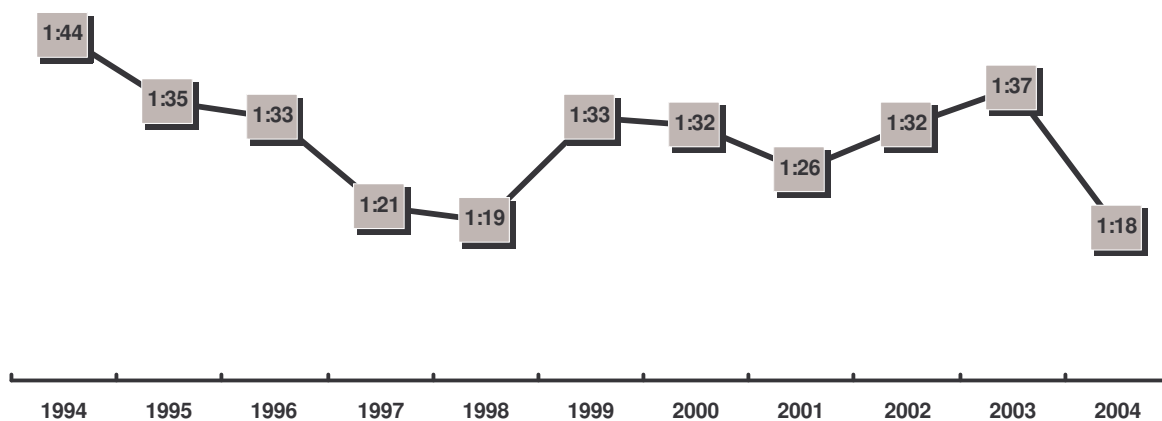
As a result of the group's first work, the Executive Board authorized the use of additional funds of R\$ 27 million which were used to carry out work and actions in the maintenance of the system.

Additional funds were also approved in 2004 for contracting new teams that contributed towards the maintenance of the system, by pruning trees and clearing the undergrowth, the result of which has been reflected in the indicators for 2005.

A significant improvement has occurred in the DEC and FEC indicators in 2004, and a further improvement is also expected in the indicators for 2005, since the continuation of investments is forecast, in terms of projects and improvements in Copel's groups of feeders.

Average Emergency Service Time

Average Emergency Service Time (TMA) has shown a significant improvement in 2004 with a return to the level of 1998. This improvement in the indicator is a result of a large investment by Copel in contracting new technicians and electricians, and in their location, with the opening of new service posts from 2003 onwards.

**TMA****Losses**

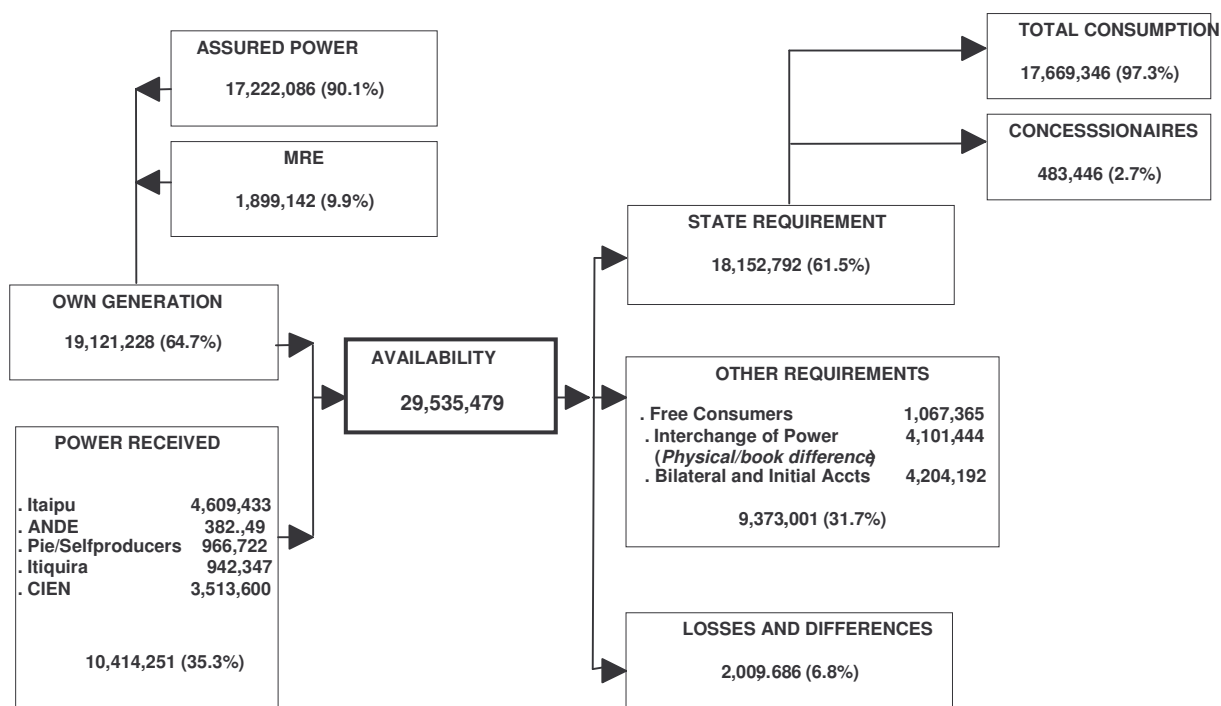
Copel's level of energy losses was 6.8%, in relation to the total energy available. The calculation takes into consideration the technical and commercial losses in Copel's electricity system, including the Basic National Network.

Although Copel's commercial losses are low, nevertheless, due to a tendency to grow, the Company has taken certain actions of a preventive nature, such as the creation of 50 inspection teams scattered throughout the concession area, the replacement of the system for sealing meters, and developing a system for controlling the whole inspection process, a system called GD Measurement.

Besides these actions, Copel, in partnership with COHAPAR, instituted a social program called Legal Light, the objective of which is to bring consumer units out of illegality, promoting citizenship through the supply of electricity in a regular manner. Figures show that by December 2004 this program had already brought about the regularization of 1,014 consumers, which as a consequence also contributed to a reduction in the commercial losses.



Electric Power Flow in 2004 (in MWh)



ECONOMIC-FINANCIAL PERFORMANCE

Results of operations

In 2004, the Company achieved net income of R\$ 374.1 million, 118.6% higher than the R\$ 171.1 million of the previous financial year. This result is equivalent to a Return on Equity of 7.86%, an increase of 115.3% in relation to 2003.

The main reason for this good result is the improved operating performance in the year, shown by the 26.9% increase in **Net Operating Revenues**, more than double the rate for **Operating Expenses**, which increased 12.6%.



The 25.4% increase in **Gross Revenues**, from R\$ 4,420.2 million in 2003 to R\$ 5,544.3 million in 2004, was due mainly to the growth in revenues from:

