

Report and Accounts 1999






Contents


6	CHAIRMAN'S MESSAGE
8	KEY INDICATOR TRENDS
9	THE EDP GROUP
10	ORGANISATION STRUCTURE
11	EDP'S GOVERNING BODIES




15	Directors' Report
16	Macroeconomic and Energy Review
25	The Electricity Sector's Organisation and Regulation
30	The Group's Operations in 1999
30	Reorganisation of Equity Investments and Creation of New Companies
32	Generation
34	Transmission
36	Distribution
39	Internationalisation
44	Diversification
49	Human Resources
53	Other Activities
62	Capital Expenditure
62	Current Capital Expenditure
64	Investments in Diversification and Internationalisation
66	Capital Market Performance
67	Year 2000 and the Euro
69	Economic and Financial Review
76	Subsequent Events and Outlook for 2000
76	Important Post-Balance Sheet Events
77	Outlook for 2000
80	Acknowledgements
82	Annexes
85	Brief Profile of the EDP Group Companies



97	Group Annual Financial Statements
98	Consolidated Balance Sheet at December 31 1999
100	Consolidated Income Statement
102	Notes to the Group Annual Financial Statements at December 31 1999
145	Consolidated Cash Flow Statement for the Year Ended December 31 1999



147	Audit and Supervisory Reports
148	Statutory Audit Certification
150	Report on the Supervisory Work Relating to the 1999 Group Annual Financial Statements
152	Sole Supervisors' Report (Group Annual Financial Statements)
154	Auditors' Report
155	External Auditors' Report
157	Excerpt from the Minutes of the Shareholders' General Meeting
158	Exemption from the Requirement to Publish Individual Accounts



161	Statistical Annex
162	Principal Statistical Data
163	Funding
164	Fuel and Electric Energy Acquisitions
165	Energy Balance
166	Electricity Consumption According to Destination
167	Distribution Network



Chairman's Message

To our Shareholders,

It is with pride and confidence that I present you with the results achieved in 1999. It was unquestionably a period of success for the EDP Group, marked by the consolidation of its position and the diversification of business areas. Today the EDP Group's business mission extends well beyond the confines of the national electricity sector:

Key achievements were the development of different capabilities in the provision of customer services and the conquest of significant positions in the telecommunications and energy markets in general.

1999's hard work enabled the Group to attain a profit which is on a par with that of the preceding year, out of which we propose to distribute a dividend of PTE 140 per share. This result was achieved notwithstanding the difficulties experienced in the national electricity sector as a result of the tariff reduction imposed in 1999 and the increased costs of energy purchases, and on the international front, the impact of the Real's depreciation.

The determination with which the EDP Group faces these challenges allows us to intensify the policy of cost reduction and staff rationalisation.

Continuing the drive undertaken to respond to the challenge posed by the liberalisation of the internal electricity market, we continued to implement the business restructuring plan, which included the reorganisation of regulated activities and the merging of the distribution companies into a single entity, EDP Distribuição.

EDP has made timely preparations for the increasing liberalisation of the telecommunications area and fulfilled the programmed objectives. This entailed reinforcing its participation in the telecommunications arena and securing an operating licence in the fixed-line telephony segment – ONI became fully operational on January 1 2000.

Now considered to be the EDP Group's second core business, telecommunications represent a decisive area for the enhancement of EDP's asset values and business, at the same time constituting the basis for the EDP Group's assertion in the so-called new economy.





Furthermore, EDP strengthened its position in the gas sector and entered the water distribution business. Concrete examples of this strategy were the creation of EDP Águas and the negotiation of an international alliance (the last-mentioned has already enabled us to win a concession in Chile).

A foundation stone in the development of the national electricity sector, the EDP Group is today undoubtedly spearheading the Portuguese economy's escalating cross-border initiatives.

The expansion of international business ventures entailed new and crucial investments in the Brazilian market, where EDP now has interests in a group of companies whose customer base outstrips that of our home market. We also reinforced our position in CEM - Companhia de Electricidade de Macau, in which EDP is now the biggest single shareholder.

I am also pleased to report the widely-acknowledged success in the solution of the year 2000 computer bug, a fact which reaffirms the EDP Group's technological and IT expertise.

I therefore sense the strengthened confidence and capacity of the EDP Group to take advantage of the opportunities for consistent growth and the creation of value.

EDP will continue to be a forward-looking organisation, always ensuring the satisfaction of our customers' needs, providing a climate of professional realisation for our employees and relentlessly pursuing the defence of our Shareholders' interests.

Mário Cristina de Sousa
Chairman



Key Indicator Trends

Economic-financial data	1999	1998	change 98/99
Economic and financial data (PTE million)			
Turnover	615,883	603,476	2.1%
Operating profit	181,702	212,686	-14.6%
Net income	103,035	104,809	-1.7%
Cash flow before capital expenditure (1)	234,082	231,516	1.1%
Gross value added	432,460	454,379	-4.8%
Capital expenditure	125,738	81,786	53.7%
Net total assets	2,748,522	2,485,155	10.6%
Shareholders' funds	1,214,897	1,228,415	-1.1%
Total liabilities	1,533,624	1,256,740	22.0%
Interest-bearing debt	875,837	695,799	25.9%
Stock market capitalisation	2,084,612	2,255,400	-7.6%
Indicators(as %)			
Operating margin (2)	29.5	35.2	
Gross margin (3)	70.7	76.3	
Asset turn (4)	22.4	24.3	
Operating cash flow (5)/Turnover	50.8	56.2	
Return on shareholders' funds (6)	8.5	8.5	
Return on total assets (7)	6.6	8.6	
Capital structure (8)	72.1	56.6	
Solvency (9)	179.2	197.7	
Activity details			
Net demand (GWh)	35,803	33,808	5.9%
Sales of electric energy (GWh)	32,280	30,363	6.3%
Number of electricity customers (thousandl)	5,292	5,161	2.5%
Staff complement:	13,883	13,932	-0.4%
Electricity	11,952	12,636	-5.4%
Telecommunications	453	345	31.3%
Other	1,478	951	55.4%
Customers / Staff complement	586	533	9.9%
Turnover/Staff complement (PTE th.)	44,362	43,316	2.4%
GVA/Staff complement (PTE th.)	31,150	32,614	-4.5%

(1) Net income + Depreciation + Net provisions

(2) Operating profit/Turnover

(3) (Turnover - Cost of sales)/Turnover

(4) Turnover/Assets

(5) Operating profit + Depreciation + Net provisions

(6) Net income/Shareholders' funds

(7) Operating profit/Assets

(8) Interest-bearing debt/Shareholders' funds

(9) Assets/Liabilities

The EDP Group



The EDP Group is one of Europe's major operators in the electricity sector and a leading Portuguese business group.

Following the demerger in 1994 and the reorganisation of the national electricity sector, the company's reprivatisation commenced in 1997. Presently 49% of EDP's share capital is listed on the stock market.

Benefiting from the vast experience acquired in the electricity business, the efficiency and competitiveness of its infrastructures and the acknowledged competence of its human resources, the EDP Group has been diversifying its activities into other business areas and asserting itself on the international stage.

Today the EDP Group is a natural and competitive participant in the telecommunications market, in the gas, water and sanitation businesses, and in the provision of services in the Information Technology and New Economy areas.

On the other hand, the Group will pursue, with success, the internationalisation strategy involving the reinforced presence in Brazil and

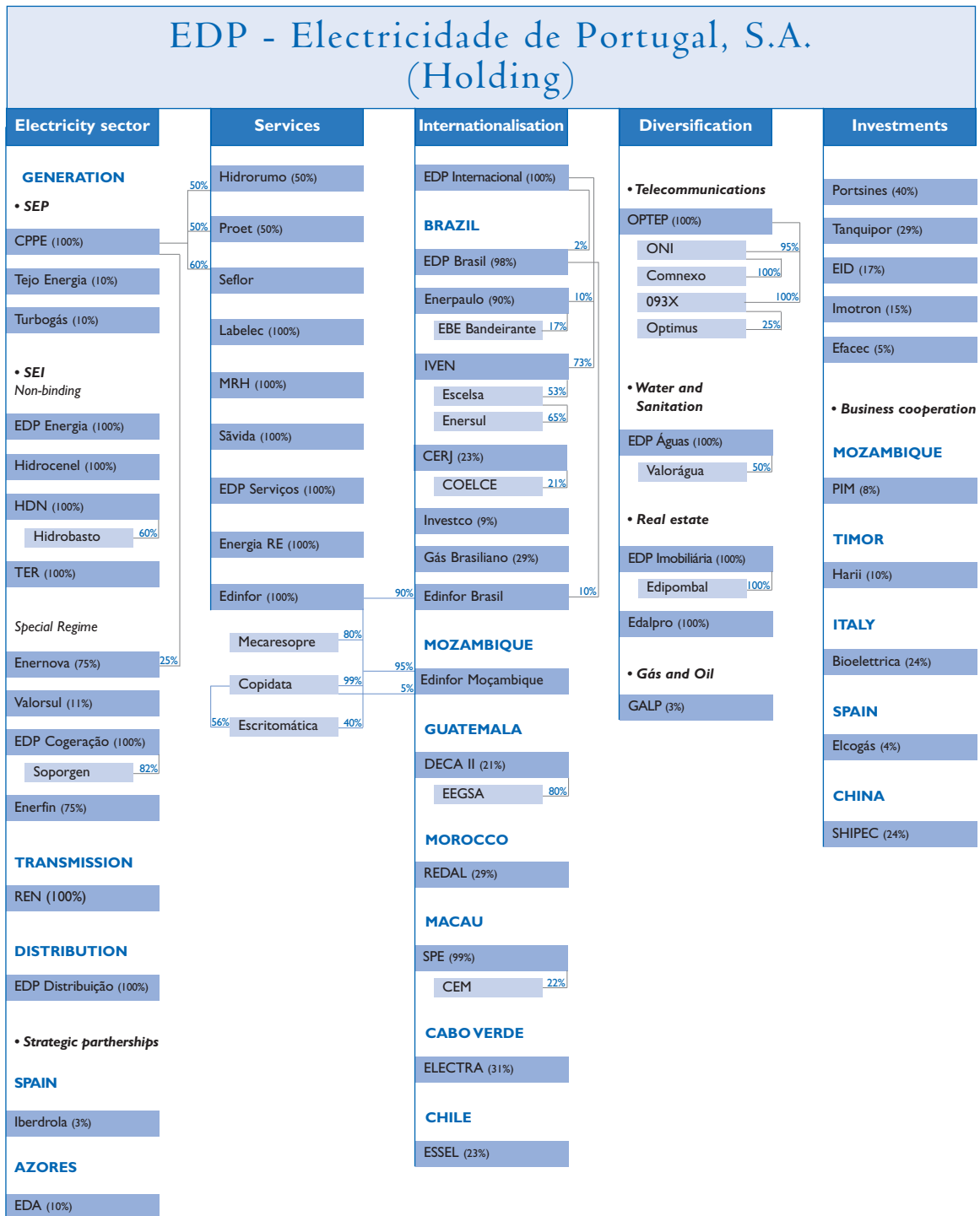
the entry into new markets, spearheading the Portuguese economy's internationalisation thrust.

Hence, the EDP Group plays a key role in the national economy and on the capital market, backed by its technological potential and by its solid economic and financial base, the recognition of which has contributed to the affirmation of the prestige and image that it projects both at home and abroad.

The current challenges comprise the consolidation of the investments already made and the quest for new growth opportunities with a view to creating shareholder value. The principal focus will be on; improving the quality and efficiency of electricity generation, transmission, distribution and sales; undertaking projects in partnership with the Spanish power utility Iberdrola and the BCP financial group, in the latter case in the field of e-finance, non-financial services based on the Internet and mobile telephony; and the complete assertion of the EDP Group's potential in the New Economy.



Organisation Structure



EDP's Governing Bodies



Shareholders' General Meeting Committee

Dr. Carlos Manuel Adrião Rodrigues

Chairman

Dr. António Campos Pires Caiado

Vice-Chairman

Board of Directors

Dr. Mário Cristina de Sousa

Chairman

Eng. Jorge Fernando Alves Ferreira Guimarães

Vice-Chairman

Dr. Humberto da Costa Biu

Member

Eng. Francisco de la Fuente Sánchez

Member

Eng. Luís Filipe Lucena Ferreira

Member

Dr. Vítor Manuel Ribeiro Constâncio

(renounced on 8.2.2000)

Eng. Ignacio Francisco Javier Herrero Sorriqueta,

(representing Iberdrola)

Sole Supervisors

M. Rodrigues, B. Assunção e Associado, Statutory auditors, represented by

Dr. António de Moura Rodrigues, ROC

In office

Dr. Severo Praxedes Soares, ROC

Alternate

Company Secretary

Dr. António Pedro Alfaia de Carvalho

In office

Dr. António José Marrachinho Soares

Alternate



Dr. Mário Cristina de Sousa



Eng. Jorge Fernando Alves
Ferreira Guimarães



Dr. Humberto da Costa Bui



Eng. Francisco de la Fuente
Sánchez



Eng. Luís Filipe Lucena Ferreira





Directors' Report

16	Macroeconomic and Energy Review
25	The Electricity Sector's Organisation and Regulation
30	The Group's Operations in 1999
30	Reorganisation of Equity Investments and Creation of New Companies
32	Generation
34	Transmission
36	Distribution
39	Internationalisation
43	Diversification
49	Human Resources
53	Other Activities
62	Capital Expenditure
62	Current Capital Expenditure
64	Investments in Diversification and Internationalisation
66	Capital Market Performance
67	Year 2000 and the Euro
69	Economic and Financial Review
76	Subsequent Events and Outlook for 2000
76	Important Post-Balance Sheet Events
77	Outlook for 2000
80	Acknowledgements
82	Annexes
85	Brief Profile of the EDP Group Companies



Macroeconomic background

The world economy

We observed a certain amount of stabilisation of the world economy during 1999 following the period of international financial turmoil which marked 1997-98, thereby boosting the expectations of an acceleration in economic growth in 2000.

According to European Commission estimates, world GDP expanded 3% in 1999, thus outpacing the 2.4% recorded in 1998. The economic panorama was marked by the recovery of the Asian economies, the containment of the contagion effects of the Brazilian financial crisis, the continued robust growth of the North American economy, and a slight downturn in the tempo of economic growth in Europe.

In the European Union, the introduction of the euro on January 1 was the most salient economic event of 1999, having a pronounced effect on the single monetary policy of the participating countries (EU-11), of which Portugal forms part. The euro assumed a leading role on the currency and financial markets and is

now one of the principal international currencies.

The euro depreciated 14.8% in 1999 against the American dollar, to be fixed at USD 1.007 at the end of December, thereby mirroring the difference in the economic performances of the two blocs.

Meanwhile, the final six months of the year revealed signs of an upswing in the EU, with growth of 2.3% (against 2.7% in 1998).

The decrease in 1999 in the production of oil by OPEC member countries gave rise to an increase in the price per barrel, thereby reversing the trend noted since the beginning of 1997. In annual average terms, the spot price of Brent crude spiralled upwards by 41.4% during 1999, to be quoted at USD 25,6 per barrel at the end of the year.

The rise in oil prices did not have a significant impact on inflation levels in 1999, as this was offset by the favourable evolution of the prices of other goods, namely non-energy raw materials and services.

During the course of 1999, Brazil was able to recover from the financial crisis



which erupted at the beginning of the year, restoring credibility in its stabilisation and economic revival. The source of this crisis can be ascribed to fiscal weaknesses and the balance of payments, thus forcing Brazil to float the real and triggering grave concerns in January 1999 regarding the threat of inflationary pressures. Current prospects for 2000 point to GDP growth of around 4%, accompanied by an increase in the standard of living and lower unemployment and inflation rates.

The Portuguese economy

The national economy experienced its sixth consecutive year of expansion, with GDP posting average growth of some 3% between 1994 and 1999. With Portugal's integration into the euro's founding group, the convergence process was successfully concluded, as evidenced by the attainment of the criteria laid down in the Treaty of Maastricht.

Portuguese economic growth was marginally higher than the euro zone's average, thus contributing to real convergence with the European economy despite the higher growth posted by Spain and Germany.

Domestic demand, although more moderate than in 1998, continued to be the principal factor spurring growth as a result of the expansion in private consumption and investment fuelled by historically low interest rates.

The employment market continued to register a positive trend. The jobless rate maintained its downward trajectory, standing at 4.2% in the final quarter compared with 4.7% in the previous year. The rise in salaries was 3.3%, against 3.2% in 1998.

Investment decelerated in 1999 to around 6.5% (9.7% in 1998), continuing to be propelled by the strong dynamism displayed by the residential construction component.

It is conceivable that the Portuguese economy's current restructuring and modernisation tendencies will benefit in 2000 from the positive effects of the technological revolution presently under way, and thus contribute to the building of an economy increasingly based on new technologies and knowledge.



Electricity within the context of global energy

In the wake of the various oil shocks, the use of energy has essentially evolved along two major fronts: lower growth rates for the consumption of primary energy by means of more rational energy usage; and lower recourse to liquid fuels, with increased utilisation of solid fuels, nuclear energy and natural gas.

Accordingly, whereas in the period 1973-1996 the global consumption of primary energy rose by 1.9% per annum, it is estimated that in the ensuing period and up until 2010 the annual rate of increase will be situated at 1.4%.

As regards the second major trend, the percentage of liquid fuels in total consumption of primary energy within the OECD declined from 53% in 1973 to 42% in 1998.

In the period which elapsed between the first two oil shocks, the widespread protests unleashed against nuclear power had a powerful dampening effect on its initial expansion, thereby curbing the prospect of a significant

substitution of liquid fuels in the production of electricity. Part of this substitution was met by coal, principally during the 80's.

The growing concern with environmental issues progressively affected the use of coal, giving way to initial interest in natural gas.

In Portugal where the nuclear option was never even contemplated, the movement was similar; with coal substituting fuel-oil in electricity generation and in the cement industry. More recently, natural gas was introduced into electricity generation and in different sectors of economic activity.

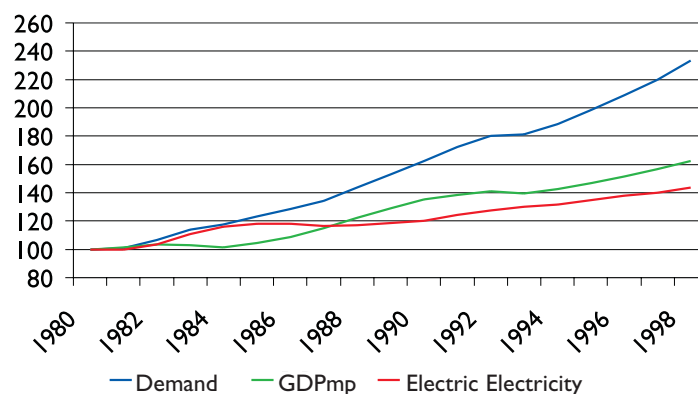
In spite of the trend induced by the more rational use of energy, electricity consumption continued to grow at a faster rate than the economy, even in Portugal. Indeed, electricity is a superior quality form of energy (more convenient, safe and versatile, as well as easier to control), while diverting the environmental impact from dispersed consumption centres to selected locations where, subject to measures aimed at protecting the environment, power generation plants are concentrated.





In the period 1980 to 1997, whilst GDP posted growth of 57%, the demand for electricity rose by 114%, thus motivating the expansion of electrical intensity, as measured by the consumption of electricity per monetary unit of GDP expressed in constant currency terms.

Electricity demand, GDPmp and electricity intensities in Portugal



The growth in electricity consumption does not manifest itself in all sectors in the same manner. Thus in Portugal, whilst in industry we observe a trend towards lower sectoral electrical intensity – measured by electricity consumption per unit of GVA – we note the opposite pattern in the services and transport sectors, as well as in residential usage.

A comparison between Portugal and the universe of the 15 countries which currently make up the European Union (EU) permits us to conclude that the difference between the chief indicators of electric energy consumption (electrical intensity and per capita consumption) has been decreasing. In the period between 1990 and 1997, whilst electrical intensity in Portugal recorded an annual average growth rate of about 2.3% (against a virtually constant figure within the EU area of around 0.4%), the per capita consumption rose in average terms by roughly 4.3% (compared with the 1.9% noted in the EU).

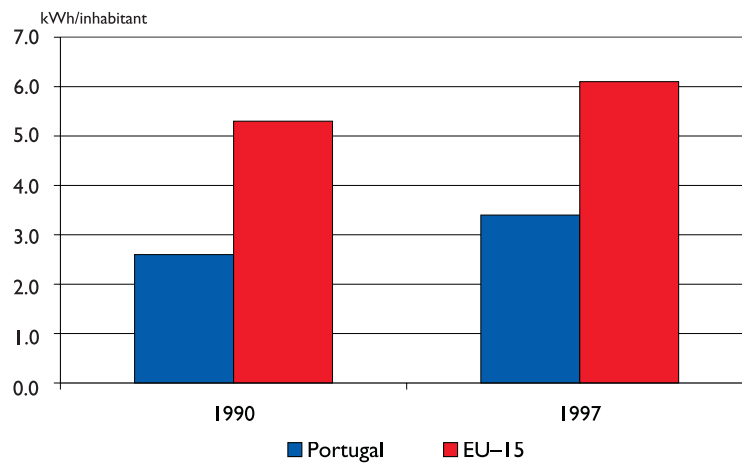
The elasticity of electricity consumption relative to the economy's overall growth (measured by the relationship between the growth rates for electricity demand and GDP) was roughly 2.5 between 1990 and 1995, and 2.1 between 1990 and 1998. It



Macroeconomic and Energy Review

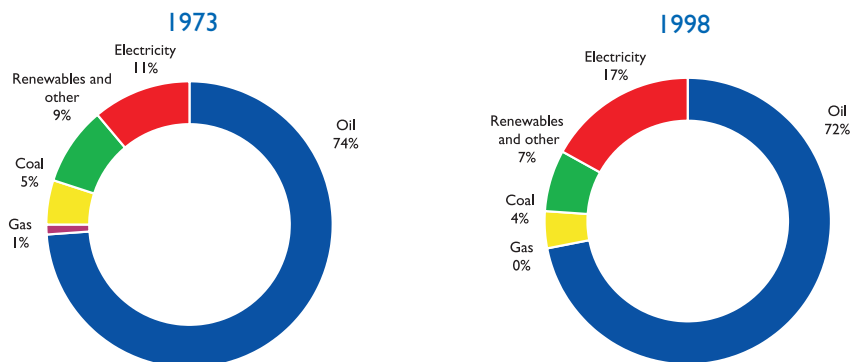
can be concluded, therefore, that in recent years the elasticity of electricity consumption relative to GDP has been declining. Between 1996 and 1998, the figure for this elasticity was in the region of 1.7.

Per capita consumption



In the period between 1973 and 1998, the percentage of electricity in final energy consumption climbed from 11% to around 17% in our country, and is expected to rise to the 20% level by 2010.

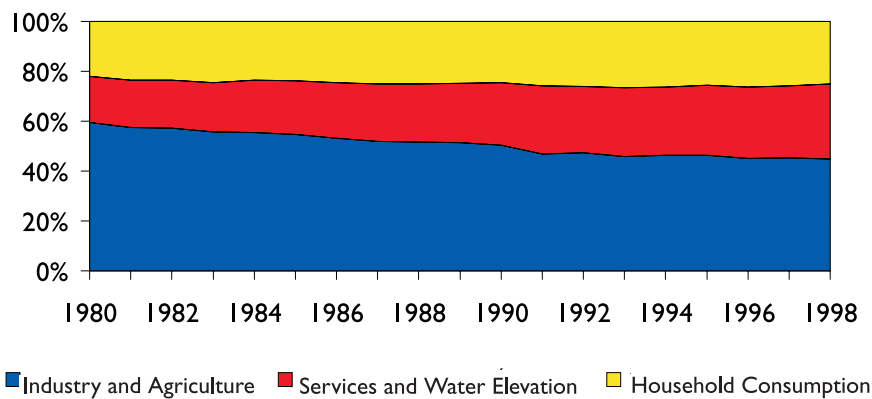
Breakdown of final energy consumption in Portugal



Electricity's increased share of final energy consumption is a direct consequence of the improvement in socio-economic conditions. A more detailed analysis shows that this difference is essentially attributable to the residential (household) and services sectors and, to a certain extent, to the recourse to electricity in final usage for which other countries have available other energy forms, in particular, natural gas.



Breakdown of electric energy consumption



As regards the evolution of the profile of electric energy consumption in the various sectors of economic activity, on the one hand we have observed a relative increase in the residential and service sectors, and on the other, a progressive decrease in industrial off-take. This drop is particularly evident in the case of electricity consumption satisfied by the Public Electricity System, to the extent that the greater part of electricity production for own consumption (auto-producers) occurs at industrial undertakings.

Energy balance

Salient aspects

The most salient aspects pertaining to the Electricity System's operation during 1999 can be summed up in the following points:

- EDP was able to count upon the production of yet another generating facility, with installed capacity of 9 MW: the forestry-waste thermoelectric plant at Mortágua;
- The binding system's generating capacity was increased with the entry into service of the three generating units (990 MW) at the Tapada do Outeiro combined-cycle power plant (belonging to TURBOGÁS);
- The hydroelectric capability factor was situated at 0,68, with extremely unfavourable water flows at the beginning of the year and close to normal flows from September onwards;



Macroeconomic and Energy Review

- Consumption expanded at a high pace, 5.9% (4.8% after correcting for the effects of temperatures and working days), at a relatively constant tempo throughout the year;
- The balance of cross-border electric power exchanges ended with a net export position, representing 2.3% of the total annual energy sent out by the SEP's network.

Electricity generation

Installed capacity at the EDP Group's power-generating facilities stood at 7,502 MW at the end of the year, of which hydroelectric schemes accounted for 3,965 MW, thermoelectric power plants 3,517 MW (including the Mortágua power station) and wind farms 20 MW.

With the entry into commercial service of the TURBOGÁS power plant, the total installed capacity at generating facilities bound to the Public Electricity System (SEP) at December 31 1999 was 9,215 MW.

In 1999, the electric energy sent out by hydroelectric power stations (binding and non-binding) was 6,903 GWh, or 56% of the figure registered in 1998, thus reflecting the extremely adverse hydrological year.

Power sent out from CPPE's thermal power plants was 17,002 GWh. Other binding producers sent out 10,951 GWh, with the result that the SEP's total thermal-sourced power sent out was 27,953 GWh, which represents an increase of 44% on the previous year's figure.

Energy input from auto-producers and other special-regime producers (PRE) totalled 2,234 GWh (excluding ENERNOVA and the Mortágua forestry-waste power plant), or 16% more than in the preceding year.



Breakdown of annual electric energy generation (in percentage terms)

EDP								
Year	Hydraulic	Thermal	Wind farms	Subtotal	Outside EDP Group	Import Balance	PRE	Total
1995	26.8	56.4	0.0	83.2	9.9	3.1	3.8	100.0
1996	44.9	36.1	0.0	81.0	10.5	3.6	4.9	100.0
1997	38.2	35.9	0.1	74.2	11.3	9.0	5.5	100.0
1998	36.1	45.4	0.1	81.6	12.0	0.8	5.7	100.0
1999	18.6	45.8	0.1	64.5	29.5	–	6.0	100.0

Cross-border electricity exchanges

REN commenced its activity as an external agent in the Spanish electricity market in February 1999.

Its involvement took the form of direct daily offers to the Spanish electricity sector's operator - OMEL – resulting in the export of 1,351 GWh and imports of 115 GWh. Power totalling a further 396 GWh was imported under short-term physical contracts entered into with other agents operating on the Spanish market.

From the standpoint of combined "market offers" and "bilateral contracts", REN was the biggest and most active external agent on the Spanish electricity market during 1999.

Electricity consumption

The growth of the Portuguese economy had a positive impact on electricity consumption; power supplied to customers reached 32,159 GWh, with particular reference to the behaviour of the low-voltage segments in line with the rhythm of private consumption.

The annual consumption peak was recorded on December 16 (6,122 MW, corresponding to an increase of 0.7% relative to the year before).



Macroeconomic and Energy Review

Energy balance	GWh	
	1999	1998
Generation	25,112	28,899
Hydroelectric power stations	7,010	12,425
Wind farms and biomass plants	57	47
Thermoelectric power stations	18,046	16,427
Power station consumption/losses	1,152	1,237
Sent out by EDP	23,960	27,662
Received from other producers	13,192	5,974
Imports	3,628	3,971
Exports	-4,486	-3,699
Hydroelectric pumping	-491	-101
Net demand	35,803	33,808
Synchronous compensation	41	30
Own consumption	61	56
Transmission and distribution losses	3,421	3,359
Energy sales (Portugal)	32,280	30,363
To other distributors	121	111
Direct supply to consumers	32,159	30,252
High and medium voltage	14,373	13,909
Low voltage	17,786	16,344

The Electricity Sector's Organisation and Regulation



Organisation of the national electricity system

The National Electricity System's (SEN) organisation is founded on the co-existence of a Public Service Electricity System (SEP) with an Independent Electricity System (SEI).

The last-mentioned is composed of the Non-Binding Electricity System (SENV) and a number of producers who operate under a special regime (renewable energies and cogenerators), delivering electric power to the SEP's networks in accordance with specific legislation.

The SENV essentially comprises non-binding producers and non-binding customers. Non-binding customers are entitled to use the SEP's networks, for which they pay regulated tariffs.

The SEP is formed by the National Transmission Grid (RNT) belonging to REN (which is responsible for ensuring the transmission of electric power and the SEP's overall technical management), by binding producers (connected to the RNT under long-term contracts providing for exclusive supply), and by binding distributors

who undertake to supply their customers subject to the tariffs and conditions prescribed under regulation.

Under existing law, the electricity sector Regulator's (ERSE) role is to act as arbitrator for the sector's various interested parties. This function entails the drafting, issue and application of sectoral regulations, as well as the periodic fixing of tariffs for the supply of electricity and the utilisation of the SEP's infrastructures.

The development and expansion of the SEP in terms of additional generating capacity are the object of centralised planning, although decisions concerning the construction of new generating facilities are the government's responsibility.

EDP's position within the national electricity system

EDP occupies an important position in the SEP:

- In **generation**, via CPPE – with a market share of 83% - and 10% shareholdings in the power generation companies TEJO ENERGIA and TURBOGÁS;
- In **transmission**, EDP is the sole



The Electricity Sector's Organisation and Regulation

shareholder of REN, the company responsible for the system's overall management and concession-holder of the national transmission grid;

- in **distribution**, EDP is the sole shareholder of EDP DISTRIBUIÇÃO, holder of the rights of binding distribution for medium and low-voltage electricity and concession-holder for the supply of low-voltage electricity.

Outside the SEP, EDP also sought to diversify energy sources by investing in power-production projects through EDP Cogeração and ENERNOVA. Related projects include the increased recourse to renewable energies with the coming on stream of the Mortágua forestry-waste power plant and the wind farms.

On the other hand, EDP launched the bases for new means of participation in the National Electricity System, notably through EDP ENERGIA (which emerged from the former HIDROTEJO), TER (whose object is the construction and operation of a new combined-cycle natural-gas-fired power station) and HIDROBASTO – in association with the municipal council of Cabeceiras de Basto.

The sector's regulation

1999 was the first year in which the Regulator (ERSE) fixed the tariffs for final customers and the tariffs for use of the networks and for the system's general use by eligible SEP customers.

In terms of European Directive 96/92/CE, which makes provision for the opening up of the electricity market, the eligibility threshold was also defined by the Regulator for the three-year period 1999-2001.

Electricity prices

For 1999, the ERSE announced a reduction in sales tariffs to final customers of 6.4% in nominal average terms, with a cut of 4.7% being applied to low-voltage consumers and 10% in the case of the remaining voltage levels.

The ERSE justified this reduction with the need to comply with the goals laid down in the 1996 Strategic Alignment Accord entered into between the government and the social partners, in terms of which a commitment was assumed to ensure that electricity prices charged in Portugal converged with the community average by 1999.



