

(A free translation of the original in Portuguese)

Espírito Santo Centrais Elétricas S.A.

**Report of Independent Accountants
on Limited Reviews of the
Quarterly Information (ITR)
June 30, 2004**

(A free translation of the original in Portuguese)

Report of Independent Accountants on Limited Reviews

To the Board of Directors and Stockholders
Espírito Santo Centrais Elétricas S.A.

- 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 quarters and periods ended June 30, 2004 and March 31, 2004 and June 30, 2003. 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 quarter ended June 30, 2003. This information was reviewed by other independent accountants, who issued an unqualified report thereon dated July 17, 2003.

November 22, 2003
Espírito Santo Centrais Elétricas S.A.

- 5 As mentioned in Note 4.1, the Quarterly Information (ITR) of Espírito Santo Centrais Elétricas S.A. - ESCELSA and of Espírito Santo Centrais Elétricas S.A. - ESCELSA and its subsidiaries includes amounts for electric energy traded in the Wholesale Energy Market (MAE), with a balance payable by the parent company of R\$ 309 thousand at June 30, 2004 (R\$ 722 thousand at March 31, 2004), and a balance receivable in the consolidated quarterly information of R\$ 2,824 thousand at June 30, 2004 (R\$ 2,072 thousand at March 31, 2004), respectively, which were recorded based on amounts informed by MAE. The liquidation of these amounts is dependent on the receipts from companies which did not effect net financial settlements as determined by ANEEL and the conclusion of the judicial discussion about the interpretation of market rules, which will define the amounts involved.

Vitória, July 16, 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

(A free translation of the original in Portuguese)

01.01- IDENTIFICATION

1 - CVM CODE 01534-2	2 - COMPANY NAME Espírito Santo Centrais Elétricas S.A.	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 28.152.650/0001-71
4 - State Registration Number - NIRE 32300002480		

01.02 - HEAD OFFICE

1 - ADDRESS Rua Sete de Setembro, 362				2 - SUBURB OR DISTRICT Centro	
3 - POSTAL CODE 29015-000		4 - MUNICIPALITY Vitória		5 - STATE ES	
6 - AREA CODE 27	7 - TELEPHONE 3321-9000	8 - TELEPHONE -	9 - TELEPHONE -		10 - TELEX 55238
11 - AREA CODE 27	12 - FAX 3222-8650	13 - FAX -	14 - FAX -		
15 - E-MAIL escelsa@escelsa.com.br					

01.03- INVESTOR RELATIONS OFFICER (Company Mail Address)

1 - NAME Sérgio Pereira Pires					
2 - ADDRESS Rua Sete de Setembro, 362				3 - SUBURB OR DISTRICT Centro	
4 - POSTAL CODE 29015-000		5 - MUNICIPALITY Vitória			6 - STATE ES
7 - AREA CODE 27	8 - TELEPHONE 3321-9163	9 - TELEPHONE 3321-9199	10 - TELEPHONE -		11 - TELEX -
12 - AREA CODE 27	13 - FAX 3222-8949	14 - FAX -	15 - FAX -		
16 - E-MAIL sergiop@escelsa.com.br					

01.04-GENERAL INFORMATION/INDEPENDENT ACCOUNTANT

CURRENT YEAR		CURRENT QUARTER			PRIOR QUARTER		
1-BEGINNING	2-END	3-QUARTER	4-BEGINNING	5-END	6-QUARTER	7-BEGINNING	8-END
1/1/2004	12/31/2004	2	4/1/2004	6/30/2004	1	1/1/2004	3/31/2004
9 - INDEPENDENT ACCOUNTANT PricewaterhouseCoopers Auditores Independentes					10 - CVM CODE 00287-9		
11 - PARTNER RESPONSIBLE Luiz Marcio Malzone					12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE 019.495.868-04		

01.01- IDENTIFICATION

1 - CVM CODE 01534-2	2 - COMPANY NAME Espírito Santo Centrais Elétricas S.A.	3 - Federal Corporate Taxpayers' Registration Number (CNPJ) 28.152.650/0001-71
--------------------------------	---	--

01.05- CAPITAL COMPOSITION

Number of shares (thousand)	Current Quarter 6/30/2004	Prior quarter 3/31/2004	Same quarter in prior year 6/30/2003
Paid-up capital			
1 - Common	4,551	4,551	4,551
2 - Preferred	0	0	0
3 - Total	4,551	4,551	4,551
Treasury Stock			
4 - Common	0	0	0
5 - Preferred	0	0	0
6 - Total	0	0	0

01.06- CHARACTERISTICS OF THE COMPANY

1 - TYPE OF COMPANY Commercial, industrial and other
2 - SITUATION Operational
3 - NATURE OF OWNERSHIP National private
4 -ACTIVITY CODE 112 - Electric energy
5 - MAIN ACTIVITY Generation and distribution of electric energy
6 - TYPE OF CONSOLIDATION Total
7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT Without exception

01.07- COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS

1 - ITEM	2 - CNPJ	3 - NAME
-----------------	-----------------	-----------------

01.08- DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER

1 - ITEM	2 - EVENT	3 - DATE APPROVED	4 - AMOUNT	5 - DATE OF PAYMENT	6 - TYPE OF SHARE	7 - AMOUNT PER SHARE
-----------------	------------------	--------------------------	-------------------	----------------------------	--------------------------	-----------------------------

Introduction

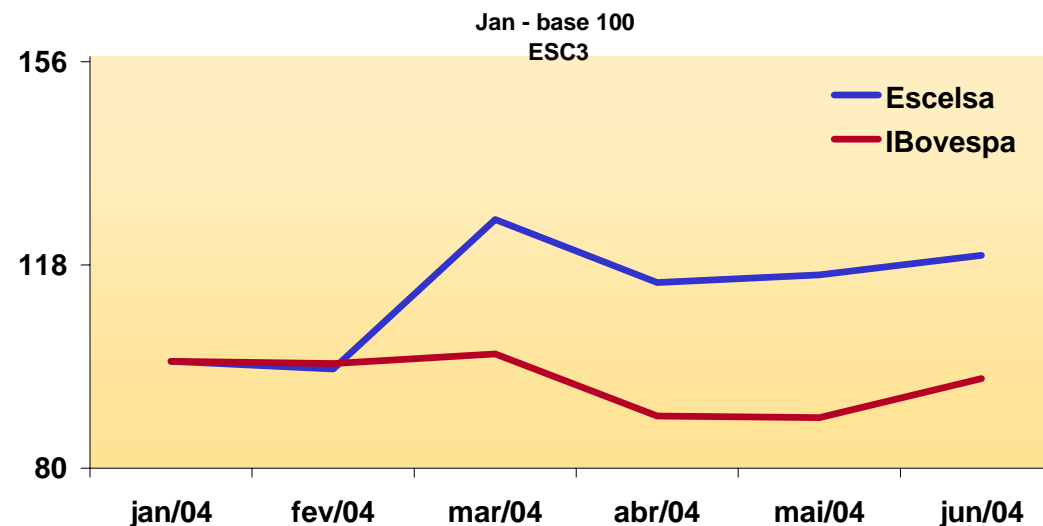
ESCELSA is a publicly held corporation controlled by the EDP Group (Eletricidade de Portugal S.A.), through IVEN S.A. ESCELSA's corporate purpose is the production, transmission, distribution and marketing of electrical energy, through a federal concession. The Company's activities are regulated by ANEEL (the National Electrical Energy Agency), connected to the Ministry of Mining and Energy.

ESCELSA's activities in the state of Espírito Santo cover 70 of the 78 municipalities within the 41,372 km² of its concession area, representing 90% of the total area of the state.

ESCELSA is also the majority stakeholder in the following companies:

- a) MAGISTRA PARTICIPAÇÕES S.A, which has majority control of EMPRESA ENERGÉTICA DE MATO GROSSO DO SUL S.A. - ENERSUL (the company granted a concession to provide electric generation, transmission and distribution services in the state of Mato Grosso do Sul) and holds 100% of CASTELO ENERGÉTICA S.A. - CESA (a company which engages in activities related to hydroelectric resources, thermal generation and the exploration of transmission lines).
- b) TV A CABO VITÓRIA S.A. - TVIX, which is currently not operating, but engaged in activities related to pay-TV and related services for residential communities in the municipalities of Vitória and Vila Velha, in the state of Espírito Santo.
- c) ESCELSA PARTICIPAÇÕES S.A. – ESCELSA PAR, a company that provides various information technology services.

Share Performance



Performance

	PARENT COMPANY			CONSOLIDATED		
	Second Quarter 2004	Second Quarter 2003	Fourth Quarter 2003	Second Quarter 2004	Second Quarter 2003	Fourth Quarter 2003
FINANCIAL INFORMATION (In thousands of reais)						
Gross operating revenues	745.646	634.393	374.270	1.198.484	979.804	604.221
Net operating revenues	496.654	442.854	248.470	829.244	703.249	419.139
Income from operations	82.239	58.600	38.997	152.843	98.217	81.168
Loss for the period	(33.484)	183.260	12.057	(33.484)	183.260	12.057
EBITDA(1)	112.506	87.932	54.092	219.673	156.361	114.081
Total Assets (*)	2.668.437	2.557.287	2.648.369	3.619.411	3.477.019	3.612.377
Shareholders' equity	324.446	406.282	369.986	324.445	406.282	369.986
Shares outstanding(number)	4.550.833	4.550.833	4.550.833	-	-	-
Book value per share (Reais)	71	89	81	-	-	-
Common stock price per share (Reais)	81	33	86	-	-	-
Market capitalization	370.665	150.177	391.371	-	-	-
INDICATORS						
Operating margin (%)	16,56%	13,23%	15,70%	0,00%	13,97%	19,37%
EBITDA margin (%)	22,65%	19,86%	21,77%	0,00%	22,23%	27,22%
Personnel expenses plus third party services/net oper.revenues (%)	11,31%	10,93%	11,14%	0,00%	12,83%	11,88%
Energy losses (%) (**)	12	12	12	-	-	-
DEC-Equivalent Outage Duration per Customer (hours) (**)	11	12	12	-	-	-
FEC- Equivalent Outage Frequency per Customer (number) (**)	10	10	10	-	-	-
TMA-Average Service Response Time (minutes) (**)	136	117	131	-	-	-
Number of customers per employee (**)	758	718	753	713	674	704
MARKET (**)						
Energy Sales - MWh	1.145	1.199	1.136	-	-	-
Maximum demand - MWh/h	2.799.662	2.957.197	1.428.143	4.236.190	4.374.244	2.153.735
Number of customers	978.167	966.316	979.260	1.603.848	1.572.339	1.598.026
HUMAN RESOURCES						
Number of employees (**)	1.290	1.345	1.301	2.248	2.333	2.271
Number of trainees (**)	35	40	33	72	72	57
Personnel expenses (thousands of reais)	37.166	33.244	18.244	67.800	59.679	32.810
Personnel expenses plus third party services (thousands of reais)	56.192	48.425	27.688	102.340	90.199	49.799

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

(*) The Balance in the 1st Quarter of 2003 was reclassified in order to reach the same standard of comparison

(**) Unaudited

(***) Reclassified

Market

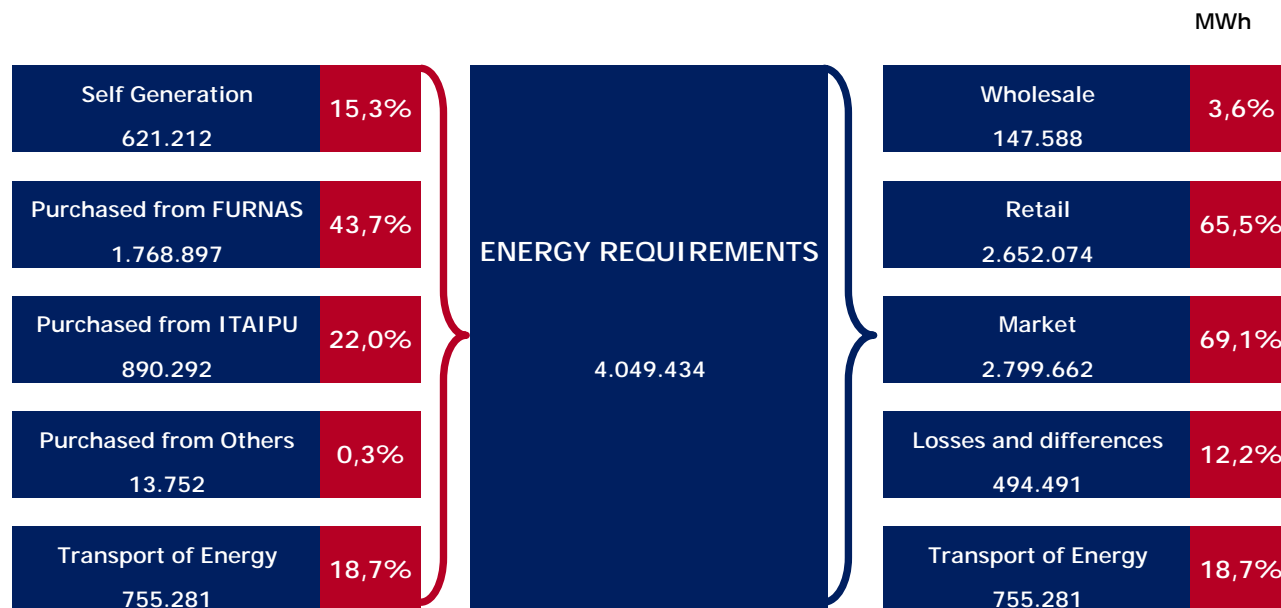
Energy Requirements

The energy requirements of the ESELSA system were 3,294,153 MWh (consumer energy load), representing a decrease of 4.1% compared to the previous year, which had been 3,438,049 MWh.

