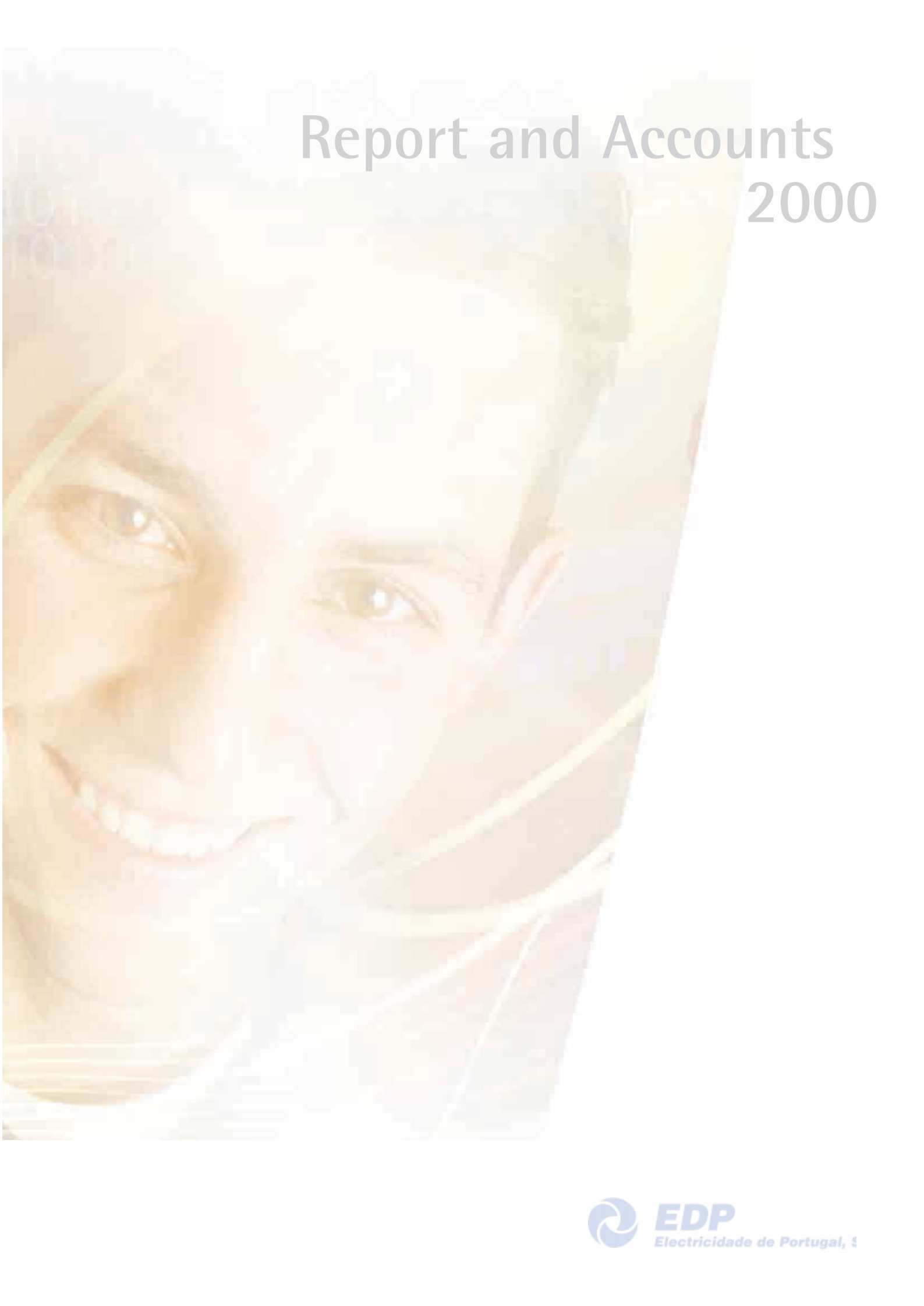




Report and Accounts 2000



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Chairman's Message

To the Shareholders,

At the dawn of the new century, the EDP Group embarked on an important stage in its business development. This new era is founded on four pillars supporting a renewed operating strategy that has as its overriding objective securing the Group's sustained growth and the continuous creation of value for its shareholders.

We aim to preserve our leadership in the national electrical sector; to consolidate and expand our cross-border investments; to maximise the opportunities at our doorstep in order to transform ourselves into a major multi-utility Group; and to exploit the potential of promising activities in the telecommunications and information technologies fields.

It was in the fourth quarter of 2000 – during which the fourth phase of EDP privatisation took place – that I proudly took over the chairmanship of the EDP Group's Board of Directors, and with it the responsibility to steer the Group into a future laden with daunting challenges.

The fourth privatisation phase alone was an event representing a significant turning point in the company's history. After the Portuguese State's sale of a further 20% of EDP's capital, the majority control of the company passed into the hands of private shareholders.

This last phase of EDP's privatisation was realised in a climate which differed substantially from that prevailing in the preceding phases: the world economic environment was more vulnerable in a period marked by increased global instability on the capital markets.

Seeking to compensate to a certain degree the less favourable external environment, the 20% tranche of the EDP Group's share capital that was placed on the market referred to a business group which is clearly different to the one presented to investors in previous privatisation phases. Indeed, the operation's success can be ascribed not only to the soundness and credibility of our traditional business – electricity – but also to the image of entrepreneurial renovation, dynamism and flexibility for which we are renowned in our ambitious internationalisation thrust and for the first steps taken in building up a group that is capable of offering its customers a multiplicity of quality-added services.

Preceding the fourth phase of the company's privatisation and in anticipation of the change to the EDP Group's shareholder structure, the Portuguese State decided to grant autonomy to REN – Rede Eléctrica Nacional by acquiring 70% of this company's equity. This operation allowed the State to maintain a direct controlling interest in the National Transmission Grid's concessionaire, thereby ensuring transparency in the transmission of electric power within the context of the sector's progressive liberalisation.

Returning to the four pillars supporting strategic action, it is appropriate at this stage to inform shareholders about the most salient events of the past year.

Insofar as the national electrical sector is concerned, 2000 was marked by persistently high fuel costs for power generation and by the adherence of around twenty customers previously connected to the Public Electricity System to the Non-Binding Electricity System.

In the light of the growing European trend in the implementation of liberalisation policies in the electricity sector, EDP promptly responded on two fronts in terms of both the SEP – Public Service Electrical System – and the SENV – Non-Binding Electrical System. In the first case, it developed the commercial area of the distribution company forming part of the SEP – EDP Distribuição – so as to create conditions for a better relationship with its customers. In the second case, it acted within the scope of the SENV via EDP Energia, a company dedicated to serving customers falling under this market system. On the other hand, with the object of responding to the SENV's future needs, the EDP Group decided to set in motion a project for the construction of a new natural-gas-fired combined-cycle power station with an installed capacity of 800 MW.

On the international front, of special note was the EDP Group's presence in Brazil where we occupy a frontrunning position amongst the chief investors in the electricity sector. Besides having commenced projects in the area of electricity generation, EDP assumed shareholder and operating control in Bandeirante Energia S.A. – an electricity distribution company based in the State of São Paulo – following the success of a takeover bid launched in November.

As for the EDP Group's presence in the telecommunications sector, the strong strategic investment in this arena materialised in the ONI project. This project, which was embarked on with two other major Portuguese economic groups – Banco Comercial Português and Galp Energia – constitutes the first step along the secure path to the attainment of a leading role in this field. The extension of the EDP Group's activity to this sector translates the logical rationalisa-

tion of existing infrastructures and the optimisation of the opportunity presented by the liberalisation of the country's telecommunications market. Taking advantage of the proximity and good relations with more than five million electricity customers, we intend to maximise the value of the EDP Group's optic fibre infrastructure.

The creation of ONI represented a decisive step in the implementation of our strategy for telecommunications: this company commenced its activity as a fixed-network telecoms operator, attaining a prominent position amongst the new operators. Still in 2000, ONI headed a consortium of companies – ONI Way – which was awarded one of the four licences for the operation of third generation mobile telecommunications (UMTS) following the holding of a public tender.

The Group also pursues a policy of approximation to the principal national operators in the water and sanitation (AdP – Águas de Portugal) and oil and natural gas (GALP Energia) sectors, with a view to developing the capacity to offer in an innovative manner a diversified array of services to its customers.

The EDP Group's net income for 2000 was PTE 110 billion, an improvement of 6.8% on the previous year. On the other hand, the Group's operating profit was lower as a result of three key factors. The first is linked to the loss of the operating margin relating to REN stemming from the sale of a controlling interest to the Portuguese State, the effects of which have been partially compensated by net financial items. The second is associated with the consolidation of the negative operating profit of the telecommunications business – which is quite normal in the first years' of any company's operations. The third relates to the early recogni-



tion, as a reduction of electricity sales to final customers, of tariff adjustments which according to regulations currently in force are already reflected in the tariffs for 2001 (in part) or which will be taken into consideration in the 2002 tariffs (the other part).

Notwithstanding the heavy capital expenditure in the electricity business both in Portugal and Brazil, as well as the start-up of telecommunications activity, the EDP Group's Board of Directors is going to propose to the Shareholders' General Meeting the payment of a dividend of PTE 28 per share, which is equivalent to last year's distribution. The proposed dividend corresponds to 76% of the past year's net income and reflects the EDP Group's commitment to share with all its shareholders a large portion of the value created by the company.

We find ourselves at a time of unquestionable progress. But it is not an easy time. We face a situation where we have to guarantee the solid position we presently hold and, at the same time, we must structure the future in order to overcome all the challenges that will inevitably appear on the horizon.

We wish to transmit a new institutional image of EDP. An image which combines traditional values such as the company's security and solid base, customer orientation, the unceasing quest for the creation of shareholder value, while simultaneously boosting new concepts such as innovation and motivation for change that form an integral part of the expansion into new business areas and markets offering substantial growth potential.

It is our arduous yet stimulating task to give concrete form to this image. We shall achieve this by improving the quality of our service, boosting the efficiency of our business areas, creating value on all the fronts in which we are involved. Equally we want to give continuity to our status of a citizen-company of which we are justifiably proud, and which includes in our concerns an active participation in cultural initiatives, environmental preservation and the debate concerning sustainable development.

On behalf of the Board of Directors, I reaffirm my confidence in the strategy mapped out and the determination in its implementation, in the certainty of counting upon the EDP Group's capacity to ensure greater customer satisfaction, the increased realisation of our employees and the permanent creation of value for our shareholders.