According to the ERSE, the need for such a sharp drop in tariffs was also influenced by the liberalisation of the European market and the fixing of the escudo's parity with the euro.

Opening up of markets

In terms of the eligibility thresholds in force in Portugal in the period 1999-2001, as defined by the ERSE, eligible customers are those with annual consumption of more than 30 GWh in 1999, 20 GWh in 2000 and 9 GWh in 2001.

However, each year customers who consume less than the stipulated figures may apply to join the SENV by way of payment of compensation to the SEP, the amount of which is fixed according to the number of months their application is brought forward.

It must be pointed out that in 1999, although applications have already been submitted for discontinued accession corresponding to consumption of around 130 GWh, no customer had yet transferred to the SENV.

Sales of energy on the Spanish market

The development of the internal market enabled EDP (via REN) to

operate on the Spanish market, closing the year with a positive energy exchange balance.

REN exported 1,351 GWh and imported a total of 511 GWh in 1999.

International price comparison

A comparison of tariffs prevailing in European Union countries on January 1 1998 and based on half-yearly data supplied by EUROSTAT relating to average electricity prices (using the method based on the representativeness of standard consumers and current exchange rates – the identical method used by the ERSE) revealed that in Portugal standard household consumers paid about 2 % less than the EU average, while standard industrial customers paid around 2,5 % less.

As concerns the services segment, the overall average price of electricity in Portugal was situated at roughly 2.2 % below the EU average.

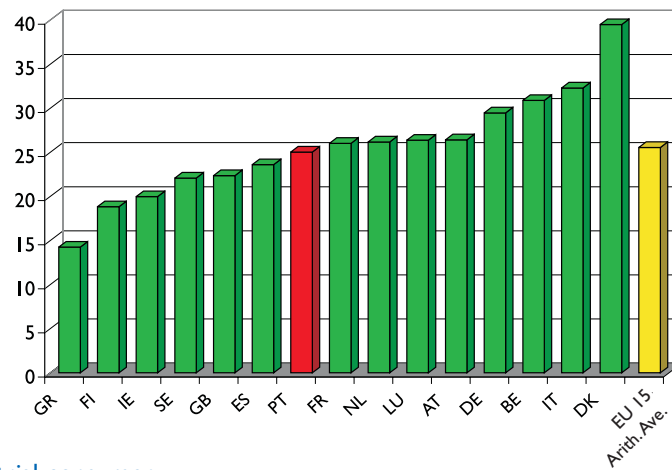
A survey carried out with reference to July 1 1999 showed that Portugal had improved its position in all the above segments by 1%, thereby surpassing the convergence goals taken into



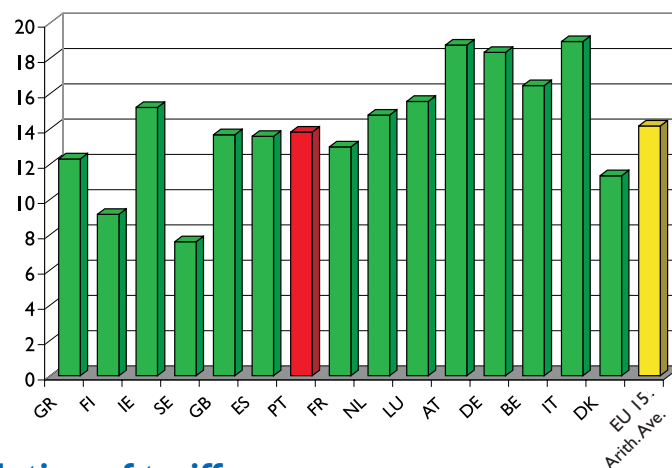
The Electricity Sector's Organisation and Regulation

consideration by the ERSE at the time it fixed the tariffs for 1999. The following charts depict the positioning of tariffs in force in Portugal and the other community countries for equivalent standard consumers, both household and industrial, on January 1 1999.

Household consumer



Industrial consumer



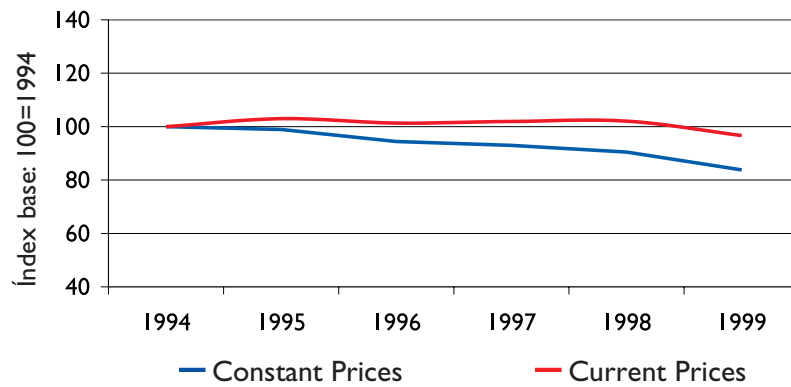
Evolution of tariffs

Average electricity prices over the last five years have registered an annual average decline in real terms of about 3.5 % in the low-voltage category, and of some 8.7 % for all the other voltage levels: medium, high and very-high.

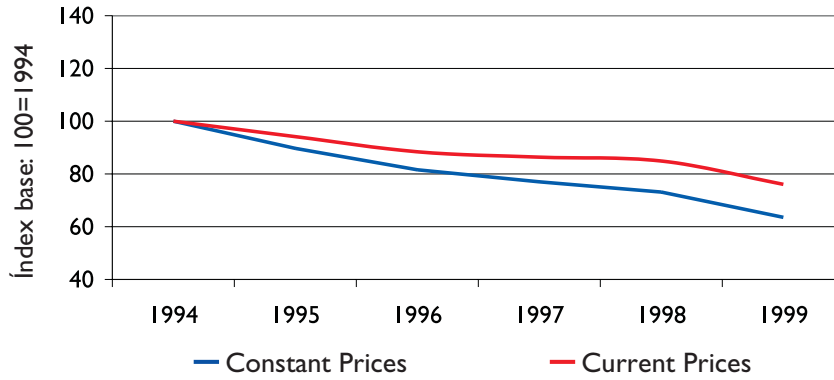
The charts below show the direction of average prices for these segments in recent years expressed in terms of current and constant prices.



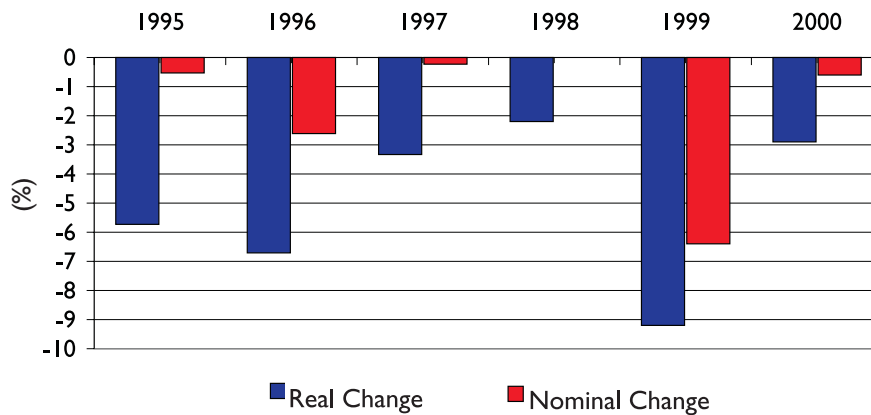
Average low voltage prices



Average medium/high and very-high voltage prices



Trend in tariff changes





The Group's Operations in 1999

Reorganisation of equity investments and creation of new companies

The EDP Group maintains its business structure organised according to the principal activities carried out as follows: electricity generation, transmission and distribution, the provision of services, diversification (telecommunications, water, real estate) and the internationalisation of its activities, investments and business cooperation.

Naturally, the constant evolution of activities and the growth in business interests dictate the need to permanently review its organisational structure, a process which entails the creation and reorganisation of companies.

The majority of the shareholdings in the EDP Group's core companies were transferred to the holding company in 1999, in this way simplifying to the extent possible the process of consolidating the various accounts.

Moreover, the new role played by the non-binding generating companies previously controlled by the distribution companies made it

advisable that these be transferred to the holding company.

Thus, EDP became the sole shareholder in the following companies: MRH, SÁVIDA, LABLELEC, EDINFOR, EDALPRO, HDN, HIDROCENEL and EDP ENERGIA (formerly HIDROTEJO), sharing with CPPE, bearing in mind its special functional connection, the investment in ENERNOVA and the engineering firms HIDRORUMO and PROET.

Turning to the companies formed or whose structure was changed recently, we highlight the following:

EDP Distribuição – constituted at the beginning of 2000 in the wake of the merger of the four previous distribution concerns, in terms of which all distribution activity will be the responsibility of the EDP Group.

EDP Energia – following modification of Hidrotejo's statutes and the respective name change to EDP Energia, this company commenced its new business activity in 1999 of selling energy, supported primarily by production at the Belder power station and a back-up contract negotiated with REN, having already concluded supply





contracts with the Non-Binding Electricity System's customers.

EDP Águas – with a view to its entry into the water and sanitation sector, EDP formed EDP Águas and established a partnership arrangement with the British utility Thames Water for the sharing of resources and risks, within the ambit of which **Valorágua** was formed

TER - Termoelétrica do Ribatejo – this company will be responsible for the construction and operation of a combined-cycle power station.

ONI – commenced business operations on January 1 2000 as a fixed-line telephone operator; undertaking the meticulous commercial launching of the ONI brand, this company resulted from the merger of E3G with EDINET, former EDP Group operator in the already-deregulated telecommunications areas; EDP holds 95% of ONI's share capital via OPTEP, the EDP Group's telecoms sub-holding company.

EDP Serviços - the redefinition of management services for fleets, installations and centralised contracting of goods and services led to the creation of EDP Serviços as yet

another measure taken to rationalise resources and reduce costs; this new company is charged with the task of ensuring the direct provision of services and the coordination of various activities within the context of the EDP Group, holding out the prospect of economies of scale and efficiency gains.

EDP Imobiliária - EDP owns extensive fixed property assets which over the years and in the wake of previous projects has endowed it with acknowledged expertise in real estate management; EDP Imobiliária has formulated a strategic plan which embraces the rationalisation, development, construction and real-estate business in areas that are not central to the EDP Group's principal activities.

Participation in the capital of Iberdrola

In terms of the strategic partnership and reciprocal shareholdings agreement forged with Iberdrola, EDP increased its stake in this company's capital from 2.25% to 3%.

Participation in the capital of EDA

In 1999 and following the signing of a strategic alliance agreement, EDP



The Group's Operations in 1999

purchased from the Autonomous Region of the Azores a 10% interest in the share capital of Electricidade dos Açores, S.A., with whom it concluded a business cooperation agreement.

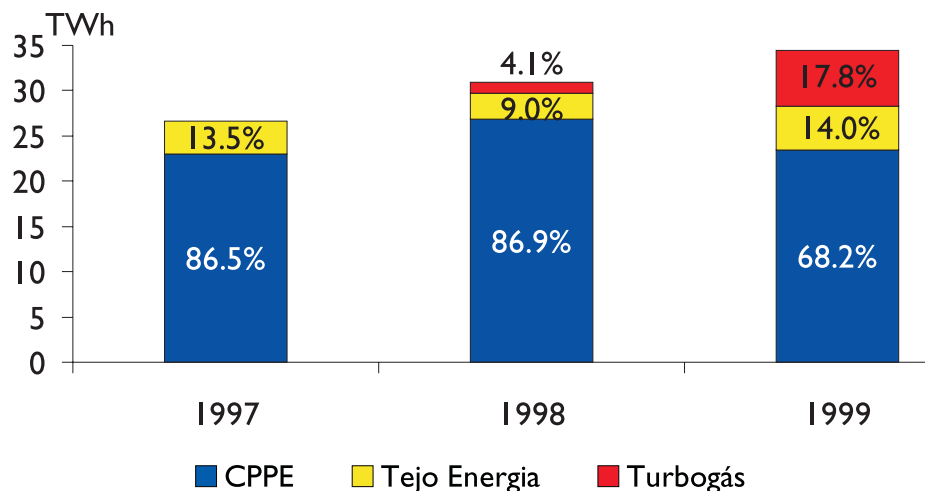
Generation

Electricity generation activity

Net generation from CPPE, the proprietor of the EDP Group's binding power-generating facilities, was 23,459 GWh, of which 6,457 GWh was from hydro sources and 17,002 GWh from thermal plants. This situation reflects the year's poor hydraulicity conditions, as reflected in the hydroelectric capability factor of 0,68, as well as the entry into full industrial service of Turbogás' combined-cycle power plant.

CPPE's generating share was 68%, which is below the preceding year's 87%, as illustrated in the chart showing the pattern since 1997:

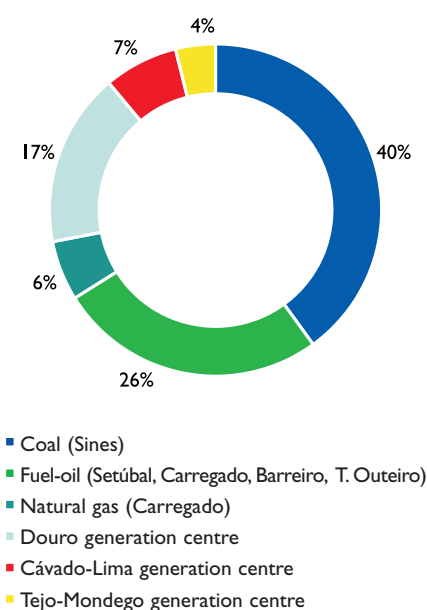
SEP net generation



The Sines coal-fired power station was the unit which made the largest contribution to total production, with some 40 %, while fuel-oil plants contributed 26% and natural-gas plants 6% (the latter from the Carregado power station's 5 and 6 generating units). Hydroelectric generation from the Douro generating centre represented roughly 17% of total power generated.



CPPE net generation in 1999



Insofar as fuel is concerned, 3,491,000 tons of coal were consumed (purchased mainly from the South American, South African and Australian markets), 1,537,000 tons of fuel-oil, of which roughly half was acquired from PETROGAL and the balance from other European Union suppliers, and 376 million m³ of natural gas bought from TRANSGÁS.

The maximum rated power at CPPE power plants stood at 7,230 MW at the end of 1999, with thermoelectric plants accounting for 3,327 MW and hydroelectric power stations 3,903 MW.

Confirming the favourable trend recorded in recent years, the availability of CPPE power facilities was situated at 92.7 % in the case of thermal plants (notwithstanding the stoppage at the Sines power station's no. 3 generating unit for the installation of low NO_x-content burners), and at 94.3 % at hydroelectric plants. These figures continue to be on a par with the best international standards and present the following performance:

	1999	1998	1997
Hydro availability (%)	94.3	96.1	91.6
Thermal availability (%)	92.7	90.4	88.6
MW/Worker	4.0	3.8	3.5

Renewable energies

EDP pursued via ENERNOVA the development of renewable energies as part of the strategic orientation directed at boosting the diversification of energy sources and the policy adopted in relation to environmental issues.

In the arena of wind power, besides the full functioning of the Fonte da Mesa and Pena Suar wind farms, work continued on the construction of the Cabeço da Rainha wind farm and a tender was called for the Cadafaz wind farm.



The Group's Operations in 1999

In the field of biomass, the forestry-waste power plant at Mortágua was commissioned and constitutes the first significant undertaking in Portugal of this form of energy production.

Transmission

Energy traffic on the Very-High Voltage network recorded new peaks in 1999, with interruption levels which began to constitute new minima of available series.

The principal difficulties encountered in transmission grid management continued to relate to the carrying out of investments, principally on power lines, which are strongly influenced by external restrictions such as time-consuming bureaucracy which adds to the final cost of works. Prime examples of this are the difficulties in the construction of the Fanhões - Alto de Mira line aimed at boosting supply to Lisbon and the Tunes – Estói lines to reinforce feed to the Algarve.

In order to minimise the effects of these restrictions and with the object of continuing to guarantee high standards of supply, but at the same time without representing definitive measures, work continued on raising

the transmission capacity of certain lines, thereby avoiding the establishment of new corridors.

Operation of the power-generating system

During 1999 (March, April and August), the three generating units at Turbogás' combined-cycle power station at Tapada do Outeiro entered industrial service, representing in total an increase of a further 990 MW of nominal capacity in the national generating system's facilities.

April 1999 saw the first parallel connection to the grid of Valorsul's waste-treatment plant (43 MW) in the Lisbon region. The same occurred in September with the LIPOR II (21 MW) plant in the Oporto district. Both these power plants form part of the Independent Electricity System (SEI).

Equivalent interruption duration

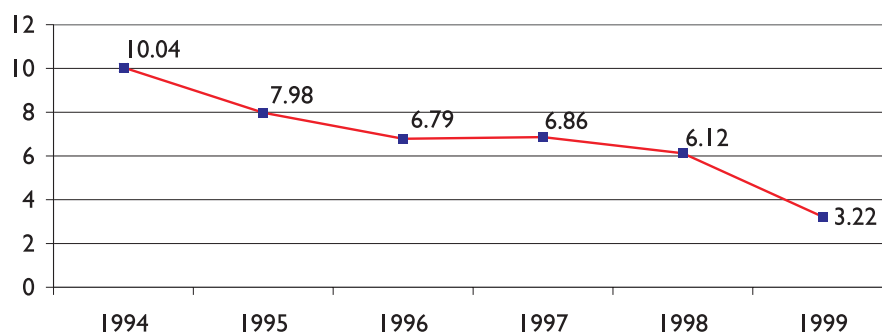
The high level of service continuity observed in 1999 is evidenced by the Equivalent Interruption Duration, the global indicator of service quality normally used, which stood at 3.22 minutes. This represents a new absolute minimum and corresponds



to roughly half the figure recorded up until 1998.

The chart below depicts the improvement in operating conditions since 1994.

Equivalent interruption duration



Energy exchanges

REN initiated its activity in February 1999 as an external agent on the Spanish electricity market.

In terms of the aggregate "market supplies" and "bilateral contracts", REN was the Spanish Electricity Market's biggest and most active external agent during 1999.

Structural trends

The development and consolidation process of the new regulatory environment for the National Electricity System mobilised a significant part of REN's resources.

In view of their importance for transmission activity and, above all, for the overall management of the electricity system, the collaboration with other entities, in particular the ERSE (Regulator) and the DGE (Directorate-General for Energy), in the drafting of proposed regulations, the submission of own proposals relating to draft contracts and procedures manuals, and the analysis and debate of various documents, polarised a large part of REN's activities in 1999.

Owing to the particular importance within the context of its jurisdiction, special reference is made to REN's intense activity in reviewing proposed legislation and



The Group's Operations in 1999

regulations and the preparation of the Public Service Electricity System's Expansion Plan, which has since been officially approved.

In parallel, this company stepped up its efforts to adapt to the sector's new regulatory environment which culminated in a far-reaching internal reorganisation. This entailed the creation of the Supply Management Department and the implementation of new structures at the SEP's Commercial Division, with the inclusion of the SEP Commercial Agent, and at the Operations Division, notably as concerns the System Manager's Department.

Distribution

The year under review was marked by the dynamic reorganisation of EDP's distribution area, leading to the creation of a new company at the beginning of 2000, EDP Distribuição, for the purpose of enhancing competitiveness and improving the quality of technical and commercial service.

This activity's reorganisation entailed the structuring of 14 network areas and 9 commercial areas in place of the previous 30 distribution centres.

At the same time, the size of the management team was reduced significantly, declining from 400 senior and intermediate posts to 210 in the new structure. An extensive programme of process reengineering continues in progress and is expected to be concluded in 2002.

The ERSE's publication of three regulations with substantial impact on distribution and commercialisation activity – the Tariff, Commercial Relations and Access to the Networks and Interconnections Regulations – implied a number of initiatives with the object of providing an effective response to the new obligations. The evolution of the distribution companies is visible in the increased number of customers and electric power sales – respectively 2.5% and 6.4% relative to the previous year. Low-voltage (LV) consumption grew by 8.9% in relation to the previous year.



Number of customers

	1999	1998	% 99/98
Very-high voltage	11	9	22.2
High voltage	91	87	4.6
Medium voltage	18,140	17,424	4.1
Special low voltage	24,507	23,247	5.4
Normal low voltage	5,211,279	5,084,280	2.5
Total	5,254,028	5,125,047	2.5

Sales to customers (GWh)

	1999	1998	% 99/98
Very-high voltage	759	733	3.6
High voltage	3,096	3,107	-0.3
Medium voltage	10,639	10,180	4.5
Special low voltage	2,492	2,260	10.3
Normal low voltage	14,347	13,200	8.7
Public lighting	947	884	7.1
Total	32,280	30,363	6.3

The continued increase in recent years in network connections from new independent producers in terms of specific legislation has led to an appreciable growth in the networks and a major drive at planning and operating safety levels.

The productivity indicator "number of customers per worker" presents a positive trend when compared with the previous year (roughly 10%), as a consequence of the human resources rationalisation policy in progress. In 1999, this indicator stood at 586 customers per worker.

Number of customers per worker

1999	1998	1997
586	533	458

The rise in the figures attained and the ongoing effort directed at streamlining have as their ultimate goal reaching the levels of the most efficient European companies in a short period of time.

Commercial activity

On the commercial front, we highlight EDP's participation in the Citizen's Shop in Lisbon and Oporto, as well as the development of several initiatives in the marketing area, namely, the dissemination of alternative energy proposals on the one hand, and the substantially greater recourse by customers to the call centre on the other.

Activity continued to be founded on a close relationship and frank collaboration with Municipal Councils and Services, with institutions representing customers and, in the domain of rational energy use, in cooperation with universities and research institutes, notably activity undertaken in conjunction with the Centre for Energy Conservation.

The spotlight continued to be focused on personalised service and customer proximity. For the residential segment, a new concept was specially instituted, called the "Energy Point", providing



The Group's Operations in 1999

advantages of attendance convenience, access and opening hours. This customer facility complements the EDP Distribuição shops and the Customer Support Telephone Line.

Electric energy billing

Electric energy billing totalled PTE 589,3 billion, distributed as follows: 32.2 % relating to VHV, HV and MV supplies and 67.8 % corresponding to LV deliveries.

	1999	1998
VHV, HV and MV supplies	177.1	190.5
LV supplies	412.2	401.1
Total	589.3	591.5

(Internal market, after deducting interruptibility and tariff correction discounts, excluding VAT)

In spite of the increased demand, electricity billing fell by 0.4% as a result of the significant decrease in tariffs.

The change in total billing was the net outcome of a 2.8% rise in low voltage billing and a 7.0% decrease in the other voltage levels.

Collection and recovery of arrear debts

Customer receivables at the end of 1999, in the amount of PTE 115.1 billion represented 19.5% of electric power sales. In relation to the year

before, there was a recovery of PTE 8.2 billion, with decreases of 0.2% in local authorities' debts and 12.1% in the amounts owed by the public and private sector:

	1999	1998
State and official bodies	5.2	5.2
Local authorities	51.3	51.4
Public and private sector	58.6	66.7
Total	115.1	123.3

Service quality

Service quality, as measured by the usual indicators, was above the previous year's level despite the adverse atmospheric conditions which prevailed at the beginning of the year.

A start was made in 1999 to the Business Programme for Improving Service Quality in the distribution arena, which will be followed up in the next few years with the increased allocation of financial resources. Work also began on the installation of protection devices for the MV network's remote control under the respective Business Programme, which will permit the speedier resumption of service and thus have a noteworthy reflection on service quality.



Technological modernisation

Work continued on the development of the new Command and Control System (SCC) for the MV and HV networks (GENESys) aimed at the modernisation and optimisation of dispatching activity. A pilot system has already been installed in Lisbon on a trial basis. We anticipate that the project will be completed in 2000 and enter into production.

Technical supplies, standardisation and qualification

1999 was marked by the uniformisation of the construction units and reference prices of the Works Classifications for construction and maintenance works on the electric power distribution networks. At the same time, a nation-wide consultation was launched concerning the Continuous Contracting regime, which resulted in substantial savings in the contracting of these services. The intense activity carried out by the Centralised Supplies area meant that the system was able to cover some 90% of the value of the products acquired for the distribution networks, with resulting gains in buying costs and product uniformity.

Internationalisation

The EDP Group's internationalisation operations were stepped up significantly in 1999.

In fact, the value of the assets involved in cross-border activity (excluding the equity participation in Iberdrola) climbed to around 10% of the value of the EDP Group's total assets. The Group's strategy continued to focus on geographic areas offering high growth potential. The targeted countries present historical and cultural affinities that are conducive to producing synergies, especially considering the fact that the Group tends to work with other reputable Portuguese companies also established in these regions.

The number of customers served by our international investee companies in 1999 exceeded that of the EDP Group's home market.



The Group's Operations in 1999

The EDP Group's international presence



Brazil

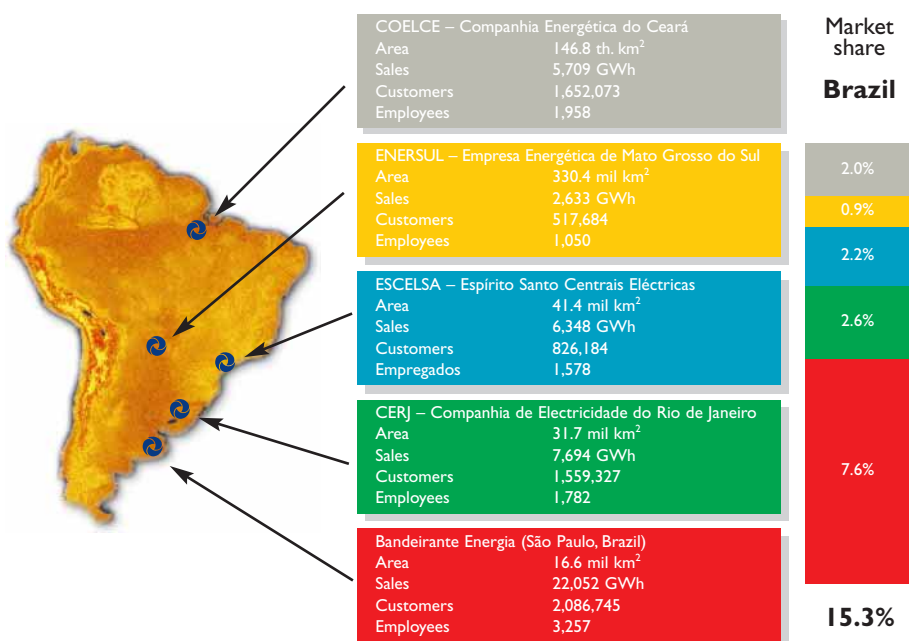
In Brazil the EDP Group acquired an indirect interest in the Brazilian distributors ESCELSA, in the State of Espírito Santo, and ENERSUL, in the State of Mato Grosso do Sul, via the purchase of a 73.12% shareholding in the holding company IVEN. This investment involved an outlay of PTE 102 billion.

As a result, the EDP Group now has equity interests in the following Brazilian electricity distribution

companies - CERJ, Coelce, Bandeirante, Escelsa and Enersul – whose customers outnumber those of EDP in Portugal and which sell some 44,000 GWh per annum, corresponding to roughly 15% of the Brazilian market.



Electric energy consumption in Brazil - 290,975 GWh



However, the activity of the electricity distribution companies in Brazil was affected in a very significant manner by the Real's devaluation which occurred in January 1999.

This devaluation penalised immediately those companies with debt denominated in US dollars. It should also be added that these companies were penalised for having acquired at dollar-denominated prices part of the power they distribute, which gave rise to increased costs that were only

partially and belatedly mirrored in sales tariffs to final customers.

On the other hand, the decline in electricity consumption induced by the retraction in economic activity in general, coupled with the postponed implementation of the rationalisation plans envisaged at the time the Group acquired stakes in these companies, also had a negative impact on the respective accounts.

Nonetheless, Escelsa and Enersul, in which equity participations were



The Group's Operations in 1999

acquired in August 1999, as well as Coelce (which does not purchase power in dollars), made a positive contribution to the EDP Group's results.

Still in Brazil, in the electricity generating sector, work continued at a good pace on the construction of the Lajeado hydroelectric scheme owned by Investco – in which EDP Brasil holds 27.65% of the voting rights – with its entry into operation scheduled for 2001 and the full functioning of its 5 generating units in 2002.

A protocol was signed with the Rede Group with a view to the conduct of a viability study of the Tocantins basin, which includes a revision of the analysis of the division of terrain falls upstream and downstream of the Lajeado. The study was conducted by a consortium formed by THEMAG, a Brazilian company, and HIDRORUMO, part of the EDP Group. We are now awaiting the official outcome of this study.

Intensive activity was channelled to the identification of new projects, while several others were followed up in the thermoelectric and cogeneration areas - Fafen, Manguinhos and Fábrica de

Papel Suzano. However, any progress in this regards was in the meantime affected by the uncertainty which shrouded the Brazilian market.

Towards the end of 1999 and in the light of the severe shortage of energy identified over the medium term, the Brazilian government launched the Thermoelectricity Priority Programme. This initiative provides incentives which guarantee the security of supply, while contemplating natural gas prices which ensure the viability of eligible projects. The principal objective of this programme is to satisfy the electric power requirements of the Brazilian Electricity System from 2003 onwards.

Considering the 4% growth in electricity consumption projected for the next few years, EDP manifested its interest in this Programme. It therefore submitted various projects for the construction of thermal power stations with a projected total installed capacity of 2,650 MW. These projects are to be realised in partnership with other investors and involve an overall investment of USD 1,300 million.

In the gas sector and in order to derive benefit from the competitive advantage in thermal generation



– recognising for this reason the strategic interest in participating in natural gas distribution companies

– EDP associated itself with the Italian ENI Group. In addition, it secured an option to buy a 29% interest in the consortium that won the distribution concession auction for the north-eastern area of the State of São Paulo.

Guatemala

In Guatemala, the chief focus continued to be on the rationalisation drive being implemented at the electricity distribution company EEGSA, in which EDP has an equity participation in partnership with Iberdrola (Spanish) and Teco (American). This process entailed a drastic cut in the number of employees through the recourse to outsourcing and giving support to companies created by former staff who had left of their own accord.

1999 saw the merger of the purchase vehicle - DECA – with EEGSA, an operation which also brought with it tax benefits.

Moreover, companies were formed for providing network services, for the transmission of energy and for sales, while on the other hand a start was

made to the technical-economic feasibility studies for a thermal generation project.

Macau

The EDP Group raised its equity participation in CEM - Companhia de Electricidade de Macau, from 5% to 22%, by way of an investment of PTE 13 billion.

With this considerable reinforcement, EDP became the biggest single shareholder in CEM, where EDP has assumed a leading role its management and which, attentive to the sound prospects of positive cash flows, could constitute an important springboard for undertaking other activities in the region.

Cabo Verde

The EDP Group, in association with IPE/Águas de Portugal, was the successful bidder in the tender for the privatisation of 51% of the capital of ELECTRA, the Cabo Verde company whose business embraces electric power generation and distribution, water production and distribution, and the provider of sanitation services. The relevant concession contract has already been signed.



The Group's Operations in 1999

Diversification

The diversification into new business areas such as telecommunications and water constitutes one of the chief facets of the EDP Group's corporate strategy.

The overriding goal is to optimise existing assets and capabilities, participating in high-growth markets, and nurturing the multi-utility concept with a view to taking maximum advantage of customer loyalty through the ongoing improvement in the quality and efficiency of the Group's services.

Telecommunications

1999 saw the EDP Group increase its investment in the telecommunications sector, taking advantage of the opportunities afforded by the liberalisation of the Portuguese market in mobile and fixed-line telephony. The prime objective is to maximise the value of the EDP Group's assets in this arena and to build the foundations for an active participation in those business activities which the information society will demand.

