

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 November, 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.—ESCELSA

Dated: November 15, 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 September 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 period of nine months ended September 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 special 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 Commission (CVM) specifically applicable to the preparation of Quarterly Information.
4. As mentioned in Notes 5 and 12 to the Quarterly Information, the Company has recorded, as of September 30, 2002, in current assets, accounts receivable in the amount of R\$42,959 thousand (R\$74,223 thousand consolidated) and, in current liabilities, accounts payable in the amount of R\$16,606 thousand (R\$28,261 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 are subject to modifications depending on the outcome of a current judicial process filed by energy market participants, with respect to market regulations in effect. The settlement of these amounts is expected for November 22, 2002 and will depend on the financial capacity of energy market participants to settle their obligations.
5. We have previously reviewed the balance sheets (parent company and consolidated) related to June 30, 2002, and issued our accountants' review report dated August 14, 2002. Our accountants' review report contained an emphasis paragraph related to accounts receivable and payable related to electric power sales and purchases operations conducted in the Electric Power Wholesale Market – MAE, in the period from September 1, 2000 to June 30, 2002. These receivables and payables were recorded based on preliminary information released by MAE and/or based on management estimates and were pending of approval from MAE and subsequent settlement. The statements of income (parent company and consolidated) for the quarter and the period of nine months ended September 30, 2001, presented for comparative purposes, were reviewed by other independent auditors, who issued their accountants' review report thereon dated October 26, 2001 containing emphasis paragraphs related to (a) tax credits generated by fiscal losses, negative basis of social contribution and other amounts that constitute temporary adjustments, which depend on generation of future taxable income to be compensated, as disclosed in Note 8, and (b) assets and liabilities relating to the sales and purchases of electric power in the Electric Power Wholesale Market (MAE), whose amounts were recorded based on management estimates.
6. On December 21, 2001 Provisional Measure (Executive Order) no. 14 was issued, and converted into Federal Law no. 10.438 of April 26, 2002, providing, among other things, 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 the rationing program on the financial position and results of operations are disclosed in Notes 5 and 7 to the quarterly information.

By: /s/DELOITTE TOUCHE TOHMATSU  
November 6, 2002

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

### THIRD QUARTER 2002 HIGHLIGHTS

- Electric energy Sales in the first nine months of 2002 totaled 4,661,858 MWh, 2.4% lower than the 4,777,614 MWh sold in the same period in 2001. This decrease is attributed mainly to lower residential consumption, which fell 12.2% due basically to the effects of greater conservation, which is now a part of consumer habits.
- On August 7, 2002, ANEEL (The Brazilian Electric Energy Regulatory Agency) disclosed its annual tariff increase for ESCELSA's customers, as per its concession agreement:

The total increase effective as of August 7, 2002 was **15.97%**, composed of the following:

**14.27%** is related to **costs not managed by ESCELSA that are passed through to customers**, such as energy purchased from FURNAS and ITAIPU, as well as transmission costs.

**1.70%** is related to **costs managed by ESCELSA that are adjusted to the IGP-M inflation index**, net of the **0.51%** discount applied to account for the pass through of productivity gains to clients (the "X" factor, which was established by ANEEL last year upon ESCELSA's Periodic Tariff Revision).

- In an extraordinary meeting of ESCELSA's Board of Directors on October 10, 2002, the following members of management were elected:

**Armando Fernandes Bernardo**

Distribution Officer, accumulating the positions of CEO and Engineering and Construction Officer on an interim basis.

**Sergio Pereira Pires**

Chief Financial Officer, accumulating the positions of Administrative Officer and Investor Relations Officer.

The Board members also approved the nomination of **Antônio Eduardo Silva Oliva** as Chief Executive Officer and **Manuel Fernando das Neves Bento** as Engineering and Construction Officer, both of whom will assume their respective duties immediately following the processing of their visas for employment in Brazil, as both are Portuguese nationals.

- In September 2002 the BNDES (Brazilian Economic Development Bank) released the second installment of the funding to offset the reduction in revenue that occurred during the Emergency Electric Energy Consumption Reduction Program, in the amount of R\$105,463 thousand.



ESCELSA' s NUMBERS

	PARENT COMPANY		CONSOLIDATED	
	Nine Months ended September 30			
	2002	2001	2002	2001
<b>FINANCIAL INFORMATION (thousands of reais)</b>				
Net operating revenues	589,632	498,728	902,687	785,778
Operating income	48,620	(8,786)	59,521	(4,499)
Loss for the period	(658,439)	(218,885)	(658,439)	(218,885)
EBITDA (1)	91,241	32,694	150,732	75,868
Adjusted EBITDA (2)	185,805	170,248	284,007	237,933
Total assets	2,756,901	2,241,274	3,734,893	3,064,874
Shareholders' equity	76,483	557,903	76,483	557,903
Number of shares	4,550,833	4,550,833		
Common stock price per share at year end (in Reais) (4)	64.00	91.99		
Market capitalization	291,253	418,631		
<b>INDICATORS</b>				
Operating margin (%)	8.25	(1.76)	6.59	(0.57)
EBITDA margin (%)	15.47	6.56	16.70	9.66
Current ratio	1.58	1.68	1.20	1.12
Personnel expenses plus third party services/net oper.revenues(%)	11.94	13.55	14.47	15.12
Energy losses (%)	11.64	10.02		
DEC - Equivalent outage duration per customer (hours)(*) (3)	14.73	14.24		
FEC- Equivalent outage frequency per customer ( times)(*) (3)	11.34	11.87		
TMA - Average service response time(minutes)(*) (3)	109	109		
Number of customers per employee(*)	696	628	646	601
<b>MARKET</b>				
Maximum demand - MWh/h(*)	1,077.6	1,138.1		
Energy sales - MWh(*)	4,661,858	4,777,614	6,677,359	6,838,672
Number of customers(*)	945,132	902,748	1,534,006	1,463,182
Average tariff to final customers - R\$/MWh(*)	134.81	111.66		
Average cost of electricity purchased - R\$/MWh	79.84	69.66		
<b>HUMAN RESOURCES</b>				
Number of employees(*)	1,357	1,438	2,375	2,433
Number of trainees(*)	91	84	131	108
Personnel expenses (thousands of reais)	47,226	46,402	84,712	79,855
Personnel expenses plus third party services (thousands of reais)	70,403	67,586	130,620	118,819

Notes:

- (1) BITDA (Operating income plus depreciation and amortization)
- (2) Ebitda + Financial revenues + Non-operating income (losses)
- (3) Period of 12 months
- (4) Stock price of the last day of each period of three months

**MARKET PERFORMANCE**
**ENERGY REQUIREMENTS**

Energy requirements during the first nine months of 2002 totaled 5,360,470 MWh 0.1% higher when compared to 5,354,839 MWh in the same period last year.

In order to satisfy market demand, the company generated 788,466 MWh and purchased 3,073,369 MWh from Furnas, 1,303,753 MWh from Itaipu and 93,595 MWh from other companies. In addition, 101,287 MWh, generated by self-producers was transported on ESCELSA's system.

The maximum demand during the first nine months of 2002 was 1,077.6 MWh/h, compared to 1,138.1 MWh/h in the same period last year

**ENERGY SOLD**

Electric energy Sales in the first nine months of 2002 totaled 4,661,858 MWh, 2.4% lower than the 4,777,614 MWh sold in the same period in 2001.

This decrease is attributed mainly to lower residential consumption, which fell 12.2% due basically to the effects of greater conservation, which is now a part of consumer habits.

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

	<b>MWh</b>					
	<b>PARENT COMPANY</b>			<b>CONSOLIDATED</b>		
	<b>First Nine Months</b>		<b>% Change</b>	<b>First Nine Months</b>		<b>% Change</b>
<b>2002</b>	<b>2001</b>	<b>2002</b>		<b>2001</b>		
<b>Retail:</b>						
Residential	840,271	956,822	(12.2)	1,468,239	1,636,359	(10.3)
Industrial	2,391,003	2,362,373	1.2	2,889,274	2,830,600	2.1
Commercial	616,728	602,839	2.3	1,003,335	1,007,810	(0.4)
Rural	233,824	272,645	(14.2)	433,525	462,659	(6.3)
Other	345,198	346,665	(0.4)	629,227	646,459	(2.7)
	<b>4,427,024</b>	<b>4,541,344</b>	<b>(2.5)</b>	<b>6,423,600</b>	<b>6,583,887</b>	<b>(2.4)</b>
<b>Wholesale</b>	<b>234,834</b>	<b>236,270</b>	<b>(0.6)</b>	<b>253,759</b>	<b>254,785</b>	<b>(0.4)</b>
<b>TOTAL</b>	<b>4,661,858</b>	<b>4,777,614</b>	<b>(2.4)</b>	<b>6,677,359</b>	<b>6,838,672</b>	<b>(2.4)</b>

**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.

	<b>PARENT COMPANY</b>			
	<b>First Nine Months of 2002</b>		<b>First Nine Months of 2001</b>	
	<b>As a % of Sales Volume</b>	<b>As a % of Revenues</b>	<b>As a % of Sales Volume</b>	<b>As a % of Revenues</b>
<b>Retail:</b>				
Residential	18.02	31.00	21.99	34.42
Industrial	51.29	37.49	43.27	35.97
Commercial	13.23	17.92	15.03	16.44
Rural	5.02	4.15	6.49	4.51
Other	7.40	7.19	9.42	6.75
	<b>94.96</b>	<b>97.75</b>	<b>96.20</b>	<b>98.09</b>
<b>Wholesale</b>	<b>5.04</b>	<b>2.25</b>	<b>3.80</b>	<b>1.91</b>
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

**NUMBER OF CUSTOMERS**

The number of customers on September 30, 2002 totaled 945,132, an increase of 4.7% compared to the same period last year. (\*)

During the first nine months of 2002, 22,553 customers were connected.

