

# Performance

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> Quarter 2004	1 <sup>st</sup> Quarter 2003	4 <sup>th</sup> Quarter 2003	1 <sup>st</sup> Quarter 2004	1 <sup>st</sup> Quarter 2003	4 <sup>th</sup> Quarter 2003
<b>FINANCIAL INFORMATION (thousands of reais)</b>						
Gross operating revenues	374,270	333,961	393,457	604,221	484,020	609,365
Net operating revenues	248,470	237,708	272,655	419,139	348,485	434,834
Income from operations	38,997	53,044	34,615	81,168	63,414	51,368
Net income for the period	12,057	82,126	9,601	12,057	82,126	9,601
EBITDA (1)	54,091	67,617	49,605	114,081	92,743	93,296
Total Assets (*)	2,690,651	2,661,073	2,658,615	3,654,659	3,605,227	3,605,452
Shareholders' equity	369,986	305,148	357,929	369,986	305,148	357,929
Outstanding shares (number)	4,550,833	4,550,833	4,550,833	0	0	0
Book value per share (reais)	81	67	79	0	0	0
Common stock price per share (reais)	70	40	70	0	0	0
Market capitalization	318,558	182,033	318,558	0	0	0
<b>INDICATORS</b>						
Operating margin (%)	16	22	13	19	18	12
EBITDA margin (%)	22	28	18	27	27	21
Personnel expenses plus third-party services/net operating revenues (%)	11	10	11	12	12	12
Energy losses (%) (**)	12	11	0	0	0	0
Equivalent Outage Duration per Customer (DEC) - hours (**)	12	11	11	0	0	0
Equivalent Outage Frequency per Customer (FEC) - number (**)	10	9	9	0	0	0
Average Service Response Time (TMA) - minutes (**)	131	115	118	0	0	0
Number of customers per employee (**)	753	712	742	704	665	705
<b>MARKET (**)</b>						
Energy sales - MWh	1,136	1,199	1,166	0	(***)	0
Maximum demand - MWh/h	1,428,143	5,900,329	1,487,427	2,153,735	6,621,140	2,215,651
Number of customers	979,260	968,165	968,165	1,598,026	1,570,253	1,582,002
<b>HUMAN RESOURCES</b>						
Number of employees (**)	1,301	1,360	1,305	2,271	2,361	2,245
Number of trainees (**)	33	36	36	57	77	52
Personnel expenses (thousands of reais)	18,244	15,816	19,717	32,810	28,629	34,446
Personnel expenses plus third-party services (thousands of reais)	27,688	23,599	30,213	49,799	43,556	53,638

(1) EBITDA=Income from operations plus depreciation and amortization

(\*) The balance in the 1<sup>st</sup> quarter of 2003 was reclassified for comparative purposes

(\*\*) Unaudited

(\*\*\*) Reclassified

## Market

### Energy Requirements

The energy requirements of the ESCELSA system in 2004 were 2,049,212 MWh - down 1.74% from the 2,085,440 MWh required during the same period in the previous year. These figures do not include the values of losses from the Basic Grid and embedded generation.

Maximum system demand in 2004 was 1,135.9 MWh/h, representing a 5.28% reduction compared to the previous year.

		MWh				
Self-generation	922,037	34.9%	<b>ENERGY REQUIREMENTS</b> 2,643,542	Wholesale	75,608	2.9%
Purchased from FURNAS	764,620	28.9%		Retail	1,352,535	51.2%
Purchased from ITAIPU	443,576	16.8%		Market	1,428,143	54.0%
Purchased from Others	139,290	5.3%		Losses and differences	841,380	31.8%
Transport of energy	374,019	14.1%		Transport of energy	374,019	14.1%

### Energy Sold

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> QUARTER		% change	1 <sup>st</sup> QUARTER		% change
	2004	2003		2004	2003	
<b>Retail</b>						
Residential	322,974	1,195,443	(73.0)	561,863	1,433,190	(60.8)
Industrial	615,300	2,744,836	(77.6)	751,672	2,899,506	(74.1)
Commercial	206,336	753,856	(72.6)	355,365	898,629	(60.5)
Rural	79,118	384,819	(79.4)	163,184	455,482	(64.2)
Other	128,807	503,103	(74.4)	240,076	610,247	(60.7)
	<b>1,352,535</b>	<b>5,582,057</b>	<b>(75.8)</b>	<b>2,072,160</b>	<b>6,297,052</b>	<b>(67.1)</b>
<b>Wholesale</b>	<b>75,608</b>	<b>318,272</b>	<b>(76.2)</b>	<b>81,575</b>	<b>324,087</b>	<b>(74.8)</b>
<b>TOTAL</b>	<b>1,428,143</b>	<b>5,900,329</b>	<b>(75.8)</b>	<b>2,153,735</b>	<b>6,621,140</b>	<b>(67.5)</b>

Energy sales in the 1<sup>st</sup> quarter of 2004 totaled 1,428,143 MWh, while sales during the same period in the previous year reached 1,514,138 MWh, thus representing a 5.7% decrease.

The decrease, in the residential and commercial sectors, was due to reduced consumption as the result of climactic conditions in the concession area, where average temperatures were milder than normal. The decrease in the rural sector was due to heavy rains that reduced irrigation activities.

In the industrial sector, the decrease was due to some consumers' seeking energy on the open market. Adjusting for these customers in 2003, the market grew 1.34% in the industrial sector. It should be noted that drops in consumption reduce revenues from supply and expenses related to purchasing energy, and are offset by an increase in revenues from the use of the distribution system.

## Profile of Customers

Customer shares in sales and revenues for the 1<sup>st</sup> quarter of 2004 changed in the industrial sector, compared to the same period in 2003, primarily due to the fact that some customers opted for other electrical energy suppliers.

	PARENT COMPANY			
	1 <sup>st</sup> QUARTER			
	2004		2003	
	As a % of sales volume	As a % of revenues	As a % of sales volume	As a % of revenues
<b>Retail:</b>				
Residential	22.61	34.91	20.26	37.96
Industrial	43.08	29.70	46.52	25.37
Commercial	14.45	19.02	12.78	19.71
Rural	5.54	5.36	6.52	5.80
Other	9.02	8.26	8.53	8.32
	<b>94.70</b>	<b>97.25</b>	<b>94.60</b>	<b>97.16</b>
<b>Wholesale</b>	<b>5.30</b>	<b>2.75</b>	<b>5.40</b>	<b>2.84</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

## Number of Customers

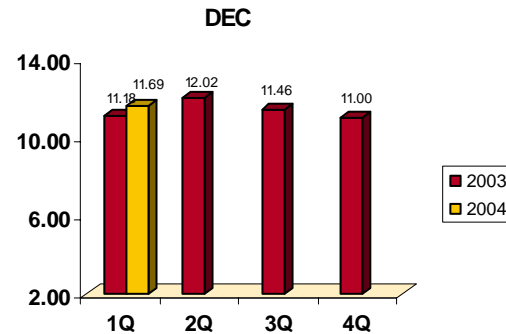
At the end of March 2004, the number of customers was 979,260, representing a 1.34% increase over the previous year.

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> QUARTER		% change	1 <sup>st</sup> QUARTER		% change
	2004	2003		2004	2003	
<b>Retail</b>						
Residential	773,482	764,264	1.21	1,281,476	1,258,237	1.85
Industrial	10,724	10,633	0.86	15,179	15,305	(0.82)
Commercial	86,269	85,465	0.94	139,601	137,938	1.21
Rural	99,862	98,947	0.92	146,073	143,414	1.85
Other	8,921	8,854	0.76	15,692	15,354	2.20
	<b>979,258</b>	<b>968,163</b>	<b>1.15</b>	<b>1,598,021</b>	<b>1,570,248</b>	<b>1.77</b>
<b>Wholesale</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>
<b>Retail</b>	<b>979,260</b>	<b>968,165</b>	<b>1.15</b>	<b>1,598,026</b>	<b>1,570,253</b>	<b>1.77</b>

## Performance Indicators

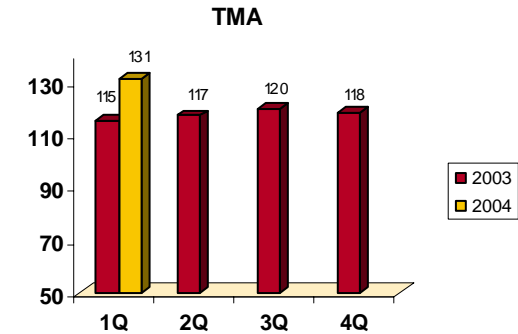
### Equivalent Outage Duration per Customer (DEC)

Indicator measuring the average time that each customer remains without the supply of electrical energy.  
 For the period ended March 31, 2004, the DEC was 11.69 hours, while the DEC for the same period in the previous year was 11.18 hours – worsening by 4.56%.



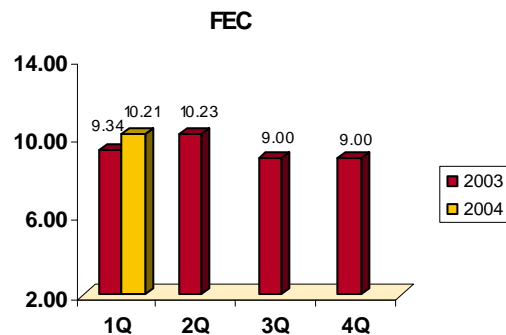
### Average Service Response Time (TMA)

Indicator measuring the average time elapsed between the receipt of complaints regarding the interruption of service and its reestablishment.  
 On March 31, 2004, the TMA was 131 minutes, while the TMA for the previous year was 115 minutes.



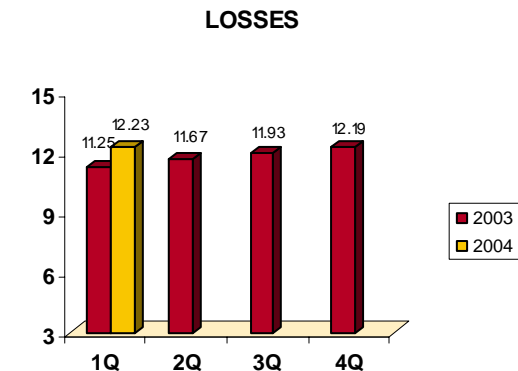
### Equivalent Outage Frequency per Customer (FEC)

Indicator measuring the average number, per customer, of interruptions in the supply of electrical energy.  
 For the quarter ended on March 31, 2004, the FEC was 10.21, while the FEC during the same period in the previous year was 9.34 – worsening by 9.31%.



### Energy losses

Energy losses increased by 6.13% in the last twelve months, from 11.25%, on March 31, 2003, to 11.94% on March 31, 2004. The Company has been developing measures to reduce losses, most notably those of a commercial origin.



## Economic and Financial Aspects

### Service Result

At the end of the first quarter of 2004, results related to electrical energy services reached R\$ 38,997 thousand, compared to R\$ 53,044 thousand during the same period in the previous year. This result led to an EBITDA of R\$ 54,091 thousand, equivalent to an EBITDA margin of 21.77%. The principal components of the service result were the following:

In thousands of reais

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> QUARTER			1 <sup>st</sup> QUARTER		
	2004	2003	Change %	2004	2003	Change %
Gross operating revenue	374,270	333,961	12.07	604,221	484,020	24.83
Operating revenue deductions	(125,800)	(96,253)	30.70	(185,082)	(135,535)	36.56
Net operating revenue	248,470	237,708	4.53	419,139	348,485	20.27
Operating expenses	(209,473)	(184,664)	13.43	(337,971)	(285,071)	18.56
Service result	38,997	53,044	(26.48)	81,168	63,414	28.00
Operating margin - %	16	22	(29.67)	19	18	6.42
LAJIDA (EBITDA)	54,091	67,617	(20.00)	114,081	92,743	23.01
LAJIDA margin (EBITDA) -%	21.77%	28.45%	(23.47)	27.22%	26.61%	2.27

### Operating Revenue

Gross operating revenue in the first quarter of 2004 was R\$ 374,270 thousand, representing a 12.07% increase compared to the same period of the previous year. The following factors contributed to this: i) an increase in supply revenues and the supply of electrical energy, which reached R\$ 31,171 thousand – 9.16% higher than the previous year, despite negative market growth of 5.7%, due to a tariff adjustment in August 2003; ii) an increase in the emergency capacity charge; iii) an increase in the tariff related to the use of the transmission and distribution system and the number of free customers, whose tariff was readjusted in August 2003, contributing to the maintenance of margins.

Net operating revenue in the first quarter of 2004 totaled R\$ 248,470 thousand – 4.53% higher than the same period in 2003. The breakdown of customers, per class, is the following:

In thousands of reais

	PARENT COMPANY		CONSOLIDATED	
	1 <sup>st</sup> QUARTER			
	2004	2003	2004	2003
Retail				
Residential	116,476	107,201	195,692	167,496
Industrial	100,423	73,075	127,210	94,351
Commercial	64,342	56,645	109,542	90,370
Rural	13,927	12,825	28,873	23,097
Other	26,717	22,919	49,264	37,110
Unbilled revenues	2,205	24,638	29,443	24,149
	<b>324,089</b>	<b>297,303</b>	<b>540,025</b>	<b>436,573</b>
Wholesale				
Other distributors	6,871	6,024	6,871	6,031
Short-term	211	62	1,390	920
	<b>7,082</b>	<b>6,086</b>	<b>8,261</b>	<b>6,951</b>
Capacity charge	19,785	10,770	28,131	15,452
<b>Other operating revenues</b>	1,780	12,423	4,941	17,291
Gross operating revenues	<b>374,270</b>	<b>333,961</b>	<b>604,221</b>	<b>484,020</b>
<b>(-) Operating revenues deductions</b>	<b>-125,800</b>	<b>-96,253</b>	<b>-185,082</b>	<b>-135,535</b>
<b>Net operating revenues</b>	<b>248,470</b>	<b>237,709</b>	<b>419,139</b>	<b>348,485</b>

## Purchased Energy

	PARENT COMPANY		CONSOLIDATED	
	1 <sup>st</sup> QUARTER			
	2004	2003	2004	2003
FURNAS/TRACTEBEL	48,560	56,545	66,822	76,080
ITAIPU	39,935	47,354	56,201	66,683
OTHER SUPPLIERS	21,360	1,082	42,841	8,222
TRANSPORT FROM FURNAS	2,126	1,635	2,126	2,301
CONNECTION COST AND GRID	21,786	16,504	35,747	25,961
GENERAL AGREEMENT OF ENERGY SECTOR AND CVA	183	-473	-355	-7,580
OTHER	6	234	6	303
<b>TOTAL</b>	<b>133,956</b>	<b>122,881</b>	<b>203,388</b>	<b>171,970</b>

## Operating Costs

Operating costs, which include operating expenses plus RGR quotas (global reserve for reversion quotas), reached R\$ 213,520 thousand in the first quarter of 2004, compared to R\$ 188,734 thousand during the same period in the previous year, representing an increase of 13.13%.

