

BALANCE SHEETS AS OF DECEMBER 31

(In thousands of Brazilian reais)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
A S S E T S				
CURRENT ASSETS:				
Cash and banks	11,097	969	20,008	2,637
Accounts receivable	272,326	197,504	426,860	337,361
Other accounts receivable	9,406	9,414	8,028	9,033
Recoverable taxes	42,926	59,813	68,543	81,206
Provision for doubtful accounts	(25,348)	(17,585)	(37,760)	(28,778)
Material and supplies	3,621	4,478	6,174	7,255
Marketable securities	296,498	256,796	306,620	256,859
Escrow deposits	39,382	39,382	39,382	39,382
Services in progress	4,970	6,095	7,250	7,541
Other credits - UTE Campo Grande	-	-	25,891	-
Other credits	11,475	6,118	14,871	10,491
Prepaid expenses	5,779	6,125	24,476	8,610
	672,132	569,109	910,343	731,597
LONG - TERM ASSETS:				
Accounts receivable	190,840	174,814	297,544	250,730
Tariff bonus and surcharges	5,833	30,500	9,718	47,664
Affiliates and subsidiaries	6,711	2,253	65,505	52,849
Escrow deposits	72,175	61,095	94,553	76,816
Deposits	-	-	5,956	3,613
Debt issuance costs	2,690	3,426	2,690	3,426
Deferred income and social contribution taxes	170,130	95,651	286,657	205,033
Other credits - low income consumers	13,034	-	18,718	-
Other credits	19,761	17,364	23,897	19,157
Prepaid expenses	93,565	52,609	142,373	86,002
	574,739	437,712	947,611	745,290
PERMANENT ASSETS:				
Investments	747,650	697,682	374,391	385,257
Property, plant and equipment, net	755,544	769,709	1,481,806	1,493,056
Deferred charges	-	-	79	79
	1,503,194	1,467,391	1,856,276	1,878,392
TOTAL ASSETS	2,750,065	2,474,212	3,714,230	3,355,279

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

BALANCE SHEETS AS OF DECEMBER 31

(In thousands of Brazilian reais)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Suppliers	104,740	136.287	155.615	178.976
Payroll	1,977	1.769	2.968	2.389
Accrued interest and fees	76,325	47.101	83.836	52.787
Loans and financing	142,342	29.228	337.125	246.815
Accrued taxes and social contributions	30,120	28.550	48.482	48.235
Dividends	21	21	30	4.083
Postretirement benefits	2,042	2.420	2.042	2.420
Accrued obligations	13,018	12.357	23.735	22.016
Regulatory charges	7,149	8.956	12.886	13.815
Provision for contingencies	39,382	39.382	39.382	39.382
Variation of Parcel A items	5,271	226	10.226	226
Other accounts payable	11,432	10.500	17.520	11.827
	433,819	316.797	733.847	622.971
LONG - TERM LIABILITIES:				
Suppliers	58,346	61.239	83.781	84.600
Accrued interest and fees	-	-	3.590	1.289
Loans and financing	1,793,057	1.174.686	2.223.718	1.498.063
Postretirement benefits	28,212	28.032	28.212	28.032
Deferred income taxes	7,642	10.108	7.642	10.108
Affiliates and subsidiaries	137	-	-	-
Provision for contingencies	127,069	112.200	166.367	139.811
Parcel "A" items variation	29,542	452	32.019	452
Other accounts payable	49,220	39.295	54.341	48.389
	2,093,225	1.426.012	2.599.670	1.810.744
MINORITY INTEREST	-	-	157.692	190.161
SHAREHOLDERS' EQUITY:				
Capital stock	153,947	153.947	153.947	153.947
Capital reserves	65,687	574.069	65.687	574.069
	219,634	728.016	219.634	728.016
Credits for capital increase	3,387	3.387	3.387	3.387
	223,021	731.403	223.021	731.403
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,750,065	2.474.212	3.714.230	3.355.279

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

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31

(In thousands of Brazilian reais, except loss per share)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
OPERATING REVENUES:				
Electricity sales to final customers	1,077,120	1.086.168	1.635.340	1.617.617
Contingency surcharges	22,900	-	31.906	-
Electricity sales to distributors	54,050	33.737	40.357	83.519
Use of transmission and distribution system	17,020	1.877	17.082	1.877
Other revenues	11,922	7.443	30.499	27.769
	1.183.012	1.129.225	1.755.184	1.730.782
Deductions from operating revenues:				
State value-added taxes - ICMS	(263,169)	(206.006)	(358.175)	(284.722)
PIS tax	(8,148)	(6.942)	(12.150)	(10.711)
COFINS tax	(35,999)	(32.039)	(53.232)	(49.432)
Global reserve for reversion quota - RGR	(15,493)	(16.435)	(27.384)	(26.598)
Contingency surcharges	(22,900)	-	(31.906)	-
Tax on services (ISSQN)	(55)	(7)	(583)	(432)
	(345.764)	(261.429)	(483.430)	(371.895)
Net operating revenues	837,248	867.796	1.271.754	1.358.887
SERVICE COST OF ELECTRIC ENERGY:				
From electricity purchase:				
Electricity purchased for resale	(431,731)	(423.909)	(602.911)	(585.287)
Charges for the use of transmission and distribution system	(68,109)	(56.790)	(106.115)	(89.902)
	(499.840)	(480.699)	(709.026)	(675.189)
From operations:				
Personnel and administrators	(41,240)	(43.679)	(71.541)	(75.846)
Pension plan	(1,554)	(1.553)	(2.566)	(2.884)
Material	(3,192)	(4.575)	(7.128)	(7.978)
Fuel for electric energy production	-	-	(2.663)	(6.679)
Third-party services	(19,020)	(21.586)	(37.686)	(38.878)
Depreciation and amortization	(47,373)	(45.567)	(90.816)	(85.009)
Provisions	(12,915)	(16.168)	(18.198)	(28.197)
Other	(4,324)	(3.051)	(5.929)	(5.013)
	(129.618)	(136.179)	(236.527)	(250.484)
COST OF SERVICE RENDERED FROM THIRD-PARTY	(7,930)	(3.430)	(9.032)	(3.886)
	(637,388)	(620.308)	(954.585)	(929.559)
Gross operating profit	199,860	247.488	317.169	429.328
OPERATING EXPENSES				
Selling expenses	(3,907)	-	(12.558)	-
General and administrative expenses	(48,237)	(74.322)	(91.189)	(104.870)
Fuel consumption account - CCC	(48,534)	(48.548)	(74.061)	(63.192)
Depreciation and amortization	-	-	(11.528)	(3.252)
Other operating expenses	(4,217)	(2.850)	(13.501)	(14.759)
	(104,895)	(125.720)	(202.837)	(186.073)
INCOME FROM OPERATIONS	94,965	121.768	114.332	243.255
EQUITY IN SUBSIDIARIES	(65,298)	21.355	-	-
FINANCIAL REVENUES				
Income from temporary cash investments	72,517	99.969	90.307	105.676
Monetary variation and fines on overdue collections	11,653	7.828	18.794	12.882
Gains on hedging operations	11,515	1.059	11.515	1.059
Regulatory assets - SELIC	32,891	-	56.712	2.489
Monetary variation on tax credits	7,251	-	7.251	-
Monetary variation - UTE Campo Grande	-	-	1.982	13.098
Other	1,945	2.771	10.663	9.209
	137,772	111.627	197.224	144.413
FINANCIAL EXPENSES				
Monetary variation - electricity purchase	(9,026)	(4.091)	(8.724)	(4.091)
Monetary and exchange variation on loans and financing	(544,369)	(158.083)	(595.722)	(188.507)
Interest on loans and financing	(170,327)	(115.396)	(236.101)	(161.450)
Other	(20,197)	(20.522)	(27.096)	(26.196)
	(743,919)	(298.092)	(867.643)	(380.244)
FINANCIAL RESULTS	(606,147)	(186.465)	(670.419)	(235.831)
OPERATING PROFIT (LOSS)	(576,480)	(43.342)	(556.087)	7.424
NON-OPERATING REVENUES	579	3.110	981	4.327
NON-OPERATING EXPENSES	(14,132)	(7.154)	(71.839)	(11.758)
NON-OPERATING INCOME (LOSS), NET	(13,553)	(4.044)	(70.858)	(7.431)



FINANCIAL STATEMENTS - FISCAL 2002 and 2001

LOSS BEFORE TAXES AND MINORITY INTEREST	(590,033)	(47.386)	(626.945)	(7)
Social contribution	18.786	5.298	19.967	(2.669)
Income tax	61,995	15.952	66.038	(6.087)
	(509,252)	(26.136)	(540.940)	(8.763)
MINORITY INTEREST	-	-	31.688	(17.373)
LOSS FOR THE YEAR	(509,252)	(26.136)	(509.252)	(26.136)
Loss per share - R\$	(111.90)	(5.74)	-	-

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of Brazilian reais)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

	CAPITAL	CAPITAL	INCOME	ACCUMULATED	CREDITS FOR		
	STOCK	RESERVE	RESERVE	LOSSES	SUBTOTAL	INCREASE	TOTAL
BALANCE AS OF DECEMBER 31, 2000	153,947	605,139	13,144	-	772,230	3,387	775,617
Remuneration on construction in progress	-	2,325	-	-	2,325	-	2,325
Prior year adjustments	-	-	-	(20,403)	(20,403)	-	(20,403)
Loss for the year	-	-	-	(26,136)	(26,136)	-	(26,136)
Absorption of loss for the year	-	(33,395)	(13,144)	46,539	-	-	-
BALANCE AS OF DECEMBER 31, 2001	153,947	574,069	-	-	728,016	3,387	731,403
Remuneration on construction in progress	-	870	-	-	870	-	870
Loss for the year	-	-	-	(509,252)	(509,252)	-	(509,252)
BALANCE AS OF DECEMBER 31, 2002	153,947	65,687	-	-	219,634	3,387	223,021

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION FOR THE YEARS ENDED DECEMBER 31

(In thousands of Brazilian reais)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
SOURCE OF FUNDS				
From operations				
Loss for the year				
Expenses (revenues) not affecting net working capital:				
Equity in subsidiaries	65,298			
Monetary and exchange variation on long-term liabilities	545,798	156.211	579.551	174.590
Depreciation and amortization	57,081	55.499	123.105	105.804
Disposal of property, plant and equipment	4,506	4.326	9.629	8.313
Provision for loss on UTE Campo Grande disposal			77.291	
Deferred income taxes				
Regulatory assets				
Deferred funding costs	736	769	736	769
Liabilities adjustments	8,755	12.428	8.755	12.428
Provision for contingencies	14,872	29.924	22.347	29.931
Other expenses		38.145		38.138
Remuneration of construction in progress and other				15.937
	104,004	123,038	164,549	217,697
From shareholders				
Credits for capital increase				30.955
	-	-	-	30.955
From third parties				
Loans and financing	109,625	90.051	250.078	124.890
Obligations related to the concession	4,340	4.543	6.185	14.773
Postretirement benefits		7.629		7.629
Decrease in long-term assets				49.856
Tariff bonus and surcharges	16,461		24.229	
Affiliates and subsidiaries	137	887	46.137	15.359
Dividends from subsidiaries	178	5.158		
Variation of Parcel A items	27,204		27.204	
Other	957	2.343	8.519	5.780
	158,902	110,611	362,345	218,287
Total sources of funds	262,906	233,649	526,894	466,939
APPLICATIONS OF FUNDS				
Long-term assets	14,791	16.168	29.792	16.208
Property, plant and equipment	50,891	65.530	187.969	188.349
Investments	115,444	25.182		27.237
Prepaid expenses	40,956	52.609	56.371	86.002
Transfer from long-term liabilities to current liabilities	37,052	23.559	115.148	101.464
Proposed dividends			1.491	4.083
Tariff bonus and surcharges		22.704		34.516
Affiliates and subsidiaries	4,458		49.524	47.237
Other credits-low income	13,034		18.718	
Other	279	2.980	301	2.980
	276,905	208,732	459,024	508,076
Total applications of funds				
Increase (decrease) in working capital		24,917	67,870	
Variation of working capital				
Current assets:				
Beginning of the year	569,109	486.394	731.597	586.659
End of the year	672,132	569.109	910.343	731.597
	103,023	82,715	178,746	144,938
Current liabilities:				
Beginning of the year	316,797	258.999	622.971	436.896
End of the year	433,819	316.797	733.847	622.971
	117,022	57,798	110,876	186,075
Increase (decrease) in working capital		24,917	67,870	

The accompanying notes are an integral part of these statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

(In thousands of Brazilian reais, unless otherwise indicated)

(Translation of the report originally issued in Portuguese. See Note 29 to the financial statements)

1. OPERATIONAL CONTEXT

ESPÍRITO SANTO CENTRAIS ELÉTRICAS S.A. – ESCELSA – is a public Brazilian corporation controlled by the Group Eletricidade de Portugal S.A. – EDP, through IVEN S.A.. Engaged in the generation, transmission, distribution and the sale of electric energy, the Company's activities are regulated by the National Electric Energy Agency (Agência Nacional de Energia Elétrica – ANEEL), part of the Ministry of Mines and Energy.