	PARENT COMPANY			CONSOLIDATED		
	September 30.		% Change	September 30.		% Change
	2002	2001		2002	2001	
<b>Retail:</b>						
Residential	749,207	717,764	4.4	1,231,904	1,179,767	4.4
Industrial	11,035	10,901	1.2	15,716	15,574	0.9
Commercial	83,587	79,315	5.4	135,292	128,727	5.1
Rural	92,219	86,142	7.1	135,632	124,473	9.0
Other	9,082	8,624	5.3	15,457	14,636	5.6
	<b>945,130</b>	<b>902,746</b>	<b>4.7</b>	<b>1,534,001</b>	<b>1,463,177</b>	<b>4.8</b>
<b>Wholesale</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>
<b>Total (*)</b>	<b>945,132</b>	<b>902,748</b>	<b>4.7</b>	<b>1,534,006</b>	<b>1,463,182</b>	<b>4.8</b>

(\*) Not reviewed by independent auditors

**AVERAGE TARIFF**

The average tariff charged to retail customers in September 2002 was R\$ 149.13/MWh, while the wholesale rate to other distributors was R\$ 66.33/MWh, resulting in an overall average tariff of R\$ 144.66/MWh, an increase of 19.8%, compared to the same period last year. The average tariffs per segment are as follows: (\*)

	R\$/MWh					
	PARENT COMPANY					
	SEP-2002	SEP-2001	% Change	9M 2002	9M 2001	% Change
<b>Retail:</b>						
Residential	237.76	215.51	10.3	221.15	184.76	19.7
Industrial	107.32	88.84	20.8	94.33	76.66	23.0
Commercial	200.11	171.10	17.0	175.36	138.81	26.3
Rural	150.29	125.59	19.7	132.51	106.80	24.1
Other	153.58	123.70	24.2	133.43	105.03	27.0
	<b>149.13</b>	<b>123.83</b>	<b>20.4</b>	<b>134.81</b>	<b>111.66</b>	<b>20.7</b>
<b>Wholesale</b>	<b>66.33</b>	<b>70.37</b>	<b>(5.7)</b>	<b>66.92</b>	<b>63.65</b>	<b>5.1</b>
<b>Average Tariff (*)</b>	<b>144.66</b>	<b>120.71</b>	<b>19.8</b>	<b>131.39</b>	<b>109.29</b>	<b>20.2</b>

(\*) 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:

**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 September 30, 2002, DEC was 14.73(\*) hours, compared to 14.24(\*) hours in the previous year, an increase of 3.4%(\*).

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

For the period ended September 30, 2002, FEC was 11.34(\*) compared to 11.87(\*) for the same period the previous year, an improvement of 4.5%(\*).

**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 September 30, 2002, TMA was 109 (\*) minutes unchanged from same period last year. (\*)

(\*) Not reviewed by independent auditors.

**ENERGY LOSSES**

Energy losses increased from 10.02% in the twelve-month period ended September 30, 2002 to 11,64% in the same period this year. This increasing is due to the energy rationing. Since the end of the rationing (March, 2002) losses have been decreasing.

**FINANCIAL PERFORMANCE**
**INCOME FROM OPERATIONS**

Income from operations in the nine months of 2002 totaled R\$ 48,620 thousand, compared to negative R\$ 8,786 thousand in the same period last year, resulting in an EBITDA of R\$ 91,241 thousand, equal to an EBITDA margin of 15.5%. The main items of income from operations were:

	<b>thousands of reais</b>			
	<b>First Nine Months</b>			
	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
Gross operating revenues	<b>830,811</b>	693,119	<b>1,240,423</b>	<b>1,062,178</b>
Operating revenues deductions	(241,179)	(194,391)	<b>(337,736)</b>	(276,400)
Net operating revenues	589,632	498,728	<b>902,687</b>	785,778
Operating expenses	(541,012)	(507,514)	<b>(843,166)</b>	(790,277)
Income from operations	48,620	(8,786)	<b>59,521</b>	(4,499)
EBITDA	91,241	32,694	<b>150,732</b>	75,868
EBITDA margin %	15.5	6.6	<b>16.7</b>	9.7

**OPERATING REVENUES**

Gross operating revenues in the first nine months of 2002 totaled R\$ 830,811 thousand, 19.9% higher compared to 2001. The revenue from the retail sector was R\$ 770,906, 16.3% higher compared to the same period in 2001.

The increase in the wholesale revenue in the first nine months 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 nine months of 2002 totaled R\$589,632, 12.2% higher than the same period in 2001.

	<b>thousands of reais</b>			
	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>First Nine Months</b>			
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>Retail:</b>				
Residential	237,914	233,889	390,360	380,659
Industrial	287,645	244,416	353,686	297,919
Commercial	137,509	111,688	222,668	187,981
Rural	31,825	30,598	58,541	53,229
Other	55,157	45,878	97,613	84,436
Unbilled revenues	2,740	(3,654)	6,687	(4,687)
Capacity charge	11,271	-	15,539	-
Regulatory assets	6,845	-	35,410	-
	<b>770,906</b>	<b>662,815</b>	<b>1,180,503</b>	<b>999,537</b>



**QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002**

<b>Wholesale:</b>				
Other distributors	17,239	13,008	20,318	15,613
Short-term	24,839	10,459	8,039	24,518
	<b>42,078</b>	<b>23,467</b>	<b>28,357</b>	<b>40,131</b>
<b>Other revenues</b>	17,827	6,837	31,563	22,510
<b>Gross operating revenues</b>	<b>830,811</b>	<b>693,119</b>	<b>1,240,423</b>	<b>1,062,178</b>
Operating revenues deductions	(241,179)	(194,391)	(337,736)	(276,400)
<b>Net operating revenues</b>	<b>589,632</b>	<b>498,728</b>	<b>902,687</b>	<b>785,778</b>

**OPERATING COSTS**

Operating costs including operating expenses plus RGR quotas increased from R\$ 520,052 to R\$ 552.531, an increase of 6.2%.

Operating costs outside Company control such as energy purchased, electric power transport, CCC, and RGR quotas increased 5.7% compared to the same period in 2001.

Costs controlled by the Company such as personnel, material, third party services and other expenses increased from R\$ 91,433 thousand in the first nine months of 2001 to R\$ 100,573 thousand in the first nine months of 2002, or 10%. Depreciation increased 2.8%. The increase in controlled costs was due to energy conservation programs, provisions for civil and labor contingencies and customer services, for which matching entries are recorded in other operating revenues.

	<b>thousands of reais</b>		
	<b>PARENT COMPANY</b>		
	<b>First Nine Months</b>		
	<b>2002</b>	<b>2001</b>	<b>%Change</b>
<b>Company Controlled Costs:</b>			
Personnel	47,226	46,402	1.8
Material	5,147	5,822	(11.6)
Third party services	23,177	21,184	9.4
Other	25,023	18,025	38.8
	<b>100,573</b>	<b>91,433</b>	<b>10.0</b>
Depreciation	42,621	41,480	2.8
<b>TOTAL COMPANY CONTROLLED</b>	<b>143,194</b>	<b>132,913</b>	<b>7.7</b>
<b>Outside Company Control:</b>			
Energy purchased	356,959	330,715	7.9
CCC	38,095	41,606	(8.4)
Financial compensation	1,818	1,032	76.2
ANEEL fiscal fee	946	1,248	(24.2)
RGR	11,519	12,538	(8.1)
<b>TOTAL COSTS OUTSIDE COMPANY</b>	<b>409,337</b>	<b>387,139</b>	<b>5.7</b>
<b>GRAND TOTAL</b>	<b>552,531</b>	<b>520,052</b>	<b>6.2</b>

**ENERGY PURCHASED EXPENSES**

The following table details energy purchased expenses.

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>First Nine Months</b>			
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>From FURNAS and TRACTEBEL</b>				
Expenses - thousands of reais	191,375	155,937	263,244	218,807
Volume - MWh(*)	3,073,369	3,135,483	4,646,792	4,584,828
Average cost - R\$/MWh(*)	<b>62.27</b>	<b>49.73</b>	<b>56.65</b>	<b>47.72</b>
<b>WHEELING From ITAIPU</b>				
Expenses - thousands of reais	4,513	4,125	6,351	5,803
Average cost - R\$/MWh(*)	<b>3.46</b>	<b>3.15</b>	<b>3.46</b>	<b>3.15</b>
<b>WHEELING-OTHER</b>				
Expenses - thousands of reais	44,067	48,206	72,842	77,484
Average cost - R\$/MWh(*)	<b>14.34</b>	<b>15.37</b>	<b>15.68</b>	<b>16.90</b>
<b>From ITAIPU</b>				
Expenses - thousands of reais	127,018	105,258	178,821	147,993
Volume - MWh(*)	1,303,753	1,308,666	1,834,847	1,839,309
Average cost - R\$/MWh(*)	<b>97.42</b>	<b>80.43</b>	<b>97.46</b>	<b>80.46</b>
<b>From OTHER</b>				
Expenses - thousands of reais	6,893	17,189	12,155	30,032
Volume - MWh(*)	93,595	304,863	197,831	400,988
Average cost - R\$/MWh(*)	<b>73.65</b>	<b>56.38</b>	<b>61.44</b>	<b>74.90</b>
<b>SECTOR AGREEMENT AND PARCEL 'A'</b>				
Expenses - thousands of reais	(16,907)	-	(24,122)	-
<b>TOTAL</b>				
Expenses - thousands of reais	356,959	330,715	509,291	480,119
Volume - MWh(*)	4,470,717	4,749,012	6,679,470	6,825,125
Average cost - R\$/MWh(*)	<b>79.84</b>	<b>69.64</b>	<b>76.25</b>	<b>70.35</b>

(\*) Not reviewed by independent auditors.