The Company's controlled costs increased by 12.93%, from R\$ 50,174 thousand, on March 31, 2003, to R\$ 56,663 thousand on March 31, 2004. Depreciation increased by 3.58%.

Operating costs that are beyond the Company's control, such as those related to purchased energy, transmission costs, RGR quotas, the Fuel Usage Quota (CCC), Financial Compensation for the Use of Water Resources and the Energy Development Fund (CDE), increased by 13.2%.

This rise in non-controlled costs was primarily due to the increase in expenses related to purchased energy, the cost of connection to the Basic Grid, in addition to contributions to the Energy Development Fund (CDE).

Regarding controlled operating costs, the following factors contributed to the increase:

- Personnel – cost increase due to the repercussions of the adjustment made in August 2003, the Company compensation policy and the collective bargaining agreement of November 2003, comparing amount of transference of cost to investments.
- Materials – increase in the use of materials for the renovation of transformers.
- Third-party services – increase in costs related to cuts, consumer unit inspections, reconnections, call center services, meter readings and delivery of billing statements and maintenance of transmission lines and distribution network.
- Provision for contingencies – R\$ 2,269 thousand was set aside for potential judgments related to labor and tax litigation.
- Others – the reduction in this account is due to smaller provisions for doubtful accounts, a reduction in the amount of the energy conservation program, services rendered and rental of software, offset by an increase in the account related to the rationing program, the costs of which were included in the tariff.

	PARENT COMPANY				
	1 <sup>st</sup> QUARTER				
	2004		2003		
	Thousand	%	Thousand	%	% change
<b>Controlled costs</b>					
Personnel	18,244	8.54	15,816	8.38	15.35
Material	2,189	1.03	1,936	1.03	13.09
Third-party services	9,444	4.42	7,783	4.12	21.35
Provision for contingencies	2,270	1.06	140	0.07	1,521.89
Other	9,422	4.41	9,926	5.26	(5.08)
	<b>41,569</b>	<b>19.47</b>	<b>35,601</b>	<b>18.86</b>	<b>16.76</b>
Depreciation	15,094	7.07	14,573	7.72	3.58
<b>TOTAL CONTROLLED COSTS</b>	<b>56,663</b>	<b>26.54</b>	<b>50,174</b>	<b>26.58</b>	<b>12.93</b>
<b>Non-controlled costs</b>					
Energy purchased	133,957	62.74	122,881	65.11	9.01
CCC	10,693	5.01	10,522	5.57	1.62
Financial compensation	855	0.40	767	0.41	11.38
ANEEL regulation charge	433	0.20	320	0.17	35.25
RGR	4,047	1.90	4,070	2.16	(0.57)
Energy Development Fund (CDE)	6,872	3.22	0	-	-
	<b>156,857</b>	<b>73.46</b>	<b>138,560</b>	<b>73.42</b>	<b>13.21</b>
<b>TOTAL NON-CONTROLLED COSTS</b>	<b>213,520</b>	<b>100.00</b>	<b>188,734</b>	<b>100.00</b>	<b>13.13</b>
<b>GRAND TOTAL</b>	<b>213,520</b>	<b>100.00</b>	<b>188,734</b>	<b>100.00</b>	<b>13.13</b>

## Financial Result

The financial result for the first quarter of 2004 was negative in R\$ 43,927 thousand, compared to a positive figure of R\$ 69,543 thousand for the same period in 2003. The negative result from this quarter arose because of the reduction of financial revenue, due to lower levels of investment, and the devaluation of the Brazilian Real against the U.S. dollar. In the first quarter of last year, the appreciation of the Real was a significant factor in the positive result.

## 1Q04 Result

Profit in the amount of R\$ 12,057 thousand in the first quarter of 2004 was the highlight of the year – the result of the interest in MAGISTRA in the amount of R\$ 17,442 thousand, and the absence of provisions for the IRPJ and CSSL taxes, since there were negative bases for both of these taxes.

## Available Resources

ESCELSA had available resources, on March 31, 2004, on deposit with banking institutions or invested in the financial market, in the amount of R\$ 208,861 thousand, and the consolidated figure of R\$ 230,149 thousand, as shown below:

	PARENT COMPANY		CONSOLIDATED	
	1 <sup>st</sup> QUARTER			
	R\$ thousand	US\$ thousand	R\$ thousand	US\$ thousand
<b>Investments in reais</b>				
Cash and banks	8,361	-	11,472	-
Deposit certificates	2,491	-	3,608	-
Investment funds	2,839	-	12,235	-
Others	135	-	7,799	-
Total investments in reais	<b>13,826</b>	-	35,114	-
<b>Investments in U.S. dollars</b>				
Dollar-indexed bonds (NBCs)	195,035	67,055	195,035	67,055
<b>Total investments in U.S. dollars</b>	<b>195,035</b>	<b>67,055</b>	195,035	67,055
<b>Total available resources</b>	<b>208,861</b>	<b>71.81</b>	<b>230,149</b>	<b>67,055</b>

U.S. dollar = 2.9086 Real

## Loans and Financing

PARENT COMPANY						
	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		Mar/04		
		TYPE (*)	PERIOD MM/YY	Interest and other charges	Current	Long-term
<b>Local currency</b>						
ELETROBRAS	5.0% - 7.0%	M	05/99 to 08/07	-	2,017	4,017
BNDES	TJLP + 3.8%	M	10/99 to 10/10	462	39,108	73,438
BNDES – rationing losses	SELIC + 1.0%	M	03/02 to 01/06	618	39,541	127,971
Guaranteed account and committed operations	CDI + 1.75%, CDI + 1.85%, 110% and 115% of CDI	M	11/02 to 03/05	-	137,246	-
<b>Total local currency</b>				1,080	217,912	205,426
<b>Foreign currency</b>				0	0	0
Senior Notes	10.0% + FOREIGN EXCHANGE VARIATION	U	7/Jul	26,114	-	1,253,485
BNDES	3.5% + UMBNDES	M	09/01 to 10/10	183	11,438	15,407
<b>Total foreign currency:</b>				26,297	11,438	1,268,892
<b>TOTAL</b>				27,377	229,350	1,474,318

## Loans and Financing

CONSOLIDATED						
	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		1 <sup>st</sup> QUARTER		
		TYPE (*)	PERIOD MM/YY	Interest and other changes	Current	Long-term
<b>Local currency</b>						
ELETROBRAS - ESCELSA	5.0% - 7.0%	M	05/99 to 08/07	-	2,017	4,017
ELETROBRAS - ENERSUL	6.0% - 12.0%	M	12/97 to 05/22	315	13,621	35,109
BNDES - ESCELSA	TJLP + 3.8%	M	10/10	462	39,108	73,438
BNDES - MAGISTRA	TJLP + 4.0%	S	11/99 to 11/04	1516	41,672	-
BNDES - ENERSUL	TJLP + 3.85%	M	09/01	157	13,846	40,386
BNDES - ENERSUL	TJLP + 4.0%	M	02/08	-	83	-
BNDES – Rationing losses	SELIC+1.0%	M	04/04	1027	40,782	175,070
BNDES - CESA	TJLP + 4.5%	M	12/08	143	3,016	29,156
BCO BRASIL - FCO	0.112 CDI + 1.75%,	M	07/12	569	1,111	28,889
GUARANTEED ACCOUNT	CDI + 1.85%, 110% AND 115% of CDI	M	11/13	52	157,246	-
FUNDAÇÃO ENERSUL	10% + INPC	M	11/13	116	3,206	16,187
OTHER	0.0135	M	11/02 to 12/03	-	-	1,183
<b>Total local currency</b>				<b>4,456</b>	<b>342,733</b>	<b>466,409</b>
<b>Foreign currency</b>						
SENIOR NOTES	10.0% + foreign exchange variation	U	05/00 to 06/09	26,114	-	1,253,485
BRANCO (*)	6.50% to 6.9%	M	38175	482	10620	-
UNIBANCO (*)	2.40% - 5.00% LIBOR + 4.0% -	U	11/04	12	7283	7,238
EUROPEAN INVEST BANK	5.0% LIBOR + 4.5% -	S	38141	667	8568	30,302
STN-DMLP	8.2%	S	12/02 to 03/09	869	3238	36,979
BBA FMO (*)	0.089	S	10/96 to 4/24	67	5455	5,829
BNDES - ESCELSA	3.5% + UMBNDES	M	03/02 to 09/07	183	11438	15,407
BNDES - ENERSUL	4% + UMBNDES	M	09/01 to 10/10	128	822	5,096
BNDES - CESA	4.5% + UMBNDES	M	04/03 to 10/07	189	662	7,281
ITAÚ-BBA (*)	0.04	U	07/04 to 07/12	25	14088	-
BBV – BRADESCO (*)	0.1155	M	3/May	306	7662	5,108
<b>Total foreign currency</b>				<b>29,042</b>	<b>69,836</b>	<b>1,366,725</b>
<b>TOTAL</b>				<b>33,498</b>	<b>412,569</b>	<b>1,833,134</b>

TYPE:  
S = Single  
M= Monthly  
H = Half-year

(\*) Loans protected by swap contracts against currency fluctuations

## Debt Maturity Schedule

MATURITY	PARENT COMPANY			CONSOLIDATED		
	TYPE					
	Local	Foreign	Total	Local	Foreign	Total
<b>Current</b>						
2004	140,032	8,492	148,524	246,509	45,280	291,789
2005	77,880	2,946	80,826	96,224	24,556	120,780
<b>Subtotal</b>	<b>217,912</b>	<b>11,438</b>	<b>229,350</b>	<b>342,733</b>	<b>69,836</b>	<b>412,569</b>
<b>Long-term</b>						
2005	81,097	8,835	89,932	132,401	35,502	167,903
2006	59,425	4,318	63,743	118,594	22,197	140,791
2007	53,820	1,254,073	1,307,893	110,293	1,269,357	1,379,650
2008	4,030	588	4,618	47,704	8,574	56,278
2009	4,030	588	4,618	15,176	4,027	19,203
2010	3,023	490	3,513	14,169	3,349	17,518
2011	0	0	0	11,146	2,859	14,005
2012	0	0	0	8,077	1,954	10,031
2013	0	0	0	4,310	880	5,190
After 2013	0	0	0	4,539	18,026	22,565
<b>Subtotal</b>	<b>205,425</b>	<b>1,268,892</b>	<b>1,474,317</b>	<b>466,409</b>	<b>1,366,725</b>	<b>1,833,134</b>
<b>TOTAL</b>	<b>423,337</b>	<b>1,280,330</b>	<b>1,703,667</b>	<b>809,142</b>	<b>1,436,561</b>	<b>2,245,703</b>

## Balance Sheet

(In thousands of reais)

ASSETS	PARENT COMPANY			CONSOLIDATED		
	Mar-04	Mar-03	Dec-03	Mar-04	Mar-03	Dec-03
<b>CURRENT</b>						
Cash and banks	8,361	6,337	8,597	11,472	9,118	15,465
Accounts receivable	254,744	267,427	236,374	471,261	420,623	450,709
Other accounts receivable	10,159	11,027	7,798	14,027	9,571	11,182
Taxes to be offset	13,265	6,811	20,465	31,789	28,869	38,925
Tax credits	-	-	-	7,608	-	7,608
Allowance for doubtful accounts	(22,641)	(27,227)	(21,967)	(42,173)	(40,983)	(40,192)
Material and supplies	2,593	3,585	2,984	4,365	5,741	4,896
Marketable securities	200,500	285,544	191,423	218,677	294,448	203,089
Deposits in guarantees	33	39,382	2,629	33	39,382	2,629
Other receivables - UTE Campo Grande	-	-	-	49,446	39,485	49,116
Other receivables	14,775	9,512	13,348	24,775	16,204	22,224
Prepaid expenses	25,843	(3,181)	22,018	56,882	20,589	46,230
	<b>507,632</b>	<b>599,217</b>	<b>483,669</b>	<b>848,162</b>	<b>843,047</b>	<b>811,881</b>
<b>LONG-TERM</b>						
Accounts receivable	181,504	190,212	200,648	299,627	299,772	295,244
Taxes to be offset	-	149,846	-	-	266,337	3,933
Affiliates and subsidiaries	2,649	21,220	5,093	77,713	68,766	76,172
Deposits in guarantee	106,656	78,090	96,426	148,059	102,459	135,497
Debt issuance costs	1,729	2,498	1,921	1,729	2,498	1,921
Deferred income and social contribution taxes	121,299	-	121,299	250,105	-	252,776
Other receivables - low income consumers	-	18,818	-	-	26,669	-
Other receivables	10,324	4,808	15,155	20,834	15,641	25,122
Prepaid expenses	89,640	75,003	79,220	152,576	128,867	140,025
	<b>513,801</b>	<b>540,495</b>	<b>519,762</b>	<b>950,643</b>	<b>911,009</b>	<b>930,690</b>
<b>PERMANENT</b>						
Investments	924,272	771,265	904,634	358,389	374,332	362,003
Property and equipment, net	744,946	750,097	750,550	1,497,465	1,476,761	1,500,878
Deferred charges	-	-	-	-	79	-
	<b>1,669,218</b>	<b>1,521,362</b>	<b>1,655,184</b>	<b>1,855,854</b>	<b>1,851,172</b>	<b>1,862,881</b>
<b>TOTAL</b>	<b>2,690,651</b>	<b>2,661,073</b>	<b>2,658,615</b>	<b>3,654,659</b>	<b>3,605,227</b>	<b>3,605,452</b>

## Balance Sheet

(In thousands of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	PARENT COMPANY			CONSOLIDATED		
	Mar-04	Mar-03	Dec-03	Mar-04	Mar-03	Dec-03
<b>CURRENT</b>						
Suppliers	99,776	90,986	91,449	160,621	135,172	152,435
Payroll	4,726	1,940	4,073	5,348	3,602	4,551
Accrued interest and charges	27,377	37,654	58,440	33,498	50,456	67,271
Loans and financing	229,350	161,374	174,797	412,569	357,885	349,967
Accrued taxes and social contributions	38,066	21,873	40,033	60,599	43,187	57,339
Dividends	42,041	21	42,041	42,053	30	42,053
Post-employment benefits	3,459	1,886	3,571	3,459	1,886	3,571
Accrued obligations	8,035	7,322	12,892	16,402	14,916	24,485
Regulatory charges	10,884	9,129	6,520	18,604	16,302	11,637
Provision for contingencies	-	39,382	-	-	39,382	-
Other accounts payable	25,354	17,522	27,163	73,913	21,749	71,260
	<b>489,068</b>	<b>389,089</b>	<b>460,979</b>	<b>827,066</b>	<b>684,567</b>	<b>784,569</b>
<b>LONG-TERM:</b>						
Suppliers	55,362	60,640	73,931	78,553	86,868	99,441
Interest on loans and financing	-	-	-	217	-	80
Income and social contribution taxes	42,282	-	38,986	42,282	-	38,986
Loans and financing	1,474,318	1,708,642	1,475,321	1,833,134	2,117,842	1,838,268
Post-employment benefits	30,253	28,212	30,253	30,253	28,212	30,253
Deferred income taxes	45,873	-	46,975	60,677	-	61,779
Affiliates and subsidiaries	50	150	93	-	86	-
Provision for contingencies	149,454	114,510	142,148	206,086	156,811	196,661
Other accounts payable	34,005	54,682	32,000	36,064	69,976	34,063
	<b>1,831,597</b>	<b>1,966,836</b>	<b>1,839,707</b>	<b>2,287,266</b>	<b>2,459,795</b>	<b>2,299,531</b>
<b>MINORITY INTEREST</b>	-	-	-	<b>170,341</b>	<b>155,718</b>	<b>163,423</b>
<b>SHAREHOLDERS' EQUITY</b>						
Capital stock	153,947	153,947	153,947	153,947	153,947	153,947
Capital reserves	65,687	65,688	65,687	65,687	65,688	65,687
	-	-	-	-	-	-
Revenue reserves	134,908	-	134,908	134,908	-	134,908
Retained earnings	12,057	82,126	-	12,057	82,126	-
	<b>366,599</b>	<b>301,761</b>	<b>354,542</b>	<b>366,599</b>	<b>301,761</b>	<b>354,542</b>
Advances for capital increase	3,387	3,387	3,387	3,387	3,387	3,387
	<b>369,986</b>	<b>305,148</b>	<b>357,929</b>	<b>369,986</b>	<b>305,148</b>	<b>357,929</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,690,651</b>	<b>2,661,073</b>	<b>2,658,615</b>	<b>3,654,659</b>	<b>3,605,227</b>	<b>3,605,452</b>