Giving concrete expression to this fundamental option, EDP acquired

from TRANSGÁS and GDP the total shareholdings in OPTEP, a sub-holding company in which the EDP Group groups its equity interests in the telecommunications sector.

Initiatives in the area of telecommunications services supported by the fixed network were entrusted to ONI, in which the EDP Group has a 95% controlling interest and which resulted from the merger of E3G with EDINET. In 1999 ONI was granted the first licence to operate a fixed-line network.

Complementarily, ONI acquired in 1999 COMNEXO, a fixed-network telecommunications company present throughout the country. This acquisition enabled ONI to strengthen its capacity to make inroads into the business sector and so conquer the leading market share amongst the new fixed-network operators.

In the mobile telecommunications field, the EDP Group owns a 25% stake in OPTIMUS, Portugal's newest mobile-phone operator and holder of a national GSM 900/1800 licence.

The intensity with which the EDP Group has been active in the





telecommunications sector has permitted it to gain the experience and know-how required for purposes of being considered a serious candidate for the next UMTS licence (Universal Mobile Telecommunication System) which ICP, Instituto das Comunicações de Portugal will put to tender during 2000.

In this regard we refer to the accords entered into with TELECEL and BRISA for coordinating the development of infrastructures.

At the present time the EDP Group manages a network of more than 35,000 kms of fibre optics, at the same time being responsible for the direct connection to Spain via Comunitel.

The maturity attained by the EDP Group in this business area, in conjunction with the partnership forged with the BCP Group, allows it to face with tranquillity and optimism the challenges and opportunities presented by the New Economy, in particular with the future of e-business, with the trends towards convergence between telecommunications and information services, and with the e-finance area.

Fixed telecommunications

Besides involvement in activities covering the renting of optical-fibre lines and the provision of Internet and voice services to closed-user groups, ONI prepared itself during 1999 for the launching of a fixed-network operation which commenced business on January 1 2000 - the date set for the opening up of the market to fixed-line telephone operators.

In order to pursue the objectives mapped out, some PTE 45 billion had already been invested in the project up till the end of 1999, of which more than 40% related to optical-fibre networks guaranteeing national coverage.

Other important investments were also realised, such as the transmission network based on SDH (Sincron Digital Hierarchy) technology with national coverage, the data transmission network based on IP (Internet Protocol) technology, the voice commutation network, the ISP (Internet Service Provider) platform, the information systems for the management of business, customers, billing and the network, the call centre, and the centre for the management and control of network operations.





The Group's Operations in 1999

At the relevant tender, ONI obtained two licences for the use of frequencies giving fixed access via radio (3.6 and 26.5 GHz). This allows the company to extend direct access by customers and to anticipate the provision of information communications to the market.

As a result of the high degree of brand awareness achieved by the campaign directed at promoting the ONI image, by the end of the year more than 100,000 customers had pre-registered as subscribers, spread almost evenly between the corporate and residential segments.

Excluding activity as a global operator of telecommunication services (which only commenced in 2000 when the market was liberalised), the turnover attained by ONI and its subsidiaries during 1999 in the fixed-network telecommunications sector was PTE 4.5 billion. This figure refers to the provision of the following services: rental income from circuits, and revenue from data transmission, Internet access, voice and data virtual private networks (VPN) and the private voice network - SRPV-CUG.

The strong adherence registered allows

us to identify already amongst ONI's principal corporate customers – close to one thousand at the end of the year – and besides EDP, some of the largest companies operating in the financial (banking and insurance) services and food sectors, all of which have a common feature – the need for reliable and sophisticated telecommunication services.

Mobile telecommunications

The Portuguese mobile telecommunications market continued to experience buoyant expansion during 1999. It is estimated that at the end of the year the number of cell-phone customers stood at 4.7 million, which corresponds to a penetration rate of 47.5 %.

At the close of 1999 the associated company Optimus had approximately 820,000 customers, that is, around 538,000 more than at the end of 1998.

In the regulatory sphere, special reference is made to the announcement in December by the Instituto das Comunicações de Portugal (ICP) of a set of basic rules applicable to the public tender for the granting of 4 licences for the provision of third-generation mobile services (UMTS), to be launched in the third



quarter of 2000. This service is scheduled to start on January 1 2002.

Natural gas

EDP reinforced its role in Portugal's natural gas sector through its participation in GALP, SGPS' share capital, the holding company formed specifically for the gas and oil sector, having also raised its equity interest by way of negotiation with PETROCONTROL's private partners.

Furthermore, the EDP Group (via EDP Cogeração) pursued several studies and projects in the cogeneration field, including significant cooperation with GDP and which also embraces projects in Brazil.

With a view to the construction of a new natural-gas-fired combined-cycle power station, EDP formed a new company - TER - Termoelétrica do Ribatejo – which has already made a start to the necessary studies for the construction of this capital project.

Water

The EDP Group and the water business

Also with the dual goal of securing synergy with its core business

operations and implementing the concept of a multiple-service provider, EDP formed EDP Águas, the company that will be responsible for representing the EDP Group in the water distribution sector:



In Portugal, the water and basic sanitation sector constitutes a natural extension of EDP's business interests by virtue of the innumerable synergies that can be exploited to the benefit of Portuguese customers and municipalities.

In this domain, the EDP Group can benefit from its existing relationship with local authorities and add value to its entrepreneurial attributes not only in the distribution area, but also in the provision of IT and engineering services.



The Group's Operations in 1999

For the same reasons, the EDP Group is seeking opportunities on the international markets, with particular attention being paid to those countries where it is already present in the electrical sector:

Partnership with Thames Water

The objective laid down gave rise to the search for a technological partner who, as a result of its widely-recognised expertise, size and prestige, could complement the EDP Group from the standpoint of the qualities needed to participate on a competitive basis in the water and sanitation sector. Hence the choice fell upon Thames Water, Britain's premier water and sanitation utility and one of the world's largest. The immense scale of its presence and its profound knowledge of the sector will allow EDP to gain privileged access to the most efficient and evolved forms of operations management in this sector.

The identified communion of strategies strengthens this alliance's operating capability in the targeted geographic markets selected for the establishment and consolidation of a meaningful presence in the promotion, development and management of business in the water, sanitation and related sectors.

The participation in ESSEL, concession-holder in Chile's VI administrative region, with 130,000 customers, was the first acquisition made within the scope of the strategic alliance agreement with Thames Water. VALORAGUA is the tangible result in Portugal of this partnership with Thames Water. The company has as its business mission participation in tenders for the concession of services and the ensuing increase in the overall quality of the country's water and sanitation infrastructures and services, in particular; providing real benefits in terms of prices and the quality of service offered to customers.

Commercial management

1999 also witnessed a marked increase in requests from several municipalities involved in water distribution and sanitation services for recourse to EDP's expertise and resources in the field of commercial outsourcing. In the gas distribution sector, EDP's commercial management participation already exceeds a global market share of 90%.

In this domain, EDINFOR has already become involved in processes covering a significant number of municipalities and other entities. Following various





adjudications, 17 contracts were concluded during the year. At the end of the year, 52 contracts were in force embracing some 2 million users in the water and gas areas.

Human resources

Developments

Human resources policy constitutes for the EDP Group a strategic management pillar for confronting the challenges posed in the various sectors in which it operates, which are becoming increasingly demanding in terms of efficiency and professional and technological skills.

Against this backdrop and reconciling human resources management with the need to secure competitive levels of efficiency, the Group continued to implement its staff complement adjustment programme, with the essential guidelines being set for the renovation and qualification of key personnel.

At December 31 1999 the total number of workers employed by EDP Group companies stood at 13,883, of whom 333 were on fixed-term contract.

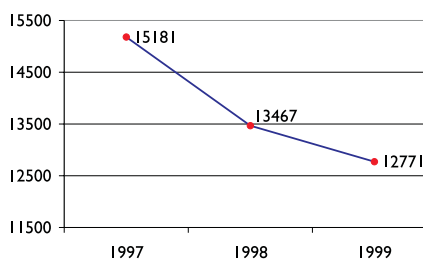
The following table shows staff distribution according to activities:

Distribution according to activities

	1999	1998
Generation	1,938	2,024
Transmission	684	674
Distribution	9,330	9,938
Telecommunications	453	345
Other (includes new subsidiaries and service companies)	1,478	951
Total	13,883	13,932

In the electricity-sector companies, including those resulting from the demerger, the staff complement fell by 696 in 1999, in line with the prescribed medium-term goals. These retrenchments occurred in a climate of labour stability by way of recourse to mutual-accord retirements and employment rescissions.

Number of workers at electricity-sector companies



The overall change in staff numbers after taking into account acquired companies and other investee companies in Portugal and abroad was a decrease of 49.



The Group's Operations in 1999

Within the ambit of the internationalisation process, special attention was paid to the management of employees seconded to foreign companies in which the EDP Group has equity interests, while simultaneously laying down a reference framework that ensures the necessary mobilisation of staff.

Following approval at the general meeting held in May 1999, a share incentive scheme for senior EDP Group personnel was implemented. This programme is supported financially by EDP's treasury stock holding.

Priority was also given to the formulation of a new staff evaluation system which encompasses two components, distinct but complementary: skills management, which seeks to define the skill profile needed for the future, and the assessment of results, carried out annually, and which permits one to view the manner in which employees employ their skills in the performance of their work in order to obtain results.

Negotiations which will have a decisive impact on future human resources management continued with respect to the Collective Employment Agreement,

which will replace the existing Company Agreement.

It is expected that this process will be concluded in the early part of 2000, following which the Group will have at its disposal an up-to-date Regulatory Instrument to support, in a climate of social harmony, the execution of the human resources policy of its electricity-sector companies.

Training

A total of 23,247 training days were held by EDP Group companies covering 6,460 participants.

From the standpoint of training areas, most courses were geared to the technical activities and computer systems – especially PC's and the SAP system (Projecto Navegador and the New Commercial System) – as well as addressing the themes Quality, Organisational Development, Management Development and Efficacy, Prevention and Safety, and English.

By companies, we highlight the Distribution area, with courses focusing on the distribution networks (Prevention and Safety, Live Working, the Multiple Skills Programme for Electricians, Commercial Operations – with courses in Telephone



Attendance, Customer Relations, Personalised Customer Attendance and Sales Techniques – and Quality), and EDINFOR.

MRH, the EDP Group's training firm, also rendered services to non-Group entities to the value of PTE 68.2 million, of which PTE 25.6 million relates to international projects - Angola, Mozambique and Cabo Verde.

Other important assignments carried out were the preparation of a Cooperation Protocol with the Portuguese Road Accident Prevention Council, a significant number of seminars on the euro, consultancy work relating to the Electricity Sector's New Regulations, and MRH's participation in the redefinition of the method for evaluating skills and results.

Prevention and safety

With the publication of EDP's Safety Policy Declaration, the EDP Group reaffirmed its determination in continuing to implement improvements in safety conditions so as to promote increasingly higher standards in the prevention of work accidents and work-related illnesses.

In fact, EDP dedicates special attention to safety, which is considered to a

business responsibility integrated within the quality of services and products of EDP Group companies.

With this objective in mind, prevention-related activity was intense, including:

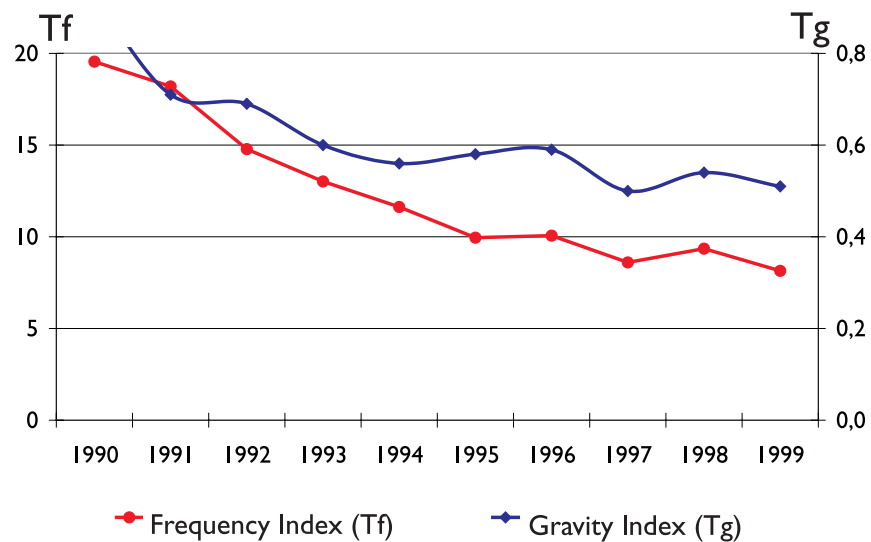
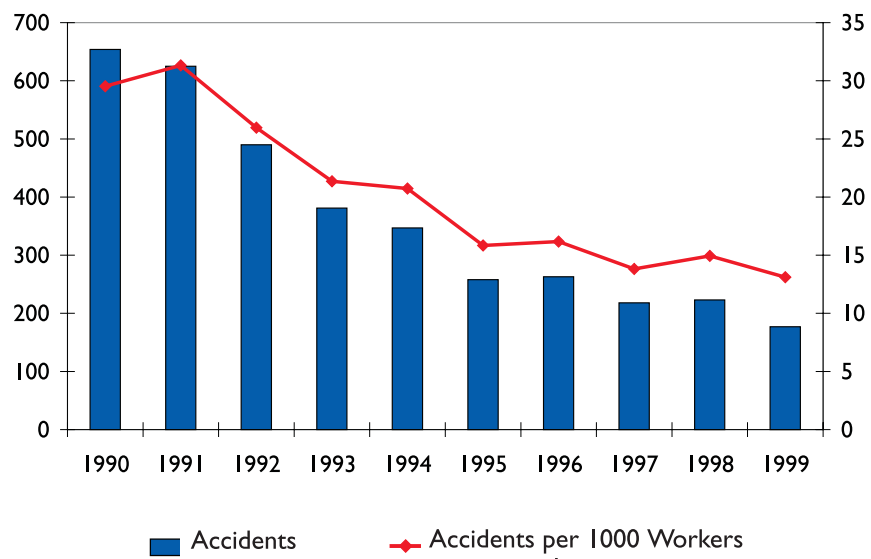
- The programme "Banking on Safety: The Future with Confidence", directed in this phase to workers in the technical area of distribution, with a view to their mobilisation, in particular as regards the need to eliminate electrical and traffic accidents;
- The revision of emergency plans at power-generating plants and the formulation of evacuation plans for administrative premises;
- Increased interaction with our subcontractors, notably with the aim of adapting the organisation and conduct of safety procedures at works to the requirements of the European Directive on temporary or mobile work sites.

As a result, there was a decrease in the number of serious accidents, with the resumption of the trend in the improvement which has characterised the progression of the frequency and gravity indices for work accidents at the EDP Group .



The Group's Operations in 1999

Trend in principal safety indices





Other activities

Environment

EDP's environmental policy is founded on three key pillars: guaranteed compliance with assumed commitments, keeping abreast of the main developments and trends at international level, and the evolution of Action Programmes within the EDP Group.

The strategy pursued during 1999 was subordinated to the principles formalised in the EDP Group's Declaration on Environmental Policy dated 1994.

Activity was governed by the stringent compliance with national and community legal obligations – in particular, with regard to waste produced and eliminated and in relation to the emission ceilings attributed to the Public Electricity System. The Group was also involved in the close monitoring of environmental impact studies covering projects and capital works in progress.

Hence, continuity was given to the action stemming from the undertakings assumed by EDP, amongst which:

- the Modification Programme for the Sines power station's burning systems, with the installation of low NO_x-content burners in the no. 3 generating unit. This measure was implemented in compliance the national Plan for the Reduction of Emissions at Large Combustion Installations, which defines the structural ceiling of atmospheric emissions for the SEP's thermoelectric power plants.
- Satisfaction of the minimum values laid down for river flows, the construction of a measurement device and the landscape treatment of the banks of the river Lima. The last-mentioned entailed the elimination of two rubbish dumps still functioning there, in execution of the convention relating to the optimisation of operating conditions at the Alto Lindoso and Touvedo hydroelectric schemes on the river Lima.

Owing to the repercussions that they may have for the EDP Group's activities and for the country as a whole, European and international initiatives directed at combating atmospheric pollution and climatic changes were monitored at close hand. Special attention was paid to water



The Group's Operations in 1999

quality, the EU Recommendation on reference levels for electrical and magnetic fields, and the community proposal for the introduction of "environmental levies".

1999 saw the conclusion of the implementation of the Setúbal power station's Environmental Management System and its certification by Lloyd's Register Quality Assurance, according

collaboration with the International Energy Agency and ParisBourseSBF.

Research and development

The EDP Group's research and development (R&D) and technological innovation policy during 1999, within the context of market liberalisation, was geared to boosting the competitiveness of Group companies' products and services, and the containment of costs associated with their core activities.

In this regard, the general guidelines for R&D strategy were reformulated, as a result of which from now onwards the principal areas of interest will be subjected to careful and advanced definition and the setting of priority projects.

This new scenario led in particular to the adoption of new decision tools for the selection of projects; the search for greater value added projects with tangible results in the short term and less risk; and the drafting of a new administrative regulation addressing the issue of participation in community projects by EDP Group companies and the relevant holding company departments.

to the international ISO 14 001 standard relating to Environmental Audit and Management.

Also noteworthy was the EDP Group's participation in the conduct of an electricity market and CO₂ emission simulation evolved by the Union of the Electricity Industry - EURELECTRIC in





The EDP Group participated in 30 R&D projects (17 community and 13 national) in 1999, 12 of which were concluded during the year. With an average duration of 36 months, these projects represented in total a budget of PTE 2.44 billion in terms of EDP's contribution, while financial grants under community programmes amounted to PTE 940 million.

The spectrum of technological sectors is vast - materials, information systems, environment, automation and control, conventional electricity generation and renewable energies – the most noteworthy being: the structural integrity of power station critical components; the environmental impact of thermoelectric power stations; innovative maintenance methods; systems development in the area of Information Technology; and Experiments, Measurement and Conclusions in the field of renewable energies.

EDP also participated in several international forums in the realm of R&D, namely, at the level of Unipede/EURELECTRIC: R&D Working Group and "Renewables", of the AIE: the "Photovoltaic Power Systems Programme", the "European Utilities

Initiative for the 5th Framework Programme on R&D" and DA/DSM - Distributech.

Safety telecommunications industry

The enormous investment made in the development of fixed and mobile safety-telecommunications networks with the aim of providing quality and safe backing for electricity distribution and transmission activities – as well as making available surplus capacity for use by the fixed network – led to the installation of 1,057 kms of optical-fibre infrastructures (more than 50% of the existing network) and the execution of the first systems of broadband transmission in the SDH (Sincron Digital Hierarchy) system for the transmission of a 155 Mbit/second signal.

Work also continued on the coordination and management with the ICP of the EDP Group's radio-electric licences and the definition of uniform conditions for the installation and sharing of infrastructures within the Group.

Laboratory activities

The nature of the activities undertaken by the Group's electricity companies



The Group's Operations in 1999

imposes the need for permanent back-up from laboratories which are sophisticated and equipped with state-of-the-art technology. This function is undertaken by LABELEC, thereby giving continuity to the Group's vast experience in this field which is widely recognised both inside and outside of EDP.

LABELEC's activities in 1999 focused on consolidating its work for the EDP Group, at the same time seeking to play a more active role in the marketplace.

The provision of services confirmed the upward trend observed in recent years, with turnover posting an overall expansion of some 6% over the previous year. Moreover, this increase was accompanied by a positive rise in productivity.

Further progress was made in the accreditation of LABELEC's laboratories with the accreditation of the Physical Testing and Insulation Materials Laboratories.

Information systems

As was the case in 1998, the company's activity in the arena of Information Systems was indelibly marked by four factors: the proximity

of year 2000; the electric power market's continued liberalisation and the appearance of increased competition; the reorganisation of the distribution area; and the launch of the Systems Master Plan's application.

There was a high concentration of activity directed at ensuring that real-time management and control information systems conformed with the year 2000 changeover. Attention was also paid to preparing EDP to respond adequately to the sector's regulatory demands.

The launch of the Integrated Management Support System (SIAG) seeks to replace the existing management-support systems with an integrated system based on the SAP R/3 platform covering the greater part of the EDP Group's information areas.

The first SAP module – human resources – is scheduled to be commissioned in 2000 at all the Group's companies; the remaining modules will enter service towards the end of 2001 so as to avoid alterations to the existing systems for the final phase of the euro's implementation.



The Commercial Management System for Distribution was conceived for the purpose of providing the electricity distribution area with a uniform system capable of supporting present and future commercial management needs, substituting the existing commercial systems and modernising technological resources so that these are compatible with operations in the deregulated market and the final phase of the euro.

This system will present simultaneously multi-product, multi-service and multi-company features. It also contemplates solutions for the management of customer contacts and support for marketing and sales. In addition, the system makes provision for the integration of other communication channels and business development (internet, electronic commerce, workflow tools, etc.). It is expected to become operational during 2001.

The project for the Management of Distributed Systems aims to create the conditions for maximising existing IT resources; the new management model envisages the concentration of the operational management of all systems components (stand-alone

computers, local networks and distributed systems) at a single entity so that the management thereof can be done in remote mode.

The Management of Customer Contacts will replace the present Telephone Attendance facility, which is saturated and has little expansion potential, with a technological and basic services platform capable of handling customer attendance. The new system will cater for both electricity and other business area customers within the EDP Group (for example, assistance to computer users) or for the provision of services to outside concerns.

The final quarter saw the implementation of the required adaptations prior to the functioning of a single distribution company in January 2000.

Engineering services

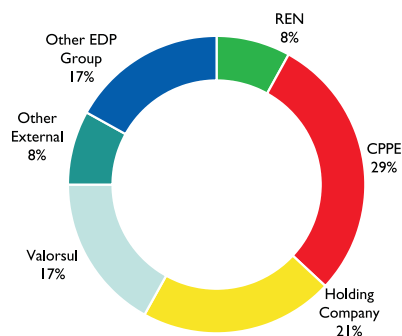
PROET

A significant part of PROET's activities involved EDP Group projects. Nevertheless, non-Group business operations accounted for about 25% of engineering services provided by the company.



The Group's Operations in 1999

Sales 1999



Insofar as the Group is concerned, special mention is made of the engineering and management services rendered to CPPE, in particular; the reduction of NO_x emissions and the launching of a new process computer at the Sines power station. Furthermore, and besides involvement in several civil engineering projects for the construction of power lines and substations, the company drew up the technical and economic feasibility study into alternative locations for a new combined-cycle power station.

PROET also rendered services in connection with the construction of a cogeneration plant at Soporcel's plant in Lavos and the Mortágua forest-waste-fired power station.

As regards projects outside the EDP Group, the company was very actively involved in work directed at the

energy optimisation of waste products, notably, the work carried out at Valorsul's Solid Waste Facility.

In line with previous years, engineering services continued to be provided to Empresa de Electricidade dos Açores – EDA.

On the international front, the company continued to provide services in its capacity as the "independent engineer" at the Jorf-Lasfar power station in Morocco; support was given to EDP at the vegetable biomass power plant at Bioelettrica (Italy); and it participated in various Research and Development projects funded by the European Union.

Specific backing was given to EDP Internacional in relation to thermoelectric projects in Brazil, S. Tomé e Príncipe, Guatemala and Lebanon.

Moreover, a significant volume of engineering-related work which complements PROET's core activity was also carried out for Portuguese industrial clients, i.e. in the area of specification of gaseous effluents and the functional testing of installations and equipment.

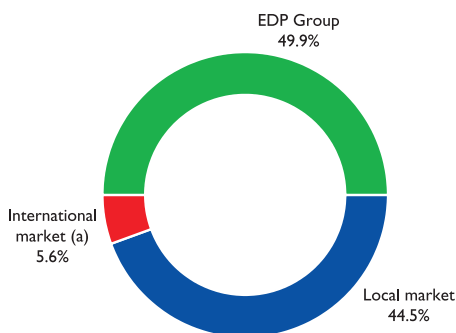


HIDRORUMO

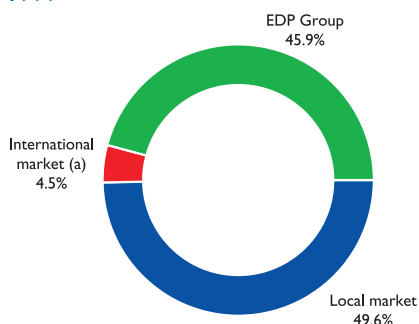
HIDRORUMO was involved in the preparation of several studies and projects and undertook management and supervisory activities associated with the construction of new hydroelectric plants and wind farms. The company also executed remodelling and rehabilitation works, as well as safety controls at dams with respect to their structural and hydraulic aspects.

In line with the preceding year, a significant part of the company's activity referred to work undertaken for non-EDP Group entities, turnover from which exceeded that derived from services rendered to companies within the Group.

1998



1999



(a) – Includes services to foreign clients, via EDP Internacional.

Principal activities relate to the construction of the Alqueva hydroelectric installation and the drawing up of the basic project for Pedrógão and the Alqueva-Álamos Water Intake System on behalf of EDIA - Empresa de Desenvolvimento e Infra-estruturas do Alqueva; the development of basin plans for the rivers Douro, Lima, Cávado, Ave and Leça for INAG - Instituto da Água and the Direcção Regional do Ambiente do Norte; the supervision and monitoring of the building contract for tunnel 4 for the Oporto Municipal Council; supervision of the construction of the Bragadas hydroelectric plant for the firm Empreendimentos Hidroeléctricos do Alto Tâmega e Barroso; and the prior study for a dam on the river Paiva on behalf of ADP - Águas do Douro e Paiva.



The Group's Operations in 1999

Turning to international operations, the company rendered services to the ONE - Office Nationale de l'Electricité (Marrocos) in respect of the Dchar El Oued - Ait Messaoud hydroelectric complex. HIDRORUMO became increasingly involved in the Brazilian market as a result of viability studies carried out into a power plant in the State of Tocantins and the evaluation of generating assets in operation/under construction.

Work for the EDP Group included the following: project for additional capacity

project drafting, contracting, management and supervision of remodelling work at the Vila Cova hydroelectric plant; upgrading of equipment making up generating unit VI at the Belver hydroelectric plant; licensing projects, and the contracting, management and supervision of construction of the wind farms at Cabeço Rainha and Cadafaz; and the activities connected with Safety Control at the EDP Group's dams.

Other works meriting mention were those conducted within the scope of viability studies and/or the reinforcement of installed capacity at hydroelectric complexes and those pertaining to hydro-meteorological observations, review of water flows and the creation of weekly and monthly hydrological series required for the planning of new generating centres.

Business cooperation

In its role as a organisation immersed in a global society, the EDP Group and affiliated companies interact with counterpart companies and their associations at a variety of levels, national and international, as well as with official bodies or non-governmental organisations of various types.



at Venda Nova II and the management and supervision of the respective preliminary works; conclusion of the environmental impact study for the Baixo Sabor hydroelectric scheme;



Particularly noteworthy was EDP's participation in the Portuguese mission which conducted a survey of East Timor's reconstruction needs within the framework of the UN's involvement. More precisely, EDP collaborated actively in the formulation of a plan for the recovery of electricity production and distribution infrastructures, having also contributed in several ways to alleviate the Timorese people's and territory's needs.

Moreover, EDP formed part of the group of companies which constituted Harii, a Portuguese development company whose mission is to assist the implantation of companies and the undertaking of reconstruction projects in East Timor.

The EDP Group also has interests in SHIPEC, for purposes of prospecting business opportunities in China, in the Mozambican company PIM, for the construction and operation of an industrial park in the city of Matola, as well as participating in business projects encompassing the technological research into electricity generation— such as Elcogás in Spain and Bioelettrica in Italy – besides other projects at university and technical level.

In addition, EDP participated in the repair of electrical networks affected by the violent storms which ravaged France last winter.

Social investment

Given EDP's extensive collaboration in a vast number of humanitarian, cultural and sporting initiatives, special reference is made in 1999 to the exclusive sponsorship given to the Companhia Nacional de Bailado (National Ballet Company), participation in the restoration of the Torre de Belém (an initiative which was distinguished with the Europa Nostra 1999 prize, a prestigious international distinction in the field of cultural heritage conservation) and the support provided to the Lisbon Half-Marathon, the organisation dedicated and associated with the infant-juvenile mini-marathon race "Luzinha Mini-campeões", and to the S. João race in Oporto, already with a number of titles in this sporting category.



Capital Expenditure

The EDP Group's total capital expenditure in 1999 was approximately PTE 307 billion.

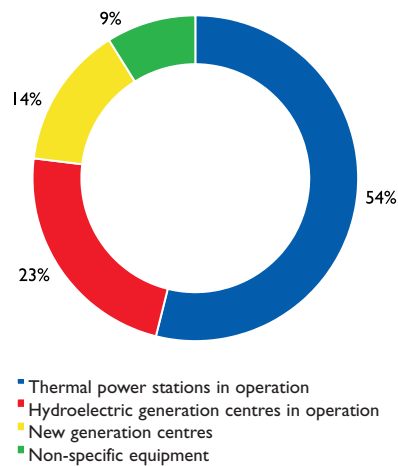
Capital expenditure	(PTE million)	
	1999	1998
Generation		
– binding	9,333	9,752
– non-binding	2,297	2,410
– renewable energies	3,694	2,300
– cogeneration	7,549	3,216
Transmission	9,858	8,269
Distribution	46,390	51,573
Other	1,933	3,127
Current capital expenditure – Electricity	81,054	80,647
Telecommunications	72,850	1,139
Internationalisation	123,319	99,070
Iberdrola	19,026	57,429
Other activities	10,767	0
Total	307,016	238,285

Current capital expenditure

Generation

At the end of the year CPPE's aggregate capital expenditure at technical costs was PTE 9.3 billion, of which PTE 1.3 billion was outlaid on new generating centres and PTE 7.2 billion on existing power stations. Of the last-mentioned amount, PTE 2.1 billion was invested in hydraulic generation, while thermal generation facilities absorbed PTE 5.1 billion.

CPPE capital expenditure in 1999 at technical costs



As regards specific capital investment projects carried out in 1999, the following were the most significant:

- Conclusion of the preliminary works for the installation of additional capacity at the Venda Nova hydroelectric plant and the conduct of an environmental impact study with the respective public consultation; we await the project's approval and the completion of the licensing process before commencing the principal construction work;
- Launch of the licensing process for the Baixo Sabor hydroelectric scheme, with the submission of the prior study and environmental impact study;



- Installation at the Sines power station's no. 3 generating unit of new low-content nitrogen oxide burners, as part of the programme for the reduction of NOx emissions. This programme was embarked on in 1997 when similar burners were installed at generating unit no. 2 and will be concluded in 2000 when generating unit no. 4 is similarly equipped.
- construction of the Ermidas do Sado and Monte da Pedra-Palma switching stations for the purpose of supplying REFER; these capital projects form part of the programme for the electrification of southern Portugal's railway network.

At the end of the year, the execution of the following major projects was in progress:

- Completion of the Single Remote Control Centre building and the start of instrument mounting and trials with a view to its entry into service in 2000.
 - reinforced supply feed to the Castelo Branco/Portalegre district, with the installation of a 400/150 kV auto-transformer (250MVA) at the Falagueira substation;
 - expansion of the 220 kV network in the Oporto metropolitan area, with the transformation of the Recarei-Vermoim single to a double line;
 - creation of the necessary infrastructures for the integration of the Alqueva power station into the National Transmission Grid, entailing the construction of the Sines – Ferreira do Alentejo and Ferreira do Alentejo – Alqueva lines (both 400 kV), as well as the installation of a 400/150 kV auto-transformer at the Ferreira do Alentejo substation.
- Capital expenditure on the Transmission Grid totalled

Transmission

The following projects involving the National Transmission Grid's expansion were concluded in 1999:

- additional supply to the Lisbon city centre with the entry into service of a new 220/60 kV injector in Sete Rios, which is fed from the Carriche substation by means of a 220kV underground cable;
- increase in the Évora substation's transforming power in order to improve the satisfaction of the region's consumption needs;



Capital Expenditure

PTE 9.9 billion, of which PTE 1.25 billion was earmarked for the expansion of the optical fibre network integrated into the protection cables of Very High Voltage power lines.