ESCELSA is the majority shareholder of MAGISTRA PARTICIPAÇÕES S.A., which is the controlling shareholder of EMPRESA ENERGÉTICA DE MATO GROSSO DO SUL S.A. – ENERSUL – an electric energy distribution company in the State of Mato Grosso do Sul, acquired at a public auction on November 19, 1997, and CASTELO ENERGÉTICA S.A. – CESA, incorporated on November 1, 1999, to operate in the exploitation of water resources, thermal energy generation and transmission network; and of TV A CABO VITÓRIA S.A. – TVIX, incorporated on July 4, 1997 (TVIX is a Pay TV company servicing residential condominiums in the municipalities of Vitória and Vila Velha in the state of Espírito Santo). In addition, ESCELSA is the majority shareholder of ESCELSA PARTICIPAÇÕES S.A. – ESCELSAPAR, which became an Internet Service Provider (ISP) and provider of various services in the area of information technology.

The subsidiary ENERSUL has taken steps to raise funding through long-term obligations with domestic and international banks due to of its liquidity position and to improve its overall debt profile, both in terms of costs and maturity.

2. CONCESSIONS

The Company has the following concessions from ANEEL for generation of electric energy, in operation:

HYDROELECTRIC PLANT	RIVER	CAPACITY (MW)(*)		CONCESSION DATE	
		INSTALLED	USED	BEGINNING	EXPIRATION
In operation:					
Fruteiras	Fruteiras	8	8	7/17/95	7/16/25
Suiça	Santa Maria	30	31	7/17/95	7/16/25
Rio Bonito	Santa Maria	17	14	7/17/95	7/16/25
Jucu	Jucu	4	4	7/17/95	7/16/25
Mascarenhas	Doce	104	131	7/17/95	7/16/25
Alegre	Ribeirão Alegre	2	2	7/17/95	7/16/25
		165	190		

(*) Unaudited.

The Company also has the concession valid through December of 2027, for the nonoperating hydroelectric plants of Rio Preto, Luna, Aparecida, Fumaça and for the distribution and transmission of electric energy in 70 of the 77 municipalities of the State of Espírito Santo (90% of State's total area). Within the range of 41,372 km² of the concession area, the Company serves 93.97% of the consumers in the State.

3. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were prepared in accordance with accounting practices set forth by the Brazilian Corporate Law, specific legislation applicable to electric utility concessionaires established by National Electric Energy Agency - ANEEL and regulations of the Brazilian Securities Commission - CVM.

Additional information is presented in the form of explanatory notes and tables, in compliance with the instructions of Circular no. 155/2003-SFF/ANEEL of January 24, 2003 and CVM-SEP/SNC Letter no. 01/2003 of January 16, 2003.

3.1 – Public Electric Utility Accounting Manual

Resolution no. 444 of October 26, 2001 issued by the Brazilian Electric Utility Regulatory Agency (ANEEL) established an Accounting Manual, with a Chart of Accounts, Accounting Rules and financial disclosure guidelines. Compliance with the Manual is compulsory for companies in the electric sector since January 1, 2002.

During this fiscal year, changes were made to the way certain transactions are classified and these have been reclassified in the December 31, 2001 financial presentation, in order to make the information more comparable.

4. MAIN ACCOUNTING PRACTICES
4.1 – Parent Company Financial Statements
a) Marketable Securities

Are recorded at cost plus accrued income, up to the closing date of the balance sheet, with necessary provisions made for devaluation to reflect market values, when applicable. Marketable securities are mainly represented by U.S. dollar-linked interest bearing public treasury notes;

b) Accounts receivable

Include the supply of electric power energy, both billed and unbilled, to customers as of the balance sheet date, accounted for on an accrual basis including also accounts receivable related to the extraordinary tariff recomposition and free energy;

c) Provision for doubtful accounts

Recognized in accordance with General Instruction no. 6.3.2 of the Accounting Standards for Public Electric Utilities, reflecting a conservative position in comparison with ESCELSA's historical average losses.

c) Materials and supplies

Materials and supplies used in operations and maintenance are recorded as current assets and those destined for construction are included in property, plant and equipment, both based on the average acquisition cost.

d) Investments

The investments in subsidiary companies are stated based on the equity adjustment method. The other investments, including investments in ESC 90, are stated at cost plus monetary restatement, until December 31, 1995, net of provision for loss, when applicable.

e) Property, plant and equipment

Stated at the acquisition or construction cost, monetarily restated until December 31, 1995, less the accumulated straight-line depreciation based on account balances recorded in the respective Unit Registries – UC, in accordance with DNAEE Rule 815 of 11/30/1994, at constant rates as per the schedule stipulated in ANEEL Rule 02 of 12/24/1997 and 44 of 03/17/1999.

In accordance with the General Instructions of the Accounting Standards for Public Electric Utilities, interest and other financing charges and monetary variation related to third party financing, effectively applied on construction, have been recognized as property, plant and equipment under construction, and are recorded within this subgroup as cost.

f) Monetary variation of rights and obligations

Rights and obligations subject to restatement because of exchange and monetary variations for contractual or legal reasons are updated through to the closing date of the balance sheet.

Foreign currency liabilities are converted into Reais according to the exchange rates used by the Brazilian Central Bank (US\$ 1 = R\$3.5333 on December 31, 2002 and US\$ 1 = R\$ 2.3204 on December 31, 2001).

g) Income tax and social contribution

Income tax recorded in the statements of income is calculated based on taxable income (adjusted net income) at a rate of 15% plus 10% on taxable income exceeding R\$240. Social contribution recorded in the results of the period is calculated based on taxable income prior to income tax, at a rate of 9%.

The deferred income tax and social contribution were recorded as tax credits, based on the tax losses, negative basis of the social contribution and temporary differences, considering the rates in effect for the deferred income tax and for the deferred social contribution. Due to the rules issued by CVM Instruction no. 371, published on June 27, 2002, the Company stopped recording deferred income taxes since July 1, 2002.

h) Obligations related to the concession

Refer to obligations linked to the concession agreement for electric utilities and represent basically Federal Union funds, donations requiring no return from the donor and subsidies and contributions received from consumers destined for investments in the public service of electric energy in distribution activity.

The maturity of these obligations is set by the Regulatory Agency, and will be determined at the end of the concession period. As from January 1, 2002, the balance of this account is being classified as a deduction to property, plant and equipment.

i) Pension plan

The Company is the sponsor of Fundação Escelsa de Seguridade Social - ESCELSOS, which manages the pension fund for its employees.

The costs, contributions and the actuarial obligation associated with pension plans are calculated at the balance sheet date by independent actuaries.

As from December 31, 2001, such amounts are calculated and recorded in accordance with Deliberation CVM no. 371/00.

j) Loss per share

Calculated based on the number of shares outstanding at the closing date for the fiscal period;

k) Revenue and expenses accounting procedures

Revenues and expenses for all services are recognized on an accrual basis of accounting, recognized when incurred. Billing for all customers is made on a monthly basis according to the meter reading calendar. Unbilled revenues, corresponding to the period between the date of the last reading and the end of the month, are estimated and recognized as revenue in the month in which the energy was consumed.

l) Estimates

Financial statement preparation according to corporate law accounting practices requires that the Company's Management make estimates for the recognition of certain transactions that impact assets and liabilities and revenues and expenses of ESCELSA and its subsidiaries, which are reflected in data disclosed in the financial statements.

The final figures that are recorded upon the realization of such transactions in subsequent reporting periods may differ from these estimates.

The most relevant estimates contained in the financial statements refer primarily to the accounting treatment given to the following:

- Allowance for Doubtful Accounts;
- Amounts related to sales and purchases of short-term energy occurred under Electric Power Wholesale Market (MAE) rules;
- Extraordinary tariff (regulatory asset) realization;
- Deferred income tax and deferred social contribution realization;
- Provision for Contingencies and Pension and Retirement Plans.

m) Taxation of transactions in the Electric Power Wholesale Market (MAE)

As per the terms of article 32 of Provisional Measure no. 66 of August 29, 2002, which became law 10.637 on December 30 2002, and of Instruction no. 199 of September 12 2002, the concession holder, as a participant in the Wholesale Energy Market – MAE, exercised its option to adhere to the special regime for PIS tax on revenues earned on transactions carried out on MAE.

The main impact of this special tax regime is on the basis for tax calculation, based on the Company's future net amounts and the continued application of the 0.65% quota.

4.2 – Consolidated Financial Statements

The consolidated financial statements include the balance sheets, statements of income, and statements of changes in financial position for the years ended December 31, 2002 and 2001 for ESCELSA and its subsidiaries MAGISTRA, TVIX and ESCELSAPAR.

The main consolidation procedures adopted were as follows:

- elimination of ESCELSA's investments in controlled subsidiaries;
- elimination of account balances between ESCELSA and its subsidiaries included in the consolidation, as well as the accounts kept between such subsidiaries;
- recognition of the minority shareholders' participation in the balance sheet and statement of income;
- recognition of the goodwill recorded for the acquisition of ENERSUL by MAGISTRA.

The profit and the shareholders' equity at ESCELSA are equal to those of the consolidated group, as there was no unrealized income in the intercompany operations.

5. MARKETABLE SECURITIES

FINANCIAL INSTITUTION	TYPE	MATURITY	PARENT COMPANY	
			2002	2001
Banco Pactual S.A	NBC-E	11/17/05	19,298	18,002
Citibank S.A.	NBC-E	10/12/06	-	77,924
Citibank S.A.	NBC-E	10/12/06	4,063	3,758
Citibank S.A.	NBC-E	3/18/04	4,011	3,033
Citibank S.A.	NBC-E	3/18/04	14,021	63,423
Citibank S.A.	NBC-E	12/18/03	4,431	3,453
Banco Itaú S.A.	NBC-E	11/16/06	43,482	41,711
Credit Suisse	NBC-E	11/16/06	43,482	45,374
Banco BBA Credtanstalt S.A.	NBC-E	10/12/06	83,531	-
Banco BBA Credtanstalt S.A.	NBC-E	3/18/04	75,720	-
Banco BBA Credtanstalt S.A.	NBC-E	11/16/06	4,290	-
Other	Other	-	169	118
			296,498	256,796

FINANCIAL INSTITUTION	TYPE	MATURITY	CONSOLIDATED	
			2002	2001
Banco Pactual S.A .	NBC-E	11/17/05	19,298	18,002
Citibank S.A.	NBC-E	10/12/06	-	77,924
Citibank S.A.	NBC-E	10/12/06	4,063	3,758
Citibank S.A.	NBC-E	3/18/04	4,011	3,033
Citibank S.A.	NBC-E	3/18/04	14,021	63,423
Citibank S.A.	NBC-E	12/18/03	4,431	3,453
Banco Itaú S.A.	NBC-E	11/16/06	43,482	41,711
Credit Suisse.	NBC-E	11/16/06	43,482	45,374
Banco BBA Credtanstalt S.A.	NBC-E	10/12/06	83,531	-
Banco BBA Credtanstalt S.A.	NBC-E	3/18/04	75,720	-
Banco BBA Credtanstalt S.A.	NBC-E	11/16/06	4,290	-
Citibank S.A.	NA	-	2,591	25
Banco do Brasil S.A.	Investments Funds		7,557	33
Other.	Other	-	143	123
			306,620	256,859

In June 2002, the Company set-up provisions for the reduction to market value of its entire NBC-E portfolio. Since then, the provision has been adjusted according to official market indicators.