## Statements of income

(In thousands of reais, except income per share)

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> Quarter 2004	1 <sup>st</sup> Quarter 2003	4 <sup>th</sup> Quarter 2003	1 <sup>st</sup> Quarter 2004	1 <sup>st</sup> Quarter 2003	4 <sup>th</sup> Quarter 2003
<b>OPERATING REVENUES</b>						
Electricity sales to final customers	324,089	297,303	348,456	540,024	436,573	553,635
Emergency capacity charge	19,785	10,770	16,279	28,131	15,452	23,173
Electricity sales to distributors	7,082	6,086	6,800	8,262	6,951	8,329
Use of transmission and distribution system	21,534	7,379	19,947	22,863	7,753	20,672
Other revenues	1,780	12,423	1,975	4,941	17,291	3,556
	<b>374,270</b>	<b>333,961</b>	<b>393,457</b>	<b>604,221</b>	<b>484,020</b>	<b>609,365</b>
<b>Deductions from operating revenues:</b>						
State Value Added taxes (ICMS)	(84,645)	(68,372)	(83,170)	(120,030)	(94,428)	(116,720)
PIS and COFINS tax	(17,320)	(13,018)	(17,470)	(29,212)	(19,324)	(27,098)
Global reserve for reversion quota (RGR)	(4,047)	(4,070)	(3,881)	(7,679)	(6,176)	(7,513)
Emergency capacity charge	(19,785)	(10,770)	(16,279)	(28,131)	(15,452)	(23,173)
Tax on services (ISSQN)	(2)	(23)	(2)	(30)	(155)	(27)
	<b>(125,800)</b>	<b>(96,253)</b>	<b>(120,802)</b>	<b>(185,082)</b>	<b>(135,535)</b>	<b>(174,531)</b>
<b>Net operating revenues</b>	<b>248,470</b>	<b>237,708</b>	<b>272,655</b>	<b>419,139</b>	<b>348,485</b>	<b>434,834</b>
<b>OPERATING EXPENSES</b>						
Electricity purchased for resale	(133,957)	(122,881)	(158,435)	(203,388)	(171,990)	(233,149)
Depreciation and amortization	(15,094)	(14,573)	(14,991)	(32,913)	(29,329)	(41,928)
Personnel	(18,244)	(15,816)	(19,717)	(32,810)	(28,629)	(34,446)
Material	(2,189)	(1,936)	(2,774)	(5,288)	(5,262)	(5,808)
Third-party services	(9,444)	(7,783)	(10,496)	(16,989)	(14,927)	(19,192)
Fuel usage quota (CCC)	(10,693)	(10,522)	(10,694)	(15,474)	(17,440)	(15,473)
Provision for contingencies	(2,270)	(140)	9,360	(2,270)	(1,688)	(8,212)
Other	(17,582)	(11,014)	(30,293)	(28,839)	(15,806)	(25,258)
	<b>(209,473)</b>	<b>(184,664)</b>	<b>(238,040)</b>	<b>(337,971)</b>	<b>(285,071)</b>	<b>(383,466)</b>
<b>INCOME FROM OPERATIONS</b>	<b>38,997</b>	<b>53,044</b>	<b>34,615</b>	<b>81,168</b>	<b>63,414</b>	<b>51,368</b>
<b>EQUITY IN SUBSIDIARIES</b>	<b>16,869</b>	<b>3,327</b>	<b>6,119</b>	-	-	-
<b>FINANCIAL REVENUES</b>						
Income from temporary cash investments	(15,423)	(12,578)	2,814	9,025	52,436	6,772
Overdue collections	(43,926)	69,543	4,630	8,106	7,117	9,449
Hedge	23,376	60,952	0	-	(2,176)	-
Regulatory assets - SELIC	6,320	44,180	20,458	20,813	21,691	31,175
Tax monetary variation	-	-	7,465	-	-	-
Foreign exchange variation - UTE Campo Grande	-	-	-	-	-	-
Other	53,029	(101,145)	(12,032)	2,030	5,577	(3,759)
	<b>23,376</b>	<b>60,952</b>	<b>23,335</b>	<b>39,974</b>	<b>84,645</b>	<b>43,637</b>
<b>FINANCIAL EXPENSES</b>						
Monetary variation - electricity purchase	11,876	11,561	10,642	(24)	(6,685)	10,642
Monetary and exchange variation on loans and	(67,302)	8,591	13,827	(10,231)	75,196	13,264
Interest on loans and financing	261	3,247	(59,756)	(63,330)	(77,286)	(74,611)
Other	(12,137)	(14,808)	(9,380)	(13,155)	(11,541)	(15,170)
	<b>(67,302)</b>	<b>8,591</b>	<b>(44,667)</b>	<b>(86,740)</b>	<b>(20,316)</b>	<b>(65,875)</b>
<b>FINANCIAL RESULTS</b>	<b>(43,926)</b>	<b>69,543</b>	<b>(21,331)</b>	<b>(46,766)</b>	<b>64,329</b>	<b>(22,238)</b>
<b>OPERATING PROFIT</b>	<b>11,940</b>	<b>125,914</b>	<b>19,403</b>	<b>34,402</b>	<b>127,743</b>	<b>29,130</b>
NON-OPERATING REVENUES	257	148	93	731	1,692	2,130
NON-OPERATING EXPENSES	(141)	(1,452)	858	(1,193)	(3,777)	(3,063)
<b>NON-OPERATING RESULTS, NET</b>	<b>117</b>	<b>(1,303)</b>	<b>950</b>	<b>(462)</b>	<b>(2,085)</b>	<b>(933)</b>
<b>INCOME (LOSS) BEFORE TAXES</b>	<b>12,057</b>	<b>124,611</b>	<b>20,353</b>	<b>33,940</b>	<b>125,658</b>	<b>28,197</b>
Social contribution	-	(10,779)	(2,279)	(3,856)	(11,376)	(2,170)
Income tax	-	(31,706)	(8,472)	(10,669)	(33,336)	(8,958)
	-	<b>(42,485)</b>	<b>(10,752)</b>	<b>(14,525)</b>	<b>(44,712)</b>	<b>(11,128)</b>
<b>INCOME AFTER TAXES</b>	-	-	-	-	-	-
<b>MINORITY INTEREST</b>	-	-	-	(7,358)	1,180	(7,468)
<b>NET INCOME FOR THE PERIOD</b>	<b>12,057</b>	<b>82,126</b>	<b>9,601</b>	<b>12,057</b>	<b>82,126</b>	<b>9,601</b>
<b>Net Income per share - R\$</b>	<b>2.65</b>	<b>18.05</b>	<b>2.11</b>	-	-	-

## Cash Flow

(In thousands of reais)

	PARENT COMPANY			CONSOLIDATED		
	1 <sup>st</sup> quarter 2004	1 <sup>st</sup> quarter 2003	4 <sup>th</sup> quarter 2003	1 <sup>st</sup> quarter 2004	1 <sup>st</sup> quarter 2003	4 <sup>th</sup> quarter 2003
<b>Net Income for the period</b>	12,057	82,126	9,601	12,057	82,126	9,601
Adjustments to reconcile income to cash provided by operating activities	0	0	0	-	-	-
<b>Operating activities</b>	0	0	0	-	-	-
Long-term interest and monetary and exchange variation	5,630	-77,659	6,520	-3,661	-71,723	2,415
Equity in subsidiaries	(16,869)	(3,327)	-6120	-	-	-
Depreciation and amortization	15,094	14,573	14,990	32,913	29,329	42,007
Disposal of property, plant and equipment	1,451	1,046	628	2,345	1,530	1,642
Sale of UTE Campo Grande	0	-	-	888	-	3,008
Provision for contingencies	7,306	-12,559	8,227	9,425	-9,687	8,716
Regulatory assets	0	0	0	0	0	-22,289
Tariff readjustment	0	0	0	-21,155	0	0
Bonus foreign funding	192	0	0	192	0	0
Post-employment benefits	-112	-156	4,126	-112	-156	3,570
Liabilities adjustments	1,998	2,598	2,083	1,998	2,598	2,083
Deferred income taxes	0	12,642	4,596	2,671	12,678	5,883
Interest on construction work in progress	0	0	-	7,358	-1,487	7,204
	<b>26,747</b>	<b>19,284</b>	<b>44,651</b>	<b>44,919</b>	<b>45,208</b>	<b>63,840</b>
<b>Changes in current assets and liabilities</b>						
Accounts receivable	-17,696	6,778	-13,604	-25,511	9,434	-17,152
Other accounts receivable	4,839	34,316	6,785	4,475	37,953	11,644
Material and supplies	391	0	637	391	0	1,279
Other receivables - UTE Campo Grande	0	-	-	-1,218	(13,594)	-2,468
Other receivables	1,169	8,102	-5,638	248	7,570	-5,376
Prepaid expenses	-3,825	2,698	22,629	-10,653	-13,131	33,895
Suppliers	8,327	-13,754	-7,086	9,107	-20,444	-3,077
Accrued taxes and social contributions	(1,967)	-8,247	15,662	7,320	-5,295	26,222
Accrued obligations	-4,857	-5,696	-502	-5,433	-6,402	-1,928
Regulatory charges	4,364	1,980	-2,314	6,967	3,416	(2,568)
Other	-1,156	6,089	3,770	-3,387	8,993	5,825
	<b>-10,411</b>	<b>32,266</b>	<b>20,339</b>	<b>-17,694</b>	<b>8,500</b>	<b>46,296</b>
<b>Changes in non-current assets and liabilities</b>						
Accounts receivable	3,870	23,924	583	9,564	23,924	12,651
Deposits in guarantee	(10,230)	-5,915	-11,056	(13,511)	-7,905	(13,061)
Affiliates and subsidiaries	2,444	-14,509	-1,018	550	-42,292	2,549
Prepaid expenses	(10,420)	-10,980	-25,523	(9,218)	-6,932	(39,287)
Accrued taxes and social contributions	(1,101)	0	13362	(1,101)	0	7,712
Other receivables - low income	-	-5,784	3359	-	-7,951	3,359
Other	4,838	2,649	-7,382	4,372	2,700	(19,337)
	<b>-10,599</b>	<b>-10,615</b>	<b>-27,675</b>	<b>-9,344</b>	<b>-38,456</b>	<b>-45,414</b>
<b>Net cash provided by operating activities</b>	<b>5,737</b>	<b>40,935</b>	<b>37,315</b>	<b>17,881</b>	<b>15,252</b>	<b>64,722</b>
<b>Investing activities</b>						
Additions to property and equipment	(12,340)	-11,586	-27,684	(32,087)	-27,044	(57,927)
Additions to investments	(2,769)	-20,288	-20,149	-	1	(719)
Additions to the deferred charges account	-	0	0	-	0	(79)
Obligations related to the concession	1,399	1,415	1,884	3,985	1,782	5,528
<b>Net cash used in investing activities</b>	<b>-13,710</b>	<b>-30,459</b>	<b>-45,949</b>	<b>-28,102</b>	<b>-25,261</b>	<b>-53,197</b>
<b>Financing activities</b>						
Loans and financing	47,920	12,276	-21,832	50,576	-9,714	(32,546)
Accrued interest and charges	(31,063)	-38,479	30,843	(33,636)	-36,778	28,926
Dividends	-	0	-	(441)	-294	(573)
Affiliates and subsidiaries	(43)	13	7	5,316	33,733	-
<b>Net cash provided by (used in) financing activities</b>	<b>16,814</b>	<b>-26,190</b>	<b>9,018</b>	<b>21,815</b>	<b>-13,053</b>	<b>-4,193</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,841</b>	<b>-15,714</b>	<b>384</b>	<b>11,594</b>	<b>-23,062</b>	<b>7,332</b>
Cash and cash equivalents at the beginning of the period	200,020	307,595	0	218,554	326,628	0
Cash and cash equivalents at the end of the period	208,861	291,881	384	230,148	303,566	7,332

## Unconsolidated Statements of Income by Quarter

(In thousands of reais)