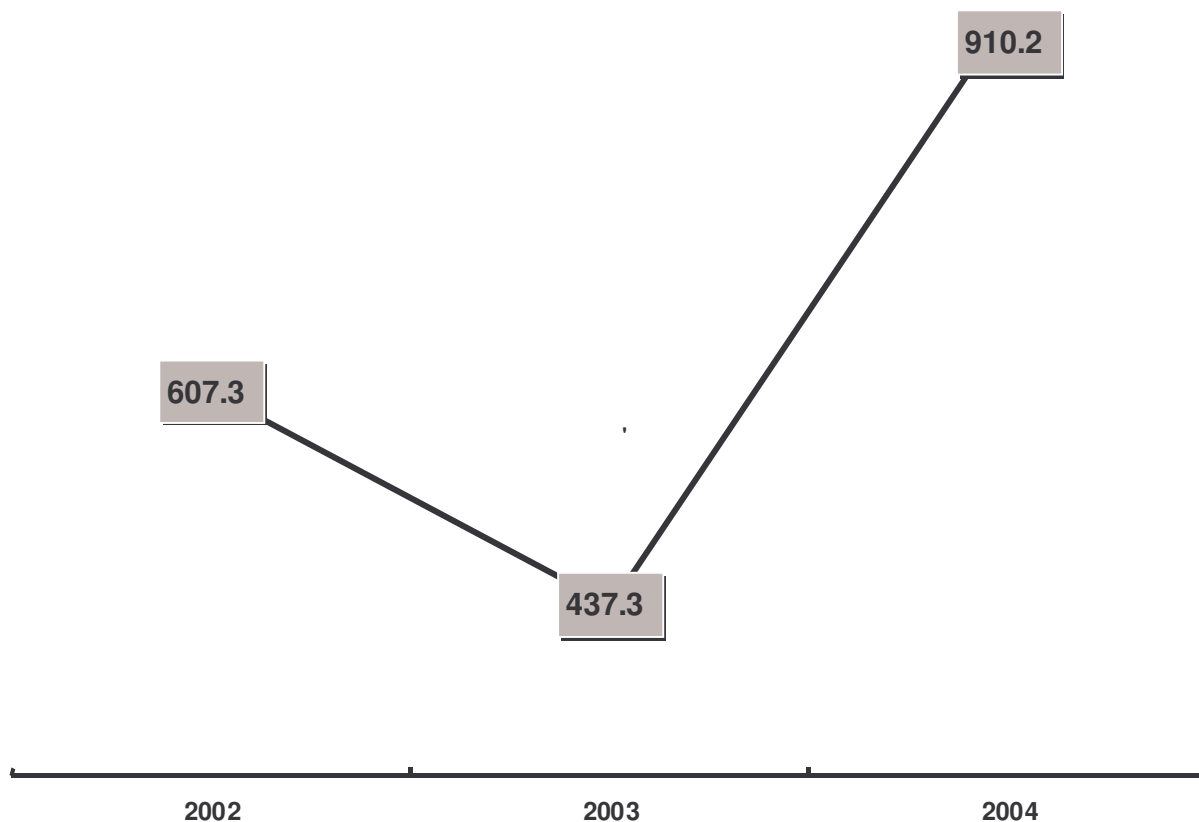
1. Supply of 23.3%, a reflection of the readjustments authorized by ANEEL, applied by the Company in the percentages of 15% in January 2004 and 9% in June 2004.
2. Supply of 33.4%, due to the growth of sales of power through bilateral contracts, in particular with Celesc.
3. Revenue from the availability of the network of 87.1%, as a consequence of the readjustments approved by the ONS and an alteration in ANEEL's regulations, with a reclassification of the supply heading with effect from July 2004.

The increase of R\$ 371.2 million in **Operating Expenses**, (expenditure of R\$ 2,953.2 million in the prior year and R\$ 3,324.5 million in the current year), is mainly related to increases of:

1. Regulatory charges, with an increase of R\$ 139.7 million in 2004, arising from:
 - a) Energy Development Account - CDE in 2004; in 2003, only six months were considered as income, and
 - b) R\$ 63.5 million increase in the Fuel Consumption Account - CCC.
2. Charges for the use of the electricity network, with an increase of R\$ 73.6 million because of the increase authorized by Resolution.
3. Personnel and Pension Fund and HealthCare Plan, with an increase of R\$ 86.8 million, due to the increase in the workforce and to payroll adjustments.

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) totaled R\$ 910.2 million, 108.1% higher than the figure for 2003, which was R\$ 437.3 million.

**Changes in EBITDA:****Net Financial Income**

The negative amount of R\$ 2.8 million recorded as Net Financial Income for this year is, in great measure, a result of:

- a) Financial Income, which had an increase of arrears interest and monetary variation by the IGP-DI on income from loans, particularly CRC, and
- b) Financial Expenses, which incurred increases in monetary variations, the effect of the lower devaluation of the US dollar in 2004 compared to 2003, in the Swap Derivatives account of R\$ 57.2 million, and also, to R\$ 81.5 million of interest and fines by Compagas.



Cash flow

STATEMENT OF CASH FLOWS				
Years Ended December 31, 2004 and 2003				
(In thousands of reais)				
	Parent company		Consolidated	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the year	374,148	171,137	395,391	185,545
Expenses (income) not affecting cash:				
Provision (reversal) for doubtful accounts	-	-	63,987	17,539
Depreciation and amortization	-	-	308,910	296,232
Monetary and exchange variations on long-term items - net	(4,175)	(5,638)	9,646	(184,400)
Equity in the earnings of subsidiary and associated companies	(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 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	-	-	4,808	4,808
	(395,689)	(328,647)	652,869	510,941
Gain on sale of investment - Campos Novos Energia S.A.	-	-	-	(24,903)
Changes in current assets				
Consumers and resellers	-	-	(151,044)	(135,650)
Outsourced services, net	-	-	(1,130)	1,221
Services in progress	190	-	(1,383)	5,265
CRC transferred to the Paraná State Government	-	-	118,640	(61,483)
Taxes and contributions recoverable	(9,212)	22,291	60,764	132,998
Storeroom inventories	-	-	(3,416)	(6,484)
"Portion A" offsetting account	-	-	67,532	66,743
Other receivables	8,132	4,619	75,207	(73,661)
	(890)	26,910	165,170	(71,051)



	Parent company		Consolidated	
	2004	2003	2004	2003
Changes in current liabilities				
Suppliers	(45)	121	331,644	138,841
Taxes and social contributions	(7,846)	75,653	(26,002)	160,597
Payroll and labor provisions	(70)	(41)	12,186	26,839
Post-employment benefits	16	-	(111,806)	(108,755)
Regulatory charges	-	-	14,022	10,831
Other accounts payable	(112)	(4,704)	(15,451)	(23,677)
	(8,057)	71,029	204,593	204,676
Cash used in long-term receivables				
Consumers and resellers	-	-	(1,859)	(45,307)
CRC transferred to the Paraná State Government - transfer from current assets	-	-	(170,149)	-
Taxes and contributions deferred and recoverable	-	-	(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 assets	-	-	(80,426)	-
Other long-term receivables	-	-	-	(4,116)
	(7,056)	(92,805)	(587,842)	(319,354)
Decrease in long-term receivables				
Redemption of judicial deposits and escrow s	-	-	25,000	-
	-	-	25,000	-
Increase in long-term liabilities				
Subsidiary and associated companies	261,762	-	-	-
	261,762	-	-	-
Total cash provided by (used in) operating activities	224,218	(152,376)	-	855,181
				485,854



	Company		Consolidated	
	2004	2003	2004	2003
CASH USED IN INVESTING ACTIVITIES				
Investments:				
Campos Novos Energia S.A.	-	-	-	(9,870)
Centrais Elétricas do Rio Jordão S.A. - Elejor	-	-	(36,481)	(30,414)
Other companies	(325)	(5)	(795)	(1,810)
Sale of investment - Campos Novos Energia S.A.	-	-	-	88,309
Dividends receivable	(112,174)	(135,828)	3,872	(3,727)
Interest on own capital proposed by subsidiary and associated compa	130,060	211,748	5,237	7,738
Investments in property, plant and equipment:				
Generation	-	-	(18,325)	(11,260)
Transmission	-	-	(88,544)	(70,928)
Distribution	-	-	(233,808)	(157,958)
Telecommunications	-	-	(43,320)	(44,918)
Gas piping	-	-	(20,220)	(12,144)
General plant	-	-	(3)	(12)
Consumer contributions	-	-	47,925	44,109
Donations and subsidies received	-	5	-	5
Total cash provided by (used in) investing activities	17,561	75,920	(384,462)	(202,880)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES				
Loans and financing	(86,815)	(8,856)	(156,475)	(134,735)
Debentures	(101,239)	2,698	(101,239)	2,698
Dividends	(52,974)	(8)	(56,468)	(310)
Total cash used in financing activities	(241,028)	(6,166)	(314,182)	(132,347)
TOTAL INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	751	(82,622)	156,537	150,627
Opening balance	2,530	85,152	362,699	212,072
Closing balance	3,281	2,530	519,236	362,699
Increase (decrease) in cash and cash equivalents	751	(82,622)	156,537	150,627

Hedge

With a view to reducing its exposure to exchange rate fluctuations, the Company carried out a transaction to hedge its debt, represented by US\$ 150 million of Eurobonds due on 5/2/2005, with advisory services from Banco do Brasil.