Distribution

Capital expenditure on distribution facilities amounted to PTE 46.4 billion at technical costs. This figure is appreciably lower than that outlaid in 1998 (-10.1%), as a consequence of the implementation of the plan aimed at capital investment rationalisation.

Capital expenditure on Distribution

	(PTE million)	
	1999	1998
HV/MV	14,008	17,078
LV	23,612	29,191
Other	8,770	5,304
Total	46,390	51,573

Investments in diversification and internationalisation

A total of PTE 226 billion was channelled into diversification and internationalisation investments, which included the acquisition of a 73.12% interest in IVEN (PTE 102.3 billion) and various investments in telecommunications (PTE 72.9 billion).

Diversification

The EDP Group stepped up its investment programme in this domain during 1999 relative to the previous year. This was essentially due to preparations for the start-up of ONI's activities as a fixed-line telecommunications operator on January 1 of the current year.

Total capital investment in the telecommunications field rose to PTE 72.9 billion, of which PTE 37.1 billion refers to expenditure on infrastructures and PTE 35.7 billion to the Group's acquisition of strategic shareholdings, namely the purchase of Comnexo and the acquisition of 40% of Optep. As a result, EDP now controls 100% of Optep, a sub-holding company which in turn owns 95% of ONI and 25% of Optimus.



Internationalisation

The following table shows the breakdown of investments in cross-border acquisitions in 1998 and 1999:

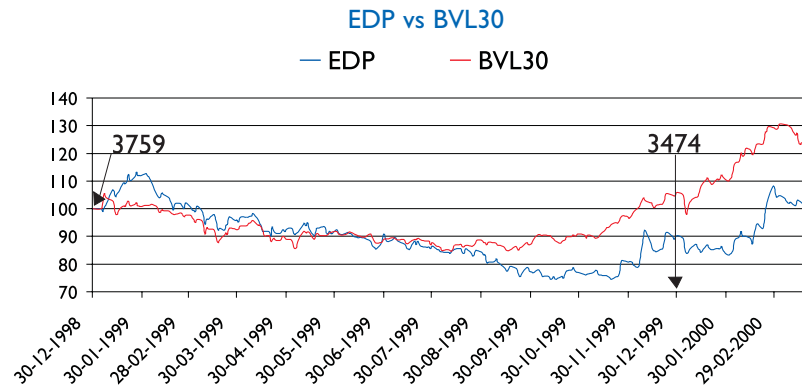
Internationalisation investment

1999			
Company	Country	Activity	PTE mn.
Iven	Brazil	Electricity distribution	102,299
CEM	Macau	Generation and Distribution Electricity	13,964
Electra	Cabo Verde	Generation and Distribution Electricity, Water and Sanitation	5,456
Lajeado	Brazil	Electricity generation	1,600
			123,319

1998			
Company	Country	Activity	PTE mn.
Bandeirante	Brazil	Electricity distribution	83,800
EEGSA	Guatemala	Electricity distribution	12,400
Redal	Morocco	Distribution of Electricity, Water and Sanitation	722
Lajeado	Brazil	Electricity generation	2,100
			99,022



Capital Market Performance



EDP's shares are listed on the Lisbon Stock Exchange (Bolsa de Valores de Lisboa – BVL) and on the New York Stock Exchange (in the latter case by way of a programme of American Depositary Receipts, ADR's). EDP shares also form the asset base for futures contracts traded on the Oporto Derivatives Exchange (Bolsa de Derivados do Porto – BDP).

The Portuguese capital market began to operate in the new euro zone from the beginning of 1999, a prime feature of which is the elimination of currency risk. Following the negative trend of the first six months of the year and the large losses posted in the summer months, the Portuguese stock market staged a strong recovery in the final quarter; closing the year in positive territory with the BVL-30 gaining 10% during 1999.

This behaviour can be ascribed to the European bourses, stock split operations, concentration deals in certain sectors and the dynamism engendered by sectors, belonging to the so-called "new economy" – new technologies, telecommunications and the media.

EDP shares ended the year being quoted at PTE 3,474, corresponding to a price drop of 7.6% relative to the 1998 closing price. The share price mirrors the negative sentiment which prevailed during the year as a result of the sharp cut in electricity tariffs prescribed for 1999 and the real's depreciation and its repercussions for the Group's investments in Brazil. A total of 199.1 million EDP shares were traded in 1999, which is equivalent to an average daily trading volume of 796 thousand shares.

Year 2000 and the Euro



The "Year 2000" project was undoubtedly that which was given the utmost priority in the area of information technologies during 1999. Its overriding objective was directed at ensuring the conformity of information systems, computer equipment, communications equipment and the automated components of power-generation facilities and transmission and distribution networks, with the millennium date changeover.

Virtually all main organisation-wide applications were tested and repaired. Out of a total of 12 million code lines, some 50% had to be corrected.

Testing and repair work was also carried out on all the global and local data communication networks in operation within the EDP Group; around 95% of networks were the object of some form of intervention, ranging from simple upgrading to the substitution of certain equipment.

Testing was also conducted of all existing real-time control systems at EDP Group companies' industrial installations, with non-compliant systems either being repaired or substituted.

As a result of the exhaustive testing and repair work undertaken, it was possible to produce and issue Year 2000 Guarantees for all industrial and administrative complexes

and for all the Group companies. This certification flows from the guarantee procedures executed, which constitute evidence of the work carried out, and supported the EDP Guarantee sent at the beginning of November to all parties requesting this form of Year 2000 assurance.

Finally, and in spite of our conviction that, as a consequence of the high standard of the preparatory work carried out, there would be no disruptions to the continued





Year 2000 and the Euro

supply of electric power; sectoral and global contingency plans were formulated and implemented (the prevention staff contingement on duty to guarantee a more rapid resolution of any possible incident was some 3.5 times higher than the normal level for other year changeovers). Moreover, EDP's Operation 2000 Centre was erected at REN's premises in Sacavém, from which the passage to the new millennium was monitored and operational connection established with all the other national and foreign Operation 2000 Centres.

Thanks to all the hard work involved, the entry into the year 2000 occurred without any incidents.

As concerns preparations for the single currency, it will be recalled that some time ago EDP adopted a policy of not creating obstacles to the freedom of choice by its business partners. The Group took advantage of this opportunity to substitute a substantial part of its systems which in the majority of cases were clearly outmoded.

This option meant that the number of alterations which had to be made to systems still in operation was minimal (and had already been effected in 1998); in reality, it entailed the creation of conditions whereby any commercial transaction can be effected in escudos or euro without, however, altering the currency base of each system, which continued to be the escudo.



Balance sheet

Net total assets rose by PTE 263.4 billion, due above all to the increase in fixed assets, including that resulting from the internationalisation and diversification initiatives, which jointly contributed to an increase in assets of PTE 182.1 billion.

Current assets increased by around PTE 31.8 billion, of which some PTE 8.5 billion refers to inventories in the wake of the acquisition of companies with a strong commercial component in the realm of information systems.

Turning to liabilities, interest-bearing debt rose to PTE 875.8 billion (up PTE 180 billion), and is explained by the increased global investments made by the EDP Group.

In line with previous years' trends, shareholders' funds continued to ensure high cover of short-term liabilities, thereby underscoring the Group's sound financial equilibrium.

Comparative balance sheet

(PTE billion)

	1999	1998	1997	1996
Fixed assets (net)	2,130.2	2,119.3	2,173.9	2,196.8
Financial investments (net)	364.4	193.3	39.2	39.0
M/L-term receivables	14.6	28.5	19.1	17.1
Current assets	152.8	121.0	90.1	110.6
Accruals and deferrals	86.5	23.0	24.6	22.5
Assets	2,748.5	2,485.1	2,346.9	2,386.0
Provisions	138.8	133.6	93.1	85.6
Interest-bearing liabilities	875.8	695.8	627.3	683.1
Other liabilities	120.1	101.6	86.9	105.2
Hydraulicity Correction	68.0	77.7	77.7	77.7
Accruals and deferrals	330.5	247.7	223.0	201.2
Shareholders' funds	1,214.9	1,228.4	1,238.5	1,233.1
Minority shareholders' interests	0.1	0.3	0.1	0.1
Liabilities + Shareholders' Funds	2,748.5	2,485.1	2,346.9	2,386.0



Economic and Financial Review

At December 31 1999, EDP held 350.00 of its own shares (treasury stock) which were acquired during the year (in terms of a general meeting resolution) at an average price of EUR 16.7192 per share. The shares in hand will provide support to the stock options plan for EDP Group executives and senior personnel.

Income statement

Notwithstanding the pronounced cut in tariffs noted in its core business – electric power generation, transmission, distribution and sales – the EDP Group was able to post a positive result in the year of PTE 103.0 billion, which is virtually unchanged from that of the previous year.

In fact, the growth in electricity consumption enabled the effects of the tariff reduction to be partially cushioned, at the same time as the sales of other EDP Group products and diversified services resulted in an overall increase in turnover vis-à-vis 1998 of some PTE 12.4 billion.

In global terms, operating revenue amounted to PTE 673.4 billion, or PTE 27.1 billion more than in 1998.

Operating expenditure was PTE 491.8 billion, versus PTE 433.7 billion in 1998. Operating profit, on the other hand, was PTE 31.0 billion lower. A major contributing factor to this decrease was the PTE 37.4 billion rise in the acquisition cost of electricity and fuel for thermal-source electricity generation. The higher costs noted in certain of the items forming part of operating expenditure stemmed fundamentally from the Group's expansion, especially in its diversification and service provider activities.

Net interest and financial expense fell meaningfully when compared with 1998 (PTE 28.2 billion against PTE 40.9 billion) owing primarily to the active management of interest-bearing debt, with maximum advantage being taken of lower interest rates and the favourable market climate.

Net extraordinary items were little changed from the preceding year.



The application of international accounting standards, which are applicable on a supplementary basis in Portugal, allows the EDP Group, insofar as corporate income tax (IRC) is concerned, to defer its recognition as a cost. Consequently, net deferrals of liabilities and non-deductible (for tax purposes) provisions were made during the year in the amount of PTE 9.3 billion.

Comparative income statement

(PTE billion)

	1999	1998	1997	1996
Cost of inventories sold and consumed	180.9	143.1	134.8	126.4
Outside supplies and services	57.6	45.4	45.0	49.7
Personnel costs	92.8	86.3	83.8	81.3
Depreciation for year	123.5	122.5	123.6	124.7
Provisions for year	8.2	8.2	9.4	7.4
Concession rentals	25.8	24.7	23.4	24.8
Other operating costs	3.1	3.5	10.2	10.2
Financial expenses	52.7	88.1	83.4	62.6
Extraordinary costs	32.9	35.2	24.2	33.6
Corporate income tax	61.7	79.1	67.6	66.5
Total costs	639.2	636.1	605.4	587.2
Sales and services provided	615.9	603.5	571.5	546.9
Own work capitalised	42.9	38.9	38.1	48.7
Supplementary income	0.7	1.9	2.3	1.8
Other operating income	14.0	2.1	0.6	0.5
Financial income	24.6	47.1	41.5	25.0
Extraordinary income	44.1	46.7	44.5	45.2
Total Income	742.2	740.2	698.5	668.1
Minority shareholders' interests	0.0	0.7	0.0	0.1
Consolidated Net Income	103.0	104.8	93.1	81.0

Cash flow

Cash Flow, which is defined as the sum of the items "Net Income", "Depreciation" and "Change in Provisions", totalled PTE 234.1 billion, an improvement of PTE 2.9 billion on the 1998 figure.



Financial activity

A noteworthy event was the granting of credit ratings by the international credit rating agencies Standard & Poor's and Moody's Investor Services, which attributed long-term ratings of AA and Aa3 respectively. These ratings position the EDP Group amongst those companies with the highest ratings, affording it new funding prospects in terms of markets, instruments and investors, as well as the possibility of securing longer maturity terms for financing requirements.

Following the procurement of a credit rating, a Programme for Debt Issuance was established with a prestigious international group of banks in the amount of EUR 2,000 million, which was listed on the London and Paris stock exchanges. A programme of this nature adds flexibility to bond issues in view of the fact that the contractual conditions are known *a priori* by the market, while the legal and registration procedures, as well as the attendant costs, are already covered by the programme.

The effectiveness of the ratings obtained is borne out by the market's

receptiveness to EDP's inaugural issue of EUR 1,000 million with a maturity term of ten years. In fact, the initial amount of the issue was EUR 750 million, but was subsequently raised by a further EUR 250 million due to the strong demand witnessed on the part of European institutional investors.

In terms of new borrowing operations, and after an absence of three years, EDP returned to the international syndicated-loans market, contracting a loan of EUR 600 million in the form of a revolving credit facility. The quality of EDP's creditworthiness, coupled with the rarity of Portuguese borrowers on this market, attracted a group of banks of considerable international repute. This funding mode, which permits drawings with various maturity terms, constitutes a perfect complement to the commercial paper programmes which the EDP Group already has recourse to and which were increased to PTE 130 billion during the year.

In the first half of the year, five domestic loans totalling EUR 400 million were raised with maturity terms ranging from seven to ten years. These



operations involved banks which had previously had lower credit exposure to the EDP Group and, therefore, contributed to the healthy diversification of creditors.

From the viewpoint of the management of the debt portfolio, two loans denominated in YEN and DEM, with an aggregate face value of some EUR 400 million, were repaid before maturity. Furthermore, the terms of a syndicated loan were renegotiated, resulting in its conversion into euro and the extension of the maturity period.

Still in this arena, the debt of EUR 485 million to the EIB was renegotiated, eliminating the associated currency risk by the conversion or redenomination of these loans into euro, fixing the interest rates at 3.75% per annum and, following the attribution of the credit ratings referred to earlier, releasing the Portuguese State's guarantees for loans contracted by EDP with this Institution. At the present time, only the loans from the bank KfW - Kreditanstalt für Wiederaufbau still benefit from the State's guarantees.

As in the past, the contracting of new borrowings and the management of

the respective portfolio had as their principal guidelines maturity management and the control of currency and interest rate risks. In this regard, it is worth noting that as a result of action taken during the course of the year, the average maturity profile of the EDP Group's debt portfolio was extended. For its part, exchange rate risk is practically nil, bearing in mind that euro-denominated debt represents some 99.9% of the portfolio. It should also be mentioned that at the end of the year global borrowings stood at PTE 875.8 billion, that is, an increase of PTE 180 billion during the financial year under review.

From the perspective of interest rate risk, roughly 22.7% of borrowings at year's end bore interest at fixed rates. The average interest rate at the end of 1998 was situated at 4.17%; following the steep decline up until November 1999 - 3.36% - it climbed in December to end the year at 3.51%.

Finally and with respect to funding activity, we consider that the series of initiatives taken during the course of the year - and which included the formation of EDP Finance BV based in



Economic and Financial Review

Amsterdam - provided appropriate levels of flexibility and diversification in the access to financing and a satisfactory degree of liquidity that is commensurate with the EDP Group's operating and investment plan.

Hydraulicity correction

The movement on this account, the origins of which are linked to factors pertaining to the year's hydrological conditions, was as follows:

Opening balance	77,688,063
Annual differential	(11,929,632)
Financial income	2,227,384
Closing balance	67,985,815

The differential of PTE 11.9 billion constitutes the reduction in real costs vis-à-vis the costs associated with an average hydrological regime.

It must be noted that the financial income constitutes a charge for EDP, and was calculated using a rate of 3.51% corresponding to the average rate of interest on EDP's interest-bearing debt.

Financial contributions for capital investment

These receipts are basically represented by customers' contributions towards the execution

of new power connections and by EU financial grants within the scope of the Community Structural Funds.

In the year under review, the amounts received from customers amounted to some PTE 30.5 billion, while EU community subsidies totalled PTE 2.4 billion.

Own work capitalised

The contribution of the Group companies' own resources to capital expenditure during the year totalled PTE 42.9 million, broken down as follows:

	(PTE billion)			
	1999	1998	1997	1996
Sundry materials and outside supplies and services	33.9	29.1	27.2	29.1
Administrative overheads	7.1	6.7	7.4	14.3
Finance charges	1.9	3.1	3.5	5.3
Total	42.9	38.9	38.1	48.7

This trend essentially results from activities in the telecommunications area and in the dynamics of the Group companies' provision of services.

Taxation and related matters

In terms of a dispatch issued by the Minister of Finance, the EDP Group is authorised to be taxed on a consolidated (group relief) basis.



Hence, the Group's global activities (which are conducted by subsidiaries of which more than 90% are based in Portuguese territory) are subject to corporate income tax (Portuguese initials – IRC).

IRC computed on income from activity carried out during the year under review amounted to PTE 71.0 billion.

The EDP Group started to adopt International Accounting Standard (IAS) 12 relating to deferred taxation, as a result of which it was necessary to analyse the future impact of timing differences underlying the value of assets and liabilities carried in the balance sheet. As a result of this analysis, adjustments were made to the figures included in the revaluation reserves account which will not be recognised as a tax-deductible cost in the amount of PTE 68.3 billion, while PTE 50.2 billion relating to non-deductible (for tax purposes) provisions was added to retained earnings.

In this way, the amount of IRC for the year was reduced by PTE 9.3 billion, with the effective tax rate falling from 42 % to 37.4 %.

Employees' profit sharing scheme

The profit-sharing scheme forms part of the EDP Group's human resources policy. Under this policy employees are entitled to a share in the net profit of the company where they work.

Proposed appropriation of 1999 net income

The Board of Directors presents to the Shareholders' General Meeting the following proposed appropriation of net income:

(amounts in escudos)

Net income	103,034,924,311
Legal reserve (5%)	5,151,750,000
Dividends	84,000,000,000
Retained earnings	13,883,174,311
	103,034,924,311

The amount of the dividend payable in respect of the past year remains unchanged from that of the previous year, that is, PTE 140 per share.



Subsequent Events and Outlook for 2000

Important post-balance sheet events

Already in 2000 the process involving the merger of the EDP Group's distribution companies has been concluded with the formation of EDP Distribuição, the company that will assume responsibility for electricity distribution operations.

The environmental and technical licensing of the project for raising the installed capacity at the Venda Nova hydroelectric complex has been concluded. It is envisaged that work on the principal contracting works will commence in May 2000, while its entry into commercial operation is scheduled for the second half of 2004.

As regards the Baixo Sabor capital project, the licence for which was granted in the wake of the suspension of the Foz-Côa scheme, the relevant environmental impact study was carried out in good time.

Turning to regulatory issues, it should be noted that an across-the-board reduction of 0.6% in electricity tariffs was laid down for 2000, at the same time as the Regulator ERSE approved

EDP's proposal which envisages tariff options directed at large customers.

Following EDP's acquisition of an equity interest in GALP, SGPS, S.A., by way of subscription in the latter's share capital increase in exchange for EDP's equity stake in Transgás - bearing in mind the strategic interest for the EDP Group and following PETROCONTROL's willingness to dispose of its shareholding - an agreement was reached for the acquisition of a further stake of around 11% in GALP. This deal will only become effective when authorisation is obtained from the relevant Portuguese and EU competition bodies.

In association with GDP Energia, EDP Cogeração signed a contract for the construction and operation of a cogeneration power station (roughly 40 MW) to supply electricity and steam to Solvay Portugal's factory plant in Póvoa de Santa Iria. With this project the EDP Group will maintain its long-standing relationship with this important customer, now under a new arrangement. Moreover, this project, which provides an energy solution that is both innovative and efficient, will resort to natural gas as its source fuel.



Progress in the telecommunications arena saw ONI commence its operations as a fixed-line operator; agreements being forged between Oni and Telecel in the commercial field, and between Oni, Telecel and Brisa for the use of infrastructures.

A strategic alliance was also concluded between EDP and BCP for e-finance business, non-financial services based on the Internet and mobile telephony with UMTS technology. The accord also envisages the acquisition of reciprocal shareholdings of up to 5%.

Outlook for 2000

Not taking into consideration the influence of temperatures, we expect growth in electricity consumption in 2000 to be in the order of 4 to 5%. This projection is founded on the country's economic growth forecasts, which are estimated at 3.3%, and on the elasticity of more than 1 which has characterised consumption growth relative to GDP.

Unit generation costs are not expected to decrease when compared with 1999 due, above all, to the capacity costs of the Tapada do Outeiro power station and to the higher cost of fuel.

The liberalisation of the electricity market initiated in 1999 will produce the first practical effects in 2000. It is possible that some major customers will transfer from the Public Electricity System (SEP) and receive their energy



requirements from the Non-Binding Electricity System (SENV). The repercussions for EDP and the effects on SEP tariffs will not, however, be very significant given that the number of customers who have up till now requested transfer to the SENV represent consumption off-take of around 130 GWh.

Within the sphere of preparations for the electricity market's liberalisation, EDP has already launched (via EDP

Subsequent Events and Outlook for 2000



Energia) forms of operating in the SENV as an alternative supplier to the SEP.

The Portuguese pool should begin operating already in the first half of this year, although to date the rules governing the relationship with the Spanish pool have not yet been defined.

"super low-load" period. These options will remain in force during 2000. EDP is also collaborating with the ERSE in a study aimed at the alteration of the present tariff structure.

On the international front, we anticipate a recovery on the part of the Brazilian distribution companies in which EDP has equity interests in the wake of that country's economic revival and with the overcoming of the negative impact of the Real's depreciation on the accounts of the companies concerned.

EDP's objectives in Brazil are focused on the consolidation of the present shareholdings in the electricity distribution firms Bandeirante, Escelsa and Enersul, as well as on investment in the area of electric energy generation. EDP recently signed a protocol with the Brazilian government which contemplates a substantial investment in natural-gas-fired combined-cycle power stations to be undertaken in partnership with other companies.

With respect to diversification initiatives, it is EDP's intention to compete in concessions for water distribution within the ambit of an

Still on the question of regulation it is worth pointing out that EDP proposed, and the Regulator ERSE accepted, a number of tariff options which translate themselves into additional discounts for large SEP customers who adhere to interruptibility clauses or who can manage their load diagrams in the





accord forged with Thames Water, with the overriding goal of developing the multi-utility concept.

Telecommunications will receive a major boost during 2000. EDP has made an enormous commitment to this sector as its second core business. By developing its previous investments in the areas of infrastructures and fixed and mobile networks, EDP has defined as strategy for the future the expansion of its involvement in the new economy. It was in this context that EDP announced recently an agreement with Banco Comercial Português for the development of business in the areas of e-finance, B2B and B2C.



Acknowledgements

The Board of Directors manifests its gratitude to the Portuguese government, in particular, the Minister of Finance and the Economy, and the Secretaries of State for the Treasury and Finance and for Industry and Energy, for the support given in a variety of situations impacting the Company's affairs.

- the statutory and external auditors of the EDP Group's companies;
- Financial Institutions;
- Scientific and technical Institutions;

And a special thank you:

- To the EDP Group companies' customers, to whom we reiterate our unceasing commitment to the quest for quality levels which are on a par with the full satisfaction of their needs;
- To our Shareholders, for the confidence they have in the EDP Group;
- To our workers and employees, for the positive manner in which they have contributed to the Group's growth, and for the competence and professionalism displayed in the performance of their functions.

Following a market consultation carried out in 1999, PricewaterhouseCoopers was selected as external auditor for the period 1999/2001; the Board of Directors wishes to express its appreciation for the quality and professional service rendered by the firm Ernst & Young over the last few years and for the good relationship that always existed with the EDP Group.

Our appreciation is also extended to all those entities which collaborated with the EDP Group, namely:

- the CMVM (Securities Market Commission), the BVL and the BDP;



Finally, to Dr. Vítor Constâncio, the Board of Directors expresses its recognition for his invaluable collaboration with the Group during his period as a director, a position he relinquished in February, after which he was appointed Governor of the Bank of Portugal.

Board of Directors

Dr. Mário Cristina de Sousa
Chairman

Eng. Jorge Fernando Alves Ferreira
Guimarães
Vice-Chairman

Dr. Humberto da Costa Biu
Member

Eng. Francisco de la Fuente Sánchez
Member

Eng. Luís Filipe Lucena Ferreira
Member

Eng. Ignácio Francisco Javier
Herrero Sorriqueta
representing Iberdrola
Member

Lisbon, March 28 2000



EDP – Shareholder profile

At December 31 1999

	Shares	%
Portuguese State (D.G.T.)	263,861,456	43.98%
Caixa Geral de Depósitos	28,934,804	4.82%
Partest – Participações do Estado, SGPS, S.A.	12,219,240	2.04%
Subtotal – Public Entities	305,015,500	50.84%
The Bank of New York (Depositary bank)	16,577,391	2.76%
The Chase Manhattan Bank (Depositary bank)	14,890,857	2.48%
Iberdrola	24,000,800	4.00%
Other private shareholders	239,515,452	39.92%
Total	600,000,000	100.00%

Annex referred to in article 447(5) of the Companies Code

1999

Directors and family	Date	Price in escudos	Shares	
			Acquisition	Balance 31/12/99
Mário Cristina de Sousa	30/06/1999	PF	12	362
M. Clarinda Sousa (wife)				75
Jorge Ferreira Guimarães	30/06/1999	PF	12	828
Emília M. Morgado (wife)	30/06/1999	PF	2	256
Humberto da Costa Biu	30/06/1999	PF	12	778
M. Manuela Jesus Biu (wife)	30/06/1999			529
Francisco la Fuente Sánchez	30/06/1999	PF	12	853
M. Berta Pi Sánchez (wife)	30/06/1999	PF	2	281
Luís Filipe Lucena Ferreira	30/06/1999	PF	12	
	19/10/1999	875,103	300	1,153
M. Isilda Lucena Ferreira (wife)	30/06/1999	PF	12	827
Vitor Manuel Ribeiro Constâncio	30/06/1999	PF	4	104
M. José Constâncio (wife)	30/06/1999	PF	4	104
IBERDROLA		18,623,064,992	6,000,800	24,000,800

PF - Shares attributed under Fidelity Prize scheme



Other directorships held by the members of EDP's Board of Directors

Dr. Mário Cristina de Sousa

- Chairman of the Board of Directors of Electricidade de Portugal Internacional, S.A.
- Chairman of the Board of Directors of OPTEP – Emp. Telecomunicações Globais, S.A.
- Chairman of the Board of Directors of SOGESTE, S.A.
- Director of GALP, SGPS, S.A.
- Director of IBERDROLA
- Member of the Senior Board of BCP – Banco Comercial Português

Eng. Jorge Fernando Alves Ferreira Guimarães

- Chairman of the Board of Directors of EDP Distribuição - Energia, S.A.
- Chairman of the Board of Directors of EDINFOR - Sistemas Informáticos, S.A.
- Chairman of the Board of Directors of LABELLEC – Estudos, Desenvolvimento e Actividades Laboratoriais, S.A
- Director of Tejo Energia, S.A
- Director of SOGESTE, S.A
- Chairman of the Board of Directors of COPIDATA, S.A

Dr. Humberto da Costa Biu

- Chairman of the Board of Directors of SÃVIDA – Medicina Apoiada, S.A
- Chairman of the Board of Directors of MRH – Mudança e Recursos Humanos, S.A
- Director of ENERGIA, RE
- Director of Electricidade de Portugal Finance Company (Ireland) Limited
- Director of EDP Finance BV



Eng. Francisco de La Fuente Sánchez

- Director of Electricidade de Portugal Internacional, S.A.
- Chairman of the Board of Directors of CERJ – Companhia de Electricidade do Rio de Janeiro
- Vice-Chairman of Empresa Bandeirante de Energia, S. Paulo, Brazil
- Director of EDP Brasil, Ltda.
- Director of ENERPAULO – ENERGIA PAULISTA, Ltda.
- Chairman of the Board of Directors of EDP Águas - Gestão de Águas e Saneamento, S.A.
- Chairman of the Board of Directors of EDP Cogeração, S.A
- Chairman of the Board of Directors of EDP Energia, S.A
- Director of TER – Termoelétrica do Ribatejo, S.A

Eng. Luís Filipe Lucena Ferreira

- Chairman of the Board of Directors of CPPE – Companhia Portuguesa de Produção de Electricidade, S.A
- Director of MRH – Mudança e Recursos Humanos, S.A
- Chairman of the Board of Directors of TER – Termoelétrica do Ribatejo, S.A
- Director of EDA - Electricidade dos Açores, S.A
- Director of EDP Águas - Gestão de Águas e Saneamento, S.A.
- Director of PORTSINES - Terminal Multipurpose de Sines, S.A.

Brief profile of the Group Companies



Head Office:

Av. José Malhoa, Lote A 13

1070-157 LISBON

Tel. 21 001 30 13

Fax 21 726 50 29

Taxpayer registration no.: 500 697 256

Principal Business Activity:

Promotion, evolvement and management, directly or indirectly, of capital projects and activities in the electricity sector at both national and international level, for the purpose of enhancing and streamlining the performance of the universe of companies making up the EDP Group.



Head Office:

Av. Barbosa du Bocage, 45

Apartado 14125 – 1064-002 LISBON

Tel. 21 352 53 53

Fax 21 799 24 20

Taxpayer registration no.: 503 293 695

Principal Business Activity:

Generation and sale of energy in the form of electricity and others, resulting from the operation of its own and/or third parties' installations, under the obligation to guarantee, in the final instance, the sustained development of the national power-generating system.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	3,000,000,000	601,446,000
Assets	13,709,567,627	2,748,521,537
Shareholders' funds	6,059,882,966	1,214,897,457
Liabilities	7,647,754,033	1,533,237,024
Sales	3,072,012,570	615,883,224
Operating profit	906,323,640	181,701,576
Net income	513,936,039	103,034,925

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	1,231,033,210	246,800,000
Assets	4,694,813,504	941,225,601
Shareholders' funds	2,849,990,348	571,371,765
Liabilities	1,844,823,151	369,853,835
Sales	1,111,290,295	222,793,701
Operating profit	485,971,668	97,428,572
Net income	277,053,636	55,544,267



Brief profile of the Group Companies



Head Office:

Av. Estados Unidos da América, 55, 20º
1749-061 LISBON
Tel. 21 847 01 80
Fax 21 847 44 86
Taxpayer registration no.: 503 264 032

Principal Business Activity:

To undertake the global management of the Public Electricity Supply System – SEP, with the aim of guaranteeing the stability and security of electricity supply, and safeguarding the interests of the various market participants; to operate and develop the national very-high voltage transmission grid in mainland Portugal; to manage the portfolio of sites for power stations and to invite public tenders for the construction and operation of new power-generation plants.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	532,716,154	106,800,000
Assets	1,623,617,277	325,506,039
Shareholders' funds	1,165,172,330	233,596,079
Liabilities	458,444,948	91,909,960
Sales	1,758,243,224	352,496,118
Operating profit	95,202,208	19,086,329
Net income	62,830,409	12,596,366



Head Office:

Rua Camilo Castelo Branco, 43
1050-040 LISBON
Tel. 21 353 88 33
Fax 21 353 40 94
Taxpayer registration no.: 504 394 029

Principal Business Activity:

Electric power distribution and sale and the provision of allied or complementary services.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	1,022,036,891	204,900,000
Assets	5,081,446,090	1,018,738,475
Shareholders' funds	2,564,414,855	514,119,019
Liabilities	2,517,028,641	504,618,936
Sales	2,960,832,364	593,593,594
Operating profit	285,039,774	57,145,344
Net income	261,056,973	52,337,224

* Sum of the 4 distribution companies
EDP Distribuição commenced business in 2000.



Head Office:

Av. Estados Unidos da América, 55, 11º
1749-061 LISBON
Tel. 21 841 21 00
Fax 21 841 27 10
Taxpayer registration no.: 503 161 314

Principal Business Activity:

To project, build and operate electric-energy plants in the sector of alternative renewable energies.