	2004					2003				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Total	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	Total
<b>NET OPERATING REVENUES</b>	<b>248,470</b>	-	-	-	<b>248,470</b>	<b>237,708</b>	<b>205,146</b>	<b>228,189</b>	<b>272,654</b>	<b>943,697</b>
<b>OPERATING EXPENSES</b>	<b>(209,473)</b>	-	-	-	<b>(209,473)</b>	<b>(184,664)</b>	<b>(199,590)</b>	<b>(201,234)</b>	<b>(238,040)</b>	<b>(823,528)</b>
Electricity purchased for resale	(133,957)	-	-	-	(133,957)	(122,881)	(121,970)	(131,198)	(158,435)	(534,484)
Depreciation and amortization	(15,094)	-	-	-	(15,094)	(14,573)	(14,759)	(14,819)	(14,991)	(59,142)
Personnel	(18,244)	-	-	-	(18,244)	(15,817)	(17,426)	(18,185)	(19,717)	(71,145)
Material	(2,189)	-	-	-	(2,189)	(1,936)	(1,667)	(2,260)	(2,774)	(8,637)
Third-party services	(9,444)	-	-	-	(9,444)	(7,783)	(7,398)	(8,583)	(10,496)	(34,260)
Fuel usage quota (CCC)	(10,693)	-	-	-	(10,693)	(10,522)	(10,548)	(11,512)	(10,694)	(43,276)
Provision for contingencies	(2,270)	-	-	-	(2,270)	(140)	(13,861)	121	9,360	(4,520)
Other	(17,582)	-	-	-	(17,582)	(11,012)	(11,961)	(14,798)	(30,293)	(68,064)
<b>INCOME FROM OPERATIONS</b>	<b>38,997</b>	-	-	-	<b>38,997</b>	<b>53,044</b>	<b>5,556</b>	<b>26,955</b>	<b>34,614</b>	<b>120,169</b>
<b>EQUITY IN SUBSIDIARIES</b>	<b>16,869</b>	-	-	-	<b>16,869</b>	<b>3,327</b>	<b>460</b>	<b>9,539</b>	<b>6,119</b>	<b>19,445</b>
<b>FINANCIAL REVENUES</b>	<b>23,376</b>	-	-	-	<b>23,376</b>	<b>60,952</b>	<b>5,725</b>	<b>31,198</b>	<b>23,335</b>	<b>121,210</b>
<b>FINANCIAL EXPENSES</b>	<b>(67,302)</b>	-	-	-	<b>(67,302)</b>	<b>8,591</b>	<b>150,522</b>	<b>(92,349)</b>	<b>(44,667)</b>	<b>22,097</b>
Monetary variation - electricity purchase	11,876	-	-	-	11,876	(7,091)	(5,716)	(6,099)	10,642	(8,264)
Monetary and exchange variation on loans and financing	(67,302)	-	-	-	(67,302)	74,488	215,335	(24,524)	13,827	279,126
Interest on loans and financing	261	-	-	-	261	(50,486)	(45,403)	(50,174)	(59,756)	(205,819)
Other	(12,137)	-	-	-	(12,137)	(8,320)	(13,694)	(11,552)	(9,380)	(42,946)
<b>FINANCIAL RESULTS</b>	<b>(43,926)</b>	-	-	-	<b>(43,926)</b>	<b>69,543</b>	<b>156,247</b>	<b>(61,151)</b>	<b>(21,332)</b>	<b>143,307</b>
<b>NON-OPERATING INCOME (LOSS), NET</b>	<b>117</b>	-	-	-	<b>117</b>	<b>(1,303)</b>	<b>(199)</b>	<b>(1,609)</b>	<b>950</b>	<b>(2,161)</b>
<b>INCOME (LOSS) BEFORE TAXES</b>	<b>12,057</b>	-	-	-	<b>12,057</b>	<b>124,611</b>	<b>162,064</b>	<b>(26,266)</b>	<b>20,352</b>	<b>280,761</b>
Social contribution and income tax	-	-	-	-	-	(42,485)	(60,930)	10,333	(10,752)	(103,834)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>12,057</b>	-	-	-	<b>12,057</b>	<b>82,126</b>	<b>101,134</b>	<b>(15,933)</b>	<b>9,601</b>	<b>176,929</b>
<b>FINANCIAL RATIOS AND OTHER INFORMATION</b>										
<b>EBITDA</b>	<b>54,091</b>	-	-	-	<b>54,091</b>	<b>67,617</b>	<b>20,315</b>	<b>41,774</b>	<b>49,605</b>	<b>179,311</b>
(+) Financial revenues	23,376	-	-	-	23,376	60,952	5,725	31,198	23,335	121,210
(+) Non-operating income (loss), net	117	-	-	-	117	-1,303	-199	-1,609	950	-2,161
<b>= Adjusted EBITDA</b>	<b>77,584</b>	-	-	-	<b>77,584</b>	<b>127,266</b>	<b>25,841</b>	<b>71,363</b>	<b>73,890</b>	<b>298,360</b>
<b>CAPITAL EXPENDITURE</b>	<b>11,776</b>	-	-	-	<b>11,776</b>	<b>12,327</b>	<b>11,022</b>	<b>14,173</b>	<b>26,951</b>	<b>64,473</b>
<b>TOTAL DEBT</b>	<b>1,731,045</b>	-	-	-	<b>0</b>	<b>1,907,669</b>	<b>1,707,814</b>	<b>1,693,221</b>	<b>1,708,557</b>	<b>1,708,557</b>
<b>INTEREST ON LOANS AND FINANCING</b>	<b>-261</b>	-	-	-	<b>-261</b>	<b>50,486</b>	<b>45,403</b>	<b>50,174</b>	<b>59,756</b>	<b>205,819</b>
<b>EBITDA margin</b>	<b>21.77%</b>	-	-	-	<b>21.77%</b>	<b>28.45%</b>	<b>9.90%</b>	<b>18.31%</b>	<b>18.19%</b>	<b>19.00%</b>
<b>EBITDA/interest on loans and financing (x)</b>	<b>-207.2</b>	-	-	-	<b>-207.2</b>	<b>1.3</b>	<b>0.4</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>
<b>Adjusted EBITDA margin</b>	<b>31.22%</b>	-	-	-	<b>31.22%</b>	<b>53.54%</b>	<b>12.60%</b>	<b>31.27%</b>	<b>27.10%</b>	<b>31.62%</b>
<b>Adjusted EBITDA/interest on loans and financing</b>	<b>-297.3</b>	-	-	-	<b>-297.3</b>	<b>2.5</b>	<b>0.6</b>	<b>1.4</b>	<b>1.2</b>	<b>1.4</b>

## 1. OPERATIONS

ESPÍRITO SANTO CENTRAIS ELÉTRICAS S.A. - ECELSA is a public Brazilian corporation, controlled by the Eletricidade de Portugal S.A. – EDP Group, through IVEN S.A., as from October 2002. Engaged in the generation, transmission, distribution and the sale of electric energy, the Company's activities are regulated by the Brazilian Electricity Regulatory Agency (ANEEL), an agency of the Ministry of Mines and Energy.

ECELSA is the majority shareholder of MAGISTRA PARTICIPAÇÕES S.A., which holds the share control of EMPRESA ENERGÉTICA DE MATO GROSSO DO SUL S.A. – ENERSUL, a concessionaire responsible for the generation, distribution and sale of electric energy in the State of Mato Grosso do Sul, and the full control of CASTELO ENERGÉTICA S.A. - CESA, which was incorporated to operate in the exploitation of water resources, thermal energy generation and transmission lines. ECELSA is also the majority shareholder of TV A CABO VITÓRIA S.A. – TVIX, a company operating in pay-TV and related services, in the municipalities of Vitória and Vila Velha – ES, and has the full control of ECELSA PARTICIPAÇÕES S.A. – ECELSAPAR, which renders Internet access services and various information technology services.

## 2. PRESENTATION OF THE QUARTERLY INFORMATION

The quarterly information has been prepared and is presented in conformity with accounting practices adopted in Brazil, together with specific legislation established by ANEEL, and the regulations of the Brazilian Securities Commission (CVM). These practices are consistent with those adopted in the financial statements for the year ended December 31, 2003, issued on March 19, 2004.

## 3. MARKETABLE SECURITIES

The portfolio composition is as follows:

FINANCIAL INSTITUTION	PARENT COMPANY			
	TYPE	MATURITY	03/04	12/03
Banco Pactual S.A. ....	NBC-E	11/16/2006	103,683	100,617
Banco BBA Credanstalt S.A. ....	NBC-E	12/10/2006	86,429	83,550
Banco BBA Credanstalt S.A. ....	NBC-E	11/16/2006	4,923	4,768
Citibank S.A. ....	Investment funds	-	2,839	2,342
BRADESCO S.A. ....	CDB	-	2,491	-
Other .....	Other	-	135	146
			<b>200,500</b>	<b>191,423</b>

FINANCIAL INSTITUTION	CONSOLIDATED			
	TYPE	MATURITY	03/04	12/03
Banco Pactual S.A. ....	NBC-E	11/16/2006	103,683	100,617
Banco BBA Credanstalt S.A. ....	NBC-E	12/10/2006	86,429	83,550
Banco BBA Credanstalt S.A. ....	NBC-E	11/16/2006	4,923	4,768
Citibank S.A. ....	NA	-	6,957	1,228
Banco Brasil S.A. ....	Investment funds	-	9,396	9,108
Citibank S.A. ....	Investment funds	-	2,839	2,342
BRADESCO S.A. ....	CDB	-	3,608	-
Other .....	Other	-	842	1,476
			<b>218,677</b>	<b>203,089</b>

These marketable securities are basically represented by federal securities (NBC-E), with interest and exchange variation, net of a provision for devaluation to market value, when applicable, and are recorded in current assets due to their liquidity in the market or expectation of short-term realization.

#### 4. CONSUMERS AND CONCESSIONAIRES

	PARENT COMPANY				
	Falling due	Overdue up to 90 days	Overdue over 90 days	Total	
				03/04	12/03
<b>CONSUMERS</b>					
Residential.....	36.079	24.401	949	61.429	55.985
Industrial.....	31.085	6.130	379	37.594	42.573
Commercial, services and other activities.....	23.369	8.602	1.346	33.317	32.804
Rural.....	5.873	2.390	575	8.838	10.619
Public entities					
Federal.....	1.432	1.904	792	4.128	1.621
State.....	1.311	863	285	2.459	2.284
Municipal.....	212	99	55	366	5.953
Public lighting.....	6.073	2.730	950	9.753	9.957
Utilities.....	2.833	53	135	3.021	3.089
Regulatory asset.....					
Losses.....	34.430	-	-	34.430	34.023
Free energy.....	17.117	-	-	17.117	-
Debt installments.....	21.397	438	2.459	24.294	25.268
Other receivables.....	14.169	-	-	14.169	8.387
	<b>195.380</b>	<b>47.610</b>	<b>7.925</b>	<b>250.915</b>	<b>232.563</b>
<b>CONCESSIONAIRES</b>					
Supplies - basic.....	3.173	-	-	3.173	2.953
Supplies - short-term.....	262	-	2	264	471
	<b>3.435</b>	<b>-</b>	<b>2</b>	<b>3.437</b>	<b>3.424</b>
<b>ENERGY GRID CHARGES</b>	<b>392</b>	<b>-</b>	<b>-</b>	<b>392</b>	<b>387</b>
<b>TOTAL</b>	<b>199.207</b>	<b>47.610</b>	<b>7.927</b>	<b>254.744</b>	<b>236.374</b>
<b>LONG-TERM RECEIVABLES</b>					
<b>CONSUMERS</b>					
Regulatory asset.....					
Losses.....	83.835	-	-	83.835	88.117
Free energy.....	55.409	-	-	55.409	73.545
Value Added Tax on Sales and Services (ICMS) - Cia Vale do Rio Doce	42.260	-	-	42.260	38.986
<b>TOTAL</b>	<b>181.504</b>	<b>-</b>	<b>-</b>	<b>181.504</b>	<b>200.648</b>

	CONSOLIDATED				
	Falling	Overdue up to	Overdue over	Total	
	due	90 days	90 days	03/04	12/03
<b>CONSUMERS</b>					
Residential.....	61.486	39.758	5.649	106.893	99.427
Industrial.....	40.837	8.210	1.564	50.611	55.829
Commercial, services and other activities.....	39.091	15.549	7.297	61.937	59.151
Rural.....	9.655	4.938	1.177	15.770	16.447
Public entities					
Federal.....	2.954	3.405	1.724	8.083	4.027
State.....	3.380	893	297	4.570	4.488
Municipal.....	2.588	1.621	969	5.178	10.250
Public lighting.....	10.147	3.531	5.311	18.989	19.177
Utilities.....	5.232	882	177	6.291	5.459
Regulatory asset.....					
Losses.....	56.784	-	-	56.784	56.271
Free energy.....	26.831	-	-	26.831	8.359
Debt installments.....	40.116	1.855	5.928	47.899	51.755
Tariff adjustment.....	29.448	-	-	29.448	35.219
Other receivables.....	25.607	1.107	205	26.919	18.987
	<b>354.156</b>	<b>81.749</b>	<b>30.298</b>	<b>466.203</b>	<b>444.846</b>
<b>CONCESSIONAIRES</b>					
Supplies - basic.....	3.412	-	-	3.412	3.374
Supplies - short-term.....	713	-	2	715	1.469
	<b>4.125</b>	<b>-</b>	<b>2</b>	<b>4.127</b>	<b>4.843</b>
<b>ENERGY GRID CHARGES</b>					
	<b>931</b>	<b>-</b>	<b>-</b>	<b>931</b>	<b>1.020</b>
<b>TOTAL</b>	<b>359.212</b>	<b>81.749</b>	<b>30.300</b>	<b>471.261</b>	<b>450.709</b>
<b>LONG-TERM RECEIVABLES</b>					
<b>CONSUMERS</b>					
Regulatory asset.....					
Losses.....	140.010	-	-	140.010	146.496
Free energy.....	78.600	-	-	78.600	99.055
Supplies - short-term.....	3.068	-	-	3.068	3.068
ICMS - Cia Vale do Rio Doce.....	42.260	-	-	42.260	38.986
Tariff adjustment.....	26.926	-	-	26.926	-
Other receivables.....	8.763	-	-	8.763	7.639
<b>TOTAL</b>	<b>299.627</b>	<b>-</b>	<b>-</b>	<b>299.627</b>	<b>295.244</b>

#### 4.1 – Wholesale Energy Market (MAE)

The Company has recorded in current assets the amount of R\$ 264 thousand (R\$ 3,783 thousand – consolidated) and, in current liabilities, the amount of R\$ 986 thousand (R\$ 1,711 thousand – consolidated), related to the sale and purchase of energy, and system service charges, in the context of the Wholesale Energy Market (MAE). A portion of these amounts is subject to changes depending on the proceedings in progress, filed by certain companies, with respect to the interpretation of market rules in effect:

	PARENT COMPANY			CONSOLIDATED		
	ASSETS	LIABILITIES		ASSETS	LIABILITIES	
	SALE	PURCHASE	SYSTEM SERVICE CHARGES	SALE	PURCHASE	SYSTEM SERVICE CHARGES
At December 31, 2003	471	753	691	4,621	998	1,019
Additions	307	1,229	756	307	2,137	1,136
Settlements	(514)	(1,522)	(921)	(1,145)	(2,231)	(1,348)
At March 31, 2004	<u>264</u>	<u>460</u>	<u>526</u>	<u>3,783</u>	<u>904</u>	<u>807</u>

#### 4.2 – Tariff adjustment

On April 8, 2004, ANEEL issued Resolution 73/04 modifying the April 2003 periodical tariff adjustment of the subsidiary ENERSUL, and changing the adjustment percentage, from 42.26% to 43.59%, and the X Factor, from 2.35% to 1.35%.

According to this Resolution, the phasing of the tariff adjustment was maintained, as defined in 2003 by that Regulatory Agency, in order to follow the principle of low tariffs and economic and financial balance of the mentioned agreement, as follows:

- In the first year, the tariffs for supply of electric energy were adjusted based on the Tariff Adjustment Index (IRT) of 32.47%; and
- In the annual tariff adjustments to be approved from 2004 to 2007, the difference between IRT and RT will be added to Portion B.

Related to item “b” above, ENERSUL accrued, during the period from April 2003 to March 2004, income and related taxes, recorded in assets as Tariff adjustment, in the total of R\$ 56,376, of which R\$ 21,155 was recognized in this quarter, being R\$ 29,448 in Current assets and R\$ 26,926 in Long-term receivables.