6. ACCOUNTS RECEIVABLE
PARENT COMPANY

FINANCIAL STATEMENTS - FISCAL 2002 and 2001

	Total				
	2002	2001			
FINAL CUSTOMERS:					
Billed	202,163	119,563			
Unbilled	217,326	230,255			
	419,489	349,818			
WHOLESALE:					
Other distributors	2,405	3,664			
Spot Market – Short-Term	41,272	18,836			
	463,166	372,318			
	Current	Past-due up to 90 days	Past-due over 90 days	Total	
				2002	2001
FINAL CUSTOMERS:					
Residential	31,691	18,826	1,606	52,123	35,399
Industrial	38,571	3,318	2,981	44,870	35,044
Commercial, services and other activities	19,533	6,397	1,360	27,290	20,347
Rural	6,193	1,710	340	8,243	4,691
Public authority:					
Federal	913	1,098	1,768	3,779	705
State	1,151	1,946	9,072	12,169	8,458
Municipal	745	1,033	2,200	3,978	2,428
Public lighting	3,233	2,595	2,620	8,448	5,444
Public service	2,203	128	101	2,432	2,396
Regulatory assets					
Recoverable losses	26,504	-	-	26,504	54,928
Free energy	13,856	-	-	13,856	-
Installment debts	10,940	1,623	1,604	14,167	4,421
Other credits	9,775	748	267	10,790	743
	165,308	39,422	23,919	228,649	175,004
WHOLESALE:					
Other distributors	2,405	-	-	2,405	3,664
Spot Market – Short-Term	41,233	-	39	41,272	18,836
	43,638	-	39	43,677	22,500
TOTAL	208,946	39,422	23,958	272,326	197,504
LONG-TERM ASSETS:					
FINAL CUSTOMERS:					
Regulatory assets:					
Recoverable losses	101,599	-	-	101,599	93,473
Free energy	53,116	-	-	53,116	61,239
State VAT (Vale do Rio Doce)	28,559	-	-	28,559	17,122
Other credits	7,566	-	-	7,566	2,980
TOTAL	190,840	-	-	190,840	174,814

	CONSOLIDATED			
	2002	2001		
FINAL CUSTOMERS:				
Billed	303,985	182,830		
Unbilled	358,468	334,217		
	662,453	517,047		
WHOLESALE:				
Other distributors	2,830	4,963		
Spot Market – Short-Term	59,121	66,081		
	724,404	588,091		

	Current	Past-due up to 90 days	CONSOLIDATED Past-due over 90 days	Total	
				2002	2001

FINAL CUSTOMERS:

Residential	51,021	29,227	1,924	82,172	57,769
Industrial	45,710	5,028	3,187	53,925	42,378
Commercial, services and other activities	30,381	11,191	5,484	47,056	34,710
Rural	9,563	3,772	459	13,794	9,105
Public authority:					
Federal	1,380	1,467	2,075	4,922	1,332
State	2,704	3,361	12,033	18,098	9,581
Municipal	2,762	2,653	4,701	10,116	4,567
Public lighting	6,691	4,870	13,305	24,866	10,698
Public service	3,929	1,363	132	5,424	3,685
Recoverable losses	40,478	-	-	40,478	76,485
Free energy	19,118	-	-	19,118	-
Installment debts	17,720	2,513	4,453	24,686	8,325
Other credits	18,275	1,545	434	20,254	7,682
	249,732	66,990	48,187	364,909	266,317

WHOLESALE:

Other distributors	2,830	-	-	2,830	4,963
Spot Market – Short-Term	59,082	-	39	59,121	66,081
	61,912	-	39	61,951	71,044

TOTAL

	311,644	66,990	48,226	426,860	337,361
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LONG TERM ASSETS:
FINAL CUSTOMERS:

Regulatory asset					
Recoverable losses	169,142	-	-	169,142	137,449
Free energy	78,551	-	-	78,551	84,600
State VAT (Vale do Rio Doce)	28,559	-	-	28,559	17,122
Other credits	21,292	-	-	21,292	11,559
TOTAL	297,544	-	-	297,544	250,730

The amounts of R\$33,190 (R\$51,039 consolidated) and R\$5,882 (consolidated), related to short term supply included in the current and long-term assets, respectively, represent the commercialization of energy in the short-term, for the period September 2000 to December 2002, based on calculation prepared and disclosed by MAE. The financial settlement of those amounts, including the balances in current liabilities of R\$11,737 (parent and consolidated), related to short-term energy – MAE and of R\$17,390 (R\$24,808 consolidated) related to system services charges (note 17), was scheduled for November 22, 2002, but was postponed in view of the new agreement among the companies in the sector and the Government. In accordance with the new agreement, 50% of the net balance receivable of R\$2,465 (R\$10,564 – consolidated), for the period September 2000 to September 2002 should be liquidated up to December 2002 and the remaining balance liquidated after the completion of the audit to be made for such purpose. Up to December 31, 2002, the Company received the amount of R\$1,110 (R\$4,764 – consolidated), corresponding to 45% of the net balance receivable. In accordance with the rules of this market, the unsettled balance receivable of the first installment, in the amount of R\$ 1,355 (R\$5,820 – consolidated) should be bilaterally negotiated by the companies.

The amounts of energy in the short-term and free energy are subject to alteration depending on the decisions of the litigation processes under way, filed by certain companies, with respect to the interpretation of market rules in effect. Such companies, not included in the rationing area, obtained an injunction, which annuls Dispatch no. 288 of ANEEL, of May 16, 2002, whose objective was to provide companies in the sector with clarification as to the treatment and form of application of certain accounting rules included in the General Agreement of the Electric Energy Sector. The claim filed by such companies involves the commercialization of ITAIPU's quota in the Southeast/Center-West during the 2001-2002 rationing period, when there was a significant discrepancy of prices in the short-term energy among the sub-markets.

7. GENERAL AGREEMENT – ELECTRIC ENERGY SECTOR

The General Electric Energy Sector Agreement, to which the Company became a party on December 20, 2001, established mechanisms for settling contractual and administrative disputes, thus eliminating the threat of judicial or extra-judicial suits over issues arising from the electric energy rationing period. The main points of the Agreement are as follows:

- Renunciation to any plea or suit;
- Purchase agreements for net contractual surpluses;
- Agreements for reimbursement of free energy; and
- Amendments to the Initial Contracts.

Based on Provisional Measure no. 14, issued December 21 2001, converted into Law 10,438 on April 26 2002, and on other pertinent legislation, the Company calculated the amount of the revenue recomposition through extraordinary tariff applicable to all electric energy distribution companies, for the purpose of neutralizing the margin losses resulting from the Emergency Program for Reducing Electric Energy Consumption – PERCEE, in effect from June 2001 to February 2002.

At the same time, along with the other electric energy distribution utilities, the Company calculated the monthly variations in additional (Parcel "A") non-managed costs, and listed all the additional energy purchase costs in the Wholesale Energy Market – MAE ("Free Energy") to be reimbursed to electric generators.

On March 8, 2002 and May 7, 2002, the Company sent ANEEL its calculations of tariff recomposition for 2001 and for January and February 2002 for validation. ANEEL declared that the right for compensation was conditional upon complete adherence to the General Electric Energy Sector Agreement, as allowed for in Provisional Measure no. 14/01, GCE Resolution 91/01 and ANEEL Resolution 31/02.

ANEEL Resolutions 480 and 481 (concerning margin losses), 482 (concerning Parcel "A" costs) and 483 (concerning Free Energy), all dated August 29, 2002, approved the amounts of the revenue recomposition, for which the following extraordinary electricity tariffs were established:

- 2.9% for residential clients (except low income users), rural users and public lighting;
- 7.9% for all other clients.

Under the terms of ANEEL Resolution no. 484, also dated August 29, 2002, the tariff recomposition will take place over a maximum period of 70 months (82 months – for Enersul), starting after December 2001.

Studies undertaken by the Company indicate that these assets will be fully collected over the maximum term established, for which reason no provision for losses was set-up.

The Brazilian Economic and Social Development Bank – BNDES - made available credit lines to finance 90% of the recoveries of losses from the Rationing Program, collateralized by the amounts to be collected under the extraordinary tariff recomposition. See Note 18.

7.1 – Recovery of electric energy consumption losses

These losses, which are part of the extraordinary tariff recomposition, developed as follows during the fiscal year:

DESCRIPTION	PARENT COMPANY		CONSOLIDATED	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
Losses incurred from June 1 to December 31 2001 as calculated by the Company	54,928	93,473	76,485	137,449
Adjustment - approved by ANEEL	-	(23,220)	-	(23,220)
Balance of losses 2001	54,928	70,253	76,485	114,229
Losses incurred from January 1 to February 28 2002 as calculated by the Company	-	24,331	-	45,559
Adjustment - approved by ANEEL	-	(3,000)	-	(3,000)
Appeal to ANEEL (*)	-	3,000	-	3,000
Balance of losses 2001/2002	54,928	94,584	76,485	159,788
Recovered through tariff increases	(46,805)	-	(68,757)	-
Transfers	18,381	(18,381)	32,750	(32,750)
SELIC Index adjustment	-	25,396	-	42,104
Balance as of December 31, 2002	26,504	101,599	40,478	169,142

(*) Appeal to ANEEL to rectify the effective amount of the margin losses related to January and February 2002.

These amounts receivable were debited to accounts receivable in the Company's short-term and long-term assets, with a corresponding credit to "Revenues not yet billed". The adjustments arising from ANEEL's validation, as shown in the above table, were debited or credited to these same accounts during 2002.

7.2 – Free Energy

Free Energy refers to electric energy that was generated but is not part of the initial contracts or any equivalent contracts.

According to the Free Energy Reimbursement Agreement, the electric energy generators, based on article 2 of Law 10,438, paid market prices for the free energy allocated to them by MAE (MAE prices) for the whole duration of the Emergency Program for Reducing Electric Energy Consumption.

The electric energy distributors, with the collection of the extraordinary tariff recomposition, will reimburse the generators for the difference between the MAE price and R\$49.26 per MWh.

The amounts of these reimbursements were calculated according to MAE settlement accounts and were shared pro rata among electric energy distributors, proportionally to each one's consumption of energy in the National Interconnected Electricity System.

The reimbursement amounts to the electric energy generators were accounted for as follows:

DESCRIPTION	PARENT COMPANY		CONSOLIDATED	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
Transactions from June 1, 2001 through February 28, 2002	-	66,972	-	97,669
-Transfers	13,856	(13,856)	19,118	(19,118)
Balance on December 31, 2002	13,856	53,116	19,118	78,551

These amounts receivable were debited to accounts receivable in the Company's short-term and long-term assets, with a corresponding credit to "Revenues not yet billed". A credit in the same amount was made to an "Energy Suppliers" account in the current and long-term liabilities, while a corresponding entry was debited to "Energy purchased for re-sale – short-term" in the income statement.

7.3 – Variation of Parcel "A" items

The electric energy distribution concession agreements establish amounts for each item of exogenous costs that are part of operating expenses and are part of the variable costs, known as Parcel "A" of the "Percentage Tariff Increase – IRT" formula as follows:

- Pass-through of tariff related to energy purchased from Itaipu Binacional;
- Pass-through of transport costs for electric energy from Itaipu Binacional;
- Quota for the Fuel Consumption Account – CCC;
- Costs for transmission infrastructure usage on the basic grid;
- Compensation for use of water resources;
- System's Service Charges – ESS;
- Energy purchased as established in the Initial Contracts;
- Quota for the Global Reversion Reserve – RGR;
- Electric energy service enforcement fee; and
- Connection charges.

Provisional Measures no. 2,227 and no. 14 of September 4, 2001 (converted into Law no. 10,438 of April 26, 2002), of December 21, 2001 and ANEEL's Resolution no. 90 of February 18 2002, set up a pro-forma account for recording the differences, positive or negative, between the amount of each of these items from the date of the last tariff increase to the date it was effectively paid.

The balance of this pro-forma account is being financially compensated based on the SELIC interest rate.

These amounts are recognized in a "Prepaid expenses" account under current and long-term assets, with a balancing credit to the appropriate items in "Operating Expenses" classified by nature.

7.3.1 – Parcel "A"

The Parcel "A" Cost Variations Compensation Account – CVA was credited with R\$41,392 (R\$63,860 consolidated). This covers the period from January 1 to October 25 2001 and is part of the regulatory assets that will be paid with the collection of the extraordinary tariff recomposition.

