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Investors & Analysts' Briefing

INVESTOR RELATIONS DEPARTMENT

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EDP SELLS ITS STAKE IN FAFEN TO PETROBRÁS

Today, EDP Brasil, S.A. ("EDP Brasil") signed a sale and purchase agreement with Petrobrás-Petróleo Brasileiro, S.A. ("Petrobrás") for the sale of an 80% shareholding in Fafen Energia, S.A. ("Fafen"), in which Petrobrás already owned a 20% stake.

This cogeneration project, which was initiated in 2001, has an installed capacity of 133 MW for electricity generation and 42 ton/hour for steam generation, of which 22 MW for electricity generation and all of the steam produced are to be consumed by Fafen's fertilizing industrial unit, controlled by Petrobrás.

The selling price of the 80% stake in Fafen amounts to R\$96 million (€26 million), of which 50% will be paid within 30 days and the remaining will be settled in two annual equal amounts, corrected by the IGPM Price Index.

Total investment undertaken by EDP Brasil, net of accumulated results to date, amounts to R\$242 million (€66 million). In December 2003, EDP Brasil recorded a R\$139 million (€38 million) impairment to this investment due to the unlikelihood of Fafen selling electricity at prices equivalent to the normative value for thermal plants. As such, the net impact of this transaction in EDP Brasil's 2004 results will be R\$7 million (€2 million) loss.

Initially, during the early stage of investment in this project, EDP Brasil expected to develop a wider program, which included the execution of several thermoelectric projects, pursuant to the rules of the Brazilian Government Thermoelectric Program. However, the development of additional thermal power plants was suspended, mostly due to a delay in the definition of the applicable regulation and the subsequent awareness of higher



risks associated with investments in thermoelectric plants in Brazil. EDP currently considers that the regulatory conditions associated with the development of these projects have levels of risk and uncertainty that are not acceptable, as a result of which it has taken the decision of divesting from Fafen. Given the regulatory framework in force for the Brazilian electricity sector, EDP's strategy for the electricity generation activity in this geographical area does not include the development of new thermoelectric projects.

EDP – ENERGIAS DE PORTUGAL, S.A.