Head Office:

Rua do Caires, 292, 1º
4704-516 BRAGA
Tel. 253 60 30 50
Fax 253 61 88 36
Taxpayer registration no.: 503 367 257

Principal Business Activity:

Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	3,740,984	750,000
Assets	29,100,159	5,834,058
Shareholders' funds	4,521,613	906,502
Liabilities	24,578,546	4,927,556
Sales	2,922,976	586,004
Operating profit	1,386,289	277,926
Net income	648,118	129,936

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	24,441,097	4,900,000
Assets	68,771,920	13,787,532
Shareholders' funds	37,522,461	7,522,578
Liabilities	31,249,469	6,264,955
Sales	12,253,888	2,456,684
Operating profit	4,454,111	892,969
Net income	3,281,856	657,953



Brief profile of the Group Companies



Head Office:

Apartado 182, Quintela
6270-909 SEIA
Tel. 238 320 000
Fax 238 320 027
Taxpayer registration no.: 503 326 887

Principal Business Activity:

Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.



Head Office:

Praça Marquês de Pombal, 13
1250-162 LISBON
Tel. 21 353 88 33
Fax 21 353 40 94
Taxpayer registration no.: 503 504 564

Principal Business Activity:

Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations, as well as any forms of energy selling activities.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	45,390,609	9,100,000
Assets	103,605,366	20,771,011
Shareholders' funds	73,055,087	14,646,230
Liabilities	30,550,279	6,124,781
Sales	11,757,474	2,357,162
Operating profit	5,518,675	1,106,395
Net income	4,713,022	944,876

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	49,979,749	10,020,040
Assets	93,304,875	18,705,948
Shareholders' funds	74,072,994	14,850,302
Liabilities	19,231,881	3,855,646
Sales	8,481,704	1,700,429
Operating profit	3,579,444	717,614
Net income	2,804,092	562,170



Head Office:

Rua do Bolhão, 36
4000-111 OPORTO
Tel.22 200 82 01
Fax 22 208 31 09
Taxpayer registration no.: 503 293 547

Principal Business Activity:

To conduct studies and carry out projects, the management of capital projects and the supervision of works in any engineering field, principally in the hydraulics area, in the total or partial realisation of these capital projects, and in the development of allied and complementary activities, namely hydrological, geotechnical, topographical, socio-economic and environmental studies, as well as general quality management at works under construction.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	2,793,268	560,000
Assets	14,332,883	2,873,485
Shareholders' funds	5,887,995	1,180,437
Liabilities	8,444,888	1,693,048
Sales	14,863,040	2,979,772
Operating profit	457,727	91,766
Net income	1,413,010	283,283



Head Office:

Av. Estados Unidos da América, 55, 2º
1749-061 LISBON
Tel. 21 847 01 80
Fax 21 840 94 19
Taxpayer registration no.: 503 293 504

Principal Business Activity:

The provision of general, multi-disciplinary and specialist engineering services, involving consultancy, conception, execution and management of capital projects, supporting and participating at national and international level in Research, Development and Testing work with special relevance for the electricity sector; in particular in the domain of thermoelectric generation, integrating also the prospecting, analysis and appraisal of activities, projects or undertakings in the energy and industrial fields. The company's objects also include the general quality management of works under construction.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	2,244,591	450,000
Assets	9,722,469	1,949,180
Shareholders' funds	4,876,278	977,606
Liabilities	4,846,191	971,574
Sales	10,763,405	2,157,869
Operating profit	1,021,319	204,756
Net income	1,432,253	287,141



Brief profile of the Group Companies



EDINFOR
Sistemas Informáticos, S.A.

GRUPO EDP

Head Office:

Rua Particular EDP (à Rua Cidade de Goa)
2686-997 SACA VÉM
Tel. 21 941 81 30
Fax 21 941 07 41
Taxpayer registration no.: 502 605 731

Principal Business Activity:

Operation of its own or others' information systems, the design, implementation and operation of data networks, the development of computer programmes and systems with recourse to data-processing equipment, management and organisation consultancy, vocational training and the sale and importation of IT products and equipment and related activities.



LABELEC
Estudos, Desenvolvimento
e Actividades Laboratoriais, S.A.

GRUPO EDP

Head Office:

Rua Cidade de Goa, 4
2686-997 SACA VÉM
Tel. 21 941 12 62
Fax 21 941 92 54
Taxpayer registration no.: 503 326 755

Principal Business Activity:

Undertaking engineering works, namely, laboratory-related with a view to assisting in the conception and operation of installations and quality control of equipment and systems, within the ambit of the generation, transmission and distribution of electricity.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	1,995,192	400,000
Assets	62,404,096	12,510,898
Shareholders' funds	14,663,516	2,939,771
Liabilities	47,740,580	9,571,127
Sales	74,932,089	15,022,535
Operating profit	13,805,120	2,767,678
Net income	9,578,411	1,920,299

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	2,194,711	440,000
Assets	6,840,469	1,371,391
Shareholders' funds	4,328,473	867,781
Liabilities	2,511,996	503,610
Sales	5,758,846	1,154,545
Operating profit	1,457,213	292,145
Net income	1,224,175	245,425



Head Office:

Av. José Malhoa, Lote A 13

1070-157 LISBON

Tel. 21 001 30 13

Fax 21 726 50 29

Taxpayer registration no.: 502 539 984

Principal Business Activity:

Promotion, involvement and management, directly and indirectly, of projects and activities in the energy sector at international level, namely the feasibility study of new businesses; the acquisition and management of equity participations; corporate organisation and management consultancy; consultancy and technical assistance; the drawing up and management of projects, the promotion and signing of commercial contracts for its own or others' account, and the control of their execution.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	37,409,842	7,500,000
Assets	552,714,678	110,809,344
Shareholders' funds	32,716,149	6,558,999
Liabilities	519,998,529	104,250,345
Sales	12,870,687	2,580,341
Operating profit	5,265,450	1,055,628
Net income	-6,421,050	-1,287,305



Head Office:

Rua D. Luís I, 12, 2º

1200-151 LISBON

Tel. 21 322 22 00

Fax 21 322 22 05

Taxpayer registration no.: 503 293 520

Principal Business Activity:

Consultancy and the provision of services in the field of vocational training and human resources management.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	399,038	80,000
Assets	2,553,845	512,000
Shareholders' funds	740,460	148,449
Liabilities	1,813,385	363,551
Sales	3,155,161	632,553
Operating profit	-210,952	-42,292
Net income	-53,346	-10,695



Brief profile of the Group Companies



Head Office:

Av. José Malhoa, Lote A 13

1070-157 LISBON

Tel.21 001 30 13

Fax 21 726 50 29

Taxpayer registration no.: 502 881 690

Principal Business Activity:

Purchase and sale of fixed properties, and the resale of those acquired for this purpose; the study, conception, development and selling for its own account or for that of others of property and tourist developments; administration of assets and the carrying out of all operations connected with real estate business.



Head Office:

Av. Casal Ribeiro, 15, 6º

1000-090 LISBON

Tel. 21 313 89 00

Fax 21 315 06 46

Taxpayer registration no.: 503 293 512

Principal Business Activity:

Provision of health-care services, management and operation of its or others' hospitals, medical-assistance and similar establishments.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	748,197	150,000
Assets	19,353,613	3,880,051
Shareholders' funds	819,450	164,285
Liabilities	18,534,163	3,715,766
Sales	375,256	75,232
Operating profit	-265,046	-53,137
Net income	-108,668	-21,786

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	448,918	90,000
Assets	11,705,131	2,346,668
Shareholders' funds	1,021,229	204,738
Liabilities	10,683,902	2,141,930
Sales	30,616,150	6,137,987
Operating profit	-312,916	-62,734
Net income	179,458	35,978



Head Office:

Av. Estados Unidos da América, 55, 11º
1749-061 LISBON
Tel. 21 841 24 58
Fax 21 841 22 15
Taxpayer registration no.: 503 529 524

Principal Business Activity:

Study, conception, development and marketing, for its own or others' account, of real estate and tourist projects, property promotion, administration of its own fixed properties or for the account of others, including the letting, purchase and sale of properties and the resale of those acquired for this purpose.



Head Office:

Av. José Malhoa, Lote A 13
1070-157 LISBON
Tel. 21 001 30 13
Fax 21 726 50 29
Taxpayer registration no.: 504 410 385

Principal Business Activity:

Carrying out of studies and the promotion, execution, operation and sale of projects involving the combined production of electric and thermal energy by means of cogeneration.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	4,987,979	1,000,000
Assets	12,882,299	2,582,669
Shareholders' funds	4,199,923	842,009
Liabilities	8,682,375	1,740,660
Sales	0	0
Operating profit	158,169	31,710
Net income	-815,101	-163,413

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	2,498,987	501,002
Assets	26,668,250	5,346,504
Shareholders' funds	2,505,626	502,333
Liabilities	24,162,623	4,844,171
Sales	457,078	91,636
Operating profit	-14,355	-2,878
Net income	6,639	1,331



Brief profile of the Group Companies



Head Office:

Av. Estados Unidos da América, 55, 9º
1749-061 LISBON

Tel. 21 841 25 44

Fax 21 841 25 80

Taxpayer registration no.: 504 645 064

Principal Business Activity:

Management and broking of fleets and transport means, management and provision of property services and the acquisition, contracting, management and broking of goods and services aimed at giving logistical support to companies.



Head Office:

Av. da República, 57, 3º

1050-198 LISBON

Tel. 21 001 57 00

Fax 21 001 57 10

Taxpayer registration no.: 504 657 992

Principal Business Activity:

Promotion, development and management, directly or indirectly, of businesses in the water and sanitation sectors.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	750,002	150,362
Assets	1,195,938	239,764
Shareholders' funds	847,872	169,983
Liabilities	348,066	69,781
Sales	355,598	71,291
Operating profit	154,652	31,005
Net income	97,869	19,621

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	5,000,000	1,002,410
Assets	5,046,392	1,011,711
Shareholders' funds	4,734,261	949,134
Liabilities	312,131	62,577
Sales	38,888	7,796
Operating profit	-153,015	-30,677
Net income	-265,739	-53,276



TER
Termoelétrica do Ribatejo, S. A.

Head Office:

Av. Estados Unidos da América, 55, 12º
1749-061 LISBON
Tel. 21 001 34 02
Fax 21 001 32 02
Taxpayer registration no.: 504 718 347

Principal Business Activity:

Establishment and operation of a combined-cycle thermoelectric power station and the sale of the resulting energy produced.

**OPTEP, Sociedade Gestora
de Participações Sociais, S.A.**

Head Office:

Av. José Malhoa, Lote A 13
1070-157 LISBON
Tel. 21 001 56 60
Fax 21 001 56 70
Taxpayer registration no.: 503 943 525

Principal Business Activity:

Management of participating interests in other companies as an indirect way of carrying out economic activities.

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	500,000	100,241
Assets	586,896	117,662
Shareholders' funds	500,000	100,241
Liabilities	86,896	17,421
Sales	0	0
Operating profit	-638	-128
Net income	0	0

Key figures in 1999:

	(Euros)	(PTE 000's)
Share capital	5,486,777	1,100,000
Assets	77,049,970	15,447,132
Shareholders' funds	13,999,167	2,806,581
Liabilities	63,050,803	12,640,551
Sales	0	0
Operating profit	-768,388	-154,048
Net income	2,753,329	551,993





Group Annual Financial Statements

98	Consolidated Balance Sheet at December 31 1999
100	Consolidated Income Statement
102	Notes to the Group Annual Financial Statements at December 31 1999
145	Consolidated Cash Flow Statement for the Year Ended December 31 1999



Consolidated Balance Sheet at December 31 1999

Unit: PTE 000's

Assets		Dec. 1999			1998
		Gross	Deprec./Prov.	Net	Net
Notes	Fixed assets:				
23.b/25/27.	Intangible:				
	Start-up costs	3,523,374	1,098,190	2,425,184	508,359
	Research and development costs	2,199,634	1,475,333	724,301	734,521
	Industrial property and other rights	40,512	40,105	407	87
	Capital expenditure in progress	26,633,337		26,633,337	2,878,627
		32,396,857	2,613,628	29,783,229	4,121,594
23.c./27.	Tangible:				
	Fixed assets (DL 344-B/82)	50,471,434	44,999,310	5,472,124	6,604,797
	Land and natural resources	19,906,885		19,906,885	19,611,948
	Buildings and other facilities	60,585,750	24,489,668	36,096,082	38,678,354
	Basic equipment	4,237,823,802	2,299,127,537	1,938,696,265	1,969,555,763
	Vehicles, transport equipment	11,480,451	8,205,545	3,274,906	3,037,134
	Loose tools	2,623,371	2,320,942	302,429	295,993
	Administrative equipment	32,160,406	24,270,853	7,889,553	7,531,163
	Returnable containers	333	333		
	Other fixed assets	1,274,649	421,557	853,093	354,913
	Capital expenditure in progress	82,682,874		82,682,874	64,494,540
	Advance payments for capital items	482,121		482,121	180,898
23.c./27.	Multi-purpose projects (part not assigned):	4,787,963		4,787,963	4,782,165,274
	Hydroelectric generation	3,469,124		3,469,124	3,434,974
	Works under construction	1,318,839		1,318,839	1,347,191
		4,504,280,039	2,403,835,745	2,100,444,295	2,115,127,668
23.d./27.	Financial investments:				
	Group companies	46,469,994	140,000	46,329,994	1,698,834
	Associated companies	228,760,637	10,056,789	218,703,848	108,372,546
	Securities and other investments	99,561,419	193,126	99,368,294	83,234,485
		374,792,050	10,389,915	364,402,136	193,305,865
	Current assets:				
23.e.	Inventories:				
50.f.	Raw and consumable materials	17,503,690		17,503,690	12,879,783
	Goods and work in progress	396,543		396,543	278,921
	Goods for resale	3,734,996	2,493	3,732,502	121,317
	Advance payments to suppliers	316,640		316,640	178,463
		21,951,869	2,493	21,949,375	13,458,484
33.b.	Medium and long-term receivables:				
50.a.	Local authorities – debt at 31/12/88	39,077,228	24,501,069	14,576,159	12,853,574
	Shareholders and investee companies	1,563,686		1,563,686	14,252,616
50.a.	Fixed assets in course of integ. – debt setoff	2,670,115	1,423,711	1,246,403	1,426,392
		43,311,029	25,924,780	17,386,248	28,532,582
	Short-term receivables:				
50.b.	Trade debtors	48,875,494		48,875,494	59,429,314
50.b.	Debtors – notes receivable	703		703	
50.b.	Debtors – doubtful recovery	27,794,406	27,004,683	789,723	1,056,181
	Shareholders and investee companies	14,290,993		14,290,993	3,988,957
	Supplies – advance payments	15,344		15,344	427
50.e.	State and other public entities	5,780,843		5,780,843	1,289,130
50.c.	Other debtors	55,699,055	686,427	55,012,628	41,692,859
	Share capital subscribers				
		152,456,838	27,691,110	124,765,728	107,456,868
	Trading securities:				
	Other short-term investments	2,554,683		2,554,683	15,205
		2,554,683		2,554,683	15,205
	Bank deposits and cash:				
	Bank deposits	612,000		612,000	77,832
	Cash	104,498		104,498	13,844
		716,498		716,498	91,676
50.d.	Accruals and deferrals:				
	Accrued income	19,090,578		19,090,578	18,997,230
	Deferred costs	67,428,765		67,428,765	4,047,485
		86,519,343		86,519,343	23,044,715
	Total depreciation		2,416,699,288		
	Total provisions		53,758,383		
	TOTAL ASSETS	5,218,979,206	2,470,457,671	2,748,521,535	2,485,154,657

Accounting Consolidation Office – Manager
Registered Accountant No. 26 000
Carlos Manuel Fernandes de Almeida Carvalho



Unit: PTE 000's

Shareholders' funds and liabilities		Dec. 1999	1998
Notes			
50.m	Shareholders' funds:		
	Share capital	601,446,000	600,000,000
	Treasury stock – nominal value	-350,844	
	Treasury stock – premiums and discounts	-822,324	
	Equity-accounting adjustments	-1,123,663	3,394,189
	Currency conversion reserve	-9,014,405	-2,137,111
	Revaluation reserves	394,498,545	464,247,129
	Reserves:		
	Legal	33,689,350	28,439,350
	Other	15,784,546	13,284,546
	Retained earnings – holding company	50,635,801	107,615
	Retained earnings – consolidated subsidiaries	27,119,522	16,270,345
	Subtotal	1,111,862,528	1,123,606,063
	Consolidated net income for the year	103,034,925	104,808,917
	TOTAL SHAREHOLDERS' FUNDS	1,214,897,453	1,228,414,980
	Minority shareholders' interests	387,056	294,803
	Liabilities:		
46.	Provisions for risks and contingencies:		
	Provisions for pensions		27,296,090
	Other	138,839,534	106,361,643
		138,839,534	133,657,733
23.n/50.j; 33.a.	Hydraulicity correction	67,985,815	77,688,063
	Medium and long-term payables:		
50.k.	Bond loans – non-convertible	403,486,090	215,050,000
50.l.	Bank loans	349,804,326	331,437,976
	Other loans	2,586,168	1,549,526
33.	Other creditors	16,344,186	16,348,885
23.b.	State participation in multi-purpose projects	3,957,418	3,957,418
23.b.ii.	Adjustment account – (DL344-B/82)	5,472,124	6,604,797
		781,650,312	574,948,602
	Short-term payables:		
50.k.	Bond loans – non-convertible	8,843,059	4,950,000
50.l.	Bank loans	111,117,652	142,811,785
	Advance payments on sales account	53,990	45,306
	Trade creditors	21,641,600	14,315,011
	Suppliers – pending invoices	165,409	385,882
	Other shareholders	230	231
	Customer advances	202,806	194,725
	Suppliers – fixed assets	38,930,381	15,576,497
50.e	State and other public entities	18,796,612	36,476,763
50.c.	Other creditors	14,468,970	7,686,910
		214,220,709	222,443,110
50.d.	Accruals and deferrals:		
	Accrued charges	27,563,361	26,921,636
	Deferred income	302,977,295	220,785,730
		330,540,656	247,707,366
	TOTAL LIABILITIES	1,533,237,026	1,256,444,874
	TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	2,748,521,535	2,485,154,657

Board of Directors



Consolidated Income Statement for the Year Ended December 31 1999

Unit: PTE 000's

Expenses		1999	1998	
Notes				
	Cost of inventories sold and consumed:			
	Electricity	101,490,562	68,442,774	
	Fuel for power generation	53,845,388	49,484,846	
	Sundry materials	21,837,011	23,039,577	
	Goods for resale	3,501,378	2,093,481	143,060,678
	Outside supplies and services		57,560,874	45,432,943
	Personnel costs:			
	Remuneration	66,185,430	61,047,824	
	Staff welfare costs:			
	Complementary pensions	31,192	30,785	
	Current pension contributions	3,829,000	2,117,000	
	Social security contributions	15,477,947	14,957,559	
	Social welfare initiatives	1,355,494	1,355,966	
	Other	5,953,471	6,791,897	86,301,031
27.b.	Depreciation	123,465,624	122,510,047	
	Provisions	8,311,049	8,150,208	130,660,255
	Indirect taxes	1,993,516	1,438,400	
	Direct taxes	156,734	118,808	
	Other operating costs and losses	996,888	1,957,400	
23.c/50.g	Concession and generating centre rentals	25,799,881	24,701,955	
	Hydraul correction – diff. for the year – charge	0	0	28,216,563
	A – Operating costs and losses		491,791,439	433,671,470
44.	Financial costs and losses:			
	Losses in group and associated companies	5,855,946	4,101,246	
27.b.	Interest	32,436,168	42,636,553	
	Provision for diminution in value of investments	23,276	23,276	
	Unfavourable foreign-exchange differences	3,839,913	23,624,562	
	Other	10,585,663	17,693,363	88,079,000
	C - Current costs and losses		544,532,405	521,750,470
45.	Extraordinary costs and losses			
	Bad debts	3,311,357	1,106,114	
	Inventory losses	46,003	43,074	
	Fixed asset losses	709,016	538,234	
	Increase in depreciation and provisions	17,241,221		
	Prior-year charges	1,126,695	2,337,639	
	Hydraulicity correction – additional charge	0	0	
	Other	10,483,762	31,207,058	35,232,119
	E - Expenses and losses for the year		577,450,459	556,982,589
	Corporate income tax			
	Income tax for the year	71,018,576		79,151,538
	Income tax for the year – deferred	(9,269,340)	61,749,236	
	G - Total costs		639,199,695	636,134,127
	Minority shareholders' share of net income		(87,778)	(695,622)
	Consolidated net income for the year		103,034,925	104,808,917
	TOTAL		742,146,842	740,247,422

Operating profit	(B) - (A)	181,701,576	212,686,183
Net interest and financial expenses	((D) - (B)) - ((C) - (A))	(28,159,977)	(40,929,060)
Net operating income	(D) - (C)	153,541,599	171,757,123

Accounting Consolidation Office – Manager
Registered Accountant No 26 000
Carlos Manuel Fernandes de Almeida Carvalho



Income		Unit: PTE 000's			
		1999		1998	
Notes					
36.	Sales:				
	Electricity	594,591,718		591,523,874	
36.	Other	7,621,693		3,888,016	
36.	Services provided	13,669,812	615,883,223	8,064,117	603,476,007
	Variation in production:				
	Goods and work in progress:				
	Closing inventories	396,543		278,921	
	Opening inventories	345,127	51,416	280,555	(1,634)
23i/50h.	Own work capitalised		42,869,636		38,883,148
	Supplementary income	1,955,449		1,933,495	
50i.	Operating subsidies	150,691		165,974	
	Other operating income and gains	652,968		1,881,164	
23n/50j.	Hydraulicity Correction – diff. for the year – income	11,929,632	14,688,740	19,499	4,000,132
	B – Operating income and gains		673,493,015		646,357,653
44.	Financial income and gains:				
	Profits in group and associated companies	3,781,904		1,913,248	
	Investment income	2,284,617		481,278	
	Income from trading and other securities	149,565		526,047	
	Other interest and similar income	13,447,076		21,269,183	
	Favourable foreign-exchange differences	4,917,827	24,580,989	22,960,184	47,149,940
	D – Current income and gains		698,074,004		693,507,593
45.	Extraordinary income and gains:				
	Fixed asset gains	6,129,045		800,482	
	Decreases in depreciation and provisions	23,786,624		29,119,438	
	Prior-year income	1,412,437		639,710	
	Hydraulicity correction-surplus	0		3,726,879	
	Other	12,744,732	44,072,838	12,453,320	46,739,829
	F – TOTAL INCOME		742,146,842		740,247,422

Net extraordinary income ((F) - (D))-(E)-(C))	11,154,784	11,507,710
Income before taxation (F) - (E)	164,696,383	183,264,833
Consolidated net income for the year (F) - (G)	103,034,925	104,808,917



Notes to the Group Annual Financial Statements at December 31 1999

00 – Introduction

a) Organisation and business mission

The EDP Group was formed in 1994 in the wake of the restructuring plan embodied in Decree-Laws 7/91 and 131/94. These two enactments entailed the unbundling of EDP – Electricidade de Portugal, SA (EDP), giving birth to a group of companies owned 100% (directly and indirectly) by EDP.

The Group's activities are centred on the generation, transmission and distribution of electric power, as well as the telecommunications area. In addition, the Group's business embraces complementary and related areas, such as water, gas, engineering, information systems, laboratory testing, vocational training and real estate management.

The organisation of the National Electricity System (SEN) – where EDP's core business is conducted – is founded on the co-existence of a Public Service Electricity System (SEP) with an Independent Electricity System (SEI). The last-mentioned is composed of the non-Binding Electricity System (SENV) and a number of producers operating under a special regime

(renewable energies and co-generators) who deliver electric energy to the SEP's networks under the terms of specific legislation.

The SEP is made up of the National Transmission Grid (RNT) belonging to REN (the Group company responsible for guaranteeing the transmission of electric power and the SEN's global management), the Binding Producers (connected to the RNT under long-term contracts providing for exclusive supply), and the Binding Distributors who undertake to supply power to their customers in accordance with the tariffs and conditions laid down by the Electricity Sector's Regulator (ERSE), in terms of applicable legislation.

The SENV is essentially composed of non-Binding Producers and non-Binding Customers. Non-Binding Customers are entitled to use the SEP's networks, for which they pay regulated tariffs.

Through its subsidiary companies, the EDP Group plays a fundamental role within the entire SEN. It occupies a prominent position at the heart of the SEP, at the same time as its generating companies operate in the SEI.



Non-EDP Group companies also operate in the SEI under an auto-generation regime for own consumption, as do other independent producers whose activities are regulated under a specific regime. The EDP Group is obliged to acquire at statutorily-fixed prices the power delivered by these producers to the SEP's networks.

In terms of the law, the Electricity Sector's Regulator (ERSE) is responsible for the sector's regulation via the drafting, issue and enforcement of regulations.

b) Shareholders

Initially a State-owned company, EDP was first transformed into a State-owned public-limited company and subsequently into a State-controlled public-limited company.

1997 marked the start of EDP – Electricidade de Portugal, S.A.'s partial privatisation, with the second and third phases taking place in 1998, following which the State's direct and indirect interest in EDP's equity capital fell to 50,8%. The Company's share capital is currently held by the following shareholders:

Portuguese State	43.98%
PARTEST – Participações do Estado (SGPS), SA	2.04%
Caixa Geral de Depósitos, S.A.	4.82%
Public Entities	50.84%
IBERDROLA	4.00%
International depositary banks:	
The Bank of New York	2.76%
The Chase Manhattan Bank	2.48%
Other private shareholders	39.92%
Total	100.00 %

The percentage of the capital held directly or indirectly by EDP- Electricidade de Portugal, S.A. in the companies included in the group financial statements using the purchase (or full-consolidation) method is disclosed in Note 01.

c) Electric energy price regime

In terms of prevailing legislation, tariffs relating to the use of infrastructures and the supply of electric power to SEP customers are fixed by the Electricity Sector Regulator (ERSE).

d) Concession regime for the distribution of low-voltage electric power

Pursuant to the provisions of specific legislation (Decree-Law 344-B/82), the right to distribute low-voltage electric power is attributed to municipal



Notes to the Group Annual Financial Statements at December 31 1999

councils. However, the forementioned enactment envisages the possibility of this right being exercised by EDP under concession contracts for terms which generally span 20 years, although these contracts may be revoked subject to giving 2 years prior notice.

In the demerger process which took place in 1994, the right to distribute low-voltage electric power was transferred to the newly-formed Electricity Distribution Companies.

The *quid pro quo* for this concession is the payment of a rental to the ceding municipalities (Note 50.g).

e) Public domain assets

The fixed assets deployed in the generation, transmission and distribution of electric power are subject to the public domain (ownership) regime. These fixed assets are assigned to the Group's operations where they can be administered freely, but cannot be disposed of under the terms of private commercial law whilst such assets remain so assigned.

f) Basis of preparation of the financial statements

The financial statements were prepared on the basis of the historical cost convention, as modified by the revaluation of tangible fixed assets and financial investments in fixed property, and on the basis of the Group's continued business operations (i.e. the going concern principle). They also comply with the fundamental accounting principles of prudence, consistency, substance over legal form, materiality and the accruals system (or the matching concept) (except as indicated in Note 23.N).

The consolidated (group) financial statements were prepared in accordance with requirements applicable in Portugal and are, therefore, in accordance with the accounting principles and standards prescribed in the Official Chart of Accounts, as amended by Decree-Law 238/91 of July 2.

g) General

The notes that are presented hereunder follow the same numbering sequence as that laid down in the



Portuguese Official Chart of Accounts (Portuguese acronym - POC). Those notes that have been omitted are either not applicable or material for an understanding of the accompanying group financial statements.

Except where expressly indicated otherwise, all amounts are stated in thousands of escudos.