Total energy (consumer energy load + free energy) was 4,049,434 MWh, representing a decrease of 0.84% compared to the previous year, which had been 4,083,771 MWh.

To satisfy the demand of its own market, ESELSA used 621,212 MWh of its own generation and 12,672,941 MWh purchased from other companies.

Maximum system demand in 2004 was 1,145 MWh/h, representing a decrease of 4.50% compared to the



Energy Sold

	MWh					
	PARENT COMPANY			CONSOLIDATED		
	2 nd Quarter 2004	% Change	2 nd Quarter 2004	% Change		
	2004	2003	2004	2003	2004	2003
Retail:						
Residential	618.530	-2,8%	636.359	1.079.933	-0,4%	1.083.816
Industrial	1.222.209	-8,4%	1.334.977	1.512.412	-8,6%	1.654.259
Commercial	397.466	0,8%	394.163	688.925	2,5%	672.167
Rural	157.995	-15,2%	186.399	318.360	-3,8%	330.845
Other	255.874	0,7%	254.120	480.334	3,0%	466.363
	2.652.074	-5,5%	2.806.018	4.079.964	-3,0%	4.207.450
Wholesale	147.588	-2,4%	151.179	156.226	-6,3%	166.794
TOTAL	2.799.662	-5,3%	2.957.197	4.236.190	-3,2%	4.374.244

Energy sold in the second quarter of 2004 was 2,799,662 MWh, while sales during the same period last year reached 2,957,197 MWh, thus representing a decrease of 5.3%.

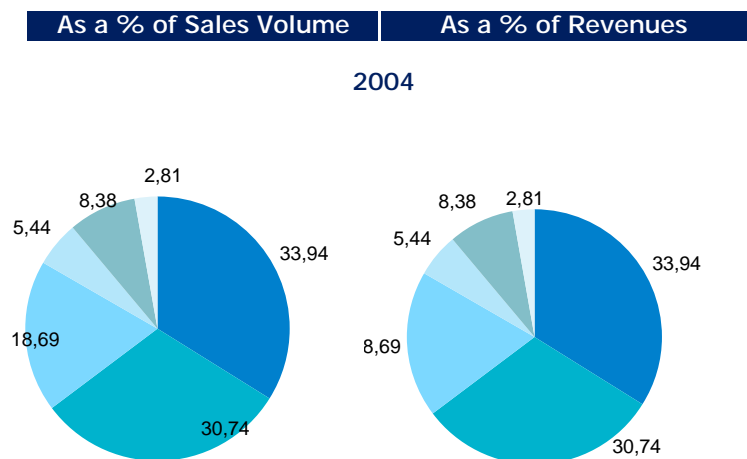
This decrease, in the residential sector, was due to reduced consumption as the result of climactic conditions in the concession area, where average temperatures were milder than normal. This decrease in the rural sector was due to heavy rains that reduced irrigation activities.

In the industrial sector, this decrease was due to some consumers' seeking energy on the open market. In the absence of these customers in 2003 and 2004, the market grew 3.9% in the industrial sector, and the variation of the global market would be nil. 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

There was a change in the industrial class of customers, compared to the same period in 2003, primarily due to the fact that some customers opted for other electrical energy suppliers.

	PARENT COMPANY		CONSOLIDATED	
	2nd Quarter			
	2004		2003	
	%			
	As a % of Sales Volume	As a % of Revenues	As a % of Sales Volume	As a % of Revenues
Retail:				
Residential	22,09	33,94	21,52	35,27
Industrial	43,66	30,74	45,14	28,54
Commercial	14,20	18,69	13,33	18,67
Rural	5,64	5,44	6,30	6,29
Other	9,14	8,38	8,59	8,28
	94,73	97,19	94,89	97,05
Wholesale	5,27	2,81	5,11	2,95
Total	100,00	100,00	100,00	100,00



Number of Customers

At the end of the month of June 2004, the number of customers was 978,167, representing an increase of 1.2% over the same period last year.

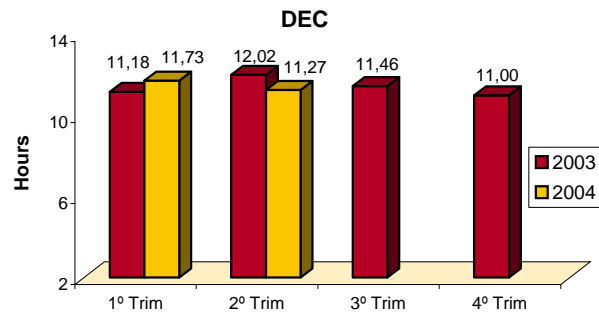
	PARENT COMPANY			CONSOLIDATED		
	2nd Quarter		%	2nd Quarter		%
	2004	2003	Change	2004	2003	Change
Retail:						
Residential	772.268	764.935	1,0%	1.286.283	1.262.118	1,9%
Industrial	10.615	10.923	-2,8%	15.044	15.545	-3,2%
Commercial	86.100	85.058	1,2%	139.877	137.763	1,5%
Rural	100.259	96.564	3,8%	146.887	141.493	3,8%
Other	8.923	8.834	1,0%	15.753	15.415	2,2%
	978.165	966.314	1,2%	1.603.844	1.572.334	2,0%
Wholesale	2	2	-	4	5	-20,0%
Total	978.167	966.316	1,2%	1.603.848	1.572.339	2,0%

Performance Indicators

DEC – Equivalent Outage Duration per Customer

Indicator measuring the average time that each customer remains without the supply of electrical energy.

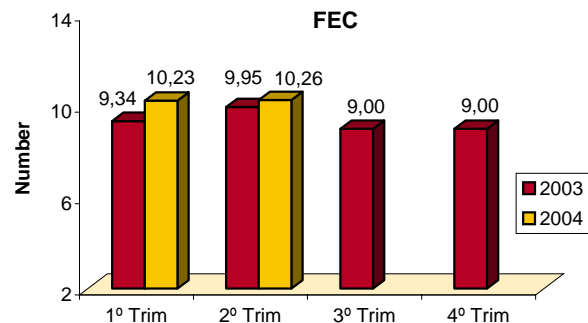
For the period ended June 30, 2004, the DEC was 11.27 hours, while the DEC for the same period last year was 12.02 hours, representing an improvement of 6.25%.



FEC - Equivalent Outage Frequency per Customer

Indicator measuring the average number, per customer, of interruptions in the supply of electrical energy.

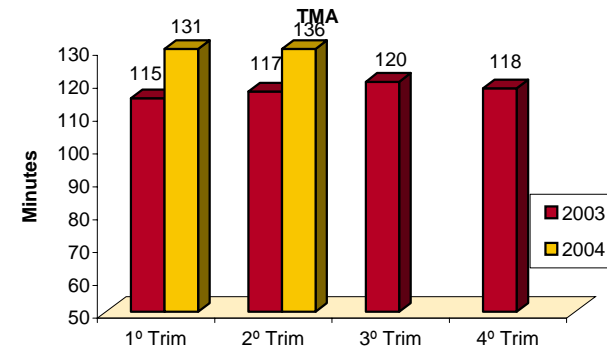
For the quarter ended June 30, 2004, the FEC was 10.26, compared to 9.95 for the same period last year, thus representing a decline of 3.11%.



TMA – Average Service Response Time

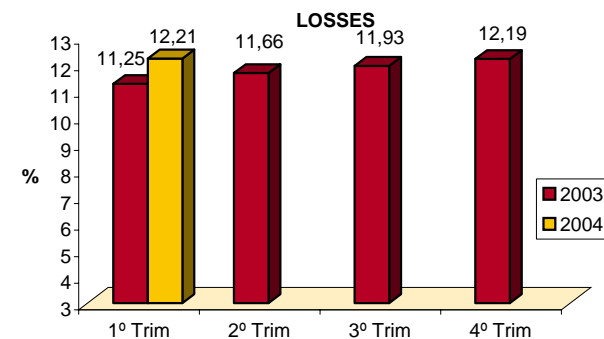
Indicator measuring the average time elapsed between the receipt of complaints regarding the interruption of service and its reestablishment.

On June 30, the TMA was 136 minutes, while the TMA for the same period last year was 117 minutes.



Energy Losses

Energy losses increased 6.35% in the last twelve months, from 11.66%, on June 30, 2003, to 12.40% on June 30, 2004. The Company has been developing works to reduce losses, most notably those of a commercial origin.



Economic-Financial Aspects

Service Result

At the end of the first half of 2004, results related to electric energy services reached R\$ 82,240 thousand, compared to R\$ 58,600 thousand for the same period last year. This result led to EBITDA of R\$ 112,506 thousand, equivalent to an EBITDA margin of 22.65%. The principal components of the service result were the following:

	PARENT COMPANY			CONSOLIDATED		
	2nd Quarter		%	2nd Quarter		%
	2004	2003		2004	2003	
Gross operating revenues	745.646	634.393	0,18	1.198.431	979.804	22,3%
Deductions from operating revenues:	(248.992)	(191.539)	30,0%	(369.240)	(276.555)	33,5%
Net operating revenues	496.654	442.854	12,1%	829.244	703.249	17,9%
Operating Expenses	(414.415)	(384.254)	7,8%	(676.401)	(605.032)	11,8%
Income from operations	82.239	58.600	40,3%	152.843	98.217	55,6%
Operating Margin - %	16,56%	13,23%	25,1%	18,43%	13,97%	31,97%
EBTIDA	112.506	87.932	27,9%	219.673	156.361	40,5%
EBITDA margin	22,65%	19,86%	14,09%	26,49%	22,23%	19,14%

Operating Revenue

Gross operating revenues for the first half of 2004 were R\$ 745,646 thousand, representing a 17.53% increase over the same period last year. The following factors contributed to this: i) an increase in supply revenues and the supply of electrical energy, which reached R\$ 80,519 thousand -- 13.9% higher than the previous year, despite negative market growth of 5.3%, offset by a tariff readjustment of 17.3% 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. The reduction in other revenues was due to a settlement agreement signed in March 2003 with one customer for the payment of a legal claim.