Francisco de la Fuente Sánchez
Presidente

/

/



The EDP Group

Principal Consolidated Data	2000	1999	Var. 00/99
<u>Economic and Financial Data</u>			
<small>(PTE million)</small>			
Turnover (1)	771,153	615,883	25.2%
Operating Profit	145,222	181,702	-20.1%
Net Income	110,059	103,035	6.8%
Cash-Flow before Capital Expenditure (2)	243,982	234,082	4.2%
Operating Capital Expenditure	127,042	125,738	1.0%
Financial Investment	310,118	182,089	70.3%
Net Total Assets	2,984,562	2,748,522	8.6%
Shareholders' funds	1,243,937	1,214,897	2.4%
Total Liabilities	1,733,158	1,533,624	13.0%
Interest-bearing Debt	1,004,890	875,837	14.7%
Stock Market Capitalisation	2,117,090	2,084,612	1.6%
<u>Indicators</u>			
<small>(%)</small>			
Return of Shareholders' funds (3)	8.8	8.5	4.3%
Capital Structure (4)	80.8	72.1	12.1%
Solvency (5)	172.2	179.2	-3.9%
<u>Activity Details</u>			
Number of Employees			
Electricity	12,722	13,879	-8.3%
Telecommunications and Information Technologies	10,526	12,051	-12.7%
Other	1,470	1,095	34.2%
	726	733	-1.0%
Electricity in Portugal			
Electric Power Generation (GWh)	25,754	25,112	2.6%
Sales of Electric Power (GWh)	34,176	32,280	5.9%
Number of Electricity Customers	5,415,313	5,291,520	2.3%
SEP	5,415,304	5,291,520	2.3%
SENV	9	-	
Customers / Workers of Electricity Distribution	659	586	12.4%
Distribution Sales / Distribution Workers (PTE 000's)	73,401	65,329	12.4%
Telecommunications and Information Technologies			
Number of Telephone Lines	290,652	n.a.	
Number of prepaid cards	472,787	n.a.	
Registered Internet Accounts	263,576	n.a.	
Accumulated Telephone Service (minutes)	115,000,000	n.a.	
Accumulated Internet Service Access (minutes)	223,000,000	n.a.	
Overseas Electricity Business (Internationalisation)			
Electricity Sales (GWh) (6)	53,765	48,799	10.2%
Number of Customers (6)	8,224,974	7,536,302	9.1%
Number of Workers (6)	12,524	11,232	11.5%

(1) The turnover variation reflects the accounting impact on the deconsolidation of REN on the second half year 2000. For that purpose, Electricity Sales in 2000 include, not only EDP Distribuição's sales, but also the CPPE and Erenova sales (sales of the EDP's Generation Companies) to REN, to the amount of PTE 120 billion. The turnover is not comparable in 1999 and 2000

(2) Net income + Depreciation + Net provisions +/- Hidraulicity correction

(3) Net income / Shareholders' funds

(4) Liabilities / Shareholders' funds

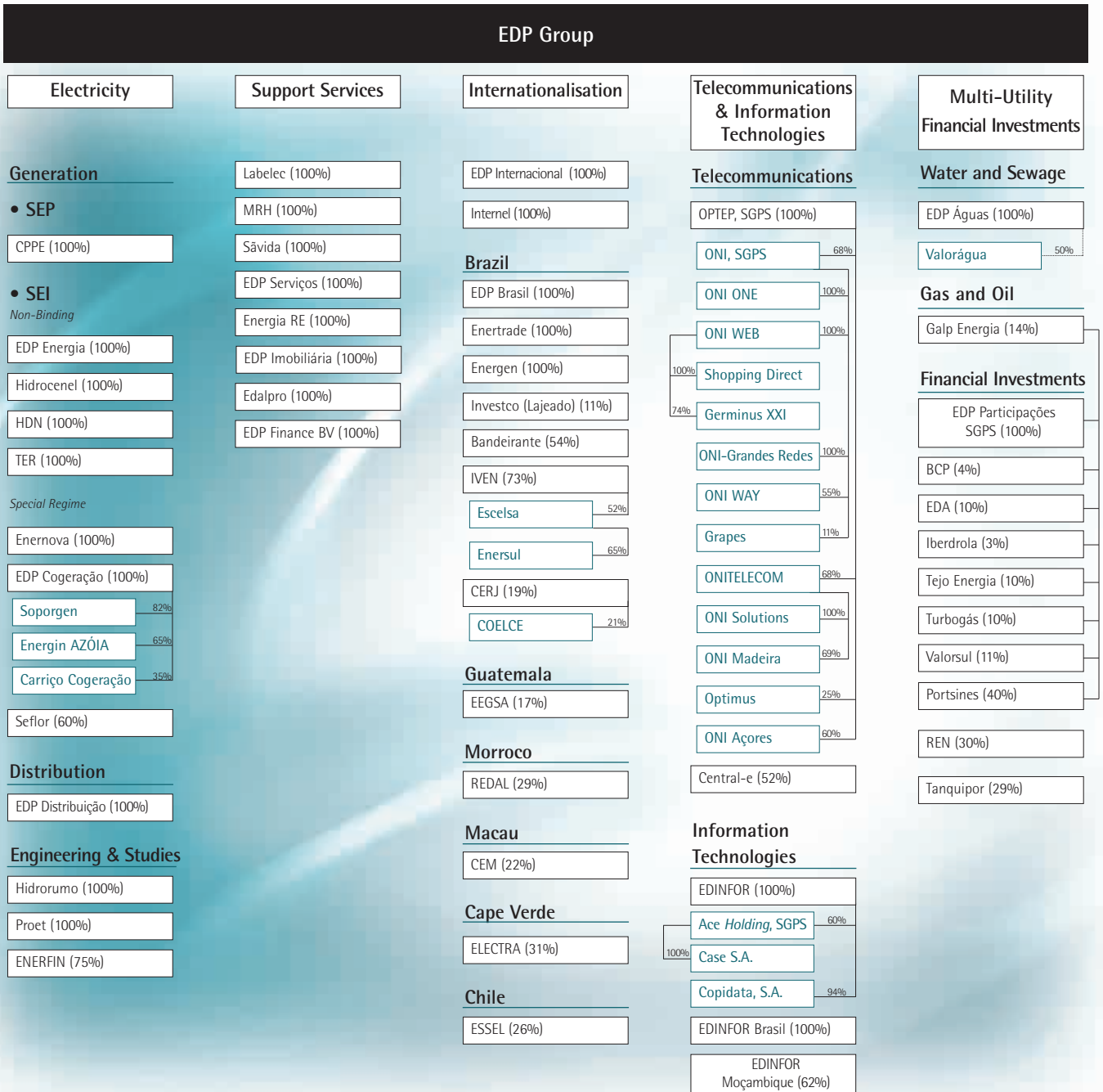
(5) Assets / Liabilities

(6) Considers the total amount of each subsidiary of EDP





Organisation Structure



(% rounded figures)



Board of Directors

From left to right:

Eng.º Vasco Fernandes Pereira Valente

Dr. Manuel de Jesus Martins

Eng.º Jorge Fernando Alves Ferreira Guimarães

Eng.º Francisco de la Fuente Sánchez

Dr. Rui Miguel de Oliveira Horta e Costa

Eng.º António Manuel Barreto Pita de Abreu

Dr. Fernando Noronha Leal



EDP's Governing Bodies

Members of the Governing Bodies of EDP – Electricidade de Portugal, S.A. (EDP Group Holding Company)

Three-year period 2000-2002

General Meeting Committee

Chairman Dr. José Manuel Galvão Teles

Vice-Chairman Dr. António Campos Pires Caiado

Board of Directors

Chairman Eng. Francisco de la Fuente Sánchez ⁽¹⁾

Vice-Chairman Eng. Jorge Fernando Alves Ferreira Guimarães

Member Dr. Rui Miguel de Oliveira Horta e Costa

Member Dr. Fernando Noronha Leal

Member Eng. António Manuel Barreto Pita de Abreu

Member Eng. Vasco Fernandes Pereira Valente

Member Dr. Manuel de Jesus Martins ⁽²⁾

Member Iberdrola, S.A., representada por
Eng. Ignacio Francisco Javier Herrero Sorriqueta

Member Eng. Jorge Manuel Jardim Gonçalves

Member Prof. Eng. João Afonso Ramalho Pereira Bento

Member Prof. Dr. Ernâni Rodrigues Lopes

Sole Supervisors

In Office Bernardes, Sismeiro & Associados, Statutory Auditors
represented by Dr. Carlos Marques Bernardes, Statutory Auditor

Alternate Dr. Severo Praxedes Soares, Statutory Auditor

Company Secretary

In Office Dr. Manuel Jorge Pombo Cruchinho

Alternate Dr. António José Marrachinho Soares

(1) Elected at the Extraordinary General Meeting of 18 de October 2000

(2) Co-opted by the Board of Directors on 3 October 2000, ratified at the Extraordinary General Meeting of de October 18 2000

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Directors' Report



Macroeconomic Background

International background

World economic growth in 2000 was 4.75% and according to OECD forecasts should be situated at plus 4% in 2001 and 2002. In the restrictive case of OECD countries, the figure for 2000 is less optimistic (4.25%), while growth in 2002 is expected to be 3%. As regards Portugal, Bank of Portugal data point to GDP growth of 3.4% in 2000 on the heels of a positive variation of 2.5% in 1999.

The deceleration in the world economy observed as from the closing stages of 2000 is essentially explained by three factors: the oil price (currently around 60% higher than the average price in 1999); the depressed state of the stock markets; and the Euro's continuous devaluation against the North American dollar.

The American economy began to slow down midway through 2000 as a result of the rise in interest rates. The beginning of the year saw a state of euphoria gripping the equity markets due fundamentally to the shares of the so-called new economy, whose prices assumed overly optimistic profits. The industrial indices of the so-called "old economy" also tracked this bullish direction. However, the speed of the American economy's downturn in the final part of the year, contributed to the decision taken by North America's Federal Reserve to cut interest rates at the beginning of 2001.

Turning to the Japanese economy, we observed a situation that has been dragging on for some years now

and which is characterised by low interest rates and weak economic growth (which is projected to be situated at between 2 and 2.25% in 2001 and 2002).

Latin America continues to recover from the crisis which plagued emerging economies between 1997 and 1998. The GDP growth in this region, which was virtually nil in 1999, was 4.25% in 2000 and forecast at 4.5% in 2001, at the same time as inflation is expected to remain relatively low (just one digit) in the majority of countries. Certain countries, such as Brazil, Mexico and Chile, present higher growth rates than the majority of the region's other countries.

Portuguese / EURO area economies

The euro area posted growth of 3.4% in 2000 against 2.5% in 1999. As referred to earlier, Portugal's GDP growth was also 3.4%, with a qualitative change occurring in the growth factors: a slowdown in the contribution from domestic demand and a less negative contribution from net external demand to economic growth.

The unemployment rate in euro zone countries is hovering around 8.8% (compared with 9.6% in 1999) and at 4% in Portugal. According to European Commission figures released in November 2000, unit labour costs relating to the whole of the Portuguese economy decelerated from 4.1% in 1999 to 3.9% in 2000. However, economic competitiveness receded, as borne

out by the widening of the differential when compared to the EU average from 2.5% in 1999 to 2.8% in 2000. Salaries outpaced both productivity and the economy's growth.

We also witnessed a climb in the Consumer Price Index from 2.3% in 1999 to 2.8% in 2000.

In spite of the globally positive indicators both in the euro zone and in Portugal, confidence indices relating to the economy deteriorated towards the end of 2000 and the early stages of 2001, the effects of which will be reflected already in 2001.



The four strategic areas for the EDP Group's development

EDP is today one of Europe's major operators in the electrical sector. Benefiting from the experience gained in the electricity business, the efficiency and competitiveness of its infrastructures, the acknowledged competence of its human resources and its large customer base, the EDP Group has expanded its activity into new businesses and new markets.

In this way, the Group has been consolidating its action in the four prime areas on which it based its publicly-announced global strategy, more precisely, at the time of the most recent privatisation phase: the national electricity sector, multi-utility services, internationalisation and telecommunications.

The EDP Group is determined to preserve its leading position in the Portuguese electricity sector, and already has an important share of the non-binding system's customers.

Taking advantage of the experience acquired as a service provider in the electricity sector, EDP is committed to broadening its sphere of commercial involvement to the natural gas and water businesses, with the ultimate goal of becoming a multi-utility company.

Also committed to other geographic markets, EDP has been pursuing a policy of reinforcing its international position in areas with high growth potential for electric power consumption, stamping its presence in Africa, Macau and Latin America, with a particularly strong implantation in Brazil.

The telecommunications sector represents a new business area for the EDP Group. The Group's intervention in this sector is spearheaded by ONI, which has been recording progress in its goal of becoming a leading player in a sector undergoing continuous growth and drawing much attention, intensifying its presence in the field of new information technologies and telecommunications. ONI, which commenced its activity on January 1 2000, is today the leader amongst the new fixed-line telecommunication operators. The partnerships concluded by EDP – namely the strategic alliance with BCP – and by ONI at both national and international level, strengthen its capacities in this sector.

Electricity in Portugal

Strategy

Firmly committed to four areas, EDP's strategy is naturally centred on the electricity sector, not only on account of the company's historical business mission, but also and above all as a result of the most recent structural changes and those which are beginning to surface on the horizon in a sector displaying strong dynamism.

In the electricity sector EDP is confronted with such contrasting realities as carrying out activities subject to regulation while simultaneously operating in a competitive market, but always with the primary objective of supplying electricity and associated services to its customers, ensuring appropriate efficiency and quality.

Regulation and liberalisation are the two facets that presently influence EDP's activity in the Portuguese electricity sector, to the extent that they exert pressure on both business margins, in the case of regulation, and market share, in the case of liberalisation.

EDP has been consolidating its position within the sector through the development of suitable responses to the challenges posed by regulation and liberalisation in the internal energy market.

Regulation seeks to define framework standards for all those who are directly involved with the system, imposing limits upon the respective flexibility of operation and prescribing specific rules of behaviour applicable to electrical sector operators.