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## 5. GENERAL ELECTRIC ENERGY SECTOR AGREEMENT

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

- declaration of withdrawal of any plea or suit;
- purchase agreement for net contractual surpluses;
- agreement for reimbursement of free energy;
- addendums to the initial contracts; and
- Energy Development Account (CDE).

Based on the Provisional Measure 14/01, converted into Law 10438/02, and related legislation, the Company calculated the amount of the extraordinary tariff recomposition 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, in common with the other electric energy distribution utilities, the Company calculated the monthly variations in additional non-manageable costs (Portion "A") and listed all the additional energy purchase costs in the MAE ("free energy") to be transferred to the generators.

ANEEL Resolutions 480 and 481 (concerning margin losses), 482 (concerning Portion "A" costs) and 483 (concerning free energy), all dated August 29, 2002, approved the amounts of the revenue recomposition, which extraordinary electric energy tariffs were as follows:

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

ANEEL Resolution 1/04 fixed new periods for application of the Extraordinary Tariff Recomposition (RTE) (losses and free energy), modifying the tariff recovery period from 70 to 69 months (82 to 73 months – ENERSUL), starting as from December 2001.

Studies undertaken by management indicate that these assets will be fully collected over the maximum period established, and therefore no provision for losses was set up.

### 5.1 – Recovery of electric energy supply losses

These losses, which are part of the RTE, were as follows during the period:

DESCRIPTION	PARENT COMPANY		CONSOLIDATED	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
<b>At December 31, 2003</b>	<b>34.023</b>	<b>88.117</b>	<b>56.271</b>	<b>146.496</b>
Recovery through tariff increases	(8.608)	-	(14.197)	-
Transfers	9.015	(9.015)	14.710	(14.710)
Special System for Settlement and Custody (SELIC) index adjustments	-	4.733	-	8.224
<b>At March 31, 2004</b>	<b>34.430</b>	<b>83.835</b>	<b>56.784</b>	<b>140.010</b>

The amounts were recorded in the “Consumers and concessionaires” account, in current assets and long-term receivables.

### 5.2 – Free energy

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

According to the Free Energy Reimbursement Agreement, electric energy generation companies, based on article 2 of Law 10438, paid market prices for the free energy allocated to them by MAE (MAE prices) during the PERCEE, according to pre-established rules.

The distribution utilities, benefited by the extraordinary tariff recomposition, will reimburse the generating utilities for the difference between the MAE price and R\$ 49.26 per MWh.

The amounts of this reimbursement were calculated according to MAE accounting and shared on a pro rata basis among distribution companies, proportionally to individual consumption of energy in the National Interconnected Electricity System. The amount of this electric energy is being reimbursed to the generating companies, in conjunction with the RTE over 69 months (73 months for Enersul), composed as follows:

DESCRIPTION	PARENT COMPANY		CONSOLIDATED	
	CURRENT	LONG-TERM	CURRENT	LONG-TERM
<b>At December 31, 2003</b>	<b>-</b>	<b>73.545</b>	<b>8.359</b>	<b>99.055</b>
Recovery through tariff increases	(3.933)	-	(6.362)	-
Transfers	21.050	(21.050)	24.834	(24.834)
SELIC index adjustment	-	2.914	-	4.379
<b>At March 31, 2004</b>	<b>17.117</b>	<b>55.409</b>	<b>26.831</b>	<b>78.600</b>

The amounts were recorded in “Consumers and concessionaires”, in current assets and long-term receivables, as a contra entry to “Unbilled revenue”. An obligation in the same amount was recorded in “Energy suppliers”, in current and long-term liabilities, with a corresponding charge to “Energy purchased for resale – short-term”.

### 5.3 - Variation in the composition of Portion “A” costs

In order to determine the concessionaires’ tariffs, the electric energy distribution concession agreements establish amounts for each item of those exogenous costs that are part of the operating expenses, known as the variable Portion “A”, of the IRT formula, as follows:

- Tariff for the transfer of the energy purchased from Itaipu Binacional;
- Tariff for the transport of the electric energy from Itaipu Binacional;
- Quota for the Fuel Consumption Account (CCC);
- Costs for transmission infrastructure usage on the basic grid;
- Financial compensation for use of water resources;
- System Service Charges (ESS);
- Energy purchased as established in the initial agreements;
- Quota for the Global Reversion Reserve (RGR);
- Electric energy service inspection fee;
- Connection charges;
- CDE.

Provisional Measures 2227/01 and 14/01, converted into Law 10438/02, and ANEEL Resolution 90/02 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 is being increased by financial remuneration based on the SELIC interest rate.

These amounts were recognized as “Prepaid expenses”, in long-term receivables, as a contra entry to “Operating expenses”, according to their respective nature.

### 5.3.1 – Portion “A”

The Portion “A” amounts that will be recovered after the end of RTE, recorded in the period from January 1 to October 25, 2001, computed in the extraordinary tariff recomposition, were as follows:

	<u>PARENT COMPANY</u>	<u>CONSOLIDATED</u>
	<u>Long-term</u>	
<b>At December 31, 2003</b>	<b>61,436</b>	<b>102,040</b>
SELIC remuneration.....	2,464	-
Adjustment to the Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS) provision.....	(2,384)	1,879
<b>At March 31, 2004</b>	<b>61,516</b>	<b>103,919</b>

ANEEL Resolution 1/04 modified the procedure for the recovery of Portion “A”, extending the period of the RTE to that necessary to meet the amount approved, by using the same mechanism, that is, the extraordinary tariff application.

### 5.3.2 – CVA

Amounts registered as Portion “A” – CVA cost variations, which are not part of the extraordinary tariff recovery, calculated as from October 26, 2001, are recorded in prepaid expenses, as follows:

	<u>PARENT COMPANY</u>		<u>CONSOLIDATED</u>	
	<u>03/04</u>	<u>12/03</u>	<u>03/04</u>	<u>12/03</u>
<b>ASSETS</b>				
Current assets				
Prepaid expenses - CVA.....	51,309	40,875	91,403	78,934
(-) CVA liability.....	(27,242)	(19,710)	(36,917)	(33,563)
	<b>24,067</b>	<b>21,165</b>	<b>54,486</b>	<b>45,371</b>
Long-term receivables				
Prepaid expenses - CVA.....	73,170	71,098	102,093	92,711
(-) CVA liability.....	(45,046)	(53,314)	(53,436)	(54,726)
	<b>28,124</b>	<b>17,784</b>	<b>48,657</b>	<b>37,985</b>
Portion "A".....	61,516	61,436	103,919	102,040
	<b>89,640</b>	<b>79,220</b>	<b>152,576</b>	<b>140,025</b>

According to Interministerial Ordinance 116/03, the CVA balance will be included in the energy supply tariffs in the 24 months subsequent to the annual tariff adjustment that will occur between April 8, 2004 and April 7, 2005. The postponement includes, in the case of ESCELSA, the balance for the period from August 2002 to July 2003 and, in the case of ENERSUL, from April 2002 to March 2003, plus an amount to be calculated in the 12 months subsequent to the adjustments from August 2003 and April 2003, respectively.

The CVA approved and in progress is as follows:

CVA	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
Approved	47,993	46,170	95,647	74,578
In progress	4,744	(7,221)	8,042	8,778
	<b>52,737</b>	<b>38,949</b>	<b>103,689</b>	<b>83,356</b>

## 6. LOW INCOME CONSUMERS

Law 10438/02 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 4336/02 expanded the rules to include units with monthly consumption between 80 and 220 kWh.

As a result of the new classification, the Company recorded the loss on revenues, in the amount of R\$ 6,534, at March 31, 2004 (R\$ 5,784 at March 31, 2003), and consolidated, in the amount of R\$ 9,404 (R\$ 7,950 at March 31, 2003), net of the Added Value Tax on Sales, Interstate and Intercity Transport Services and Communications (ICMS).

According to Normative Act 03/03, published in the "Diário Oficial do Estado do Espírito Santo", on November 24, 2003, issued by the Treasury Secretariat of the State of Espírito Santo, that declares subject to ICMS the portion subventionized by the Federal Government, in excess of the exempt residential consumption based on the ICMS state legislation (50 kWh/month), management set up a provision for a probable tax liability of R\$ 10,351 (consolidated - R\$ 13,840), charged against tax operating expenses.

## 7. TAXES TO BE OFFSET

TAXES	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
Withholding income tax	1,594	10,377	12,008	22,205
Corporate Income Tax (IRPJ) recoverable	6,102	6,102	6,560	6,613
Social contribution on net income	2,369	2,424	2,996	3,051
PIS recoverable	631	-	1,685	-
COFINS recoverable	1,369	-	2,704	-
ICMS recoverable	767	1,334	2,709	3,306
Income tax on remittances abroad	-	-	2,675	2,675
Other	433	228	452	1,075
	<b>13,265</b>	<b>20,465</b>	<b>31,789</b>	<b>38,925</b>

## 8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

The tax credits listed below, relative to income tax and social contribution losses and other amounts that constitute temporary differences, to be used for reduction of future taxation, were recorded based on the Company's profitability history and estimated taxable income for the coming years, considering a maximum period of ten years.

As a result of the rules laid down by CVM Instruction 371/02, the Company did not record new credits, as from July 1, 2002, in the amounts of R\$ 118,065 in the parent company and R\$ 137,627 in the consolidated at March 31, 2004 (R\$ 136,069 in the consolidated at December 31, 2003).

Based on these assumptions, the amounts of the tax assets to be accounted for were determined as follows:

	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
<b>ASSETS</b>				
Tax losses.....	223,414	223,414	623,929	631,976
Temporary additions				
Labor and civil claims.....	26,056	26,056	52,430	52,430
Post-employment benefits.....	30,451	30,451	30,451	30,451
Tax claims .....	77,658	77,658	93,729	93,730
Other additions.....	1,576	1,576	1,576	1,576
	<b>135,741</b>	<b>135,741</b>	<b>178,186</b>	<b>178,186</b>
	<b>359,155</b>	<b>359,155</b>	<b>802,115</b>	<b>810,162</b>
Statutory rate.....	25%	25%	25%	25%
<b>Income tax</b>	<b>89,789</b>	<b>89,789</b>	<b>200,529</b>	<b>202,542</b>
Social contribution loss.....	304,267	304,267	598,818	607,055
Temporary additions				
Labor and civil claims.....	26,056	26,056	52,430	52,430
Post-employment benefits.....	30,451	30,451	30,451	30,451
Tax claims .....	31,519	31,519	31,519	31,519
Other additions.....	1,580	1,580	1,580	1,580
	<b>89,606</b>	<b>89,606</b>	<b>115,980</b>	<b>115,980</b>
	<b>393,873</b>	<b>393,873</b>	<b>714,798</b>	<b>723,035</b>
Statutory rate.....	8%	8%	8%	8%
<b>Social contribution</b>	<b>31,510</b>	<b>31,510</b>	<b>57,184</b>	<b>57,843</b>
<b>Long-term receivables</b>	<b>121,299</b>	<b>121,299</b>	<b>257,713</b>	<b>260,384</b>
<b>Current assets</b>	<b>-</b>	<b>-</b>	<b>(7,608)</b>	<b>(7,608)</b>
	<b>121,299</b>	<b>121,299</b>	<b>250,105</b>	<b>252,776</b>

Expectation as to the realization of these deferred tax credits, segregated between the amounts recorded and not recorded, is as follows:

**Amounts recorded:**

<b>PARENT COMPANY</b>					
<b>EXPECTATION OF REALIZATION</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>TOTAL</b>
Income tax	4,866	18,906	29,828	36,189	89,789
Social contribution	1,516	6,780	10,738	12,476	31,510
	<b>6,382</b>	<b>25,686</b>	<b>40,566</b>	<b>48,665</b>	<b>121,299</b>

<b>CONSOLIDATED</b>								
<b>EXPECTATION OF REALIZATION</b>	<b>TOTAL CURRENT</b>						<b>2010 TO 2011</b>	<b>TOTAL LONG- TERM</b>
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>		
Income tax	5,594	8,971	16,514	33,524	48,313	57,757	29,856	194,935
Social contribution	2,014	3,232	5,712	12,045	17,395	16,786	-	55,170
	<b>7,608</b>	<b>12,203</b>	<b>22,226</b>	<b>45,569</b>	<b>65,708</b>	<b>74,543</b>	<b>29,856</b>	<b>250,105</b>

**Amounts not recorded:**

<b>EXPECTATION OF REALIZATION</b>	<b>FROM 2009 TO 2011</b>	
	<b>PARENT COMPANY</b>	<b>CONSOLIDATED</b>
Income tax	85,091	98,826
Social contribution	32,974	38,798
	<b>118,065</b>	<b>137,624</b>

The subsidiary Enersul, based on the SRF COSIT Opinion 26/02 and decisions of the 1<sup>st</sup>, 2<sup>nd</sup> and 6<sup>th</sup> Federal Revenue Regional Superintendencies (SRF), claimed the right at the administrative level to defer taxes on RTE (recovery of rationing losses and free energy), as well as spot market (MAE).

Through Notification 005/04, the Company was informed of Decision 03.103/03 issued by the Federal Tax Department's Regional Office in Campo Grande – MS, approving the request for deferral of the above mentioned revenues as concerns the related federal taxes.

In view of the above, the Company recorded the tax credits in Enersul, originally written-off in 2001, and the following deferred tax liabilities were recognized.

	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
Income tax	31,931	32,744	58,449	60,897
Social contribution	13,942	14,231	23,489	24,365
PIS	-	-	1,463	2,053
COFINS	-	-	6,746	7,848
	<b>45,873</b>	<b>46,975</b>	<b>90,147</b>	<b>95,163</b>
Current liabilities	-	-	(29,470)	(33,384)
Long-term liabilities	<b>45,873</b>	<b>46,975</b>	<b>60,677</b>	<b>61,779</b>

## 9. ASSOCIATED COMPANIES, SUBSIDIARIES AND PARENT COMPANIES

RELATED PARTY	PARENT COMPANY					
	ASSETS		LIABILITIES		RESULTS	
	OTHER RECEIVABLES		OTHER PAYABLES		ELECTRIC ENERGY PURCHASED FOR RESALE	
	03/04	12/03	03/04	12/03	03/04	03/03
MAGISTRA	5	50	-	-	-	-
ENERSUL	809	3.407	50	93	-	-
ESCELSAPAR	7	-	-	-	-	-
CESA	1.295	1.048	-	-	710	517
ENETRADE	-	-	-	-	19.571	565
OTHER	533	588	-	-	-	-
	<b>2.649</b>	<b>5.093</b>	<b>50</b>	<b>93</b>	<b>20.281</b>	<b>1.082</b>

RELATED PARTY	CONSOLIDATED			
	ASSETS		RESULTS	
	LOANS AND FINANCING		ELECTRIC ENERGY PURCHASED FOR RESALE	
	03/04	12/03	03/04	03/03
ESC 90	77.286	75.584	-	-
CESA	-	-	2.533	517
ENERTRADE	-	-	39.479	6.479
OTHER	427	588	2.020	1.224
	<b>77.713</b>	<b>76.172</b>	<b>44.032</b>	<b>8.220</b>

### 9.1 – Other receivables and payables

These transactions basically refer to the transfer of costs of related companies, including administrative, technical and scientific cooperation activities.