Net operating revenues in the first half of 2004 totaled R\$ 496,654 thousand -- 12.15% higher than the same period last year. The breakdown of customers, per class, is as follows:

	PARENT COMPANY		CONSOLIDATED	
	2nd Quarter			
	2004	2003	2004	2003
Retail:				
Residential	224.104	198.813	382.867	323.998
Industrial	204.839	164.417	216.667	178.924
Commercial	124.584	107.305	266.086	215.208
Rural	27.904	27.794	58.452	51.218
Other	53.363	45.572	99.575	80.600
Unbilled revenues	10.812	23.071	47.778	40.005
	645.606	566.972	1.071.425	889.953
Wholesale:				
Other distributors	13.817	12.531	15.694	14.798
Short-term	493	(106)	493	(2.758)
	14.310	12.425	16.187	12.040
Provision and Supply	659.916	579.397	1.087.612	901.993
Regulatory charge	36.503	22.478	51.890	31.721
Use of Distribution System	45.044	18.259	48.643	19.327
Other operating revenues	4.183	14.259	10.286	26.763
Gross operating revenues	745.646	634.393	1.198.431	979.804
(-) Operating revenues deductions	(248.992)	(191.539)	(369.240)	(276.555)
Net operating revenues	496.654	442.854	829.191	703.249

Purchased Energy

	PARENT COMPANY		CONSOLIDATED	
	2nd Quarter			
	2004	2003	2004	2003
FURNAS / TRACTEBEL	93.264	110.498	129.349	155.155
ITAIPU	81.995	86.830	131.489	122.311
Other suppliers	44.214	4.369	38.424	21.917
Transport from FURNAS	4.264	3.267	29.090	4.599
Connection cost and grid	44.572	32.766	78.043	52.926
General agreement of energy sector and CVA	(2.521)	6.742	(211)	1.262
Other	57	378	-	899
Total	265.845	244.850	406.184	359.069

The reduction in amounts related to Furnas/Tractebel was due to the fact that ESCELSA signed new contracts with other suppliers, thus achieving a 25% savings. The reduction in the amount related to Itaipu was due to ANEEL's approval of the CVA account, within 24 months, as of August 2004.

Operating Costs

Operating costs, which include expenses plus RGR quotas (global reserve for reversion quotas), reached R\$ 422,257 thousand in the first half of 2004, compared to R\$ 392,278 thousand during the same period last year, representing an increase of 7.6%.

The Company's controlled costs decreased 6.6%, from R\$ 116,176 thousand on June 30, 2003, to R\$ 108,528 thousand on June 30, 2004. Depreciation increased 3.2%. The principal variations were as follows:

- a) Personnel – cost increase due to the repercussions from 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;
- b) Materials – increase in the use of materials for the renovation of transformers;
- c) Third-party services – increase in costs related to cuts, consumer unit inspections, reconnections, call center services, reading and delivery of billing statements and maintenance of transmission lines and distribution network;
- d) Provision for Contingencies – R\$ 3,854 thousand was set aside for potential judgments related to labor, tax and civil litigation;
- e) Others – the reduction in this account is due to smaller provisions for doubtful accounts, a reduction in the amount of the energy conservation program, service 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.

The Company's non-controlled operating costs increased 13.6%, the principal of which include an increase in expenses related to purchased energy, costs of connection to the basic grid, collections for the Energy Development Account (CDE), created in 2003, and the costs of the Electrical Energy Rationing Program, included in tariffs.

	PARENT COMPANY				
	2nd Quarter				
	2004		2003		Change
R\$ thousand	%	R\$ thousand	%		
Controlled Costs:					
Personnel	37.166	8,8%	33.244	8,5%	11,8%
Materials	4.807	1,1%	3.603	0,9%	33,4%
Third party services	19.026	4,5%	15.181	3,9%	25,3%
Provision for contingencies	3.854	0,9%	13.109	3,3%	-70,6%
Other	13.409	3,2%	21.707	5,5%	-38,2%
	78.263	18,5%	86.844	22,1	-9,9%
Depreciation	30.267	7,2%	29.332	7,5%	3,2%
TOTAL CONTROLLED COSTS	108.529	25,7%	116.176	29,6%	-6,6%
Non-controlled costs:					
Energy purchased	265.845	63,0%	244.850	62,4%	8,6%
CCC	21.387	5,1%	21.070	5,4%	1,5%
Financial compensation	1.610	0,4%	1.518	0,4%	6,1%
ANEEL regulation charge	866	0,2%	640	0,2%	35,3%
RGR	7.843	1,9%	8.024	2,0%	-2,3%
Energy Rationing Program	2.434	0,6%	-	-	-
Energy Development Account	13.744	3,3%	-	-	-
TOTAL NON-CONTROLLED COSTS	313.729	74,3%	276.102	70,4%	13,6%
TOTAL	422.258	100,0%	392.278	100,0%	7,6%

Financial Result

The financial result for the first half of 2004 was negative R\$ 153,809 thousand, compared to a positive figure of R\$ 225,790 thousand for the same period last year. The negative result for the first half was due to the devaluation of the Brazilian Real in relation to the U.S. dollar, whereas during the same period last year, the appreciation of the Real resulted in exchange gains. The financial result decreased as the result of lower levels of investment.

2Q04 Result

Losses of R\$ 33,483 thousand in the first half of 2004 were due to financial results, in part offset by the positive results of the stakeholding in MAGISTRA in the amount of R\$ 19,122 thousand, as well as the reversion of provisions related to IRPJ and CSSL taxes, since there were negative bases for both of these

Available Resources

ESCELSA had available resources, on June 30, 2004, on deposit with banking institutions or invested in the financial market, in the amount of R\$ 225,351 thousand and the consolidated figure of R\$ 237,287 thousand, as shown below:

	PARENT COMPANY		CONSOLIDATED	
	2nd Quarter			
	R\$ thousand	US\$ thousand	R\$ thousand	US\$ thousand
Investments in Reais:				
Cash and banks	15.798	-	17.193	-
Certificates of deposit	2.580	-	4.991	-
Investment funds	4.889	-	11.517	-
Others	110	-	1.612	-
Total investments in Reais	23.377	-	35.313	-
Investments in U.S. dollars:				
Dollar-indexed bonds - NBC's	201.974	64.996	201.974	64.996
Total investments in U.S. dollars	201.974	64.996	201.974	64.996
Total available resources	225.351	64.996	237.287	64.996

Loans and Financing

PARENT COMPANY						
	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		jun/04		
		TYPE (*)	PERIOD MM/YY	and Other Charges	Current	Long-Term
Local Currency:						
ELETROBRAS	5,0% - 7,0%	M	05/99 to 08/07	-	1.948	3.613
BNDES	TJLP + 3,8%	M	10/99 to 10/10	929	40.470	63.713
BNDES-Perdas Racionamento	SELIC+1,0%	M	03/02 to 01/06	-	50.069	126.592
Conta Garantida e Operações Comp	CDI+1,75%,	M	11/02 to 03/05	-	45.585	-
				-	42.785	-
				-	-	-
Total Local Currency:				929	180.857	193.918
Foreign Currency:						
Senior Notes	10,0%+V.CAMBIA	U	7/7	61.380	-	1.339.202
BNDES	3,5%+UMBNEDE	M	09/01 to 10/10	171	12.285	13.215
Total Foreign Currency				61.551	12.285	1.352.417
TOTAL				62.480	193.142	1.546.335

CONSOLIDATED						
	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		jun/04		
		TYPE (*)	PERIOD MM/YY	Interest and Other Charges	Current	Long-Term
Local Currency:						
ELETROBRAS-ESCELSA	5,1% - 7,0%	M	05/99 to 08/07	-	1.948	3.613
ELETROBRAS - ENERSUL	6,0%-12,0%	M	12/97 to 05/22	170	12.433	33.209
BNDES - ESCELSA	TJLP + 3,8%	M	10/99 to 10/10	401	40.470	63.713
BNDES - MAGISTRA	TJLP + 4,0%	S	11/99 to 11/04	246	21.020	-
BNDES - ENERSUL	TJLP + 3,8%	M	09/01 to 02/08	200	13.968	37.250
BNDES - ENERSUL	TJLP + 4,0%	M	02/00 to 04/04	-	-	-
BNDES-Perdas Racionamento	SELIC+1,0%	M	03/02 to 12/08	880	62.780	198.010
BNDES-CVA.	SELIC+1,0%			193	14.016	13.603
BNDES-ALFA	TJLP + 4,00%	M	10/01 to 09/07	94	5.859	17.574
BNDES - CESA	TJLP + 4,5%	M	07/04 to 07/12	135	4.058	28.398
BCO BRASIL - FCO	0,112	M	11/04 to 11/13	572	1.944	28.056
CONTA GARANTIDA	DI+1,85%, 110%	M	11/02 to 12/03	50	108.370	-
FUNDAÇÃO ENERSUL	10%+INPC	M	07/98 to 11/13	112	3.458	15.534
OUTROS	0,0135	M	05/00 to 06/09	-	-	1.225
Total Local Currency:				3.053	290.324	440.185
Foreign Currency:						
SENIOR NOTES	10%+V.CAMBIAL	U	7/7	61.380	-	1.339.202
BRADESCO (*)	6,50%a6,9%	M	11/02 to 11/04	426	6.828	-
UNIBANCO (*)	2,40%-5,00%	U	3/6	73	7.523	5.642
EUROPEAN INVEST BANK	LIBOR+4,0%-5,0%	S	12/02 to 03/09	141	9.153	28.137
STN-DMLP	LIBOR+4,5%-8,2%	S	10/96 to 04/24	406	3.461	37.777
BBA FMO (*)	0,089	S	03/02 to 09/07	290	5.448	6.056
BNDES-ESCELSA	3,5%+UMBNEDES	M	09/01 to 10/10	171	12.285	13.215
BNDES-ENERSUL	4%+UMBNEDES	M	04/03 to 10/07	140	1.395	4.881
BNDES-CESA	4,5%+UMBNEDES	M	07/04 to 07/12	198	964	7.459
ITAÚ-BBA (*)	0,04	U	3/5	378	41.367	-
BBV-BRADESCO (*)	0,1155	M	12/03 to 11/05	559	7.743	3.226
Total Foreign Currency:				64.162	96.167	1.445.595
Long-term						
BRADESCO (*)	11,55%	M	12/03 a 11/05	-	-	233
UNIBANCO (*)	2,4% to 5,0%	M	03/06	-	-	55
TOTAL				67.215	386.491	1.886.068

Debt Maturity Schedule

MATURITY	PARENT COMPANY			CONSOLIDATED		
	TYPE					
	Local	Foreign	Total	Local	Foreign	Total
Current						
2004	77.929	6.038	83.967	141.391	30.586	171.977
2005	102.928	6.247	109.175	148.933	65.581	214.514
	180.857	12.285	193.142	290.324	96.167	386.491
Long-Term						
2005	48.706	6.246	54.952	83.153	23.648	106.801
2006	75.309	4.580	79.889	134.761	23.484	158.245
2007	58.682	1.339.825	1.398.507	115.623	1.356.131	1.471.754
2008	4.106	623	4.729	49.023	9.146	58.169
2009	4.066	623	4.689	15.252	4.289	19.541
2010	3.048	521	3.569	14.234	3.568	17.802
2011	-	-	-	11.186	3.047	14.233
2012	-	-	-	8.099	2.080	10.179
2013	-	-	-	4.315	941	5.256
After 2013	-	-	-	4.539	19.261	23.800
	193.917	1.352.418	1.546.335	440.185	1.445.595	1.885.780
Total	374.774	1.364.703	1.739.477	730.509	1.541.762	2.272.271

Balance Sheets (In thousands of Brazilian reais)