Regulation also has a determining role in the definition of prices and other commercial conditions pertaining to the provision of services involving electricity supply in its various forms, thus affecting the economic and financial performance of the companies supplying power.

It is worth noting that during the first period of regulation (1999-2001), the SEP's (Public Electricity System) tariffs and the tariffs for third parties' access to the grid suffered a significant decrease which subjected the EDP Group's operating margins to marked pressure.

As regards the binding system's generating and distribution areas, 2000 saw the start of far-reaching remodelling of the respective business and organisational structures aimed at securing greater efficiency in the use of resources, notably through the rationalisation of controllable costs. It was within this context that the Group's four distribution companies (EN, CENEL, LTE, SLE) were merged at the beginning of 2000, giving rise to a single business entity, EDP Distribuição - Energia, S.A. With the same goal, preparatory studies were conducted into the reorganisation of the Group's electricity-generating companies that should result in their grouping under a new sub-holding company - EDP Produção.

The creation of EDP Produção will constitute yet another step in the EDP Group's reorganisation strategy, with the following objectives: the integrated management of the various aspects of the EDP Group's power generation business, as well as the centralisation of



the support functions for the universe of companies involved.

The quest for greater Group efficiency in the electricity business has translated itself into improved productivity indicators, both in distribution (electricity sales in GWh / employee) and in generation (installed capacity in MW / employee).

The Group's reorganisation and rationalisation drive will increase EDP's ability to respond to the challenges imposed by the national electricity sector's regulation, thereby affording customers better services under more competitive commercial conditions.

The 2000 financial year was marked by the materialisation of the first effects of electricity sector's liberalisation in terms of consumption. In reality, the year saw 18 electricity customers (out of a universe of around 180 "eligible" customers) set in motion and conclude the technical and administrative procedures needed to gain the "non-binding customer" status. This situation allows them to opt for contracting their electric power supplies from any other entity which is legally qualified for this purpose.

Notwithstanding the fact that it was only in the year under review that we registered the departure of SEP (binding system) customers, the Group had already anticipated such a scenario some time ago. Hence, it had prepared itself not only to face this threat, but also to transform it into new opportunities for business. In this regard, action plans were implemented at two levels: in the area of the Group's binding-system companies subject to regulation, on the one hand, and in the area of those companies operating within the SENV - the non-binding system, on the other.

Within the ambit of the SENV, the EDP Group incorporated a business entity exclusively dedicated to operating in a competitive market. In this fashion, the Group seeks to maintain those customers who turn to the non-binding system for more competitive responses to their electric energy requirements which, perhaps, the system subject to regulated tariff mechanisms (where EDP Distribuição Energia operates) is not capable of offering.

This new business entity - EDP Energia, S.A. - was formed and commenced its operations during 2000. The company was constituted on the back of the previous company Hidrotejo, which was integrated in the non-binding system and was the proprietor of a number of small hydroelectric generating facilities. Thus, EDP Energia was immediately endowed with generating capacity which, coupled with the contracting of supplies from our neighbouring country, enables it to meet the energy needs of the customers it signed up during the year. The Group's presence in the competitive electricity market has, therefore, been secured.

However, the prospects of this market's rapid development and the consequent need to boost EDP Energia's capacity led to EDP's decision to build a new thermo-electric generating plant exclusively dedicated to the Non-Binding Electricity System. Hence, the TER - Termoeléctrica do Ribatejo project was born that will involve the construction of a natural-gas-fired combined-cycle power station with an overall power rating of some 1,200 MW (800 MW in the first phase), to be erected next to CPPE's existing Carregado power station.

The EDP Group is also grooming itself for the electricity sector's liberalisation at European level. The open-

ing up of Europe's energy markets (including natural gas), strongly propelled by the European Commission and implemented to a greater or lesser degree by the Union's member states, has resulted in the creation of regional markets thus far, each one comprising a restricted number of countries.

One of these markets is clearly the Iberian market, even by reason of existing restrictions on electricity traffic between Spain and France due to the technical limitations which affect the existing interconnections between these two countries' transmission grids. It is in this Iberian market that EDP intends to concentrate. For this reason, the company has focused its attention on our neighbour's electricity sector. Concrete initiatives include the operation launched at the beginning of 2001 directed at ensuring operating control of Spain's fourth largest electricity operator. Should this operation succeed, EDP will become the second biggest business group in the Peninsula's electricity sector, thereby preserving and consolidating its position in the Iberian power market.

The electricity sector in Portugal

Organisation

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

Forming part of the SEP is the National Transmission Grid (RNT), operated under a concession public-service regime by Rede Eléctrica Nacional (REN), the Binding Producers and Distributors of electric energy who are bound to it by means of a contractual regime. Under this system, these operators assume the obligation to supply the SEP or be supplied by it, with the object of ensuring an adequate supply of energy, security of supply and protection of the environment.

The Binding Producers have commercial ties with REN through long-term contracts providing for exclusive supply. Binding Distribution is obliged to supply SEP customers the electric power which they contract for in accordance with the tariffs and conditions laid down by the ERSE – the Electricity Sector Regulator.

As part of the SEP's public service obligations and with the object of guaranteeing adequate energy supplies, the electricity generating system is centrally planned. It is the government's responsibility not only to plan the expansion of the power generating system, but also to take decisions regarding the construction of new power stations. The adjudication process for the building and operation of new power generating centres must be the object of international public tenders that culminate in the stringent selection of the best bid.



The SEI comprises the Non-Binding Electricity System (SENV), which is governed by free market rules, and the Special Generation Regime. Forming part of the SENV are producers and customers who meet the minimum consumption thresholds fixed by the ERSE and who exercise such option. Non-binding customers are entitled to use the SEP's networks through the payment of the relevant regulated tariffs. Besides the SENV, the SEI comprises the Special Generation Regime, which includes electricity generation from renewable energies or at cogeneration installations that effect deliveries to the SEP's network under the terms of specific legislation and subject to a tariff scheme based on the SEP's avoided costs and an environmental premium.

It is the ERSE's responsibility to supervise compliance with the SEP's functioning rules and the relations between the SEP and the SENV, to establish the criteria for customers eligibility to join the SENV, and to regulate activities undertaken within the ambit of the SEP, namely the annual revision of regulated tariffs. The first period of regulation was fixed between 1999 and 2001; the new regulatory period commences on January 1 2002.

Rede Eléctrica Nacional (REN)

Rede Eléctrica Nacional (REN) is the concessionaire of the National Transmission Grid (RNT), the central nucleus of the national electrical system.

REN is obliged to undertake the overall technical management of the SEP and the functional coordination of the SEP's installations and connected to it, to guarantee the optimal operation of the SEP, and to centralise

the commercial relations between the SEP and the SENV.

As contemplated in the legislation which transposes the relevant Community Directive (Directive 96/92/CE) in Portugal, EDP effected the legal separation of the companies responsible for the management of the transmission grid, as well as of the companies involved in electricity generation and distribution activities.

The Portuguese State, in harmony with the most advanced sectoral liberalisation in Europe, decided to separate REN from the other EDP Group companies on November 24 2000.

This orientation also had its origin in the regulatory developments drafted from legislation approved in 1995 and 1997 which created within the REN the concept of autonomising the principal functions within the electricity system, such as the SEP's Commercial Agent, the Pool Operator, the System Operator, the Account Settlement and the Electric Energy Transmission.

The Portuguese State became the major shareholder in REN, holding 70% of the respective capital, while EDP retained an interest of 30%. The contractual relations between REN and the EDP Group companies will not be affected by the deal, that is, the power purchase agreements (PPA's) with CPPE and the supply contracts with EDP-Distribuição.

EDP's positioning

The EDP Group occupies a prominent position in the SEP:

→ In generation, through CPPE, which owns about 82% of the SEP's installed generating capacity, and

through minority interests (10%) in the capital of the producers TejoEnergia and Turbogás;

- In transmission, with a 30% shareholding in REN;
- In distribution and supply, where it owns EDP Distribuição, high and medium-voltage binding distributor and holder of the concession for distribution in low voltage electric power.

Geared up to face the market's challenges, the EDP Group has been searching for new forms of participation in the electricity sector, and in particular in the SENV via EDP-Energia.

EDP Energia commenced the supply of electric power to non-binding customers in May, gaining a market share of 50%: at the end of the year, it had 9 of the 18 customers operating in the SENV.

The EDP Group intends to expand its presence in the market (SENV) both through EDP Energia's operations and via TER-Termoeléctrica do Ribatejo, the EDP-controlled company which has already called a public tender for the construction of a new natural-gas-fired combined-cycle power station. This complex's first generating unit of 380 MW is scheduled to enter industrial service in the first half of 2004.

Regulation

Opening up of the markets

Complying with Directive 96/92/CE which lays down the common rules for the internal electricity market, the ERSE prescribed the minimum limit for electricity consumption that confers the right of access to the statute of non-binding customer for the years 1999,

2000 and 2001, at respectively 30, 20 and 9 GWh. It also defined the period of prior notice for joining the SENV and the portion of power and energy needs that the entities holding binding distribution licences in MV and HV can acquire outside the SEP (free portion which is currently situated at 8%).

During 1999 and 2000, SEP customers with an annual consumption of more than 9 GWh (and below 30 or 20 GWh) which wish to adhere to the SENV, can request the respective accession through the payment of compensation to the SEP.

Taking into account the consumption recorded in 2000, the consumption threshold of 9 GWh/year corresponds to roughly 25% of the country's total electricity consumption. Given that binding distribution can acquire up to 8% of its requirements outside the SEP, it can be concluded that Portugal presents a level of market openness of around 33%, thus exceeding the minimum quota (30.27%) imposed by the Community Directive.

In December 2000, there were 18 non-binding customers whose consumption in 2000 represented 216.7 GWh, that is, around 0.6% of EDP's total supplies.

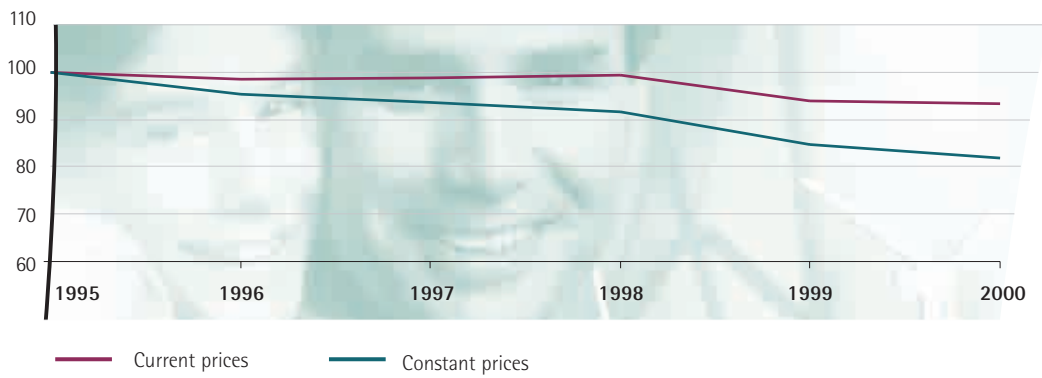
Evolution of Tariffs

In the last five years, average electricity prices have registered an annual average decrease in real terms of about 4 per cent in the low-voltage segment, and of about 7 per cent for the whole of the remaining segments: medium, high and very-high voltage.

