

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of August, 2002

Energy Company of Espírito Santo
(Translation of registrant's name into English)

Espírito Santo Centrais Elétricas S.A.—ESCELSA
Rua Sete de Setembro, 362
29015-000
Vitória, Espírito Santo
Brazil
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Current Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Espírito Santo Centrais Elétricas S.A.—ECELISA

Dated: August 22, 2002

By: /s/ Sérgio Pereira Pires
Name: Sérgio Pereira Pires
Title: Chief Financial Officer

EXHIBIT INDEX

1. One copy of the Company's Report of Independent Public Accountants on Limited Review Quarterly Report – ITR dated June 30, 2002.

EXHIBIT I



ACCOUNTANTS' REVIEW REPORT

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

1. We have performed a special review of the Quarterly Information (ITR) of Espírito Santo Centrais Elétricas S.A. – ESCELSA and subsidiaries (parent company and consolidated) for the quarter and the semester ended June 30, 2002, prepared under the responsibility of the Company's management, in accordance with accounting practices established by the Brazilian Corporate Law, comprising the balance sheets, the related statements of income and the reports on performance.
2. Our review was performed in accordance with standards established by the Brazilian Institute of Independent Auditors – IBRACON, in conjunction with the Federal Accounting Council, and consisted principally of: (a) inquiries and discussions with the Company's management responsible for the accounting, financial and operational areas of the Company and its subsidiaries, as to the criteria adopted in preparing Quarterly Information; and (b) a review of the information and subsequent events that had or could have material effects on the financial position and results of operations of the Company and its subsidiaries.
3. Based on our review, we are not aware of any material modifications that should be made to the Quarterly Information referred to in paragraph 1 in order for it to be in accordance with the accounting practices established by the Brazilian Corporate Law and the standards issued by the Brazilian Securities and Exchange Commission specifically applicable to the preparation of Quarterly Information.
4. Previously, we reviewed the balance sheets (parent company and consolidated) related to March 31, 2002, and issued our accountants' review report dated May 14, 2002, containing an emphasis paragraph related to the matter mentioned in paragraph 5. The statements of income (parent company and consolidated) for the quarter and the semester ended June 30, 2001, presented for comparative purposes, were reviewed by other independent auditors, who issued their accountants' review report thereon dated July 27, 2001 containing an emphasis paragraph related to the assets and liabilities relating to the sales and purchases of electric power in the Electric Power Wholesale Market (MAE), which amounts were recorded based on preliminary information released by the Electric Power Wholesale Market Services Administrator - ASMAE.
5. On December 21, 2000 Provisional Measure (Executive Order) n°. 14 was issued, and converted into Federal Law n°. 10.438 on April 26, 2002, providing, amongst other matters, for the reestablishment of the financial-economic equilibrium of the electric power distribution companies, as guaranteed in the concession agreements. The detailed information and the effects of this Law on the financial position and the results of the operations are disclosed in Notes 5 and 7 to the quarterly information. The amounts of this recovery will be realized through extraordinary tariff increases. These amounts are in process of approval by the National Electric Energy Agency – ANEEL.
6. As mentioned in Notes 5 and 12 to the quarterly information, the Company has recorded, as of June 30, 2002, in current assets, accounts receivable in the amount of R\$37,288 thousand (R\$65,016 thousand consolidated) and, in current liabilities, accounts payable in the amount of R\$22,794 thousand (R\$35,073 thousand consolidated), relating to electric power sales and purchases operations conducted in the Electric Power Wholesale Market - MAE, based on preliminary information released by MAE and/or based on management estimates. These amounts, related to the period from September 1, 2000 to June 30, 2002, are pending of approval from MAE and subsequent settlement.

DELOITTE TOUCHE TOHMATSU
August 14, 2002



(Convenience Translation into English from the Original Previously Issued in Portuguese)

SECOND QUARTER 2002 HIGHLIGHTS

Electric energy sales in the first half of 2002 totaled 3,058,198 MWh, 11.5% lower than the 3,460,819 MWh sold in the same period in 2001. This decrease demonstrates that even with the end energy rationing in Brazil, consumption levels are recovering slowly, mainly among residential customers that adopted new usage habits that effectively reduced consumption

As per the General Agreement for the Electric Energy Sector as well as criteria established in ANEEL Resolutions 031 and 078 of 01/24/2002 and 02/07/2002, respectively, ESCELSA recognized revenue of R\$ 209,640 thousand related to 2001 and R\$ 25,921 thousand related to 2002 – a total of R\$ 235,561 thousand - as extraordinary tariff adjustments (Regulatory Asset). These amounts are subject to approval by ANEEL, which is expected by August 31, 2002.

Based on newly available information, ESCELSA recalculated losses incurred during rationing, resulting in a cross-entry to revert operating revenue of R\$33,218 thousand. The regulatory asset position on June 30, 2002 was follows:

	Operating Revenue	Financial Revenue	PIS AND COFINS TAXES	Current and Non-current asset recognition
Losses recognized on 12/31/2001	209,640		2,980	212,620
Losses in January and February 2002	25,921			25,921
Indexation by SELIC		10,858		10,858
Adjustment to losses	(33,218)			(33,218)
Recovered by rate adjustments				(22,470)
Pis and Cofins taxes			357	357
TOTAL	202,343	10,858	3,337	194,068

ESCELSA' s NUMBERS

	PARENT COMPANY		CONSOLIDATED	
	First Half			
	2002	2001	2002	2001
FINANCIAL INFORMATION (thousands of reais)				
Gross operating revenues	521,267	489,617	776,263	750,654
Net operating revenues	371,345	351,582	566,826	553,817
Operating income	24,900	10,764	28,294	31,714
Loss for the period	(174,368)	(92,225)	(174,368)	(92,225)
EBITDA	53,243	38,252	88,206	84,806
Adjusted EBITDA (2)	114,207	113,129	180,361	171,726
Total assets	2,633,001	2,513,403	3,561,715	2,941,420
Shareholders' equity	559,437	683,693		
Number of shares	4,550,833	4,550,833		
Book value per thousand shares (in Reais)	122.93	150,23		
Common stock price per thousand shares at half -year end (in Reais)	72.89	94.97		
Market capitalization	331,710	432,193		
INDICATORS				
Operating margin (%)	6.71	3.06	4.99	5.73
EBITDA margin (%)	14.34	10.88	15.56	15.31
Energy losses (%) (1)	11.71	9.59		
DEC - Equivalent outage duration per customer (hours)(*) (1)	14.99	14.57		
FEC- Equivalent outage frequency per customer (times)(*) (1)	11.23	12.17		
TMA - Average service response time(minutes)(*) (1)	109	108		
Number of customers per employee(*)	678	603	634	576
MARKET				
Maximum demand - MWh/h(*)	1,077.5	1,138.1		
Energy sales - MWh(*)	3,058,198	3,456,347	4,409,683	4,943,438
Number of customers(*)	939,961	878,574	1,528,457	1,429,093
Average tariff to final customers - R\$/MWh(*) (3)	132.97	108.41		
Average cost of energy bought – R\$/MWh(*) (3)	78.25	66.79		
HUMAN RESOURCES				
Number of employees(*)	1,386	1,456	2,410	2,515
Number of trainees(*)	87	85	108	108
Personnel expenses (thousands of reais)	29,699	31,595	54,269	54,123
Notes:				
(1) Period of 12 months				
(2) Ebitda + Financial revenues + Non-operating income (losses)				
(3) Period of 6 months				

(*) Non revised by Independent Accountants

MARKET PERFORMANCE
ENERGY REQUIREMENTS

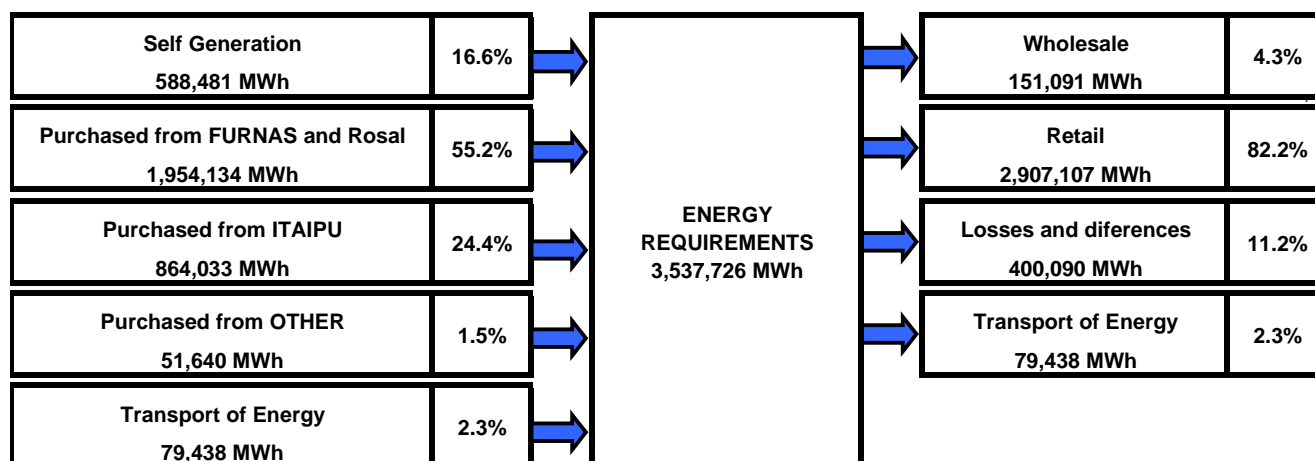
Energy required for the first half of 2002 totaled 3,537,726 MWh, representing a decrease of 7.0% when compared to 3,805,237 MWh in the same period last year.