### 9.2 – Energy purchased for resale

#### ENERTRADE

At December 23, 2002, ESCELSA and its indirect subsidiary ENERSUL signed with ENERTRADE – Comercializadora de Energia S.A. an agreement for the sale and purchase of electric energy, effective from January 1, 2003 to December 31, 2012, covering, for the parent company, an average of 11.45 MW in 2003 and 52 MW as from 2004, and for ENERSUL an average of 35 MW at prices of R\$ 85.67/MWh (ESCELSA) and R\$ 80.21/MWh (ENERSUL), altered on February 19 and March 20, 2003, to R\$ 83.73/MWh and R\$ 79.77/MWh, respectively.

These prices were established according to the rules on the Normative Value (VN), applicable at the time the agreements were entered into and submitted for registration with ANEEL.

During the tariff adjustment process of ESCELSA, the Company learned that ANEEL did not approve the amount of the agreement and fixed the amount of R\$ 74.79/MWh (base date: December 2002), taking into consideration its Technical Notes.

During the tariff adjustment process, ENERSUL requested the transfer to the tariff of the agreement amount restated through April 2003, that is, R\$ 104.74/MWh, based on current legislation. However, ANEEL recognized only R\$ 84.33/MWh, the average prices in the southeast area auctions for six-year agreements.

On April 25 and August 29, 2003, ENERSUL and ESCELSA, respectively, entered administrative appeals claiming the full amount of the agreement, for recognition in the tariff, arguing the following:

a) ENERSUL: (i) absence of rules for recognizing only R\$ 84.33/MWh; (ii) the cost of energy purchased limited by the VN methodology should be transferred to the electric energy tariffs, as determined by the 5<sup>th</sup> and 6<sup>th</sup> subclauses, of clause 7, of the Concession Agreement.

b) ESCELSA: (i) no market price references concerning long-term agreements beyond the expansion marginal cost; (ii) the equivalence of contracted price with VN, which is lower than the expansion marginal cost, is aligned with the low tariffs provided by the Concession Agreement; and (iii) the long-term agreement assures stable and foreseeable prices to final consumers.

Through Official Letters 1769/03 and 1779/03-SFF/ANEEL, ANEEL did not approve the ENERSUL and ESCELSA agreements, and confirmed the previous decision to recognize R\$ 79.48/MWh and R\$ 74.79/MWh, for each of the Companies, respectively.

ENERTRADE submitted the issue to the Judiciary, obtaining a favorable decision concerning Bill of Review 2004.01.00.007.806-5/DF, where the annulment of the effects of Letters 1769/03 and 1779/03-SFF/ANEEL was determined and the approval of the agreements for all legal purposes, object of notification through Letter 166/ENERTRADE, dated March 15, 2004.

The subsidiary ENERSUL through Letter CT-PR-5/04, reported such decision to ANEEL, with reiteration of the request for recognition of the amounts of R\$ 104.69/MWh in April 2003 and R\$ 109.52/MWh in April 2004, in the tariff adjustment process in course, which is still pending reply from the Agency.

In the first quarter of 2004, the price differences in question amounted to R\$ 2,770 thousand for ESCELSA and R\$ 2,571 thousand for ENERSUL, recorded in operating expenses.

The administrative decisions on the appeals are pending judgment, and possible judicial solutions are applicable, in case of denial.

#### CESA

ESCELSA has an agreement for the sale and purchase of electric energy, effective from August 1, 2001 to December 25, 2025, for the average of 2.57 MW, as from September 19, 2001, at the price of R\$ 93.07/MWh, altered on August 7, 2003 to 2.80 MW, at the price of R\$ 116.12/MWh, as from February 25, 2003, already recognized in the tariff approved by ANEEL.

## COSTA RICA

The subsidiary ENERSUL has an agreement for the sale and purchase of electric energy with Costa Rica, recognized by ANEEL, effective from March 1, 1999, for the average of 10.33 MW, altered on April 8, 2003, at the price of R\$ 89.30/MWh.

### 9.3 – Loans and financing

The consolidated financial statements show basically the balance of loans between the subsidiary MAGISTRA and the related company ESC90, which were made under similar conditions applied to financing transactions practiced by the national financial market.

The conditions of the two main loans are as follows:

- 1) Interest: Long-term Interest Rate (TJLP) + 4% p.a.  
Maturity: November 2004  
Balance: R\$ 6,399 (R\$ 6,189 on December 31, 2003)
- 2) Interest: 100% of Interbank Deposit Certificate (CDI)  
Maturity: various up to the end of 2004  
Balance: R\$ 70,887 (R\$ 69,395 on December 31, 2003)

The financial income of MAGISTRA with the related company ESC90, in the amount of R\$ 2,591 (R\$ 3,569 – consolidated at March 31, 2003), is registered in “Other financial income”. The loans are guaranteed by promissory notes equivalent to 125% of the principal.

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.

## 10. OTHER RECEIVABLES - UTE CAMPO GRANDE

	<u>CONSOLIDATED</u>
<b>At December 31, 2003</b>	<b>49,116</b>
Payments	1,218
Adjustment to market value	(888)
<b>At March 31, 2004</b>	<b><u>49,446</u></b>

Given the decision of ENERSUL management to sell the asset, an analysis was undertaken of all the costs incurred with the project, including the thermoelectric plant, substations and associated distribution lines, resulting in a provision to reduce the assets to their market value. The Company expects to sell the asset during 2004.

## 11. INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
<b>Equity investments</b>				
<b>Stated on the equity method of accounting</b>				
MAGISTRA PARTICIPAÇÕES S.A. ....	921.158	900.944	-	-
TV A CABO VITÓRIA - TVIX S.A. ....	(275)	(237)	-	-
ESCELSA PARTICIPAÇÕES S.A. - ESCELSAPAR .....	799	1.338	-	-
	<b>921.682</b>	<b>902.045</b>	-	-
<b>Goodwill on investments purchased</b>				
Goodwill .....	-	-	393.618	393.618
Amortization .....	-	-	(37.881)	(34.266)
	-	-	<b>355.737</b>	<b>359.352</b>
<b>Stated at restated cost</b>				
Other .....	37	37	37	37
	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Projects, studies and other investments</b>	<b>2.553</b>	<b>2.552</b>	<b>2.615</b>	<b>2.614</b>
<b>TOTAL</b>	<b>924.272</b>	<b>904.634</b>	<b>358.389</b>	<b>362.003</b>

The goodwill recorded by the wholly-owned subsidiary MAGISTRA, generated by the difference between the amount paid and the book value of ENERSUL, is based on the company's future profitability, over the period of the ENERSUL concession (thirty years) and is being amortized proportionally to the company's projected result, discounted to present value, at the purchase date of the investment.

Additional information on investments stated on the equity method of accounting:

	MAGISTRA		TVIX		ESCELSAPAR	
	03/04	12/03	03/04	12/03	03/04	12/03
Class of shares	Common	Common	Common	Common	Common	Common
Total shares	473,203,348	473,203,348	1,540	1,540	1,000	1,000
Total shares of Escelsa	473,203,348	473,203,348	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
<b>Shareholders' equity</b>	<b>921,158</b>	<b>900,944</b>	<b>(282)</b>	<b>(246)</b>	<b>799</b>	<b>1,338</b>
<b>Results for the 1st quarter of 2004 and 2003</b>	<b>17,442</b>	<b>2,157</b>	<b>(35)</b>	<b>(50)</b>	<b>(539)</b>	<b>(235)</b>
Investment value	921,158	900,944	(275)	(237)	799	1,338
<b>Equity in the results</b>	<b>17,442</b>	<b>2,157</b>	<b>(34)</b>	<b>(49)</b>	<b>(539)</b>	<b>(235)</b>

## 12. PROPERTY AND EQUIPMENT

	PARENT COMPANY		Annual average rates of depreciation (%)	CONSOLIDATED	
	03/04	12/03		03/04	12/03
<b>IN SERVICE:</b>					
Generation.....	106,310	106,248	2.40%	203,778	203,716
Transmission.....	15,495	13,477	2.92%	15,495	13,477
Distribution.....	1,081,130	1,077,509	4.32%	2,053,034	2,037,677
Selling.....	4,301	4,301	9.12%	7,863	7,577
Administration.....	128,873	126,628	8.24%	261,813	251,999
	<b>1,336,109</b>	<b>1,328,163</b>	<b>4.52%</b>	<b>2,541,983</b>	<b>2,514,446</b>
<b>(-) DEPRECIATION</b>					
Generation.....	(65,927)	(65,287)		(110,090)	(108,740)
Transmission.....	(7,392)	(7,393)		(7,392)	(7,393)
Distribution.....	(435,536)	(426,394)		(824,057)	(805,066)
Selling.....	(3,060)	(2,962)		(3,931)	(3,751)
Administration.....	(67,625)	(65,104)		(128,552)	(123,694)
	<b>(579,540)</b>	<b>(567,140)</b>		<b>(1,074,022)</b>	<b>(1,048,644)</b>
	<b>756,569</b>	<b>761,023</b>		<b>1,467,961</b>	<b>1,465,802</b>
<b>IN PROGRESS:</b>					
Generation.....	3,841	3,226		108,870	98,210
Transmission.....	3,395	5,069		3,395	5,069
Distribution.....	79,145	76,078		117,010	118,225
Selling.....	-	-		3,850	438
Administration.....	7,778	9,537		7,941	20,711
	<b>94,159</b>	<b>93,910</b>		<b>241,066</b>	<b>242,653</b>
<b>TOTAL</b>	<b>850,728</b>	<b>854,933</b>		<b>1,709,027</b>	<b>1,708,455</b>
Obligations related to the concession.....	(105,782)	(104,383)		(211,562)	(207,577)
	<b>744,946</b>	<b>750,550</b>		<b>1,497,465</b>	<b>1,500,878</b>

Obligations related to the concession are as follows:

	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
Consumer contributions.....	73,044	72,609	104,569	102,011
Donations and subsidies.....	27,481	26,585	75,359	74,000
Federal participation.....	5,257	5,189	31,634	31,566
<b>TOTAL</b>	<b>105,782</b>	<b>104,383</b>	<b>211,562</b>	<b>207,577</b>

Obligations related to the concession are represented by government amounts, donations not subject to any return to the donor, and subventions and contributions received from consumers intended for investments in the distribution activity.

The maturity date of these obligations is determined by the Regulating Agency, which settlement will occur at the end of the concession. As from January 1, 2002, the balance of this account is being presented as a decrease in property and equipment.

### 13. SUPPLIERS

	PARENT COMPANY		CONSOLIDATED	
	03/04	12/03	03/04	12/03
<b>CURRENT</b>				
<b>Energy supply</b>				
FURNAS.....	23,004	34,108	23,004	34,108
ITAIPU.....	26,475	26,070	37,282	36,832
ENERTRADE.....	8,825	-	17,692	-
TRACTEBEL.....	-	-	8,370	12,816
ELETROSUL.....	-	-	1,381	1,682
ONS, MAE and ASMAE.....	10,124	14,835	13,851	18,812
Free energy.....	22,095	-	33,972	8,359
Other.....	327	2,471	4,585	15,016
	<b>90,850</b>	<b>77,484</b>	<b>140,137</b>	<b>127,625</b>
Material and service providers.....	8,926	13,965	20,484	24,810
<b>TOTAL</b>	<b>99,776</b>	<b>91,449</b>	<b>160,621</b>	<b>152,435</b>
<b>LONG-TERM</b>				
<b>Energy supply</b>				
Free energy.....	55,362	73,545	78,553	99,055
Other.....	-	386	-	386
	<b>55,362</b>	<b>73,931</b>	<b>78,553</b>	<b>99,441</b>

## 14. LOANS AND FINANCING

PARENT COMPANY									
DESCRIPTION	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		03/04			12/03		
		TYPE (*)	PERIOD	Charges	Current	Long-term	Charges	Current	Long-term
<b>Local currency</b>									
ELETROBRAS	5,0% - 7,0%	M	05/99 to 08/07	-	2,017	4,017	-	2,142	4,421
BNDES	TJLP + 3.8%	M	11/99 to 10/10	462	39,108	73,438	496	37,744	83,001
BNDES-Perdas Rac.	SELIC + 1.0%	M	03/02 to 01/06	618	39,541	127,971	675	31,950	124,637
Banco Pactual	CDI + 1.85%	M	12/03 to 12/04	-	58,685	-	-	75,409	-
Banco Pactual	CDI + 1.75%	M	02/04 to 02/05	-	14,098	-	-	15,135	-
Banco do Brasil	115% CDI	S	05/04	-	15,000	-	-	122	-
BRADESCO	110% CDI	S	06/04	-	8,207	-	-	1,136	-
ITAÚBBA	CDI + 1.75%	M	01/04 to 03/05	-	15,454	-	-	-	-
ITAÚBBA	CDI + 1.75%	M	01/04 to 02/05	-	25,802	-	-	-	-
				<b>1,080</b>	<b>217,912</b>	<b>205,426</b>	<b>1,171</b>	<b>163,638</b>	<b>212,059</b>
<b>Foreign currency</b>									
BNDES	UMBNDDES + 3.5%	M	09/01 to 10/10	183	11,438	15,407	201	11,159	18,138
SENIOR NOTES	10.0%	S	07/07	26,114	-	1,253,485	57,068	-	1,245,124
				<b>26,297</b>	<b>11,438</b>	<b>1,268,892</b>	<b>57,269</b>	<b>11,159</b>	<b>1,263,262</b>
<b>TOTAL</b>				<b>27,377</b>	<b>229,350</b>	<b>1,474,318</b>	<b>58,440</b>	<b>174,797</b>	<b>1,475,321</b>