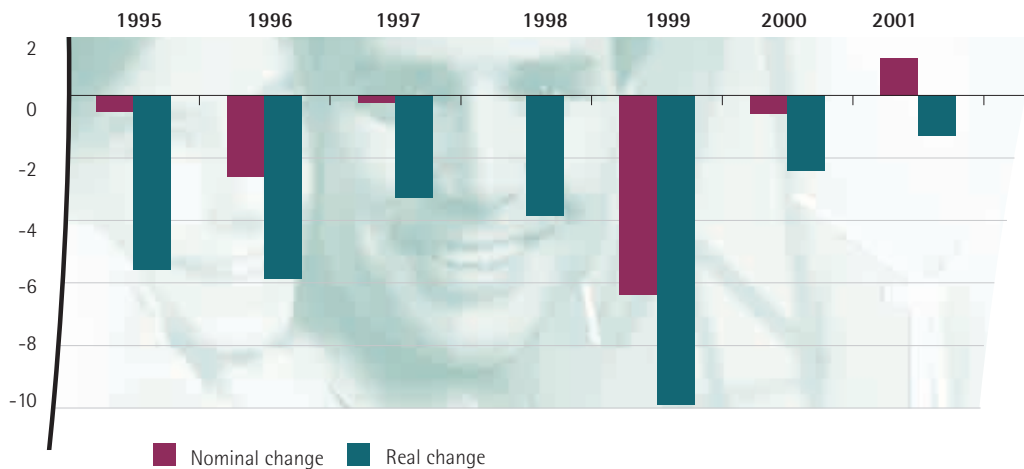
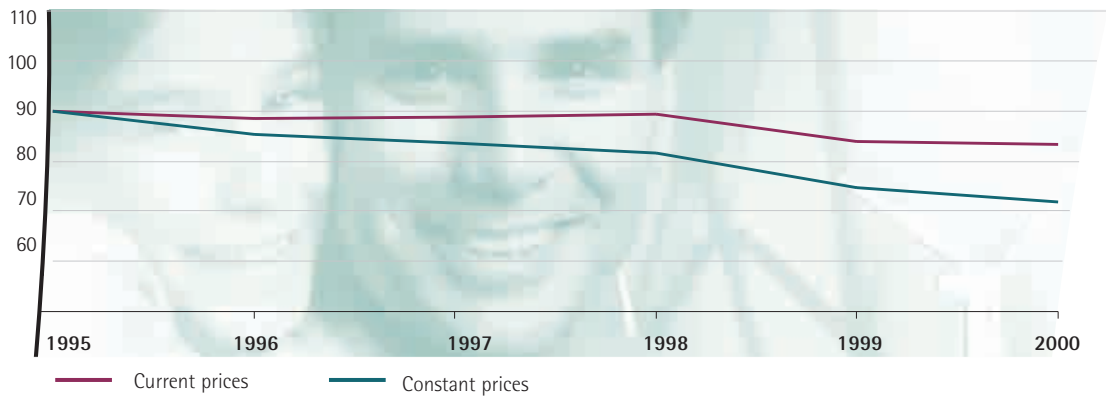


The following charts show the trend in average prices for the various segments in the period 1995-2000 at current and constant prices.

Trend in average medium/high and very-high voltage prices



Trend in average low-voltage prices



Electricity prices

The tariffs fixed by the ERSE to apply in 2000 represented a nominal decline of 0.6% relative to 1999 in the prices of electric energy supplied to final SEP customers. This reduction was applied to all customer segments (voltage levels).

In terms of access tariffs to the SEP (tariff for network usage and global use of the system), the nominal decline was much more pronounced, translating itself, for a rectangular consumption profile, into decreases of around 6%, 8.5% and 9.5% respectively for the medium, high and very-high voltage segments.

It is worth pointing out that at the beginning of the first period of regulation in 1999, the ERSE fixed the various parameters to apply up until 2001 (inclusive), namely those relating to the revenues recognised for the use of the distribution and sales networks.

At the end of November 2000, the ERSE fixed tariffs to be applied to the SEP's final customers for 2001 and which corresponds to an average nominal increase of 1.2%, practically uniform at all voltage levels. On the other hand, the ERSE, giving continuity to EDP's substantiated proposals, included in the tariffs for 2001 a number of alterations to the tariff structure then in force, namely:

- The introduction of an additional hourly period, called the super off-peak period, applied to the VHV, HV and MV tariffs; in the case of the last-mentioned, for contracted power in excess of 2 MW;
- A new interruptible option, as well as a new form of valuing this option;

- The introduction of a new power rating scale in the low voltage segment;
- The greater attractiveness of the low voltage bi-hourly tariff;
- At each voltage level, the gradual convergence of off-peak energy prices at the various tariff options and seasonal periods.

International price comparison

Based on a survey conducted on January 1 2000 by EUROSTAT covering electricity prices applied to the various standard domestic and industrial consumers, average prices in Portugal's residential segment were around 3.3% below the EU15 average, while in the segment they were situated at 0.9% above the EU15 average.

It must be pointed out that in the light of the increased liberalisation in the industrial segment, prevailing prices have a tendency to become increasingly market-based prices which, of course, can diverge from the published tariffs for final customers.

Considering the average prices of services in Portugal and in the other EU15 countries, estimated on the basis of Portugal's consumption structure, it may be concluded that the overall average price is around 1.7 per cent below the EU15 average.

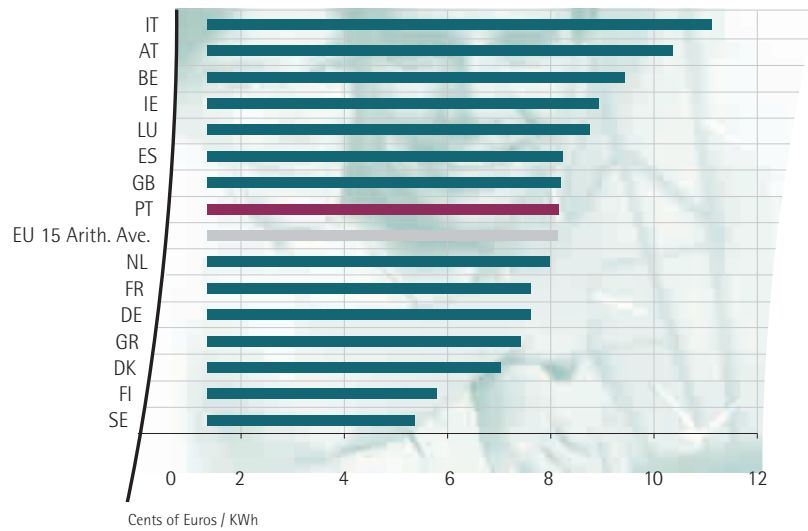
The following charts present a comparison of electric energy prices in mainland Portugal for domestic and industrial uses relative to the group of EU15 countries with reference to January 1 2000.



Household Consumer



Industrial Consumer



Quality of service

The quality of service provided by SEP entities must comply with the minimum quality standards laid down in the Service Quality Regulations (RQS), published in Dispatch 12917 – A/2000, of June 23 2000. These regulations have been in force since January 1 2001, with the exception of the compensation provisions which become effective on July 1 2001.

The drafting of the RQS, as well as any amendments thereto, are the responsibility of the Directorate-General for Energy, while the ERSE is responsible for verifying complete compliance with the Regulations.

The RQS sets out the regulatory requirements relating to the quality of energy supplied (quality of the voltage wave), continuity of electric power supply, quality of attendance in the provision of services to electricity consumers, defini-

tion of the quality standards that must be observed in the public service provision of electric power supply, and the compensation due to consumers in the event of non-compliance with the quality standards.

Generating activity

Binding generation

EDP maintains a key position in the SEP's binding generation system through CPPE- Companhia Portuguesa de Produção de Electricidade, S.A, with its installed capacity of 7,184 MW (market share of 82%), of which 3,903 MW relate to hydroelectric schemes and the remaining 3,281 MW to conventional thermal power plants.

EDP also has participating interests of 10% in the producers TEJO ENERGIA and TURBOGÁS.

Binding Producers	Contracted power (MW)
CPPE hydroelectric power stations (EDP Group)	3,903
CPPE thermoelectric power stations (EDP Group)	3,281
Thermoelectric power plants of other SEP producers	1,574
Pego	584
Tapada do Outeiro	990
Total	8,758

CPPE's net generation in 2000 was 24,058GWh, of which 10,443 GWh was produced at hydro plants and 13,770 GWh at thermal plants. Hydro-sourced generation results from hydraulicity that was slightly above average, due fundamentally the high hydro capability factors recorded in November and December.

As a result of the above-mentioned hydraulicity regime, CPPE's share in the universe of binding generation to supply the SEP was 69.6%, which is marginally higher than that of the preceding year (68%).

Net Generation (GWh)	1996	1997	1998	1999	2000
CPPE	24,350	23,036	26,898	23,459	24,058
TEJO ENERGIA	3,261	3,605	2,796	4,822	4,599
TURBOGÁS	-	-	1,261	6,129	5,894

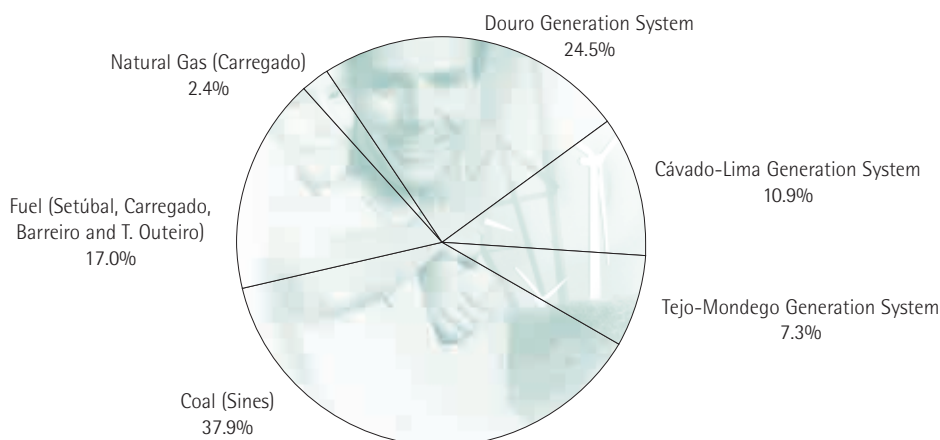


CPPE's net generation figures for 2000 represent an increase of some 2.3% relative to 1999. However, the contribution from hydro-based power was 58% higher than that registered in the previous year.

Coal-fired generation (Sines power station) accounted for around 66% of CPPE's total thermal generation and about 38% of its overall generation. In hydroelectric generation, the power stations belonging to the Douro Generating Centre contributed around 24% to CPPE's total generation.

Another noteworthy trend was the storage levels at CPPE's reservoirs, which at the end of the year stood at 2,060 GWh, the highest level of the last 15 years, representing 85% of the maximum capacity compared with just 58% a year earlier.

CPPE net generation in 2000 (GWh)



Thermoelectric power generation accounted for the following fuel consumption: 3,456 thousand tons of coal, 1,052 thousand tons of fuel-oil and 142 million m³ of natural gas.

Confirming the favourable trend of recent years, the availability of CPPE's power generating centres in 2000 was situated at 93.1% for thermoelectric plants – despite the prolonged stoppage of the Sines power station's no. 4 generating unit owing to the installation of burners with low-content NO_x emissions – and at 94.7% in respect of hydroelectric power stations. These figures can be considered to be amongst the best when compared with similar companies, and reflect the Company's sustained efforts in this domain.

	1997	1998	1999	2000
Hydro availability (%)	91.6	96.1	94.3	94.7
Thermal availability (%)	88.6	90.4	92.7	93.1
MW/Worker	3.5	3.8	4.0	4.2

Key facts and indicators

The following facts merit special mention:

- Conclusion and commissioning of the Hydroelectric Power Stations' Remote Control Centre (Single Remote Control), situated in Bagaúste (Régua), which will control the 63 generating units that form part of CPPE's 25 hydroelectric power plants;
- In the area of the Environmental Certification of the Thermoelectric Power Plants, the Lloyd's Register Quality Assurance auditor concluded the final audits of the Barreiro and Carregado power stations' Environmental Management Systems in October and December respectively, having issued a favourable opinion in respect thereof;
- Work was concluded at the Sines power station for the implementation of the primary measures for reducing atmospheric emissions, with the installation at generating unit 4 (last group) of new low-content nitrogen oxide burners.

Special regime generation

Renewable energies – wind and biomass

Keeping abreast of the growing world trend in the development of renewable energies, with a consequent contribution to a greater diversification in primary energy sources, EDP - via ENERNOVA - pursued an active strategy in this domain.

Thus, in the wind-powered area, the Cabeço da Rainha wind farm was added to the two wind farms already in operation - Fonte da Mesa and Pena Sur. On the other hand, work began on the construction of the Cadafaz wind farm, at the same time as studies were conducted into other projects.

In the biomass arena, work continued on streamlining functioning conditions at the Mortágua Forest Waste Plant, while studies were carried out into other capital projects.

Cogeneration

Through the medium of EDP Cogeração, EDP essentially concentrated its attention on two areas of operation - the national cogeneration market and lending support to EDP Internacional.