The transaction consists of swapping 100% of the exchange rate variation for an average of 75.19% of the Interbank Deposit (CDI) interest rate.

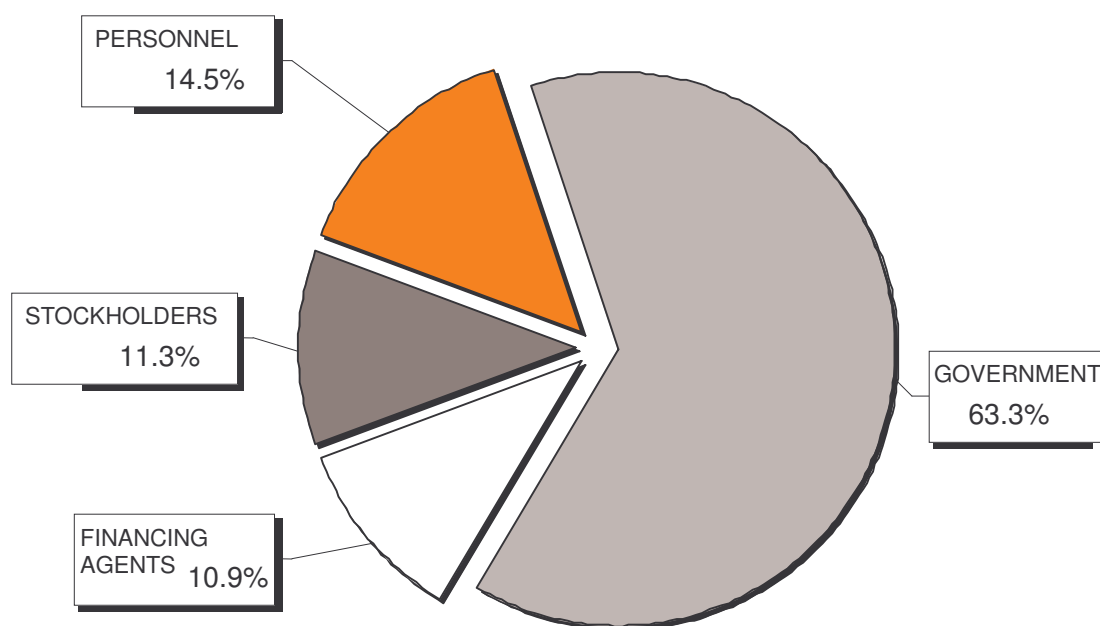


Added Value

The Total Added Value in this financial year exceeded that of the previous year by 42.5%, equivalent to R\$ 1,040.0 million and 62.9% of Gross Revenues. This result shows the company's performance in the internal generation of funds.

Another point that deserves to be noted is the Distribution of Added Value in 2004, injecting some R\$ 2.0 billion into the economy of the State of Paraná, through the payment of taxes, in particular the ICMS, the remuneration of employees, the earnings retained in the Company, and the equity investment of the State, exceeding by R\$ 468.9 million the amount for 2003 and representing 57.6% of the total amount distributed by Copel of R\$ 3,488.0 million.

Distribution of the Added Value - 2004:



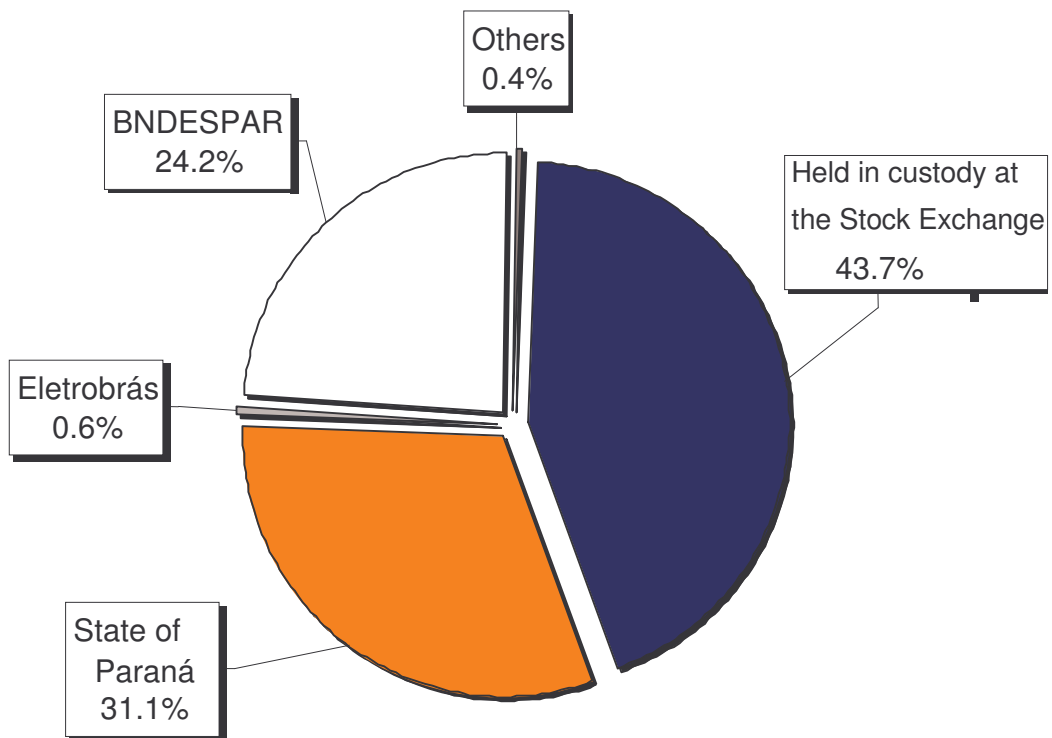


Copel's Shares

- **Stockholders**

In 2004, reserves were capitalized, without any alteration in the number of shares, increasing capital to R\$ 3,480 million, represented by 273,655 million shares, without par value, of which 145,031 million are common shares (53.00%), 404 million class "A" preferred shares (0.15%) and 128,220 million class "B" preferred shares (46.85%).

Analysis of the Share Capital at December 31, 2004:





- **Performance of the Price of the Shares**

In the period from January to December 2004, on the São Paulo Stock Exchange - Bovespa, Copel's common shares (CPL3) were present at 100% of the trading sessions and ended the year quoted at R\$ 9.80 per thousand shares. The Preferred B shares, with the code of CPL6 (which enter into the theoretical portfolio of the Bovespa Index - Ibovespa), were also present at 100% of the trading sessions, ending the year quoted at R\$ 11.60 per lot of a thousand.

The Preferred B shares are traded on the New York Stock Exchange - NYSE, with the code ELP, in the form of ADSs (1 ADS is equivalent to 1,000 shares), which were present at 100% of the trading sessions of this exchange and closed the year quoted at US\$ 4.47.

The Preferred B shares are also traded on LATIBEX (the Euro Market for Latin American Stocks connected with the Madrid Stock Exchange, with the code XCOP), and were present at 100% of the trading sessions, to end the year quoted at EUR 3.21.

- **Shareholder Services**

Besides the international investors, Copel has today about 16,500 shareholders resident in Brazil. For better management and with the proposition of remaining a transparent, modern and open company, the Company has made available its Shareholder and Custody Center, installed on the 2nd floor of its headquarter building at Rua Coronel Dulcídio No. 800, in Curitiba. The Center provides information about individual shareholding positions, dividends, share prices, requests for issuing certificates and for crediting earnings, and other information, always promoting a good relationship between the Company and its shareholders.

Since 2003, the Center has also been providing services for consumers who hold credits from the Eletrobrás Compulsory Loan, which today add up to 23,000 customers in our records. These are provided with statements, credited with interest and given other information, on the same lines as offered to the shareholders.

For greater agility in obtaining information and for drawing the Company closer to its Shareholders and Consumers, these services are also available via the Internet, using the e-mail acionistas@Copel.com or by telephone, by toll-free calls using number 0800 41 2772 .