01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital held	Shareholders' Funds	1999 net income/loss (-)	Reason for compulsory consolidation Art. 1 DL 238/91 2/Jul.
EDP – Electricidade de Portugal, S.A.	Avenida José Malhoa, lote A-13, Lisbon	Promotion, evolvment and management, directly or indirectly, of capital projects and activities in the electricity sector at both national and international level, for the purpose of enhancing and streamlining the performance of the universe of companies making up the EDP Group.	Portuguese State PARTEST C.G.D. IBERDROLA International Depository Banks Other Private Shareholders	44.0% 2.0% 4.8% 4.0% 5.2% 40.0%	1,111,862,533	103,034,924	Majority of voting rights
CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.	Avenida Defensores de Chaves, no. 4, Lisbon	Generation and sale of energy in the form of electricity and others, resulting from the operation of its own and/or third parties' installations, under the obligation to guarantee, in the final instance, the sustained development of the national power-generation system.	EDP	100%	515,827,498	55,544,267	Majority of voting rights
REN – Rede Eléctrica Nacional, S.A.	Avenida Estados Unidos da América, no. 55, 12º, Lisbon	To undertake the global management of the Public Service Electricity System – SEP, with the aim of guaranteeing the stability and security of electricity supply, and safeguarding the interests of the various market participants; to operate and develop the national very-high voltage transmission grid in mainland Portugal; to manage the portfolio of sites for power stations and to invite public tenders for the construction and operation of new power-generating plants.	EDP	100%	220,999,713	12,596,366	Majority of voting rights
EN – Electricidade do Norte, S.A.	R. Gonçalo Cristóvão, no. 216, Oporto	Electric power distribution and sale in the areas where it is legally authorised to do so.	EDP	100%	160,081,384	22,144,866	Majority of voting rights
CENEL – Electricidade do Centro, S.A.	Avenida do Brasil, no. 1, Coimbra	Electric power distribution and sale in the areas where it is legally authorised to do so.	EDP	100%	107,050,516	4,302,274	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



Notes to the Group Annual Financial Statements at December 31 1999

01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital held	Shareholders' Funds	1999 net income/loss (-)	Reason for compulsory consolidation Art. 1 DL 238/91 2/Jul
LTE – Electricidade de Lisboa e Vale do Tejo, S.A.	R. Camilo Castelo Branco, no. 43, Lisbon	Electric power distribution and sale in the areas where it is legally authorised to do so.	EDP	100%	100,713,507	19,499,170	Majority of voting rights
SLE – Electricidade do Sul, S.A.	R. Dom Francisco Manuel de Melo, no. 23-A, Lisbon	Electric power distribution and sale in the areas where it is legally authorised to do so.	EDP	100%	93,935,388	6,391,414	Majority of voting rights
HDN – Energia do Norte, S.A.	R. do Caires, no. 292, Braga	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.	EDP	100%	6,864,622	657,954	Majority of voting rights
HIDROCENEL – Energia do Centro, S.A.	Lugar de Quintela, Seia	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.	EDP	100%	13,701,354	944,876	Majority of voting rights
EDP ENERGIA, SA	Pç. Marquês de Pombal, Lisbon	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations, as well as any other type of energy selling activity.	EDP	100%	14,288,132	562,170	Majority of voting rights
HIDRORUMO – Projecto e Gestão, S.A.	R. do Bolhão, no. 36, Oporto	To conduct studies and projects, the management of capital projects and the supervision of works in any engineering field, principally in the hydraulics area, in the total or partial realisation of these capital projects and the development of connected and complementary activities.	EDP CPPE	50% 50%	897,154	283,283	Majority of voting rights
PROET – Projectos, Engenharia e Tecnologia, S.A.	Avenida Estados Unidos da América, no. 55, 2º, Lisbon	The provision of general, multi-disciplinary and specialist engineering services, involving consultancy, conception, execution and management of capital projects, supporting and participating at national and international level in Research, Development and Testing work with special relevance for the electricity sector; in particular in the domain of thermoelectric generation, integrating also the prospecting, analysis and appraisal of activities, projects and undertakings in the energy and industrial fields.	EDP CPPE	50% 50%	690,466	287,141	Majority of voting rights
LABELEC – Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	R. Cidade de Goa, no. 4, Sacavém	Undertaking of engineering works, mainly laboratory-related, with a view to assisting in the conception and operation of installations and quality control of equipment and systems, within the ambit of the generation, transmission and distribution of electricity, including giving support to manufacturers or companies linked to the electronics industry and allied entities.	EDP	100%	622,356	245,425	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital help	Shareholders' Funds	1999 net income/loss (-)	Reasons for compulsory consolidation Art. 1 DL 238/91 2/Jul
EDINFOR – Sistemas Informáticos, S.A.	R. Particular EDP à Rua Cidade de Goa, Sacavém	Operation of its own or others' information systems, the design, implementation and operation of data networks, the development of computer programmes and systems with recourse to data-processing equipment, management and organisation consultancy, vocational training and the sale and importation of IT products and equipment, and related activities.	EDP	100%	1,019,473	1,920,299	Majority of voting rights
MRH – Mudança e Recursos Humanos, S.A.	R. Cova da Moura, no. 2, 4º, Lisbon	Consultancy and the provision of services in the fields of vocational training and human resources management, as well as the exercise of connected activities.	EDP	100%	159,144	(10,695)	Majority of voting rights
SÁVIDA – Medicina Apoiada, S.A.	Avenida Casal Ribeiro, no. 15, Lisbon	Provision of health-care services, management and operation of its own or others' hospitals, medical-assistance and similar establishments.	EDP	100%	168,759	35,978	Majority of voting rights
EDALPRO – Imobiliária, Lda.	Avenida José Malhoa, lote A-13, Lisbon	Purchase and sale of fixed properties, and resale of those acquired for this purpose; study, conception, development and selling for its own account or for that of others, of property and tourist developments; administration of assets and the carrying out of all operations relating to real estate business.	EDP	100%	186,071	(21,786)	Majority of voting rights
EDP – Internacional, S.A.	Avenida Estados Unidos da América, no. 55, 10º, Lisbon	Corporate organisation and management consultancy, consultancy and technical assistance in the field of electric power generation, transmission and distribution, preparation and management of projects, promotion and entering into commercial contracts, for its own or others' account, and the control of their execution, vocational training of senior staff, as well as related activities.	EDP	100%	7,846,304	(1,287,305)	Majority of voting rights
ENERNOVA – Novas Energias, S.A.	Avenida José Malhoa, lote A-13, Lisbon	To project, build and operate alternative renewable-energy plants, supply services or participate in similar undertakings for other entities, and to carry out any other study, project and execution activities in accordance with its capabilities.	EDP CPPE	75% 25%	776,566	129,935	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



Notes to the Group Annual Financial Statements at December 31 1999

01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital held	Shareholders' Funds	1999 net income/loss (-)	Reasons for compulsory consolidation Art. 1 DL 238/91 2/Jul
EDP – Imobiliária, S.A..	Avenida Estados Unidos da América, 55, Lisbon	Study, conception, development and sale, for its own or others' account, of real estate and tourist projects and the undertaking of all operations associated with the marketing of real estate; administration of its own or third parties' assets, including the letting, purchase and sale of fixed properties and the resale of those acquired for this purpose.	EDP	100%	1,005,421	(163,413)	Majority of voting rights
EDP – COGERAÇÃO	Avenida José Malhoa, lote A-13, Lisbon	Conducting studies and the promotion, execution, operation and marketing of projects, for its own account or that of others, involving the combined production of electric power and thermal energy by means of co-generation processes, as well as the sales thereof. Carrying out of studies and the development of projects covered by its business objects and the provision of any other connected services.	EDP	100%	501,102	1,331	Majority of voting rights
ENERFIN – Sociedade de Eficiência Energética, S.A	R. Guerra Junqueiro, no. 495, S/L, Oporto	Carrying out activities in the field of energy efficiency and productivity through the conduct of technical-economic and financial studies of projects for the optimisation of energy consumption and productivity in general, as well as the sale, manufacture and operation of equipment destined for the rational use of energy and enhancement of productivity.	EDP PETROGAL	74.88% 25.12%	(374,235)	(201,636)	Majority of voting rights
OPTEP	Avenida José Malhoa, lote A-13, Lisbon	Telecommunications.	EDP	100%	2,254,588	551,993	Majority of voting rights
ONITELECOM Infocomunicações	Avenida José Malhoa, lote A-13, Lisbon	Establishment, management and operation of telecommunications infrastructures and systems, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or participation in companies.	OPTEP	95%	4,966,467	(190,739)	Majority of voting rights
093X	Avenida José Malhoa, lote A-13, Lisbon	Telecommunications	OPTEP	100%	3,323,365	(996,199)	Majority of voting rights
EDP – Brasil	R. Frei Caneca no. 1380, Sala 71 S. Paulo BRAZIL	Provision of representative services on behalf of others, agents, as well as technical advisory, consulting and planning services relating to studies, and the building and operation of generating plants and transmission and distribution lines, market research and all related activity, or advising on the above matters.	EDP EDP Internacional	97.8% 2.2%	13,993,707	(143,285)	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital held	Shareholders' Funds	1999 net income/loss (-)	Reasons for compulsory consolidation Art. 1 DL 238/91 2/Jul
COPIDATA, SA	R. Heróis de Chaimite, 12 e 12-A, Loures	Creation, execution and sale of computerised forms and graphic systems, or any other industrial, commercial or service activity;	EDINFOR	99.12%	1,834,298	79,761	Majority of voting rights
COPIDATA, LDA	R. Heróis de Chaimite, 12-A, Loures	Marketing of equipment and supplies connected with the rationalisation and security of companies and persons, namely, those relating to offices and computer systems, as well as the carrying out of any other commercial or industrial business.	EDINFOR, COPIDATA, SA	11% 89%	238,811	1,995	Majority of voting rights
ESCRITOMÁTICA, LDA	R. Heróis de Chaimite, 12-A, Loures	Creation, execution and sale of computerised forms and graphic systems, or any other industrial, commercial or service activity;	EDINFOR, COPIDATA, SA	40% 60%	53,673	734	Majority of voting rights
SOPORGEN	Avenida José Malhoa, lote A-13, Lisbon	Conception, construction, financing and operation of a co-generation power plant for the production of electric power and steam, and the sale to Soporcel of electric power and steam.	EDP-COGERAÇÃO	82%	10,024	0	Majority of voting rights
EDINFOR – BRASIL	Brazil	Operation of its own or others' information systems, the design, implementation and operation of data networks, the development of computer programmes and systems with recourse to data-processing equipment, management and organisation consultancy, vocational training and the sale and importation of IT products and equipment, and related activities, including participations in joint ventures or companies with others, even if the respective business object has no direct or indirect relationship with its own business objects.	EDINFOR, EDP, BRASIL	90% 10%	42,693	5,591	Majority of voting rights
EDINFOR – MOÇAMBIQUE	Maputo	Operation of its own or others' information systems, the study, implementation and operation of data networks, the development of computer programmes and systems with recourse to data-processing equipment, management and organisation consultancy, vocational training and the sale and importation of IT products and equipment, and related activities.	EDINFOR, COPIDATA	90% 10%	3,183	0	Majority of voting rights
MECARESO – PRE	R. Formoso de Cima, 150, Lisbon	Provision of IT services and the sale of computer equipment and accessories, electrical and electronic material, as well as the provision of technical assistance.	EDINFOR	80%	19,364	4,957	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



Notes to the Group Annual Financial Statements at December 31 1999

01. Companies included in the consolidation

Company	Head Office	Principal Activity	Shareholders	% Capital held	Shareholders' Funds	1999 net income/loss (-)	Reasons for compulsory consolidation Art. 1 DL 238/91 2/Jul
COMNEXO	Avenida da República, 24 Lisbon	Operation of data communication and other networks, and the provision of connected services.	ONITELECOM	100%	(288,377)	(878,833)	Majority of voting rights
VALORÁGUA Água e Saneamento de Portugal, S.A.	Avenida da República, 57-3º, Lisbon	Promotion, development and management, direct or indirect, in the water and sanitation business sectors.	EDP ÁGUAS	50%	501,205	(58,820)	Majority of voting rights
SEFLOR	Lugar do Freixo, Mortágua	Production and sale of energy in the form of electricity resulting from the operation of its own or others' thermal power plants, directed primarily at taking advantage of forestry waste.	CPPE	60%	100,241	328	Majority of voting rights
EDP - Gestão de Frotas, Instalações e Logística, S.A.	Avenida Estados Unidos da América, 55, Lisbon	Fleet and transport management and brokers, real estate management and services, and the acquisition, contracting, management and broking of goods and services aimed at providing logistical support to companies.	EDP	100%	150,362	19,621	Majority of voting rights
TER-Termoelétrica do Ribatejo, S.A.	Avenida Estados Unidos da América, 55 Lisbon	Establishment and operation of a combined-cycle thermoelectric power station; the sale of energy produced and the carrying out of any other connected activities.	EDP	100%	100,241	0	Majority of voting rights
EDP ÁGUAS-Gestão de Águas e Saneamento, S.A.	Avenida José Malhoa, lote A13, Lisbon	Promotion, development and management, direct or indirect, of business activity in the water, sanitation and related sectors, at home and abroad, in particular; the feasibility study of new businesses, the acquisition and management of participating interests, the management and operation of water catchment, treatment, supply and distribution systems, the management and operation of effluent collection, treatment and rejection systems, the management and operation of solid waste collection and treatment systems; technical assistance and vocational training and the promotion and signing of commercial contracts for its own or others' account, and the control of their execution.	EDP	100%	1,002,410	(53,276)	Majority of voting rights
HIDROBASTOS	Oporto	Production and sale of energy, in the form of electricity or others, resulting from the operation of its own or others' installations.	HDN-Energia do Norte, S.A.	60%	20,000	0	Majority of voting rights
EDIPOMBAL-Imobiliária, S.A.	Pç. Marquês de Pombal, 13 Lisbon	Real estate promotion, purchase and sale, including the resale of properties acquired for this purpose, administration of its own properties and the provision of real estate services.	EDP-Imobiliária	100%	164,318	55,431	Majority of voting rights

Note: Shareholders' Funds are stated as at 99/12/31 and do not include net income/loss for the year.



02. Companies excluded from the consolidation

Company	Head Office	Shareholders	% Capital held	Latest approved accounts			Reason for exclusion Art. 4 DL 238/91 of 2/7
				Year	Shareholders' Funds	Net income (loss) for the year	
ENERGIA, RE	Luxembourg	EDP	99.998%	1998	248,490	0	Substantially different business activity (equity accounted)
Sociedade de Assistência Técnica Empresarial, Lda.	Macau	EDP	99%	1998	1,606,410	359,967	Investment-holding company and therefore has no other business activity (equity accounted)
ENERPAULO	Brazil	EDP EDP Internacional	90% 10%	1999	62,435,518	(4,618,606)	Investment-holding company and therefore has no other business activity (equity accounted)
EDP - Investimentos, S.A.	Brazil	EDP Internacional EDP	99.99% 0.01%	1999	14,927,992	0	Investment-holding company and therefore has no other business activity (equity accounted)
EDP 2000 - Participações, Lda.	Brazil	EDP Internacional EDP	99.99% 0.01%	1999	18,029,743	0	Investment-holding company and therefore has no other business activity (equity accounted)

Note: Shareholders' Funds do not include net income/loss for the year

03. Associated companies included in the consolidation using the equity method

Company	Head Office	Shareholders	% Capital held	Latest approved accounts		
				Year	Shareholders' Funds	Net income (loss) for the year
EDEL – Empresa Editorial Electrotécnica, Lda.	Rua de Dona Estefânia, no. 48, 3º, Lisbon	EDP	47.77%	1998	301	16
PORTSINES – Terminal Multipurpose de Sines, S.A.	Largo do Depósito, no. 4, Sines	EDP	39.60%	1999	4,952,906	1,147,067
TANQUIPOR – Movimentação e Armazenagem de Líquidos, S.A.	Parque Industrial da Quimiparque, Barreiro	EDP	28.89%	1999	640,979	103,989
CERJ – Companhia de Electricidade do Estado do Rio de Janeiro	Brazil	EDP	21.08%	1999	32,531,523	(10,211,478)
Bandeirante Energia, SA	Brazil	ENERPAULO	16.69%	1999	79,663,664	(14,978,427)
DECA II – Distribucion Eléctrica Centroamericana Dos, S.A.	Guatemala	EDP	21%	1999	55,934,726	(2,598,852)

Note: Shareholders' Funds do not include net income/loss for the year



Notes to the Group Annual Financial Statements at December 31 1999

03. Associated companies included in the consolidation using the equity method

Company	Head office	Shareholders	% Capital held	Latest approved accounts		
				Year	Shareholders' Funds	Net income/(loss) for the year
EEGSA – Empresa de Electricidade da Guatemala, S.A.	Guatemala	DECA	80%	1999	49,812,036	3,403,538
REDAL, S.A.	Morocco	EDP	29%	1998	2,490,823	0
OPTIMUS	Av. dos Combatentes, 43 A, 13, Lisbon	093X	25%	1999	51,952,876	(3,963,125)
CEM – Comp. Electricidade de Macau	Macau	SPE Macau SOGESTE	5% 20%	1999	56,150,923	9,362,329
SOGESTE	Macau	EDP	85%	1999	3,364,357	1,786,417
I35 Participações, S.A.	Brazil	EDP 2000	49%	1999	8,644,686	(6,696)
IVEN, SA	Brazil	Fundo Aphelion I35 Part. S.A. EDP Investimentos	58.64% 18.64% 5.35%	1999	53,270,549	(6,919,038)
ESELSA	Brazil	IVEN	52.27%	1999	83,886,897	(14,638,019)
MAGISTRA	Brazil	ESELSA	100%	1999	74,987,929	(3,021,141)
ENERSUL	Brazil	MAGISTRA	65.2%	1999	56,964,357	(4,220,554)

Note: Shareholders' Funds do not include net income/loss for the year

06. Companies in which investment is equal to or higher than 10%, excluded from the consolidation

Company	Head office	Shareholders	% Capital held	Latest approved accounts		
				Year	Shareholders' Funds	Net income/(loss) for the year
EID - Empresa de Investigação e Desenvolvimento de Electrónica, S.A.	Quinta das Medronheiras, Lazarim	EDP	11.43%	1999	1,633,390	109,950
VALORSUL S.A.	Avenida Marechal Gomes da Costa, no. 37, Lisbon	EDP	11%	1998	4,391,569	68,675
IMOTRON - Edifícios Inteligentes, S.A.	Avenida Estados Unidos da América, no. 27 - B e E, Lisbon	EDP	15%	1999	45,564	779
TEJO ENERGIA S.A.	Central Termoelectrica do Pego, EN 118, Km 142,1, Pego Abrantes	EDP	10%	1998	12,489,651	1,583,693
TURBOGÁS - Produtora Energética, S.A.	Avenida Miguel Bombarda, no. 36, 6º, Lisbon	EDP	10%	1998	2,667,000	0
CCE - Centro para a Conservação da Energia	Estrada de Alfragide, Praceta 1, Alfragide	EDP	10%	1998	97,277	16,230

Note: Shareholders' Funds do not include net income/loss for the year



7. Staff complement

The average number of employees in the service of Group companies during the year was 13,992 (15,108 in 1998); there are no casual workers.

The following table gives a breakdown of the full-time staff complement at December 31 1999 by managerial/departmental head positions and by professional categories:

Senior executives/Departmental heads	813
Senior managers	1,456
Middle managers	366
Section heads	623
Highly-skilled staff	2,514
Skilled staff	4,603
Semi-skilled staff	2,939
Unskilled staff	236
Total	13,550

In addition to permanent staff, 333 people were employed by Group companies under fixed-term contracts.

10. Consolidation differences

These include the balances remaining after offsetting the book values of the interests in the equity capitals of the companies included in the consolidation against the proportional interest in their respective shareholders' funds (or net assets)

after, and to the extent possible, imputing directly to those items carried in the consolidated balance sheet values that are either higher or lower than their respective net book values. Apart from exceptional cases, these remaining balances are written off over five years, as more fully explained in the respective note. Differences arising at the time of the first consolidation are disclosed as a separate item under shareholders' funds.

When an investee company is no longer considered to be a subsidiary and, therefore, is excluded from the consolidation, the consolidation differences and the corresponding accumulated amortisation are written off and transferred to extraordinary items. These consolidation differences shown under shareholders' funds are reclassified under retained earnings.

In the restructuring operations (mergers and demergers), the consolidation differences relating to the investee companies involved are maintained in the new aggregate.

17. Amortisation of consolidation differences

Consolidation differences are amortised over the period the



Notes to the Group Annual Financial Statements at December 31 1999

investment is expected to be recouped. The consolidation differences arising from an increased investment in a subsidiary are amortised during the remaining useful life, as previously defined for the amortisation of the initial consolidation differences.

18. Accounting treatment of investments in associated companies

Financial investments in associated companies are accounted for using the equity method.

21. Financial commitments

a) Contractual commitments for the acquisition of fixed assets totalled PTE 14 billion at balance sheet date

b) Retirement benefits for employees

EDP has instituted retirement benefit plans for employees, that is, complementary retirement and early retirement pensions, medical care and the restructuring plan for current staff.

i) Retirement benefits

The components of net cost for the period are as follows:

	1999	1998
Service cost	2,095,000	2,112,000
Interest cost	11,724,000	10,434,900
Estimated return on fund assets	-11,219,000	-11,659,000
Amortisation of the transitional obligation	1,229,000	1,229,000
Net cost for the period - IAS 19	3,829,000	2,116,900
Difference in the return on fund assets		576,000
Recognised actuarial gains/losses		4,336,100
Net cost for the period - DC19		7,029,000



The following table presents the breakdown of the changes which occurred in retirement obligations and in the pension fund:

	1999	1998
Change in benefit obligations		
Benefit obligations at beginning of the period	191,381,000	152,106,417
Service cost	2,095,000	2,112,000
Interest cost	11,724,000	10,434,900
Actuarial (gains)/losses	23,777,000	43,305,100
Benefits paid	-20,451,000	-16,577,417
Benefit obligations at end of the period	208,526,000	191,381,000
Changes in Fund assets		
Fair value of assets at beginning of the period	160,595,616	145,811,833
Actual return on assets	13,512,334	19,026,000
EDP's contributions	11,953,000	8,698,000
Benefits paid	-12,862,000	-12,939,833
Fair value of assets at end of the period	173,199,000	160,595,616
Surplus (shortfall) in Fund cover	35,327,000	-30,785,384
Unrecognised actuarial (gains)/losses	–	4,912,000
Deferred transitional obligation	15,615,000	16,844,000
Deferred charges (accrued) - IAS 19	-19,712,000	-9,029,384
Recognition of actuarial differences		21,756,000
Contributions payable		-3,489,294
Provision created - DC19		27,296,090

The following are the most important assumptions used in the actuarial calculation of retirement benefit obligations

	1999	1998
Annual discount rate	6.5%	6.5%
Annual growth rate of pensions	3.5%	3.5%
Fund annual rate of rate	7.5%	7.5%
Expected percentage of current staff opting for early retirement	40%	40%



Notes to the Group Annual Financial Statements at December 31 1999

ii) Medical care

The components of net cost for the period are as follows:

	1999	1998
Service cost	1,166,000	1,129,000
Interest cost	4,644,000	4,088,000
Expected return on fund assets	-	-
Amortisation of transitional obligation	1,149,000	1,149,000
Net cost for the period - IAS 19	6,959,000	6,366,000
Interest difference		244,500
Actuarial gains/losses		-4,562,500
Net cost for the period - DC 19		2,048,000

The following table presents the changes which occurred in medical care obligations and on the pension fund:

	1999	1998
Change in benefit obligations		
Benefit obligations at beginning of the period	73,155,000	60,421,063
Service cost	1,129,000	1,129,000
Interest cost	4,644,000	4,088,000
Actuarial (gains)/losses	11,536,000	9,367,000
Benefits paid	-3,394,000	-1,850,000
Benefit obligations at end of the period	87,107,000	73,155,000
Surplus (shortfall) in Fund cover	-87,107,000	-73,155,000
Unrecognised actuarial (gains)/losses	-	-4,318,000
Deferred transitional obligation	14,595,000	15,744,000
Deferred charges (accrued) - IAS 19	72,512,000	-61,729,000
Recognition of actuarial differences		11,426,000
Provision created - DC 19		73,155,000



The following are the most important assumptions used in the actuarial calculation of medical care obligations

	1999	1998
Annual rate of increase in health costs	6.0%	6.0%
Annual rate of increase in salaries	3.5%	3.5%
Annual discount rate	6.5%	6.5%

iii) Current staff restructuring plan

As a result of commitments assumed, there is a restructuring plan for current employees of subsidiaries operating in the SEP. In terms of this plan, additional charges over and above those anticipated in the above-mentioned retirement benefits and associated with mutual-agreement employment rescissions and early retirements are contemplated in the amounts of 25,844,334 and 39,526,265 for 1998 and 1999 respectively.

Summary

Accordingly, the provisions set aside to meet the obligations not covered by funds managed by independent external entities are the following:

	1999	1998
Retirement benefits	19,712,000	27,296,000
Medical care	72,512,000	73,155,000
Restructuring of current staff	39,526,265	25,844,334
Total	131,750,265	126,295,334

If the criteria laid down in IAS 19, in its new version, had been used at the end of 1998, the comparative figures would have been:

	1999	1998
Retirement benefits	19,712,000	9,029,384
Medical care	72,512,000	61,729,000
Restructuring of current staff	39,526,265	55,536,950
Total	131,750,265	126,295,334



Notes to the Group Annual Financial Statements at December 31 1999

c) Power purchase agreements (PPA)

The Group has entered into a power purchase agreement for the entire electric energy generated by Tejo Energia at its Pego thermoelectric power station up until November 2021.

The Group has signed a similar contract with Turbogás for the power generated at its Tapada do Outeiro thermoelectric power station up until March 2023.

In terms of these agreements, the Group must make fixed monthly payments in respect of the availability of production at each of the above power stations, irrespective of whether or not it uses this availability to produce energy. These payments are influenced and are dependent upon the good performance of the power stations concerned: the EDP Group is absolutely and totally independent insofar as this performance is concerned.

The amount of these fixed monthly payments is adjustable in accordance with inflation and interest rates.

The total of the fixed monthly payments to be effected during the term of the contracts is 401,621,000 for Tejo Energia and 427,070,000 for Turbogás.

22. Contingent liabilities

In addition to the obligations referred to in the preceding note, the Group is contingently liable in respect of guarantees furnished in the amount of PTE 23 billion.

These guarantees comprise almost exclusively bank guarantees, with the remainder being in the form of cash guarantees. There are no corporeal guarantees.

23. Accounting and valuation criteria

a) Consolidation of accounts

Two methods were used in the consolidation of the Group's accounts: for the companies referred to in Note 01, the full consolidation (or purchase) method was used; for the companies referred to in Notes 02 and 03, the equity method was used.

In the application of the full consolidation method, all assets, liabilities and shareholders' funds were



included in the balance sheet, while the income statement includes all costs and losses, income and gains.

Intercompany balances were eliminated from the balance sheet, at the same time as costs and losses, income and gains relating to operations between the companies included in the consolidation under this method were also eliminated.

In the application of the equity method, the book value of the investments in group companies is replaced in the consolidating company's balance sheet by its proportional interest in the group companies' shareholders' funds.

b) Intangible assets

Intangible assets are valued at cost of acquisition or production, net of amounts amortised. These intangible assets are written off (amortised) over three years.

c) Tangible fixed assets

i) Fixed assets belonging to the Group

Tangible fixed assets are disclosed at the values resulting from the revaluation effected during the 1992 financial year. This revaluation was applied either to the respective cost

(of acquisition or construction), or to the carrying value as adjusted by similar previous revaluations, and in both cases are shown net of accumulated depreciation. The carrying value of fixed assets includes finance charges and foreign-exchange differences capitalised during the construction phase, both of which result from loans contracted to finance such investment, as well as administrative overheads, as indicated in the following paragraphs.

Finance charges are split between those that are considered to be associated with loans contracted to fund capital works in progress, and are calculated by applying an average rate of interest to the average value of capital expenditure in progress, and those resulting from other loans. The first-mentioned are imputed to capital works in progress (Note 50.h), while the others are accounted for in the income statement covering the period to which they relate (Note 44). Up until 1994, the Company capitalised foreign exchange differences resulting from loans denominated in foreign currency raised to finance capital investments.

The general overheads of departments responsible for the realisation of



Notes to the Group Annual Financial Statements at December 31 1999

investment projects (General administrative overheads - Note 50.h) are imputed to the various capital projects under construction.

General administrative overheads are apportioned between investment (Administrative overheads - Note 50.h) and current operating results in accordance with pre-determined percentages, with the portion relating to investment being subsequently imputed to the various capital projects under construction.

Depreciation is calculated on the straight-line basis at specific rates applicable to EDP which were fixed by governmental dispatch for fixed assets deployed in the generation, transmission and distribution of electricity. Other fixed assets are depreciated at the rates which are generally used in Portugal and are consistent with the estimated useful lives of each category of assets concerned.

The finance charges, foreign-exchange differences and administrative overheads are depreciated at the same rates as those applied to the fixed assets to which they are imputed.

The depreciation rates used correspond to the following estimated average useful lives;

	Years
Buildings and other facilities	8 – 50
Basic equipment	
Hydroelectric generation	32 – 60
Thermoelectric generation	25 – 30
Electricity transmission	30
Electricity distribution	10 – 30
Other basic equipment	5 – 10
Vehicles, transport equipment	4 – 25
Loose tools	3 – 10
Administrative equipment	4 – 10
Foreign exchange differences	10 – 60
Other tangible fixed assets	10 – 25

Those fixed assets which have been subsidised by third parties are depreciated on the same basis and at the same rates as the Group's own property, with the respective charge being offset in the extraordinary income and gains account (Note 45.c) by the amount by which such subsidy is amortised (reflected in Accruals and Deferrals - Investment Subsidies). These subsidies are written off over a period of 30 years, which corresponds to the average useful life of the Group's fixed assets.

Current maintenance and repairs expenditure on fixed assets is expensed in the year in which it is incurred. Expenditure relating to major repairs and improvements is treated as



a deferred cost, and charged against income over a maximum period of 6 years, as described in paragraph c) of this note and in Note 50.d).

ii) Fixed assets assigned to concessions

In terms of Decree-Law no. 344-B/82, and as referred to in paragraph d) of note 00, the concession of low-voltage electricity distribution does not involve the sale of the ceding municipalities' own fixed assets, which continue to remain their property despite the deployment thereof in the EDP Group's operations. Pursuant to this arrangement, concession fixed assets are recognised under tangible fixed assets (Note 27.c.ii), with a corresponding amount being included as a medium/long-term liability (reflected under Other debtors and creditors - Adjustment account - DL 344-B/82).

These fixed assets are stated at the amounts resulting from the revaluation carried out during the 1992 financial year, net of accumulated depreciation.

Concession-held fixed assets are depreciated on the same basis and at the same rates as those applied to the Group's own assets, with the

respective charge being offset in the extraordinary income and gains account (Note 45.a), by the reduction of an equal amount in the liability to the Municipalities.

The Group is responsible for the maintenance and repairs of these fixed assets during the term of the concession contract, with the relevant expenses being recorded in the same manner as maintenance and repairs expenditure incurred on the Group's own fixed assets.

iii) Multi-purpose projects (part not assigned to power generation)

The multi-purpose projects relate to that part of hydroelectric schemes built by the Group that are used for various ends which do not fall within its principal business activities (irrigation, supplying water to the public, etc.). For this reason they are partly subsidised by the State.

These fixed assets are valued at cost of construction, which also includes general administrative overheads, as indicated in the paragraph dealing with fixed assets belonging to the Group. These fixed assets are not depreciated.



Notes to the Group Annual Financial Statements at December 31 1999

The value attributed to the investment for which the State assumes responsibility in the multi-purpose projects of Agueira, Raiva and Alqueva, was computed by applying the following provisional percentages to the accumulated direct costs relating to these projects at balance sheet date:

Agueira e Raiva	50%
Alqueva	65%

The contribution received from the State in respect of these projects is shown as a medium/long-term liability (Note 33.a).

d) Financial investments (except consolidation differences)

Equity interests (investments) in subsidiary and associated companies are stated at the amounts derived from the application of the equity accounting method.

This item reflects the amounts corresponding to the fair values of assets and liabilities, namely, concession rights booked in the individual accounts of the companies concerned under Intangible Assets as Goodwill/Lease premiums.

These rights are amortised over the period of the respective concession.

Investments in fixed property are shown at the value resulting from the revaluation effected in the 1992 financial year which was applied to the cost (of acquisition or construction) or to similar previous revaluations, net of accumulated depreciation.

Other financial investments are stated at cost.

Income arising from investments is recognised in the income statement in the year in which it is received.

e) Inventories

Inventories are valued at cost, or at market price if this is lower than the cost of inventories purchased from third parties, and at cost of production, in the case of inventories manufactured internally, with items withdrawn from stores (consumption) being valued at average cost.

f) Deferred costs

Costs incurred with bond issues, as well as those relating to major repairs and improvements, are disclosed under **Accruals and Deferrals - Deferred Costs**, and written off



against income over the maturity term of the debt securities or over a maximum period of 6 years, respectively (Note 50.d).

g) Retirement benefit costs

The Group accounts for costs pertaining to pensions and associated charges in accordance with the requirements of International Accounting Standard (IAS) 19, thereby derogating from the requirements of Accounting Directive 19 (Note 31). This last-mentioned directive corresponds to the transposition into Portuguese law of the previous version of IAS 19.

The Group has a commitment to supplement retirement and survivors' pensions to the extent that these are not covered by the Social Security scheme.

To this end, the Group constituted an independent Pension Fund, to which was transferred the total amount of obligations arising from past services outstanding at 31/12/99. The Group will continue to allocate resources to this Fund: the amount of such allocation corresponds to the obligations maturing during each financial year.

The Group's employees may opt for early retirement when pre-determined conditions relating to age and period of service have been complied with.

The Group's employees who have taken retirement retain the right to medical assistance upon the same conditions as personnel still in active service.

h) Holiday pay and related subsidy

At the end of each year the Group reflects under the item Accruals and deferrals - accrued charges the amount owing in respect of accrued holiday pay and related subsidy, the payment of which is only due in the following financial period.

i) Own work capitalised

The expenditure incurred by the Group in the construction of fixed assets using its own resources and recognised in the income statement, is capitalised. The effects of this capitalised expenditure are disclosed under operating income and gains (Note 50.h).

j) Corporate income tax

The computation of corporate income tax for the year is effected based on estimated taxable income.



Notes to the Group Annual Financial Statements at December 31 1999

The income tax charge for the year is corrected for deferred taxation calculated in accordance with IAS 12.

k) Accounts receivable and payable in foreign currency

Transactions involving foreign currencies are translated into local currency at the rate of exchange ruling on the date of the respective operations.

At the end of the year, all accounts receivable and payable which were originally denominated in a foreign currency are translated into local currency at the exchange rate ruling at the balance sheet date (Note 24).

The resulting foreign-exchange differences (favourable or unfavourable), except those capitalised to fixed assets up until 1994 (Note 23.b), are recognised in the income statement for the relevant financial year (Note 44).

l) Derivative financial instruments

The Group holds a portfolio of derivative products with the sole object of reducing financial expenses. These derivative products have as their overriding objective the provision of cover against interest and exchange-

rate risks in view of the Group's exposure under financing contracts concluded with various leading financial institutions.

i) Hedging interest rate risk

With the object of reducing financial risks and respective costs associated with the funding of its business operations, the Group entered into interest-rate swap contracts whose maturity dates vary between 4 and 7 years. The Group does not intend to cancel these contracts before the date initially envisaged.

ii) Hedging currency risk

The Group uses exchange-rate risk management instruments for the purpose of hedging its exposure on loans denominated in foreign currency, such as forward currency contracts and currency swaps. The forward currency contracts have maturity terms varying between 2 and 6 years.

m) Electricity sales

The billing of electricity is effected on a monthly basis during the course of each month. Monthly electricity bills are based on the reading of actual consumption or on estimated consumption based on the historical data relating to each consumer.