As regards the national cogeneration market, initiatives were directed at three levels:

- Detection of new projects - approach to EDP's large customers who are already motivated towards this form of energy optimisation, with important repercussions from the viewpoint of the costs of their manufacturing processes;



- Implementation of projects in progress – materialisation of two projects previously under tender, those of ENERGIN AZÓIA (SOLVAY PORTUGAL) and CARRIÇO COGERAÇÃO (UNITECA -União Industrial Têxtil e Química);
- Operational management of implemented projects – operational management of the cogeneration plant belonging to SOPORGEN – Sociedade Portuguesa de Geração de Electricidade e Calor, S.A., a company in which EDP has a majority interest. This plant which entered into industrial service in 2000 supplies heat and electricity to Soporcel – Sociedade Portuguesa de Papel, S.A.

In this context, the company has entered into partnership with GALP POWER with a view to collaborating in cogeneration projects involving natural gas, with both parties combining their expertise in the electricity and gas industries.

The support given to EDP Internacional took the form of collaboration in cogeneration projects currently under way in Brazil, namely in the implementation/construction of the cogeneration plant on the outskirts of FAFEN – Fábrica de Fertilizantes Nitrogenados da Bahia, which is owned by PETROBRÁS. In parallel, the company collaborated in work carried out under the Priority Programme for Thermoelectric Generation in Brazil, which was launched by the Brazilian government.

Non-binding generation

Non-binding hydro plants

The EDP Group's presence in the non-binding generation segment is ensured via EDP Energia, HDN and Hidrocel, which own and operate a number of hydroelectric generating centres with a total installed capacity of 271 MW.

In 2000, power generated by the above companies attained figures of 232, 239 and 154 GWh, making a total of 625 GWh and which represents an increase of 39.2% relative to the previous year.

In general, electricity produced by the non-binding power stations is sold to EDP Distribuição, in terms of the quota this company can acquire annually outside of the Public Electricity System (SEP). However, as from May 2000 the Belver power station (integrated in EDP Energia) started to be used in the Non-Binding Electricity System (SENV) through the Supply Manager, thereby rendering viable deliveries of energy to customers who had adhered to this system.

New natural-gas-fired combined-cycle power station

TER – Termoelétrica do Ribatejo, S.A., which was formally incorporated in November 1999, undertook the necessary measures during 2000 for the launching of a project involving the establishment of a new natural-gas-fired combined-cycle power station to be built at Carregado, on land adjoining the existing Carregado power station. This capital project will be called the Ribatejo Thermoelectric Power Plant.

Initial work centred around the definition of the project's specifications, in particular, its new configuration within the SENV as an alternative to the initial solution that envisaged its integration into the SEP.

This alteration was embodied in Cabinet Resolution 89/2000, of June 29 2000, on the assumption of compliance with the objectives set for national energy policy.

This Resolution gave favourable continuity to the application formulated in August 2000 by TER to the DGE (Directorate-General for Energy) for the granting of a non-binding generating licence. This led to the start of the administrative procedure for the granting of the licence, as well as issues relating to the signing of a contract with REN for the surface rights on the relevant tract of land.

The environmental impact study for the new plant was launched in April 2000 by REN, including a study into the infrastructures of the network needed to channel the energy produced at the new power plant.

Preparations were made for the tender process and the launching of an international tender for the construction, supply, installation and testing of the two generating units, with the option of a third. These three generating units, which the market currently supplies with power ratings in the order of 380 MW, are scheduled to be commissioned in 2003, 2004 and 2006.

2001 will be a critical year for this project's development in view of the fact that it is indispensable for satisfying not only national electricity consumption through the medium of this power plant (with its superior environmental quality and high energy efficiency), but also for compliance with the undertakings as-

sumed as regards the close coordination with the entry into service of the GNL terminal being built at Sines.

Engineering

The EDP Group possesses a strong nucleus specialising in engineering, project management and works supervision. This capability is essentially geared to supporting activities carried out within the scope of the electricity sector, both at home and abroad. This nucleus was formed from the company's structures that were traditionally dedicated to projects involving the construction and remodelling of power generating centres, and is presently shared by two companies: PROET and Hidrorumo.

PROET's activity in the past year was marked by the intensive provision of services to Group companies and which accounted for approximately 80% of the company's total turnover.

Major projects initiated during this period included those relating to the future Ribatejo thermoelectric power plant (natural-gas-fired combined cycle), as well as those linked to EDP's potential investments in Brazil in the area of thermoelectric generation. These capital projects entailed the carrying out of studies and ante-projects for licensing purposes, as well as the drawing up of the technical and contractual specifications for the calling of the respective procurement tenders. Activity also involved the contracting and management of the necessary environmental studies.

Still within the EDP Group context, work entailed the provision of engineering, management and supervisory services to CPPE. The company was also involved in



projects relating to EDP Cogeração and the energy enhancement of solid urban waste in the Lisbon metropolitan area (VALORSUL treatment plant).

As concerns work executed outside the EDP universe, the company provided engineering services to EDA - Empresa de Electricidade dos Açores, for the enlargement of the Caldeirão power station and the ante-project for the Terceira (Azores) geothermal power plant.

On the international front, the company continued to act as the independent engineer for the Jorf Lasfar power station, at the same time providing technical and training consultancy services in the selection of sites for future thermoelectric power plants, both on behalf of the ONE - Office Nationale de l'Electricité (Morocco). Engineering services were also provided to the Empresa de Electricidade and government of S. Tomé e Príncipe.

HIDRORUMO's activities in 2000 continued to be centred on drawing up various studies and projects, and in the execution of management and supervisory work covering both new hydroelectric plants and wind farms and the remodelling and rehabilitation of power plants in operation. Also worth noting was the significant increase in activities involving safety control aspects (structural and hydraulic) at dams.

As had been the case in 1999, the company's extra-EDP activity (measured in terms of sales volume) exceeded that carried out for Group companies.

On the domestic market, the company rendered services to EDIA (Alqueva and Pedrógão hydroelectric schemes and the project for the Alqueva-Alamos

Intake System, to INAG (Basin Plans for the rivers Douro, Lima, Cávado, Ave and Leça), to REN and to the Oporto Municipal Council.

Other work carried out locally included the Ribeiradio dam project and the Vila Pouca de Aguiar hydroelectric facility.

Turning to international assignments, the company collaborated in the feasibility studies covering the Peixe and Tupiratins hydroelectric plants at the basin of the river Tocantins in Brazil, as well as the environmental impact study for the Step d'Fourer power station on behalf of ONE - Office Nationale de l'Electricité (Morocco).

Of the work carried out for the EDP Group, the following merit special reference: i) the project, management and supervision of the work aimed at increasing installed capacity at Venda Nova and the evaluation of the environmental impact of the Baixo Sabor and Alto Côa hydroelectric schemes, in both cases for CPPE; ii) the management and supervision of the building of the Cabeço Rainha and Cadafaz wind farms, on behalf of ENERNOVA; iii) the project, management and supervision of the remodelling work and the works for the 1st phase of expanding installed capacity at the Sabugueiro I hydroelectric installation, for HIDROCENEL; iv) the management, supervision and technical assistance of the upgrading work on the equipment forming part of the no. 6 generating unit at the Belver hydroelectric facility, for EDP Energia; v) and the conception and implementation of an Environment Management System in consortium with Aberrance, for the hydroelectric power stations on the river Ave, for HDN.

Binding distribution activity

Reorganisation of the distribution area

The reorganisation of the distribution area initiated in November 1998 culminated in essence in the merger of the four distribution companies – EN, CENEL, LTE and SLE – and the formation of a single company named EDP Distribuição-Energia, S.A. in February 2000.

The following were the principal objectives behind the merger project:

- Significantly increasing the management efficiency of the distribution business;
- Enhancing commercial efficiency within the context of the sector's liberalisation;
- Guaranteeing the sustained leadership, in a profitable manner, in the quality of service provided to the customer.

The reorganisation process entailed, inter alia:

- Identification of the "Mission" and the "Management Principles", as well as the set of values that orchestrate its activity;
- Creation of three business areas: Commercial, Network Management and Network Services;
- Creation of support areas for the business areas and support areas for the Board of Directors.

Other important characteristics of the business areas of EDP Distribuição's new organisational model:

- The commercial business area was segmented according to type of customer (residential and small firms, companies and large customers and local authorities), creating a Marketing unit and the Customer Manager;
- The Network Management business area encompasses all the resources relating to standardisation and technology, planning and control of capital expenditure, and dispatch and control of electrical networks;
- The Network Services business area provides project, construction, maintenance, readings and other services to the other business areas, using its own or outside means. It is also responsible for equipment and materials procurement, as well as the provision of telecommunications services. In the field, this business area is represented by fourteen "Network Areas" and "Infrastructure" activities distributed over three centres - North/Oporto, Centre/Coimbra and South/Lisbon.

Commercial activity

2000 was indelibly marked by the liberalisation process and by the prospect of the entry into force (on January 1 2001) of the Service Quality Regulations. This fact, in tandem with the organisational changes at EDP Distribuição, entailed an additional effort in order to adapt the systems and processes to the new market conditions.

Hence, continuity has been given to the personalisation of service that enables greater customer proximity, in particular, in the residential segment with the creation of a network of franchised shops (Energy Points), access via the Internet and the constitution of Direct Customer Contact teams offering solutions and services.



EDP continued to give priority to maintaining a close relationship and effective collaboration with local authorities. In this regard, negotiations were concluded with the National Association of Municipalities (ANMP) concerning the new conditions for the distribution of low-voltage electric power. On July 12 2000, a protocol was signed containing the new standard contract that will permit the renewal of the municipal concessions.

Another development was the presence of EDP Distribuição at the Citizen's Shop in certain cities (Viseu and Aveiro), as well as the continued involvement of several marketing campaigns. The latter were linked to the dissemination of efficient air conditioning and heating equipment through promotional campaigns, as well as the creation of a dedicated and toll-free telephone line (EDP Conforto line). In relation to the call centre, we continued to witness a substantial increase in the recourse to this facility on the part of customers, while work is being concluded on the implementation of solutions that will enhance its capacities and its service standards.

On the question of the rational use of energy, a protocol was signed with "AGEEN - Agência para a Energia" (ex-CCE). Several initiatives were undertaken in this domain, namely, the monitoring of consumption and the promotion of electrically-powered vehicles.

Acquisition and sale of electric energy

Distribution performance can be measured by means of the growth in the number of customers and electric power sales to the SEP – up 2.3% and 5.6% respectively on the preceding year. The financial year under review was the first in which there was traffic of electric power (about 0.2 GWh) in the distribution networks to the Non-Binding Electricity System (SENV).

Energy sent out from the distribution networks posted a rise of around 6.2%.

In order to meet this increase in the SEP's consumption, more electric power had to be acquired from REN and from producers belonging to the Independent Electricity System, including significant purchases (6.7%) from Special Regime Producers which expanded by some 14.0% over the past year.

Energy purchases in 2000 totalled 37,008 GWh (5.5% more than in 1999), corresponding to PTE 373.2 billion.

Purchases of Electric Power ^(GWh)

	2000	1999	% var. 2000/1999
from REN	33,915	32,483	4.4%
from SENV	624	447	39.6%
from PRE (special regime producers)	2,469	2,165	14.0%
Total	37,008	35,095	5.5%

Electricity sales to the SEP totalled 34,091 GWh, with those in the low voltage segment continuing to register high growth (6.2%), accounting for 55% of the total in 2000.

Regarding the number of customers, 3 high voltage customers transferred to the Non-Binding Electricity System as a consequence of the market's opening up. Nonetheless, the increase in high voltage supplies was significant (around 7.5%) due essentially to the high demand from cogenerators, whose production declined as a result of the steep rise in fuel prices.

On the other hand, the number of medium voltage customers presented an increase of 3.8%, despite the migration of 15 customers to the SENV.