The Parcel "A" amounts used to calculate the extraordinary tariff recomposition were established as follows:

TIME-LINE	PARENT COMPANY	CONSOLIDATED
	LONG-TERM	
Costs from January 1, 2001 through October 25, 2001	41,392	63,860
Adjustment approved by ANEEL	443	3,956
SELIC remuneration	7,557	12,858
PIS/COFINS	-	1,529
Balance on December 31, 2002	49,392	82,203

The increases validated by ANEEL were accounted for as adjustments to these accounts during fiscal year 2002.

7.3.2 – CVA

Amounts registered as CVA are cost variations that are not part of the extraordinary tariff recomposition from October 26, 2001 onwards and are the following:

ASSETS	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Current				
Prepaid expenses				
CVA	4,951	5,335	23,643	7,816
Other.	828	790	833	794
	<u>5,779</u>	<u>6,125</u>	<u>24,476</u>	<u>8,610</u>
Long-Term Assets				
Prepaid expenses				
CVA	44,173	11,217	60,170	22,142
	<u>44,173</u>	<u>11,217</u>	<u>60,170</u>	<u>22,142</u>
LIABILITIES				
Current				
CVA	5,271	226	10,226	226
	<u>5,271</u>	<u>226</u>	<u>10,226</u>	<u>226</u>
Long-Term Liabilities				
CVA	29,542	452	32,019	452
	<u>29,542</u>	<u>452</u>	<u>32,019</u>	<u>452</u>

According to the legislation, these amounts are to be amortized by adjustments that ANEEL will make at each annual tariff review, according to the positive or negative balances accumulated in the pro-forma account.

7.4 – Net contractual surpluses

These refer to the difference between the power sold by the concessionaire and the total volume of its energy resources (initial contracts and equivalents, Itaipu quota-share and own generation).

As provided for under the Agreement for the Purchase of Net Contractual Surpluses, these surpluses were not sold during the rationing period, but were returned, at zero cost, to the market agents with short-term exposure.

From the end of rationing through December 31, 2002, these net contractual surpluses were negotiated through MAE at R\$73.39 per MWh.

8. LOW INCOME CONSUMERS

Law no. 10,438, of April 26, 2002 set forth the guidelines for classifying the low income residential sub-category, which was defined as a consumption unit with monthly consumption of less than 80 kWh. Decree no. 4,336 of August 15, 2002 expanded the rules to include units with monthly consumption of between 80 and 220 kWh.

As a result, the Company calculated the loss of revenue at R\$13,034 (R\$18,718 consolidated), exclusive of VAT tax. This amount was credited to a "Revenue from Electric Energy Operations" account in the income statement, with a corresponding offset account to a long term asset denominated "Other credits – Others", in accordance with ANEEL Resolution no. 514 of September 16, 2002. This accounting treatment needs to be ratified by ANEEL as a necessary condition for the Company to be able to qualify for financial assistance with RGR funds from ELETROBRÁS.

9. TARIFF BONUS AND SURCHARGES

According to Provisional Measure 2,147 of May 15, 2001 and subsequent amendments, as well as regulations from the Energy Crisis Management Chamber – CGE, ESCELSA has charged a surtax to customers who have exceeded their consumption quotas up to February, and granted bonuses in cases in which customers have reduced consumption to levels below their quotas, during the rationing.

The financial accounting criteria for these events, defined as per ANEEL Rule 299 of July 27, 2001, did not have an impact on the Company's results and the corresponding amounts are classified as below:

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
ASSETS				
Current assets (accounts receivable)				
Bonus balance (invoiced (-) received)	(51)	(4,793)	(53)	(7,026)
Surtax-accounts receivable	843	3,425	1,462	5,554
Surtax installments	619	435	1,070	638
	1,411	(933)	2,479	(834)
Long-term assets				
Invoiced bonus	25	25,140	57	38,877
Costs incurred by Company to be reimbursed	5,808	5,360	9,661	8,787
	5,833	30,500	9,718	47,664
TOTAL	7,244	29,567	12,197	46,830
LIABILITIES				
Long-term liabilities				
Surtax charged	(535)	10,070	(745)	16,819
(-) ICMS tax on surtaxes	122	(2,211)	170	(3,552)
(-) 2% to cover costs	8	(63)	11	(119)
TOTAL	(405)	7,796	(564)	13,148
Balance receivable – Ministry of Mines and Energy	7,649	21,771	12,761	33,682

Based on Resolution GCE no. 117, of 02/19/2002, the Emergency Program for Reduction of Electrical Energy Consumption was extinguished, being determined that, as from March 1, 2002, the surtax charged to customers who have exceeded their consumption quotas is no longer applicable, however the bonus regulated by Article 4 of Resolution GCE no. 4, of 05/22/2001, was maintained until March 31, 2002

On June 6, 2002, Decree no. 4,261 extinguished the Emergency Energy Crisis Management Chamber – GCE.

10. RECOVERABLE TAXES

The credits to be recovered are comprised of the following:

RECOVERABLE TAXES	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Withholding income tax	35,614	54,155	54,009	67,521
Social contribution on net income	3,551	3,584	3,812	3,782
ICMS to be recovered	1,673	785	4,612	5,836
Other	2,088	1,289	6,110	4,067
	42,926	59,813	68,543	81,206

11. DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES

Tax credits classified as long-term assets, as listed below, generated by fiscal losses, negative basis of social contribution and other amounts that constitute temporary adjustments for reduction of future taxation, were recorded based on Company's estimated future profitability, considering that the realization period will not exceed 10 years.

As a result of the rules laid down by CVM Instruction no. 371, of June 27, 2002, the Company did not record new tax credits in the amount of R\$94.133 (consolidated – R\$115.236).

Once these conditions had been complied with, the amounts of the fiscal assets recorded were as follows:

ASSET	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Tax loss	347,330	116,378	690,182	443,063
Temporary additions	175,126	183,889	217,571	220,811
	522,456	300,267	907,753	663,874
Statutory rate	25%	25%	25%	25%
Income tax	130,614	75,067	226,938	165,969
Negative basis of social contribution	404,346	153,778	641,354	372,281
Temporary additions	89,605	103,519	115,979	126,861
	493,951	257,297	757,333	499,142
Statutory rate	8%	8%	8%	8%
Social contribution	39,516	20,584	60,587	39,932
Adjustment between statutory rate (8%) and realization (9%)	-	-	(868)	(868)
TOTAL	170,130	95,651	286,657	205,033

Expectations as to the realization of these deferred tax credits, including balances not recorded, are shown as follows:

Amounts recorded:

EXPECTATION OF REALIZATION	PARENT COMPANY							2010 to 2012	TOTAL
	2003	2004	2005	2006	2007	2008	2009		
Income tax	3,105	-	4,371	8,501	12,402	15,421	20,482	66,332	130,614

FINANCIAL STATEMENTS - FISCAL 2002 and 2001

Social contribution	1,118	-	1,574	3,060	4465	5,552	7,373	16,374	39,516
	<u>4,223</u>	<u>-</u>	<u>5,945</u>	<u>11,561</u>	<u>16,867</u>	<u>20,973</u>	<u>27,855</u>	<u>82,706</u>	<u>170,130</u>
CONSOLIDATED									
EXPECTATION OF REALIZATION								2010 to 2012	TOTAL
	2003	2004	2005	2006	2007	2008	2009		
Income tax	5,581	17,479		15,723	21,956	29,037	39,931	70,388	226,938
Social contribution	2,008	5,594	4,475	5,371	7,522	9,909	8,466	16,374	59,719
	<u>7,589</u>	<u>23,073</u>	<u>31,318</u>	<u>21,094</u>	<u>29,478</u>	<u>38,946</u>	<u>48,397</u>	<u>86,762</u>	<u>286,657</u>

Amounts not recorded:

EXPECTATION DE REALIZATION	AFTER 2012	
	PARENT COMPANY	CONSOLIDATED
Income tax	70.934	85.435
Social contribution	23.199	29.801
	<u>94.133</u>	<u>115.236</u>

12. AFFILIATES AND SUBSIDIARIES

COMPANIES	TRANSACTION	PARENT COMPANY		CONSOLIDATED	
		2002	2001	2002	2001
MAGISTRA	Pass-through of costs and mutual contracts	9	21	65,039	52,501
ENERSUL	Pass-through of costs	1,101	1,167	-	-
ESCELSAPAR	Pass-through of costs	49	72	-	-
CESA	Pass-through of costs	5,066	645	-	-
OTHER AFFILIATED	Pass-through of costs	486	348	466	348
		<u>6,711</u>	<u>2,253</u>	<u>65,505</u>	<u>52,849</u>

The Company does not engage in transactions or agreements with related companies under terms or conditions more/less favorable than would be exercised with third parties. The transactions refer essentially to pass-through of costs to/from related companies.

The consolidated financial statements show primarily the balance of inter-company loans between related company MAGISTRA and the subsidiary ESC90, as detailed below, which were made at similar terms to those current in the Brazilian financial market. The terms and conditions of the main obligations are as follows:

- 1) Interest rate: TJLP + 4% per annum;
Maturity: November 2004;
Balance: R\$ 5,338 (R\$ 4,678 on 12/31/2001).
- 2) Interest Rate: 100% of CDI;
Maturity: several dates through December 31, 2003;
Balance: R\$ 59,701 (R\$47,823 on 12/31/2001)

MAGISTRA's financial income from subsidiary ESC90 totaling R\$10,070 (R\$6,048 on 12/31/2001) in the consolidated statement is recorded as "Other financial income". The guarantees are promissory notes corresponding to 125% of principal.

13. OTHER CREDITS - UTE CAMPO GRANDE

In view of the decision of ENERSUL's Administration to sell these assets, an appraisal was undertaken of all the costs incurred with the project, including the thermoelectric plant itself, substations and associated distribution lines, for the purpose of accounting for these as part of current assets, and a provision was set-up to reduce the assets to their market value.

	CONSOLIDATED
	2002
UTE Campo Grande	75,720
Substations and associated distribution lines	1,571
Other substations	428
Adjustment to market value	(51,828)
Balance	<u>25,891</u>

14. ESCROW AND OTHER DEPOSITS

TYPE	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Escrow deposits (see note 20)	111,557	100,477	133,935	116,198
Deposits - STN	-	-	5,956	3,613
	<u>111,557</u>	<u>100,477</u>	<u>139,891</u>	<u>119,811</u>

15. INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Stated by the equity method:				
MAGISTRA PARTICIPAÇÕES S.A.	742,121	692,293	-	-
TV A CABO VITÓRIA - TVIX S.A.	52	196	-	-
ESCELSA PARTICIPAÇÕES S.A. - ESCELSAPAR.	3,607	3,034	-	-

FINANCIAL STATEMENTS - FISCAL 2002 and 2001

	745,780	695,523	-	-
Goodwill on investments:				
Goodwill	-	-	393,618	393,618
Goodwill amortization	-	-	(21,152)	(10,649)
	-	-	372,466	382,969
Stated at adjusted cost:				
Other	37	37	37	37
	37	37	37	37
Projects, studies and other investments	1,833	2,122	1,888	2,251
TOTAL	747,650	697,682	374,391	385,257

The goodwill recorded by the wholly-owned subsidiary MAGISTRA, generated by the difference between the amount paid and the book value of ENERSUL stocks, acquired on 11/25/1997, is based on the company's future profitability and is being amortized proportionally to the company's projected results, during the term of ENERSUL's concession, of thirty years beginning 01/01/1998.