Electric power tariffs for SEP customers are fixed by the ERSE in such a manner as to permit the recovery of the necessary costs for providing the regulated services, as well as to ensure a specified return on the capital invested.

The adjustments in future tariffs arising from eventual surpluses or shortfalls in the forementioned cost recovery require the creation of methods which permit the recording on an accrual basis of any surpluses or shortfalls.

Hence, the surpluses or shortfalls arrived at in the financial year vis-à-vis the figures approved by the electricity sector Regulator are recorded under Accruals and Deferrals (Note 50.d).

The income pertaining to energy to be billed for electricity consumed, but not yet read, at balance sheet date is accrued based on the average of the latest consumption figures (Note 50.d).

The revenue derived from the sale of electricity (except for the above-mentioned) and of other goods or services provided, is recognised on the date of billing.

n) Hydraulicity correction

The Hydraulicity Correction constitutes a legally-conceived mechanism (Decree-Law no. 338/91) for compensating the variable costs of electric-power generation.

In low rainfall years, the thermoelectric generating system is over-utilised and consequently, expenditure on fuel and electricity imports increases substantially. In years with abundant rainfall, the exact opposite occurs. The Group cannot alter tariffs according to the variability of costs resulting from hydraulicity.

Accordingly, in this context and with a view to avoiding major distortions in operating results, costs incurred with fuel and electricity imports and which are recognised in the statement of operations, are adjusted upwards or downwards depending upon whether hydrological conditions are favourable or unfavourable (Note 50.j).

The Group makes an annual adjustment to its net profit (the hydraulicity correction) for the purpose of adjusting earnings to what would have been reported in a year of average hydrological conditions.



Notes to the Group Annual Financial Statements at December 31 1999

The annual amount of the Hydraulicity Correction is calculated in accordance with the parameters laid down in applicable legislation and includes:

- The difference between the economic costs of generating electric energy and the economic reference cost;
- The financial expenses or income associated with the Hydraulicity Correction's accumulated balance;
- A portion, which will be either an income or expense item, corresponding to the amount required to make the expected balance, in a time scale of 10 years, equal to an adequate reference level.

These costs and income are subject to approval by way of a ministerial dispatch.

The accumulated balance arising from costs and income included in the annual amount of the Hydraulicity Correction, as indicated in Note 50,j, is reflected in an account under medium/long-term liabilities.

24. Foreign exchange rates

The foreign-exchange rates relative to the Euro used to convert accounts receivable and payable expressed in foreign currency at balance sheet date were those published by the Bank of Portugal - official foreign-exchange quotations (indicative) on 31/12/1999, as follows:

AUD	1,5422	EEK	15,6466	NZD	1,9357	CVE	110,264
CAD	1,4608	GBP	0,62170	PLN	4,1587	MOP	8,0433
CHF	1,6051	GRD	330,30	SEK	8,5625	ZAR	6,184
CYP	0,57667	HUF	254,70	SIT	198,9055		
CZK	36,103	JPY	102,73	USD	1,0046		
DKK	7,4433	NOK	8,0765	BRL	1,7957		

25. Start-up, research and development costs

Start-up costs essentially comprise expenditure incurred with the formation of companies. Research and development costs do not constitute a major expense of the Group.



27. Intangible and tangible fixed assets and financial investments

a) At cost or revaluation

ITEM	Opening Balance	Revaluation adjustment	Additions	Disposals	Transfers and scrapped	Closing balance
INTANGIBLE						
Start-up costs	635,097		1,596,457		1,291,820	3,523,374
Research and development costs	1,233,019		488,263		478,352	2,199,634
Industrial property and other rights	40,356		156			40,512
Capital expenditure in progress	2,878,627		25,568,847		(1,814,137)	26,633,337
Total (1)	4,787,099		27,653,723		(43,965)	32,396,857
TANGIBLE						
Fixed assets DL 344-B/82	50,497,884				(26,450)	50,471,434
Subtotal (2.1)	50,497,884				(26,450)	50,471,434
Fixed assets belonging to EDP Group						
Land and natural resources	19,611,948		117,614	(589,544)	766,867	19,906,885
Buildings and other facilities	64,460,202		1,929,811	(5,544,121)	(260,142)	60,585,750
Basic equipment	4,156,994,390		18,835,135	(986,488)	66,449,889	4,241,292,926
Specific technical equipment	4,144,018,494		11,643,747	(28,610)	67,153,812	4,222,787,443
Electricity generation	2,188,321,132		37,223		7,603,638	2,195,961,993
Hydroelectric generation	1,531,328,960		37,223		1,898,004	1,533,264,187
Termoelectric generation	649,820,950				5,176,835	654,997,785
Renewable energies generation	3,736,248				494,649	4,230,897
Multi-purpose projects (part not assigned)	3,434,974				34,150	3,469,124
Transmission	317,198,020				10,803,640	328,001,660
Distribution	1,638,499,342		11,606,524	(28,610)	48,746,534	1,698,823,790
Other basic equipment	12,975,896		7,191,388	(957,878)	(703,923)	18,505,483
Vehicles, transport equipment	11,296,012		1,638,030	(1,102,773)	(350,818)	11,480,451
Loose tools	2,752,401		102,913	(1,221)	(230,722)	2,623,371
Administrative equipment	29,617,554		2,496,616	(42,686)	88,922	32,160,406
Returnable containers			1,169		(836)	333
Other fixed assets	721,130		70,394		483,125	1,274,649
Subtotal (2.2)	4,285,453,637		25,191,682	(8,266,833)	66,946,285	4,369,324,771
Capital expenditure in progress	64,494,640		91,370,700		(73,261,974)	82,603,366
Multi-purpose projects (part not assigned)	1,347,091		7,398		(35,650)	1,318,839
Advance payments for capital expenditure	180,898		615,715		(234,983)	561,630
Subtotal (2.3)	66,022,629		91,993,813		(73,532,607)	84,483,835
Total (2)	4,401,974,150		117,185,495	(8,266,833)	(6,612,772)	4,504,280,400
FINANCIAL INVESTMENTS						
Participating interests	197,385,415	(12,982,374)	189,949,991	(12,500)	(122,225)	374,218,307
Investment properties	529,940					529,940
Other	43,804					43,804
Total (3)	197,959,159	(12,982,374)	189,949,991	(12,500)	(122,225)	374,792,051
Grand total (1) + (2) + (3)	4,604,720,408	(12,982,374)	334,789,209	(8,279,333)	(6,778,962)	4,911,468,948



Notes to the Group Annual Financial Statements at December 31 1999

b) Depreciation and provisions

ITEM	Opening balance	Revaluation	Increases	Adjustments	Closing balance
INTANGIBLE					
Start-up costs	126,738		122,395	849,057	1,098,190
Research and development costs	498,499		269,938	706,896	1,475,333
Industrial property and other rights	40,268		59	(222)	40,105
Total (1)	665,505		392,392	1,555,731	2,613,628
TANGIBLE					
Fixed assets DL 344-B/82	43,893,087		1,132,673	(26,450)	44,999,310
Subtotal (2.1)	43,893,087		1,132,673	(26,450)	44,999,310
Fixed assets belonging to EDP Group					
Buildings and other facilities	25,781,849		1,401,253	(2,693,434)	24,489,668
Basic equipment	2,184,003,653		116,726,497	(1,602,614)	2,299,127,536
Specific technical equipment	2,174,017,650		115,110,267	(2,951,501)	2,286,176,416
Electricity generation	1,172,554,182		47,541,920	(2,642,386)	1,217,453,716
Hydroelectric generation	782,943,038		28,996,802	(247,342)	811,692,498
Thermoelectric generation	389,503,172		18,352,143	(2,395,044)	405,460,271
Renewable energies generation	107,972		192,975		300,947
Transmission	160,926,796		9,658,988	127,541	170,713,325
Distribution	840,536,672		57,909,359	(436,656)	898,009,375
Other basic equipment	9,986,003		1,616,230	1,348,887	12,951,120
Transmission equipment	8,258,878		1,165,933	(1,219,266)	8,205,545
Loose tools	2,456,489		99,063	(234,611)	2,320,941
Administrative equipment	22,086,310		2,490,637	(306,094)	24,270,853
Loose tools				333	333
Other fixed assets	366,217		57,178	(1,838)	421,557
Subtotal (2.2)	2,242,953,396		121,940,561	(6,057,524)	2,358,836,433
Total (2)	2,286,846,483		123,073,234	(6,083,974)	2,403,835,743
FINANCIAL INVESTMENTS					
Participating interests	4,483,444		5,975,569	(262,224)	10,196,789
Investment properties	169,849		23,277		193,126
Total (3)	4,653,293		5,998,846	(262,224)	10,389,915
Grand total (1) + (2) + (3)	2,292,165,281		129,464,472	(4,790,467)	2,416,839,286

i) The capitalised foreign-exchange differences are included in the different categories of fixed assets to which they relate.

ii) The amount which was disclosed in previous financial years as "Intangible assets – Goodwill" is now disclosed, as described in Note 23.d), under the caption "Financial investments – participating interests"



iii) In the case of fixed assets belonging to the Group, basic equipment includes all the plant, equipment and machinery associated with the generation, transmission and distribution of electricity, together with the respective land, buildings and installations.

iv) DL 344-B/82-regime fixed assets represent the plant, machinery, equipment, etc. deployed in the distribution of low-voltage electricity, and which have been transferred by the Local Authorities under concession agreements. These fixed assets which, although used by the Group, remain the property of the respective Local Authorities, had the following carrying values at December 31 1999:

Fixed assets	50,471,434
Accumulated depreciation	44,999,310
Net book value	5,472,124

The ownership of some of these fixed assets could be transferred to the Group under agreements whereby the value thereof would be set off against outstanding debts still owing by the respective municipalities (Note 50.a.ii).

28. Capitalisation of finance charges

In conformity with the accounting policy described in Note 23.b, the following interest charges on borrowings were capitalised during the year to works under construction:

Buildings and other facilities	41,197
Basic equipment	1,891,501
Specific technical equipment	1,891,501
Electricity generation	855,769
Hydroelectric generation	153,659
Thermoelectric generation	697,801
Wind-powered generation	4,309
Electricity generation	440,685
Electricity distribution	591,717
Studies and projects	3,330
	1,932,698



Notes to the Group Annual Financial Statements at December 31 1999

33. Medium and long-term payables and receivables

Comprise at December 31:

a) Creditors

	1999		
	1 to 5 years	more than 5 years	Total
Bond loans	75,504,089	327,981,000	403,485,089
Bank loans	217,045,994	132,759,332	349,804,326
Other loans	2,586,168	0	2,586,168
Other creditors	43,779	16,300,407	16,344,186
Customer deposits	0	16,300,407	
Other deposits	43,779	0	
State participation in multi-purpose projects	0	3,957,418	3,957,418
Adjustment account (DL 344-B/82)	5,472,124	0	5,472,124
	300,652,154	480,998,157	781,650,311

	1998		
	1 to 5 years	more than 5 years	Total
Bond loans	62,550,000	152,500,000	215,050,000
Bank loans	212,724,030	118,713,946	331,437,976
Other loans	1,549,526	0	1,549,526
Other creditors	23,600	16,325,285	16,348,885
Customer deposits	0	16,325,285	
Other deposits	23,600	0	
State participation in multi-purpose projects	0	3,957,418	3,957,418
Adjustment account (DL 344-B/82)	6,604,797	0	6,604,797
	283,451,953	291,496,649	574,948,602



b) Debtors

	1999		
	1 to 5 year	more than 5 years	Total
Local Authorities – Debt at 31.12.88	5,453,039	33,624,189	39,077,228
Provision for Local Authorities – Debt at 31.12.88	0	(24,501,069)	(24,501,069)
Shareholders and affiliated companies		1,563,686	1,563,686
Fixed assets in course of integration – debt set-off	2,670,115	0	2,670,115
Provision for fixed assets in course of integration – debt set-off	(1,423,711)	0	(1,423,711)
	6,699,443	10,686,806	17,386,249

	1998		
	1 to 5 years	more than 5 years	Total
Local Authorities – Debt at 31.12.88	4,707,099	34,845,436	39,552,535
Provision for Local Authorities – Debt at 31.12.88	0	(26,698,961)	(26,698,961)
Shareholders and affiliated companies	3,811,368	10,441,248	14,252,616
Fixed assets in course of integration – debt set-off	2,670,115	0	2,670,115
Provision for fixed assets in course of integration – debt set-off	(1,243,723)	0	(1,243,723)
	9,944,859	18,587,723	28,532,582

Details of the item Shareholders and affiliated companies:

	1999	1998
Elcogás	1,491,278	1,665,670
Tejo Energia	0	1,204,122
Transgás	0	8,745,263
Bioelectrica	61,808	30,315
CCE	10,600	0
Optimus	0	2,607,246
	1,563,686	14,252,616



Notes to the Group Annual Financial Statements at December 31 1999

36. Sales and services

Breakdown of the amounts disclosed in the Income Statement by activities and markets (domestic and foreign)

a) Sales

a.1) Electric energy

	1999		1998	
Domestic market				
Very-high voltage	7,026,312		7,461,249	
High voltage	31,131,304		34,851,137	
Medium voltage	145,626,273		154,787,748	
Low voltage (>39,6 kVA)	46,818,018		44,912,358	
Low voltage	350,429,365		341,475,966	
Low voltage (public lighting)	14,906,195		14,672,005	
Interruptibility discounts	(2,416,573)		(1,727,688)	
Tariff correction discounts	(6,115,830)		(4,908,901)	
	587,405,064		591,523,874	
External market	7,186,654	594,591,718	0	591,523,874

a.2) Other – Domestic market

	1999		1998	
Steam	254,423		427,894	
Ash	728,507		561,481	
IT products	3,361,451		2,313,019	
Fixed properties	9,600		26,063	
Sundry materials	3,267,712	7,621,693	559,559	3,888,016

b) Services

	1999		1998	
Domestic market				
Electricity	1,167,470		1,356,292	
Engineering	2,036,987		2,211,610	
Laboratories	61,248		68,436	
Training	53,228		61,511	
Medical assistance	183,325		179,303	
IT systems	1,901,899		1,579,755	
Consultancy	150,303		175,237	
Telecommunications	2,933,715		5,003	
Other	3,006,726		1,811,888	
	11,494,901		7,449,035	
External market				
Consultancy	2,174,911	13,669,812	615,082	8,064,117
		615,883,223		603,476,007



38. Corporate income tax

According to an authorisation obtained from the Minister of Finance, the EDP Group is subject to corporate income tax (Portuguese initials IRC) tax on a consolidated (group relief) basis for a period of five years commencing in 1998.

In terms of prevailing legislation, income tax returns are subject to review and correction by the fiscal authorities during a period spanning 5 years. Accordingly, the last tax year that can be considered as definitively assessed by the income tax authorities is 1994.

However, no additional tax assessment is expected to be raised in respect of the 1995 to 1998 financial (and tax) years.

The tax charge recorded in the period basically corresponds to:

	Taxe base	Income tax
Profit before tax	164,696,383	
Permanent differences	5,670,730	
	170,367,113	
Normal income tax charge (rate 36,7%)		62,524,730
Rate and other adjustments		(775,494)
		61,749,236

39. Governing bodies' emoluments

Remuneration paid to members of EDP-Electricidade de Portugal, S.A.'s governing bodies was as follows:

Board of Directors	242,559
Sole supervisors / Statutory	5,810
General Meeting Committee	250

41. Revaluation of tangible fixed assets and investment properties

Tangible fixed assets and investment properties have in prior years been revalued in accordance with the following enactments:

Decree-Law 430/78	Decree-Law 171/85	Decree-Law 7/91
Decree-Law 219/82	Decree-Law 118-B/86	Decree-Law 49/91
Decree-Law 399-G/81	Decree-Law 111/88	Decree-Law 264/92

Decree-Law 7/91 of January 8, which provides for the formation of new public limited companies through the simple demerger of EDP, stipulates in its Article 8 that EDP's assets and liabilities be duly valued, this valuation to be carried out by entities selected from amongst those deemed by the Ministry of Finance to be qualified for this purpose, and subject to the Minister of Finance's approval.



Notes to the Group Annual Financial Statements at December 31 1999

This valuation, which was carried out in terms of Decree-Law 22/92 of February 14, has been accepted for tax purposes, namely, insofar as the calculation of depreciation for the year is concerned.

42. Historical cost of tangible fixed assets and financial investments

The following schedule presents a comparison between the book value of tangible fixed assets and investment properties and their respective historical costs:

	Historical cost	Increases arising from revaluations	Revalued book value
Gross fixed assets	2,034,835,812	2,384,960,393	4,419,796,205
Depreciation	440,506,447	1,963,329,296	2,403,835,743
Net fixed assets	1,594,329,365	421,631,097	2,015,960,462

The tangible fixed assets taken into account in the above schedule include both those belonging to the Group and those held under the DL 344-B/82 Regime, as more fully detailed in the subtotals (2.1) and (2.2) of the tables appearing in Note 27.

43. Comparability of the financial statements

The Group began accounting for Deferred Taxation in accordance with International Accounting Standard (IAS) 12 during the year.

The effect of the application of this accounting standard resulted in the first phase, corresponding to the recognition of deferred taxes existing at the beginning of the year (taxes carried forward from prior years), in a reduction in the Revaluation Reserves and a corresponding increase in Accruals and Deferrals in the amount of 68.302.584, and in an increase in Retained Earnings and a corresponding decrease in Accruals and Deferrals in the amount 50.190.662, respectively, arising from the effect of income tax originating from revaluations and from provisions not accepted for tax purposes.

In a second phase, in which deferred taxes for the year were recognised, the application of this accounting standard resulted in a reduction in the corporate income tax charge for the year, with a corresponding increase in Accruals and Deferrals in the amount of 9,269,340.



44. Net financial items (expense)

	1999	1998
Expenses and losses		
Interest payable	34,663,552	46,382,931
Attributable losses in group and associated companies	5,855,946	4,101,246
Depreciation of investment properties	23,276	23,276
Unfavourable foreign exchange differences	3,839,913	23,624,562
Other financial expenses and losses	8,358,279	13,946,985
Net financial items (expense)	(28,159,977)	(40,929,060)
	24,580,989	47,149,940

	1999	1998
Income and gains		
Interest receivable	10,908,472	15,562,772
Attributable gains in group and associated companies	3,781,904	1,913,249
Fixed property income	23,577	18,681
Investment income	2,284,617	481,278
Favourable foreign exchange differences	4,917,827	22,960,184
Prompt settlement discounts	404,799	462,494
Other financial income and gains	2,259,793	5,751,282
	24,580,989	47,149,940

a) **Interest payable** includes, inter alia, the following amounts:

	1999	1998
Interest on derivatives	5,096,323	11,534,694
Interest on the Hydraulicity Correction (*)	2,227,384	3,746,378

(*) In the Income statement included in the Other financial costs and losses

b) **Other financial expenses and losses** include, inter alia, the following amounts:

	1999	1998
Commissions on loans	1,629,784	8,847,598
Amortisation of CERJ's rights	1,908,582	1,908,582
Amortisation of EBE's rights	2,105,121	526,280
Amortisation of IVEN's rights	1,230,547	0
Amortisation of OPTEP's rights	426,480	0

c) **Interest receivable** includes, inter alia, the following amounts:

	1999	1998
Interest on derivatives	8,014,464	11,743,567
Interest charged to HV/MV/SLV customers for late payment of electricity bills	247,001	411,028

d) **Other financial income and gains** include, inter alia, the following amounts:

	1999	1998
Penalties debited to LV/PL customers for late settlement of electricity bills	2,168,518	2,482,514



Notes to the Group Annual Financial Statements at December 31 1999

45. Net extraordinary items

	1999	1998
Cost and losses		
Donations	260,938	266,938
Bad debts	3,311,357	1,106,114
Inventory losses	46,003	43,075
Fixed asset losses	709,016	538,234
Fines and penalties	2,338	21,610
Increase in depreciation and provisions	17,241,221	
Prior-year adjustments	1,126,695	
Other extraordinary costs and losses	10,220,486	2,337,639
		30,918,511
Net extraordinary items (income)	11,154,784	11,507,709
	44,072,838	46,739,830

	1999	1998
Income and gains		
Taxation recovered	7,469	27,381
Bad debts recovered	18,311	9,826
Inventory gains	24,705	28,514
Fixed asset gains	6,129,045	800,482
Contractual penalty awards	972,843	1,503,666
Decreases in depreciation and provisions	23,786,624	29,119,438
Prior-year adjustments	1,412,437	639,711
Other extraordinary income and gains	11,721,404	14,610,812
	44,072,838	46,739,830

a) **Other extraordinary costs and losses** include, inter alia, the following amounts:

	1999	1998
Pension fund premiums	4,465,000	3,489,294
Provision for rationalisation of human resources	0	22,238,312
Taxation underprovided	1,697,626	576,395
Indemnities for negotiated rescissions	2,414,614	2,348,421

b) **Decreases in depreciation and provisions** include, inter alia, the following amounts:

	1999	1998
Provision for miscellaneous risks	10,309	114,691
Provision for doubtful debts	5,732,924	11,405,554
Provision for retirement benefits	17,552,645	12,000,621

c) **Other extraordinary income and gains** include, inter alia, the following amounts:

	1999	1998
Taxation overprovided	64,553	147,021
Set-off of depreciation charge on subsidised fixed assets	10,050,536	8,972,820
Set-off of depreciation charge on concession-held fixed assets	1,132,673	1,227,774
Hydraulicity Correction subsidy	0	3,726,879



46. Movement on provision accounts

	Opening balance	Increases	Decreases	Closing balance
For doubtful debts	56,911,098	2,437,716	5,732,924	53,615,890
Trade debtors	55,188,699	2,032,260	5,715,207	51,505,752
Other receivables	1,722,399	405,456	17,717	2,110,138
For risks and contingencies	133,657,733	28,932,360	23,750,559	138,839,534
Retirement benefits	126,295,424	23,007,486	17,552,645	131,750,265
For current lawsuits	652,000	97,285	534,625	214,660
Other risks and contingencies	6,710,309	5,827,589	5,663,289	6,874,609
For diminution in value of inventories	0	61,323	58,830	2,493
For diminution in value of financial investments	140,000	140,000	140,000	140,000
	190,708,831	31,571,399	29,682,313	192,597,917

50. Other Information

a) Medium and long-term receivables

i) Local Authorities – Debt at 31/12/88

The balance on this account is shown net, after setting off outstanding debts relating to integrated fixed assets to be transferred to the Group (paragraph ii) of this note), and rentals owing by the Group at that date.

ii) Debt-settlement fixed assets

Debt-settlement fixed assets represent the net amounts, at the date of integration, of Local Authorities' debts outstanding at December 31 1988, after setting off these arrears with the respective fixed assets in the process of being integrated (Tangible fixed assets - DL 344-B/82 Regime). The transfer of this property to the Group's tangible fixed assets is dependent upon the formalisation of concession contracts or debt-settlement protocols to be concluded between EDP and the relevant local authorities.



Notes to the Group Annual Financial Statements at December 31 1999

b) Short-term receivables

The following is a breakdown of the balances appearing in the balance sheet at December 31

	1999	1998
Trade debtors		
National		
State and official bodies	5,374,095	5,332,829
Local authorities	3,933,607	3,029,186
Business sector and individuals	38,047,410	50,634,605
Foreign	1,520,382	432,714
	48,875,494	59,429,334
Trade notes receivable		
Business sector and individuals	703	0
	703	0
Debtors – doubtful recovery		
National		
Local authorities	8,474,871	8,818,487
Business sector and individuals	19,281,190	20,706,482
Foreign	38,345	20,950
Provision	(27,004,683)	(28,489,738)
	789,723	1,056,181

c) Other short-term debtors and creditors

The following is a breakdown of the balances appearing in the balance sheet at December 31:

	1999	1998
Other debtors		
Debtors for the supply of other goods and services	11,526,976	6,711,574
Deposits with third parties	88,454	91,441
Payments on behalf of the pension fund Foz-Côa project compensation	11,152,561	4,893,346
Sundry debtors	24,835,172	24,235,901
	7,409,465	5,760,597
	55,012,628	41,692,859

The amount relating to the Foz-Côa hydroelectric project was recorded under works under construction in 1997, and was reclassified in 1998 to Other Debtors following the withdrawal of the respective construction licence.

The figure relating to the Foz-Côa project compensation, which includes the value of fixed assets in existence at the date the construction of the dam was suspended, plus accrued finance charges relating to these fixed assets and calculated on the basis of the Lisbor rate since January 1 1997, will, in terms of a joint dispatch of the Secretaries of State for Industry and Energy and for the Treasury and Finance, be paid by the Portuguese State.

	1999	1998
Other creditors		
Trade and other creditors' deposits and retentions	147,498	133,616
Creditors for the supply of other goods and services	6,023	35,353
Concession rentals	1,270,142	731,549
Creditor entities for collections by Group companies	1,774,646	1,917,150
Amounts payable – Pension Fund	8,253,294	2,117,000
Sundry creditors	3,017,367	2,752,242
	14,468,970	7,686,910



d) Accruals and deferrals

The following is a breakdown of the balances appearing in the balance sheet at December 31:

	1999	1998
Accrued income		
Unbilled energy for consumption up to balance sheet date	16,499,932	17,326,236
Other	2,590,646	1,670,994
	19,090,578	18,997,230

	1999	1998
Deferred costs		
Repairs and improvements to fixed assets	1,783,122	1,626,941
Bond-issue costs	517,923	694,891
Cartographic surveys	367,590	206,879
Concession charges	658,823	705,882
Deferred taxation	52,482,970	0
Advertising and publicity costs	10,077,822	0
Other	1,540,515	812,892
	67,428,765	4,047,485

	1999	1998
Accrued charges		
Loan interest payable	5,746,879	5,419,805
Holiday pay and related subsidy	9,614,495	9,459,671
Amounts payable to the pension fund	0	3,544,754
Purchase of energy	8,768,264	6,431,161
Tariff difference	1,543,869	0
Other	1,889,854	2,066,245
	27,563,361	26,921,636

	1999	1998
Deferred income		
Investment subsidies	239,042,604	218,456,581
Deferred taxation	61,325,552	0
Other	2,609,139	2,329,149
	302,977,295	220,785,730

The item **Tariff difference** includes remuneration at a rate of 6% on land belonging to REN in the amount of 6,340,371.

The item **Investment subsidies** represents the accumulated net balance of the funds received after deducting the annual write-off.

Subsidies received during the year totalled PTE 30,529,631 thousand, of which PTE 2,390,966 thousand was paid out from EC community funds.

e) State and other public entities

Comprise at December 31:

	1999	1998
Amounts receivable (Asset)		
Value added tax	5,780,843	1,289,130
	5,780,843	1,289,130



Notes to the Group Annual Financial Statements at December 31 1999

	1999	1998
Amounts payable (Liability)		
Corporate income tax	14,695,356	31,751,888
Income tax retentions	1,296,116	2,002,376
Value added tax	912,227	850,304
Social Security contributions	1,552,266	1,548,354
Other taxes and levies	340,647	323,841
	18,796,612	36,476,763

f) Inventories of raw and consumable materials

Comprise at December 31:

	1999	1998
Fuel for thermal generation		
In storage		
Coal	4,563,812	3,244,086
Fuel-oil	7,906,789	2,776,246
Diesel	602,275	646,115
In transit	1,038,236	2,344,692
Sundry materials	7,838,263	4,447,344
	21,949,375	13,458,483

g) Rentals for concessions and electricity-generating centres

This item includes the following items shown in the Income Statement:

	1999	1998
Concession rentals paid to local authorities	25,030,959	23,744,741
Rentals for electricity-generating centres paid to local authorities	768,922	957,214
	25,799,881	24,701,955

h) Own work capitalised

Breakdown of the amount shown in the Income Statement:

	1999	1998
Materials consumed	15,294,378	18,121,607
Direct internal charges	15,455,129	9,918,072
Administrative overheads	7,145,199	6,749,951
Finance charges	1,932,698	3,127,959
Other own work for the Company	3,042,232	965,559
	42,869,636	38,883,148

The increase in Direct Internal Charges is essentially due to the start-up of the Group's telecommunications project through ONITELECOM.

i) Operating subsidies

Operating subsidies relate primarily to amounts received for alterations effected to the routing of electricity-distribution networks.

j) Hydraulicity correction

The following movements occurred during the year:

Opening balance	77,688,063
Negative differential	(11,929,632)
Finance charges	2,227,384
Closing balance	67,985,815



At the date these financial statements were prepared and in terms of prevailing legislation, the above figures were awaiting the Minister of the Economy's approval.

k) Bond loans

The bonds are issued in escudos and euros and bear different rates of interest. The other principal details are:

	20 th issue	21 st issue	22 nd issue
Face value:	PTE 10,050,000	EUR 58,843,929	EUR 249,398,950,12
Interest rate:			
December 31 1998	4.688%	3.875%	3.563%
December 31 1999	3.063%	3.625%	3.500%
Interest payment date:	February 1 and August	June 23 and December 23	June 2 and December 2
Redemption:	3 equal annual instalments 1/02/1999	3 equal annual instalments 23/06/2000	4 equal annual instalments 2/06/2003

	23 rd issue	24 th issue	25 th issue
Face value:	EUR 149,639,369,15	EUR 249,398,499,06	EUR 299,278,738,33
Interest rate:			
December 31 1998	3.250%	4.156%	3.865%
December 31 1999	3.438%	2.906%	3.679%
Interest payment date:	June 20 and December 20	January 5 and July 5	May 23 and November 23
Redemption:	4 equal annual instalments 20/12/2008	4 equal annual instalments 5/01/2002	6 equal half-yearly instalments 23/5/2006

Other conditions:

The 22nd, 23rd and 24th issues can be totally or partially redeemed before maturity date, that is, respectively, on 2.06.2001 or 2.06.2002; on 20.12.2001 or 20.12.2006; on 5.07.2001 or 5.01.2003; at the Group's or the bondholder's option. The 25th issue can be totally or partially redeemed before maturity on 23.11.2003 at the Group's option.



Notes to the Group Annual Financial Statements at December 31 1999

I) Bank loans

Short, medium and long-term bank loans had the following profile according to currency after taking into account the effect of currency swap contracts (all figures are shown in thousands of the respective currencies):

	1999		1998	
	In loan currency	PTE	In loan currency	PTE
PTE	46,590,459	46,590,459	323,688,135	323,688,135
EUR	3,051,259	411,240,524	215,182	43,140,081
DEM	42,913	4,398,796	848,127	86,937,078
NLG			38,213	3,476,427
BEF			709,195	3,524,569
FRF			265,129	8,103,218
GBP				
ITL				
ESP				
GRD				
CHF	10,235	1,278,366	20,847	2,599,452
USD			35	5,971
JPY			2,864,382	4,324,357
		463,508,145		475,799,287

Variable interest rates are generally based on the offered interbank rate. The borrowings in PTE are primarily based on LISBOR for three and six months. The variable interest rate on loans denominated in foreign currency and in euros is mainly based on the three- and six-month LIBOR and EURIBOR rates.

The Group has access to long-term credit facilities amounting to PTE 42,500,000 thousand at rates of interest tied to LISBOR, to be negotiated at the time these facilities are utilised, and to facilities totalling EUR 600,000,000 at rates indexed to EURIBOR. The Group also has bank overdraft facilities available to it in the amount of PTE 5,000,000 thousand. At December 31 1999, these two facilities were being used. The interest rate applied to these overdrafts is based on the IMM (Interbank Money Market).



The Group's assets have not been pledged as security for borrowings.