In order to satisfy market demand, the Company generated 588,481 MWh and purchased 1,954,134 MWh from Furnas and Rosal, 864,033 MWh from Itaipu and 51,640 from other companies. In addition, 79,438 MWh, generated by self-producers was transported on ESCELSA's system.

The maximum demand during the first half of 2002 was 1,077.5 MWh/h, compared to 1,138.1 MWh/h in the same period last year

Sources (*)

Uses(*)



(*) Not reviewed by independent auditors

ENERGY SOLD

Energy sold totaled 3,058,198 MWh during the first half of 2002, representing a decrease of 11.5% when compared 3,460,819 MWh in the same period last year.

The reduction in sales was a result of the Energy Rationing Plan, implemented on June 4, 2001, which caused a reduction in sales in all consumer segments, particularly in the residential segment.

Energy sales per consumer segment was as follows (not reviewed by independent auditors):

	MWh					
	PARENT COMPANY			CONSOLIDATED		
	First Half		% Change	First Half		% Change
	2002	2001		2002	2001	
Retail:						
Residential	574,031	733,424	(21.7)	1,001,615	1,240,230	(19.2)
Industrial	1,533,620	1,651,913	(7.2)	1,857,634	1,967,589	(5.6)
Commercial	421,911	462,154	(8.7)	685,516	761,631	(10.0)
Rural	150,010	199,753	(24.9)	285,983	337,065	(15.2)
Other	227,535	253,865	(10.4)	415,183	469,322	(11.5)
	2,907,107	3,301,109	(11.9)	4,245,931	4,775,837	(11.1)
Wholesale	151,091	155,238	(2.7)	163,752	167,601	(2.3)
TOTAL	3,058,198	3,456,347	(11.5)	4,409,683	4,943,438	(10.8)

CUSTOMER PROFILES

The customer breakdown in terms of sales volume and revenue changed significantly among the residential and industrial segments, due mainly to the effects of rationing.

In calculating the breakdown of energy sold, the impacts from the regulatory asset and short-term sales were not considered.

	PARENT COMPANY			
	First Half of 2002		First Half of 2001	
	As a % of Sales Volume	As a % of Revenues	As a % of Sales Volume	As a % of Revenues
Retail:				
Residential	18.77	32.37	21.19	36.32
Industrial	50.15	36.01	47.73	33.45
Commercial	13.80	18.41	13.35	17.17
Rural	4.91	3.96	5.77	4.51
Other	7.44	7.05	7.34	6.67
	95.06	97.81	95.39	98.12
Wholesale	4.94	2.19	4.61	1.88
Total	100.00	100.00	100.00	100.00

(*) Not reviewed by independent auditors

NUMBER OF CUSTOMERS

The number of customers on June 30, 2002 totaled 939,961, an increase of 7.0% compared to the same period last year.(*)

During the first six months of 2002, 17,382 customers were connected.

	PARENT COMPANY			CONSOLIDATED		
	June 30.		% Change	June 30.		% Change
	2002	2001		2002	2001	
Retail:						
Residential	745,613	700,694	6.4	1,229,147	1,156,117	6.3
Industrial	11,035	10,581	4.3	15,727	15,214	3.4
Commercial	83,298	76,698	8.6	134,904	124,842	8.1
Rural	91,057	82,057	11.0	133,449	118,381	12.7
Other	8,956	8,542	4.8	15,225	14,534	4.8
	939,959	878,572	7.0	1,528,452	1,429,088	7.0
Wholesale	2	2	-	5	5	-
Total (*)	939,961	878,574	7.0	1,528,457	1,429,093	7.0

(*) Not reviewed by independent auditors

AVERAGE TARIFF

The average tariff charged to retail customers in June 2002 was R\$ 128.92/MWh, while the wholesale rate to other distributors was R\$ 69.24/MWh, resulting in an overall average tariff of R\$ 126.09/MWh, an increase of 14.9%, compared to the same period last year

The average tariffs per segment are as follows: (*)

	R\$/MWh					
	PARENT COMPANY					
	JUN-2002	JUN-2001	% Change	1H 2002	1H 2001	% Change
Retail:						
Residential	206.35	181.59	13.6	216.67	181.38	19.5
Industrial	91.87	78.10	17.6	91.97	72.89	26.5
Commercial	172.85	135.56	27.5	171.08	134.62	27.1
Rural	128.97	106.16	21.5	128.88	103.80	24.2
Other	129.74	103.44	25.4	129.69	102.05	27.1
	128.92	110.55	16.6	132.97	108.41	22.7
Wholesale	69.24	60.99	13.5	67.47	62.45	8.0
Average Tariff (*)	126.09	109.75	14.9	129.73	108.03	20.1

(*) Not reviewed by independent auditors.

QUALITY OF SERVICE RENDERED

The main indicators used by the energy sector to measure the quality of service rendered showed the following performance:

Average Service Response Time – TMA is an indicator that measures the average time between a complaint of interruption in energy and the re-establishment.

For the 12-month period ended June 30, 2002, TMA was 109 (*) minutes compared to 108(*) minutes for the same period in the previous year, an increase of 1.0%(*).

Equivalent Outage Duration per Customer – DEC measures the average number of hours that each customer remains without the supply of energy.

For the 12-month period ended June 30, 2002, DEC was 14.99(*) hours, compared to 14.57(*) hours in the previous year, an improvement of 2.9%(*).

Equivalent Outage Frequency per Customer - FEC indicates the average number of interruptions in energy service per customer.

For the period ended June 30, 2002, FEC was 11.23(*) compared to 12.17(*) for the same period the previous year, an improvement of 7.7%(*).

(*) Not reviewed by independent auditors.

ENERGY LOSSES

Energy losses increased from 9,59% in the twelve-month period ended June 30,2002 to 11,71% in the same period this year. This increasing is due to the energy rationing, as the reduction in sales was not necessarily followed by a reduction in energy losses, especially commercial losses. Since the end of the rationing (March, 2002) losses have been decreasing.

FINANCIAL PERFORMANCE

INCOME FROM OPERATIONS

Income from operations in the first half of 2002 totaled R\$ 24,900 thousand, compared of R\$ 10,764 thousand in the same period last year and resulted in an EBITDA of R\$ 53,243 thousand, equal to an EBITDA margin of 14.34%. The items that make up service income showed the following performance:

OPERATING REVENUES

Gross operating revenues in the first half of 2002 totaled R\$ 521,267 thousand, an increase of 6.5% when compared to the same period last year. The revenue from the retail sector was R\$ 480,787 thousand, an increase of 1.7% compared to the same period in 2001.

The increase in the wholesale revenue in the first half of 2002, compared to the same period last year was due to the short- term supply sales of excess energy.

The increase in other revenues is due to the new breakdown in revenues as per the new sector model, as well as to the growth in the utilization of the distribution system by customers.

Net operating revenues in the first quarter of 2002 totaled R\$371,345 thousand, 5.6% higher than the same period in 2001.

	thousands of reais			
	PARENT COMPANY		CONSOLIDATED	
	First Half			
	2002	2001	2002	2001
Retail:				
Residential	161,580	176,067	264,078	283,308
Industrial	179,755	162,128	221,748	197,163
Commercial	91,902	83,232	148,580	138,012
Rural	19,774	21,844	37,353	37,958
Other	35,201	32,319	62,631	59,418
Unbilled revenues	(128)	(3,089)	1,932	(3,810)
Regulatory assets	(7,297)	-	8,991	-
	480,787	472,501	745,313	712,049
Wholesale:				
Other distributors	10,951	9,128	12,835	12,065
Short-term	19,016	3,931	(1,236)	14,048
	29,967	13,059	11,599	26,113
Other revenues	10,513	4,057	19,351	12,492
Gross operating revenues	521,267	489,617	776,263	750,654
Operating revenues deductions	(149,922)	(138,035)	(209,437)	(196,837)
Net operating revenues	371,345	351,582	566,826	553,817

OPERATING COSTS

Operating costs including operating expenses plus RGR quotas increased from R\$ 349,109 thousand to R\$ 354.581 thousand, an increase of 1.6%.

Operating costs outside Company control such energy purchased, electric power transport, CCC, and RGR quotas decreased 0.5%, compared to the same period in 2001, due to the transfer to prepaid expenses items in the amount of R\$7,552 thousand.