Sales of Electric Power (GWh) - SEP

	2000	1999	% var. 2000/1999
VHV	776	759	2.2%
HV	3,328	3,096	7.5%
MV	11,092	10,639	4.3%
SLV	2,657	2,492	6.6
NLV	15,227	14,347	6.1%
PL	1,010	947	6.7%
Total	34,090	32,280	5.6%

Nº Customers - SEP

	2000	1999	% var. 2000/1999
VHV	11	11	0,0%
HV	90	91	-1.1%
MV	18,834	18,140	3.8%
SLV	25,394	24,507	3.6%
NLV	5,332,331	5,211,279	2.3%
PL	38,644	37,492	3.1%
Total	5,415,304	5,291,520	2.3%

Billing of electric power sales to customers in 2000 totalled PTE 613,9 billion (net of discounts and without VAT), of which PTE 180.8 billion was in respect of Medium, High and Very High voltage supplies, and PTE 433.1 billion in respect of Low Voltage supplies. These figures do not include supplies to the Group nor unbilled power in meters.

Electric Energy Billing (PTE billion)

	2000	1999	% var. 2000/1999
VHV	5,4	5,5	-1.8%
HV	26,7	26,4	1.1%
MV	148,6	144,7	2.7%
SLV	49,3	46,9	5.1%
NLV	367,5	349,8	5.1%
PL	16,4	14,8	10.8%
Total	613,9	588,1	4.4%

(After deduction of interruptibility and tariff correction discounts. Does not include supplies to the Group nor energy in the meters without VAT)



As a result of the increase in consumption (5.6%) and despite the decrease in the average selling price of electricity (0.6%), there was an increase of 4.4% in the amount of electricity billed.

This variation results from rises of 5.3% in Low Voltage consumption and of 2.4% in the other voltage segments.

In 2000, EDP Distribuição invoiced PTE 231.2 million to customers who had opted for the SENV for use of the distribution network and which corresponds to 216.2 GWh of power transmitted on the networks.

Customer receivables at the end of 2000, in the amount of PTE 115.8 billion, were equivalent to 18.9% of electric power sales for the year. This amount includes arrear debts (PTE 12.7 billion), doubtful trade debts (PTE 37.3 billion) and local authorities' consolidated debt (PTE 27.0 billion).

This item comprises:

Trade Debtors (PTE billion)

	2000	1999	% var. 2000/1999
State and Official Bodies	5,4	5,2	3.8%
Local Authorities	51,7	51,4	0.6%
Business and Private Sectors	58,7	56,5	3.9%
Total	115,8	113,1	2.4%

Quality of service

Overall service quality indicators for 2000 suffered a deterioration relative to 1999, owing to the fact that the network's performance was strongly penalised by an accident which occurred in May in the transmission network, and by the extremely adverse atmospheric conditions prevailing in December.

Continuity was given to the implementation of the Programme for Improving Service Quality, conceived by distribution with a view to correcting less favourable situations and allowing for greater speed in the resumption of service, with a concomitant improvement in service quality.

The Quality Monitoring and Continuity of the Voltage Wave Plan for 2001 relating to EDP Distribuição's networks was prepared and submitted to the DGE for approval.

Supply in the non-binding system

The process of developing and consolidating EDP's sustainable presence in the Non-Binding Electrical System (via EDP Energia), mobilised an appreciable part of the company's resources during 2000.

Thus, a number of initiatives were embarked on relating to the mounting of operations with the aim of pursuing the forementioned goal, of which we highlight: recruitment and training of human resources; development of decision-support applications in the areas of generation programming and consumption forecasting; segmentation and definition of the management information system.

EDP Energia started to supply electric power in the Non-Binding Electrical System in May, having sold 216,5 GWh, relying for this purpose on power generated at the Belver power station and on power-generating facility substitution contracts concluded with other suppliers/producers.

Besides the supply contracts that it has already signed for supplying to EDP Distribuição, the company's activity was directed at supplying electric power to customers who had opted to take advantage of market mechanisms. Of the 18 customers who obtained the status of Non-Binding Customers during 2000, 9 opted for EDP Energia.

Commercial activity tended to focus on an ongoing, personalised, immediate and frank relationship of collaboration with customers bearing in mind the high degree of "customisation" of the type of supply (given the characteristics of the segment concerned), at the same time seeking to increase added value for the customer.

Furthermore, the company commenced trading activity, accumulating a portfolio of contracts for power purchases and sales with external agents.

In this fashion, measures were taken in 2000 in order to prepare a strategy and structure that will permit EDP to respond to the challenges and opportunities stemming from the electrical sector's liberalisation.

Capital expenditure on electricity

Capital Expenditure on Electricity Business (PTE billion)

	2000	1999
Generation	19,937	23,725
binding	9,710	10,095
non-binding	2,833	2,387
renewable energies	2,290	3,694
cogeneration	5,104	7,549
Distribution	47,218	46,996
Other	200	136
Total without REN	67,355	70,857
Transmission	3,023^(*)	10,300
Total	70,378	81,157

(*) REN's capital expenditure only included for the 1st half of 2000

The EDP Group's operating capital expenditure on the electricity business in Portugal totalled PTE 70.4 billion in 2000. This figure does not include capital expenditure incurred by REN during the second half of the year. The reason for this exclusion was the sale of 70% of EDP's shareholding in REN to the State, following which the EDP Group ceased to consolidate REN's operations.

Comparing adjusted (i.e. without REN) capital expenditure figures for 2000 and 1999, there was in fact a decrease of around 5%. This situation is essentially explained by the weight in 1999 of the investments made at Soporgen (cogeneration) and at the Mortágua solid-waste power plant (renewable energies), both of which have since entered into operation.



Capital expenditure on binding generation (CPPE)

CPPE's capital expenditure at total costs was PTE 9.7 billion, of which PTE 2.9 billion was spent on new generating centres and PTE 5.3 billion on existing power stations. Of the capital amounts outlaid on existing power stations, PTE 1.8 billion was invested in hydraulic generation, while thermal generating facilities absorbed PTE 3.5 billion.

As regards specific capital expenditure projects executed, the following were the most significant:

- Commencement of the principal works at the Venda Nova II plant and the adjudication of the order for the supply of the reversible generating units in April 2000;
- Start of new studies forming part of the environmental impact evaluation for the Baixo Sabor capital project;
- Conclusion of the Primary Measures Programme for curbing atmospheric emissions at the Sines power station and start on work involving the replacement of process computers at the same power station;
- Carrying out of the 1st phase of work directed at the modernisation of equipment, systems and installations at the Castelo do Bode hydroelectric scheme, with the object of prolonging its useful life with acceptable levels of availability;
- Conclusion and entry into service of the single remote control centre in the vicinity of Régua, the base from which CPPE's entire hydroelectric capability is operated from a distance.

Capital expenditure on non-binding generation

Capital expenditure on non-binding generating facilities amounted to PTE 2.8 billion in 2000, of which PTE 0.7 billion refers to TER –Termoeléctrica do Ribatejo, and the remaining PTE 2.1 billion to companies owning non-binding mini hydro plants (HDN, Hidrocenel and EDP-Energia).

Up until the adjudication of the turnkey contract for the construction, supply, installation and testing of the new combined-cycle power station (scheduled to take place in 2001), the amounts invested by TER basically relate to the costs incurred with the consulting engineers' contract concluded with a Group company (PROET).

HDN, Hidrocenel and EDP-Energia advanced with their capital investment programmes directed at boosting generating capacity and flexibility by way of work involving improvements, command automation and additional installed capacity at generating facilities. Of the amount expended, of particular note was that channelled to major repairs to the Belver power station's (EDP Energia) generating unit VI (PTE 257 million) and to this power station building's remodelling work (PTE 100 million).

Capital expenditure on renewable energies

The bulk of capital expenditure in 2000 was directed at the wind farms at Cabeço da Rainha (which entered service during that year) and Cadafaz (initial construction work), as well as at the ongoing studies into the building up of a suitable "site portfolio" for future capital projects.

Capital expenditure on cogeneration

Capital expenditure during the year refers to the amounts invested by SOPORGEN (about PTE 1.4 billion) and by ENERGIN AZÓIA (about PTE 3.7 billion), in which the EDP Group has majority interests and whose main business is the operation of cogeneration power plants. In the case of the first-mentioned facility, the power plant was commissioned during 2000; in the case of the latter, work started on the plant's construction.

Capital expenditure on distribution

Capital expenditure carried out on the distribution networks was primarily targeted at ensuring power supplies to consumers, with the overriding concern being the provision of a better quality service from the standpoint of synchronising voltages to regulatory levels and guaranteeing the continuity of supply.

The rationalisation process that is currently under way in the distribution area meant that capital spending was maintained at the preceding year's level, absorbing PTE 47.2 billion.

There has been a steady stream of applications for connection to the networks on the part of new independent producers under the terms of specific legislation (Special Regime Producers). This has led to an appreciable growth in the networks and an intensive effort directed at planning and operating security.



Multi-utility Services

Strategy

After many years of activity, the EDP Group has been able to amass a formidable portfolio of assets and skills that permit it to face new challenges. Moreover, sight must not be lost of the fact that EDP is an organisation with unique features: its product – electricity – enters the houses of all Portuguese citizens.

Over the years, it has developed IT platforms and trained human resources specialising in providing customer support. EDP was pioneer in placing at the disposal of its millions of customers a call centre for the purpose of facilitating contact with the company. It already provides meter-reading and customer billing services covering general consumption goods – such as water and gas. It created Edinfor, today a major Portuguese IT firm.

The vast experience gained as a service provider in the electrical sector, the proximity to and knowledge of its customers, the quality for which it is renowned, all constitute key factors that enable the EDP Group to stand firm in its conviction that it has all the qualities to successfully offer its customers new services and hence, to assert itself as a multi-utility company.

With this multi-utility strategy, the EDP Group aspires to attaining essentially two objectives.

Firstly, to exploit the potential of its customer base and assets in order to secure synergies between the electricity, water and gas businesses. In this manner, the EDP Group strives to satisfy the growing demand for

quality and convenience in the access to general consumption services. It also aims to supply a more economical service to customers, in particular, through the creation of shared services that lead to a reduction in the total commercial costs of these businesses and, therefore, to the creation of added value for our shareholders.

Secondly, by embarking on these endeavours, we are contributing to the fostering of customer loyalty against a backdrop of the electrical sector's increasing liberalisation, and to the diversification of the regulatory risks that affect its activity.

However, the success of this strategy is only possible within the framework of partnerships with other companies offering general consumption services (i.e. utilities), more specifically, water and gas. Accordingly, the EDP group intends to establish and strengthen these partnerships through participation in these companies' equity. Thus, within the context of this multi-utility strategy, it is important to highlight two key facts in 2000.

The first refers to the EDP Group's acquisition of 11% of GALP Energia's capital in an operation realised in January 2000 and which involved the shareholder restructuring of this national gas and oil holding company. With this acquisition, the EDP Group reinforced its stake in GALP Energia to 14.27%. The deal will lead to the development of projects in the area of electrical generation and cogeneration, as well as the provision of services in the business of natural gas distribution to household consumers.

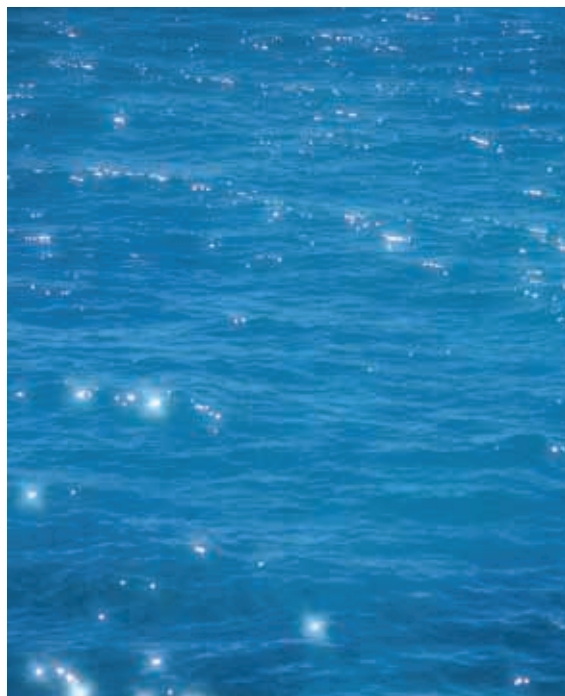
The other fact relates to the EDP Group's interest in strengthening its links with the water business. In this connection, it is presently in negotiations with the AdP- Águas de Portugal Group.

In 2000, multi-utility services contributed PTE 2.5 billion (EUR 12.5 million) to revenue from EDP Group services. This activity encompasses services relating to meter reading, invoicing and collection management rendered to 300,000 gas customers and invoicing of more than 2 million water-services customers in over one hundred Portuguese municipalities.