**NET FINANCIAL INCOME (EXPENSE)**

The net financial result in the first nine months of 2002 was negative R\$ 746,545, while in the same period last year was negative R\$ 280,081. The difference in the first nine months of this year is due mainly to the 67.9% devaluation of the Brazilian real against the U.S. dollar, which caused a significant increase in financial expenses on U.S. dollar denominated debt.

**CASH AND EQUIVALENTS**

ESCELSA has funds deposited in banks or invested in financial instruments in the amount of R\$ 289,633 for the Company and R\$ 295,202 on a consolidated basis as shown below:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>September 30, 2002</b>			
	<b>thousands of reais</b>	<b>US\$ thousand</b>	<b>thousands of reais</b>	<b>US\$ thousand</b>
<b>Investments in Reais:</b>				
Cash and bank	3,912	-	6,299	-
Banking Certificates of Deposits	-	-	34	-
Other	120	-	3,268	-
<b>Total real denominated investments</b>	<b>4,032</b>	<b>-</b>	<b>9,601</b>	<b>-</b>
<b>Investments in Dollars:</b>				
Currency Exchange Securities-NTN's	285,601	73,327	285,601	73,327
<b>Total Dollar denominated investments</b>	<b>285,601</b>	<b>73,327</b>	<b>285,601</b>	<b>73,327</b>
<b>Total cash and equivalents</b>	<b>289,633</b>		<b>295,202</b>	
<b>US dollar = 3.8949 Real</b>				

Cash investments in foreign exchange securities primarily to offset the company's foreign currency liability exposure are recognized at marked-to-market values.

Due to market volatility, the market values of such investments was R\$128 million lower vis-à-vis their contractual values.

**BALANCE SHEETS**

(In thousands of Brazilian reais)

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

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and banks	3,912	7,368	6,299	8,262
Marketable securities	285,721	214,501	288,903	214,693
Accounts receivable	262,805	240,925	413,305	380,363
Other accounts receivable	14,102	19,278	29,915	34,313
Income tax paid in advance	40,766	43,451	57,316	57,827
Allowance for doubtful accounts	(21,687)	(19,998)	(32,546)	(30,124)
Material and supplies	2,704	3,735	5,652	7,112
Escrow deposits	39,382	39,382	39,382	39,382
Prepaid expenses – CVA	2,928	26,843	11,417	31,730
Prepaid expenses – other	1,062	242	1,176	460
Service in progress	7,263	7,957	10,261	9,977
Other credits	13,677	9,558	19,780	20,016
	<b>652,635</b>	<b>593,242</b>	<b>850,860</b>	<b>774,011</b>
<b>LONG-TERM ASSETS</b>				
Accounts receivable	183,552	171,309	278,301	253,407
Special tariff situation	46,611	46,609	71,828	71,826
Affiliates and subsidiaries	6,473	1,362	63,031	57,561
Funding costs	2,851	3,043	2,851	3,043
Escrow deposits	69,413	66,441	98,008	90,006
Deferred income tax	170,130	170,130	286,748	286,930
Prepaid expenses – CVA	83,278	50,200	133,670	91,412
Other	19,290	18,431	31,517	29,973
	<b>581,598</b>	<b>527,525</b>	<b>965,954</b>	<b>884,158</b>
<b>PERMANENT ASSETS</b>				
Investments	762,238	749,836	377,018	379,688
Property, plant and equipment, net	760,430	762,398	1,540,982	1,523,779
Deferred charges	-	-	79	79
	<b>1,522,668</b>	<b>1,512,234</b>	<b>1,918,079</b>	<b>1,903,546</b>
<b>TOTAL ASSETS</b>	<b>2,756,901</b>	<b>2,633,001</b>	<b>3,734,893</b>	<b>3,561,715</b>

See notes to financial statements

**BALANCE SHEETS**

(In thousands of Brazilian reais)

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

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Suppliers	116,034	111,164	164,747	157,126
Payroll	1,803	942	2,932	2,457
Accrued interest and fees	38,756	57,773	47,937	63,548
Consumers charges payable	5,593	5,938	10,022	9,621
Accrued taxes and social contributions	37,653	33,220	52,729	49,146
Dividends	21	21	30	105
Loans and financing	139,538	86,399	337,931	343,153
Post retirement benefits	2,420	2,420	2,420	2,420
Accrued obligations	12,369	9,163	23,467	17,638
Provision for contingencies	39,382	39,382	39,382	39,382
Variation of parcel A items	3,322	29,051	4,844	29,438
Other	16,420	12,360	22,330	14,736
	<b>413,311</b>	<b>387,833</b>	<b>708,771</b>	<b>728,770</b>
<b>LONG-TERM LIABILITIES</b>				
Suppliers	66,972	68,596	97,669	95,329
Deferred income tax	8,259	8,875	8,259	8,875
Special tariff situation	35,228	26,312	53,925	40,166
Accrued interest and fees	-	-	3,406	2,085
Loans and financing	1,939,173	1,392,854	2,351,527	1,715,917
Post retirement benefits	28,032	28,032	28,032	28,032
Provision for contingencies	121,353	117,964	156,437	148,785
Variation of parcel A items	22,502	1,833	25,746	3,769
Affiliates and subsidiaries	104	-	-	-
Other	45,484	41,265	49,379	45,246
	<b>2,267,107</b>	<b>1,685,731</b>	<b>2,774,380</b>	<b>2,088,204</b>
<b>MINORITY INTEREST</b>	-	-	<b>175,259</b>	<b>185,304</b>
<b>SHAREHOLDERS' EQUITY</b>				
Capital stock	153,947	153,947	153,947	153,947
Capital reserves	577,588	576,471	577,588	576,471
Accumulated losses	(658,439)	(174,368)	(658,439)	(174,368)
	<b>73,096</b>	<b>556,050</b>	<b>73,096</b>	<b>556,050</b>
Credits for capital increase	3,387	3,387	3,387	3,387
	<b>76,483</b>	<b>559,437</b>	<b>76,483</b>	<b>559,437</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>2,756,901</b>	<b>2,633,001</b>	<b>3,734,893</b>	<b>3,561,715</b>

See notes to financial statements

**STATEMENTS OF INCOME**

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

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Nine months ended September 30,</b>			
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>OPERATING REVENUES</b>				
Electric power sales to final customers	759,635	662,815	1,164,964	999,537
Emergency charge	11,271	-	15,539	-
Electric power sales to distributors	42,078	23,467	28,357	40,131
Other revenues	17,827	6,837	31,563	22,510
	<b>830,811</b>	<b>693,119</b>	<b>1,240,423</b>	<b>1,062,178</b>
<b>Deductions from operating revenues</b>				
Global reserve for reversion quota (RGR)	(11,519)	(12,538)	(20,083)	(20,494)
State VAT (ICMS)	(188,697)	(156,551)	(257,142)	(216,812)
PIS and COFINS	(29,645)	(25,298)	(44,525)	(38,791)
Emergency charge	(11,271)	-	(15,539)	-
Other	(47)	(4)	(447)	(303)
	<b>(241,179)</b>	<b>(194,391)</b>	<b>(337,736)</b>	<b>(276,400)</b>
<b>NET OPERATING REVENUES</b>	<b>589,632</b>	<b>498,728</b>	<b>902,687</b>	<b>785,778</b>
<b>OPERATING EXPENSES</b>				
Personnel	(47,226)	(46,402)	(84,712)	(79,855)
Material	(5,147)	(5,822)	(10,503)	(15,360)
Services from third parties	(23,177)	(21,184)	(45,908)	(38,964)
Electric power purchased for resale	(308,379)	(278,384)	(432,520)	(396,830)
Transport of electricity capacity	(48,580)	(52,331)	(76,771)	(83,289)
Quota for fuel consumption – CCC	(38,095)	(41,606)	(56,696)	(59,495)
Depreciation and amortization	(42,621)	(41,480)	(91,211)	(80,367)
Provision for contingencies	(1,959)	-	(5,290)	539
Other	(25,828)	(20,305)	(39,555)	(36,656)
	<b>(541,012)</b>	<b>(507,514)</b>	<b>(843,166)</b>	<b>(790,277)</b>
<b>INCOME FROM OPERATIONS</b>	<b>48,620</b>	<b>(8,786)</b>	<b>59,521</b>	<b>(4,499)</b>
<b>EQUITY IN SUBSIDIARIES</b>	<b>(34,449)</b>	<b>(24,000)</b>	<b>-</b>	<b>-</b>
<b>FINANCIAL REVENUES</b>				
Income from temporary cash investments	44,989	126,957	56,182	127,109
Increase in overdue collections	7,929	5,989	12,115	9,254
Hedge	15,326	-	15,326	-
Selic-regulatory assets	23,187	-	40,136	-
Other	7,141	5,722	16,583	29,565
	<b>98,572</b>	<b>138,668</b>	<b>140,342</b>	<b>165,928</b>
<b>FINANCIAL EXPENSES</b>				
Monetary variation - electricity purchase	(4,068)	(6,839)	(6,058)	(9,453)
Monetary and exchange variation on loans and financing	(701,782)	(312,234)	(757,555)	(350,735)
Interest on loans and financing	(124,498)	(88,920)	(166,798)	(118,479)
Other	(14,769)	(10,756)	(19,712)	(15,369)
	<b>(845,117)</b>	<b>(418,749)</b>	<b>(950,123)</b>	<b>(494,036)</b>
<b>FINANCIAL RESULTS</b>	<b>(746,545)</b>	<b>(280,081)</b>	<b>(809,781)</b>	<b>(328,108)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>(732,374)</b>	<b>(312,867)</b>	<b>(750,260)</b>	<b>(332,607)</b>
NON-OPERATING REVENUES	400	2,570	747	3,330
NON-OPERATING EXPENSES	(4,408)	(3,684)	(7,814)	(7,193)
<b>NON-OPERATING INCOME (LOSS), NET</b>	<b>(4,008)</b>	<b>(1,114)</b>	<b>(7,067)</b>	<b>(3,863)</b>
<b>LOSS BEFORE TAXES AND MINORITY INTEREST</b>	<b>(736,382)</b>	<b>(313,981)</b>	<b>(757,327)</b>	<b>(336,470)</b>
Social contribution and income tax	77,943	95,096	84,367	108,586
<b>LOSS BEFORE MINORITY INTEREST</b>	<b>(658,439)</b>	<b>(218,885)</b>	<b>(672,960)</b>	<b>(227,884)</b>
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>14,521</b>	<b>8,999</b>
<b>LOSS FOR THE PERIOD</b>	<b>(658,439)</b>	<b>(218,885)</b>	<b>(658,439)</b>	<b>(218,885)</b>
<b>Loss per share - R\$</b>	<b>(144.68)</b>	<b>(48.10)</b>	<b>-</b>	<b>-</b>