Costs controlled by the Company such as personnel, material, third party services and other expenses increased from R\$ 59,169 thousand in the first half of 2001 to R\$ 65,060 thousand in the first half of 2002, or 10%. Depreciation increased 3.1%. The increase in controlled costs was also impacted by the change in criteria used to provision for doubtful accounts, energy conservation programs and customer services.

	thousands of reais		
	PARENT COMPANY		
	First Half		
	2002	2001	Change%
Company Controlled Costs			
Personnel	29,699	31,595	(6.0)
Material	3,210	3,768	(14.8)
Third party services	15,103	14,050	7.5
Other	17,048	9,756	74.7
	65,060	59,169	10.0
Depreciation	28,343	27,488	3.1
TOTAL COMPANY CONTROLLED COSTS	93,403	86,657	7.8
Outside Company Control			
Energy purchased	224,563	225,943	(0.6)
CCC	26,464	26,587	(0.5)
Financial compensation	1,388	799	73.7
ANEEL fiscal fee	627	832	(24.6)
RGR	8,136	8,291	(1.9)
TOTAL COSTS OUTSIDE COMPANY	261,178	262,452	(0.5)
GRAND TOTAL	354,581	349,109	1.6

ENERGY PURCHASED EXPENSES

Energy purchased expenses totalized R\$ 224,563 thousand in the first half of 2002, 0,6% lower than the same period last year.. The following table details energy purchased expenses.

	PARENT COMPANY CONSOLIDATED			
	First Half			
	2002	2001	2002	2001
From FURNAS and TRACTEBEL				
Expenses - thousands of reais	115,867	107,412	161,731	150,561
Volume - MWh(*)	1,777,692	2,317,266	2,807,770	3,375,589
Average cost - R\$/MWh(*)	65.18	46.35	57.60	44.60
WHEELING From ITAIPU				
Expenses - thousands of reais	2,931	2,646	4,135	3,721
Average cost - R\$/MWh(*)	3.39	3.07	3.40	3.08
WHEELING-OTHER				
Expenses - thousands of reais	27,535	34,608	45,320	54,807
Average cost - R\$/MWh(*)	15.49	14.93	16.14	16.24
From ITAIPU				
Expenses - thousands of reais	74,768	66,299	106,000	93,163
Volume - MWh(*)	864,033	860,834	1,215,985	1,207,327
Average cost - R\$/MWh(*)	86.53	77.02	87.17	77.16
From OTHER				
Expenses - thousands of reais	9,943	14,978	16,571	22,611
Volume - MWh(*)	228,082	204,639	287,453	265,510
Average cost - R\$/MWh(*)	43.59	73.19	57.65	85.16
SECTOR AGREEMENT AND PARCEL 'A'				
Expenses - thousands of reais	(6,481)	-	(12,281)	-
TOTAL				
Expenses - thousands of reais	224,563	225,943	321,476	324,863
Volume - MWh(*)	2,869,807	3,382,739	4,311,208	4,848,426
Average cost - R\$/MWh(*)	78.25	66.79	74.57	67.00

(*) Not reviewed by independent auditors.

NET FINANCIAL INCOME (EXPENSE)

The net financial result in the first half of 2002 was negative R\$ 259,087 thousand, while in the same period last year was negative R\$ 139,109 thousand. The difference in the second half is due mainly to the 22.6% devaluation of the Brazilian real against the U.S. dollar, which caused a significant increase in financial expenses on U.S. dollar denominated debt.

LOSS FOR THE PERIOD

This factors mentioned above contributed to the loss of R\$ 174,368 thousand in the first half of 2002.

**CASH AND EQUIVALENTS**

ESCELSA has funds deposited in banks or invested in financial instruments in the amount of R\$ 221,869 thousand for the Company and R\$ 222,955 thousand on a consolidated basis as shown below:

	PARENT COMPANY		CONSOLIDATED	
	June 30, 2002			
	thousands of reais	US\$ thousand	thousands of reais	US\$ thousand
Investments in Reais:				
Cash and bank	7,368	-	8,262	-
Banking Certificates of Deposits	-	-	13	-
Other	131	-	310	-
Total real denominated investments	7,499	-	8,585	-
Investments in Dollars:				
Currency Exchange Securities-NTN's and NBC's	214,370	75,366	214,370	75,366
Total Dollar denominated investments	214,370	75,366	214,370	75,366
Total cash and equivalents	221,869	75,366	222,955	75,366

US dollar = 2,8444 Real



BALANCE SHEETS

(In thousands of Brazilian reais)

(Convenience Translation into English from the Original Previously Issued in Portuguese)

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
ASSETS				
CURRENT ASSETS				
Cash and banks	7,368	8,060	8,262	10,482
Marketable securities	214,501	207,672	214,693	207,931
Accounts receivable	240,925	233,685	380,363	384,981
Other accounts receivable	19,278	11,517	34,313	21,115
Tax credits	43,451	42,550	57,827	56,255
Allowance for doubtful accounts	(19,998)	(19,086)	(30,124)	(29,921)
Material and supplies	3,735	4,031	7,112	6,989
Escrow deposits	39,382	39,382	39,382	39,382
Other credits	17,515	8,531	29,993	14,365
Prepaid expenses - CVA	26,843	5,226	31,730	10,643
Prepaid expenses - other	242	1,186	460	1,197
	593,242	542,754	774,011	723,419
LONG-TERM ASSETS				
Accounts receivable	186,478	210,452	268,576	303,762
Special tariff situation	46,609	46,596	71,826	71,778
Affiliates and subsidiaries	1,362	901	57,561	55,479
Funding costs	3,043	3,235	3,043	3,235
Escrow deposits	66,441	63,651	90,006	84,361
Tax credits	170,130	97,356	286,930	197,630
Other	3,262	3,372	14,804	12,355
Prepaid expenses	50,200	58,606	91,412	94,592
	527,525	484,169	884,158	823,192
PERMANENT ASSETS				
Investments	749,836	724,639	379,688	382,230
Property, plant and equipment, net	762,398	767,420	1,523,779	1,508,481
Deferred charges	-	-	79	79
	1,512,234	1,492,059	1,903,546	1,890,790
TOTAL ASSETS	2,633,001	2,518,982	3,561,715	3,437,401

See notes to financial statements



BALANCE SHEETS

(In thousands of Brazilian reais)

(Convenience Translation into English from the Original Previously Issued in Portuguese)

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Suppliers	111,164	119,824	157,126	165,268
Payroll	942	1,159	2,457	1,903
Accrued interest and fees	57,773	22,553	63,548	32,199
Consumers charges payable	5,938	6,818	9,621	10,609
Accrued taxes and social contributions	33,220	32,859	49,146	49,081
Dividends	21	21	105	4,048
Loans and financing	86,399	70,971	343,153	316,716
Post retirement benefits	2,420	2,420	2,420	2,420
Accrued obligations	9,163	6,549	17,638	13,138
Provision for contingencies	39,382	39,382	39,382	39,382
Variation of parcel A items	29,051	1,702	29,438	1,702
Other	12,360	11,035	14,736	12,462
	387,833	315,293	728,770	648,928
LONG-TERM LIABILITIES				
Suppliers	68,596	61,239	95,329	84,600
Deferred income tax	8,875	9,491	8,875	9,491
Special tariff situation	26,312	26,560	40,166	40,548
Accrued interest and fees	-	-	2,085	1,467
Loans and financing	1,392,854	1,171,032	1,715,917	1,488,642
Post retirement benefits	28,032	28,032	28,032	28,032
Provision for contingencies	117,964	114,148	148,785	142,612
Variation of parcel A items	1,833	1,216	3,769	1,216
Other	41,265	45,190	45,246	48,613
	1,685,731	1,456,908	2,088,204	1,845,221
	1,685,731	1,456,908	2,088,204	1,845,221
MINORITY INTEREST	-	-	185,304	196,471
SHAREHOLDERS' EQUITY				
Capital stock	153,947	153,947	153,947	153,947
Capital reserves	576,471	575,292	576,471	575,292
Income reserves	(174,368)	14,155	(174,368)	14,155
	556,050	743,394	556,050	743,394
Credits for capital increase	3,387	3,387	3,387	3,387
	559,437	746,781	559,437	746,781
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	2,633,001	2,518,982	3,561,715	3,437,401

See notes to financial statements



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

STATEMENTS OF INCOME

(In thousands of Brazilians reais, except income (loss) per share)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