Water and sewage

The clarification of the EDP Group's strategy with the choice of the multi-utility concept as one of its four pillars and the new guidelines for Portugal's water sector set out in the "Strategic Plan for Water Supply and Waste-Water Sewage 2000-2006", approved and published by the Ministry of the Environment and Territorial Planning, have led to a business approximation between the EDP and AdP - Águas de Portugal groups.

This process, which took up the greater part of 2000, naturally influenced the strategy initially mapped out by EDP Águas. It is hoped that during the current year



the EDP Group's affirmation in the water sector will crystallise, albeit in a different mould.

In the international arena, activity in this area was essentially focused on Chile where, in the wake of the acquisition of a 25.5% interest in the capital of ESSEL- Empresa de Serviços Sanitários del

Libertador, S.A., realised at the public auction held in November 1999, the EDP Group began to participate in this company's management. ESSEL's business is the catchment and distribution of drinking water and the collection and treatment of wastewater in the Região del Libertador.

ESSEL, with a market share in terms of serviced population - more than 500,000 inhabitants - of around 4%, had presented losses in the years prior to its privatisation. However, this trend was reversed already in 2000.

Even though this investment in Chile does not fall within the Group's priorities from the perspective of internationalisation strategy, it will continue to be managed from the standpoint of creating shareholder value.



Commercial systems

The EDP Group concentrated its efforts in 2000 on the Commercial Management System for Distribution (SGCD). For the time being this project is limited to the distribution and sale of electricity. It aims to provide these areas with the back-up that is capable of responding to operating needs in a liberalised energy market, but will in future also contemplate multi-product, multi-utility and multi-company dimensions, extending beyond the electricity aspect and supporting the development of new businesses. Its entry into operation will take place progressively during the course of 2001.

In tandem with the SGCD, a Customer Contact Management project is being developed (falling under process called CRM – Customer Relationship Management). With this project, besides being aimed at the substitution of the present call centre for electricity customers, it is the intention to equip the EDP Group with multiple communication channels integrated into a support platform. This facility will cater for customer attendance, as well as execute marketing and sales campaigns that can be used by the Group's various business areas. The first phase of this project is expected to be concluded in the first quarter of 2001.

Internationalisation

The EDP Group's international presence



Strategy

On the international front, 2000 was marked by the coherent pursuance of the strategic guidelines previously defined for the Group. These include the concentration of investment and management resources on markets possessing adequate critical mass and high growth potential and in which EDP can take advantage of its competitive edge.

The strategic priority will be investing in Brazil's electrical business, a commitment that the EDP Group has been continually reinforcing. The reason for this is that Brazil represents a market with substantial dimension and where electricity consumption is forecast to grow over the medium and long range at rates that outpace GDP growth.

In this market and in relation to the electricity distribution business where the EDP Group already has a significant presence, the goal is to consolidate its existing equity participations, which in 2000 was accomplished through the successful takeover bid for Bandeirante (electricity distribution company in the State of São Paulo). In this way, EDP intends to take over the operational management control of the companies in which it has invested and, therefore, take advantage of potential productivity and efficiency gains in electricity distribution.

Existing opportunities for investments in electricity generation in Brazil will also be explored, bearing in mind that the country clearly needs to augment its ex-



isting capacity so as to encourage economic growth. However, the EDP Group will evaluate carefully the conditions governing how generating costs may be passed on to consumers through the sales tariff mechanisms embodied in the Brazilian tariff system. In particular, it is important to ensure that there is a guarantee that any changes in natural gas prices (the fuel to be used at future power stations) are incorporated into final tariffs, a sine qua non condition in the light of the high foreign-exchange risk attaching to Brazil.

The investments made in other markets will continue to be managed from the pure perspective of value creation. In this regard, EDP's portfolio of international investments is subject to constant review with the object of ensuring its strategic alignment.

EDP recorded profits of PTE 6.5 billion in 2000 in the international area. The contribution from the affiliated companies in Brazil to the EDP Group's net income was roughly PTE 3.6 billion, representing more than 50% of the total profits earned by the Group overseas. There has, therefore, been an improvement in the performance of the investee companies when one considers that in 1999 these posted losses of PTE 5.2 billion.

Brazil

New organisation of activity in Brazil

With the object of increasing the speed and capacity of the EDP Group's strategic adaptation to Brazil's dynamic and competitive environment, and to ensure this strategy's alignment with the performance of the relevant subsidiaries, it was decided to form a new company, called "EDP Brasil S.A.". This entity will become the Group's sub-holding company in that country, with the mixed role of "strategic controller" and "strategic architect".

In this regard, consideration was given to the separation of activity carried on (or to be carried on) in Brazil into four major areas which, in the short term, will be coordinated by "EDP Brasil": Generation ("Energen"), Distribution ("Enerdis"), Sales and Trading ("Enertrade") and Support Services. Trading will emerge as a new activity – focusing on the assumption and management of energy volume and price risks – which is intended to become a central EDP Group specialisation in Brazil.

On the question of the re-arrangement of participating interests – basically oriented to the procurement of dominant positions in affiliated companies – a particularly noteworthy development was the launching of a joint takeover bid on the part of "Enerpaulo" (100% controlled by the EDP Group) and "CPFL – Companhia Paulista de Força e Luz", for the total of "Bandeirante Energia S.A."s preference and ordinary shares, in proportion to the shares which the bidders held in the controlling block. Following this successful operation, "Enerpaulo" now holds 54.74% of this distributor's ordinary shares and 53.46% of its preference

shares. This company has a customer base of more than 2 million consumers in the state of São Paulo.

Conversely, but in harmony with the above-mentioned policy, EDP sold to Endesa all the shares it held outside "CERJ - Companhia de Electricidade do Rio de Janeiro"'s controlling block (10.94% of the share capital) for PTE 16.6 billion. However, it still retains its 30% stake in the controlling block, corresponding to roughly 19% of CERJ's total capital.

The takeover bid for Bandeirante and the decrease in the shareholding in CERJ (from 23% to 19%), signify the start of the shareholder re-arrangement that is required in order to secure better rationality in EDP's participation in Brazil's electrical sector

Forecasts for the Brazilian economy in 2001 appear to be favourable. GDP is projected to expand by around 4.5% in a climate of consolidating economic stability, with inflation indices below those of GDP growth. These indications point to sustained growth in 2001, which should translate itself into a rise in electric power consumption.

This scenario, coupled with the restructuring which the EDP Group's activities are undergoing in Brazil, allow us to foresee an expansion in our participation in the Brazilian energy market, transforming EDP into one of the most important players in the sector.

Regulation of the Brazilian electricity sector

The Brazilian Electrical Sector in 2000 continued to undergo far-reaching changes. This process began with the end of the uniform tariff in the country in 1993, and which was followed by laws that regulated aspects of the 1988 Constitution, notably, those relating to the concession of electric power public services.

With the privatisation of the distribution concession holders in outright development in 1996, the electrical sector initiated a process of restructuring, with the disintegration of the vertical configuration of electricity generating, transmission, distribution and selling activities and with the establishment of a new regulatory framework.

This new regulatory dispensation culminated with the establishment of a new regulatory body - ANEEL - Agência Nacional de Energia Elétrica (National Electric Energy Agency) - and with the activities associated with the physical aspects of electric power through the creation of ONS - Operador Nacional do Sistema Eléctrico (National Operator of the Electrical System) via the establishment of MAE - Mercado Atacadista de Energia Eléctrica.

The ONS is responsible for the electrical system's energy optimisation and operation, dispatch and transmission. The MAE is the environment where electric power purchases and sales take place.

The market's own agents (producers, distributors and vendors) defined the rules of the Wholesale Market which entered into operation on September 1 2000, creating the ASMAE - Service Administrator for the Electric Energy Wholesale Market. This entity is re-



sponsible for the accounting and settlement of short-term energy transactions, defined as the difference between energy measured and the energy which was bilaterally contracted.

These rules create risks for agents by introducing price volatility to energy: these risks can and must be managed. To this end, EDP formed a company dedicated to the sale of energy – ENERTRADE in November 2000.

Brazil is a country that has been marked by electricity demand which is growing at a rapid tempo (in excess of GDP), as a result of which its power-generating capability needs to undergo constant expansion. In this sphere, EDP has also been present via ENERGEN, a company created in August 2000 for the purpose of coordinating and managing initiatives in this area.

A large part of the regulations have still to be drafted, in particular those dealing with free consumers, separation of distribution/sales and Factor X (price-reduction mechanism linked to productivity gains to be applied to the electricity tariffs charged by distributors), issues these which the Regulatory Authority has launched for public debate.

Generation in Brazil

At the beginning of 2000 and in the wake of the endeavours made to resolve the problems emerging from the threat of a shortfall in the country's supply of electric power over the medium term, the Brazilian government unveiled the Thermoelectric Priority Programme. This project is targeted at the installation of 55 natural-gas-fired thermoelectric power plants with an overall power rating of some 15,000 MW.

Responding to this scenario, EDP manifested interest in some of the proposed projects with a power rating in the order of 1,400 MW.

CERJ, ESCELSA, and ENERSUL, distributors in which EDP has equity interests, also manifested interest in 3 projects with a total power rating of 1,540 MW.

EDP formed ENERGEN, SA – Empresa Brasileira de Geração de Energia, in August 2000 with the object of coordinating and managing business operations in the area of energy generation.

In the hydroelectric generation sector, the construction of the "Usina Luís Eduardo Magalhães" (UHE Lajeado, with a power rating of 850 MW) continued at a good pace, complying with the established programme with the dates for the entry into commercial service of the generating units still scheduled to take place between January and November 2002.

The thermoelectric generation sector was marked in 2000 by the start of studies and works required for the development of projects under the Thermoelectric Priority Programme. These works contemplated the selection of sites for power stations, the obtainment of environmental licences, as well as the negotiation of contracts for the supply of gas, sale of energy and connection to the electrical system with the National System Operator (ONS).

The most salient development in industrial cogeneration (which is of paramount importance for EDP and for its subsidiary distribution companies as it represents a means for retaining large industrial customers, potential free customers), was the signing of an agreement with FAFEN, a fertiliser factory in Bahia. This

plant will produce 58 MW of electric power and 152 t/h of steam from natural-gas based combined-cycle generation.

Distribution in Brazil

With shareholdings in the concession-holders ESCELSA (Espírito Santo), ENERSUL (Mato Grosso do Sul), CERJ (Rio de Janeiro), COELCE (Ceará) and BANDEIRANTE (São Paulo), EDP supplied electric power in 2000 to some 6.6 million consumers, involving a total of 44,000 GWh, which in turn generated sales turnover of 5,300 million reais. The total number of employees is 9,600 and the population benefiting from these services numbers 60 million people.

EDP Brasil S.A. was formed on July 24 2000 with the mission to create better conditions for the commitments assumed, accumulating value for shareholders, consolidating its presence in the country and coordinating more effectively its investments.

The success of the takeover bid launched on November 18 for Bandeirante Energia represents a good indicator and milestone in the company's existence. EDP's shareholding rose from 16.69% to 53.97% of total capital.

Bandeirante Energia's net income for the year was 50.2 million reais, thereby confirming the company's evident recovery. Amongst the factors behind this improvement was the market's 6% growth.

Shared services in Brazil

The reorganisation of Brazil's business structure in 2000 gave rise to the formation of EDP Brasil Serviços Corporativos Ltda., with the object of centralising the

provision of administrative services to be shared amongst the EDP Group's generating, distribution, trading and sales companies in Brazil.

This company should undertake all the support processes, namely, meter reading and billing of supplies, finance and administration.

The provision of these services on a shared basis should lead to appreciable savings in the costs of providing back-up processes, which could also be leveraged by the decisions to be taken concerning the corporate re-arrangements of the affiliated companies.

Other markets

Macau

In the Far East, where the economy shows signs of emerging from the crisis of recent years, virtually all the large electricity companies from the five continents continued to position themselves, attentive to new developments in both regulatory mechanisms and economic performance, as well as the legal framework governing foreign investment.

With "CEM – Companhia de Electricidade de Macau" serving as a privileged observation post and counting also with the comparative advantage afforded by its network of contacts and the availability of Portuguese-speaking engineers and other technical staff of Chinese origins, the EDP Group is at the forefront of the companies closely eyeing this market.