CONSOLIDATED									
DESCRIPTION	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		03/04			12/03		
		TYPE (*)	PERIOD	Charges	Current	Long-term	Charges	Current	Long-term
<b>Local currency</b>									
ELETROBRAS - ESCELSA	5.0% - 7.0%	M	05/99 to 07/07	-	2,017	4,017	-	2,142	4,421
ELETROBRAS - ENERSUL	6.0% - 12.0%	M	12/97 to 05/22	315	13,621	35,109	248	13,452	38,455
BNDES - ESCELSA	TJLP + 3.8%	M	10/99 to 10/10	462	39,108	73,438	496	37,744	83,001
BNDES - MAGISTRA	TJLP + 4.0%	H	11/99 to 11/04	1,516	41,672	-	484	41,283	-
BNDES - ENERSUL	TJLP + 3.85%	M	09/01 to 02/08	157	13,846	40,386	240	13,717	43,437
BNDES - ENERSUL	TJLP + 4.00%	M	02/00 to 04/04	-	83	-	1	327	-
BNDES-Perdas Rac.	SELIC + 1.0%	M	02/02 to 06/06	1,027	40,782	175,070	1,150	43,335	200,124
BNDES-CVA.	SELIC + 1.0%	M	05/04 to 04/06	-	23,154	43,618	-	6,681	15,955
BNDES- ALFA	TJLP + 4.00%	M	10/01 to 09/07	99	3,871	19,356	83	1,609	17,703
BNDES- CESA	TJLP + 4.5%	M	07/04 to 07/12	143	3,016	29,156	142	1,992	29,879
Banco do Brail - FCO	11.20%	M	11/04 to 11/13	569	1,111	28,889	572	278	29,722
Banco Pactual	CDI + 1.85%	M	12/03 to 12/04	-	58,685	-	-	75,409	-
Banco Pactual	CDI + 1.75%	M	02/04 to 02/05	-	14,098	-	-	15,135	-
Banco do Brail	115% CDI	S	05/04	-	15,000	-	-	122	-
BRADESCO	110% CDI	S	06/04	-	8,207	-	-	1,136	-
ITAÚBBA	CDI + 1.75%	M	01/04 to 03/05	-	15,454	-	-	-	-
ITAÚBBA	CDI + 1.75%	M	01/04 to 02/05	-	25,802	-	-	-	-
Banco do Brail	115% CDI	U	04/04	-	10,000	-	7	10,000	-
Banco HSBC	110% CDI	U	02/01 to 04/04	25	-	-	20	-	-
Banco SAFRA	115% CDI	M	05/04	27	10,000	-	12	10,000	-
FUNDAÇÃO ENERSUL	10%	M	07/98 to 11/13	116	3,206	16,187	116	2,957	16,707
OTHER	1.35%	M	05/00 to 06/09	-	-	1,183	-	-	1,140
<b>TOTAL</b>				<b>4,456</b>	<b>342,733</b>	<b>466,409</b>	<b>3,571</b>	<b>277,319</b>	<b>480,544</b>
<b>Foreign currency</b>									
SENIOR NOTES	10.0%	S	07/07	26,114	-	1,253,485	57,068	-	1,245,124
BNDES	UMBNDDES + 3.5%	M	09/01 to 10/10	183	11,438	15,407	201	11,158	18,138
BNDES- CESA	UMBNDDES	M	07/04 to 07/12	189	662	7,281	195	408	7,509
BNDES- ALFA	TJLP + 4.00%	M	11/04 to 10/07	128	822	5,096	121	281	4,779
BRADESCO (**)	6.50% - 6.90%	M	11/02 to 11/04	482	10,620	-	587	19,839	-
UNIBANCO (**)	2.40% to 5.0%	S	03/06	12	7,283	7,238	4,557	16,322	-
EUROPEAN INVEST BANK	LIBORtri + 4.0% - 5.0%	H	12/02 to 03/09	667	8,568	30,302	152	8,510	30,416
STN-DMLP	LIBORsem + 4.5% - 8.2%	H	10/96 to 04/24	869	3,238	36,979	400	3,218	36,732
BBA FMO (**)	8.90%	H	03/02 to 09/07	67	5,455	5,829	331	5,383	8,124
ITAÚBBA(**)	4.0%	S	03/05	25	14,088	-	-	-	-
BRADESCO (**)	11.55%	M	12/03 to 11/05	306	7,662	5,108	88	7,529	6,902
				<b>29,042</b>	<b>69,836</b>	<b>1,366,725</b>	<b>63,700</b>	<b>72,648</b>	<b>1,357,724</b>
				<b>33,498</b>	<b>412,569</b>	<b>1,833,134</b>	<b>67,271</b>	<b>349,967</b>	<b>1,838,268</b>
<b>Long-term charges</b>									
BRADESCO (**)	11,5%	M	12/03 to 11/05	217	-	-	80	-	-
<b>Total</b>				<b>33,715</b>	<b>412,569</b>	<b>1,833,134</b>	<b>67,351</b>	<b>349,967</b>	<b>1,838,268</b>

(\*) Principal amortization

S = Single

M= Monthly

H = Half-yearly

(\*\*) Loans protected by swap contracts against eventual foreign exchange rate variations.

14.1) The issuance of bonds abroad refers to the funding obtained through Senior Notes, in total equivalent to US\$ 430,958 thousand, falling due in a single installment in 2007, with interest of 10% p.a., payable on a semiannual basis, on January 15 and July 15 of each year. On May 21, 1998, these Notes were registered with the Securities and Exchange Commission (SEC), in the United States of America, in accordance with the Securities Act of 1933.

The indirect controlling shareholder EDP – Electricidade de Portugal S.A. made a public offer for acquisition and request of waiver related to the Notes, having acquired the principal of US\$ 205,796 thousand, with settlement on December 23, 2002. Before making such offer, EDP held a total of US\$ 151,575 thousand in Notes, representing, approximately, 35% of the total issue. Thus EDP became the holder of a total of US\$ 357,371 thousand in Notes, representing approximately 83% of the total issue, and the main covenants relating to these Senior Notes were removed. ESCELSA eliminated all obligations inherent to this issuance.

14.2) ESCELSA and ENERSUL loans due to ELETROBRÁS, BNDES and Banco do Brasil – FCO are guaranteed by accounts receivable. The ENERSUL loans from the Secretariat of the National Treasury (STN) are guaranteed by direct debit, of receivables, of the government of the State of Mato Grosso do Sul and part in cash deposit. Other loans are guaranteed by promissory notes. The MAGISTRA loan payable to the BNDES is guaranteed by ENERSUL shares in escrow.

14.3) The breakdown of loans and financing by currency is as follows:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>03/04</b>	<b>12/03</b>	<b>03/04</b>	<b>12/03</b>
Local currency.....	423,338	375,697	809,142	757,863
Foreign currency.....	1,280,330	1,274,421	1,436,561	1,430,372
<b>TOTAL</b>	<b>1,703,668</b>	<b>1,650,118</b>	<b>2,245,703</b>	<b>2,188,235</b>

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

<b>Currency/indicators</b>	<b>03/04</b>	<b>03/03</b>
US\$ x R\$.....	0.67%	-5.10%
IGP-M.....	2.72%	6.26%
INPC.....	1.80%	5.93%
TJLP (p.a.).....	10.00%	11.00%
SELIC.....	3.78%	5.68%
UMBNDDES.....	1.19%	-4.67%
CDI.....	3.76%	5.67%

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

Maturity	PARENT COMPANY			CONSOLIDATED		
	Type of currency					
	Local	Foreign	Total	Local	Foreign	Total
<b>Current</b>						
2004.....	140,032	8,492	148,524	246,509	45,280	291,789
2005.....	77,880	2,946	80,826	96,224	24,556	120,780
	<b>217,912</b>	<b>11,438</b>	<b>229,350</b>	<b>342,733</b>	<b>69,836</b>	<b>412,569</b>
<b>Long-term liabilities</b>						
2005.....	81,097	8,835	89,932	132,401	35,502	167,903
2006.....	59,425	4,318	63,743	118,594	22,197	140,791
2007.....	53,820	1,254,073	1,307,893	110,293	1,269,357	1,379,650
2008.....	4,030	588	4,618	47,704	8,574	56,278
2009.....	4,030	588	4,618	15,176	4,027	19,203
2010.....	3,024	490	3,514	14,169	3,349	17,518
2011.....	-	-	-	11,146	2,859	14,005
2012.....	-	-	-	8,077	1,954	10,031
2013.....	-	-	-	4,310	880	5,190
After 2013.....	-	-	-	4,539	18,026	22,565
	<b>205,426</b>	<b>1,268,892</b>	<b>1,474,318</b>	<b>466,409</b>	<b>1,366,725</b>	<b>1,833,134</b>
<b>TOTAL</b>	<b>423,338</b>	<b>1,280,330</b>	<b>1,703,668</b>	<b>809,142</b>	<b>1,436,561</b>	<b>2,245,703</b>

## 15. PROVISION FOR CONTINGENCIES

Contingency	PARENT COMPANY					
	03/04			12/03		
	Provision		Judicial deposits	Provision		Judicial deposits
	In the quarter	Accumulated		In the quarter	Accumulated	
<b>Current</b>						
MAE.....	-	-	-	-	-	2.596
COFINS.....	-	-	33	-	-	33
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>2.629</b>
<b>Long-term</b>						
Labor.....	85	18.152	13.965	126	18.067	12.565
Civil.....	140	9.264	15.735	(1.441)	9.124	15.296
Tax.....	7.081	122.038	76.956	9.542	114.957	68.565
<b>TOTAL</b>	<b>7.306</b>	<b>149.454</b>	<b>106.656</b>	<b>8.227</b>	<b>142.148</b>	<b>96.426</b>

Contingency	CONSOLIDATED					
	03/04			12/03		
	Provision		Judicial	Provision		Judicial
	In the quarter	Accumulated	deposits	In the quarter	Accumulated	deposits
<b>Current</b>						
MAE.....	-	-	-	-	-	2,596
COFINS.....	-	-	33	-	-	33
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>2,629</b>
<b>Long-term</b>						
Labor.....	155	27,321	17,644	220	27,166	15,916
Civil.....	762	16,775	15,924	(2,643)	16,013	15,485
Tax.....	8,508	161,990	108,595	11,445	153,482	97,793
<b>TOTAL</b>	<b>9,425</b>	<b>206,086</b>	<b>142,163</b>	<b>9,022</b>	<b>196,661</b>	<b>129,194</b>

It is management's understanding that the provisions recorded are sufficient to cover probable losses from ongoing lawsuits. Based on the opinion of the Company's legal advisors, all lawsuits for which the probability of a favorable outcome was estimated as remote were provided for.

Furthermore, there are labor, civil and fiscal claims pending decision, in the total amount of R\$ 29,027, for which the chances of a favorable outcome was estimated as possible and for which no provisions were recorded on the financial statements.

## 16. CAPITAL AND RESERVES

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 is subscribed and paid in.

At March 31, 2004, capital is represented by 4,550,833 nominative common shares, with no par value, composed as follows:

Shareholders	Quantity of		% holding
	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	218	15.21
<b>TOTAL</b>	<b>4,550,833</b>	<b>222</b>	<b>100.00</b>

### Composition of reserves

	03/04	12/03
<b>CAPITAL RESERVE</b>		
Interest on construction in progress	65.687	65.687
<b>TOTAL</b>	<b>65.687</b>	<b>65.687</b>
<b>REVENUE RESERVES</b>		
Legal	8.847	8.847
Retention of profits	126.061	126.061
<b>TOTAL</b>	<b>134.908</b>	<b>134.908</b>

## 17. CHANGES IN SHAREHOLDERS' EQUITY

	CAPITAL	CAPITAL RESERVE	REVENUE RESERVES	RETAINED EARNINGS	FUNDS FOR CAPITAL INCREASE	TOTAL
<b>AT DECEMBER 31, 2003</b>	153.947	65.687	134.908	-	3.387	357.929
Net income for the period	-	-	-	12.057	-	12.057
<b>AT MARCH 31, 2004</b>	<b>153.947</b>	<b>65.687</b>	<b>134.908</b>	<b>12.057</b>	<b>3.387</b>	<b>369.986</b>

## 17. OPERATING EXPENSES

DESCRIPTION	PARENT COMPANY							TOTAL	
	COST OF SERVICE			OPERATING EXPENSES				03/04	03/03
	ELECTRIC ENERGY		THIRD PARTY	GENERAL AND ADMINISTRATIVE			OTHER		
	PURCHASED	OPERATION		SELLING	ADMINISTRATIVE				
Electric energy purchased for resale	109,543	-	-	-	-	-	109,543	102,491	
Charges for the use of transmission and distribution system	24,414	-	-	-	-	-	24,414	20,390	
Personnel and management	-	12,339	-	45	5,129	-	17,513	15,418	
Pension plan	-	485	-	-	246	-	731	399	
Material	-	1,048	-	1	1,140	-	2,189	1,936	
Third-party services	-	7,641	-	1	1,802	-	9,444	7,783	
Depreciation and amortization	-	12,488	-	2	2,604	-	15,094	14,573	
Allowance for doubtful accounts	-	3,428	-	-	-	-	3,428	3,865	
Provisions for contingencies	-	-	-	-	2,270	-	2,270	140	
CDE	-	-	-	-	-	6,872	6,872	1,882	
CCC	-	-	-	-	-	10,693	10,693	10,522	
Other	-	1,597	457	912	2,232	2,084	7,282	5,265	
<b>TOTAL</b>	<b>133,957</b>	<b>39,026</b>	<b>457</b>	<b>961</b>	<b>15,423</b>	<b>19,649</b>	<b>209,473</b>	<b>184,664</b>	

CONSOLIDATED								
DESCRIPTION	COST OF SERVICE			OPERATING EXPENSES			TOTAL	
	ELECTRIC ENERGY PURCHASED	OPERATION	THIRD PARTY	SELLING	GENERAL AND ADMINISTRATIVE	OTHER	03/04	03/03
	Electric energy purchased for resale	168,485	-	-	-	-	-	168,485
Charges for the use of transmission and distribution system	34,903	-	-	-	-	-	34,903	29,946
Personnel and management	-	22,093	-	45	9,536	-	31,674	27,905
Pension plan	-	764	-	-	372	-	1,136	724
Material	-	2,072	-	1	2,177	-	4,250	4,095
Third-party services	-	13,689	-	1	3,299	-	16,989	14,927
Raw materials/inputs for electric energy generation	-	1,038	-	-	-	-	1,038	1,167
Depreciation and amortization	-	23,985	-	2	5,045	3,881	32,913	29,329
Provisions	-	5,735	-	-	-	-	5,735	5,633
Provisions for contingencies	-	-	-	-	2,270	-	2,270	1,688
CDE	-	-	-	-	-	10,248	10,248	1,882
CCC	-	-	-	-	-	15,474	15,474	17,440
Other	-	3,777	761	920	4,147	3,251	12,856	8,291
<b>TOTAL</b>	<b>203,388</b>	<b>73,153</b>	<b>761</b>	<b>969</b>	<b>26,846</b>	<b>32,854</b>	<b>337,971</b>	<b>285,071</b>

## 19. INCOME TAX AND SOCIAL CONTRIBUTION

	PARENT COMPANY				CONSOLIDATED			
	03/04		03/03		03/04		03/03	
	IR	CS	IR	CS	IR	CS	IR	CS
Income (loss) before income tax and social contribution.....	12.057	12.057	124.611	124.611	50.809	50.809	128.985	128.985
Tax rate.....	25%	9%	25%	9%	25%	9%	25%	9%
	3.014	1.085	31.153	11.215	12.702	4.573	32.246	11.609
ADDITIONS (EXCLUSIONS).....								
Equity in the results.....	(16.869)	(16.869)	(3.327)	(3.327)	(16.869)	(16.869)	(3.327)	(3.327)
Interest on constructions.....	-	-	-	-	-	-	469	469
Other exclusions.....	2.992	4.275	5.537	(1.517)	8.733	8.914	7.222	270
	(13.877)	(12.594)	2.210	(4.844)	(8.136)	(7.955)	4.364	(2.588)
Tax rate.....	25%	9%	25%	9%	25%	9%	25%	9%
	(3.469)	(1.133)	553	(436)	(2.034)	(716)	1.091	(233)
Unrecorded tax credits	455	48	-	-	-	-	(59)	(169)
<b>Effect in results</b>	<b>-</b>	<b>-</b>	<b>31.706</b>	<b>10.779</b>	<b>10.668</b>	<b>3.857</b>	<b>33.336</b>	<b>11.376</b>

## 20. PENSION PLAN

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

The mathematical reserves of these plans are calculated actuarially according to the capitalization method, and revised annually.