Additional information on investments stated by the equity adjustment method:

	MAGISTRA		TVIX		ESCELSAPAR	
	2002	2001	2002	2001	2002	2001
Class of shares	Common	Common	Common	Common	Common	Common
Total shares	473,203,348	473,182,442	1,540	1,540	1,000	1,000
Total shares of Escelsa	473,203,348	473,182,442	1,500	1,500	1,000	1,000
Participation %	100%	100%	97.40%	97.40%	100%	100%
Capital stock	668,483	668,483	1,540	1,540	2,800	2,800
Shareholders' equity	742,121	692,293	54	201	3,607	3,034
Net income (loss)	(65,906)	21,718	(147)	(580)	751	201
Investment as of December 31	742,121	692,293	52	196	3,607	3,034
Results of equity adjustment	(65,906)	21,718	(143)	(564)	751	201

16. PROPERTY, PLANT AND EQUIPMENT

	PARENT COMPANY		Annual average rates of depreciation (%)	CONSOLIDATED	
	2002	2001		2002	2001
IN SERVICE:					
Generation	104,566	125,898	2.22%	199,851	213,848
Transmission	13,333	12,928	2.89%	13,333	12,928
Distribution	1,042,940	987,023	4.33%	1,983,216	1,851,589
Commercialization	4,301	4,301	9.30%	7,451	7,264
Administration	120,229	109,231	8.51%	242,810	222,468
	1,285,369	1,239,381	4.51%	2,446,661	2,308,097
(-) DEPRECIATION:					
Generation	(62,716)	(68,680)		(103,377)	(108,204)
Transmission	(7,072)	(6,692)		(7,072)	(6,692)
Distribution	(386,165)	(341,502)		(728,545)	(648,011)
Commercialization	(2,561)	(2,166)		(3,039)	(2,347)
Administration	(55,515)	(46,707)		(105,537)	(84,699)
	(514,029)	(465,747)		(947,570)	(849,953)
	771,340	773,634		1,499,091	1,458,144
UNDER CONSTRUCTION:					
Generation	3,798	5,427		62,207	55,650
Transmission	1,464	792		1,464	792
Distribution	69,217	71,693		96,604	143,390
Administration	6,465	10,563		11,322	17,777
	80,944	88,475		171,597	217,609
TOTAL	852,284	862,109		1,670,688	1,675,753
Obligations related to the concession	(96,740)	(92,400)		(188,882)	(182,697)
	755,544	769,709		1,481,806	1,493,056

Obligations related to the concession is comprised of the following balances:

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Consumer contributions	65,691	61,348	90,425	84,035
Donations and subsidies	25,794	25,794	91,053	91,255
Federal participation	5,255	5,258	7,404	7,407

TOTAL	96,740	92,400	188,882	182,697
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In accordance with ANEEL Resolution no. 044 of March 17, 1999, the main rates of depreciation per macro area of activity are as follows:

	Annual depreciation rate (%)
GENERATION	
General equipment	10.0
Water intake equipment	3.7
Water intake structure	4.0
Reservoirs, dams and piping	2.0
Turbine	2.5
TRANSMISSION	
System controller	2.5
General equipment	10.0
System structure	2.5
Switches	4.3
DISTRIBUTION	
Capacitors	6.7
Distribution key	6.7
System controller	5.0
System structure	5.0
Tension regulator	4.8
Transformer	5.0
COMMERCIALIZATION	4.0
CENTRAL MANAGEMENT	
Machines and equipment	10.0
Buildings and improvements	4.0
Vehicles	20.0

In accordance with General Instruction no. 6.3.10, item 4, of the Accounting Standards for Public Electric Utilities and CVM Instruction no. 193 of July 11, 1996, the following amounts were incorporated into Property, Plant and Equipment:

	PARENT COMPANY		CONSOLIDATED		
	Distribution	Total	Generation	Distribution	Total
Financial charges on loans and financing, included in results	175,997	175,997	9,939	244,209	254,148
(-) transfer to property, plant and equipment in progress..	(5,670)	(5,670)	(9,538)	(8,509)	(18,047)
Net effect on results	170,327	170,327	401	235,700	236,101
Monetary and exchange variation, included in results	545,561	545,561	4,933	597,007	601,940
(-) transfer to property, plant and equipment in progress..	(1,192)	(1,192)	(4,713)	(1,505)	(6,218)
Net effect on results	544,369	544,369	220	595,502	595,722

17. SUPPLIERS

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
CURRENT				
Electricity suppliers:				
FURNAS	35,210	53,009	35,210	53,009
ITAIPU	23,305	27,387	35,884	38,542
TRACTEBEL	-	-	12,086	12,786
ELETROSUL	-	-	1,515	1,172
MAE	14,257	40,114	24,385	51,066
Free energy	13,856	-	19,118	-
Other	9,868	6,520	11,692	8,017
	96,496	127,030	139,890	164,592
Materials and service providers	8,244	9,257	15,725	14,384
TOTAL	104,740	136,287	155,615	178,976
LONG-TERM				
Electricity suppliers:				
Free energy.....	53,116	61,239	78,551	84,600
Other.....	5,230	-	5,230	-
	58,346	61,239	83,781	84,600



FINANCIAL STATEMENTS - FISCAL 2002 and 2001

18. LOANS AND FINANCING

PARENT COMPANY									
DESCRIPTION	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		2002			2001		
		TYPE (*)	PERIOD	Interest and Other Charges	Current	Long-Term	Interest and Other Charges	Current	Long-Term
Local Currency:									
ELETROBRAS	5,0% - 7,0%	M	May/99 to Aug/07	-	2,096	6,076	-	1,342	5,506
BNDES	TJLP + 3,8%	M	Nov/99 to Oct/10	2,787	40,647	149,396	1,268	22,056	169,185
BNDES-Rationing losses	SELIC+1,0%	M	Mar/02 to Jan/06	-	25,337	114,881	-	-	-
Bank loan	CDI	S	Mar/03	-	25,178	-	-	5,830	-
				2,787	93,258	270,353	1,268	29,228	174,691
Foreign Currency:									
BBA (*)	16%	S	Jan/03	3,747	49,084	-	-	-	-
Senior Notes	10,0%	S	Jul/07	69,791	-	1,522,704	45,833	-	999,995
				73,538	49,084	1,522,704	45,833	-	999,995
TOTAL				76,325	142,342	1,793,057	47,101	29,228	1,174,686
CONSOLIDATED									
Local Currency:									
ELETROBRAS - ESCELSA	5,0% - 7,0%	M	May/99 to Aug/07	-	2,096	6,076	-	1,342	5,506
ELETROBRAS - ENERSUL	6,0% - 12,0%	M	Dec/97 to May/22	253	11,394	48,041	547	21,728	47,909
BNDES - ESCELSA	TJLP + 3,8%	M	Dec/99 to Oct/10	2,787	40,647	149,396	1,268	22,056	169,185
BNDES - MAGISTRA	TJLP + 4,0%	H	Nov/99 to Nov/04	961	39,220	39,220	1,360	37,818	75,636
BNDES - ENERSUL	TJLP + 3,85%	M	Sep/01 to Feb/08	264	13,032	54,298	283	12,566	64,923
BNDES - ENERSUL	TJLP + 4,00%	M	Feb/00 to Apr/04	5	934	311	8	900	1,200
BNDES-Rationing losses	SELIC+1,0%	M	Feb/02 to Jun/06	716	33,197	195,157	-	-	-
BNDES- CESA	TJLP + 4,5%	M	Jul/04 to Jul07/12	126	-	-	-	-	-
BNDES- CESA	UMBNDDES	M	Jul/04 to Jul/12	179	-	39,589	-	-	-
BCO BRASIL - FCO	11,20%	M	Nov/04 to Nov/13	573	-	30,000	199	-	20,000
CITIBANK	104%-108%-CDI	M	Dec/02 to Nov/02	-	-	-	1,503	22,546	-
Bank loan	107%-116,38%-CDI	M	Dec/02 to May/03	1,066	73,478	-	408	64,238	-
FUNDAÇÃO ENERSUL	10%	M	Jul/98 to Nov/13	115	2,003	17,247	109	1,313	16,974
Other	1,35%	M	May/00 to Jun/09	262	-	925	165	5,742	3,397
				7,307	216,001	580,260	5,850	190,249	404,730
Foreign Currency:									
SENIOR NOTES	10,0%	S	Jul/07	69,791	-	1,522,704	45,833	-	999,995
BRANDESCO (*)	28,20% - 40,80%	S	Nov /02 to Mar/03	1,009	24,014	-	60	11,549	-
UNIBANCO (*)	10,85% - 11,40%	S	Mar/04	-	-	12,727	51	11,318	11,519
EUROPEAN INVEST BANK	LIBOR quart. + 4,0% - 5,0%	H	Dec/02 to Mar/09	259	9,636	47,603	196	-	37,591
STN-DMPLP	LIBOR sem + 4,5% - 8,2%	H	Oct/96 to Apr/24	551	1,668	48,856	464	884	33,179
BBA FMO (*)	8,90%	H	Mar/02 to Sep/07	535	4,410	11,568	313	22,596	11,049
ITAÚ (*)	27,30%	S	Jul/03	579	16,570	-	20	10,219	-
BBV (*)	26,35%	S	Mar/03	58	15,742	-	-	-	-
BBA (*)	16%	S	Jan/03	3,747	49,084	-	-	-	-
				76,529	121,124	1,643,458	46,937	56,566	1,093,333
TOTAL				83,836	337,125	2,223,718	52,787	246,815	1,498,063
Long-Term interest									
Banco B.B.A FMO (*)				-	-	-	234	-	-
UNIBANCO (*)				3,590	-	-	1,055	-	-
				3,590	-	-	1,289	-	-

Type: S=Single M= Monthly H= Half-Yearly

(*) Loans protected by swap contracts against eventual exchange rate oscillations.

A) The issuance of bonds abroad refers to the financial funding through Senior Notes in a total equivalent to US\$430,958 thousand and has only one maturity in 2007, yielding interest of 10% p.a., payable on a half-yearly basis on January 15 and July 15 of each year. On May 21, 1998, these Notes were registered with SEC-Securities and Exchange Committee in the United States of America in accordance with the Securities Act of 1933.

The indirect controlling shareholder EDP-Eletricidade de Portugal S.A. made a public offer for acquisition and request of renunciation related to the notes, having acquired the principal of US\$205,796 thousand, in liquidation dated December 23, 2002. Before making such offer, EDP held a total of US\$151,575 thousand in Notes representing approximately 35% of the total issuance. Thus EDP became the holder of a total of US\$357,371 in Notes, representing around 83% of the total issuance.

With the success of the request of renunciation, ESCELSA carried out the elimination of all the rights inherent to the issuance.

B) ESCELSA and ENERSUL loans due to ELETROBRÁS, BNDES and Banco do Brasil-FCO are guaranteed by accounts linked to receivables. The ENERSUL loans from Secretaria do Tesouro Nacional-STN are guaranteed by direct debt, receivables, the Government of the State of Mato Grosso do Sul and part in cash deposit. Other loans are covered by promissory notes in guarantee. MAGISTRA's loan payable to BNDES is guaranteed by ENERSUL shares on escrow.