	PARENT COMPANY		CONSOLIDATED	
	Six months ended June 30,			
	2002	2001	2002	2001
OPERATING REVENUES				
Electric power sales to final customers	480,787	472,501	745,313	712,049
Electric power sales to distributors	29,967	13,059	11,599	26,113
Other revenues	10,513	4,057	19,351	12,492
	521,267	489,617	776,263	750,654
Deductions from operating revenues				
Global reserve for reversion quota (RGR)	(8,136)	(8,291)	(13,842)	(13,915)
State VAT (ICMS)	(122,714)	(111,871)	(167,965)	(155,301)
PIS and COFINS	(19,033)	(17,871)	(27,328)	(27,432)
Other	(39)	(2)	(302)	(189)
	(149,922)	(138,035)	(209,437)	(196,837)
NET OPERATING REVENUES	371,345	351,582	566,826	553,817
OPERATING EXPENSES				
Personnel	(29,699)	(31,595)	(54,269)	(54,123)
Material	(3,210)	(3,768)	(7,664)	(7,974)
Services from third parties	(15,103)	(14,050)	(29,341)	(25,430)
Financial compensation for use of hydroelectric resources	(1,388)	(799)	(1,543)	(993)
Electric power purchased for resale	(194,172)	(188,689)	(272,728)	(266,335)
Transport of electricity capacity	(30,391)	(37,254)	(48,748)	(58,528)
Quota for fuel consumption – CCC	(26,464)	(26,587)	(38,167)	(38,018)
Depreciation and amortization	(28,343)	(27,488)	(59,912)	(53,092)
Provision for contingencies	(1,256)	-	(2,029)	1,210
Other	(16,419)	(10,588)	(24,131)	(18,820)
	(346,445)	(340,818)	(538,532)	(522,103)
INCOME FROM OPERATIONS	24,900	10,764	28,294	31,714
EQUITY IN SUBSIDIARIES	(14,452)	(5,687)	-	-
FINANCIAL REVENUES				
Income from temporary cash investments	33,653	68,199	39,822	68,322
Increase in overdue collections	4,770	4,074	7,224	6,309
Hedge	7,335	-	17,970	745
Selic-regulatory assets	13,766	-	23,131	-
Other	4,496	2,964	9,544	14,108
	64,020	75,237	97,691	89,484
FINANCIAL EXPENSES				
Monetary variation - electricity purchase	(3,874)	(3,107)	(5,002)	(4,294)
Monetary and exchange variation on loans and financing	(235,572)	(152,444)	(266,797)	(169,777)
Interest on loans and financing	(74,042)	(52,589)	(100,248)	(70,250)
Other	(9,619)	(6,206)	(12,863)	(9,685)
	(323,107)	(214,346)	(384,910)	(254,006)
FINANCIAL RESULTS	(259,087)	(139,109)	(287,219)	(164,522)
OPERATING PROFIT (LOSS)	(248,639)	(134,032)	(258,925)	(132,808)
NON-OPERATING REVENUES	263	2,433	512	2,886
NON-OPERATING EXPENSES	(3,319)	(2,793)	(5,303)	(5,450)
NON-OPERATING INCOME (LOSS), NET	(3,056)	(360)	(4,791)	(2,564)
INCOME (LOSS) BEFORE TAXES AND MINORITY INTEREST	(251,695)	(134,392)	(263,716)	(135,372)
Social contribution and income tax	77,327	42,167	84,675	42,832
INCOME (LOSS) BEFORE MINORITY INTEREST	(174,368)	(92,225)	(179,041)	(92,540)
MINORITY INTEREST	-	-	4,673	315
NET INCOME (LOSS) FOR THE PERIOD	(174,368)	(92,225)	(174,368)	(92,225)
Income (loss) per share - R\$	(38.31)	(20.26)	-	-

See notes to financial statements

STATEMENTS OF CASH FLOWS

(In thousands of Brazilian reais)

(Convenience Translation into English from the Original Previously Issued in Portuguese)

	PARENT COMPANY		CONSOLIDATED	
	Six months ended June 30,			
	2002	2001	2002	2001
From operations				
Net income (loss) for the period	(174,368)	(92,225)	(174,368)	(92,225)
Adjustments to reconcile net income (loss) to cash provided by operating activities:				
Long-term monetary and exchange variation	235,572	152,444	254,153	164,999
Equity in subsidiaries	14,452	5,687	-	-
Depreciation and amortization	28,343	27,488	59,912	53,092
Disposal of property, plant and equipment	2,330	2,074	5,070	4,125
Provision for contingencies	5,764	14,698	6,797	13,488
Rationing program - regulatory assets	(60)	-	(12,976)	-
Minority share in profit	-	-	(4,673)	(315)
Obligations adjustments	4,541	-	4,541	-
Tax credits	(75,712)	(42,168)	(83,130)	(42,928)
Remuneration of construction work in progress and other	-	-	(745)	(382)
	40,862	67,998	54,581	99,854
Changes in current assets and liabilities				
Accounts receivable	(36,339)	7,854	(35,199)	(5,265)
Other accounts receivable	6,498	(3,056)	(1,901)	(7,616)
Prepaid expenses	(20,960)	(92)	(23,580)	(92)
Other credits	(9,971)	(238)	(16,703)	1,422
Suppliers	(25,123)	40,815	(21,762)	48,311
Accrued taxes and social contributions	4,670	2,056	972	900
Accrued obligations	(3,194)	(4,077)	(2,938)	(3,928)
Consumers charges payable	(2,443)	(1,229)	(3,619)	(1,810)
Variation of Parcel A itens	28,825	-	29,212	-
Other	1,201	(4,782)	1,721	(5,778)
	(56,836)	37,251	(73,797)	26,144
Change in non-current assets and liabilities				
Accounts receivable	3,565	-	3,565	-
Escrow deposits	(5,346)	(7,263)	(8,575)	(10,102)
Special tariff situation	2,407	-	2,856	-
Affiliates and subsidiaries	891	(2,356)	(41,502)	(2,356)
Prepaid expenses	2,409	-	(5,410)	-
Suppliers	7,357	-	7,357	-
Other	5,929	8,436	7,313	5,602
	17,212	1,183	(34,396)	(6,856)
Net cash provided by (used in) operation activities	1,238	104,066	(53,612)	119,142
Investing activities				
Additions to property, plant and equipment	(22,828)	(27,794)	(87,240)	(77,286)
Additions to investments	(66,996)	3,113	(102)	1,685
Obligations related to the concession	1,868	2,856	1,950	3,820
Net cash used in investing activities	(87,956)	(21,825)	(85,392)	(71,781)
Financing activities				
Loans and financing	39,767	(11,215)	60,367	30,541
Accrued interest and fees	11,055	7,180	11,939	8,143
Dividends	-	(13,239)	(4,531)	(14,597)
Affiliates and subsidiaries	-	-	34,687	(3,323)
Net cash provided by (used in) financing activities	50,822	(17,274)	102,462	20,764
Net increase (decrease) in cash and equivalents	(35,896)	64,967	(36,542)	68,125
Cash and cash equivalents at the beginning of the year	257,765	272,770	259,497	277,791
Cash and cash equivalents at the end of the year	221,869	337,737	222,955	345,916
	(35,896)	64,967	(36,542)	68,125



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2002 AND 2001**
(In thousands of Brazilian reais, unless otherwise indicated)
(Convenience Translation into English from the Original Previously Issued in Portuguese)

1. OPERATIONAL CONTEXT

ESPÍRITO SANTO CENTRAIS ELÉTRICAS S.A. – ESCELSA – is a publicly-held Brazilian corporation engaged, principally, in the generation, transmission and distribution of electric energy in the State of Espírito Santo, covering 70 of the 77 municipalities within 41,372 Km², which represent approximately 90% of the total area of the State of Espírito Santo.

ESCELSA is the majority shareholder of MAGISTRA PARTICIPAÇÕES S.A. which is the controlling shareholder of EMPRESA ENERGÉTICA DE MATO GROSSO DO SUL S.A. – ENERSUL – an electric energy distribution company in the State of Mato Grosso do Sul, acquired in a public auction on November 19, 1997, and TV A CABO VITÓRIA S.A. – TVIX, incorporated on July 4, 1997, which is a Pay TV company serving residential condominiums in the municipalities of Vitória and Vila Velha in the state of Espírito Santo. In addition, ESCELSA is the majority shareholder of ESCELSA Participações S.A. – ESCELSAPAR, which operates as an Internet Service Provider (ISP), also providing several services in the area of information technology.

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

The financial statements for the period ended June 30, 2001 were reclassified, when applicable, for comparison purposes and in order to be in accordance with the new Electric Utility Accounting Plan, applicable as from January 1, 2002.

3. PRINCIPAL ACCOUNTING PRACTICES

3.1. Parent company financial statements

- a) **Marketable securities** – are recorded at cost plus interest accrued up to the balance sheet date, with necessary provisions for devaluation to reflect market values, when applicable. Marketable securities are represented, basically, by public treasury notes bearing interest and exchange variation;
- b) **Accounts receivable** – include the supply of electric power both billed and unbilled to customers as of the balance sheet date, accounted for on an accrual basis, also including charges for late payments by customers as well as accounts receivable related to the extraordinary tariff recovery.
- c) **Allowance for doubtful accounts** – recognized in accordance with General Instruction n^o 6.3.2 of the Accounting Standards for Public Electric Utilities, reflecting a conservative position in comparison with ESCELSA's historical average of losses.
- d) **Materials and supplies** – materials and supplies to be applied in operations and maintenance are recorded as current assets and those earmarked for construction are included in property, plant and equipment, both based on the average acquisition cost.
- e) **Investments** – the investments in wholly-owned subsidiaries are stated based on the equity adjustment method. The other investments are stated at cost plus monetary restatement, until December 31, 1995, net of provision for loss, when applicable.