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

	PLAN I	PLAN II	TOTAL
Contributing participants	30	1,376	1,406
Receiving participants			
Retirees	629	136	765
Pension beneficiaries	107	8	115
	736	144	880
<b>Total</b>	<b>766</b>	<b>1,520</b>	<b>2,286</b>

As sponsor, ESCELSA contributes proportionally to the contribution of the participants in the ESCELSOS Foundation, corresponding to the amount established in each plan, limited to 7% of the total payroll. In the first quarter of 2004, ESCELSA contributed R\$ 731 (R\$ 648 in 2003).

According to CVM Deliberation 371/00, as from January 1, 2002, publicly listed companies are required to record liabilities related to post-employment benefits, based on rules set forth by NPC Pronouncement 26 issued by the Institute of Independent Auditors of Brazil (IBRACON).

To meet this requirement, ESCELSA commissioned independent actuaries to evaluate such benefits, based on the Projected Unit Credit Method.

Taking into consideration article 84, of such Deliberation, the present value of the actuarial liabilities (health care, retirement incentive and life insurance) of ESCELSA not covered at December 31, 2002 was recalculated. The balance activity up to the first quarter of 2004 is as follows:

	<b>PARENT COMPANY AND CONSOLIDATED</b>
Present value of actuarial obligations	
not covered.....	(53,575)
Net unrecognized losses.....	19,751
Liabilities recognized on December 31, 2003.....	(33,824)
Realized during the period.....	112
<b>Liabilities recognized on March 31, 2004.....</b>	<b>(33,712)</b>

The segregation between current and long-term liabilities is as follows:

Current liabilities	(3,459)
Long-term liabilities	(30,253)

The net amount of unrecognized losses corresponds to the net amount of the actuarial losses exceeding 10% of the present value of the actuarial obligations at December 31, 2003, which will be annually appropriated, during the period corresponding to the average remaining work period estimated for the employees who adhered to the Plan.

The actuarial assessments of ESCELSA and ENERSUL showed also that in the Plans the fair value of assets exceeds the present value of the actuarial obligations fully or partially covered, which amounts, at December 31, 2003 to R\$ 28,079 (consolidated R\$ 44,051).

However, the Companies' management, on a conservative basis, decided not to record these assets.

The fair value of assets used to calculate the actuarial assessment of ENERSUL does not include the amounts receivable from the sponsor, arising from the debt confession, in the amount of R\$ 19,250 (12/31/2002). Taking into account this right in the calculation, the unrecognized asset at December 31, 2002, would increase to R\$ 35,222 (R\$ 64,301 in consolidated).

## 21. INSURANCE

The following is a breakdown by risk type and by validity period of the main insurance policies:

<b>RISK</b>	<b>VALIDITY</b>	<b>INSURED AMOUNT</b>	<b>PREMIUM AMOUNT</b>
Specific equipment	3/26/2004 to 6/26/2004	228,823	102
Third-party liability	3/26/2004 to 6/26/2004	5,292	8

### Specific equipment

The policy covers the generating stations and the substations, specifying the principal items of equipment, with the respective insured amounts and 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 information technology 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.

## 22. 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 are related to the extraordinary tariff recomposition and, therefore, are not subject to adjustments to market value.
- Investments in short-term mutual funds and/or fixed income investments are recorded at approximate market value as they are adjusted for accrued interest on a pro-rata basis, and for a provision for losses when applicable.
- Equity interests in other companies are in most cases through shares that are not publicly traded.
- Loans of the Company are mainly long term, since most of them are from specific funding sources.

### 22.1 Foreign exchange and interest rate risks

The book values of the main financial instruments in foreign currency, are as follows:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>03/04</b>	<b>12/03</b>	<b>03/04</b>	<b>12/03</b>
Marketable securities	195,035	191,277	195,035	203,089

Long-term loans and financing	1,268,892	1,475,321	1,833,134	1,838,268
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A portion of the loans and financing in local currency is 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 thereof in light of the Company's business or sector specific circumstances, the market value for the portion comprised of domestic loans approximates book value, as do other financial assets and liabilities.

As mentioned in Note 14, foreign currency financing was obtained (in U.S. dollar), and the indebtedness and earnings were significantly impacted by this 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.

The net exposure to foreign currency risks of the parent company's financial instruments is as follows:

	BOOK VALUE		FAIR VALUE	
	03/04	12/03	03/04	12/03
Senior Notes	1,253,485	1,245,124	1,240,950	1,145,514
U.S. dollar assets	(195,035)	(191,277)	(195,035)	(191,277)
<b>Net exposure</b>	<b>1,058,450</b>	<b>1,071,985</b>	<b>1,045,915</b>	<b>954,237</b>

The method used to determine the fair value of the Senior Notes obligation was the average market price, as of March 31, 2004, of the Senior Notes operations (Source: Sherman & Sterling), in New York, USA, and, for the U.S. dollar assets, the contract market price at the end of the period was used, which is equal to book value.

In addition, the Company had derivative contracts aimed at reducing the above mentioned net exposure, which resulted in monetary variations being recorded in the financial statements for realized and unrealized losses of R\$ 6,362, as follows:

FINANCIAL INSTITUTION	DATE		INITIAL AMOUNT	PARAMETERS (RATES %)		(Losses)
	OPERATION	MATURITY		BANKS	ESCELSA	
ITAÚ/BBA	7/10/2003	7/14/2004	22.254	Exchange variation + 3.50%	100% of CDI	(2.438)
ITAÚ/BBA	7/29/2003	7/14/2004	29.108	Exchange variation + 4.50%	100% of CDI	(2.897)
PACTUAL	7/18/2003	7/14/2004	10.276	Exchange variation + 1.70%	100% of CDI	(1.027)
						(6.362)

In the consolidated, the loans and financing contracted by companies of the ESCELSA System were raised based on rates and charges usually practiced in the domestic and foreign markets for investment funding, for the electric energy sector, in their electric energy concession areas.

The subsidiary MAGISTRA consolidates the foreign currency (US\$) financial liabilities of its subsidiaries ENERSUL and CESA. In order to reduce foreign exchange and interest rate risk, swap instruments were used to hedge a portion of these liabilities, with change of index, as described in Note 14.

These swap indices are CDI, plus interest between 0.95% p.a. and 3.35% p.a.

Considering the appreciation of the real against the U.S. dollar, these hedge transactions yielded losses of R\$ 3,904, recognized in the financial statements, in monetary variations.

At March 31, 2004, the position of this debt is as follows:

LIABILITIES	AMOUNT		UNREALIZED LOSSES
	BOOK VALUE	SWAP	
Loans and financing	60,488	64,392	3,904

In the consolidated statements, foreign currency debt totals R\$ 119,793, the terms and conditions of which constitute a natural hedge, thus reducing the foreign exchange and interest rate risks 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, management estimates that the market values of these instruments are equal or very close to their book values.

To reach this estimate, the Companies' management considered the evidences of risks inherent to the business, strategy and measures taken to manage the debt service.

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## 22.2 Credit risk

There is a possibility that the Company will incur losses due to default of its customers.

To reduce this risk, the Company has the right to cut off the supply of electric energy in the event that a customer fails to make the payment in accordance with the periods defined by legislation and specific regulations. An allowance for doubtful accounts is set up in an amount considered sufficient by management to cover possible accounts receivable risks.

## 23. Universal Goals

Through Decree 4873/03, the Federal government created the Programa Nacional de Universalização – “Luz para Todos” in order to provide access to electric energy services for the entire Brazilian rural population up to 2008. The amounts of the concessionaires’ participations, as the executing agents of the projects, are not defined, being subject to a partnership to be formed with the Ministry of Mines and Energy and State Government, with the intervention of ANEEL and ELETROBRÁS. Accordingly, it is not possible at this time to evaluate how the Program may effect the Company’s business.

## 24. NEW MODEL OF THE ELECTRIC SECTOR

The Federal Government, through the Ministry of Mines and Energy (MME) has presented an outline of its project for the electric sector reform, resulting, especially as it relates to the institutional model, in Provisional Measures 144 and 145/03, converted into Laws 10848 and 10847/04, respectively.

The relevant points are:

- Transfer of responsibilities of ANEEL to MME.
- Creation of the Energy Research Company (EPE), of the Committee of Electric Sector Monitoring (CMSE) and Chamber of Electric Energy Commerce (CCEE). These entities will promote the planning and monitoring of the generation and transmission expansion, in addition to market management.
- Definition of rules for electric energy selling, highlighting: (i) supply expansion (new projects for energy production) through auctions; (ii) free (ACL) and regulated (ACR) contracts; (iii) distribution activities focused on line service and networks, and energy sales to captive customers; (iv) restrictions on contracts between related parties; and (v) new rules for free consumer classes.

It is necessary to wait for the regulation that will follow in order to assess the new energy sector operating environment and risks and opportunities that will arise for the Company’s business.

## 25. SUBSEQUENT EVENTS

### 25.1 – Tariff adjustment

On April 8, 2004, ANEEL approved, through Resolution 84/04, the annual tariff adjustment of the subsidiary ENERSUL, authorizing an average adjustment of 17.02%, composed as follows:

1. Annual Contractual Tariff Adjustment Rate of 6.28%.
2. Rate of 4.94% relating to the installment of the 2003 adjustment.
3. Rate of 2.60% relating to 50% of the CVA deferred in 2003.
4. Rate of 3.02% relating to the CVA between March 2003 and March 2004.
5. Rate of 0.18% relating to costs arising from the Emergency Program for Reducing Electric Energy Consumption (PERCEE).

The X Factor of 1.35% was applied on the IGPM variation, composed as follows:

1. 0.98% relating to the Xe component, which reflects the expected production gains arising from the change in the business scale due to the increase in the electric energy consumption in the area served.
2. 0.577% relating to the Xc component, which reflects the opinion of the consumers concerning the concessionaire, based on the ANEEL Customer Satisfaction Index (IASC).
3. Decrease of 0.2887% relating to the Xa component, which reflects the application of the Extended Consumer Price Index (IPCA) for the labor component of the concessionaire's Portion B.

### 25.2 – Significant Event Notice

On April 20 and 21, 2004, ESCELSA and the subsidiary ENERSUL disclosed the Significant Event Notice concerning the request for the prior approval of ANEEL in order to, according to current legislation, carry out a corporate reorganization.

The notice was as follows:

#### SIGNIFICANT EVENT NOTICE

**EDP BRASIL S.A.** ("**EDP Brasil**"), **BANDEIRANTE ENERGIA S.A.** ("**Bandeirante**"), **IVEN S.A.** ("**Iven**"), **ESPÍRITO SANTO CENTRAIS ELÉTRICAS S.A. – ESCELSA** ("**Escelsa**") and **EMPRESA ENERGÉTICA DE MATO GROSSO DO SUL S.A. – ENERSUL** ("**Enersul**") managements (EDP Brasil, Bandeirante, Iven, Escelsa and Enersul are collectively referred to as the "**Companies**"), under the terms and for CVM Instruction 358/02 purposes, publicly disclose that, on this date, they filed with the Brazilian Electricity Regulatory Agency ("**ANEEL**") a request for prior approval of the corporate reorganization (the "**Reorganization**"), which main objective is to simplify the Companies' corporate structure, obtain synergies and consolidate, exclusively in EDP Brasil, the liquidity and dispersion of the securities issued by the Companies. EDP Brasil intends to, in the future, adhere to the segment of the New Market of the São Paulo Stock Exchange. The Reorganization is part of an ongoing process aiming at the self-sustainable growth of the EDP companies in Brazil. The Reorganization does not change the Companies' indirect control, currently held by the EDP Group.

The Reorganization will include the stages described below, which, subject to ANEEL prior approval, are expected to occur on the same date, but in sequence and in the following order:

- (i) merger into Enersul of the investment and goodwill recorded in its direct parent company;
- (ii) merger of Iven into Escelsa;
- (iii) merger into Escelsa of the Enersul shares not held by the merging company; and

- (iv) merger into EDP Brasil of the Escelsa and Bandeirante shares not held by the merging company.

EDP Brasil had already started to prepare the necessary documentation for registration as an open capital company and be able to trade its shares in the New Market segment. According to applicable legislation, specialized companies will be contracted to calculate the Companies' economical values, which will be the basis to determine the exchange ratio for substitution of the shares of the non-controlling shareholders, as well as to prepare the appraisal reports of the accounting net equities and the market values of the Companies.

Subject to the ANEEL prior approval, the Reorganization is expected to be implemented and concluded in the second six-month period of 2004, when a significant event notice will be disclosed for CVM Instruction 319/99 purposes.

## **Report of Independent Accountants on the Limited Review of Quarterly Information**

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

- 1 We have carried out limited reviews of the Quarterly Information (ITR) of Espírito Santo Centrais Elétricas S.A. - ESCELSA and Espírito Santo Centrais Elétricas - ESCELSA and its subsidiaries for the quarter ended March 31, 2004. This information is the responsibility of the Company's management.
- 2 Our reviews were carried out in conformity with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly consisted of: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the quarterly information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the Company's financial position and operations.
- 3 Based on our limited reviews, we are not aware of any material modifications that should be made to the quarterly information referred to above in order that such information be stated in conformity with the accounting practices adopted in Brazil applicable to the preparation of quarterly information, consistent with the Brazilian Securities Commission (CVM) regulations.
- 4 The Quarterly Information (ITR) also includes accounting information for the quarters ended March 31 and December 31, 2003. This information was reviewed and examined, respectively, by other independent accountants, who issued an unqualified report and opinion thereon, dated April 11, 2003 and February 12, 2004, respectively.
- 5 As mentioned in Note 4.1, the Quarterly Information (ITR) of Espírito Santo Centrais Elétricas S.A. - ESCELSA and Espírito Santo Centrais Elétricas S.A. - ESCELSA and its subsidiaries includes the amounts of electric energy traded in the context of the Wholesale Energy Market (MAE), with a net accounts payable balance in the parent company of R\$ 722 thousand, at March 31, 2004 (R\$ 973 thousand at December 31, 2003), and a net accounts receivable balance in the consolidated of R\$ 2,072 thousand, at March 31, 2004 (R\$ 2,604 thousand at December 31, 2003), respectively, recorded based on the amounts provided by MAE. The realization of these amounts is dependent upon the receipt from the companies, which did not make the financial settlement as determined by ANEEL, and the conclusion of the judicial discussion as to the interpretation of the market rules, which would define the amounts involved.

Vitória, April 23, 2004

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Luiz Márcio Malzone  
Contador CRC 1RJ031376/O-2 "S" ES

Ronaldo Matos Valiño  
Contador CRC 1RJ069958/O "S" ES