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)

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Nine months ended September 30,</b>			
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
<b>From operations</b>				
Loss for the period	(658,439)	(218,885)	(658,439)	(218,885)
Adjustments to reconcile loss to cash provided by operating activities:				
Long-term monetary and exchange variation	701,914	312,234	751,937	340,475
Equity in subsidiaries	34,449	24,000	-	-
Depreciation and amortization	42,621	41,480	91,211	80,367
Disposal of property, plant and equipment	3,507	3,627	7,188	6,576
Provision for contingencies	9,153	20,793	12,880	20,254
Rationing program - regulatory assets	9,339	-	(11,890)	-
Minority share in profit	-	-	(14,521)	(8,999)
Obligations adjustments	5,829	-	5,829	-
Tax credits	(76,328)	(95,096)	(83,564)	(108,723)
Remuneration of construction work in progress and other	-	-	(909)	(862)
	<b>72,045</b>	<b>88,153</b>	<b>99,722</b>	<b>110,203</b>
Changes in current assets and liabilities				
Accounts receivable	(65,869)	1,216	(75,421)	(2,512)
Other accounts receivable	14,359	(43,481)	3,008	(49,457)
Prepaid expenses	2,135	(105)	(3,983)	(144)
Other credits	(1,512)	(3,977)	(2,767)	(15,654)
Suppliers	(20,253)	60,066	(14,253)	74,281
Accrued taxes and social contributions	9,103	2,097	4,556	761
Accrued obligations	12	(980)	1,585	308
Consumers charges payable	(2,788)	(1,536)	(3,218)	(2,997)
Variation of Parcel A items	3,082	-	4,604	-
Other	7,167	(4,053)	10,542	(3,258)
	<b>(54,564)</b>	<b>9,247</b>	<b>(75,347)</b>	<b>1,328</b>
Change in non-current assets and liabilities				
Escrow deposits	(8,318)	(10,786)	(13,798)	(14,435)
Special tariff situation	11,321	-	16,613	-
Affiliates and subsidiaries	(4,116)	(1,668)	(3,528)	(151)
Prepaid expenses	(8,621)	-	(25,620)	-
Variation of parcel A items	4,896	-	7,940	-
Other	(1,279)	4,453	(1,624)	(4,578)
	<b>(6,117)</b>	<b>(8,001)</b>	<b>(20,017)</b>	<b>(19,164)</b>
<b>Net cash provided by (used in) operation activities</b>	<b>11,364</b>	<b>89,399</b>	<b>4,358</b>	<b>92,367</b>
<b>Investing activities</b>				
Additions to property, plant and equipment	(36,353)	(43,449)	(133,571)	(121,665)
Additions to investments	(99,395)	(25,232)	(105)	653
Obligations related to the concession	3,023	3,400	4,418	5,338
<b>Net cash used in investing activities</b>	<b>(132,725)</b>	<b>(65,281)</b>	<b>(129,258)</b>	<b>(115,674)</b>
<b>Financing activities</b>				
Loans and financing	172,883	27,437	189,019	79,733
Accrued interest and fees	(19,654)	(14,247)	(14,042)	(6,855)
Dividends	-	(13,240)	(4,053)	(15,348)
Affiliates and subsidiaries	-	1,810	(10,319)	(9,951)
<b>Net cash provided by (used in) financing activities</b>	<b>153,229</b>	<b>1,760</b>	<b>160,605</b>	<b>47,579</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>31,868</b>	<b>25,878</b>	<b>35,705</b>	<b>24,272</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>257,765</b>	<b>272,770</b>	<b>259,497</b>	<b>277,791</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>289,633</b>	<b>298,648</b>	<b>295,202</b>	<b>302,063</b>
	<b>31,868</b>	<b>25,878</b>	<b>35,705</b>	<b>24,272</b>



**STATEMENTS OF INCOME BY QUARTER - UNCONSOLIDATED**

(in thousands of Brazilian Reais)

**PARENT COMPANY**

	2002				2001					LTM ended September-02
	1st Quarter	2nd Quarter	3rd Quarter	Total	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	
<b>NET OPERATING REVENUES</b>	<b>208,163</b>	<b>163,182</b>	<b>218,287</b>	<b>589,632</b>	<b>184,373</b>	<b>167,209</b>	<b>147,146</b>	<b>369,068</b>	<b>867,796</b>	<b>958,700</b>
<b>OPERATING EXPENSES</b>	<b>(176,949)</b>	<b>(169,496)</b>	<b>(194,567)</b>	<b>(541,012)</b>	<b>(165,482)</b>	<b>(175,336)</b>	<b>(166,696)</b>	<b>(238,514)</b>	<b>(746,028)</b>	<b>(779,526)</b>
Electricity purchased for resale	(108,323)	(116,240)	(132,396)	(356,959)	(108,695)	(117,248)	(104,772)	(149,984)	(480,699)	(506,943)
Depreciation and amortization	(14,131)	(14,212)	(14,278)	(42,621)	(13,564)	(13,924)	(13,992)	(14,019)	(55,499)	(56,640)
Personnel	(14,225)	(15,474)	(17,527)	(47,226)	(15,988)	(15,607)	(14,807)	(15,922)	(62,324)	(63,148)
Material	(1,557)	(1,653)	(1,937)	(5,147)	(1,786)	(1,982)	(2,054)	(2,158)	(7,980)	(7,305)
Third party services	(7,698)	(7,405)	(8,074)	(23,177)	(6,741)	(7,309)	(7,134)	(8,046)	(29,230)	(31,223)
Fuel usage quota - CCC	(12,907)	(13,557)	(11,631)	(38,095)	(12,151)	(14,436)	(15,019)	(6,942)	(48,548)	(45,037)
Provision for contingencies	-	(1,256)	1,256	-	-	-	-	(29,924)	(29,924)	(29,924)
Other expenses	(18,108)	301	(9,980)	(27,787)	(6,557)	(4,830)	(8,918)	(11,519)	(31,824)	(39,306)
<b>Income from operations</b>	<b>31,214</b>	<b>(6,314)</b>	<b>23,720</b>	<b>48,620</b>	<b>18,891</b>	<b>(8,127)</b>	<b>(19,550)</b>	<b>130,554</b>	<b>121,768</b>	<b>179,174</b>
<b>EQUITY IN SUBSIDIARIES</b>	<b>8,268</b>	<b>(22,720)</b>	<b>(19,997)</b>	<b>(34,449)</b>	<b>(942)</b>	<b>(4,745)</b>	<b>(18,313)</b>	<b>45,355</b>	<b>21,355</b>	<b>10,906</b>
<b>FINANCIAL REVENUES</b>	<b>19,215</b>	<b>44,805</b>	<b>34,552</b>	<b>98,572</b>	<b>41,079</b>	<b>49,484</b>	<b>48,105</b>	<b>(27,041)</b>	<b>111,627</b>	<b>71,531</b>
<b>FINANCIAL EXPENSES</b>	<b>(37,757)</b>	<b>(285,350)</b>	<b>(522,010)</b>	<b>(845,117)</b>	<b>(118,945)</b>	<b>(110,727)</b>	<b>(189,077)</b>	<b>120,657</b>	<b>(298,092)</b>	<b>(724,460)</b>
Monetary variation-electricity purchased	(305)	(3,569)	(194)	(4,068)	(1,562)	(1,545)	(3,732)	2,748	(4,091)	(1,320)
Monetary and exchange variation on loans and financing	(2,821)	(232,751)	(466,210)	(701,782)	(89,789)	(62,655)	(159,790)	154,151	(158,083)	(547,631)
Interest on loans and financing	(32,037)	(42,005)	(50,456)	(124,498)	(24,720)	(27,869)	(36,331)	(26,476)	(115,396)	(150,974)
Other	(2,594)	(7,025)	(5,150)	(14,769)	(2,874)	(18,658)	10,776	(9,766)	(20,522)	(24,535)
<b>Financial results</b>	<b>(18,542)</b>	<b>(240,545)</b>	<b>(487,458)</b>	<b>(746,545)</b>	<b>(77,866)</b>	<b>(61,243)</b>	<b>(140,972)</b>	<b>93,616</b>	<b>(186,465)</b>	<b>(652,929)</b>
<b>NON-OPERATING REVENUES(EXPENSES), net</b>	<b>(2,974)</b>	<b>(82)</b>	<b>(952)</b>	<b>(4,008)</b>	<b>(952)</b>	<b>592</b>	<b>(754)</b>	<b>(2,930)</b>	<b>(4,044)</b>	<b>(6,938)</b>
<b>INCOME(LOSS) BEFORE TAXES</b>	<b>17,966</b>	<b>(269,661)</b>	<b>(484,687)</b>	<b>(736,382)</b>	<b>(60,869)</b>	<b>(73,523)</b>	<b>(179,589)</b>	<b>266,595</b>	<b>(47,386)</b>	<b>(469,787)</b>
Social contribution and income tax	(3,811)	81,138	616	77,943	19,581	22,586	52,929	(73,846)	21,250	4,097
<b>NET INCOME(LOSS) FOR THE PERIOD</b>	<b>14,155</b>	<b>(188,523)</b>	<b>(484,071)</b>	<b>(658,439)</b>	<b>(41,288)</b>	<b>(50,937)</b>	<b>(126,660)</b>	<b>192,749</b>	<b>(26,136)</b>	<b>(465,690)</b>