Economic Added Value - EAV

The Economic Added Value - EAV represents the economic profit, or how much the company adds in wealth with the capital that has been employed in its operations, after remunerating this same capital.

Copel saw a considerable improvement in the Operating Return on Investments in 2004, compared with 2003, which resulted in adding value for the shareholder in the order of R\$ 25.5 million.

We stress, however, that what is important in the EAV is not its absolute value, but rather its change from one year to the next. Accordingly, this year, compared with the previous year, Copel had an improvement in the economic added value of R\$ 372.8 million, signaling a significant recovery in this index since when the variation in EAV is positive in relation to the previous year, the Company is effectively focused on the creation of value.

The rate of 12% for remunerating own capital has been maintained as adequate for the standards of the Brazilian electricity sector and for a "beta" of 0.96.

Erro! Vínculo não válido.

SOCIOENVIRONMENTAL PERFORMANCE

Copel and the Global Compact

Since 2001, Copel has been a signatory of the Global Compact, which is an alliance between the United Nations (UN) and the international business community to bring about sustainable growth, based on more humane values.

In reality, the Global Compact is a worldwide ethical point of reference to be pursued by the signatories, along the path en route to full Social Responsibility. Companies formally join by means of a letter to the Secretary General of the UN, in which they declare their commitment to respect the

Ten Basic Principles, namely:

Human Rights Principles

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.



Labor Standards Principles

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environmental Protection Principles

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies

Anticorruption Principle

10. Businesses should work against all forms of corruption, including extortion and bribery.

In parallel to the launch of the Global Compact, in 2000, rulers from 191 countries met at the Millennium Assembly of the United Nations and drew up a set of objectives to be attained by 2015, with a view to combating poverty, hunger, disease, illiteracy, degradation of the environment and discrimination against women.

The so-called Millennium Development Goals (MDGs) constitute development targets for countries, and they are directly related with the principles of the Global Compact, to comply with which the signatory companies undertake to carry out concrete actions. Copel, as a signatory to the Pact, also seeks to contribute towards publicizing and complying with the MDGs.

Millennium Development Goals:

1. To eradicate extreme poverty and hunger;
2. To achieve universal primary education;
3. Promote gender equality and empower women;



4. To reduce child mortality;
5. To improve maternal health;
6. To combat HIV/AIDS, malaria and other diseases;
7. To ensure environmental sustainability; and
8. To develop a Global Partnership for Development.

This report portrays, below, the programs and actions that are being carried out by Copel for the inclusion of the Principles of the Global Compact in its management, as well as its contribution towards compliance with the MDGs.

The actions and policies below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Taking Part in the Brazilian Global Compact Committee and Supporting its Publicity**

In December 2003, together with a select group of other companies and entities, Copel joined a National Committee that outlines the policies for an ample dissemination and effective implementation of the Principles of the Global Compact in our country.

Simultaneously, the Brazilian electricity sector, with its long history of contributing towards the economic, social and environmental development of the country, decided to act in a proactive manner and, in collaboration with the UNDP (United Nations Development Program), started an ample campaign for publicizing the MDGs with its collaborators, customers, suppliers and partners. In a pioneer venture, Copel and three other electricity concessionaires in Brazil put forward and started individual timetables for publicity.

Results: In 2004, the MDGs and the Principles of the Global Compact were publicized via internal communications, Copel’s 2005 diary, the 2003 Annual Social Report, intranet, internet, internal workshops, lectures, seminars, displays and electricity bills, reaching a public of over 3 million persons.



- **Policy of Sustainability and Corporate Citizenship**

A joint corporate policy is in force, drawn up by the areas of Business Social Responsibility and Environment, called the *Policy of Sustainability and Corporate Citizenship*. This policy should guide all the Company's decisions and actions, seeking internal sustainability, respect for all the interested parties, and an ample promotion of diversity and ethics in the running of the business. It is complementary to the Company's Ethical Code of Conduct, and both include in their scope the Principles of the Global Compact.

The policy is as follows:

"We must be the change we want to see..."

M.K.Gandhi

Founded on the Company's Mission, of:

"Generating, transmitting, distributing and marketing power, as well as providing related services, promoting sustainable development with a return for the society of Paraná";
on the 11 Values which align its strategic position, which are: ethics, social responsibility, strategic alliances, commitment, continuous improvement, accepting risks, valuing the employees, clarity of objectives, customer satisfaction, stockholder value, security;
and on the 10 Principles of the Global Compact (UN Global Compact - 1999), to which Copel is a signatory, the Policy of Sustainability and Corporate Citizenship is governed by the following principles:

1st Principle: COMMITMENT

We declare ourselves committed to valuing, conserving and defending the environment and to ample inclusion and social justice, considering the precepts of sustainable development, in the exercise of our activities.

2nd Principle: PROACTIVE ATTITUDE BEFORE THE LAW

We undertake to comply with the environmental legislation in force and to respect the universal human rights in carrying out our activities, as well as acting beyond what is merely required by the law, whenever necessary and possible, in supporting and promoting the sustainable development of the communities with which we interact.

3rd Principle: DIALOGUE, COMMUNICATION AND TRANSPARENCY

We relate in a transparent way with the various segments of society that are directly and indirectly interested in our activities, effectively taking into consideration their opinions and expectations.



4th Principle: RESPECT FOR SOCIOENVIRONMENTAL DYNAMICS

We are alert to the factors that define socioenvironmental dynamics, constantly reviewing our principles, in search of an adequate performance through actions of continuous improvement.

5th Principle: INDIVIDUAL RESPONSIBILITY

We make our workforce aware of the need to adopt a posture of respect and responsibility with all the interested parties, ensuring day-to-day business practices that are consistent with their personal values and with the values of the Company.

6th Principle: VALUING DIVERSITY

We value the diversity of the natural and social ecosystems, in all their multiple aspects.

The program below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

• **Tribute to the Iguaçu Program**

If we regard Copel as a living organism, the River Iguaçu represents its backbone. Its waters generate the major part of the power supplied to our customers, bringing comfort and quality of life to the citizens of Paraná, as well as the socioeconomic development of the state itself. That being so, it is quite just that, when it completes half a century of existence, Copel should offer a tribute to this generous natural legacy, which is born in the spurs of the Serra do Mar and runs to the west along almost the entire extent of the territory of Paraná.

From this conception, the areas of Social Responsibility and of the Environment in Copel started, in 2004, to format a ten-year program of actions and activities called “Tribute to the Iguaçu”, with the purpose of casting a generous and sympathetic look at the waters, nature, and the river’s adjoining communities, with a view to fostering sustainable development, architected from ideas and proposals that have arisen from the very communities involved.

The Tribute to the Iguaçu Program was created with the mission of structuring a network of partnerships to facilitate and catalyze the coordination of the communities, to create their vision of the future, of the strategies and jointly-constructed projects, aiming at their sustainable development without impairing the right of future generations to enjoy nature in conditions at least equal to the present ones and in alignment with Copel’s mission.



Results: The work of the Tribute to the Iguaçu Program at Porto Vitória, as a pilot area, has already brought some effective results with concrete benefits for the community. We can mention as examples:

1. The coordination of a network of partners, which now comprises over 40 entities from various sectors;
2. The coordination of a group supporting the tourism project in the region of Porto Vitória, involving specialists in tourism, geoprocessing and representatives of the local community and the start of the inventory of the tourism potential in the region, to identify centers, map areas, and identify the infrastructure, existing and needed;
3. Creation of a Center of Reference in Osier in Piraquara - PR (the origin of the springs of the River Irai, which, together with the River Atuba, form the River Iguaçu). At this center, besides a nursery of saplings – there are now 200 thousand saplings available – osier will be produced and activities promoted to teach its handling for the production of furniture and handicraft.
4. Creation of the Osier Boys project in the municipality of União da Vitória - PR, with the initial transfer of 2 thousand saplings of this plant to a local nursery;
5. The professionalization and certification project of the Piamarta Institute, of União da Vitória, in partnership with Senai. In 2004, the Institute completed 25 years of work, and currently assists 500 needy boys and their families, through a local productive arrangement. Copel has now expanded the electricity network and the transformation station, to cater for the new school of automobile mechanics, which will begin to function at the beginning of the new school year. Furthermore, the schools for bakery and carpentry that have already been functioning and qualifying needy boys for several years will be duly certified by Senai.
6. Representatives of the Social Market, a venture of the Brazilian Confederation of Commercial Associations (CACB), joined the Tribute to the Iguaçu team, members of the communities of Porto Vitória, União da Vitória and partners, with a view to launching a Social Trading Floor in the region. The Social Market is thus one more partner of the Tribute to the Iguaçu that joins in mobilizing businessmen to make viable projects selected by the population and that promote the sustainable development of the region.