- f) **Property, plant and equipment** – stated at the acquisition or construction cost, monetarily restated until December 31, 1995, less the accumulated straight-line depreciation based on account balances recorded in the respective Unit Registries – UC, in accordance with DNAEE Rule 815 of 11/30/1994, at constant rates as per the schedule stipulated in ANEEL Rule 44 of 03/17/1999. In accordance with the General Instructions nos. 35 and 36 of the Accounting Standards for Public Electric Utilities, interest and other financing charges and inflationary effects related to third party financing, which have been applied in the property, plant and equipment under construction, are recorded within this subgroup as costs. In accordance with specific Public Electric Utilities Service regulations, interest on the shareholder's own capital applied in financing projects under construction is calculated according to Long-term Interest Rates (TJLP) and is credited directly to capital reserves in Shareholders' Equity.
- g) **Assets and liabilities denominated in foreign currencies subject to indexation** – such items are subject to restatement because of exchange and monetary variations for contractual or legal reasons and are updated through the balance sheet date. Foreign currency liabilities are converted into Reais according to the exchange rates informed by the Brazilian Central Bank (US\$ 1 = R\$2.8444 on June 30, 2002 and US\$ 1 = R\$ 2.3204 on December 31, 2001).
- h) **Income tax and social contribution** – income tax recorded in the results of the period is calculated based on taxable income (adjusted net income) at a rate of 15% plus 10% on taxable income exceeding R\$240, according to the current tax law. Social contribution recorded in the results of the period is calculated based on taxable income prior to income tax, at a rate of 8%, plus an additional of 1%, which is applicable through 12/31/03. The deferred income tax and social contribution were recorded as tax credits, based on the tax losses, negative basis of the social contribution and temporary differences, considering the rates of such taxes that will be prevailing on the date of the realization.
- i) **Obligations related to the concession** – are obligations that are part of the concession agreement for electric utilities representing, basically, contributions from the Federal Government, donations without conditions set forth as to returns to the contributors, subventions and contributions received from consumers exclusively for the purpose of investment in electric energy distribution. The expiration of these obligations is determined by the Regulatory Agency, and will be withdrawn at the end of the concession period. As from January 1, 2002, this account is being classified as property, plant and equipment.
- j) **Pension plans** – the Company is the sponsor of Fundação Escelsa de Seguridade Social - ESCELSOS, which manages the pension fund for its employees. The costs, contributions and the actuarial obligation associated with pension plans are calculated at the balance sheet date by independent actuaries. As from December 31, 2001, such amounts are calculated and recorded in accordance with Deliberation CVM nº371. Employee profit sharing is recorded in the statement of income of the corresponding fiscal period.
- k) **Earnings (loss) per share** – these amounts are calculated based on the number of shares outstanding at the balance sheet date for the fiscal period.
- l) **Revenue recognition** – revenues and expenses for all services are recognized on an accrual basis of accounting, recognized when incurred. Billing for all customers is made on a monthly basis according to the meter reading calendar. Unbilled revenues, corresponding to the period between the date of the last reading and the end of the month, are estimated and recognized as revenue in the month in which the energy was consumed.
- m) **Estimates** – financial statement preparation according to corporate law accounting practices requires that the Company's Management make estimates for the recognition of certain transactions that impact assets and liabilities and revenues and expenses of ESCELSA and its subsidiaries, which are reflected in data disclosed in its financial statements. The final figures that are recorded upon the realization of such transactions in subsequent reporting periods may differ from these estimates. Most of these estimates refer to the recognition of impacts from the Emergency Program for Reducing Electric Energy Consumption, the Compensation Account for Cost Variations for Portion A – CVA, Provision for Doubtful Accounts, Provision for Contingencies and Pension and Retirement Plans.

3.2. Consolidated Financial Statements

The consolidated financial statements include the balance sheets and the statements of income for the semester and quarter ended June 30, 2002 and March 31, 2002 for ESCELSA, and its subsidiaries MAGISTRA, TVIX and ESCELSAPAR.



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

The main consolidation procedures adopted were as follows:

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

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

4. MARKETABLE SECURITIES

	PARENT COMPANY		CONSOLIDATED	
	JUN-02	MAR-02	JUN-02	MAR-02
Interbank Deposits – CDB	-	-	13	10
U.S. Dollar-linked Treasury Notes - NTN and NBC-E	214,370	204,051	214,370	204,051
Other	131	3,621	310	3,870
TOTAL	214,501	207,672	214,693	207,931

5. ACCOUNTS RECEIVABLE

	PARENT COMPANY				
	Current	Past-due up to 90 days	Past-due Over 90 days	Total	
				Jun-02	Mar-02
CURRENT ASSETS					
FINAL CUSTOMERS					
Residential	13,890	18,276	1,304	33,470	33,661
Industrial	32,403	3,335	3,010	38,748	35,350
Commercial, services and other activities	10,205	5,718	1,133	17,056	17,899
Rural	3,856	1,333	182	5,371	4,450
Public authority:					
Federal	438	658	637	1,733	1,239
State	656	1,619	7,657	9,932	9,473
Municipal	897	666	1,092	2,655	2,317
Public lighting	2,540	1,781	1,991	6,312	5,140
Public service	1,736	104	94	1,934	1,920
Unbilled revenue	17,507	-	-	17,507	20,131
Regulatory asset – recoverable losses	44,941	-	-	44,941	59,368
Other credits	17,516	-	-	17,516	10,362
	146,585	33,490	17,100	197,175	201,310
WHOLESALE					
Distributors	4,332	-	-	4,332	5,470
Spot market	39,245	-	174	39,418	26,906
	43,577	-	174	43,750	32,375
TOTAL	190,162	33,490	17,274	240,925	233,685
LONG-TERM ASSETS					
FINAL CUSTOMERS					
Regulatory asset					
Recoverable losses	77,193	-	-	77,193	111,446
Free energy	71,934	-	-	71,934	64,219
Other credits	22,182	-	15,169	37,351	34,787
	171,309	-	15,169	186,478	210,452

	CONSOLIDATED				
	Current	Past-due up to 90 days	Past-due Over 90 days	Total	
				Jun-02	Mar-02
CURRENT ASSETS					
FINAL CUSTOMERS					
Residential	21,420	29,399	1,641	52,460	51,765
Industrial	38,931	5,543	3,165	47,639	42,722
Commercial, services and other activities.	13,704	10,848	4,452	29,004	29,108
Rural	4,171	3,613	330	8,114	6,944
Public Authority:					
Federal	897	1,241	770	2,908	2,378
State	1,600	2,593	7,706	11,899	10,743
Municipal	1,816	2,143	2,232	6,191	4,564
Public lighting	4,575	4,894	6,261	15,730	11,399
Public service	3,039	110	121	3,270	3,137
Unbilled revenue	33,495	-	-	33,495	34,910
Regulatory asset- recoverable losses	65,462	-	-	65,462	83,019
Other credits	31,339	721	147	32,207	21,958
	220,449	61,105	26,825	308,379	302,647
WHOLESALE					
Distributors	4,793	-	-	4,793	5,783
Spot market	67,018	-	173	67,191	76,551
	71,811	-	173	71,984	82,334
	292,260	61,105	26,998	380,363	384,981
LONG-TERM ASSETS					
FINAL CUSTOMERS					
Regulatory asset					
Recoverable losses	131,251	-	-	131,251	180,253
Free energy	99,974	-	-	99,974	88,722
Other credits	22,182	-	15,169	37,351	34,787
	253,407	-	15,169	268,576	303,762

Regulatory Asset

According to clauses included in Provisional Measure n°14, in Resolution n°91 from the Energy Crisis Management Chamber – CGE of December 21, 2001, Resolution n°. 31 from the National Electric Energy Agency – ANEEL of January 24, 2002 and ANEEL Resolution n° 72 of February 7, 2002, the Company calculated the amount of the extraordinary tariff recovery to be applied to all of the concession areas for electric energy distribution, to be recognized as the basis for re-establishing the financial-economic balance of the concession contracts, with the recovery of the consumption losses which were incurred as a result of the Emergency Program for Reducing Electric Energy Consumption – PRE from June 2001 through February 2002.

The increase in tariffs for final customers approved by ANEEL for ESCELSA and ENERSUL for extraordinary tariff recovery were as follows:

- 2.9% for residential and rural clients (except low-income customers);
- 7.9% for all other clients.

The regulatory asset, related to the extraordinary tariff recovery, had the following movements during the quarter:

	PARENT COMPANY		CONSOLIDATED	
	CURRENT	LONG TERM	CURRENT	LONG TERM
Balance as of 12/31/2001	54,928	157,692	76,485	226,171
Transfer to current assets	14,759	(14,759)	21,359	(21,359)
Recovery via extraordinary tariffs	(10,319)	-	(14,825)	-
Losses of margin	-	32,732		64,163
Balance as of	59,368	175,665	83,019	268,975
Transfer to current assets	(2,276)	2,276	349	349
Recovery via extraordinary tariffs	(12,151)	-	(17,906)	-
Losses of margin	-	36,359		(48,654)
-Free Energy	-	7,715		11,253
Balance as of	44,941	149,127	65,462	231,225

The extraordinary tariff increase will be effective for the period deemed necessary to recover the total amount calculated.

On March 8, 2002 and May 7, 2002, the Company sent to ANEEL its calculations related to the tariff recovery amounts corresponding to the period up to 12/31/2001 and from January to February 2002, respectively, being both subject to the Regulatory Agency approval. In order to obtain the right to such compensation, the Company renounced the right to any judicial or extra judicial claims related to the facts and rules concerning the Emergency Program for Reduction of Electrical Energy Consumption and the extraordinary tariff recovery, as well as entered into agreements signed between the electrical sector agents, in accordance with the Provisional Measure n°14 and Resolutions n° 91 edited by GCE and n° 31 edited by ANEEL.