The swap contracts in force at the end of the year were as follows (in thousands of the respective currency):

	1999		1998	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps:				
DEM	30,428			
FRF	308,000			
EUR	1,275,000	1,275,000		
PTE		12,519,942	5,909,091	5,909,091
Currency swaps:				
JPY			30,300,000	
DEM			248,687	259,363
USD			79,366	2,086
ESP			290,465	290,465
PTE			4,203,374	79,275,052
CHF			43,985	
EUR			68,374	
FRF			308,000	

m) Movement on Shareholders' Funds

Account	Opening balance	Increases	Decreases	Closing balance
Share capital	600,000,000	1,446,000	0	601,446,000
Treasury stock	0	(1,173,168)	0	(1,173,168)
Equity-accounting adjustments	3,394,189	0	4,517,851	(1,123,663)
Currency conversion reserves	(2,137,111)	0	6,877,294	(9,014,405)
Revaluation reserves	464,247,129	0	69,748,584	394,498,545
Reserves:				
Legal	28,439,350	5,250,000	0	33,689,350
Reserves - DL 46031 e DL 46917	13,212,263	0	0	13,212,263
Free reserves	72,283	2,500,000	0	2,572,283
Retained earnings - holding company	107,615	155,219,678	104,691,492	50,635,801
Retained earnings - consolidated subsidiaries	16,270,343	10,849,179	0	27,119,526
Consolidated net income for the year	104,808,918	103,034,925	104,808,918	103,034,925
TOTAL	1,228,414,979	277,126,614	290,644,140	1,214,897,453

- a) The Currency Conversion Reserve reflects the amount resulting from the currency conversion into local currency of subsidiary and associated companies' Shareholders' Funds expressed in foreign currency.



Notes to the Group Annual Financial Statements at December 31 1999

b) The revaluation reserves reflect the net adjustments made to tangible fixed assets and investment properties at the time the various revaluations were carried out (Note 41), and after deducting the amounts incorporated into share capital increases or used to absorb accumulated losses, as well as the corresponding deferred tax component.

These reserves can only be used for incorporation into share capital increases or for absorbing losses, should these exist.

The following movement occurred during the year on this account:

Opening balance	464,247,129
Decrease due to incorporation into share capital	(1,446,000)
Decrease due to application of IAS 12 (Note 43)	(68,302,584)
Closing balance	394,498,545

c) In terms of EDP's statutes, a minimum amount equal to 5% of annual net income must be transferred to the legal reserve. This reserve may only be used to absorb losses or be incorporated into share capital increases.

d) The «DL 46031 and DL 46917 reserves - for Financial Autonomy and Debt Repayment» - were

created in terms of the provisions contained in the loan contracts entered into with the International Bank for Reconstruction and Development (the World Bank). These loans were repaid in full during 1991.

e) Retained earnings – consolidated subsidiaries» corresponds to the retained profits and other variations in the shareholders' funds (or net assets) of the subsidiary companies included in the consolidation.

f) The following movement occurred during the year on the holding (parent) company's Retained Earnings:

Opening balance		107,615
Transfer of 1998 net income		104,808,918
Appropriated as follows:		
Legal reserve	5,250,000	
Free reserve	2,500,000	
Dividends	84,000,000	
Governing Bodies' share of profits	195,240	
Employees' share of profits	3,517,400	
Equity-accounting reserve	(3,115,953)	
Retained earnings - consolidated subsidiaries	12,344,805	(104,691,492)
Effect of the application of IAS 12 (Note 43)		50,190,662
Miscellaneous adjustments		220,098
Closing balance		50,635,801

Consolidated Cash Flow Statement for the Year Ended December 31 1999



	1999	
Operating activities:		
Received from customers	623,170,676	
Payments to suppliers	(208,386,990)	
Payments to personnel	(89,997,542)	
Concession rental payments	(25,799,881)	
Cash flow generated by operations	298,986,263	
Payment of corporate income tax	(89,708,180)	
Other receipts relating to operating activities	12,926,879	
Other payments relating to operating activities	(17,841,937)	
Cash flow before extraordinary items	204,363,025	
Receipts relating to extraordinary items	2,937,500	
Payments relating to extraordinary items	(9,733,647)	
Net cash flow generated by operating activities (1)		197,566,878
Investing activities:		
Receipts arising from:		
Financial investments	5,351,971	
Tangible fixed assets	6,721,293	
Intangible assets		
Investment subsidies and contributions	19,264,000	
Interest and similar income	1,764,963	
Dividends	2,284,617	35,386,844
Payments relating to:		
Financial investments	189,752,825	
Tangible fixed assets	77,302,865	
Intangible assets	27,775,948	294,831,638
Net cash utilised in investing activities (2)		(259,444,794)
Financing activities:		
Receipts arising from:		
Loans raised	1,222,285,936	1,222,285,936
Payments relating to:		
Loans	1,029,915,454	
Interest and similar expense	29,916,831	
Dividends	84,000,001	
Acquisition of treasury stock	1,173,167	1,145,005,453
Net cash raised from financing activities (3)		77,280,483
Change in cash equivalents (4) = (1) + (2) + (3)		15,402,567
Effect of foreign-exchange differences		(94,205)
Cash and cash equivalents at the beginning of the period		(28,799,200)
Cash and cash equivalents at the end of the period		(13,302,426)

Breakdown of cash and cash equivalents

	1999	1998
Cash	104,498	13,844
Sight deposits and cash equivalents	(13,411,343)	(28,813,045)
Bank overdrafts	(15,961,606)	(28,828,249)
Other treasury assets	2,550,263	15,205
Other liquid assets	4,419	0
Bank deposits and cash as per balance sheet	(13,302,426)	(28,799,200)

Accounting Consolidation Office – Manager
Registered Accountant No. 26 000
Carlos Manuel Fernandes de Almeida Carvalho

Board of Directors

145





Audit and Supervisory Reports

148	Statutory Audit Certification
150	Report on the Supervisory Work Relating to the 1999 Group Annual Financial Statements
152	Sole Supervisors' Report (Group Annual Financial Statements)
154	Auditors' Report
155	External Auditors' Report
157	Excerpt from the Minutes of the Shareholders' General Meeting
158	Exemption from the Requirement to Publish Individual Accounts



Statutory Audit Certification

Introduction

1. We have examined the accompanying group financial statements of EDP - Electricidade de Portugal, SA, comprising the consolidated balance sheet at December 31, 1999, (which reflects a balance sheet total of PTE 2,748,521,536 thousand and total shareholders' funds of PTE 1,214,897,453 thousand, including consolidated net income for the year of PTE 103,034,925 thousand), the consolidated income statement and the consolidated cash flow statement for the year then ended, and the respective notes thereto.

Responsibilities

2. The Board of Directors is responsible for the preparation of group financial statements which present a true and fair view of the financial position of the Group, the results of its operations and its consolidated cash flows. This responsibility also extends to the adoption of accounting criteria and policies appropriate for this purpose, as well as the maintenance of proper systems of internal control.

3. Our responsibility is to express a professional and independent opinion based on our examination of the said financial statements.

Scope

4. Our examination was conducted in accordance with the Technical Standards and Recommendations issued by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors), which require that we plan and perform the audit in such a manner so as to obtain an acceptable level of assurance that the financial statements do not contain material misstatements. To this end, our audit included:

- verification on a test basis of the evidence supporting the amounts disclosed in the financial statements, and an assessment of the reasonableness of estimates, based on judgments and criteria defined by the Board of Directors, used in the preparation of the financial statements;
- verification of correct consolidation procedures and the application of the equity accounting method;
- an evaluation of the appropriateness of the accounting policies adopted,



their uniform application and the disclosure thereof, taking into account the circumstances;

- verification of the applicability of the going concern principle, and
- a consideration of the appropriateness of the overall presentation of the consolidated financial statements.

5. We believe that our audit provides an acceptable basis for expressing our opinion on the said financial statements.

Opinion

6. In our opinion, these group financial statements present in all material respects a true and fair view of the consolidated financial position of EDP - Electricidade de Portugal, S.A. at December 31 1999, as well as the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with generally accepted accounting principles.

Lisbon, April 24, 2000

Dr. António de Moura Rodrigues,
representing M. Rodrigues, B. Assunção
e Associado, Statutory Auditors



Report on the Supervisory Work Relating to the 1999 Group Annual Financial Statements

Dear Sirs,

1. Pursuant to Article 52(1)(a) of Decree-Law 487/99 of November 16 and Articles 451 and 508 of the Companies Code, and for purposes of Article 289(e) of the foresaid Code, we issue the following supervisory report.

2. We carried out the statutory audit of the 1999 group annual financial statements in accordance with the Technical Standards and Recommendations approved by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors), and to the extent we deemed necessary under the circumstances.

Our supervisory work was primarily directed at the following:

- Reviewing the statutory audit certifications of the companies included in the consolidation and acquainting ourselves with the work of the external auditors relating to the consolidated financial statements.
- Verifying the compliance of the structure of the financial statements, the accounting principles, the valuation criteria, the depreciation and provisioning criteria and rates, bearing in mind that the group annual financial statements must give a true and fair view of the financial position and results of the group of companies included therein.
- Appraising the consolidation universe, the consolidation methods used and the justification for the companies excluded therefrom.
- Checking the elimination of balances between consolidated companies and the grouping of the financial statements of the companies consolidated using the purchase method.
- Reviewing the changes in the shareholders' funds of the companies consolidated.
- Verifying the changes in the balances of the balance sheet items "goodwill", "equity-accounting adjustments" and "consolidation reserve".
- We checked the accounting treatment of Deferred Taxation in accordance with International Accounting Standard (IAS 12). As a result, in the first phase corresponding to the recognition of deferred taxation brought forward from previous years, there was a reduction in the revaluation reserve,



with a corresponding increase in Accruals and Deferrals of PTE 68.3 billion, and an increase in Retained Earnings of PTE 50.2 billion, with a corresponding decrease in Accruals and Deferrals, representing the taxes originated by the revaluations and by provisions which are not deductible for tax purposes.

- We carried out a close examination of the consolidated balance sheet, the consolidated income statement and the consolidated cash flow statement, as well as the notes thereto, having satisfied ourselves that these documents are in agreement with the accounting records and that they comply with statutory consolidation and other standards and with generally accepted accounting principles.

3. As a result of the verification work performed by us, we did not detect any situations that affect the conclusions contained in the Statutory Audit Certification issued on April 24 2000

4. We reviewed the Group Directors Report to ensure that it contains the information required by law and that it is in agreement with the group annual financial statements.

We would like to express our appreciation for the attention and collaboration received from the Board and all the departments and personnel contacted.

Yours faithfully,

Lisbon, April 26 2000

António de Moura Rodrigues,
representing M. Rodrigues, B. Assunção
e Associado (Statutory Auditors)



Sole Supervisors' Report (Group Annual Financial Statements)

In accordance with the provisions of the Companies Code and Decree-Law 26-A/96 of March 27, and in the execution of our duties as sole supervisors, we have pleasure in submitting herewith our report and opinion on the group annual financial statements and Group directors' report presented by the Board of Directors of EDP-Electricidade de Portugal, SA, for the year ended December 31, 1999.

1. At the end of the year, we examined closely the consolidated balance sheet, the consolidated income statement and the consolidated cash flow statement, as well as the respective notes thereto, all of which have been prepared in conformity with applicable legal requirements. The said group financial statements present a true and fair view of the financial position of the companies included in the consolidation universe.

2. The Group Directors' Report complies with the provisions of Article 508-C of the Companies Code and is in agreement with the group annual financial statements.

The Group Directors' Report provides a clear account of the evolution of the

operations of the Group companies and the management of their business activities. It also sets out succinctly the projects and goals to be attained.

In our opinion, the most salient aspects concerning the Group's affairs in 1999 were the following:

- The excellent net profit reported: PTE 103 billion, which is only 1.7% down on the 1998 result, notwithstanding the negative impact of the sharp decrease in electricity tariffs, the increase in electric power generating costs and adverse business conditions in Brazil;
- The consistent capacity to generate funds: cash flow in 1999 totalled PTE 234.1 billion, up 1.1% on the previous year;
- The continued improvement in net financial items as a result of the decline in interest rates up until October and the efficiency of the active debt-management strategy;
- The reorganisation of electric power distribution, materialising at the start of 2000 with the creation of a single distribution company, whose prime objectives will be increasing competitiveness and enhancing the quality of customer service;



- The consolidation of the internationalisation process with the extended presence in Brazil, the increased shareholding in CEM – Companhia de Electricidade de Macau, and the acquisition at the end of 1999 (with others) of part of the capital of Electra, the Cabo Verde power generation and distribution company;
- The growing diversification of activities, with increased presence in the telecommunications sector, now the Group's second most important business activity, as well as the entry into the water and sanitation segment.

3. Following our examination procedures, we issued the Statutory Audit Certification (dated April 24 2000) and the annual supervisory report on the group financial statements.

4. We would like to express our gratitude for the reference to us made by the Board of Directors in its Report, as well as our special appreciation for all the information, explanations and support received from the Board of Directors and the various departments and personnel contacted by us during

the course of our work. We also wish to thank the External Auditors for their collaboration.

5. In the light of the above comments and the Statutory Audit Certification, we are of the opinion that:

You approve the Group Directors' Report, the consolidated balance sheet, the consolidated income statement and the consolidated cash flow statement, and the respective notes thereto, for the year ended December 31 1999, as tabled and justified by the Board of Directors of EDP - Electricidade de Portugal, SA.

Lisbon, April 26 2000

Sole Supervisors

António de Moura Rodrigues,
representing
M. Rodrigues, B. Assunção e Associado,
(Statutory Auditors)



Auditors' Report

1. We have audited EDP - Electricidade de Portugal, S.A.'s consolidated Balance Sheet at December 31 1999, the consolidated Income and Cash Flow Statements for the year then ended, and the respective Notes thereto. These financial statements are the responsibility of the Board of Directors. Our responsibility as auditors is to express an opinion on these financial statements based upon our audit.
2. Our audit was conducted in accordance with International Auditing Standards. These standards require that we plan and perform the audit in such a manner as to obtain reasonable assurance that the financial statements do not contain material misstatements. An audit includes verification on a test basis of evidence supporting the amounts and disclosures included in the financial statements. It also includes an evaluation of the appropriateness of the accounting policies adopted and an assessment of significant estimates made by the Board of Directors, as well as consideration of the overall financial statement presentation. We believe that the audit performed by us provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements fairly present in all material respects the consolidated financial position of the group of companies included in EDP - Electricidade de Portugal, SA's consolidation at December 31 1999, as well as the consolidated results of their operations and their consolidated cash flows for the year then ended, in accordance with accounting principles generally accepted in Portugal.

Lisbon, April 27 2000

PricewaterhouseCoopers

External Auditors' Report



Introduction

1. Pursuant to applicable legislation, we submit herewith our Auditors' Report on the information contained in EDP - Electricidade de Portugal, S.A.'s Annual Report, which comprises the Group Directors Report, the consolidated Balance Sheet at December 31 1999 (which reflects a total of PTE 2,748,521,536 thousand, minority shareholders' interests of PTE 387,056 thousand, and total shareholders' funds of PTE 1,214,897,453 thousand, including consolidated net income of PTE 103,034,925 thousand), the consolidated Income Statement and the consolidated Cash Flow statement, as well as the respective Notes thereto.

Responsibilities

2. The Company's Board of Directors is responsible for the preparation of the Group Directors Report and consolidated annual financial statements which present a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of their operations and their consolidated cash flows. This responsibility also extends to the

adoption of accounting criteria and policies appropriate for this purpose, as well as the maintenance of proper systems of internal control.

3. Our responsibility as external auditors is to examine the consolidated financial information contained in the forementioned documents, namely, with regard to compliance with the principles of sufficiency, accuracy, objectivity and current context, as required by the Securities Market Code, for the purpose of expressing a professional and independent opinion concerning this information, based on our audit.

Scope

4. Our audit was conducted in accordance with the Technical Standards and Recommendations issued by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors), which require that we plan and perform the audit in such a manner as to obtain an acceptable level of assurance that the consolidated financial statements do not contain material misstatements.

To this end, our audit included: (i) verification that the financial statements



External Auditors' Report

of the companies included in the consolidation have been properly audited and, in those significant cases where this is not so, the examination on a test basis of the evidence supporting the amounts disclosed in the financial statements, and an assessment of the reasonableness of estimates, based on judgments and criteria defined by the respective Board of Directors, used in their preparation; (ii) verification of correct consolidation procedures; (iii) an evaluation of the appropriateness of the accounting policies adopted, their uniform application and the disclosure thereof, taking into account the circumstances and the applicability, or not, of the going concern principle, and (iv) a consideration of the appropriateness of the presentation of the overall consolidated financial statements.

5. Our audit also covered the Group Directors Report, with our work including verification of its agreement with the financial information appearing in the financial statements, as well as confirmation that the principles of sufficiency, accuracy, objectivity and current context, as required by the Securities Market Code, have been adhered to.

6. We believe that our audit provides an acceptable basis for expressing our opinion.

Opinion

7. In our opinion, the financial information appearing in the above-mentioned documents presents, in all material respects, a true and fair view of the financial position of the group of companies covered in EDP-Electricidade de Portugal, S.A.'s consolidation at December 31 1999, the consolidated results of their operations and their consolidated cash flows for the year then ended, in accordance with the accounting principles generally accepted in Portugal, and that it satisfies the principles of sufficiency, accuracy, objectivity and current context, as required in terms of the Securities Market Code.

Lisbon, April 27 2000

Bernardes, Sismeiro & Associados,
Statutory Auditors, represented by:
Carlos Marques Bernardes

Excerpt from the Minutes of the Shareholders' General Meeting



Excerpt from Minute no. 1/2000 of the Shareholders' General Meeting of EDP –ELECTRICIDADE DE PORTUGAL, S.A., held on May 12 2000 and which relates to this legal publication.

" Next, point number one on the order of business was put to the vote, with the Directors' Report and the annual financial statements for the year ended December thirty first nineteen hundred and ninety nine being approved by a majority, with no votes against and three abstentions.

Next, point number two on the order of business was put to the vote, with the Group Directors' Report and the group annual financial statements for the year ended December thirty first nineteen hundred and ninety nine being approved by a majority, with one vote against and thirty nine abstentions. The shareholder who voted against the resolution made a point of explaining that the only reason for his disapproval was the opinion expressed in the company's sole supervisors' report.

Next, the proposal contained in point number three on the order of business, with the following text tabled

by the State in its capacity as shareholder; was put to the vote:

1. That the net income for 1999, in the amount of PTE 103,034,924,311, be appropriated as follows:

Transfer to the Legal Reserve (5%)	5,151,750,000\$00
Dividends	84,000,000,000\$00
Directors' share of profits	91,800,000\$00
Transfer to Retained Earnings	<u>13,791,374,311\$00</u>
	<u>103,034,924,311\$00</u>

2. That the directors participate in the above-mentioned distribution of profit in proportion to their remuneration.

The proposal was approved by a majority, with twenty eight votes against and three abstentions. The shareholder who abstained made a point of clarifying that his vote was a redistribution for the fact that the shareholder State had presented its proposal late ".

Lisbon, May 18 2000

Company Secretary
António Pedro Alfaia de Carvalho



Exemption from the Requirement to Publish Individual Accounts

"The Securities Market Commission, pursuant to the provisions of Article 250(3) of the Securities Market Code, has granted exemption from the requirement to publish individual accounts.

The annual financial statements object of this exemption are available for consultation, together with the other documents forming part of the annual report, at this Company's head office, in accordance with the requirements of the Companies Code".







Statistical Annex

162	Principal Statistical Data
163	Funding
164	Fuel and Electric Energy Acquisitions
165	Energy Balance
166	Electricity Consumption According to Destination
167	Distribution Network



Principal Statistical Data Relating to the EDP Group's Operations

Item	Units	1995	1996	1997	1998	1999(**)
Hydroelectric Capability Factor	–	0.73	1.30	1.22	1.04	0.68
Generation	GWh	25,636	26,179	24,817	28,899	25,112
Hydroelectric power stations	GWh	8,014	14,169	12,472	12,425	7,010
Wind farms	GWh	–	6	22	47	57
Thermoelectric power stations	GWh	17,622	12,004	12,323	16,427	18,046
Received from other SEP Producers	GWh	2,903	3,261	3,605	4,057	10,951
Balance of Cross-border exchanges (a)	GWh	914	1,111	2,897	272	-858
Received from other companies *	GWh	1,121	1,514	1,752	1,917	2,241
Hydroelectric Pumping	GWh	159	137	100	101	491
Power Station consumption and losses	GWh	1,135	1,041	1,028	1,237	1,152
Net demand	GWh	29,279	30,887	31,944	33,807	35,803
Synchronous compensation	GWh	43	29	32	30	41
Electric energy supplies	GWh	25,972	27,452	28,687	30,363	32,280
To other distributors	GWh	121	151	103	111	121
To direct VH/HV/MV customers	GWh	12,046	12,513	13,130	13,909	14,373
To direct LV customers (incl. free supplies)	GWh	13,805	14,787	15,453	16,344	17,786
Transmission and Distribution Losses	GWh	3,218	3,349	3,167	3,359	3,421
Revenue from electricity sales (b)	PTE mn.	527,601	538,811	560,766	591,523	594,592
Fuel for electricity generation	PTE mn.	53,306	35,717	41,006	49,485	53,845
Acquisition of electric energy	PTE mn.	51,583	62,061	70,914	68,443	101,491
Total Capital Expenditure	PTE mn.	112,987	104,738	88,763	81,786	123,805
Capital expenditure allocated to electricity (c)	PTE mn.	105,438	96,078	80,268	73,756	78,479
Installed capacity at power stations (at 31 Dec.)	MW	8,125	8,137	8,147	8,462	9,210
EDP Group hydroelectric power stations	MW	3,955	3,957	3,964	3,953	3,954
Other EDP Group renewables (wind and biomass)(f)	MW	–	10	13	20	29
EDP Group thermoelectric power stations	MW	3,555	3,555	3,555	3,505	3,505
Other SEP producers' thermoelectric power stations	MW	615	615	615	984	1,722
Installations in service (on 31 Dec.)						
Transmission network						
Substations-transforming power	MVA	15,456	16,206	16,269	16,609	16,652
Length of lines	Kms	5,716	5,687	5,927	5,982	5,990
Distribution network						
Substations-transforming power	MVA	11,693	12,074	12,405	12,690	12,752
Length of HV/MV lines	Kms	52,769	53,933	48,196	55,351	56,232
HV/MV underground cables	Kms	8,474	8,846	8,895	9,683	10,135
Transforming stations-Installed capacity (d)	MVA	10,128	10,676	11,155	11,663	12,169
LV networks	Kms	103,032	106,388	108,942	112,075	114,914
Meters	Thousand	4,829	4,950	5,079	5,215	5,366,479
Workers with employment contracts (on 31 Dec.) (e)	–	16,459	16,182	15,536	13,932	13,714
Number of customers						
High voltage / Medium voltage	Thousand	15.9	16.3	17.0	17.5	18.2
Low voltage	Thousand	4,770.8	4,898.7	5,016.9	5,143.8	5,273.3

(a) – Balance of cross-border exchanges: Imports – Exports

(b) – With Thermal Support Fund (FAT), up till the end of 1994, and without "Electric energy exchange with abroad (balance)"

(c) – After deducting the State's participation in investments in multi-purpose hydraulic complexes

(d) – Figures refer to public-service transforming stations

(e) – Includes, from 1994, all EDP Group companies' Workers

(f) – In 1999, includes 9 MW at the Mortágua power plant (biomass)

(**) Provisional

(*) In accordance with specific legislation

Source: CPPE, REN, Distributors

Funding



PTE thousand

DETAILS	Balance at start of the year drawing exchange rate	Balance at start of the year exchange rate on 98/12/31	Movement during the year		Exchange difference paid	Balance at end of the year		Exchange rate differences
			Drawings (drawing exchange rate)	Repayments		At drawing exchange rate	At exchange rate on '99/12/31	
Domestic Market Medium and Long Term								
Bonds	220,000,000	220,000,000	-205,000,000	4,950,000		10,050,000	10,050,000	
Loans	199,174,848	199,174,848	-146,690,000	52,484,848		0	0	
Derivatives	75,071,678	75,071,678	0	62,551,736		12,519,942	12,519,942	
	494,246,526	494,246,526	-351,690,000	119,986,584		22,569,942	22,569,942	0
Short Term								
Loans			2,000,000	2,000,000		0	0	
Commercial Paper	17,500,000	17,500,000	253,500,000	260,500,000		10,500,000	10,500,000	
	511,746,526	511,746,526	-96,190,000	382,486,584		33,069,942	33,069,942	0
External Market Medium and Long Term								
Loans	230,600,410	230,600,410	333,693,194	182,238,369	1,389,206	382,055,235	382,055,235	0
Credit and equipment	1,713,100	1,713,100	0	431,142	1,376	1,281,958	1,284,099	-2,141
Invest. credit lines	0	0	368,886,880	322,776,020	0	46,110,860	46,110,860	0
Bonds	0	0	405,482,000	3,202,851	0	402,279,149	402,279,149	0
Derivatives	-80,202,358	-80,202,358	0	-67,669,850	-1,195,688	-12,532,508	-12,532,508	0
	152,111,152	152,111,152	1,108,062,074	440,978,532	194,894	819,194,694	819,196,835	-2,141
Short term								
Loans	0	0	0	0		0	0	0
Commercial Paper	0	0	18,043,380	18,043,380		0	0	0
	152,111,152	152,111,152	1,126,105,454	459,021,912	194,894	819,194,694	819,196,835	-2,141
TOTAL	663,857,678	663,857,678	1,029,915,454	841,508,496	194,894	852,264,636	852,266,777	-2,141



Fuel and Electric Energy Acquisitions

	Units	1995	1996	1997	1998	1999
Fuel						
Quantities						
Fuel-oil (a)	1,000 t	1,687.8	737.7	784.1	1,565.1	1,536.4
Diesel	1,000 kl	0.6	0.6	0.6	4.0	1.7
National coal	1,000 t	93.5	43.0	99.1	0.0	0.0
Imported coal	1,000 t	3,442.7	3,073.4	3,084.4	3,101.5	3,490.9
Natural gas	1,000 m ³	–	–	26,312.7	16,3761.3	376,277.7
Amounts						
Fuel-oil (a)	PTE million	53,305.7	35,716.7	41,006.1	49,484.9	53,845.4
Diesel		25,790.9	11,744.8	13,563.4	21,885.5	21,927.4
National coal		12.4	14.2	13.1	110.5	43.8
Imported coal		827.4	368.5	877.7	0.0	0.0
Natural gas		26,675.0	23,589.1	25,754.3	24,147.3	23,421.3
				797.5	3,341.6	8,452.8
Acquisitions of Electric Energy (Import) (b)	PTE million	5,395.5	4,499.1	10,147.4	2,209.5	2,974.5
Acquisition from other producers	PTE million	33,447.7	41,128.0	41,866.0	46,597.2	76,988.0
Average prices						
Fuel-oil (a)	PTE/t	15,280.7	15,920.7	17,297.4	13,983.5	14,271.7
Diesel	PTE/kl	19,078.4	24,389.8	22,464.6	27,861.8	25,306.7
National coal	PTE/t	8,849.8	8,571.1	8,860.2	–	–
Imported coal	PTE/t	7,748.3	7,675.3	8,349.8	7,785.7	6,709.2
Natural gas	PTE/m ³	–	–	30.3	20.4	22.5
Acquisitions of Electric Energy (Import) (b)	PTE/kwh	5.90	4.05	3.50	8.27	5.83

(a) – Does not include consumption for the production of steam at the Barreiro power station

(b) – Only includes electricity paid in foreign currency

(c) – Includes consumption in trials at Pego

Energy Balance



	GWh	
	1999	1998
Generation	25,112	28,899
Hydroelectric power stations	7,010	12,425
Wind farms	57	47
Thermoelectric power stations	18,046	16,427
Power station consumption and losses	1,153	1,237
Energy entered into network	40,780	37,607
Own emission	23,960	27,662
Received from other SEP producers**	10,951	4,057
Imports	3,628	3,971
Other inward deliveries*	2,241	1,917
Energy sent out by EDP network (1+2+3)	37,355	34,249
1 – Energy sales	32,280	30,363
Distributors	121	111
Local authorities	0	0
Other distributors	121	111
Direct supply to consumers	32,159	30,252
High and medium voltage	14,373	13,909
Low voltage	17,786	16,344
2 – Exports	4,482	3,699
3 – Non-revenue producing	593	187
Hydroelectric pumping	491	101
Synchronous compensation	41	30
Own consumption + free supplies	61	56
Transmission and distribution losses	3,421	3,359

* In accordance with specific legislation

** Balance



Electricity Consumption According to Destination (final consumption)

	1998	1999	Variação 98/99	
			Valor	%
Number of customers	5,161,391	5,291,520	130,129	3%
High voltage(*)	96	102	6	6%
Medium voltage	17,424	18,140	716	4%
Low voltage	5,143,871	5,273,278	129,407	3%
Electricity consumption (GWh) (**)	30,308	32,220	1,912	6%
Lighting and other uses	15,216	16,555	1,339	9%
Household	8,317	9,094	777	9%
Non-household	6,899	7,461	562	8%
Lighting of state buildings, administrative places, etc.	1,366	1,527	161	12%
Cooking and heating	14	8	-6	-42%
Industrial uses	11,904	12,150	246	2%
Agricultural uses	607	667	60	10%
Traction	316	364	48	15%
Street lighting	884	948	64	7%

Note: Includes internal supplies and own consumption

* Includes Very-High Voltage customers

** Includes own consumption

Distribution Network



Summary of installations and equipment in service on 99/12/31

Electric energy distribution companies	EN	CENEL	LTE	SLE	TOTAL
Substations					
No. of substations	101	70	110	84	365
No. de transformers	192	112	201	140	645
Installed capacity (MVA)	4,929	2,179	3,208	2,437	12,752
Lines (including branch lines in Kms.)					
Overhead					
HV (60/130 kV)	1,995	1,594	1,615	1,513	6,717
MV (<6/10/15/30/40 kV)	14,233	13,573	10,295	11,415	49,516
Underground cables					
HV (60/130 kV)	60	0	245	51	357
MV (<6/10/15/30/40 kV)	2,170	833	4,574	2,202	9,778
Transforming stations					
Units	16,107	10,972	10,092	8,963	46,134
Installed capacity (MVA)	4,924	1,855	3,234	2,156	12,169
LV networks (kms)					
Overhead	39,006	24,311	12,972	15,731	92,020
Underground	7,861	1,590	8,360	5,082	22,894
Meters (units)					
HV+MV	1,951,957	1,000,425	1,479,743	934,354	5,366,479
LV+SLV	10,109	3,767	5,158	2,744	21,778
	1,941,848	996,658	1,474,585	931,610	5,344,701

Summary of installations and equipment concluded as at 99/12/31

Electric energy distribution companies	EN	CENEL	LTE	SLE	TOTAL
Substations					
No. of transformers	3	1	4	0	8
No. de Transformadores	4	1	5	5	15
Installed capacity (MVA)	88	20	65	123	296
Lines (including branch lines in Kms)					
Overhead					
HV (60/130 kV)	43	107	75	57	283
MV (<6/10/15/30/40 kV)	296	316	273	310	1,195
Underground cables					
HV (60/130 kV)	0	0	5	0	5
MV (<6/10/15/30/40 kV)	139	47	183	97	466
Transforming stations					
Units	468	450	341	293	1,552
Installed capacity (MVA)	157	89	166	66	478
LV Networks (km)					
Overhead	670	722	432	404	2,228
Underground	257	152	497	219	1,125
Meters (units)					
	160,559	53,319	33,475	26,962	274,315



EDP Publication • Electricidade de Portugal, S.A.
Communication and Image Office
Avenida José Malhoa, Lote A, 13
1070-157 Lisboa

Printing • PLINFO Informação, Lda.
Avenida 5 de Outubro, 194, 1º Esqº
1050-064 Lisboa
Tel. 21 793 62 65 Fax 21 794 20 74
E-mail plinfo@mail.telepac.pt

Design • FPGB Design

Photographs • Adelino Oliveira

Print run • 3 000 copies

ISSN 0872 - 7732

Legal deposit 89607/95
May 2000