The program below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10



- **Corporate Volunteer Program - ElectriCitizenship**

The program encourages employees to start or to expand work of voluntary assistance in the communities where they live and work, applying their knowledge and skills for the general well-being of people, by being excused from normal working hours for up to four hours a month, to carry out volunteer activities. The activities or social action work can be carried out individually or in groups, through prior negotiations with the Company’s team leaders, in such a way as not to bring any detriment to the normal progress of the business and professional activities, particularly amongst those employees who work on the basis of a roster.

Results: By December 31, 2002, the ElectriCitizenship program had 344 registered volunteers, who, in that year, worked 12,142 hours in the interests of the community. These, added to the 5,907 that had been worked previously, result in 18,049 hours dedicated to voluntary service by Copel employees since the creation of the Program. In 2004, 107 new volunteers were registered, and 855 hours worked.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Campaign for Fund Raising for the Zero Hunger Program**

From 2003, in partnership with PROVOPAR (Paraná Volunteer Program), the Company has been collecting contributions from its customers for the Zero Hunger Program through its electricity bills. Copel absorbs the collection costs, and the monthly amount is passed on its partner PROVOPAR, for use in structuring programs for fighting hunger.

Quantitative results in 2004:

Total of active donors: 155,403

Total of the collections passed on to PROVOPAR: R\$ 357,723.96

Average monthly collection: R\$ 29,810.33

Qualitative results: The funds passed on to PROVOPAR were invested in the implementation of social policies and those for the generation of income of the Government of the State of Paraná.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10



- **Christmas without Hunger Campaign**

Since 2001, Copel has been taking part in the Christmas without Hunger Campaign, which represents a charitable effort throughout Brazil for gathering non-perishable foodstuffs to be donated to needy people.

Created 10 years ago by sociologist Herbert de Souza (Betinho), through the Action and Citizenship against Hunger and Poverty and for Life Committee, Christmas without Hunger is the largest collective manifestation of the charitable and volunteering spirit of the Brazilians. Hundreds of thousands of hampers with basic foods are distributed every year to needy families, registered in welfare programs, in a way that is totally well organized.

Results: In 2004, the total donated at Copel was 15,887 Kg of foodstuffs.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8			
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10	

- **Permanent Fund Raising Campaign for the Children's Ministry**

In 2000, Copel entered into an agreement with the Children's Ministry (Pastoral da Criança) to receive donations through the electricity bills, with the amount being charged under express authorization of the consumer.

Quantitative results from January to December 2004:

Number of customers: 1,072,510

Total raised: R\$ 1,256,790.14

Average monthly collection: R\$ 104,732.51

Results: The Children's Ministry, a body for social action of the National Conference of the Bishops of Brazil - CNBB, is one of the most important organizations in the whole world working with the health, nutrition and education of children, from their mother's womb until they are six years old. The Children's Ministry is particularly present on the outskirts of the major cities and in the pockets of poverty in the small and medium-size Brazilian municipalities, both in the urban environment and in rural areas.



The program below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Relationship Program with Suppliers of Materials and/or Services**

With the objective of drawing closer the relationship with its suppliers of materials and/or services, considering the strategic point of reference and the Company's policy of sustainability, in 2004 a working group was created to structure and to develop the Relationship with Suppliers Program, the criteria for which should be defined on the basis of the benchmarks available.

Results: The analysis of the Indicators of Social Responsibility of the Ethos Institute showed that Copel needs to have a more emphatic positioning in its productive chain. The Company understands that the involvement of the stakeholders in the process of disseminating social responsibility is indispensable. In this context, in 2004 the contractual clause of Social Responsibility present in all the contracts signed by the company was expanded, as follows:

Contractual Clause of Social Responsibility

The contracting parties undertake to:

- Not permit the practice of labor analogous to slavery or any other illegal form of labor, as well as to implement efforts with their respective suppliers of products and services, in order for these to also commit themselves to the same manner;
- Not employ people under the age of 18 for night, dangerous or insalubrious work, and people under the age of 16 for any work, except in the capacity of apprentice, from the age of 14 onwards;
- Not permit the practice or maintenance of discrimination in relation to sex, origin, race, color, physical condition, religion, civil state, age, family situation or state of pregnancy, as well as to implement efforts to this effect with their respective suppliers;
- Protect and to preserve the environment, as well as to prevent and eradicate practices that are harmful to it, exercising their activities in observance of the legal, normative and administrative acts relating to the areas of the environment and related areas, emanating from the Federal, State and Municipal spheres, including, but not being limited to, compliance with Federal Law No. 6938/81 (National Policy of the Environment) and with Law No. 9605/98 (Law on Environmental Crimes), also implementing efforts to this effect with their respective suppliers.



Sole paragraph: Copel may, at any time, inspect the compliance of the obligations conferred on the CONTRACTED PARTY in this clause, and is permitted to visit any of its establishments.

The actions and programs below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Fraternal Light**

A program of the Government of the State that assumes the payment of electricity bills of duly registered needy families with a monthly consumption of up to 100 kWh. The program was approved by State Law 14087, of 09/11/2003.

In 2004, an average of 224,320 families were assisted; of which 179,456 located in urban areas and 44,864 located in rural areas.

In terms of transfer of income, which is the main objective of the Program, in 2004 the Program allowed these families to keep R\$ 25,619,138.68, which corresponds to 188,429,010 kWh.

Targets: To benefit all families that meet the criteria of the Law.

- **Universalization of Power**

Copel has drawn up a universalization plan, with a view to serving, by 2007, all the properties that do not yet have access to electricity, involving the connection of roughly 56 thousand units, of which 36 thousand are rural and 20 thousand are urban. The project is in response to ANEEL Resolution n° 223 of 04/29/2003 and to Federal Law 10762 of 11/11/2003. To assist the 36 thousand rural properties, in July 2004 an undertaking was signed between the Federal Government and Copel, with a view to meeting the Program named "**Light for All**".

The actions below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10



- **Nocturnal Irrigation Program**

To coordinate the supply of electricity for the “Nocturnal Irrigation Program”, carried out by the Secretariat for Agriculture and Supply of the State of Paraná, which aims at stimulating the use of irrigation to increase productivity in agricultural production and to improve the quality of life in rural areas.

The actions below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **External representations – Participation in the formulation of Public Policies**

ABCE – Brazilian Association of Electricity Concessionaires: The objective of the ABCE is to bring together professionals and companies in the generation, transmission and distribution of electricity from all over Brazil, to promote debates and to seek solutions for common issues.

EPE – Energy Research Company: Connected with the Ministry of Mines and Energy, the EPE carries out studies and research that will assist the formulation, the planning and the implementation of actions of the Ministry of Mines and Energy, in the area of the national energy policy.

APINE – Association of the Independent Power Producers: Has the objective of promoting the union of companies interested in the independent production of electricity, acting as a technical and consultative body in studying and solving problems that are related to the activity of its associates.

Environment Committee of the CIGRÉ: Copel takes part in the Environment Committee of the CIGRÉ, which has the objective of promoting interchange and technical, technological and engineering development in Brazil in respect of the production, transmission and distribution of electricity.