Energy negotiated in the Spot Market

The balance of accounts receivable from consumers and distributors includes the preliminary figures related to the energy negotiated in the Spot Market, in the amount of R\$37,288, of which R\$18,075 relates to the period from September 2000 through December 2001, recorded based on the information published by MAE, and R\$19,213 related to the period from January to June 2002, which was recorded based on management estimates. Such amounts will be settled when the final amounts are known and approved by MAE.

6. SPECIAL TARIFF SITUATION

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

The financial accounting criteria for these events, defined as per ANEEL Rule 299 of July 27, 2001, do not have an impact on the Company's results, and on March 31, 2002, the corresponding amounts are classified in the current assets as customers and wholesale, as shown below:

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
ASSETS				
Current assets (customers and wholesale):				
Bonus balance (invoiced (-) received)	(290)	(5,553)	(337)	(7,794)
Surtax – accounts receivable	1,205	1,940	1,930	3,106
Surtax installment	607	582	1,003	943
	1,522	(3,031)	2,596	3,745



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

Long term assets:				
Invoiced bonus	40,270	40,247	61,453	61,399
Costs incurred by Company to be reimbursed	6,339	6,349	10,373	10,379
	<u>46,609</u>	<u>46,596</u>	<u>71,826</u>	<u>71,778</u>
TOTAL	<u>48,131</u>	<u>43,565</u>	<u>74,422</u>	<u>68,033</u>
LIABILITIES				
Long term liabilities:				
Surtaxes charged	12,047	12,369	19,535	20,034
(-) ICMS tax on surcharges	(2,693)	(2,763)	(4,179)	(4,290)
(-) 2% to cover costs	(94)	(98)	(162)	(168)
Resources received	17,052	17,052	24,972	24,972
TOTAL	<u>26,312</u>	<u>26,560</u>	<u>40,166</u>	<u>40,548</u>
BALANCE RECEIVABLE - Ministry of Mines and Energy	<u>21,819</u>	<u>17,005</u>	<u>34,256</u>	<u>27,485</u>

From the total balance receivable from Ministry of Mines and Energy above, except for the costs incurred by the Company, ANEEL has already approved the following transfers:

LEGAL ACT	PARENT COMPANY	CONSOLIDATED
Order ANEEL n°128, of 03/13/02(*)	4,965	7,416
Order ANEEL n°167, of 03/25/02	4,087	6,492
Order ANEEL n°239, of 04/25/02	4,628	6,937
Total	<u>13,680</u>	<u>20,845</u>

(*) Received on 07/17/2002

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

7. PREPAID EXPENSES

The distribution concession agreements establish, for a part of the tariffs charged by the Electric Utilities, amounts related to exogenous costs which are attributable to operating expenses, together with a variable referred to as Portion "A" of the Tariff Adjustment Formula (IRT), demonstrated below:

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

With the introduction of Provisional Measure n° 2,227 and n° 14 of 09/04/2001 and 12/21/01, respectively, and ANEEL Resolution n.º. 90 of 02/18/02, an account was established to record the compensation of differences, positive or negative, between the amount of each item since the date of the last tariff adjustment and its effective date of payment. The balance will be monetarily adjusted based on the SELIC rate variation.



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

The positive variations are presented in current and long-term assets in the account of prepaid expenses. On the other hand, the negative variation that corresponds to pass through of transport costs for electric energy from Itaipu Binacional and quota for the fuel consumption – CCC are presented in the current and long-term liabilities in the account of other creditors, in accordance with the directive release nº.60 and 91/2002, of January 24, 2002 and February 14, 2002, respectively. The balances are as shown below:

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
ASSETS				
Current	26,843	5,226	31,730	10,643
Long term assets	50,200	58,606	91,412	94,592
	77.043	63.832	123.142	105.235
LIABILITIES				
Current	29,051	1,702	29,438	1,702
Long term	1,833	1,216	3,769	1,216
	30.884	2.918	33.207	2.918

The amount of R\$41,392, which is included in the balance of the long-term asset as shown above, refers to the period from January 1 through October 25, 2001, and will be recovered in connection with the regulatory asset, through the extraordinary tariff recovery.

8. TAX CREDITS

Tax credits classified as current assets correspond to income tax withheld for cash investments, which is being compensated with tax debits authorized by the Internal Revenue Service.

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

According to the estimated future profitability, as mentioned above, the Companies determined the following fiscal assets:

ASSET	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
Tax loss	347,330	108,192	691,009	406,455
Temporary additions				
CVM Rule 371	30,451	30,451	30,451	30,451
Other temporary additions	144,675	166,969	187,120	205,472
	522,456	305,612	908,580	642,378
Statutory rate	25%	25%	25%	25%
Income tax	130,614	76,403	227,145	160,595
Negative basis of social contribution	404,346	149,023	642,181	340,263
Temporary additions:				
CVM Rule 371	30,451	30,451	30,451	30,451
Other temporary additions	59,154	82,431	85,528	106,472
	493,951	261,905	758,160	477,186
Statutory rate	8%	8%	8%	8%
Social contribution	39,516	20,953	60,653	38,175
Adjustment between statutory rate(8%) and realization(9%)			(868)	(1,140)
TOTAL	170,130	97,356	286,930	197,630



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9. AFFILIATES AND SUBSIDIARIES

COMPANIES	TRANSACTION	PARENT COMPANY		CONSOLIDATED	
		Jun-02	Mar-02	Mar-02	Jun-02
MAGISTRA	Pass-through of costs and mutual contracts	41	-	56,950	54,670
ENERSUL	Pass-through of costs	710	-	-	-
ESCELSAPAR	Pass-through of costs	-	47	-	-
CESA	Pass-through of costs	-	284	-	-
OTHER AFFILIATED	Pass-through of costs	611	570	611	809
		<u>1,362</u>	<u>901</u>	<u>57,561</u>	<u>55,479</u>

The Company does not engage in transactions or agreements with related companies under terms or conditions less favorable than would be exercised with third parties. The transactions refer essentially to services rendered/received to/from related companies.

The consolidated financial statements show primarily the balance of inter-company loans between the parent company MAGISTRA and the subsidiary ESC90, as detailed below, which were made at similar terms to those practiced in the Brazilian financial market.

- 1) Interest rate: TJLP + 4% per annum;
Maturity: November 2004;
Balance: R\$ 4,989.
- 2) Interest Rate: 100% of CDI;
Maturity: several dates through December 31, 2002;
Balance: R\$ 51,961.

MAGISTRA's financial income from subsidiary ESC90 totaling R\$4,449 (R\$2,764 on 06/30/2001) in the consolidated statement is recorded as other financial income. The guarantees are promissory notes corresponding to 125% of principal.

10. INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
Equity Investments:				
Stated by the equity method:				
MAGISTRA PARTICIPAÇÕES S.A	744,805	719,918	-	-
TV A CABO VITÓRIA – TVIX S.A	129	153	-	-
ESCELSA PARTICIPAÇÕES S.– ESCELSAPAR	3,032	2,799	-	-
	<u>747,966</u>	<u>722,870</u>	<u>-</u>	<u>-</u>
Goodwill from investments:				
Goodwill	-	-	408,770	408,770
Discount from new share acquisition	-	-	(15,152)	(15,152)
Goodwill amortization	-	-	(15,907)	(13,277)
	<u>-</u>	<u>-</u>	<u>377,711</u>	<u>380,341</u>
Stated at restated cost:				
Others	37	37	37	37
	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>
Projects, studies and other investments	<u>1,833</u>	<u>1,732</u>	<u>1,940</u>	<u>1,852</u>
TOTAL	<u>749,836</u>	<u>724,639</u>	<u>379,688</u>	<u>382,230</u>



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

Additional information about investments stated by the equity adjustment method:

	MAGISTRA		TVIX		ESCELSAPAR	
	Jun-02	Mar-02	Jun-02	Mar-02	Jun-02	Mar-02
Share Class	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
Stake (%)	100%	100%	97.40%	97.40%	100%	100%
Value of capital stock	668,483	668,483	1,540	1,540	2,203	2,203
Shareholders' equity	744,805	719,918	132	157	3,032	2,799
Net income (loss)	(14,381)	8,544	(69)	(44)	(3)	(235)
Investment value on June 30	744,805	719,918	129	153	3,032	2,799
Equity adjustment	(14,381)	8,544	(68)	(41)	(3)	(235)

11. PROPERTY, PLANT AND EQUIPMENT

	PARENT COMPANY		Annual average rates of depreciation (%)	CONSOLIDATED	
	Jun-02	Mar-02		Jun-02	Mar-02
IN SERVICE:					
Generation	104,507	104,468	2.22%	197,128	196,837
Transmission	13,333	13,003	2.86%	13,333	13,003
Distribution	1,020,864	1,010,280	4.34%	1,937,064	1,885,005
Commercialization	4,301	4,301	9.26%	7,451	7,264
Administration	111,281	110,973	8.82%	230,595	224,480
	1,254,286	1,243,025	4.54%	2,385,571	2,326,589
(-) Accumulated depreciation					
Generation	(61,438)	(60,796)		(102,276)	(100,954)
Transmission	(6,880)	(6,785)		(6,880)	(6,785)
Distribution	(368,222)	(359,073)		(691,874)	(674,561)
Commercialization	(2,363)	(2,264)		(2,690)	(2,448)
Administration	(51,119)	(48,897)		(94,233)	(89,026)
	(490,022)	(477,815)		(897,953)	(873,774)
	764,264	765,210		1,487,618	1,452,815
UNDER CONSTRUCTION:					
Generation	4,328	4,243		88,777	66,347
Transmission	658	799		658	799
Distribution	76,161	80,032		116,933	154,106
Administration	11,255	10,120		14,440	17,743
	92,402	95,194		220,808	238,995
	856,666	860,404		1,708,426	1,691,810
(-)Obligations related to the concession	(94,268)	(92,984)		(184,647)	(183,329)
TOTAL	762,398	767,420		1,523,779	1,508,481