**FINANCIAL RATIOS AND OTHER INFORMATION**

<b>EBITDA</b>	<b>45,345</b>	<b>7,898</b>	<b>37,998</b>	<b>91,241</b>	<b>32,455</b>	<b>5,797</b>	<b>(5,558)</b>	<b>144,573</b>	<b>177,267</b>	<b>235,814</b>
(+)Financial revenues	19,215	44,805	34,552	98,572	41,079	49,484	48,105	(27,041)	111,627	71,531
(+)Non-operating revenues(expenses), net	(2,974)	(82)	(952)	(4,008)	(952)	592	(754)	(2,930)	(4,044)	(6,938)
<b>=Adjusted EBITDA</b>	<b>61,586</b>	<b>52,621</b>	<b>71,598</b>	<b>185,805</b>	<b>72,582</b>	<b>55,873</b>	<b>41,793</b>	<b>114,602</b>	<b>284,850</b>	<b>300,407</b>
<b>CAPEX</b>	12,241	10,587	13,525	36,353	12,568	15,226	15,655	22,081	65,530	58,434
<b>TOTAL DEBT</b>	1,242,033	1,479,253	2,078,711	2,078,711	1,070,065	1,115,652	1,314,094	1,203,914	1,203,914	2,078,711
<b>INTEREST ON LOANS AND FINANCING</b>	32,037	42,005	50,456	124,498	24,720	27,869	36,331	26,476	115,396	150,974
<b>EBITDA margin</b>	21.8%	4.8%	17.4%	15.5%	17.6%	3.5%	-3.8%	39.2%	20.4%	24.6%
<b>EBITDA/Interest on loans and financing</b>	1.4x	0.2x	0.8x	0.7x	1.3x	0.2x	-0.2x	5.5x	1.5x	1.6x
<b>Adjusted EBITDA margin</b>	29.6%	32.2%	33.4%	31.7%	39.4%	33.4%	28.4%	31.1%	32.8%	31.5%
<b>Adjusted EBITDA/Interest on loans and financing</b>	1.9x	1.3x	1.4x	1.5x	2.9x	2.0x	1.2x	4.3x	2.5x	2.0x



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED SEPTEMBER 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 Km<sup>2</sup>, 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 generation, transmission and 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 September 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 and free energy recovery.
- c) **Allowance for doubtful accounts** – recognized in accordance with General Instruction n° 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 02 of 12/24/1997 and 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\$3.8949 on September 30, 2002 and US\$ 1 = R\$ 2.8444 on June 30, 2002).
- 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/year, or R\$60/three months, 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, the balance of this account is being classified as a deduction to 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.
- 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.
- n) **Taxation of transactions in the Electric Power Wholesale Market (MAE)** – According to article 32 of Provisional Measure 66, of August 29, 2002, regulated by Normative Instruction 199, issued on September 12, 2002, the Company opted for PIS/PASEP special tax basis. This basis is related to revenues recorded according MAE rules and the continuity of application at the rate of 0.65%.

### 3.2. Consolidated Financial Statements

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

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.



QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002

4. MARKETABLE SECURITIES

	PARENT COMPANY		CONSOLIDATED	
	Sep-02	Jun-02	Sep-02	Jun-02
Interbank Deposits – CDB	-	-	34	13
U.S. Dollar-linked Treasury Notes - NTN and NBC	285,601	214,370	285,601	214,370
Other	120	131	3,268	310
<b>TOTAL</b>	<b>285,721</b>	<b>214,501</b>	<b>288,903</b>	<b>214,693</b>

5. ACCOUNTS RECEIVABLE

	PARENT COMPANY				
	Current	Past-due up to 90 days	Past-due Over 90 days	Total Sep-02	Total Jun-02
<b>CURRENT ASSETS</b>					
<b>FINAL CUSTOMERS</b>					
Residential	14,467	18,441	1,503	34,411	33,470
Industrial	36,520	3,306	2,987	42,813	38,748
Commercial, services and other activities	11,490	5,748	1,287	18,525	17,056
Rural	4,457	1,445	238	6,140	5,371
Public authority:					
Federal	703	793	1,262	2,758	1,733
State	946	1,729	8,343	11,018	9,932
Municipal	587	782	1,414	2,783	2,655
Public lighting	2,844	2,059	2,192	7,095	6,312
Public service	2,051	78	92	2,221	1,934
Unbilled revenue	20,375	-	-	20,375	17,507
Regulatory asset – recoverable losses	45,589	-	-	45,589	44,941
Other credits	12,788	2,281	3,591	18,660	17,516
	<b>152,817</b>	<b>36,662</b>	<b>22,909</b>	<b>212,388</b>	<b>197,175</b>
<b>WHOLESALE</b>					
Distributors	5,243	-	-	5,243	4,332
Spot market	45,135	-	39	45,174	39,418
	<b>50,378</b>	<b>-</b>	<b>39</b>	<b>50,417</b>	<b>43,750</b>
<b>TOTAL</b>	<b>203,195</b>	<b>36,662</b>	<b>22,948</b>	<b>262,805</b>	<b>240,925</b>
<b>LONG-TERM ASSETS</b>					
<b>FINAL CUSTOMERS</b>					
Regulatory asset					
Recoverable losses	88,297	-	-	88,297	77,193
Free energy	70,231	-	-	70,231	71,934
Other credits	25,024	-	-	25,024	22,182
	<b>183,552</b>	<b>-</b>	<b>-</b>	<b>183,552</b>	<b>171,309</b>
<b>CONSOLIDATED</b>					
<b>CURRENT ASSETS</b>					
<b>FINAL CUSTOMERS</b>					
Residential	23,048	27,935	1,735	52,718	52,460
Industrial	43,217	4,805	3,177	51,199	47,639
Commercial, services and other activities.	15,564	9,920	5,004	30,488	29,004
Rural	4,838	2,952	330	8,120	8,114
Public Authority:					
Federal	1,270	1,142	1,477	3,889	2,908
State	1,956	3,913	9,269	15,138	11,899
Municipal	1,904	2,059	3,029	6,992	6,191
Public lighting	5,063	5,189	9,322	19,574	15,730
Public service	3,430	836	120	4,386	3,270
Unbilled revenue	37,841	-	-	37,841	33,495
Regulatory asset- recoverable losses	65,923	-	-	65,923	65,462
Other credits	26,435	3,952	6,488	36,875	32,207
	<b>230,489</b>	<b>62,703</b>	<b>39,951</b>	<b>333,143</b>	<b>308,379</b>
<b>WHOLESALE</b>					
Distributors	5,715	-	-	5,715	4,793
Spot market	76,399	-	39	76,438	67,191
	<b>82,114</b>	<b>-</b>	<b>39</b>	<b>82,153</b>	<b>71,984</b>
	<b>312,603</b>	<b>62,703</b>	<b>39,990</b>	<b>415,296</b>	<b>380,363</b>

	<b>CONSOLIDATED</b>			
	<b>Current</b>	<b>Past-due up to 90 days</b>	<b>Past-due Over 90 days</b>	<b>Total</b>
			<b>Sep-02</b>	<b>Jun-02</b>
<b>LONG-TERM ASSETS</b>				
<b>FINAL CUSTOMERS</b>				
Regulatory asset				
Recoverable losses	150,848	-	150,848	131,251
Free energy	102,429	-	102,429	99,974
	<b>253,277</b>	<b>-</b>	<b>253,277</b>	<b>231,225</b>
Other credits	25,024	-	25,024	22,182
	<b>278,301</b>	<b>-</b>	<b>278,301</b>	<b>253,407</b>

**Regulatory Asset**

Based on provisions included in Provisional Measure nº14 of December 21, 2001 (converted into Law no. 10,438 of April 26, 2002), Resolution CGE no. 91, of December 21, 2001, ANEEL Resolution no. 31, of January 24, 2002 and ANEEL Resolution no. 72 of February 7, 2002, the Company made a computation of 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, through 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.

ANEEL Resolutions 480 and 481, issued on August 29, 2002, approved the amounts related to the recovery of losses during the Emergency Program for Reducing Electric Consumption – PRE incurred from June, 2001 to February, 2002

According to ANEEL Resolution no. 484, of August 29, 2002, the extraordinary tariff for the recovery will be in force for the maximum period of 70 (seventy) months, starting December 2001.