Relationship with the Paraná Environmental Institute - IAP: Considering that Copel and IAP have common interests, social and environmental well being, it was proposed that these two institutions should draw closer together, with the intention of promoting greater synergy and effectiveness in their joint actions. As a result, we carried out a survey of all the relevant actions in the relationship between Copel and IAP and a proposal for procedures for each one of the actions, after hearing all the interested parties.

CGB – Bioenergy Management Committee: This has the objective of managing and developing actions in R&D, applications and use of biomass in the state of Paraná, with an initial focus on the production and application of biodiesel in the state energy matrix.



Paraná Business Citizenship Council: Has the mission of contributing towards the development of the Paraná community, gathering together the potentialities and competencies of the business segment to carry out social, cultural and environmental projects, emphasizing the development of volunteer action.

Permanent Agenda 21 Forum Paraná: Has the objective of defining and systematizing the actions of the State Agenda, following the guiding themes indicated by the society of Paraná and from the perspective of constructing targets and strategies for sustainable development.

ZEE - Ecological-Economic Zoning of the State of Paraná: Ecological-economic zoning is an instrument of the national policy for the environment, with a view to acting in the organization of territory, and has a general objective organizing the decisions of the public and private agents as to plans, programs and activities that, directly or indirectly, use natural resources, ensuring the full maintenance of capital and of the environmental services of the ecosystems.

COEP – Committee of Entities in the Combat against Hunger and For Life: Copel has been taking part in the COEP since 1995, a pioneer program for stimulating the formation of partnerships between companies, universities, public authorities and organizations of society. It is a network aimed at various different segments, working in the combat against hunger and poverty. It acts in a decentralized manner, in a national network of coordination and mobilization, covering projects in the areas of education, food security, generation of income, health, local action, business citizenship, mobilization, campaigns, qualification activities and communication.

CONSEA-PR – State Council of Food and Nutritional Security: Copel has been taking part in CONSEA since it was founded in 2003. The Council is an instrument for coordination between government and civil society in the proposition of guidelines for actions in the areas of food and nutrition. The Council’s task is to advise the Federal, State and Municipal Governments in formulating policies and defining guidelines for the country to guarantee the human right to food.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10



- **Participation in the Paraná Competitive Movement**

Incorporating the initiatives of the Paraná Competitive Movement, the MBC – Brazilian Competitive Movement, in a joint initiative with SEBRAE – Brazilian Support Service for Small and Medium Businesses and other institutions, such as the IBQP/Pr – Brazilian Quality and Productivity Institute – Paraná, introduced in 2004 the Business Success Award, which was born focused on the belief that Paraná, like other Brazilian states, has a lot to gain with the use of mechanisms that promote improvement in the management of companies.

Copel, for its size, its function and its mission, cannot shirk from contributing, by participating actively in the establishment of this process, from its conception. The Company has contributed to the consolidation of the Paraná Competitive Movement together with other partners, amongst which the Secretariat for Industry and Commerce, the FIEP (Federation of Industries of the State of Paraná), the Gerda Group and Commercial and Business Associations should be mentioned.

Still in the scope of the MBC, the experience with "Copel 5S in the Schools" should be mentioned, at the Forum of the State Sectorial Quality and Productivity Programs, also promoted by the Paraná Competitive Movement, in conjunction with the IBQP. Copel has already adapted and implemented the 5S in 7 schools at its power plants and started voluntary work supporting the schools from the community around them, for them to also implement it. Given the success of the experience, there is an interest of the Paraná Competitive Movement to take it to all Brazilian schools. It is a tool that is agile, easy to use and to implement that promotes the dissemination of values, social inclusion and citizenship.

- **Program for the safe and rational use of power**

School Kit – The School Kit is a Campaign for Safety in the Community for Preventing Accidents with Electricity. Its objective is to make available information on safety in the use of electricity, in a teaching manner. The School Kit is used by 400 volunteers all over Paraná, all of them employees of Copel, and it comprises a notebook, a ruler, a memory game and a primer. Throughout 2004, 150 thousand kits were distributed at 1,150 establishments in 125 municipalities. In all, almost 400 thousand people have had access to the material.

- **Energy Efficiency Programs**

Copel carries out, on an annual basis, an Energy Efficiency Program where financial resources are applied, equivalent to 0.5% of its net operating revenues, in projects that have the objective of promoting energy efficiency in the end use of electricity.



In 2004, the following projects were carried out:

Municipal Energy Management – A project with the objective of implementing a plan for energy efficiency in municipal installations and to publicize the concept of combating waste of electricity and preservation of the environment, with the following results:

- a) coverage of 22 municipalities in the state of Paraná
- b) qualification of 62 municipal technicians
- c) creation and structuring of Municipal Energy Management Units
- d) preparing 22 Municipal Electricity Management Plans - PLAMGEs

PROCEL in the Schools – Environmental Education Program “The Nature of the Landscape”

– This is an environmental education program called “The Nature of the Landscape - Power”, intended for primary and secondary school teachers, given by technicians from the electricity concessionaires, the so-called multipliers, in a 12-hour course with permanent accompaniment during the school year, which comprises:

- a) carrying out a course to form new instructors at Copel;
- b) carrying out courses for recycling /updating the existing instructors;
- c) qualifying school teachers from the various regions where the company works.

Donation of Efficient Lighting Systems for Welfare Entities – With the objective of combating the waste of power in welfare entities of the State, Copel provided guidance on how to use electricity without waste and carried out the replacement of the existing lighting system by another, more modern and efficient, and:

- a) 515 welfare entities were benefited;
- b) compact 15W fluorescent lamps and 32W lighting units (light fitting + fluorescent tube + electronic starter) were distributed and installed;
- c) 10,459 lighting points were made more efficient.

Technical Cooperation Agreements and Undertakings Entered Into in 2004 – In 2004, technical cooperation agreements and undertakings were entered into with institutions from several regions of the state, with the purpose of carrying out the energy efficiency projects listed below:

- a) Improving Energy Efficiency at Curitiba Charity Hospital;



- b) Improving Energy Efficiency at Londrina Charity Hospital;
- c) Improving Energy Efficiency at Londrina Children's Hospital;
- d) Improving Energy Efficiency at Ponta Grossa Charity Hospital;
- e) Improving Energy Efficiency on the Campus of the State University of Maringá - UEM;
- f) Creating an Energy Efficiency Laboratory at CEFET-PR / Curitiba.

Relight Program – The National Program for Efficient Public Lighting “ReLight” has the objective of promoting the development of efficient systems of public lighting, contributing towards improving the safety conditions and the quality of life in Brazilian cities.

In Copel, the Relight Program included the following municipalities in 2004:

- 1. Iporã: 1,536 points of public lighting made more efficient;
- 2. Altônia: 1,106 points of public lighting made more efficient;
- 3. Paraíso do Norte: 911 points of public lighting made more efficient;
- 4. São Jorge do Patrocínio: 539 points of public lighting made more efficient;
- 5. Castro: 2,435 points of public lighting made more efficient;
- 6. Toledo: 10,375 points of public lighting made more efficient.

Support for Culture

Artistic development and growth in Paraná are among Copel's objectives and principles. Accordingly, encouraging, recovering, maintaining and promoting cultural activities all over the state have been the Company's commitment to the educational process.

R\$ 3.4 million was invested (including amounts spent by Compagas) on different fronts of cultural activities. Among the various editions of books aimed at the educational process of the public of children and juveniles, Copel also considered the Guarani people, by publishing a source of research about the folklore of this people, almost in extinction. The scenic arts were also taken to various regions of the state, through drama performances, showing that taking arts to the interior of the state is a way of democratizing access to artistic manifestations.

Copel has also placed within the reach of the citizens of Paraná the privilege of assisting and admiring plastic arts, through its greatest symbol, which is the Oscar Niemeyer Museum. Through this, it is possible to see famous Brazilian artists such as De Bona, Niemeyer himself, and Brennand, among others, besides a collection of etchings by Rembrandt.



Strengthening the formation of audiences and education for citizenship by means of the democratization of the access to culture were also ideals made tangible on stages, in churches, schools and alternative spaces in several cities of the state.