ASSETS	PARENT COMPANY			CONSOLIDATED		
	jun/04	jun/03	mar/04	jun/04	jun/03	mar/04
CURRENT:	501.815	504.427	507.632	837.296	802.802	848.162
Cash and banks	15.798	4.465	8.361	17.193	5.966	11.472
Accounts receivable	237.150	257.785	254.744	462.098	447.326	471.261
Other accounts receivable	14.009	24.855	10.159	9.625	8.474	14.027
Deferred income and social contribution taxes	-	-	13.265	26.705	42.028	31.789
Taxes credits	-	-	-	7.608	-	7.608
Allowance for doubtful accounts	(21.796)	(30.584)	(22.641)	(41.908)	(45.443)	(42.173)
Material and supplies	2.666	3.364	2.593	4.628	5.540	4.365
Marketable securities	209.553	240.048	200.500	220.094	250.608	218.677
Escrow deposits	-	1.266	33	-	1.266	33
Other credits - UTE Campo Grande	-	-	-	45.750	48.824	49.446
Other credits	13.863	8.807	14.775	21.459	15.899	24.775
Prepaid expenses	30.572	(5.579)	25.843	64.044	22.314	56.882
	-	-	-	-	-	-
LONG-TERM:	503.050	456.928	471.519	924.323	823.496	908.361
Accounts receivable	138.803	157.529	139.222	243.741	245.769	257.345
Recoverable taxes	143.201	122.789	-	-	-	-
Affiliates and subsidiaries	2.012	1.980	2.649	79.643	72.053	77.713
Escrow deposits	110.082	81.410	106.656	155.003	114.738	148.059
Debt issuance costs	1.537	2.306	1.729	1.537	2.305	1.729
Deferred income and social contribution taxes	-	-	121.299	270.881	235.711	250.105
Other credits - low income consumers	-	-	-	-	12.378	-
Other credits	10.852	15.445	10.324	19.486	17.231	20.834
Prepaid expenses	96.563	75.470	89.640	154.032	123.311	152.576
	-	-	-	-	-	-
PERMANENT:	1.663.572	1.595.932	1.669.218	1.857.792	1.850.721	1.855.854
Investments	919.596	852.570	924.272	354.775	374.275	358.389
Property, plant and equipment, net	743.975	743.362	744.946	1.503.017	1.476.446	1.497.465
Deferred	-	-	-	-	-	-
TOTAL	2.668.437	2.557.287	2.648.369	3.619.411	3.477.019	3.612.377

Balance Sheets (In thousands of Brazilian reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	PARENT COMPANY			CONSOLIDATED		
	jun/04	jun/03	mar/04	jun/04	jun/03	mar/04
CURRENT	475.536	431.395	489.068	816.877	732.570	827.066
Suppliers	93.529	89.810	99.776	151.401	141.560	160.621
Payroll	2.499	1.850	4.726	3.034	3.446	5.348
Accrued interest and fees	62.480	62.985	27.377	67.215	73.865	33.498
Loans and financing	193.142	167.635	229.350	386.491	349.321	412.569
Accrued taxes and social contributions	35.481	69.705	38.066	92.396	99.402	60.599
Dividends	42.041	21	42.041	42.053	33	42.053
Post retirement benefits	2.090	1.652	3.459	2.090	1.652	3.459
Accrued obligations	10.940	10.170	8.035	21.856	19.834	16.402
Regulatory charges	8.431	6.429	10.884	18.897	15.094	18.604
Provision for contingencies	-	-	-	-	-	-
Other accounts payable	24.903	21.140	25.354	31.444	28.363	73.913
LONG - TERM	1.868.455	1.719.610	1.789.315	2.308.337	2.183.975	2.244.984
Suppliers	60.055	57.602	55.362	80.565	82.132	78.553
Interest on loans and financing	-	-	-	288	-	217
Income and social contribution taxes	42.170	(0)	-	-	-	-
Loans and financing	1.546.335	1.477.194	1.474.318	1.885.780	1.864.652	1.833.134
Post retirement benefits	30.253	28.212	30.253	30.253	28.212	30.253
Deferred income taxes	-	-	45.873	59.696	-	60.677
Affiliates and subsidiaries	103	68	50	-	133	-
Provision for contingencies	153.801	129.996	149.454	214.061	178.466	206.086
Other accounts payable	35.738	26.539	34.005	37.694	30.380	36.064
MINORITY INTEREST	-	-	-	169.752	154.192	170.341
SHAREHOLDERS' EQUITY	321.058	402.894	366.599	321.058	402.895	366.599
Capital stock	153.947	153.947	153.947	153.947	153.947	153.947
Capital reserves	65.688	65.688	65.687	65.687	65.688	65.687
Legal reserves	8.846	-	-	-	-	-
Income reserves	126.061	-	134.908	134.908	-	134.908
Loss	(33.483)	183.260	12.057	(33.484)	183.260	12.057
Credits for capital increase	3.387	3.387	3.387	3.387	3.387	3.387
	324.445	406.282	369.986	324.445	406.282	369.986
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2.668.437	2.557.287	2.648.369	3.619.411	3.477.019	3.612.377

Balance Sheets

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

STATEMENTS OF INCOME	PARENT COMPANY			CONSOLIDATED		
	jun/04	jun/03	mar/04	jun/04	jun/03	mar/04
OPERATING REVENUES:	745.646	634.393	374.270	1.198.484	979.804	604.221
Electricity sales to final customers	645.606	566.972	324.089	1.071.425	889.953	540.024
Contingency fee	36.502	22.478	19.785	51.890	31.721	28.131
Electricity sales to distributors	14.310	12.425	7.082	16.187	12.040	8.262
Use of transmission and distribution system	45.285	18.258	21.534	49.089	19.327	22.863
Other revenues	3.942	14.260	1.780	9.893	26.763	4.941
Deductions from operating revenues:	(248.992)	(191.539)	(125.800)	(369.240)	(276.555)	(185.082)
State value-added taxes - ICMS	(167.977)	(136.712)	(84.645)	(240.976)	(193.425)	(120.030)
PIS and COFINS tax	(36.666)	(24.293)	(17.320)	(61.255)	(37.504)	(29.212)
Global reserve for reversion quota - RGR	(7.843)	(8.024)	(4.047)	(15.050)	(13.475)	(7.679)
Contingency fee	(36.502)	(22.478)	(19.785)	(51.890)	(31.721)	(28.131)
Tax on services (ISSQN)	(4)	(32)	(2)	(69)	(430)	(30)
Net operating revenues	496.654	442.854	248.470	829.244	703.249	419.139
OPERATING EXPENSES:	(414.415)	(384.254)	(209.473)	(676.401)	(605.032)	(337.971)
Electricity purchased for resale	(265.845)	(244.850)	(133.957)	(406.184)	(359.069)	(203.388)
Depreciation and amortization	(30.267)	(29.332)	(15.094)	(66.830)	(58.144)	(32.913)
Personnel	(37.166)	(33.244)	(18.244)	(67.800)	(59.679)	(32.810)
Material	(4.807)	(3.603)	(2.189)	(11.008)	(9.746)	(5.288)
Third-party services	(19.026)	(15.181)	(9.444)	(34.540)	(30.520)	(16.989)
Fuel usage quota - CCC	(21.387)	(21.070)	(10.693)	(32.020)	(32.916)	(15.474)
Provision for contingencies	(3.854)	(13.109)	(2.270)	(6.794)	(19.877)	(2.270)
Other	(32.063)	(23.865)	(17.582)	(51.225)	(35.081)	(28.839)
INCOME FROM OPERATIONS	82.239	58.600	38.997	152.843	98.217	81.168
EQUITY IN SUBSIDIARIES	19.122	3.787	16.869	-	-	-
FINANCIAL REVENUES:	59.820	66.677	23.376	87.334	107.099	39.974
Income from temporary cash investments	24.508	29.586	(15.423)	30.485	37.917	9.025
Increase in overdue collections	10.164	8.183	(43.926)	17.517	14.301	8.106
Hedge	-	(2.176)	23.376	-	(2.176)	-
Regulatory assets - SELIC	24.014	23.173	6.320	32.064	45.172	20.813
Other	1.134	7.911	53.029	7.268	11.885	2.030
FINANCIAL EXPENSES:	(213.630)	159.113	(67.302)	(256.614)	119.435	(86.740)
Monetary variation - electricity purchase	(128)	(12.807)	11.876	(128)	(13.121)	(24)
Monetary and exchange variation on loans and financing	(99.009)	289.823	(67.302)	(107.172)	303.034	(10.231)
Interest on loans and financing	(95.683)	(95.889)	261	(121.907)	(138.606)	(63.330)
Other	(18.809)	(22.014)	(12.137)	(27.407)	(31.872)	(13.155)
FINANCIAL RESULTS	(153.810)	225.790	(43.926)	(169.280)	226.534	(46.766)
OPERATING PROFIT (LOSS)	(52.449)	288.177	11.940	(16.437)	324.751	34.402
NON-OPERATING REVENUES	474	308	257	1.614	407	731
NON-OPERATING EXPENSES	(342)	(1.810)	(141)	(6.461)	(24.927)	(1.193)
NON-OPERATING INCOME (LOSS), NET	132	(1.502)	117	(4.847)	(24.520)	(462)
INCOME (LOSS) BEFORE TAXES	(52.317)	286.675	12.057	(21.284)	300.231	33.940
Social contribution	5.428	(26.387)	-	(177)	(30.578)	(3.856)
Income tax	13.405	(77.028)	-	(4.320)	(89.238)	(10.669)
INCOME (LOSS) AFTER TAXES	18.833	(103.415)	-	(4.497)	(119.816)	(14.525)
MINORITY SHARE IN PROFIT	-	-	-	(7.703)	2.845	(7.358)
NET INCOME (LOSS) FOR THE PERIOD	(33.484)	183.260	12.057	(33.484)	183.260	12.057
Net Income(loss) per share - R\$	(7,36)	40,27	2,65	-	-	-

Statements of Cash Flow

(In thousands of Brazilian reais)

	PARENT COMPANY			CONSOLIDATED		
	jun/04	jun/03	mar/04	jun/04	jun/03	mar/04
Net Income(loss) for the period	(33.484)	183.260	12.057	(33.484)	183.260	12.057
Adjustments to reconcile income to cash provided by operating activities						
Operating activities:	60.654	(26.436)	26.747	105.947	8.692	44.919
Long term interest and monetary and exchange variation	89.156	(284.993)	5.630	83.244	(301.330)	(3.661)
Equity in subsidiaries	(19.122)	(3.787)	(16.869)	-	-	-
Depreciation and amortization	30.267	29.332	15.094	66.830	58.144	32.913
Disposal of property, plant and equipment	1.547	1.441	1.451	2.645	2.434	2.345
Sale of UTE Campo Grande	-	-	-	5.429	19.794	888
Provision for contingencies	11.653	2.927	7.306	17.400	11.835	9.425
Regulatory assets	-	-	-	-	(11.028)	-
Tariff readjustment	-	-	-	(28.254)	-	(21.155)
Bonus foreign funding	384	384	192	384	384	192
Post retirement benefits	(1.481)	(390)	(112)	(1.481)	(390)	(112)
Liabilities adjustments	3.636	5.691	1.998	3.636	5.691	1.998
Deferred income taxes	(21.902)	39.699	-	(18.105)	43.304	2.671
Remuneration on construction work in progress	-	-	-	7.703	(3.406)	7.358
Changes in current assets and liabilities:	838	90.637	(10.411)	(12.391)	26.121	(17.694)
Accounts receivable	(948)	19.777	(17.696)	(7.669)	(2.014)	(25.511)
Other accounts receivable	14.171	27.299	4.839	13.025	25.862	4.475
Other credits-UTE Campo Grande	-	-	-	(2.063)	(42.727)	(1.218)
Other credits	2.816	45.931	1.169	3.343	44.545	248
Prepaid expenses	(9.193)	6.087	(3.825)	(17.836)	(8.063)	(10.653)
Suppliers	2.080	(14.930)	8.327	116	(13.797)	9.107
Accrued taxes and social contributions	(4.552)	203	(1.967)	1.670	11.517	7.320
Accrued obligations	(1.952)	(2.848)	(4.857)	(1.326)	(2.736)	(5.433)
Regulatory charges	5.237	1.570	4.364	7.260	1.259	6.967
Other	(6.821)	7.548	(765)	(8.911)	12.275	(2.996)
Change in non-current assets and liabilities:	(19.430)	11.427	(10.599)	3.353	15.336	(9.344)
Accounts receivable	9.162	4.899	3.870	21.454	13.243	9.564
Escrow deposits	(13.656)	(9.235)	(10.230)	(19.510)	(14.447)	(13.511)
Affiliates and subsidiaries	3.081	4.731	2.444	8.165	208	550
Prepaid expenses	(17.343)	(11.446)	(10.420)	(9.746)	(12.957)	(9.218)
Accrued taxes and social contributions	(4.805)	-	(1.101)	(2.083)	-	(1.101)
Other credits - low income	-	4.940	-	-	6.340	-
Other	4.131	17.538	4.838	5.073	22.949	4.372
Net cash provided (use in) operating activities	42.062	75.628	5.737	96.909	50.149	17.881
Investing activities:						
Additions to property, plant and equipment	(27.644)	(22.504)	(12.340)	(73.081)	(59.841)	(32.087)
Additions to investments	4.160	(101.133)	(2.769)	(4)	2	-
Additions to the Deferred account	-	-	-	-	-	-
Obligations related to the concession	2.405	3.913	1.399	8.698	5.400	3.985
Net cash used in investing activities	(21.079)	(119.724)	(13.710)	(64.387)	(54.439)	(28.102)
Financing activities:						
Loans and financing	203	(5.578)	47.920	(12.570)	(51.913)	50.576
Accrued interest and fees	4.040	(13.339)	(31.063)	152	(13.560)	(33.636)
Dividends	-	-	-	(1.372)	(291)	(441)
Affiliates and subsidiaries	105	(70)	(43)	-	-	5.316
Net cash provided by (used in) financing activities	4.348	(18.987)	16.814	(13.790)	(65.764)	21.815
Net increase(decrease) in cash and cash equivalents	25.331	(63.083)	8.841	18.732	(70.054)	11.594
Cash and cash equivalents at the beginning of the period	200.020	307.595	200.020	218.555	326.628	218.554
Cash and cash equivalents at the end of the period	225.351	244.512	208.861	237.287	256.574	230.148