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

Obligations related to the concession is composed by the following balances:

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
Consumer contributions	63,229	61,943	87,016	85,294
Donations and subsidies	25,794	25,794	90,237	90,639
Federal participation	5,245	5,247	7,394	7,396
TOTAL	94,268	94,984	184,647	183,329

In accordance with General Instruction n° 36 of the Accounting Standards for Public Electric Utilities and CVM Instruction n° 193 of July 11, 1996, the following amounts were incorporated into Property, Plant and Equipment:

	PARENT COMPANY		CONSOLIDATED		
	Distribution	Total	Generation	Distribution	Total
Interest on loans and financing	75,075	75,075	6,542	102,329	108,871
(-) Transfer to property, plant and equipment	(1,033)	(1,033)	(5,313)	(3,310)	(8,623)
Net	74,042	74,042	1,229	99,019	100,248
Monetary exchange variation..	235,866	235,866	1,920	267,463	269,383
(-)Transfer to property, plant and equipment	(294)	(294)	(1,893)	(693)	(2,586)
Net	235,572	235,572	27	266,770	266,797

12. SUPPLIERS

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
CURRENT LIABILITIES:				
Electricity suppliers:				
FURNAS	29,734	37,677	29,734	37,677
ITAIPU	46,853	27,159	60,584	38,236
TRACTEBEL	-	-	9,600	9,906
ELETROSUL	-	-	1,486	1,169
MAE	22,794	41,909	35,073	56,120
Other	6,241	6,247	8,744	9,266
	105,622	112,992	145,221	152,374
Materials and service providers	5,542	6,832	11,905	12,894
TOTAL	111,164	119,824	157,126	165,268
LONG TERM LIABILITIES:				
Electric Energy Supply:				
Free energy	68,596	61,239	95,329	84,600
TOTAL	68,596	61,239	95,329	84,600



QUARTERLY FINANCIAL STATEMENTS AS OF JUNE 30, 2002

13. LOANS AND FINANCING

PARENT COMPANY									
DESCRIPTION	Average Interest Rate	Maturity		Jun-02			Mar-02		
		Period	Interest and Other Charges	Current	Long-Term	Interest and Other Charges	Current	Long-Term	
Local Currency:									
ELETROBRÁS	5,0% - 7,0%	Monthly	May/99 to Aug/07	-	1,932	4,324	-	1,777	4,775
BNDES	TJLP plus 3.8%	Monthly	Nov/99 to Oct/10	1,590	27,150	162,713	1,691	60,894	164,883
BNDES-Rationing losses	SELIC plus 1,0%	Monthly	Feb/02 to Feb/03	-	28,763	-	-	-	-
Bank Loan	CDI	Monthly	Oct/01 to Aug/02	-	28,554	-	-	8,300	-
				1,590	86,399	167,037	1,691	70,971	169,658
Foreign Currency:									
Senior Notes	10.0%	Bullet	Jul/07	56,183	-	1,225,817	20,862	-	1,001,374
TOTAL				57,773	86,399	1,392,854	22,553	70,971	1,171,032
CONSOLIDATED									
DESCRIPTION	Average Interest Rate	Maturity		Jun-02			Mar-03/02		
		TIPO	Period	Interest and Other Charges	Current	Long-Term	Interest and Other Charges	Current	Long-Term
Local Currency:									
ELETROBRAS - ESCELSA	5.0% to 7.0%	Monthly	May/99 to Nov/04	-	1,932	4,324	-	1,777	4,775
ELETROBRAS - ENERSUL	6.0% to 12.0%	Monthly	May/99 to Aug/07	480	16,954	43,669	384	19,444	45,703
BNDES - ESCELSA	TJLP plus 3.8%	Monthly	Oct/99 a Oct/10	1,590	27,150	162,713	1,691	60,894	164,883
BNDES - MAGISTRA	TJLP plus 4.0%	Half-Year	Nov/99 a Nov/04	1,179	38,485	57,727	4,167	38,169	76,339
BNDES - ENERSUL	TJLP plus 3.85%	Monthly	Jul/99 a Feb/08	247	12,787	59,674	314	12,683	62,356
BNDES - ENERSUL	TJLP plus 4.00%	Monthly	May/99 a Apr/04	6	916	763	8	908	985
BNDES-Rationing losses	SELIC plus 1.0%	Monthly	Feb/02 a Feb/03	98	43,903	-	179	20,337	-
BCO BRASIL - FCO	11.20%	Monthly	Nov/02 a Nov/13	586	-	30,000	363	-	20,000
Bank Loan	CDI	Monthly	Jul/02 a Mar/03	1,274	134,156	-	1,277	88,003	-
FUNDAÇÃO ENERSUL	10%	Monthly	Nov/02 a Nov/13	109	1,591	16,781	109	1,453	16,958
Other	1.35%	Monthly	May/00 a Jun/09	162	1,015	1,537	29	15,073	3,665
TOTAL				5,731	278,889	377,188	8,521	258,741	395,664
Foreign Currency:									
SENIOR NOTES	10,0%	Bullet	Jul/07	56,183	-	1,225,817	20,862	-	1,001,374
BRDESCO (*)	4,90% to 12,00%	(**)	May/01 a Nov/02	119	21,292	-	298	11,565	-
UNIBANCO (*)	10,85% to 11,40%	(**)	Mar/01 a Apr/04	-	-	14,121	144	11,334	11,535
EUROPEAN INVEST BANK	LIBOR plus 4,0% to 5,0%	Half-Year	Apr/00 a Mar/09	197	-	46,079	732	-	37,642
STN-DMLP	LIBOR plus 4,5% to 8,2%	Half-Year	Apr/94 a Apr/24	553	1,213	40,001	914	886	33,225
BBA FMO (*)	8,90%	Half-Year	Oct/01 a Sep/07	495	3,852	12,711	508	4,328	9,202
Other	1,5% to 3,5%	Bullet	Nov/01 a Oct/02	270	37,907	-	220	29,862	-
				57,817	64,264	1,338,729	23,678	57,975	1,092,978
				63,548	343,153	1,715,917	32,199	316,716	1,488,642
Long Term Interest									
Banco B.B.A FMO (*)				-	-	-	89	-	-
UNIBANCO (*)				2,085	-	-	1,378	-	-
				2,085	-	-	1,467	-	-

(*) Financing are hedged against currency fluctuations by swap contracts

(**) Loans composed of several notes with the same maturity date

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

	PARENT COMPANY		CONSOLIDATED	
	Jun-02	Mar-02	Jun-02	Mar-02
Local currency	253,436	240,629	656,077	654,405
Foreign currency	1,225,817	1,001,374	1,402,993	1,150,953
TOTAL	1,479,253	1,242,003	2,059,070	1,805,358

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

Currency and Indexes	Jun-02	Jun-01
US\$ x R\$	22.58%	17.87%
IGP-M	3.48%	4.32%
INPC	3.43%	3.81%
TJLP	9.50%	9.25%

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

Maturity	PARENT COMPANY			CONSOLIDATED		
	Currency			Currency		
Current	Local	Foreign	Total	Local	Foreign	Total
2002	62,277	-	62,277	219,350	61,786	281,136
2003	24,122	-	24,122	59,539	2,478	62,017
	86,399	-	86,399	278,889	64,264	343,153
Long term						
2003	23,284	-	23,284	57,428	10,394	67,822
2004	47,247	-	47,247	108,742	29,519	138,261
2005	49,773	-	49,773	72,010	15,397	87,407
2006	30,169	-	30,169	53,126	12,672	65,798
2007	4,764	1,225,817	1,230,581	28,569	1,238,036	1,266,605
2008	4,274	-	4,274	16,010	6,837	22,847
2009	4,274	-	4,274	10,890	2,391	13,281
2010	3,252	-	3,252	9,868	1,825	11,693
2011	-	-	-	6,616	1,825	8,441
After 2011	-	-	-	13,929	19,833	33,762
	167,037	1,225,817	1,392,854	377,188	1,338,729	1,715,917
TOTAL	253,436	1,225,817	1,479,253	656,077	1,402,993	2,059,070

14. PROVISION FOR CONTINGENCIES

Contingency	PARENT COMPANY					
	Jun-02			Mar-02		
	Provision		Escrow	Provision		Escrow
	In the Year	Accumulated	Deposits	In the quarter	Accumulated	Deposits
Current liabilities:						
Fiscal						
COFINS	-	39,382	39,382	-	39,382	39,382
TOTAL	-	39,382	39,382	-	39,382	39,382
Long-term:						
Labor claims	916	16,769	9,914	(207)	15,853	9,663
Civil litigation	659	27,601	6,894	228	26,942	6,539
Fiscal	2,241	73,594	49,633	1,927	71,353	47,449
TOTAL	3,816	117,964	66,441	1,948	114,148	63,651

Contingency	CONSOLIDATED					
	Jun-02			Mar-02		
	Provision		Escrow	Provision		Escrow
	In the Year	Accumulated	Deposits	In the Year	Accumulated	Deposits
Current liabilities:						
Fiscal						
COFINS	-	39,382	39,382	-	39,382	39,382
TOTAL	-	39,382	39,382	-	39,382	39,382
Long-term:						
Labor claims	1,026	20,543	11,845	(482)	19,517	11,428
Civil litigation	840	32,157	7,112	219	31,317	6,756
Fiscal	4,307	96,085	66,393	3,064	91,778	62,373
TOTAL	6,173	148,785	85,350	2,801	142,612	80,557

Management understands that the provisions recorded are sufficient to cover eventual losses from the ongoing litigation. Based on the opinion of the Company's legal counsel, all litigation for which the probability of a favorable outcome was estimated as remote for the Company was provided for. Furthermore, there are labor, civil and fiscal cases pending in the total amount of R\$28,827, for which the probability of a favorable outcome was estimated as likely and no provisions were recorded on the financial statements.