C) The breakdown of loans and financing per currency is as follows:

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Local Currency	363,611	203,919	796,261	594,979
Foreign Currency	1,571,788	999,995	1,764,582	1,149,899
TOTAL	1,935,399	1,203,914	2,560,843	1,744,878

D) The percentage variation of the main indicators used for updating the loans and financing are as follows

Currency and indicators	2002	2001
US\$ x R	52.27%	18.67%
IGP-M	25.30%	10.38%
INPC	14.74%	9.44%
SELIC	19.13%	18.02%
UMBNDDES	55.92%	15.36%
LIBOR (annual average)	2.01%	4.72%
TJLP.	10.00%	10.00%

E) Maturity of short and long-term installments is as follows:

MATURITY	PARENT COMPANY			CONSOLIDATED		
	Currency					
	Local	Foreign	Total	Local	Foreign	Total
2003	93,258	49,084	142,342	216,001	121,124	337,125
2004	76,587	-	76,587	157,447	31,396	188,843
2005	79,330	-	79,330	123,501	18,669	142,170
2006	57,744	-	57,744	103,428	15,284	118,712
2007	44,309	1,522,704	1,567,013	94,102	1,537,472	1,631,574
2008	4,482	-	4,482	41,513	8,493	50,006
2009	4,482	-	4,482	16,317	2,972	19,289
2010	3,419	-	3,419	15,254	2,268	17,522
2011	-	-	-	11,835	2,268	14,103
2012	-	-	-	8,427	1,669	10,096
After 2012	-	-	-	8,436	22,967	31,403
TOTAL	363,611	1,571,788	1,935,399	796,261	1,764,582	2,560,843

19. REGULATORY CHARGES

CHARGE	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Compensation for usage of water resources	443	436	443	436
Global Reversion Reserve Quota - RGR	2,049	4,312	5,809	6,973
Fuel Consumption Account - CCC	4,550	4,069	6,527	6,267
Fiscalization Fee - ANEEL	107	139	107	139
	7,149	8,956	12,886	13,815

20. PROVISION FOR CONTINGENCIES

Contingencies	PARENT COMPANY					
	2002			2001		
	Provision		Escrow Deposits	Provision		Escrow Deposits
	In the Year	Accumulated		In the Year	Accumulated	
Current Liabilities:						
Fiscal						
COFINS	-	39,382	39,382	-	39,382	39,382
TOTAL	-	39,382	39,382	-	39,382	39,382
Long-Term Liabilities:						
Labor claims	(98)	15,961	10,301	-	16,060	9,796
Civil litigation	2,798	29,513	6,266	23,494	26,714	6,152
Fiscal	12,169	81,595	55,608	6,430	69,426	45,147
TOTAL	14,869	127,069	72,175	29,924	112,200	61,095
	CONSOLIDATED					
Contingency	2002			2001		
	Provision		Escrow Deposits	Provision		Escrow Deposits
	In the Year	Accumulated		In the Year	Accumulated	
	Current Liabilities:					
Fiscal						
COFINS	-	39,382	39,382	-	39,382	39,382
TOTAL	-	39,382	39,382	-	39,382	39,382
Long-Term Liabilities						
Labor claims	942	20,941	12,596	961	19,999	11,656
Civil litigation	5,754	36,852	6,282	22,455	31,098	6,206
Fiscal	19,860	108,574	75,675	6,515	88,714	58,954
TOTAL	26,556	166,367	94,553	29,931	139,811	76,816

Management understands that the provisions recorded are sufficient to cover eventual losses from the ongoing litigations. Based on the opinion of the Company's legal counsel, all litigation for which the probability of a favorable outcome was estimated as remote for the Company was provided for. Furthermore, there are labor, civil and fiscal cases pending in the total amount of R\$ 25,413, for which the probability of a favorable outcome was estimated as possible and no provisions were recorded on the financial statements.

COFINS:

Recognized as per the amounts deposited from May 1996 to July 1999, based on a preliminary injunction obtained in May 1996 in the tax immunity claim.

With the decision by the Supreme Court – STF in July 1999, upholding the constitutionality of COFINS tax on electric energy transactions, the Company converted the deposited amounts, normalizing the tax payments and reclassified the provision as current. The Company awaits the final judicial decision for a reversion of the deposits and subsequent payment of the amounts provided for.

Labor contingencies:

Refer to several labor claims against the Company, which claim payment of overtime, hazards, reintegration, among other items.

Civil contingencies

The civil contingencies include suits in which the Company is a defendant, being in most cases related to moral and material damages claims, besides other claims challenging amounts paid by customers for tariff increases based on DNAEE ordinances 38 and 45 of January 27, 1986 and March 4, 1986, respectively, during the Cruzado Plan.

Fiscal contingencies

The Company is also a party to an administrative suit with the Federal Revenue Agency, pending final decision, for compensation of amounts overpaid related to FINSOCIAL, due to the unconstitutionality of the Decrees – Law no. 2,445/88 and 2,499/88.

There is also a preliminary decision in a lower court which guarantees restitution and/or compensation of amounts overpaid related to fines on tax and contributions spontaneously and untimely paid. The fines exemption is being requested based on article 138 of the National Tax Code – CTN. Based on its legal counsel, the Company compensated the amounts related to past-due contributions (PIS, COFINS, Income tax and Social Contribution), as per Article 66 of Law no. 8,383/91. Conservatively, the Company maintained provisions for amounts corresponding to the above mentioned taxes and contributions.

21. CAPITAL STOCK AND RESERVES

FINANCIAL STATEMENTS FISCAL 2002 and 2001
 In accordance with its by-laws, the Company is authorized to operate with up to R\$1,000,000 in capital of which R\$153,947 are subscribed and fully paid in. Capital stock as of December 31, 2002, is represented by 4,550,833 common shares, with no par value, with the following equity structure:

Shareholders	Quantity of		% of participation
	shares	shareholders	
IVEN S.A.	2,378,671	1	52.27
GTD PARTICIPAÇÕES S.A.	1,137,709	1	25.00
Fundação Banco Central - CENTRUS	275,678	1	6.06
CINVES	66,366	1	1.46
Other	692,409	168	15.21
TOTAL	4,550,833	172	100.00

Composition of capital reserve:

	PARENT COMPANY AND CONSOLIDATED	
	2002	2001
CAPITAL RESERVES:		
Remuneration on construction work in progress	65,687	108,270
Donations and investments subsidies	-	175,533
Recoverable rate deficit - CRC	-	212,180
Monetary restatement - Law No. 8200	-	78,086
TOTAL	65,687	574,069

In accordance with the Company's by-laws and the current corporate legislation, the Company's management is proposing to the Shareholders' General Assembly the utilization of the balance of the capital reserves to an extent sufficient for absorbing the loss for the year.

22. OPERATING REVENUES

	PARENT COMPANY					
	Number of customers(*)		MWh(*)		R\$ thousand	
	2002	2001	2002	2001	2002	2001
Final Customers:						
Residential	756,409	725,908	1,133,546	1,185,805	329,317	299,310
Industrial	11,069	11,192	3,289,738	3,051,215	405,458	327,688
Commercial, services and other activities	84,460	88,637	839,335	779,698	193,024	149,895
Rural	93,372	88,156	315,396	332,838	44,116	38,637
Public authority	7,524	7,171	121,966	110,613	27,137	20,389
Public lighting	557	559	192,363	178,309	28,973	22,172
Public service	818	784	144,573	141,431	21,413	17,833
Own consumption	170	170	10,177	9,905	-	-
Unbilled revenues	-	-	-	-	7,803	604
Unbilled revenues - low income	-	-	-	-	13,034	-
Regulatory asset	-	-	-	-	6,845	209,640
	954,379	922,577	6,047,094	5,789,814	1,077,120	1,086,168
Wholesale:						
Other distributors	2	2	317,834	313,952	20,839	18,861
Short-term	-	-	-	-	33,211	14,876
	2	2	317,834	313,952	54,050	33,737
	954,381	922,579	6,364,928	6,103,766	1,131,170	1,119,905
State VAT (ICMS)	-	-	-	-	(263,169)	(206,006)
TOTAL	954,381	922,579	6,364,928	6,103,766	868,001	913,899

(*) Unaudited

CONSOLIDATED		
Number of customers(*)	MWh(*)	R\$ thousand

Final Customers:	2002	2001	2002	2001	2002	2001
Residential	1,245,620	1,195,801	1,996,023	2,054,604	541,232	489,655
Industrial	15,755	15,923	3,960,959	3,668,957	495,885	399,578
Commercial, services and other activities	136,814	140,290	1,366,711	1,302,469	311,053	250,407
Rural	137,254	128,125	591,644	583,486	81,197	68,622
Public authority	13,032	12,335	233,566	226,746	54,698	42,887
Public lighting	654	656	311,419	303,611	43,828	36,257
Public service	1,464	1,409	287,095	281,100	37,897	31,951
Own consumption	352	358	16,552	16,365	-	-
Unbilled revenues	-	-	-	-	15,422	(273)
Unbilled revenues - low income	-	-	-	-	18,718	-
Regulatory asset	-	-	-	-	35,410	298,533
	1,550,945	1,494,897	8,763,969	8,437,338	1,635,340	1,617,617
Wholesale:						
Other distributors	5	5	343,567	338,791	24,723	22,398
Short-term	-	-	-	-	15,634	61,121
	5	5	343,567	338,791	40,357	83,519
	1,550,950	1,494,902	9,107,536	8,776,129	1,675,697	1,701,136
State VAT (ICMS)	-	-	-	-	(358,175)	(284,722)
TOTAL	1,550,950	1,494,902	9,107,536	8,776,129	1,317,522	1,416,414

(*) Unaudited

23. OPERATING EXPENSES

Operating costs and expenses in this fiscal year's income statement, breakdown by type of expenditure, are as follows:

PARENT COMPANY

NATURE	COST OF SERVICE			OPERATING EXPENSES			TOTAL	
	ENERGY		RENDERED	GENERAL				
	PURCHASED	OPERATION	FROM THIRD-PARTY	SELLING EXPENSES	AND ADMINISTRATIVE	OTHER	2002	2001
Electricity purchased for resale	431,731	-	-	-	-	-	431,731	423,909
Charges for the use of transmission and distribution system	68,109	-	-	-	-	-	68,109	56,790
Personnel and management	-	41,240	-	4,048	15,288	-	60,576	59,772
Pension plan	-	1,554	-	-	975	-	2,529	2,552
Material	-	3,192	-	366	3,290	-	6,848	7,980
Third-party services	-	19,020	-	4,776	8,153	-	31,949	29,230
Depreciation and amortization	-	47,373	-	-	9,708	-	57,081	55,499
Provision for doubtful accounts	-	12,915	-	-	-	-	12,915	16,167
Provisions for contingencies	-	-	-	-	3,246	-	3,246	29,924
CCC quota	-	-	-	-	-	48,534	48,534	48,548
Other	-	4,324	7,930	(5,283)	7,577	4,217	18,765	15,657
TOTAL	499,840	129,618	7,930	3,907	48,237	52,751	742,283	746,028

CONSOLIDATED

NATURE	COST OF SERVICE			OPERATING EXPENSES			TOTAL	
	ENERGY		RENDERED	GENERAL				
	PURCHASED	OPERATION	FROM THIRD-PARTY	SELLING EXPENSES	AND ADMINISTRATIVE	OTHER	2002	2001
Electricity purchased for resale	602,911	-	-	-	-	-	602,911	585,287
Charges for the use of transmission and distribution system	106,115	-	-	-	-	-	106,115	89,902
Personnel and management	-	71,541	-	8,961	26,842	-	107,344	103,831
Pension plan	-	2,566	-	-	1,444	-	4,010	4,440
Material	-	7,128	-	415	6,147	-	13,690	14,285
Third-party services	-	37,686	-	8,345	14,384	-	60,415	53,640
Fuel for electric energy production	-	2,663	-	-	-	-	2,663	6,679
Depreciation and amortization	-	90,816	-	-	20,761	11,528	123,105	105,804
Provision for doubtful accounts	-	18,198	-	-	-	-	18,198	28,197
Provisions for contingencies	-	-	-	-	10,197	-	10,197	29,931
CCC quota	-	-	-	-	-	74,061	74,061	66,680
Other	-	5,929	9,032	(5,163)	11,414	13,501	34,713	26,956
Total	709,026	236,527	9,032	12,558	91,189	99,090	1,157,422	1,115,632

24. INCOME TAX AND SOCIAL CONTRIBUTIONS

PARENT COMPANY

	2002		2001	
	Income	Social	Income	Social

	tax	contribution	tax	contribution
Loss before income tax and social contribution	(590,033)	(590,033)	(47,386)	(47,386)
Statutory rate	25%	8%	25%	8%
	(147,508)	(47,203)	(11,847)	(3,791)
Tax loss and negative basis	274,430	287,448	-	-
Temporary differences	9,307	2,534	-	-
	283,737	289,982	-	-
Tax rate	25%	8%	25%	8%
Unrecorded tax credit (Note 10)	70,934	23,199	-	-
ADDITIONS (EXCLUSIONS)				
Interest on construction	-	-	(2,325)	(2,325)
Equity adjustment	65,298	65,298	21,355	21,355
Other nondeductible provisions	(6,980)	(63)	(35,452)	(37,863)
	58,318	65,235	(16,422)	(18,833)
Tax rate	25%	8%	25%	8%
	14,580	5,218	(4,107)	(1,508)
Effect on results	(61,995)	(18,786)	(15,952)	(5,298)

25. PENSION PLANS

The Company is the sponsor of FUNDAÇÃO ESCELSA DE SEGURIDADE SOCIAL – ESCELSOS, a nonprofit organization, whose main purpose is to complement the benefits granted by the official social security to the Company's employees through two benefit packages: a Defined Benefit Plan (Plan I) and a Defined Contribution Plan (PLAN II).

These benefit plans are based on mathematical reserves calculated actuarially according to the capitalization policy, which is revised annually.