Uncosolidated Statements of Income by Quarter

(in thousands of Brazilian reais)

	2004					2003				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter.	Total	1º Trim.	2nd Quarter	3rd Quarter	4th Quarter	Total
NET OPERATING REVENUES	248.470	248.184			496.654	237.708	205.146	228.189	272.654	943.697
OPERATING EXPENSES:	(209.473)	(204.942)			(414.415)	(184.664)	(199.590)	(201.234)	(238.040)	(823.528)
Electricity purchased for resale	(133.957)	(131.888)			(265.845)	(122.881)	(121.970)	(131.198)	(158.435)	(534.484)
Depreciation and amortization	(15.094)	(15.172)			(30.266)	(14.573)	(14.759)	(14.819)	(14.991)	(59.142)
Personnel	(18.244)	(18.922)			(37.166)	(15.817)	(17.426)	(18.185)	(19.717)	(71.145)
Material	(2.189)	(2.618)			(4.807)	(1.936)	(1.667)	(2.260)	(2.774)	(8.637)
Third-party services	(9.444)	(9.582)			(19.026)	(7.783)	(7.398)	(8.583)	(10.496)	(34.260)
Fuel usage quota - CCC	(10.693)	(10.694)			(21.387)	(10.522)	(10.548)	(11.512)	(10.694)	(43.276)
Provision for contingencies	(2.270)	(1.586)			(3.856)	(140)	(13.861)	121	9.360	(4.520)
Other	(17.582)	(14.480)			(32.062)	(11.012)	(11.961)	(14.798)	(30.293)	(68.064)
INCOME FROM OPERATIONS	38.997	43.242			82.239	53.044	5.556	26.955	34.614	120.169
EQUITY IN SUBSIDIARIES	16.869	2.253			19.122	3.327	460	9.539	6.119	19.445
FINANCIAL REVENUES	23.376	36.444			59.820	60.952	5.725	31.198	23.335	121.210
FINANCIAL EXPENSES:	(67.302)	(146.327)			(213.629)	8.591	150.522	(92.349)	(44.667)	22.097
Monetary variation - electricity purchase	(24)	(104)			(128)	(7.091)	(5.716)	(6.099)	10.642	(8.264)
Monetary and exchange variation on loans and financing	(8.484)	(90.525)			(99.009)	74.488	215.335	(24.524)	13.827	279.126
Interest on loans and financing	(47.196)	(48.488)			(95.683)	(50.486)	(45.403)	(50.174)	(59.756)	(205.819)
Other	(11.599)	(7.209)			(18.808)	(8.320)	(13.694)	(11.552)	(9.380)	(42.946)
FINANCIAL RESULTS	(43.926)	(109.883)			(153.809)	69.543	156.247	(61.151)	(21.332)	143.307
NON-OPERATING INCOME(LOSS), NET	117	15			132	(1.303)	(199)	(1.609)	950	(2.161)
INCOME(LOSS) BEFORE TAXES	12.057	(64.373)			(52.316)	124.611	162.064	(26.266)	20.352	280.761
Social contribution and income tax	-	18.833			18.833	(42.485)	(60.930)	10.333	(10.752)	(103.834)
NET INCOME(LOSS) FOR THE PERIOD	12.057	(45.540)			(33.483)	82.126	101.134	(15.933)	9.601	176.928
EBITDA	54.091	58.414			112.505	67.617	20.315	41.774	49.605	179.311
(+)Financial revenues	23.376	36.444			59.820	60.952	5.725	31.198	23.335	121.210
(+)Non-operating income (loss), net	117	15			132	-1.303	-199	-1.609	950	-2.161
=Adjusted EBITDA	77.584	94.873			172.457	127.266	25.841	71.363	73.890	298.360
CAPITAL EXPENDITURE	11.776	15.867			27.643	12.327	11.022	14.173	26.951	64.473
TOTAL DEBT	1.731.045	1.801.957			1.801.957	1.907.669	1.707.814	1.693.221	1.708.557	1.708.557
INTERES ON LOANS AND FINANCING	47.196	48.488			95.683	50.486	45.403	50.174	59.756	205.819
EBITDA margin	21,77%	23,54%			22,65%	28,45%	9,90%	18,31%	18,19%	19,00%
EBITDA/Interest on loans and financing (x)	1,1	1,2			1,2	1,3	0,4	0,8	0,8	0,9
Adjusted EBITDA margin	31,22%	38,23%			34,72%	53,54%	12,60%	31,27%	27,10%	31,62%
Adjusted EBITDA/Interest on loans and financing	1,6	2,0			1,8	2,5	0,6	1,4	1,2	1,4

1. OPERATIONS

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

ESCELSA 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 also has 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. ESCELSA 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 full control of ESCELSA PARTICIPAÇÕES S.A. – ESCELSAPAR, which renders Internet access services and various information technology services.

The consolidated quarterly information comprises the balance sheets and statement of operations of its subsidiaries MAGISTRA, TVIX and ESCELSAPAR.

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, published on March 19, 2004, except for the Value-Added Tax on Sales and Services (ICMS) provision incident on the contracted demand which, for a better disclosure is being presented net, with the reclassification of the prior quarter amounts.

3. MARKETABLE SECURITIES

The portfolio composition is as follows:

FINANCIAL INSTITUTION	PARENT COMPANY			
	TYPE	MATURITY	06/04	03/04
Banco Pactual S.A	NBC-E	11/16/2006	107,468	103,683
Banco BBA Credtanstalt S.A.....	NBC-E	10/12/2006	89,411	86,429
Banco BBA Credtanstalt S.A.....	NBC-E	11/16/2006	5,095	4,923
Citibank S.A.....	Investment funds	Immediate	4,889	2,839
BRADESCO S.A.....	Bank Deposit Certificate (CDB)	08/04 to 06/05	2,580	2,491
Other.....	Other	Immediate	110	135
			209,553	200,500

FINANCIAL INSTITUTION	CONSOLIDATED			
	TYPE	MATURITY	06/04	03/04
Banco Pactual S.A	NBC-E	11/16/2006	107,468	103,683
Banco BBA Credtanstalt S.A.....	NBC-E	10/12/2006	89,411	86,429
Banco BBA Credtanstalt S.A.....	NBC-E	11/16/2006	5,095	4,923
Citibank S.A.....	Remunerated account	Immediate	1,080	6,957
Banco Brasil S.A.....	Investment funds	Immediate	6,628	9,396
Citibank S.A.....	Investment funds	Immediate	4,889	2,839
BRADESCO S. A.....	CDB	08/04 to 06/05	4,991	3,608
Other.....	Other	Immediate	532	842
			220,094	218,677

These marketable securities are basically represented by federal securities (NBC-E), which carry interest and exchange variations, and which are stated 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			Total	
	Falling due	Overdue up to 90 days	Overdue over 90 days	06/04	03/04
CURRENT					
CONSUMERS					
Residential.....	31,963	21,422	1,258	54,643	61,429
Industrial.....	38,022	3,489	3,293	44,804	37,594
Commercial, services and other activities..	20,757	6,322	3,400	30,479	33,317
Rural.....	7,088	1,781	599	9,468	8,838
Public entities:					
Federal.....	556	353	365	1,274	4,128
State.....	1,294	390	656	2,340	2,459
Municipal.....	1,881	1,153	1,940	4,974	366
Public lighting.....	3,876	1,526	3,544	8,946	9,753
Public service.....	2,960	90	105	3,155	3,021
Regulatory asset.....					
Losses.....	35,730	-	-	35,730	34,430
Free energy.....	7,217	-	-	7,217	17,117
Debt installments.....	13,653	829	4,039	18,521	24,294
Other receivables.....	12,121	-	-	12,121	14,169
	177,118	37,355	19,199	233,672	250,915
CONCESSIONAIRES					
Supplies-basic.....	3,020	-	-	3,020	3,173
Supplies-short-term.....	142	-	2	144	264
	3,162	-	2	3,164	3,437
ENERGY GRID CHARGES	315	-	-	315	392
TOTAL	180,595	37,355	19,201	237,151	254,744
LONG-TERM RECEIVABLES					
CONSUMERS					
Regulatory asset.....					
Losses.....	78,569	-	-	78,569	83,835
Free energy.....	60,055	-	-	60,055	55,409
TOTAL	138,624	-	-	138,624	139,244

	CONSOLIDATED				
	Falling	Overdue up to	Overdue over	Total	
	due	90 days	90 days	06/04	03/04
CURRENT					
CONSUMERS					
Residential.....	55,819	37,084	5,904	98,807	106,893
Industrial.....	51,445	5,819	4,539	61,803	50,611
Commercial, services and other activities..	34,002	12,778	10,056	56,836	61,937
Rural.....	10,547	4,350	1,313	16,210	15,770
Public entities					
Federal.....	1,674	1,033	727	3,434	8,083
State.....	3,193	426	657	4,276	4,570
Municipal.....	4,176	2,889	3,178	10,243	5,178
Public lighting.....	8,564	2,506	7,394	18,464	18,989
Utilities.....	5,117	250	145	5,512	6,291
Regulatory asset.....					
Losses.....	58,756	-	-	58,756	56,784
Free energy.....	17,223	-	-	17,223	26,831
Debt installments.....	31,909	1,919	7,638	41,466	47,899
Provision for tariff adjustment.....	37,536	-	-	37,536	29,448
Other receivables.....	25,829	617	83	26,529	26,919
	345,790	69,671	41,634	457,095	466,203
CONCESSIONAIRES					
Supplies - basic.....	3,251	-	-	3,251	3,412
Supplies - short-term.....	511	-	-	511	625
Other.....	103	-	-	103	90
	3,865	-	-	3,865	4,127
ENERGY GRID CHARGES					
	1,138	-	-	1,138	931
TOTAL	350,793	69,671	41,634	462,098	471,261
LONG-TERM RECEIVABLES					
CONSUMERS					
Regulatory asset.....					
Losses.....	125,692	-	-	125,692	140,010
Free energy.....	80,565	-	-	80,565	78,600
Supplies - short-term.....	3,068	-	-	3,068	3,068
Provision for tariff adjustment.....	25,937	-	-	25,937	26,926
Other receivables.....	8,479	-	-	8,479	8,763
TOTAL	243,741	-	-	243,741	257,367

4.1 – Wholesale Energy Market (MAE)

The Company has recorded in current assets R\$ 144 thousand (R\$ 3,581 thousand – consolidated) and in current liabilities R\$ 453 thousand (R\$ 757 – consolidated) related to the sale and purchase of energy and system service charges realized in the Wholesale Energy Market (MAE). A portion of these amounts is subject to change depending on the judicial proceedings in progress, filed by companies of the Sector, about 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 March 31, 2004	264	460	526	3,783	904	807
Additions	-	-	-	-	219	270
Settlements	(120)	(287)	(246)	(202)	(774)	(669)
At June 30, 2004	144	173	280	3,581	349	408

4.2 –Tariff adjustment

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

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

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

Considering item “b” above, ENERSUL provisioned during this quarter the income and related taxes amounting to R\$ 14,461, and started recoveries via tariff in April 2004, recovering in the quarter R\$ 7,362. The balances of these assets are recorded in “provision for tariff readjustment”, the movement on which during the period was as follows.