The increase in tariffs for final customers approved by ANEEL for ESCELSA and ENERSUL for the recovery of the rationing losses were as follows:

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

The regulatory asset, related to the extraordinary tariff for the recovery of the rationing losses, had the following movement during the period:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>CURRENT</b>	<b>LONG TERM</b>	<b>CURRENT</b>	<b>LONG TERM</b>
<b>Balance as of 12/31/2001</b>	<b>54,928</b>	<b>157,692</b>	<b>76,485</b>	<b>226,171</b>
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
	<b>59,368</b>	<b>175,665</b>	<b>83,019</b>	<b>268,975</b>
Transfer to current assets	(2,276)	2,276	349	(349)
Recovery via extraordinary tariffs	(12,151)	-	(17,906)	-
Losses of margin	-	(36,529)	-	(48,654)
-Free Energy	-	7,715	-	11,253
	<b>44,941</b>	<b>149,127</b>	<b>65,462</b>	<b>231,225</b>
Transfer to current assets	12,369	(12,369)	17,812	(17,812)
Recovery via extraordinary tariffs	(11,721)	-	(17,351)	-
Losses of margin	-	23,474	-	37,409
-Free Energy	-	(1,703)	-	2,455
	<b>45,589</b>	<b>158,529</b>	<b>65,923</b>	<b>253,277</b>

**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\$42,959, of which R\$14,130 relates to the period from September 2000 through December 2001, recorded based on the information published by MAE, and R\$28,829 related to the period from January to June 2002, 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, the corresponding amounts are classified in the current assets as customers and wholesale. The amounts on September 30, 2002 and June 30, 2002 are described below:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>ASSETS</b>				
Current assets (customers and wholesale):				
Bonus balance (invoiced (-) received)	(97)	(290)	(102)	(337)
Surtax – accounts receivable	932	1,205	1,586	1,930
Surtax installment	603	607	1,044	1,003
	<b>1,438</b>	<b>1,522</b>	<b>2,528</b>	<b>2,596</b>
Long term assets:				
Invoiced bonus	40,272	40,270	61,456	61,453
Costs incurred by Company to be reimbursed	6,339	6,339	10,372	10,373
	<b>46,611</b>	<b>46,609</b>	<b>71,828</b>	<b>71,826</b>
<b>TOTAL</b>	<b>48,049</b>	<b>48,131</b>	<b>74,356</b>	<b>74,422</b>
<b>LIABILITIES</b>				
Long term liabilities:				
Surtaxes charged	11,866	12,047	19,336	19,535
(-) ICMS tax on surcharges	(2,647)	(2,693)	(4,130)	(4,179)
(-) 2% to cover costs	(94)	(94)	(161)	(162)
Resources received	26,103	17,052	38,880	24,972
<b>TOTAL</b>	<b>35,228</b>	<b>26,312</b>	<b>53,925</b>	<b>40,166</b>
<b>BALANCE RECEIVABLE - Ministry of Mines and Energy</b>	<b>12,821</b>	<b>21,819</b>	<b>20,431</b>	<b>34,256</b>

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

<b>LEGAL ACT</b>	<b>PARENT COMPANY</b>	<b>CONSOLIDATED</b>
Order ANEEL n°239, of 04/25/02(*)	4,628	6,937
(*) Received on 10/03/2002		

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 -CVA**

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 no. 2,227 of 09/04/2001, the Law no. 10.438 of 05/26/2002, and ANEEL Resolution no. 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.

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 n<sup>os</sup>. 60 and 91/2002, of January 24, 2002 and February 14, 2002, respectively. The balances are as shown below:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>ASSETS</b>				
Current	2,928	26,843	11,417	31,730
Long term assets	83,278	50,200	133,670	91,412
	<b>86.206</b>	<b>77.043</b>	<b>145.087</b>	<b>123.142</b>
<b>LIABILITIES</b>				
Current	3,322	29,051	4,844	29,438
Long term	22,502	1,833	25,746	3,769
	<b>25,824</b>	<b>30,884</b>	<b>30,590</b>	<b>33,207</b>

The amount of R\$44.893, (R\$76.148, consolidated), was ratified on August 29, 2002 by Aneel Rule 482. The amount refers to period from January 1, 2001 to October 25, 2001 and will be recovered in connection with the regulatory asset through extraordinary tariff increases (see note 5).

## 8. TAX CREDITS

Tax credits classified as current assets correspond to income tax withheld on 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.

As a result of the rules laid down by CVM Instruction no. 371, of June 27, 2002, the Company did not record new tax credits in the amount of R\$152,813 (consolidated – R\$160,923).

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

<b>ASSET</b>	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>Tax loss</b>				
Temporary additions CVM Rule 371	347,330	347,330	690,412	691,009
Other temporary additions	30,451	30,451	30,451	30,451
	144,675	144,675	187,120	187,120
	<b>522,456</b>	<b>522,456</b>	<b>907,983</b>	<b>908,580</b>
Statutory rate	25%	25%	25%	25%
<b>Income tax</b>	<b>130,614</b>	<b>130,614</b>	<b>226,996</b>	<b>227,145</b>
Negative basis of social contribution	404,346	404,346	641,773	642,181
Temporary additions: CVM Rule 371	30,451	30,451	30,451	30,451
Other temporary additions	59,154	59,154	85,528	85,528
	<b>493,951</b>	<b>493,951</b>	<b>757,752</b>	<b>758,160</b>
Statutory rate	8%	8%	8%	8%
<b>Social contribution</b>	<b>39,516</b>	<b>39,516</b>	<b>60,620</b>	<b>60,653</b>
Adjustment between statutory rate(8%) and realization(9%)	-	-	(868)	(868)
<b>TOTAL</b>	<b>170,130</b>	<b>170,130</b>	<b>286,748</b>	<b>286,930</b>

Preliminary studies, to be appreciated by the Company's Senior Administration, show that the total amount recorded will be recovered until year 2012.



**QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002**

Amounts recorded:

<b>PARENT COMPANY</b>									
<b>REALIZATION EXPECTATION</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 TO 2012</b>	<b>TOTAL</b>
Income tax	-	-	5.026	8.550	11.732	18.377	19.078	67.850	130.614
Social contribution	-	-	1.372	2.499	3.731	5.880	6.105	19.930	39.516
	<u>-</u>	<u>-</u>	<u>6.398</u>	<u>11.049</u>	<u>15.463</u>	<u>24.257</u>	<u>25.183</u>	<u>87.780</u>	<u>170.130</u>

<b>CONSOLIDATED</b>									
<b>REALIZATION EXPECTATION</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010 TO 2012</b>	<b>TOTAL</b>
Income tax	5.206	27.223	18.172	21.346	27.198	36.527	23.474	67.850	226.996
Social contribution	1.884	4.157	4.781	6.594	8.680	7.622	6.105	19.929	59.752
	<u>7.048</u>	<u>31.380</u>	<u>22.953</u>	<u>27.940</u>	<u>35.878</u>	<u>42.150</u>	<u>29.579</u>	<u>87.779</u>	<u>286.748</u>

Amounts not recorded:

<b>REALIZATION EXPECTATION</b>	<b>AFTER 2012</b>	
	<b>PARENT COMPANY</b>	<b>CONSOLIDATED</b>
Income tax	115.728	121.790
Social contribution	37.085	39.133
	<u>152.813</u>	<u>160.923</u>

**9. AFFILIATES AND SUBSIDIARIES**

<b>COMPANIES</b>	<b>TRANSACTION</b>	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
		<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
MAGISTRA	Pass-through of costs and mutual contracts	2	41	62,315	56,950
ENERSUL	Pass-through of costs	1,470	71	-	-
ESCELSAPAR	Pass-through of costs	-	-	-	-
CESA	Pass-through of costs	4,285	-	-	-
OTHER AFFILIATED	Pass-through of costs	716	611	716	611
		<u>6,473</u>	<u>1,362</u>	<u>63,031</u>	<u>57,561</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\$ 5,160.
- 2) Interest Rate: 100% of CDI;  
Maturity: several dates through December 31, 2002;  
Balance: R\$ 57,155.

MAGISTRA's financial income from subsidiary ESC90 totaling R\$7,036 (R\$4,433 on 09/30/2001) in the consolidated statement is recorded as other financial income. The guarantees are promissory notes corresponding to 125% of principal.



QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002

10. INVESTMENTS

	PARENT COMPANY		CONSOLIDATED	
	Sep-02	Jun-02	Sep-02	Jun-02
<b>Equity Investments:</b>				
<b>Stated by the equity method:</b>				
MAGISTRA PARTICIPAÇÕES S.A	756,868	744,805	-	-
TV A CABO VITÓRIA – TVIX S.A	91	129	-	-
ESCELSA PARTICIPAÇÕES S.– ESCELSAPAR	3,409	3,032		
	<b>760,368</b>	<b>747,966</b>	-	-
<b>Goodwill from investments:</b>				
Goodwill	-	-	408,770	408,770
Discount from new share acquisition	-	-	(15,152)	(15,152)
Goodwill amortization	-	-	(18,532)	(15,907)
	-	-	<b>375,086</b>	<b>377,711</b>
<b>Stated at restated cost:</b>				
Others	37	37	37	37
	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Projects, studies and other investments</b>	<b>1,833</b>	<b>1,833</b>	<b>1,895</b>	<b>1,940</b>
<b>TOTAL</b>	<b>762,238</b>	<b>749,836</b>	<b>377,018</b>	<b>379,688</b>

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	
	Sep-02	Jun-02	Sep-02	Jun-02	Sep-02	Jun-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	<u>668,483</u>	<u>668,483</u>	<u>1,540</u>	<u>1,540</u>	<u>2,203</u>	<u>2,203</u>
<b>Shareholders' equity</b>	756,868	744,805	96	132	3,410	3,032
<b>Net income (loss)</b>	<u>(34,720)</u>	<u>(14,381)</u>	<u>(105)</u>	<u>(69)</u>	<u>376</u>	<u>(3)</u>
<b>Investment value</b>	<u>756,868</u>	<u>744,805</u>	<u>94</u>	<u>129</u>	<u>3,410</u>	<u>3,032</u>
<b>Equity adjustment</b>	(34,720)	(14,381)	(102)	(68)	376	(3)