Environmental Programs and Actions

The actions and programs below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Elimination of Askarel**

Askarel waste, a material used as an insulator in old electricity generation equipment and transformers, is toxic and has a high potential for creating environmental problems at the end of its useful life.

To eliminate the use of askarel for good, in June 2004 a specific project was started, with a forecast duration of 18 months, with a view to making an assessment of the existence of the waste of this material, introducing handling procedures, and giving a final environmentally adequate destination to this waste.

Results:

Investigation of the situation of the equipment in operation with askarel;

Purchase of replacement equipment;

Assessment of the physical environment of the equipment.

- **Planning for urban tree planting**

The living side by side of urban tree planting and electricity distribution networks shows a certain impasse, calling for planning of pruning and occasional felling of trees, in order to minimize interruptions in the electricity supply.

Results:

Research in the existing bibliography;

Identification of the types of trees suitable for each situation proposed;

Drawing up a guide to tree planting covering specific particularities related to the climatic aspects and purposes of the use of a given species.



- **Management of waste and effluents in distribution**

The program aims at giving a suitable final destination to the waste generated, minimizing and controlling the emission of effluents, and studying the feasibility of reusing and recycling certain kinds of waste, promoting gains that are not only environmental but economic as well. The actions were started in September 2004, from the perspective of implementing a corporate Environmental Management System – EMS.

Result: An investigation of the main actions carried out in the various areas of the company, as one of the stages for the implementation of the EMS.

- **ZERE Program – Management of waste, effluents and emissions at the electricity generating power plants**

This program aims at identifying the kinds of waste and effluents that may potentially offer risks for the environment and for the safety at the electricity generating power plants, besides developing and implementing tools for the Management of Waste and Effluents arising from processes for operating and maintaining the power plants.

The program also aims at implementing procedures for monitoring, controlling and separating for quantification all the waste and effluents, according to their degree of toxicity and risks to the environment, the development at the end of each cycle of a Management Plan for each item studied, and an Environmental Contingency Management Plan for the power plants.

Results:

Implementation of the cycle that aims at identifying the kinds of effluent that may potentially offer risks, from the environmental point of view, and safety in the power plant environment.

Carrying out a diagnosis from samples collected at all Copel's production units of the present situation of generation of these effluents, to permit more effective management.

An environmentally suitable handling of the waste generated in the process of O & M, including co-processing in cement factories, as well as accompanying their transport.

- **Development and distribution of Alevins**

With the purpose of managing the handling and research of the endemic ichthyofauna, this program seeks to master the reproductive techniques of three native fish: the mandi, the bagre and the Iguaçu surubim – the latter on the list for extinction -, as well as the controlled reproduction of the native lambaris of the Iguaçu.

Results: Production of 1,260 million alevins of the various species for repopulating the Iguaçu basin. Of these, 300 thousand alevins were made available for the Copel - Sadia – Ibama agreement.

- **Program for Recovering Degraded Areas / SCX HEP**

Through environmental recomposition techniques, this program seeks to recover the landscape, aiming at minimizing the negative effects of the construction of the building site, camp, and other places disfigured during the construction of the Salto Caxias HEP.

Results:

Production of humus (worm breeding) aiming at assisting with the regeneration of the soil, recovering its physical, chemical and biological properties, preserving the environment.

Production of 70 thousand cuttings of native species, just in the forest nursery at the power plant.

An effort to enrich the vegetation and open up new areas, as well as the maintenance of the existing ones.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Assessment and bioremediation of the areas of the Atuba Complex impacted by mineral oils**

The Atuba Complex houses administrative activities, storeroom and maintenance. Due to the services of handling and stocking equipment with mineral oil and of vehicle maintenance, its soil and the underground waters are liable to contamination. Because of its proximity to the River Atuba, part of the land is classified as an “Area of Permanent Protection”, so that the monitoring and assessment of the environmental and operational conditions of its installations are therefore important.

**Results:**

Investigation of the hydrogeological characteristics;
 Environmental assessment of the operational areas;
 Preparing a work plan.

The action below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Environmental Education**

The effectiveness of a process depends, fundamentally, on the intellectual and emotional commitment of the people involved, which leads to making people aware of and assist in the success of the actions aimed at the preservation and conservation of the environment. With this objective, September 2004 saw the start of the presentation of the “Three Ecologies” seminar.

Results:

Analysis of the themes to be addressed;
 Definition and segmentation of the various kinds of public;
 Drawing up the program content and the language to be used for each public segment;
 Assessment of the effectiveness of using internal instructors and of the teaching material prepared;
 Holding three seminars, with 160 participants.

The actions and programs below respond to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Regional Museum of the Iguaçu**

The Environmental Impact Report of the Gov. Ney Braga (Segredo) Hydroelectric Power Plant includes the installation of the Regional Museum of the Iguaçu, a place for keeping, studying and exhibiting the collection coming from the Scientific Use of Flora and Fauna, Salvation of the Cultural Memory and Archeological Rescue Programs.



The museum has one of the most remarkable regional collections in Paraná, categorized into the Biotic Environment (species of flora and fauna) containing 1,985 exhibits, and the Anthropic Environment (human culture) with 545 exhibits, besides carrying out Environmental Education Programs, which leads to reflection about society's need for sustainable development for the constant improvement of the quality of life.

Results:

Start of the Selective Waste Collection in the Residential Village of the Gov. Ney Braga Hydroelectric Power Station.

Receiving over 17 thousand visitors during 2004, from the community, institutions of learning, and professionals interested in environmental education activities



- **Segredo IV / HEP GNB Resettlement Program**

This program seeks to relocate the communities affected by the reservoirs and to carry out an interface between Copel and the Resettled Farmers Association, which is being carried out through a Joint Management Agreement signed in 2002 that will be concluded in 2005. This agreement has as its objectives the accompaniment of the process of insertion of the families in the resettlement program, advice on the management of the properties, carrying out activities with a view to qualifying those resettled to manage the Association, and the promotion of interchanges to stimulate the development of agricultural, social and cultural projects.

Results: The Segredo IV resettlement serves 77 families who, in harmony with the objectives of the joint management, have sought alternatives for self-sustainability and improvement in the quality of life, through practices like rescuing culture, expanding the level of schooling in the community, implementing organic farming and technologies in mixed farming, amongst others.

The program below responds to goals / principles nos.:

Millennium Development Goals	1	2	3	4	5	6	7	8		
Principles of the Global Compact	1	2	3	4	5	6	7	8	9	10

- **Golden Mussel Program**

The program aims at carrying out campaigns with the population of the state of Paraná and, in particular, with the riverside communities, to detect and monitor the entry of *Limnoperna fortunei* into Copel’s reservoirs. This mollusk can bring serious economic losses to all the activities involved with the use of water resources in Paraná.

Results: Distribution of pamphlets and posters at the reservoirs of Gov. Ney Braga, Gov. Bento Munhoz and Gov. Jose Richa, with a view to containing or minimizing the invasion of the state’s ecosystems. Up to the present, no focuses of the mollusk have been found in the reservoirs of Copel’s power plants.

Social Balance Sheet

The Social Balance Sheet is a statement published annually, together with the other financial statements, and comprises information that indicates the Company’s performance during the year in the area of Business Social Responsibility.



It is important to point out that there is no law that requires the Social Balance Sheet, but Copel has been presenting it for years, following the methodology and criteria proposed by the Brazilian Social and Economic Analysis Institute - IBASE, believing that it is an instrument of communication and transparency of the Company with its interested parties.

In accordance with the CVM requirements, the Compagas accounts have been consolidated in the Financial Statements, and this is also reflected in the Social Balance Sheet including the reclassification of the information for 2003 for comparability between the two years.

We present below the material evidence of Copel's business social responsibility in numbers.