	CONSOLIDATED	
	CURRENT	LONG-TERM
At March 31, 2004	29,448	26,926
Recovery via tariff	(7,362)	-
Transfers	15,450	(15,450)
Constitution	-	14,461
At June 30, 2004	37,536	25,937

4.3 –Tariff readjustment

On April 8, 2004, ANEEL approved through Resolution 84 of April 7, 2004 the annual readjustment of ENERSUL tariffs, authorizing an average readjustment of 17.02% with the following composition:

- a) Contractual Annual Tariff Readjustment Index of 6.28%;
- b) 4.94% index related to the installment of 2003 readjustment;
- c) 2.60% index related to 50% of deferred CVA (Compensation Account for Portion A costs) in 2003;
- d) 3.02% index related to CVA between March 2003 and March 2004; and
- e) 0.18% index relate to the costs of Emergency Program for Reduction of Electrical Energy Consumption (PERCEE).

In this readjustment the X factor of 1.35% was applied on the General Market Price Index (IGPM) variation, as follows:

- 0.98% related to the component Xe, which reflects the productivity gains expected from the change in the scale of operations by an increase in the consumption of electrical energy in the area served;
- 0.577% related to the component Xc which reflects the evaluation of the consumers on the concessionaire, obtained with the use of the result of the ANEEL Index of Consumers Satisfaction (IASC) research ; and
- Reduction of 0.2887 related to component Xa which reflects the application of the Amplified Consumer Price Index (IPCA) for the component manpower of Portion B (non-manageable costs) of the concessionaire.

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 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, the extraordinary electric energy tariffs of which 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 constituted.

5.1 – Recovery of electric energy supply losses

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

	PARENT COMPANY		CONSOLIDATED	
	Current	Long-term	Current	Long-term
At March 31, 2004	34,430	83,835	56,784	140,010
Recovery through tariff increase.....	(9,257)	-	(15,182)	-
Transfers.....	10,557	(10,557)	17,154	(17,154)
SELIC index adjustments.....	-	5,291	-	2,836
At June 30, 2004	35,730	78,569	58,756	125,692

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 the initial or any equivalent agreements.

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

The distribution utilities, benefited by the Extraordinary Tariff Recomposition (RTE), 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
At March 31, 2004	17,117	55,409	26,831	78,600
Recovery through tariff increase	(3,285)	-	(5,714)	
Transfers	(6,615)	6,615	(3,894)	3,894
Unrecoverable energy	-	(6,235)	-	(6,235)
SELIC index adjustment	-	4,266	-	4,306
At June 30, 2004	7,217	60,055	17,223	80,565

The amounts were recorded in “consumers and concessionaires” in current assets and long-term receivables, with 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 potential 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 Contribution (RGR);
- Electric energy service inspection fee;
- Connection charges;
- Cost of energy development (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 Special System for Settlement and Custody (SELIC) interest rate.

These amounts were recognized as “prepaid expenses” in long-term receivables, with a contra entry to “operating expenses”, according to their nature.

5.3.1 – Portion A

The Portion A amounts that will be recovered after the end of RTE (losses and free energy) balance, calculated in the period from January 1 to October 25, 2001, and computed in the extraordinary tariff recomposition, were as follows:

	<u>PARENT COMPANY</u>	<u>CONSOLIDATED</u>
	<u>Long-term</u>	
At March 31, 2004	61,516	103,919
SELIC remuneration.....	757	(553)
At June 30, 2004	62,273	103,366

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 – Account of Installment A variation (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>06/04</u>	<u>03/04</u>	<u>06/04</u>	<u>03/04</u>
CURRENT ASSETS				
Prepaid expenses (CVA).....	59,550	51,305	102,021	91,399
(-) CVA liability.....	(29,791)	(27,220)	(39,821)	(36,895)
	29,759	24,085	62,200	54,504
LONG-TERM RECEIVABLES				
Prepaid expenses - CVA.....	46,757	73,171	68,282	102,094
(-) CVA liability.....	(12,467)	(45,045)	(17,616)	(53,435)
	34,290	28,126	50,666	48,659
Portion A.....	62,273	61,516	103,366	103,919
	96,563	89,642	154,032	152,578

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, for 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 formation is as follows:

<u>CVA</u>	<u>PARENT COMPANY</u>		<u>CONSOLIDATED</u>	
	<u>06/04</u>	<u>03/04</u>	<u>06/04</u>	<u>03/04</u>
Approved	49,665	47,993	93,583	95,647
In formation	14,384	4,218	19,283	7,516
	<u>64,049</u>	<u>52,211</u>	<u>112,866</u>	<u>103,163</u>

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\$ 12,420 at June 30, 2004 (R\$ 10,314 at June 30, 2003), and the consolidated loss, in the amount of R\$ 18,120 (R\$ 14,021 at June 30, 2003), net of the Added Value Tax on Sales, Interstate and Intercity Transport Services and Communications (ICMS).

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

7. TAXES TO BE OFFSET

TAXES	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
Withholding income tax	584	1,594	9,816	12,008
Corporate Income Tax (IRPJ) recoverable	3,467	6,102	4,027	6,560
Social contribution on net income	2,369	2,369	3,008	2,996
Social Integration Program (PIS) contributions recoverable	-	631	759	1,685
Social Contribution on Revenues (COFINS) recoverable	-	1,369	6	2,704
ICMS recoverable	499	767	5,889	2,709
Income tax on remittances abroad	-	-	2,675	2,675
Other	396	433	525	452
	7,315	13,265	26,705	31,789

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 expected 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\$ 162,772 in the consolidated information at June 30, 2004.

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

	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
ASSETS				
Tax losses.....	287,910	223,414	684,948	623,929
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	93,726	93,729
Other additions.....	1,576	1,576	1,576	1,576
	<u>135,741</u>	<u>135,741</u>	<u>178,183</u>	<u>178,186</u>
	423,651	359,155	863,131	802,115
Statutory rate.....	25%	25%	25%	25%
Income tax	105,913	89,789	215,783	200,529
Social contribution loss.....	376,498	304,267	667,842	598,818
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.....	1,579	1,580	1,579	1,580
	<u>89,605</u>	<u>89,606</u>	<u>115,979</u>	<u>115,980</u>
	466,103	393,873	783,821	714,798
Rate.....	8%	8%	8%	8%
Social contribution	37,288	31,510	62,706	57,184
	<u>143,201</u>	<u>121,299</u>	<u>278,489</u>	<u>257,713</u>
Current assets	-	-	(7,608)	(7,608)
Long-term receivables	143,201	121,299	270,881	250,105

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

Amounts recorded:

PARENT COMPANY					
EXPECTATION OF REALIZATION	2006	2007	2008	2009	TOTAL
Income tax	4,866	18,906	29,828	52,313	105,913
Social contribution	1,516	6,780	10,738	18,254	37,288
	6,382	25,686	40,566	70,567	143,201

CONSOLIDATED								
EXPECTATION OF REALIZATION	TOTAL CURRENT						2010 TO 2011	TOTAL LONG- TERM
	2004	2005	2006	2007	2008	2009		
Income tax	5,594	8,971	16,514	33,524	48,313	73,881	28,986	210,189
Social contribution	2,014	3,232	5,712	12,045	17,395	22,308	-	60,692
	7,608	12,203	22,226	45,569	65,708	96,189	28,986	270,881

Amounts not recorded:

EXPECTATION OF REALIZATION	FROM 2009 TO 2011	
	PARENT COMPANY	CONSOLIDATED
Income tax	85,091	118,845
Social contribution	32,974	43,927
	118,065	162,772

Based on an opinion issued in September 2002 by SRF (COSIT Opinion 26/02) and decisions of the 1st, 2nd and 6th Federal Revenue Regional Superintendencies (SRF), the subsidiary Enersul 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 in respect of 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.

LIABILITY	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
Income tax	29,755	31,931	53,120	58,449
Social contribution	12,415	13,942	20,788	23,489
PIS	-	-	1,861	1,463
COFINS	-	-	8,706	6,746
	42,170	45,873	84,475	90,147
Current liabilities	-	-	(24,779)	(29,470)
Long-term liabilities	42,170	45,873	59,696	60,677

9. ASSOCIATED COMPANIES, SUBSIDIARIES AND PARENT COMPANIES

RELATED PARTY	PARENT COMPANY					
	ASSETS		LIABILITIES		RESULTS	
	OTHER RECEIVABLES		OTHER PAYABLES		ELECTRIC ENERGY FOR RESALE	
	06/04	03/04	06/04	03/04	06/04	03/04
MAGISTRA	50	5	-	-	-	-
ENERSUL	750	809	103	50	-	-
ESCELSAPAR	68	7	95	-	-	-
CESA	621	1,295	-	-	1,420	710
ENETRADE	-	-	-	-	41,756	19,571
OTHER	523	533	-	-	-	-
	2,012	2,649	198	50	43,176	20,281

RELATED PARTY	CONSOLIDATED			
	ASSETS		RESULTS	
	LOANS AND FINANCING		ELECTRIC ENERGY FOR RESALE	
	06/04	03/04	06/04	03/04
ESC 90	79,321	77,286	-	-
ENETRADE	-	-	76,985	39,479
OTHER	322	427	-	-
	79,643	77,713	76,985	39,479

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

On December 23, 2002, ESCELSA and its indirect subsidiary ENERSUL signed with ENERTRADE – Comercializadora de Energia S.A. an agreement for the purchase and sale 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 price in the Southeast region auctions for six-year agreements.

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

- 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 5th and 6th subclauses, of clause 7 of the Concession Agreement.
- b) ESCELSA: (i) no market price references concerning long-term agreements besides the marginal cost of expansion; (ii) the equivalence of contracted price with VN, which is lower than the marginal cost of expansion, 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 understanding to recognize R\$ 79.48/MWh with the base date of March 2003 and R\$ 74.79/MWh with the base date of December 2002, for each of the companies.

ENERTRADE submitted the issue to the Judiciary, obtaining a favorable decision in Bill of Review 2004.01.00.007.806-5/DF, which determined the annulment of the effects of Letters 1769/03 and 1779/03-SFF/ANEEL and approved the agreements for all legal purposes, until a definite pronouncement of the Judiciary. This decision was the 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 that Agency.

On May 21, 2004, in the Periodical Tariff Review process, ESCELSA, through letter CT-PR – 18/04, reiterated the request to repass to the tariffs the contract amounts, signed on December 23, 2002 with ENERTRADE, based on the decision of the judiciary power which determined that ANEEL approve the mentioned contract.

In the first half of 2004, the price differences in question amounted to R\$ 6,233 thousand for ESCELSA and R\$ 4,220 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 unfavorable decisions.

CESA

ESCELSA has an agreement for the purchase and sale of electric energy, effective as 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, effective as from February 25, 2003, already recognized in the tariff approved by ANEEL.

COSTA RICA ENERGÉTICA S.A.

The subsidiary ENERSUL has an agreement for the purchase and sale of electric energy with Costa Rica, recognized by ANEEL, effective as 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 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:

- 1º) Interest: Long-term Interest rate (TJLP) + 4% p.a.;
Maturity: November 2004;
Balance: R\$ 6,613 (R\$ 6,399 on March 31, 2004)
- 2º) Interest: 100% of Interbank Deposit Certificate (CDI);
Maturity: various up to the end of 2004;
Balance: R\$ 72,708 (R\$ 70,887 on March 31, 2004)

The financial income of MAGISTRA from the related company ESC90 of R\$ 5,597 (R\$ 7,392 – consolidated at June 30, 2003), is recorded 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 parties under terms or conditions more/less favorable than would be exercised with third parties.