The table below shows the number of participants in each plan:

	PLAN I	PLAN II	TOTAL
Contributing participants	34	1.402	1.436
Receiving participants:			
Retirees	641	119	760
Pensioners	104	4	108
	745	123	868
Total	779	1,525	2,304

As a sponsor, the Company matches monthly contribution from the members of ESCELSOS Foundation, corresponding to the amount established in each plan, limited to 7% of the total payroll. For 2002, ESCELSA contributed R\$ 2,529 compared to R\$2,552 in 2001.

As per CVM Ruling 371 of 12/13/2000, starting in fiscal year 2002, publicly listed companies are required to record and disclose all liabilities related to benefit payments to ex-employees, based on rules set forth by NPC Bulletin 26 from IBRACON.

To meet this requirement, ESCELSA commissioned an independent actuarial study to evaluate such benefits, with the following results:

The actuarial assumptions used for the study were:

2002	
Indicators	Nominal rates
Discount rate	11.30 % p.a.
Expected return on assts	11.30 % p.a.
Future salary growth	6.58 % p.a.
Growth rate of pension plan benefits	5 % p.a.
Growth rate of medical costs	9.2% p.a.
Inflation	5 % p.a.
Capacity factor- Salaries	100%
Capacity factor- Benefits	98%
Demographic Indicators	
Life expectancy reference mortality table	GAM – 71 Modified
Invalid mortality table	RRB 1944
Invalid incidence table	RRB 1944
Turnover table	Actuary experience

The actuarial valuation indicated, that in the Benefit Plan, the fair value of assets exceeds the current actuarial liabilities, as shown below:

	2002	2001
Actuarial liabilities current value, total or partially covered	(80,465)	(70,491)
Assets fair value	106,634	96,709

	2002	2001
Subtotal	28,169	26,218
Amount of actuarial loss	(90)	-
Asset not recognized in the balance sheet	28,079	26,218

The Company's management, in a conservative way, decided not to record that asset, because the effective reduction of the Sponsor's contributions was not assured, nor the future reimbursement.

The actuarial valuation resulted in the identification of the following post-employment benefits, which were charged for net of income tax and social contribution to the shareholders' equity, as of December 31, 2001:

- Coverage of medical and dental expenses, medicines, health insurance and, in cases of confirmed special dependence, equivalent to 50% of the Company wage floor;
- Early retirement allowance ("AIA"), which is due to employees, hired until 12/31/1981, payable upon the termination of the contract, regardless the reason for the dismissal. The "AIA" assures the payment of a lump sum, individually calculated for each employee, considering the proportionality of contribution time to the INSS until 10/31/1996, the remuneration and the benefit paid by the INSS on 10/31/1996.

The actuarial liability recognized in the Company's financial statements is as follows:

	2002	2001
Present value of actuarial obligations fully uncovered	(47,337)	(30,451)
Net value of unrecognized losses	17,083	-
Liability recognized in the balance sheet	<u>(30,254)</u>	<u>(30,451)</u>

The amount of actuarial losses in excess of 10% of the present value of actuarial obligations will be annually amortized over a period equivalent to the average remaining time of work for employees participating in the Plan.

The movement in the actuarial liability recognized in the 2002 balance sheet is summarized as follows:

	Current	Long-term	Total
Balance 12.31.2001	2,420	28,032	30,452
Current service cost	-	731	731
Interest cost	-	1,868	1,868
Benefits paid	(2,797)	-	(2,797)
Transfer to current	2,419	(2,419)	-
Balance on 12.31.2002	<u>2,042</u>	<u>28,212</u>	<u>30,254</u>

The amounts related to medical benefits, life insurance and allowance for incentive to retirement, to be recognized in the 2003 results are as follows:

Current service cost	647
Interest cost	5,112
Amortization of actuarial losses	897

26. MANAGEMENT'S REMUNERATION

Personnel expenses include the amount of R\$1,613 (R\$2,438 in 2001) for ESCELSA and R\$ 3,036 (R\$4,663 in 2001) for the consolidated entity, which refer to Management's remuneration.

27. INSURANCE (Unaudited)

The following is a breakdown by risk-type and by validity of the principal insurance policies:

RISKS	VALIDITY	AMOUNT OF COVERAGE	AMOUNT OF PREMIUM
Specific equipment	02/2002 to 02/2003	19,957	354
Third party liability	02/2002 to 02/2003	120	19

Specific equipment

The policies cover the generating stations and the substations, specifying the principal items of equipment, the amounts for which they were insured and the maximum reimbursement. Basic insurance coverage includes events such as fire, lightning and any kind of explosion, plus additional coverage against possible electrical damage, sundry risks and risks for electronic and computing equipment.

Third party liability

This covers involuntary personal or material damage suffered by third parties as a consequence of the Company's productive and/or commercial activities.

28. FINANCIAL INSTRUMENTS

The Company's business entails the distribution and sale of electric energy for customers within its concession area – the state of Espírito Santo – and therefore significant financial instruments are related to the following transactions:

- Balances of long-term accounts receivable and accounts payable related to the extraordinary tariff recomposition and therefore not subject to adjustments to market value;
- Investments in short term mutual funds and/or fixed income investments recorded at approximate market value as they are recorded with accrued interest on a pro-rata basis;
- Equity stakes in other companies are in most cases shares that are not publicly traded;
- Loans held by the Company are mainly long-term, and are from specific funding sources.

28.1 Exchange Rate and Interest Risks

The book value of the main financial instruments held by ESCELSA are:

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
Marketable securities	296,498	256,796	306,620	256,859
Loans and financing – long-term	1,793,057	1,174,686	2,223,718	1,498,063

A portion of the loans and financing are comprised of financing from government entities ELETROBRÁS and BNDES.

As the market rate (or opportunity cost of capital) is set by these government entities, taking into consideration the risk premium relative to the sector's activities and that in the absence of other financing sources or other market options and/or means to estimate the market value of such options in light of the Company's business or sector-specific circumstances, the market value of these domestic loans shall correspond to their book value, as shall other financial assets and liabilities.

As mentioned in Note 18, foreign currency financing was obtained (in U.S. dollars), and the indebtedness and earnings were significantly impacted by the foreign exchange risk. Such risk may cause the Company to incur losses due to foreign exchange fluctuations, which may increase liabilities denominated in foreign currency.

Net exposure to foreign currency risk as of December 31, 2002 and December 31, 2001:

	BOOK VALUE		FAIR VALUE	
	2002	2001	2002	2001
Senior Notes	1,522,704	999,995	944,076	864,996
U.S. dollar assets	(296,329)	(256,678)	(296,329)	(256,678)
Net Exposure	1,226,375	743,317	647,747	608,318

The method used to determine the fair value of the Senior Notes obligation was the average market price, as of December 30, 2002, as per the security's trading activity at the end of each fiscal period, as provided by a transaction report in New York, USA, prepared by Salomon Smith Barney. For the US dollar assets, the contract market price at the end of the fiscal period was used, which is equal to book value.

In addition, the Company held derivatives contracts aimed at reducing the above-referred net exposure, which yielded credits to the income statement, in the monetary variations account, for gains of R\$11.515 (cashless hedges) and R\$11.689 (swaps), for which the following values and parameters were established:

FINANCIAL INSTITUTION	DATE		AMOUNT	PARAMETERS (RATES %)		INCOME TO BE REALIZED
	TRANSACTION	MATURITY		BANKS	ESCELSA	
Banco Pactual	03/28/02	01/14/03	19,381	4,32	1,04 - CDI	8,035
Banco Itaú	12/27/02	0715/02	21,856	18,60+Exchange rate	1,00 - CDI	38
						8,073

In the consolidated, the loans and financing of the companies in the EXCELSA System were obtained at rates and charges usual in the Brazilian and the international markets for funding of investments in the electric energy sector in their concession areas of the electric energy public service.

The subsidiary MAGISTRA consolidates the foreign currency (US\$) financial liabilities of its subsidiaries ENERSUL and CESA. In order to reduce foreign exchange-related risk, swap instruments were used to hedge a portion of these liabilities, as shown in explanatory note no. 18.

The indexes used in these instruments are IGP-M plus interest of between 11.7% p.a. and 12.01% p.a., and CDI, plus interest of between 0.95% p.a. and 2.6% p.a.

Considering the depreciation of the Real during the period, these hedge transactions yielded gains of R\$29,028, recognized on the income statement in the monetary variations accounts.

This debt is breakdown follows:

LIABILITIES	AMOUNT		GAIN TO BE REALIZED
	BOOK VALUE	SWAP	
Loans and financing	97,202	90,802	6,400

In the consolidated statements, foreign currency debt totaling R\$107,763 is subject to terms and conditions which constitute a natural hedge, thus reducing the currency risk to a minimum.

For the remaining contracts, given the specific nature of these transactions and the impossibility of determining a market value for this type of financial instrument, and taking into consideration the risk to the company, its strategy and debt management practices, Management estimates that the market values of these instruments are equal or very close to their book values.

28.2 Credit Risk

There is a possibility that the Company will incur losses due to non-payment of its customers. To mitigate this risk, the Company maintains the right to cut-off the supply of electric energy in the event that a customer fails to make payment in accordance with the time-periods defined by legislation and specific regulations. A provision for doubtful account liquidations is established in an amount deemed sufficient by Management to cover potential accounts receivable risks.

29. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

These financial statements are presented on the basis of accounting principles set forth by the Brazilian corporate law. Certain accounting practices followed by the Company and its subsidiaries that conform to generally accepted accounting principles in Brazil may not conform with generally accepted accounting principles in other countries.

STATEMENTS OF CASH FLOWS AS OF DECEMBER 31

ANNEX I

(in thousands of Brazilian reais)

	PARENT COMPANY		CONSOLIDATED	
	2002	2001	2002	2001
From operations -				
Loss for the year	(509,252)	(26,136)	(509,252)	(26,136)
Adjustments to reconcile loss to cash provided by operating activities:				
Operating activities:				
Long term interest and monetary and exchange variation	543,970	158,083	577,723	176,462
Equity in subsidiaries	65,298	(21,355)	-	-
Depreciation and amortization	57,081	55,499	123,105	105,804
Disposal of property, plant and equipment	4,506	4,326	9,629	8,313
Disposal of UTE Campo Grande	-	-	77,291	-
Provision for contingencies	14,872	29,924	22,343	29,931
Regulatory assets	(6,845)	(148,401)	(28,074)	(215,076)
Liabilities adjustments	8,755	12,428	8,755	12,428
Other expenses	-	38,145	-	38,138
Deferred income taxes	(76,945)	(33,300)	(84,091)	(3,486)
Remuneration on const, work in progress and minority share in profit	-	-	(32,753)	15,937
	101,440	69,213	164,676	142,315
Changes in current assets and liabilities:				
Accounts receivable	(71,480)	3,502	(86,520)	(35,529)
Other accounts receivable	17,073	(37,820)	13,668	(55,668)
Material and supplies	857	(1,582)	1,081	(1,519)
Other credits-UTE Campo Grande	-	-	(25,891)	-
Other credits	8,262	(1,572)	8,444	4,711
Prepaid expenses	346	(5,320)	(15,866)	(7,801)
Supplies	(31,547)	61,777	(23,378)	71,773
Accrued taxes and social contributions	1,570	(1,289)	311	5,167
Accrued obligations	661	(1,605)	1,388	(1,611)
Regulatory charges	(1,232)	(3,204)	(354)	(5,202)
Postretirement benefits	(378)	2,420	(378)	2,420
Variation of Parcel A items	5,045	226	10,000	226
Other	566	3,125	4,634	8,966
	(70,257)	18,658	(112,861)	(14,067)
Change in non-current assets and liabilities:				
Accounts receivable	(12,074)	(10,369)	(12,074)	(10,369)
Other accounts receivable	(11,080)	(14,483)	(17,944)	(19,203)
Material and supplies	16,461	(22,704)	24,234	(34,516)
Other credits-UTE Campo Grande	(4,321)	-	(49,374)	-
Other credits	(40,956)	(52,609)	(56,371)	(86,002)
Prepaid expenses	180	28,032	180	28,032
Supplies	29,090	452	29,090	452
Accrued taxes and social contributions	-	-	2,477	30,054
Accrued obligations	(13,034)	-	(18,718)	-
Regulatory charges	6,974	7,595	4,112	4,356
	(28,760)	(64,086)	(94,388)	(87,196)
Net cash provided (use in) operating activities	2,423	23,785	(42,573)	41,052
Investing activities:				
Additions to property, plant and equipment	(50,891)	(65,530)	(187,970)	(181,065)
Additions to investments	(115,444)	(25,182)	290	4,175
Obligations related to the concession	4,340	4,543	6,185	14,773
Net cash used in investing activities	(161,995)	(86,169)	(181,495)	(162,117)
Financing activities:				
Loans and financing	187,515	71,408	224,566	139,556
Accrued interest and fees	21,887	8,728	26,012	10,887
Dividends	-	(13,241)	(5,366)	(17,779)
Affiliates and subsidiaries	-	887	45,987	(18,368)
Prior year adjustments - postretirement benefits	-	(20,403)	-	(20,403)
Credits for capital increase	-	-	-	8,877
Net cash provided by (used in) financing activities	209,402	47,379	291,199	102,770
Net increase(decrease) in cash and cash equivalents	49,830	(15,005)	67,131	(18,295)
Cash and cash equivalents at the beginning of the year	257,765	272,770	259,496	277,791
Cash and cash equivalents at the end of the year	307,595	257,765	326,627	259,496
	49,830	(15,005)	67,131	(18,295)