ANNUAL SOCIAL RESPONSIBILITY BALANCE SHEET - IBASE Model

For the years ended December 31

('In thousands of reais)

	Consolidated 2004				Consolidated 2003			
1 - CALCULATION BASIS								
Net operating revenues	3,925,774				3,094,298			
Operating profit (RO)	600,182				301,361			
Gross payroll (FPB)	633,561				540,727			
Total added value (VAT)	3,488,022				2,448,008			
2 - INTERNAL SOCIAL INDICATORS								
		% on:				% on:		
		FPB	RL	VAT		FPB	RL	VAT
Meals	35,540	5.5	1.0	1.1	28,345	5.2	0.9	1.1
Compulsory social charges	115,114	18.2	2.9	3.3	95,566	17.7	3.1	3.9
Pension plan	117,119	18.5	3.0	3.4	91,988	17.0	3.0	3.8
Health Care plan	20,447	3.2	0.5	0.6	14,563	2.7	0.5	0.6
Work security and medical assistance	4,128	0.6	0.1	0.1	2,652	0.5	0.1	0.1
Education	5,534	0.9	0.1	0.2	2,756	0.5	0.1	0.1
Culture	1,684	0.3	0.0	0.0	1,448	0.3	0.0	0.1
Qualification and professional development	1,049	0.2	0.0	0.0	772	0.1	0.0	0.0
Day nursery assistance	407	0.1	0.0	0.0	350	0.1	0.0	0.0
Profit sharing	18,319	2.9	0.5	0.5	16,000	3.0	0.5	0.7
Other	3,384	0.5	0.1	0.1	2,711	0.5	0.1	0.1
Total	322,725	50.9	8.2	9.3	257,151	47.6	8.3	10.5
3 - EXTERNAL SOCIAL INDICATORS								
		% on:				% on:		
		RO	RL	VAT		RO	RL	VAT
Education	24,331	4.0	0.6	0.6	29,576	9.9	1.0	1.3
"Paraná Digital" Program	23,892	3.9	0.6	0.6	28,774	9.6	1.0	1.3
Schools in plants and others	439	0.1	0.0	0.0	802	0.3	0.0	0.0
Culture	3,114	0.5	0.1	0.1	984	0.3	0.0	0.0
Health and sanitation	47,117	7.9	1.2	1.4	27,146	9.0	0.9	1.1
"Luz Fraterna" Program	25,619	4.4	0.7	0.8	5,624	1.8	0.2	0.2
"Eletificação Rural" Social Program (Rural Electrification Social Program)	17,639	2.9	0.4	0.5	19,439	6.5	0.6	0.8
"Reluz" Program	2,099	0.3	0.1	0.1	-	-	-	-
"Reassentamento de Famílias" Program (Family Reallocation Program)	1,053	0.2	0.0	0.0	1,798	0.6	0.1	0.1
Other programs	707	0.1	0.0	0.0	285	0.1	0.0	0.0
Sports	-	-	-	-	10	0.0	0.0	0.0
Hunger and food security combat	-	-	-	-	2	0.0	0.0	0.0
Others: Donations and Eletricidania Program	119	0.0	0.0	0.0	135	0.0	0.0	0.0
Total contribution to the society	74,681	12.4	1.9	2.1	57,853	19.2	1.9	2.4
Taxes (excluding social charges)	2,117,571	352.9	53.9	60.8	1,581,235	524.7	51.1	64.6
Total	2,192,252	365.3	55.8	62.9	1,639,088	543.9	53.0	67.0



	Consolidated				Consolidated			
	2004				2003			
4 - ENVIRONMENTAL INDICATORS	% on:				% on:			
	RO	RL	VAT		RO	RL	VAT	
Investments related to Company operations	18,763	3.1	0.5	0.5	15,861	5.3	0.5	0.6
Research, Development and Effectiveness Programs - environmental impact and waste treatment	12,436	2.1	0.4	0.4	6,601	2.2	0.2	0.2
"Rede Compacta" Program (Green Line)	5,642	0.9	0.1	0.2	9,020	3.0	0.3	0.4
Programs for protection of fauna and flora	685	0.1	0.0	0.0	240	0.1	0.0	0.0
Investments in external programs and/or projects	382	0.1	0.0	0.0	25	0.0	0.0	0.0
Tribute to Iguaçu Program *	71	0.0	0.0	0.0	-	-	-	-
Environmental education and Regional Museum of the Iguaçu	311	0.1	0.0	0.0	25	0.0	0.0	0.0
Total	19,145	3.2	0.5	0.5	15,886	5.3	0.5	0.6

As regards the establishment of "annual goals" to minimize, that is, the general consumption in production/operation, and to increase the efficiency in the use of natural resources, the Company

() does not have goals
 () meets from 0 to 50%
 () meets from 51 to 75%
 (X) meets from 76 to 100%

() does not have goals
 () meets from 51 to 75%
 () meets from 0 to 50%
 (X) meets from 76 to 100%

5 - DETAILS OF EMPLOYEES (including Compagas)

	6,807			6,347		
	Total	Mde	Femde	Total	Mde	Femde
Employees at the end of the year	6,807			6,347		
Employees education:						
Total university and future education	2,408	1,746	662	2,288	1,672	616
Total high school	3,882	3,340	542	3,529	3,035	494
Total primary school	517	494	23	530	507	23
Employees' age:						
Below 30 years	831			530		
From 30 to 45 years	3,741			3,927		
Above 45 years	2,235			1,890		
Employees hired during the period	599			510		
Number of female employees	1,227			1,133		
% of supervisory positions filled by female employees - in relation to the total number of female employees	1.1			1.3		
% of supervisory positions filled by female employees - in relation to the total number of superiors	7.0			7.5		
Number of black employees	572			536		
% of superiors positions filled by black employees - in relation to the total number of black employees	1.1			1.0		
% of supervisory positions filled by black employees - in relation to the total number of superiors	3.2			2.5		
Number of disabled employees or employees with special needs	289			288		
Dependents	14,106			13,824		
Number of interns	839			811		
Number of outsourced employees	2,006			N/D		



6 - SIGNIFICANT INFORMATION IN RELATION TO CORPORATE CITIZENSHIP

	2004	Goals 2005
Relation between the highest and the lowest compensation in the Company	24.6	24.6
Total number of work accidents	166	150
- The social and environmental projects developed by the Company were defined by:	Management	Management
- The security and occupational health standards were defined by:	All + CIPA	All + CIPA
- As regards union rights, right to collective bargaining and internal representation of the employees, the Company:	follows OIT rules	will follow OIT rules
- The pension plan includes:	All employees	All employees
- The profit sharing includes:	All employees	All employees
- As regards the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the Company:	are suggested	will be required
- As regards the participation of employees in voluntary work programs, the Company:	supports	will support
	2004	Goals 2005
Total number of complaints and criticisms from consumers:		
to the Company	152,281	145,236
to Procon (Consumer Protection)	967	Not available
in the Court	680	Not available
% complaints and criticisms answered or solved:		
to the Company	100.0%	100.0%
to Procon	65.0%	Not available
in the Court	32.2%	Not available
	2004	2003
Distribution of Added Value:		
Employees	14.5%	17.8%
Government	63.3%	67.6%
Financing agents	10.9%	7.0%
Stockholders	2.9%	2.0%
Retained	8.4%	5.6%

7 - OTHER INFORMATION

This balance sheet includes Compagas data due to its consolidation with COPEL as from this year. For this reason, the 2003 data have been reclassified.

The Eletricidadania Program computed 855 hours dedicated to voluntary work in 2004.

* The "Tribute to Iguaçu" is a social and environmental program aiming at promoting sustainable development using the initiatives from the communities involved.

COPEL does not use child or slave labor.

Area responsible for the information: Accounting Management Superintendency / CTGR - tel. 41-3312123

COMPANHIA PARANAENSE DE ENERGIA



COPEL

OUR THANKS

In recognizing that the good performance and the profit of R\$ 374.1 million achieved by Copel this year comes from the constant support received from the publics with which we relate, we wish to express our thanks to our stockholders, customers and suppliers, to the members of the Board of Directors and of the Audit Board, to the Government of the State and other authorities, and to the community, for the trust placed in our organization.

In particular, we thank our employees for their endeavor and dedication, which for over 50 years have been transforming Copel into a company that is a source of pride for the State of Paraná.

Curitiba, March 24, 2005.