10. OTHER RECEIVABLES - UTE CAMPO GRANDE

	CONSOLIDATED	
	06/04	03/04
At the beginning of the quarter	49,446	49,116
Payments	845	1,218
Adjustment to market value	(4,541)	(888)
At the end of the quarter	45,750	49,446

As a result of 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	
	06/04	03/04	06/04	03/04
Equity investments:				
Stated on the equity method:				
MAGISTRA PARTICIPAÇÕES S.A.....	916,845	921,158	-	-
TV A CABO VITORIA - TVIX S.A.....	(315)	(275)	-	-
ESCELSA PARTICIPAÇÕES S.A. - ESCELSAPAR.....	473	799	-	-
	917,003	921,682	-	-
Goodwill on investments purchased:				
Goodwill	-	-	393,618	393,618
Amortization.....	-	-	(41,496)	(37,881)
	-	-	352,122	355,737
Other investments , studies and projects	2,593	2,590	2,653	2,652
TOTAL	919,596	924,272	354,775	358,389

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	
	06/04	03/04	06/04	03/04	06/04	03/04
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
Shareholders' equity	916,845	921,158	(321)	(280)	473	799
Results for the year	20,062	17,442	(75)	(35)	(865)	(539)
Investment value	916,845	921,158	(315)	(275)	473	799
Equity in the results	20,062	17,442	(75)	(34)	(865)	(539)

12. PROPERTY AND EQUIPMENT

	PARENT COMPANY		Annual average rates of depreciation	CONSOLIDATED	
	06/04	03/04		06/04	03/04
IN SERVICE:					
Generation.....	106,323	106,310	2.40%	257,694	203,778
Transmission.....	15,492	15,495	2.94%	15,492	15,495
Distribution.....	1,091,521	1,081,130	4.30%	2,078,285	2,053,034
Selling.....	4,301	4,301	8.74%	7,971	7,863
Administration.....	132,610	128,873	8.18%	265,794	261,813
	1,350,247	1,336,109	4.52%	2,625,236	2,541,983
(-) DEPRECIATION					
Generation.....	(66,548)	(65,927)		(112,235)	(110,090)
Transmission.....	(7,496)	(7,392)		(7,496)	(7,392)
Distribution.....	(445,089)	(435,536)		(843,733)	(824,057)
Selling.....	(3,147)	(3,060)		(4,105)	(3,931)
Administration.....	(69,262)	(67,625)		(132,251)	(128,552)
	(591,542)	(579,540)		(1,099,820)	(1,074,022)
	758,705	756,569		1,525,416	1,467,961
IN PROGRESS:					
Generation.....	4,034	3,841		60,792	108,870
Transmission.....	3,792	3,395		3,792	3,395
Distribution.....	80,147	79,145		120,724	117,010
Selling.....	-	-		8	163
Administration.....	4,085	7,778		8,560	11,628
	92,058	94,159		193,876	241,066
TOTAL	850,763	850,728		1,719,292	1,709,027
Obligations related to the concession..	(106,788)	(105,782)		(216,275)	(211,562)
	743,975	744,946		1,503,017	1,497,465

Obligations related to the concession are as follows:

	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
Consumer contributions.....	75,735	74,730	108,336	106,255
Donations and subsidies.....	25,795	25,795	76,304	73,673
Federal participation.....	5,258	5,257	31,635	31,634
TOTAL	106,788	105,782	216,275	211,562

The obligations related to the concession of the public service of electric energy 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 reduction of property and equipment.

13. SUPPLIERS

	PARENT COMPANY		CONSOLIDATED		
	CURRENT	06/04	03/04	06/04	03/04
Electric Energy supply:					
FURNAS.....		21,485	23,004	21,485	23,004
ITAIPU.....		28,507	26,475	40,194	37,282
ENERTRADE.....		8,751	8,825	13,770	17,692
TRACTEBEL.....		-	-	7,703	8,370
ELETROSUL.....		-	-	1,605	1,381
ONS,MAE and ASMAE.....		9,824	10,124	10,127	13,851
Free energy.....		12,765	22,095	22,929	33,972
Other.....		320	327	10,745	4,585
		81,652	90,850	128,558	140,137
Material and service providers.....		11,877	8,926	22,843	20,484
TOTAL		93,529	99,776	151,401	160,621
	LONG-TERM				
Energy supply:					
Free energy.....		60,055	55,362	80,565	78,553
		60,055	55,362	80,565	78,553

14. LOANS AND FINANCING

PARENT COMPANY									
DESCRIPTION	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		06/04			03/04		
		TYP E (*)	PERIOD	Charges	Current	Long-term	Charges	Current	Long-term
Local currency:									
Brazilian Electricity Company (ELETROBRAS)	5.0%- 7.0%	M	05/99 to 08/07	-	1,948	3,613	-	2,017	4,017
National Economic Development Bank (BNDES)	TJLP + 3.8%	M	11/99 to 10/10	401	40,470	63,713	462	39,108	73,438
BNDES-Perdas Rac.	SELIC+1.0%	M	03/02 to 01/06	528	50,069	126,592	618	39,541	127,971
Banco Pactual	CDI+1.85%	M	12/03 to 12/04	-	34,141	-	-	58,685	-
Banco Pactual	CDI+1.75%	M	02/04 to 02/05	-	11,444	-	-	14,098	-
Banco do Brasil	115%CDI	U	05/04	-	-	-	-	15,000	-
BRDESCO	110%CDI	U	06/04	-	-	-	-	8,207	-
ItaúBBA	CDI+1.75%	M	01/04 to 03/05	-	16,028	-	-	15,454	-
ItaúBBA	CDI+1.75%	M	01/04 to 02/05	-	26,757	-	-	25,802	-
				929	180,857	193,918	1,080	217,912	205,426
Foreign currency:									
BNDES	UMBNDDES + 3.5%	M	09/01 to 10/10	171	12,285	13,215	183	11,438	15,407
Senior Notes	10.0%	U	07/07	61,380	-	1,339,202	26,114	-	1,253,485
				61,551	12,285	1,352,417	26,297	11,438	1,268,892
TOTAL				62,480	193,142	1,546,335	27,377	229,350	1,474,318

CONSOLIDATED									
DESCRIPTION	AVERAGE ANNUAL INTEREST RATE	AMORTIZATION		06/04			03/04		
		TYPE (*)	PERIOD	Charges	Current	Long-term	Charges	Current	Long-term
Local currency:									
ELETROBRAS - ESCELSA	5.0%- 7.0%	M	05/99 to 07/07	-	1,948	3,613	-	2,017	4,017
ELETROBRAS - ENERSUL	6.0%- 12.0%	M	12/97 to 05/22	170	12,433	33,209	315	13,621	35,109
BNDES - ESCELSA	TJLP + 3.8%	M	10/99 to 10/10	401	40,470	63,713	462	39,108	73,438
BNDES - MAGISTRA	TJLP + 4.0%	S	11/99 to 11/04	246	21,020	-	1,516	41,672	-
BNDES - ENERSUL	TJLP + 3.85%	M	09/01 to 02/08	200	13,968	37,250	157	13,846	40,386
BNDES - ENERSUL	TJLP + 4.00%	M	02/00 to 04/04	-	-	-	-	83	-
BNDES-Perdas Rac.	SELIC + 1.0%	M	02/02 to 06/06	880	62,780	198,010	1,027	40,782	175,070
BNDES-CVA.	SELIC + 1.0%	M	05/04 to 04/06	193	14,016	13,603	-	23,154	43,618
BNDES- ALFA	TJLP + 4.00%	M	10/01 to 09/07	94	5,859	17,574	99	3,871	19,356
BNDES- CESA	TJLP + 4.5%	M	07/04 to 07/12	135	4,058	28,398	143	3,016	29,156
BCO BRASIL - FCO	11.20%	M	11/04 to 11/13	572	1,944	28,056	569	1,111	28,889
BCO Pactual	CDI + 1.85%	M	12/03 to 12/04	-	34,141	-	-	58,685	-
BCO Pactual	CDI + 1.75%	M	02/04 to 02/05	-	11,444	-	-	14,098	-
BCO BRASIL	115%CDI	U	05/04	-	-	-	-	15,000	-
BRADESCO	110%CDI	U	06/04	-	-	-	-	8,207	-
ItaiBBA	CDI + 1.75%	M	01/04 to 03/05	-	16,028	-	-	15,454	-
ItaiBBA	CDI + 1.75%	M	01/04 to 02/05	-	26,757	-	-	25,802	-
BCO BRASIL	115%CDI	U	05/04	-	10,000	-	-	10,000	-
BCO HSBC	110%CDI	M	02/01 to 07/04	23	-	-	25	-	-
BCO SAFRA	115%CDI	M	05/04	27	10,000	-	27	10,000	-
FUNDAÇÃO ENERSUL	10%	M	07/98 to 11/13	112	3,458	15,534	116	3,206	16,187
OTHER	1.35%	M	05/00 to 06/09	-	-	1,225	-	-	1,183
TOTAL				3,053	290,324	440,185	4,456	342,733	466,409
Foreign currency:									
SENIOR NOTES	10.0%	U	07/07	61,380	-	1,339,202	26,114	-	1,253,485
BNDES	UMBNDDES+3.5%	M	09/01 to 10/10	171	12,285	13,215	183	11,438	15,407
BNDES- CESA	UMBNDDES	M	07/04 to 07/12	198	964	7,459	189	662	7,281
BNDES- ALFA	TJLP + 4.00%	M	11/04 to 10/07	140	1,395	4,881	128	822	5,096
BRADESCO (**)	6.50%- 6.90%	M	11/02 to 11/04	426	6,828	-	482	10,620	-
UNIBANCO (**)	2.40%to 5.0%	M	03/06	73	7,523	5,642	12	7,283	7,238
EUROPEAN INVEST BANK	LIBORtri + 4.0%- 5.0%	S	12/02 to 03/09	141	9,153	28,137	667	8,568	30,302
STN-DMLP	LIBORsem + 4.5%- 8.2%	S	10/96 to 04/24	406	3,461	37,777	869	3,238	36,979
BBA FMO (**)	8.90%	S	03/02 to 09/07	290	5,448	6,056	67	5,455	5,829
ITAÚ BBA(**)	4.0%	U	03/05	378	41,367	-	25	14,088	-
BRADESCO (**)	11.55%	M	12/03 to 11/05	559	7,743	3,226	306	7,662	5,108
				64,162	96,167	1,445,595	29,042	69,836	1,366,725
				67,215	386,491	1,885,780	33,498	412,569	1,833,134
Long-term charges									
BRADESCO (*)	11.55%	M	12/03 to 11/05	233	-	-	217	-	-
UNIBANCO (*)	2.40%to 5.0%	M	03/06	55	-	-	-	-	-
				288	-	-	217	-	-
				67,503	386,491	1,885,780	33,715	412,569	1,833,134

(*) principal amortization type

U = Single

M= Monthly

S = Half-yearly

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

14.1) The issuance of bonds abroad refers to the funding obtained through Senior Notes, in a 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 the 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 by 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:

	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
Local currency	374,775	423,338	730,509	809,142
Foreign currency.....	1,364,702	1,280,330	1,541,762	1,436,561
TOTAL	1,739,477	1,703,668	2,272,271	2,245,703

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

Currency / Indicators	06/04	06/03
US\$ x R\$.....	7.56%	-18.72%
IGP-M.....	6.78%	5.90%
Consumer Price Index (INPC).....	3.14%	7.84%
Long-term Interest Rate (TJLP).....	9.75%	12.00%
SELIC.....	7.60%	11.82%
Monetary Unit of BNDES (UMBNDDES).....	7.27%	-18.27%
Interbank Deposit Certificate (CDI).....	7.57%	11.78%

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
CURRENT						
2004.....	77,929	6,038	83,967	141,391	30,586	171,977
2005.....	102,928	6,247	109,175	148,933	65,581	214,514
	180,857	12,285	193,142	290,324	96,167	386,491
LONG-TERM						
2005.....	48,706	6,246	54,952	83,153	23,648	106,801
2006.....	75,309	4,580	79,889	134,761	23,484	158,245
2007.....	58,682	1,339,825	1,398,507	115,623	1,356,131	1,471,754
2008.....	4,106	623	4,729	49,023	9,146	58,169
2009.....	4,066	623	4,689	15,252	4,289	19,541
2010.....	3,048	521	3,569	14,234	3,568	17,802
2011.....	-	-	-	11,186	3,047	14,233
2012.....	-	-	-	8,099	2,080	10,179
2013.....	-	-	-	4,315	941	5,256
After 2013.....	-	-	-	4,539	19,261	23,800
	193,917	1,352,418	1,546,335	440,185	1,445,595	1,885,780
TOTAL	374,774	1,364,703	1,739,477	730,509	1,541,762	2,272,271

15. PROVISION FOR CONTINGENCIES

Contingency	CONSOLIDATED					
	06/04			03/04		
	Provision		Judicial deposit	Provision		Judicial deposit
	In the quarter	Accumulated		In the quarter	Accumulated	
Long-term:						
Labor.....	277	27,598	18,815	155	27,321	17,644
Civil.....	167	16,942	16,650	762	16,775	15,924
Tax.....	6,098	169,521	113,239	8,508	161,990	108,595
Total	6,542	214,061	148,704	9,425	206,086	142,163

Contingency	CONSOLIDATED					
	06/04			03/04		
	Provision		Judicial deposit	Provision		Judicial deposit
	In the quarter	Accumulated		In the quarter	Accumulated	
Long-term:						
Labor.....	277	27,598	18,815	155	27,321	17,644
Civil.....	167	16,942	16,650	762	16,775	15,924
Tax.....	6,098	169,521	113,239	8,508	161,990	108,595
Total	6,542	214,061	148,704	9,425	206,086	142,163

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 considered to be remote were provided for.