FINANCIAL STATEMENTS - FISCAL 2002 and 2001

STATEMENTS OF INCOME BY ACTIVITIES AS OF DECEMBER 31

ANNEX II

(In thousands of Brazilian reais)

	GENERATION (*)		TRANSMISSION (*)		DISTRIBUTION (*)		COMMERCIALIZATION (*)		ASSETS NOT V.CONCESSION (*)		TOTAL	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	OPERATING REVENUES:											
Electricity sales to final customers	65,556	51,500	-	-	-	-	1,011,564	1,034,668	-	-	1,077,120	1,086,168
Contingency fee	-	-	-	-	-	-	22,900	-	-	-	22,900	-
Electricity sales to distributors	-	-	-	-	-	-	54,050	33,737	-	-	54,050	33,737
Use of transmission and distribution system	-	-	1,178	1,289	15,842	588	-	-	-	-	17,020	1,877
Other	195	469	-	-	5,589	6,973	6,138	1	-	-	11,922	7,443
	65,751	51,969	1,178	1,289	21,431	7,561	1,094,652	1,068,406	-	-	1,183,012	1,129,225
Deductions from operating revenues:												
PIS/COFINS	-	-	-	-	-	-	(44,147)	(38,981)	-	-	(44,147)	(38,981)
State value-added taxes - ICMS	-	-	-	-	(3,498)	-	(259,671)	(206,006)	-	-	(263,169)	(206,006)
Tax on services (ISSQN)	(8)	(1)	-	-	(47)	(6)	-	-	-	-	(55)	(7)
Contingency fee	-	-	-	-	-	-	(22,900)	-	-	-	(22,900)	-
Global reserve for reversion quota - RGR	(1,022)	(775)	(81)	(47)	(14,390)	(15,613)	-	-	-	-	(15,493)	(16,435)
	(1,030)	(776)	(81)	(47)	(17,935)	(15,619)	(326,718)	(244,987)	-	-	(345,764)	(261,429)
	64,721	51,193	1,097	1,242	3,496	(8,058)	767,934	823,419	-	-	837,248	867,796
NET OPERATING REVENUES												
SERVICE COST OF ELECTRIC ENERGY:												
From electricity purchase:												
Electricity purchased for resale	-	-	-	-	-	-	(431,731)	(423,909)	-	-	(431,731)	(423,909)
Charges for the use of transmission and distribution system	-	-	-	-	-	-	(68,109)	(56,790)	-	-	(68,109)	(56,790)
	-	-	-	-	-	-	(499,840)	(480,699)	-	-	(499,840)	(480,699)
From operations:												
Personnel and managements	(2,486)	(2,334)	(207)	(161)	(29,191)	(27,321)	(9,356)	(13,863)	-	-	(41,240)	(43,679)
Pension plan	-	-	-	-	(1,226)	(1,240)	(328)	(313)	-	-	(1,554)	(1,553)
Material	(261)	(256)	(8)	(17)	(2,697)	(2,806)	(226)	(1,496)	-	-	(3,192)	(4,575)
Third-party services	(907)	(787)	(56)	(31)	(8,596)	(7,988)	(9,461)	(12,780)	-	-	(19,020)	(21,586)
Depreciation and amortization	(2,560)	(3,070)	(379)	(356)	(44,035)	(39,083)	(399)	(3,058)	-	-	(47,373)	(45,567)
Provisions	-	-	-	-	-	-	(12,915)	(16,168)	-	-	(12,915)	(16,168)
Other	(26)	(23)	(4)	(2)	(345)	(300)	(3,949)	(2,726)	-	-	(4,324)	(3,051)
	(6,240)	(6,470)	(654)	(567)	(86,090)	(78,738)	(36,634)	(50,404)	-	-	(129,618)	(136,179)
COST OF SERVICE RENDERED FROM THIRD-PARTY												
Gross operating profit	(414)	-	-	-	(3,626)	(3,414)	(3,890)	(16)	-	-	(7,930)	(3,430)
	58,067	44,723	443	675	(86,220)	(90,210)	227,570	292,300	-	-	199,860	247,488
OPERATING EXPENSES												
Selling expenses	-	-	-	-	(3,524)	-	(383)	-	-	-	(3,907)	-
General and administrative expenses	(2,334)	(3,411)	(176)	(214)	(32,519)	(55,461)	(13,208)	(15,236)	-	-	(48,237)	(74,322)
Fuel consumption account - CCC	-	-	-	-	(48,534)	(48,548)	-	-	-	-	(48,534)	(48,548)
Other operating expenses	(2,396)	(1,166)	-	-	-	-	(1,821)	(1,684)	-	-	(4,217)	(2,850)
	(4,730)	(4,577)	(176)	(214)	(84,577)	(104,009)	(15,412)	(16,920)	-	-	(104,895)	(125,720)
INCOME FROM OPERATIONS	53,337	40,146	267	461	(170,797)	(194,219)	212,158	275,380	-	-	94,965	121,768
EQUITY IN SUBSIDIARIES	-	-	-	-	-	-	-	-	(65,298)	21,355	(65,298)	21,355
FINANCIAL REVENUES												
Income from temporary cash investments	4,157	38	256	2	53,653	77,332	44,073	17,999	-	-	102,139	95,371
Hedge	-	-	-	-	-	-	11,515	1,059	-	-	11,515	1,059
Increase in overdue collections	-	-	-	-	-	-	11,653	7,828	-	-	11,653	7,828
Regulatory assets - SELIC	-	-	-	-	-	-	-	-	-	-	-	-
Other	648	1,325	55	73	8,531	49	3,229	32,727	2	-	12,465	34,174
	4,805	1,363	311	75	62,184	77,381	70,470	59,613	2	-	137,772	138,432



FINANCIAL STATEMENTS - FISCAL 2002 and 2001

FINANCIAL EXPENSES												
Monetary variation - electricity purchase	-	-	-	-	-	-	(9,026)	(4,091)	-	-	(9,026)	(4,091)
Monetary and exchange variation on loans and financing	-	(10,907)	-	(356)	(21,261)	(12,804)	(12,088)	-	(511,020)	(157,299)	(544,369)	(181,366)
Interest on loans and financing	(422)	(5,229)	(33)	(300)	(30,711)	(12,755)	(2,121)	-	(137,040)	(101,832)	(170,327)	(120,116)
Other	(961)	(613)	(68)	(33)	(13,103)	(18,678)	(6,065)	-	-	-	(20,197)	(19,324)
	(1,383)	(16,749)	(101)	(689)	(65,075)	(44,237)	(29,300)	(4,091)	(648,060)	(259,131)	(743,919)	(324,897)
FINANCIAL RESULTS												
	3,422	(15,386)	210	(614)	(2,891)	33,144	41,170	55,522	(648,058)	(259,131)	(606,147)	(186,465)
OPERATING PROFIT (LOSS)												
	56,759	24,760	477	(153)	(173,688)	(161,075)	253,328	330,902	(713,356)	(237,776)	(576,480)	(43,342)
NON-OPERATING REVENUES	26	2,073	2	3	395	1,034	156	-	-	-	579	3,110
NON-OPERATING EXPENSES	(156)	(1,513)	(13)	(7)	(12,816)	(5,574)	(1,147)	(60)	-	-	(14,132)	(7,154)
NON-OPERATING INCOME(LOSS), NET	(130)	560	(11)	(4)	(12,421)	(4,540)	(991)	(60)	-	-	(13,553)	(4,044)
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST												
	56,629	25,320	466	(157)	(186,109)	(165,615)	252,337	330,842	(713,356)	(237,776)	(590,033)	(47,386)
Social contribution	(1,803)	(2,831)	(15)	17	5,926	18,517	(8,034)	(36,990)	22,712	26,585	18,786	5,298
Income tax	(5,950)	(8,524)	(49)	53	19,554	55,752	(26,513)	(111,374)	74,953	80,045	61,995	15,952
NET INCOME (LOSS) FOR THE YEAR												
	48,876	13,965	402	(87)	(160,629)	(91,346)	217,790	182,478	(615,691)	(131,146)	(509,252)	(26,136)
Loss per share – R\$	10.74	3.07	0.09	(0.02)	(35.30)	(20.07)	47.86	40.10	(135.29)	(28.82)	(111.90)	(5.74)

(*) Unaudited

António Eduardo da Silva Oliva
CHIEF EXECUTIVE OFFICER

Sérgio Pereira Pires
CHIEF FINANCIAL OFFICER
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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Espírito Santo Centrais Elétricas S.A. - ESCELSA
Vitória - ES

1. We have audited the accompanying separate and consolidated balance sheets of Espírito Santo Centrais Elétricas S.A. - ESCELSA and subsidiaries, as of December 31, 2002, and the related statements of operations, changes in shareholders' equity and changes in financial position for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was conducted in accordance with the Brazilian auditing standards, which comprised: (a) the planning of the work, taking into consideration the significance of the balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; (b) the examination, on a test basis, of the evidence and records that support the amounts and the accounting information disclosed; and (c) the evaluation of the most relevant accounting practices and estimates adopted by Company's management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the separate and consolidated financial position of Espírito Santo Centrais Elétricas S.A. - ESCELSA and subsidiaries as of December 31, 2002, and the results of its operations, the changes in its shareholders' equity and the changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.
4. As mentioned in Notes 6 and 17 to the financial statements, as of December 31, 2002, the Company and its subsidiaries have recorded accounts receivable in the amount of R\$33,190 thousand (R\$56,921 thousand consolidated) and accounts payable in the amount of R\$29,127 thousand (R\$36,545 thousand consolidated), relating to electric power sale and purchase transactions carried-out in the Electric Power Wholesale Market - MAE, based on preliminary information released by MAE. These amounts may be subject to changes depending on the outcome of current judicial processes filed by energy market participants, with respect to the interpretation of market regulations in effect. The financial settlement of these amounts was scheduled for November 22, 2002, but was postponed in view of new agreement among the companies in the sector and the Government. After December 31, 2002 and to date of this report, the Company received R\$2,396 thousand (R\$4,009 thousand consolidated). The success of this negotiation and the settlement of the residual amounts will depend on the financial capacity of the energy market participants to settle their obligations.

5. On December 21, 2001, the Provisional Measure (Executive Order) no. 14 was issued, converted into Federal Law no. 10.438 of April 26, 2002, providing, among other things, for the reestablishment, for the rationing period, of the financial-economic equilibrium of the electric power distribution companies, as guaranteed in the concession agreements. The detailed information and the effects of the General Agreement of the Electric Sector on the financial position and the results of operations are disclosed in Note 7 to the financial statements.
6. The separate and consolidated financial statements of Espírito Santo Centrais Elétricas S.A. - ESCELSA and subsidiaries for the year ended December 31, 2001 were audited by other independent auditors, who issued an unqualified report thereon, dated March 26, 2002, including emphasis as to the recording of assets and liabilities relating to spot market transactions, based on preliminary information released by the Electric Power Wholesale Market Services Administrator (ASMAE), and as to the recording of accounts receivable relating to the reestablishment of the financial-economic equilibrium of the electric power distribution companies, for the rationing period, which amounts to be recovered via extraordinary tariff increases, were pending of review and approval by the National Electric Energy Agency – ANEEL.

February 14, 2003

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