COFINS:

Provided for based on the amounts deposited from May 1996 to July 1999, based on a preliminary injunction obtained in May 1996 by way of a tax immunity claim.

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

Labor contingencies:

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

Civil contingencies

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

Fiscal contingencies

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

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

15. CAPITAL STOCK 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 are subscribed and fully paid in. Capital stock as of June 30, 2002, is represented by 4,550,833 common shares, with no par value, with the following equity structure:

Shareholder	Quantity of shares	Shareholders' quantity	% of participation
IVEN S.A	2,378,673	1	52.27
GTD PARTICIPAÇÕES S.A	1,137,709	1	25.00
Fundação Banco Central – CENTRUS	275,678	1	6.06
CINVES	66,363	1	1.46
Other	692,410	145	15.21
TOTAL	4,550,833	149	100.00

16. CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY

	CAPITAL STOCK	CAPITAL RESERVES	RETAINED EARNINGS	SUBTOTAL	CREDITS FOR CAPITAL	
					INCREASE	TOTAL
BALANCE AS OF DECEMBER 31, 2001	153,947	574,069	-	728,016	3,387	731,403
Remuneration on construction work in progress		2,402				2,402
Income for the period			(174,368)	(174,368)		(174,368)
BALANCE AS OF JUNE 30, 2002	153,947	576,471	(174,368)	556,050	3,387	559,437

17. INCOME TAX AND SOCIAL CONTRIBUTION

	PARENT COMPANY			
	Jun-02		Jun-01	
	Income tax	Social Cont.	Income tax	Social Cont.
Income (loss) before taxes	(251,694)	(251,694)	(134,392)	(134,392)
Statutory rate	25%	8%	25%	8%
	(62,924)	(20,136)	(33,598)	(10,751)
Remuneration on construction work in progress	601	192	75	24
Equity in subsidiaries	3,613	1,156	1,422	455
Non-deductible provision	3,201	102	3,649	(207)
Adjustments – tax credits (DIPI/2001)	(3,302)	(100)	(3,457)	221
	(58,541)	(18,786)	(31,909)	(10,258)
Effective rate	25%	8%	25%	8%

18. PENSION PLANS

- a) The Company is the sponsor of FUNDAÇÃO ESCELSA DE SEGURIDADE SOCIAL – ESCELSOS, a nonprofit organization, whose main purpose is to complement the benefits granted by the official social security to the Company's employees through two benefit packages: A Defined Benefit Plan (Plan I) and a Defined Contribution Plan (PLAN II). These benefit plans are based on mathematical reserves calculated actuarially according to the capitalization policy, which is revised annually.

	PARENT COMPANY	
	Jun-02	Mar-02
TECHNICAL RESERVES		
Mathematical reserves:		
Benefits paid	75,012	73,862
Benefits	80,641	80,574
	155,653	154,436
TECHNICAL SURPLUS		
Contingency	21,378	23,061
Total	177,031	177,497

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

	<u>PLAN I</u>	<u>PLAN II</u>	<u>TOTAL</u>
Contributing	36	1,446	1,482
Receiving participants			
Pension	642	106	748
	<u>103</u>	<u>4</u>	<u>107</u>
	<u>745</u>	<u>110</u>	<u>855</u>
Total	<u>781</u>	<u>1,556</u>	<u>2,337</u>

c) As a sponsor, the Company's monthly contributions are made at the same proportion of the participants of ESCELSOS Foundation, corresponding to the amount established in each plan, limited to 7% of the total payroll. For the first half of 2002, ESCELSA contributed R\$1,222 (R\$1,209 in the first half of 2001).

d) Based on the Article 84 of CVM Deliberation n.º 371/2000, at December/2001 the Company calculated the present value of the actuarial obligations related with the unvested benefit,. As a result, the balances as of June 30, 2002 can be shown as follows:

Obligations related to post-retirement benefits.

Current liabilities	2,420
Long term liabilities	28,032

e) The actuarial calculations showed that the fair value of the net assets of the pension plan exceeds the present value of the vested and unvested actuarial obligations. However, company's management adopted a conservative position and decided do not record this surplus as a deduction of the unvested actuarial obligations.

19. FINANCIAL INSTRUMENTS

As per CVM Instruction nº 235 of March 23, 1995, established a mechanism for the disclosure of the market value of financial instruments by way of "notes to the financial statements," regardless their recognition or not in the financial statements.

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

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

19.1 Exchange rate and interest rate risks

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

	<u>PARENT COMPANY</u>		<u>CONSOLIDATED</u>	
	<u>Jun-02</u>	<u>Mar-02</u>	<u>Jun-02</u>	<u>Mar-02</u>
Marketable securities	214,501	207,672	214,693	207,931
Loans and financing – Long-term	1,392,854	1,171,032	1,715,917	1,488,642

A portion of the loans and financing in local currency is comprised of financing from government entities ELETROBRAS and BNDES

As the market interest rate (or opportunity cost of capital) is established by these governmental entities, taking into consideration the risk premium related with the electrical sector's activities and that in the absence of other financing sources or other market options and/or methodology to estimate the market value of such options, in light of the Company's business and specific circumstances of the sector, the market value for this portion comprised of domestic loans shall correspond to their book value, as shall other financial assets and liabilities.

As mentioned in Note 14, foreign currency financing was obtained (in U.S. dollars), being the indebtedness and earnings significantly impacted by the risk of exchange rate variation of foreign currency. Such risk may cause the Company to incur losses due to unexpected foreign exchange fluctuations, which may increase liabilities denominated in foreign currency.

Net exposure to the exchange variation of foreign currency risk as of June 30, 2002 is as follows:

	BOOK VALUE		FAIR VALUE	
	Jun-02	Mar-02	Jun-02	Mar-02
Senior Notes	1,225,817	1,001,374	833,556	911,250
U.S. dollar assets	(214,370)	(207,551)	(214,370)	(207,551)
Net Exposure	1,011,447	793,823	619,186	703,699

The method used to determine the fair value of the Senior Notes obligation was their average market price as per the security's trading activity at the end of each fiscal period (source: Report edited in the USA by Morgan Stanley Team Witter, showing the market price of transactions negotiated in New York.) and, for U.S. dollar assets, the market price of the contracts at the end of the fiscal period was utilized, which is equal to the book value.

Additionally, the Company hedged part of its currency fluctuations exposure by using swap contracts. The operations' parameters and amounts are described above:

Financial Institution	Date		Amount	Parameters (rates %)		Income
	Transaction	Maturity		Banks	ESCELSA	
Banco Pactual	28/03/02	14/01/03	19.381	4,32	1,04	3.617
Banco do Brasil	28/03/02	12/07/02	19.033	4,32	1,04	3.718
						<u>7.335</u>

On a consolidated basis, loans and obligations held by companies within the ESCELSA Group were made at rates and terms generally practiced in the domestic and international markets to fund investments in the electric energy sector in its concession areas as a public utility.

The subsidiaries MAGISTRA and ENERSUL maintain liabilities in foreign currency (US\$). To reduce foreign exchange related risk, swap instruments are being used to hedge a portion of these obligations, as mentioned in Note 13. Indexes used in these instruments are the IGP-M plus interest rates of 11.70% to 12.01% per annum and CDI plus 0.95%- 2.33% per annum.

Considering the Real devaluation during the period, the hedging instruments generated a gain of R\$9,025, recorded monetary variation in the financial statements, as follows:

LIABILITY	AMOUNT		GAIN
	BOOK VALUE	SWAP VALUE	
Loans and Financing	93,645	84,520	9,025

For the remaining contracts, given the specific nature of these transactions and the inability to determine the market value for this type of financial instrument, Companies' management, taking into consideration the risk to the company, the strategy and debt management practices adopted, estimates that the market values of the instruments are equal or approximates to their book value.



19.2 Credit Risk

As to the credit risk, there is a possibility that the Company will incur losses resulting from its customers default. To mitigate against this risk, the Company has the right to interrupt the supply of electric energy in the event that a customer fails in paying bills within the time-periods defined by legislation and specific regulations. A provision for doubtful accounts is established in an amount deemed sufficient by management to cover potential accounts receivable risks.

20. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

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