11. PROPERTY, PLANT AND EQUIPMENT

	PARENT COMPANY		Annual average rates of depreciation (%)	CONSOLIDATED	
	Sep-02	Jun-02		Sep-02	Jun-02
<b>IN SERVICE:</b>					
Generation	104,507	104,507	2.23%	196,997	197,128
Transmission	13,333	13,333	2.87%	13,333	13,333
Distribution	1,029,428	1,020,864	4.34%	1,961,093	1,937,064
Commercialization	4,301	4,301	9.27%	7,452	7,451
Administration	115,739	111,281	8.64%	236,264	230,595
	<b>1,267,308</b>	<b>1,254,286</b>	<b>4.53%</b>	<b>2,415,139</b>	<b>2,385,571</b>
<b>(-) Accumulated depreciation</b>					
Generation	(62,080)	(61,438)		(103,149)	(102,276)
Transmission	(6,976)	(6,880)		(6,976)	(6,880)
Distribution	(376,773)	(368,222)		(709,800)	(691,874)
Commercialization	(2,462)	(2,363)		(2,865)	(2,690)
Administration	(53,372)	(51,119)		(99,406)	(94,233)
	<b>(501,663)</b>	<b>(490,022)</b>		<b>(922,196)</b>	<b>(897,953)</b>
	<b>765,645</b>	<b>764,264</b>		<b>1,492,943</b>	<b>1,487,618</b>

**UNDER CONSTRUCTION:**

Generation	4,488	4,328	111,850	88,777
Transmission	914	658	914	658
Distribution	75,827	76,161	109,403	116,933
Administration	8,978	11,255	12,986	14,440
	<b>90,207</b>	<b>92,402</b>	<b>235,153</b>	<b>220,808</b>
	<b>855,852</b>	<b>856,666</b>	<b>1,728,096</b>	<b>1,708,426</b>
(-)Obligations related to the concession	(95,422)	(94,268)	(187,114)	(184,647)
<b>TOTAL</b>	<b>760,430</b>	<b>762,398</b>	<b>1,540,982</b>	<b>1,523,779</b>

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

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
Consumer contributions	64,370	63,229	88,654	87,016
Donations and subsidies	25,794	25,794	91,053	90,237
Federal participation	5,258	5,245	7,407	7,394
<b>TOTAL</b>	<b>94,422</b>	<b>94,268</b>	<b>187,114</b>	<b>184,647</b>

In accordance with General Instruction n° 6.3.10 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:

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>		
	<b>Distribution</b>	<b>Total</b>	<b>Generation</b>	<b>Distribution</b>	<b>Total</b>
Interest on loans and financing	125,665	125,665	11,828	168,475	180,303
(-) Transfer to property, plant and equipment in progress	(1,167)	(1,167)	(9,538)	(3,967)	(13,505)
<b>Net</b>	<b>124,498</b>	<b>124,498</b>	<b>2,290</b>	<b>164,508</b>	<b>166,798</b>
Monetary exchange variation	702,128	702,128	4,806	758,667	763,473
(-)Transfer to property, plant and equipment in progress	(346)	(346)	(4,713)	(1,205)	(5,918)
<b>Net</b>	<b>701,782</b>	<b>701,782</b>	<b>93</b>	<b>757,462</b>	<b>757,555</b>

**12. SUPPLIERS**

<b>CURRENT LIABILITIES:</b>	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
<b>Electricity suppliers:</b>				
FURNAS	34,529	29,734	34,529	29,734
ITAIPU	45,763	46,853	61,812	60,584
TRACTEBEL	-	-	12,042	9,600
ELETROSUL	-	-	1,340	1,486
MAE	16,606	17,089	28,261	29,368
Other	13,863	11,946	15,770	14,449
	<b>110,761</b>	<b>105,622</b>	<b>153,754</b>	<b>145,221</b>
Materials and service providers	5,273	5,542	10,993	11,905
<b>TOTAL</b>	<b>116,034</b>	<b>111,164</b>	<b>164,747</b>	<b>157,126</b>
<b>LONG TERM LIABILITIES:</b>				
<b>Electric Energy Supply:</b>				
Free energy	66,972	68,596	97,669	95,329
<b>TOTAL</b>	<b>66,972</b>	<b>68,596</b>	<b>97,669</b>	<b>95,329</b>

**13. LOANS AND FINANCING**

PARENT COMPANY									
DESCRIPTION	Average Interest Rate	Maturity		Sep-02			Jun-02		
		Type	Period	Interest and Other Charges	Current	Long-Term	Interest and Other Charges	Current	Long-Term
<b>Local Currency:</b>									
ELETROBRÁS	5,0% - 7,0%	Monthly	May/99 to Jul/07	-	1,927	4,464	-	1,932	4,324
BNDES	TJLP plus 3.8%	Monthly	Nov/99 to Oct/10	1,729	29,509	168,336	1,590	27,150	162,713
BNDES-Rationing losses	SELIC plus 1,0%	Monthly	Feb/02 to Feb/06	666	37,476	87,835	-	28,763	-
Bank Loan	7% CDI	Monthly	Oct/01 to Nov/02	-	21,780	-	-	28,554	-
				<u>2,395</u>	<u>90,692</u>	<u>260,635</u>	<u>1,590</u>	<u>86,399</u>	<u>167,037</u>
<b>Foreign Currency:</b>									
Senior Notes	10.0%	Single	Jul/07	34,969	-	1,678,538	56,183	-	1,225,817
BBA(*)	16,0%	Single	Jan/03	1,392	48,846	-	-	-	-
<b>TOTAL</b>				<u><b>36,361</b></u>	<u><b>48,846</b></u>	<u><b>1,678,538</b></u>	<u><b>56,183</b></u>	<u><b>-</b></u>	<u><b>1,225,817</b></u>
				<u><b>38,756</b></u>	<u><b>139,538</b></u>	<u><b>1,939,173</b></u>	<u><b>57,773</b></u>	<u><b>86,399</b></u>	<u><b>1,392,854</b></u>
CONSOLIDATED									
DESCRIPTION	Average Interest Rate	Maturity		Sep-02			Jun-02		
		Type	Period	Interest and Other Charges	Current	Long-Term	Interest and Other Charges	Current	Long-Term
<b>Local Currency:</b>									
ELETROBRAS - ESCELSA	5.0% to 7.0%	Monthly	May/99 to Jul/07	-	1,927	4,464	-	1,932	4,324
ELETROBRAS - ENERSUL	6.0% to 12.0%	Monthly	Dec/97 to May/22	184	14,266	41,547	480	16,954	43,669
BNDES - ESCELSA	TJLP plus 3.8%	Monthly	Oct/99 to Oct/10	1,729	29,509	168,336	1,590	27,150	162,713
BNDES - MAGISTRA	TJLP plus 4.0%	Half-Year	Nov/99 to Nov/04	3,614	38,850	58,275	1,179	38,485	57,727
BNDES - ENERSUL	TJLP plus 3.85%	Monthly	Sep/01 to Feb/08	256	12,909	57,013	247	12,787	59,674
BNDES - ENERSUL	TJLP plus 4.00%	Monthly	Feb/00 to Apr/04	5	925	540	6	916	763
BNDES-Rationing losses	SELIC plus 1.0%	Monthly	Feb/02 to Jun/06	1,042	54,410	145,008	98	43,903	-
BNDES-CESA	TJLP plus 4.50%	Monthly	Jul/04 to Jul/12	-	-	13,753	-	-	-
BNDES-CESA	UMBNDDES PLUS 4.5%	Monthly	Jul/04 to Jul/12	-	-	1,823	-	-	-
BCO BRASIL - FCO	11.20%	Monthly	Nov/04 to Nov/13	569	-	30,000	586	-	30,000
Citibank	104% 108% CDI	Monthly	Oct/02 to Nov/02	400	8,214	-	944	22,099	-
Bank Loan	103% - 111,1% - CDI	Monthly	Oct/02 to Mar/03	62	77,179	-	330	112,057	-
FUNDAÇÃO ENERSUL	10%	Monthly	Jul/98 to Nov/13	109	1,760	16,771	109	1,591	16,781
Other	1.35%	Monthly	May/00 to Jun/09	30	-	881	162	1,015	1,537
<b>TOTAL</b>				<u><b>8,000</b></u>	<u><b>239,949</b></u>	<u><b>538,411</b></u>	<u><b>5,731</b></u>	<u><b>278,889</b></u>	<u><b>377,188</b></u>
<b>Foreign Currency:</b>									
SENIOR NOTES	10,0%	Single	Jul/07	34,969	-	1,678,538	56,183	-	1,225,817
BRADESCO (*)	4,90% to 12,00%	(**)	Oct/01 to Nov/02	572	23,779	-	119	21,292	-
UNIBANCO (*)	10,85% to 11,40%	(**)	Mar/04	-	-	10,998	-	-	14,121
EUROPEAN INVEST BANK	LIBOR plus 4,0% to 5,0%	Half-Year	Dec/02 to Mar/09	1,241	5,311	57,786	197	-	46,079
STN-DMLP	LIBOR plus 4,5% to 8,2%	Half-Year	Oct/96 to Apr/24	1,383	1,661	54,774	553	1,213	40,001
BBA FMO (*)	8,90%	Half-Year	Mar/02 to Sep/07	134	4,547	11,020	495	3,852	12,711
ITAU(*)	1,5%	Single	Oct/02	246	13,838	-	130	13,730	-
BBA(*)	16,0%	Single	Jan/03	1,392	48,846	-	-	-	-
DRESDNER(*)	3,5%	Single	Aug/02	-	-	-	140	24,177	-
				<u><b>39,937</b></u>	<u><b>97,982</b></u>	<u><b>1,813,116</b></u>	<u><b>57,817</b></u>	<u><b>64,264</b></u>	<u><b>1,338,729</b></u>
<b>Long Term Interest</b>				<u><b>47,937</b></u>	<u><b>337,931</b></u>	<u><b>2,351,527</b></u>	<u><b>63,548</b></u>	<u><b>343,153</b></u>	<u><b>1,715,917</b></u>
UNIBANCO (*)	10,85% to 11,40%	(**)	Mar/01 to Apr/04	3,406	-	-	2,085	-	-