Furthermore, there are labor, civil and fiscal claims pending decision, in the total amount of R\$ 36,639 (R\$ 29,027 at March 31, 2004), for which the chances of a favorable outcome were considered to be possible and for which no provisions were recorded in 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 up.

At June 30, 2004, capital was represented by 4,550,833 nominative common shares, with no par value, held 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	201	15.21
TOTAL	4,550,833	205	100.00

Composition of reserves:

	06/04	03/04
CAPITAL RESERVE		
Interest on construction in progress	65,687	65,687
TOTAL	65,687	65,687
REVENUE RESERVES		
Legal	8,847	8,847
Retention of profits	126,061	126,061
TOTAL	134,908	134,908

17. CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY AND CONSOLIDATED

	CAPITAL	CAPITAL RESERVE	REVENUE RESERVES	RETAINED EARNINGS	FUNDS FOR CAPITAL INCREASE	TOTAL
AT MARCH 31, 2004	153,947	65,687	134,908	12,057	3,387	369,986
Loss for the quarter	-	-	-	(45,541)	-	(45,541)
AT JUNE 30, 2004	153,947	65,687	134,908	(33,484)	3,387	324,445

18. COST OF ASSETS AND/OR SERVICES AND OPERATING EXPENSES

PARENT COMPANY							
DESCRIPTION	COST OF SERVICE			OPERATING EXPENSES		TOTAL	
	WITH	OPERATION	OTHER OPERATING EXPENSES	GENERAL AND		06/04	06/03
	ELECTRIC ENERGY			SELLING	ADMINISTRATIVE.		
Electric energy purchased for resale	216,952	-	-	-	-	216,952	204,002
Charges for the use of transmission and distribution system	48,893	-	-	-	-	48,893	40,849
Personnel and management	-	24,920	-	99	10,685	35,704	32,420
Pension plan	-	967	-	-	495	1,462	823
Material	-	2,519	-	-	2,288	4,807	3,603
Third-party services	-	14,839	-	1	4,186	19,026	15,181
Depreciation and amortization	-	25,032	1	-	5,234	30,267	29,332
Allowance for doubtful accounts	-	5,949	-	-	-	5,949	9,038
Provisions for contingencies	-	-	-	-	3,854	3,854	14,001
CDE	-	-	13,744	-	-	13,744	-
CCC	-	-	21,387	-	-	21,387	21,070
Other	-	3,134	5,798	82	3,356	12,370	13,935
TOTAL	265,845	77,360	40,930	182	30,098	414,415	384,254

CONSOLIDATED							
DESCRIPTION	COST OF SERVICE			EXPENSES		TOTAL	
	WITH	OPERATION	OTHER OPERATING EXPENSES	GENERAL AND		06/04	06/03
	ELECTRIC ENERGY			SELLING	ADMINISTRATIVE.		
Electric energy purchased for resale	330,351	-	-	-	-	330,351	297,288
Charges for the use of transmission and distribution system	75,834	-	-	-	-	75,834	61,726
Personnel and management	-	44,812	826	99	19,713	65,450	58,144
Pension plan	-	1,601	-	-	749	2,350	1,535
Material	-	4,739	11	-	4,341	9,091	7,713
Third-party services	-	26,799	186	1	7,554	34,540	30,520
Raw materials/inputs for electric energy generation	-	1,916	-	-	-	1,916	2,033
Depreciation and amortization	-	48,936	7,764	-	10,130	66,830	58,144
Provisions	-	10,415	-	-	-	10,415	13,006
Provisions for contingencies	-	-	1,454	-	5,340	6,794	19,877
CDE	-	-	21,417	-	-	21,417	-
CCC	-	-	32,020	-	-	32,020	32,916
Other	-	6,284	7,802	130	5,177	19,393	22,130
TOTAL	406,185	145,502	71,480	230	53,004	676,401	605,032

19. INCOME TAX AND SOCIAL CONTRIBUTION

	PARENT COMPANY				CONSOLIDATED			
	06/04		06/03		06/04		06/03	
	IR	C S	IR	C S	IR	C S	IR	C S
Net income (loss) before income tax and social contribution.....	(52,317)	(52,317)	286,675	286,675	(21,284)	(21,284)	300,231	300,231
Tax rate.....	25%	9%	25%	9%	25%	9%	25%	9%
	(13,079)	(4,709)	71,669	25,801	(5,321)	(1,916)	75,058	27,021
ADDITIONS (EXCLUSIONS).....								
Equity in the results.....	(19,122)	(19,122)	(3,787)	(3,787)	(19,122)	(19,122)	(3,787)	(3,787)
Interest on constructions.....	-	-	-	-	-	-	860	860
Other additions.....	17,813	11,126	25,222	20,409	23,128	38,444	59,648	52,566
	(1,304)	(7,996)	21,435	16,622	4,006	19,322	56,721	49,639
Tax rate.....	25%	9%	25%	9%	25%	9%	25%	9%
	(326)	(720)	5,359	1,496	1,002	1,739	14,180	4,468
Unrecorded tax credits	-	-	-	(910)	-	-	-	(910)
Effect on results	(13,405)	(5,428)	77,028	26,387	(4,320)	(177)	89,238	30,578

20. PENSION PLAN

The Company is the sponsor of FUNDAÇÃO ESCELSA DE SEGURIDADE SOCIAL – ESCELSOS, a nonprofit organization, the main purpose of which 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
Active participants	30	1,369	1,399
Assisted participants:			
Retirees	622	147	769
Pension beneficiaries	113	8	121
	735	155	890
Total	765	1,524	2,289

As sponsor, ESCELSA contributes with a monthly amount proportional to the contribution of the participants in the ESCELSOS Foundation, in accordance with that established in each plan, limited to 7% of the total payroll. Up to the second quarter of 2004, ESCELSA contributed R\$ 1,462 (R\$ 1,281 in 2003).

As established in 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 (Accounts Procedure Rule) 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:

	<u>CONSOLIDATED</u>
Present value of actuarial obligations not covered.....	(53,575)
Net unrecognized losses.....	19,751
Liabilities recognized on December 31, 2003.....	<u>(33,824)</u>
Realized during the period.....	1,481
Liabilities recognized on June 30, 2004.....	<u>(32,343)</u>
Current.....	<u>2,090</u>
Long-term.....	<u><u>(30,253)</u></u>

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 appropriated annually, 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 fully or partially covered actuarial obligations, which, at December 31, 2003, amounted 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 (Unaudited)

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

RISKS	VALIDITY	INSURED AMOUNT	PREMIUM AMOUNT
Specific equipment	06/24/2004 to 06/23/2005	283,823	265
Third-party liability	06/24/004 to 06/23/2005	4,770	76

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 policy 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 comprises the distribution and sale of electric energy to 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 values.
- Investments in short-term mutual funds and/or fixed income investments are recorded at approximate market values 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 and financing 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:

	PARENT COMPANY		CONSOLIDATED	
	06/04	03/04	06/04	03/04
Marketable securities	201,974	195,035	201,974	195,035
Long-term loans and financing	1,352,417	1,268,892	1,445,595	1,366,725

A portion of the loans and financing in local currency is comprised of financing from the 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 the fact that there are no other financing sources or 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 obtained (in U.S. dollars), 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		MARKET VALUE	
	06/04	03/04	06/04	³ / ₄
Senior Notes	1,339,202	1,253,485	1,276,183	1,240,950
US Dollar assets	(201,974)	(195,035)	(221,038)	(221,454)
Net exposure	1,137,228	1,058,450	1,055,145	1,019,496.

The method used to determine the fair value of the Senior Notes obligation was the average market price, as of June 30, 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 equivalent 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\$ 3,660, as follows:

FINANCIAL INSTITUTION	DATE		INITIAL AMOUNT	PARAMETERS (RATES %)		(Losses)
	OPERATION	MATURITY		BANKS	ESCELSA	
ITAÚ/BBA	7/10/2003	7/14/2004	24,112	Exchange variation + 3,51	100% CDI	(1,484)
ITAÚ/BBA	7/29/2003	7/14/2004	11,054	Exchange variation + 4,51	100% CDI	(662)
PACTUAL	7/18/2003	7/14/2004	31,664	Exchange variation + 1,71	100% CDI	(1,514)
						(3,660)

In the consolidated information, 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 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 changes of indices, 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\$ 173, recognized in the financial statements, in monetary variations.

At June 30, 2004, the position of this debt was as follows:

LIABILITIES	AMOUNT		UNREALIZED LOSSES
	BOOK VALUE	SWAP	
Loans and financing	85,674	85,847	173

In the consolidated information, foreign currency debt totals R\$ 83,833, 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 similar 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.

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 if a customer fails to make payment within the parameters and 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. PROGRAMA NACIONAL DE UNIVERSALIZAÇÃO

Through Decree 4873/03, the Federal government created the Programa Nacional de Universalização – Luz para Todos (National Program of Universalization – Electricity for All) 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), presented an outline of its project for the national electric sector reform, especially as it relates to the institutional model, culminating with issue of 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 the 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 sales, with emphasis on: (i) offer 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 regulamentation 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 – CORPORATE RESTRUCTURING

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

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, collectively referred to as the "Companies"), under the terms and for CVM Instruction 358/02 purposes, publicly inform that, on this date, they filed with the Brazilian Electricity Regulatory Agency ("ANEEL") a request for prior approval of the corporate reorganization (the "Reorganization"), the main objective of which 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 the prior approval of ANEEL, 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 prior approval of ANEEL, the Reorganization is expected to be implemented and concluded in the second six-month period of 2004, when a significant event notice will be published for CVM Instruction 319/99 purposes.

Report of Independent Accountants on Limited Reviews

To the Board of Directors and Stockholders
Espírito Santo Centrais Elétricas S.A.

- 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 quarters and six-month periods ended June 30, 2004 and March 31, 2004 and June 30, 2003. 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 quarter ended June 30, 2003. This information was reviewed by other independent accountants, who issued an unqualified report thereon dated July 17, 2003.
- 5 As mentioned in Note 4.1, the Quarterly Information (ITR) of Espírito Santo Centrais Elétricas S.A. - ESCELSA and of Espírito Santo Centrais Elétricas S.A. - ESCELSA and its subsidiaries includes amounts for electric energy traded in the Wholesale Energy Market (MAE), with a balance payable by the parent company of R\$ 309 thousand at June 30, 2004 (R\$ 722 thousand at March 31, 2004), and a balance receivable in the consolidated quarterly information of R\$ 2,824 thousand at June 30, 2004 (R\$ 2,072 thousand at March 31, 2004), respectively, which were recorded based on amounts informed by MAE. The liquidation of these amounts is dependent on the receipts from companies which did not effect net financial settlement as determined by ANEEL and the conclusion of the judicial discussion about the interpretation of market rules, which will define the amounts involved.

Vitória, July 16, 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