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

(\*\*)Loans

composed of several notes with the same maturity date



**QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002**

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

	<b>PARENT COMPANY</b>		<b>CONSOLIDATED</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
Local currency	351,327	253,436	778,360	656,077
Foreign currency	1,727,384	1,225,817	1,911,098	1,402,993
<b>TOTAL</b>	<b>2,078,711</b>	<b>1,479,253</b>	<b>2,689,458</b>	<b>2,059,070</b>

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

<b>Currency and Indexes</b>	<b>Sep-02</b>	<b>Sep-01</b>
US\$ x R\$	67.85%	38.61%
IGP-M	10.54%	7.66%
INPC	6.39%	6.26%
TJLP	10.00%	9.50%

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

<b>Maturity</b>	<b>PARENT COMPANY</b>			<b>CONSOLIDATED</b>		
	<b>Currency</b>					
	<b>Local</b>	<b>Foreign</b>	<b>Total</b>	<b>Local</b>	<b>Foreign</b>	<b>Total</b>
<b>Current</b>						
2002	37,326	-	37,326	133,991	38,359	172,350
2003	53,366	48,846	102,212	105,958	59,623	165,581
	<b>90,692</b>	<b>48,846</b>	<b>139,538</b>	<b>239,949</b>	<b>97,982</b>	<b>337,931</b>
<b>Long term</b>						
2003	27,074	-	27,074	58,223	6,230	64,453
2004	88,937	-	88,937	176,623	31,154	207,777
2005	92,008	-	92,008	133,782	20,156	153,938
2006	35,116	-	35,116	70,864	16,423	87,287
2007	5,058	1,678,538	1,683,596	31,106	1,694,357	1,725,463
2008	4,502	-	4,502	18,259	9,362	27,621
2009	4,502	-	4,502	13,103	3,275	16,378
2010	3,438	-	3,438	12,039	2,500	14,539
2011	-	-	-	8,601	2,500	11,101
After 2011	-	-	-	15,811	27,159	42,970
	<b>260,635</b>	<b>1,678,538</b>	<b>1,939,173</b>	<b>538,411</b>	<b>1,813,116</b>	<b>2,351,527</b>
<b>TOTAL</b>	<b>351,327</b>	<b>1,727,384</b>	<b>2,078,711</b>	<b>778,360</b>	<b>1,911,098</b>	<b>2,689,458</b>

**14. PROVISION FOR CONTINGENCIES**

<b>Contingency</b>	<b>PARENT COMPANY</b>					
	<b>Sep-02</b>			<b>Jun-02</b>		
	<b>Provision</b>	<b>Escrow</b>	<b>Escrow</b>	<b>Provision</b>	<b>Escrow</b>	<b>Escrow</b>
	<b>Period of three months</b>	<b>Accumulated</b>		<b>Period of three months</b>	<b>Accumulated</b>	
<b>Current liabilities:</b>						
<b>Fiscal</b>						
COFINS	-	39,382	39,382	-	39,382	39,382
<b>TOTAL</b>	<b>-</b>	<b>39,382</b>	<b>39,382</b>	<b>-</b>	<b>39,382</b>	<b>39,382</b>
<b>Long-term:</b>						
Labor claims	22	16,791	10,082	916	16,769	9,914
Civil litigation	524	28,125	7,374	659	27,601	6,894
Fiscal	2,843	76,437	51,957	2,241	73,594	49,633
<b>TOTAL</b>	<b>3,389</b>	<b>121,353</b>	<b>69,413</b>	<b>3,816</b>	<b>117,964</b>	<b>66,441</b>



**QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002**

	CONSOLIDATED					
	Sep-02			Jun-02		
	Provision		Escrow	Provision		Escrow
	Period of three months	Accumulated	Deposits	Period of three months	Accumulated	Deposits
<b>Contingency</b>						
<b>Current liabilities:</b>						
<b>Fiscal</b>						
COFINS	-	39,382	39,382	-	39,382	39,382
<b>TOTAL</b>	<b>-</b>	<b>39,382</b>	<b>39,382</b>	<b>-</b>	<b>39,382</b>	<b>39,382</b>
<b>Long-term:</b>						
Labor claims	1,149	21,692	12,199	1,026	20,543	11,845
Civil litigation	1,326	33,483	7,609	840	32,157	7,112
Fiscal	5,177	101,262	70,950	4,307	96,085	66,393
<b>TOTAL</b>	<b>7,652</b>	<b>156,437</b>	<b>90,758</b>	<b>6,173</b>	<b>148,785</b>	<b>85,350</b>

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\$34,674, 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 nºs. 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 September 30, 2002, is represented by 4,550,833 common shares, with no par value, with the following equity structure:



**QUARTERLY FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2002**

<b>Shareholder</b>	<b>Quantity of shares</b>	<b>Shareholders' quantity</b>	<b>% of participation</b>
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
<b>TOTAL</b>	<b>4,550,833</b>	<b>149</b>	<b>100.00</b>

**16. CHANGES IN SHAREHOLDERS' EQUITY – PARENT COMPANY**

	<b>CAPITAL STOCK</b>	<b>CAPITAL RESERVES</b>	<b>ACCUMULATED LOSSES</b>	<b>SUBTOTAL</b>	<b>CREDITS FOR CAPITAL INCREASE</b>	<b>TOTAL</b>
<b>BALANCE AS OF DECEMBER 31, 2001</b>	153,947	574,069	-	728,016	3,387	731,403
Remuneration on construction work in progress	-	3,519	-	3,519	-	3,519
Income for the period	-	-	(658,439)	(658,439)	-	(658,439)
<b>BALANCE AS OF SEPTEMBER 30, 2002</b>	<b>153,947</b>	<b>577,588</b>	<b>(658,439)</b>	<b>73,096</b>	<b>3,387</b>	<b>76,483</b>

**17. INCOME TAX AND SOCIAL CONTRIBUTION**

	<b>Sep-02</b>		<b>Sep-01</b>	
	<b>Income tax</b>	<b>Social Cont.</b>	<b>Income tax</b>	<b>Social Cont.</b>
Income (loss) before taxes	(736,382)	(736,382)	(313,980)	(313,980)
Statutory rate	25%	8%	25%	8%
	(184,095)	(58,910)	(78,495)	(25,118)
Remuneration on construction work in progress	880	281	292	94
Equity in subsidiaries	8,612	2,756	6,000	1,920
Non-deductible provision	4,286	159	5,637	(206)
Adjustments – tax credits (DIPJ/2001)	(4,568)	(157)	(5,440)	220
Tax Credit not recorded (*)	115,728	37,085	-	-
	<b>(59,157)</b>	<b>(18,786)</b>	<b>(72,006)</b>	<b>(23,090)</b>
Effective rate	25%	8%	25%	8%

(\*) According to CVM Rule 371 of June 27, 2002. See note 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.

	<b>PARENT COMPANY</b>	
	<b>Sep-02</b>	<b>Jun-02</b>
<b>TECHNICAL RESERVES</b>		
<b>Mathematical reserves:</b>		
Benefits paid	77,365	75,012
Benefits	80,195	80,641
	<b>157,560</b>	<b>155,653</b>
<b>TECHNICAL SURPLUS</b>		
Contingency	18,534	21,378
<b>Total</b>	<b>176,094</b>	<b>177,031</b>



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

	<u>PLAN I</u>	<u>PLAN II</u>	<u>TOTAL</u>
Contributing	34	1,318	1,352
Receiving participants	644	113	757
Pension	104	4	108
	748	117	865
<b>Total</b>	<b><u>782</u></b>	<b><u>1,435</u></b>	<b><u>2,217</u></b>

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 nine months of 2002, ESCELSA contributed R\$1,844 (R\$1,903 in the first nine months 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 September 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 n.º 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>Sep-02</u>	<u>Jun-02</u>	<u>Sep-02</u>	<u>Jun-02</u>
Marketable securities	285,601	214,501	288,903	214,693
Loans and financing – Long-term	1,939,173	1,392,854	2,351,528	1,715,917

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



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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 13, 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 is as follows:

	<b>BOOK VALUE</b>		<b>FAIR VALUE</b>	
	<b>Sep-02</b>	<b>Jun-02</b>	<b>Sep-02</b>	<b>Jun-02</b>
Senior Notes	1,678,538	1,225,817	721,771	833,556
U.S. dollar assets	(285,601)	(214,370)	(285,601)	(214,370)
<b>Net Exposure</b>	<b>1,392,937</b>	<b>1,011,447</b>	<b>436,170</b>	<b>619,186</b>

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	03/28/02	01/14/03	19.381	100% of CDI	Dollar +4.02% per year	11,884

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.

ESCELSA and its 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 103% CDI (parent Company) and IGP-M plus interest rates of 11.70% to 12.01% per annum and CDI plus 0.95%- 2.33% per annum (subsidiaries).

Considering the Real devaluation during the period, the hedging instruments generated a gain of R\$18,146 for ESCELSA and R\$ 43,601 consolidated, recorded as monetary variation in the financial statements, as follows:

LIABILITY	AMOUNT					
	PARENT COMPANY			CONSOLIDATED		
	BOOK VALUE	SWAP VALUE	GAIN	BOOK VALUE	SWAP VALUE	GAIN
Loans and Financing	48,846	30,700	18,146	142,840	99,239	43,601

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.