Cape Verde

In association with the AdP – Águas de Portugal Group, the EDP Group took over the management of ELECTRA



in 2000. With this change, priority was given to the creation of the conditions required for the implementation of an investment programme attuned to the local reality and the company's reorganisation, as factors for boosting the profitability of the activity subject to concession.

Morocco

2000 was characterised by the ongoing drive to rationalise REDAL as a new business model for the provision of electricity, water and gas services in Rabat-Salé.

The REDAL market presents interesting growth rates, at the same time as macroeconomic conditions have tended to stabilise. Accordingly, the basic conditions are in place for generating an adequate return on the delegated management contract.

Guatemala

The positive effects of the rationalisation drive implemented at the distributor EEGSA were clearly visible during the year under review. Net income was practically unchanged from that reported in 1999, despite the less favourable economic environment.

Although not falling within the Group's strategic priorities on the internationalisation front, the investment in Guatemala will continue to be monitored closely to ensure the maximisation of value for shareholders.

Investment in Internationalisation

Internacionalisation – Investment 2000

Company	Country	Activity	PTE million
Bandeirante	Brazil	Electricity Distribution	41,304
Investco (Lajeado)	Brazil	Electricity Generation	4,280
FAFEN	Brazil	Cogeneration (electricity and steam)	873
Essel	Chile	Water Distribution and Sewage	14,000
EEGSA	Guatemala	Electricity Distribution	535
			60,992

The investment made in Brazil in 2000 mirrors EDP's strategic decision to consolidate and rationalise its continued presence in the generating and distribution sectors. This commitment is evident in the construction of the Lajeado hydroelectric power station, the conduct of feasibility studies for other new hydroelectric schemes, the commencement of construction work on the FAFEN cogenerating power plant, and the reinforced shareholding in Bandeirante Energia following the purchase of minority shareholder interests in the takeover bid.

Telecommunications & Information Technologies

Strategy

Telecommunications form one of EDP's pillars underpinning its future growth strategy. As a result of this commitment, EDP sought to optimise the potential of its participating interests in the sector and opened the equity "door" to new partners.

ONI, in which the EDP Group has a majority interest, affirmed itself as a key alternative operator in the Telecommunications, Media and Technology (TMT) sectors. Its value differentiation proposal is based on four fundamental aspects:

→ Its innovative vision:

ONI recognises the Internet's central role and the potential for the convergence of technologies and voice and data services, positioning itself as an agent of change with the goal of boosting its customers' competitiveness;

→ Its pioneering spirit in business operations:

Right from the very start, ONI has led the development of the telecommunications sector, asserting itself as an alternative to the historical operator through the global and integrated offer of voice, data and Internet services in the fixed and mobile networks, network management and consultancy. This commitment to the market is mirrored in the fact that ONI was the first operator to provide voice services in direct access via FWA (Fixed Wireless Access), and also the first to submit to the incumbent operator applications for automatic call pre-selection;

→ Control of the value chain:

ONI is the only new operator offering global and integrated services supported on the control over telecommunication infrastructures at all operating points, namely through the use of a new national optic fibre network, direct connections to the hubs of international traffic and direct access via wireless and urban optic fibre (MAN) networks;

→ The quality of its services:

ONI guarantees the quality of its transmission SDH network (Synchronous Digital Hierarchy technology for optic fibre transmission), as well as the extensive knowledge and experience of its human resources.

The EDP Group reinforced in a decisive manner its commitment to the TMT sector in 2000 with the forging of a strategic partnership in March with BCP-Banco Comercial Português in the business areas of "e-finance", non-financial services based on the Internet and third generation mobile telephony (UMTS). This partnership is based on the awareness of common objectives and complementary capacities by the two Groups, with a view to taking advantage of the growth opportunities in these business areas.

In addition, the agreement envisages the establishment of cross-shareholdings between BCP and EDP of up to 5% in each other's share capital. Furthermore, and in terms of the agreement, the Chairman of BCP's Board of Directors was elected to EDP's Board, while the Chairman of EDP's Board of Directors was appointed member of BCP's Head Council.



The partnership was strengthened even further in September 2000 with the sale agreement entered into between EDP and BCP, involving a 27.5% stake in the share capital of ONI SGPS S.A. and ONItelecom S.A.. For its part, BCP sold to the EDP Group treasury stock (own shares) which permitted EDP to raise its investment in BCP's capital to 4.25%, as well as the entire capital of Shopping Direct, Comércio Electrónico, S.A..

Still in 2000, the EDP Group guaranteed a prominent position in the Information Technologies sector with the acquisition of 60% of CASE, and the consequent strengthening of the previously existing partnership between CASE and EDINFOR (an EDP Group company). After this operation, a company called ACE was formed in which EDINFOR controls 60% of the capital and the remaining shareholders in CASE own 40%. The new company is now the largest Portuguese firm providing IT consultancy services and selling IT systems with resources and expertise that are on a par with international dimensions. ACE has the capacity to offer the market a complete spectrum of solutions and integrated services with the overriding objective of significantly expanding EDINFOR's and CASE's existing customer base in the market's target segments.

At the core of this CASE / EDINFOR accord is the clear-cut identification of the business strategies, values and practices shared by the key shareholders of both companies, as well as the complete bringing together of expertise and skills in the activities undertaken and the excellent mutual understanding in business dealings dating back to 1993.

Liberalisation and regulation of the telecommunications' sector in Portugal

2000 marked the start of the final phase of the process involving the liberalisation of Portugal's telecommunications sector, namely, with the opening up of the fixed-network telephony service to new operators. ONI made its commercial debut on January 1 2000 and has the distinction of being the first of the new operators to enter the market.

The market's opening up has progressively registered significant advances and the drafting of specific directives by the market regulator - ICP - Instituto das Comunicações de Portugal, has generally benefited the sector, contributing to greater transparency and a level playing field in the offer of products and services.

Also noteworthy is the fact that number portability and the oferta desagregada of the local loop (OLL), crucial aspects for the development of competition in direct-access fixed telephone services, were also the object of public consultations promoted by the ICP with a view to their implementation in 2001.

EDP Group in telecommunications: ONI

With the object of adopting a unique market approach, ONI set up a number of structures dedicated exclusively to the market's basic segments. This organisational model encompasses the following companies:

- ONI SGPS: the holding company headed by EDP in conjunction with BCP and GALP Energia, to conduct business as an operator integrated in the Telecommunications, Media and Technology sector;

- ONI SOLUTIONS: supplier of integrated solutions for companies, combining traditional telecommunications with high value added services such as security, applications management and consultancy;
- ONI ONE: targeted at the residential market, offers solutions based on integrated Internet, direct voice, indirect voice and prepaid telephone card services;
- ONI GRANDES REDES: focusing on large-scale and interconnection services for operators, with Iberian interconnection in optic fibre;
- ONI WEB: company specialising in the capitalisation of opportunities within the scope of internet applications and the New Economy;
- ONI WAY: consortium that was one of the successful bidders for a UMTS licence attributed by the ICP (Portuguese Communications Institute) and in which ONI SGPS has a 55% equity interest;

ONI in the telecommunications market

Market acceptance of ONI's products and services has been very positive right from the outset. This has enabled the company to assume a leading position amongst the new operators, as the following indicators bear testimony:

- Some 300,000 telephone lines registered in the narrowband platform, having commuted more than 100 million voice minutes. It is worth noting that around 20% of this traffic total was already originated in direct access;

- More than 470,000 prepaid telephone cards sold;
- Some 250,000 registered users in the ISP (Internet Service Provider) platform;
- More than 4,000 data circuits installed, representing more than 15% of market share in the business segment.

EDP Group in information technologies: EDINFOR and ACE

The EDP Group has been involved in the information technologies' sector via EDINFOR – Sistemas Informáticos, S.A. (a 100%-owned subsidiary) for several years. In 2000, the Group took a decisive step towards consolidating its presence in the sector through the acquisition of 60% of the share capital of CASE – Conceção e Arquitectura de Soluções Informáticas Estruturadas, S.A..

EDINFOR

EDINFOR is one of Portugal's biggest IT companies with more than 500 employees and a sales volume of around PTE 19 billion in 2000.

EDINFOR provides services in the areas of information systems' development and operation, in the implementation and operation of commercial and call centre management systems, integrated management systems (ERP), geo-referenced information, datawarehousing, disaster recovery, as well as in the commercialisation of IT products and equipment, as well as vocational training and consultancy in the technological areas of management and organisation.



In 2000, EDINFOR added to its comprehensive range of solutions and services ASP (Application Services Provider) outsourcing directed at specific communities (service companies, central and local public administration, municipal services, hospitals and complementary health services, motor dealers and companies importing and distributing equipment).

EDINFOR conducts its business activities in Portugal, Spain, Morocco, Cape Verde, Angola and Mozambique.

CASE

Founded in 1992, CASE is a Portuguese company providing strategic business consulting services and information systems. The service division specialises in organisational transformation, electronic commerce, datawarehousing, knowledge management, customer relationship management (CRM), information systems planning and management, process outsourcing, development and implementation of solutions for financial services, implementation of SAP R3 and training.

CASE, which has a workforce of 200, had a turnover in 2000 of more than PTE 6 billion.

The company has operations in Portugal, Spain, Angola, Mozambique, Cape Verde and Brazil, both directly or via local companies in which it has a majority shareholding.

Investment in telecommunications and IT

Investment in Telecoms & IT		(PTE million)	
	2000	1999	
Telecommunications	70,488	73,527	
Operational Investment – ONI Group	44,026	37,127	
Financial Investment	26,462	36,400	
Grapes Communications	20,048		
Shopping Direct	5,000		
Germinus XXI	1,103		
Central-E	261		
ONI Açores	50		
Information Technologies	19,014	4,035	
Operational Investment – EDINFOR	6,014	4,035	
Financial Investment	13,000	-	
Case Group	13,000		
Total Telecom & IT	89,502	77,562	

Geared up to make a decisive contribution to the information society, ONI reaffirmed its long-term commitment by investing more than PTE 70 billion in the telecommunications sector during 2000. The three most important items in ONI's capital expenditure programme were:

Operational Investment

→ Development of telecommunication infrastructures (more than PTE 15 billion), particularly in multi-service platforms and in the development of the IP protocol, in which ONI is the pioneer in Portugal via the employment of MPLS technology.

Intensive work went into the installation of own resources in local access, in particular, in the expansion of the fixed wireless access network (FWA), thereby guaranteeing ample coverage in the chief metropolitan areas, and the construction of optic fibre rings in areas with high market potential and which add capilarity to the national transmission network (backbone) with some 3,500 kms of optic fibre cables;

→ Acquisition of a third generation mobile operator's licence (PTE 20 billion). The consortium headed by ONI, and which boasts TELENOR (telecoms operator present in 13 countries) as the technological partner, was successful in obtaining a licence in what will be the information society's principal catalyst – UMTS technology.

Financial investment

→ Financial participations in strategic partners and content generators (roughly PTE 25 billion), including the purchase of around 11% of Grapes Telecommunications, a Mediterranean operator (Italy, Spain and Greece) specialising in the corpo-

rate segment. This acquisition, which was realised within the ambit of a partnership agreement covering southern Europe, was the first step in ONI's internationalisation. Other major acquisitions were the purchase of a 100% interest in Shopping Direct, an electronic-commerce company, and 74% of Germinus XXI, an incubator company for internet-related projects.

The EDP Group also made a substantial investment in the information technologies market, above all through the acquisition of 60% of CASE.

EDINFOR also committed substantial capital resources to premises, infrastructures, staff recruitment and training geared to new products: E-Commerce, Marketplaces, CRM and Navision.



EDP Group Management Policies

Human resources

In the present phase of the Group's evolution, human resources management (strongly linked to current strategic guidelines) is assumed as a crucial factor in order to meet the challenges it faces in the various business sectors in which it is active. In this regard, it is a fundamental goal to implant a business culture at EDP, with work skills adapted to the future and supported by modern management platforms.

Accordingly, work continued on the implementation of a programme directed at staff adaptation and which, in conformity with guidelines, is expected to lead to rising efficiency levels while simultaneously preserving knowledge and culture.

The number of employees at the Group's companies in Portugal at the end of 2000 was 12,722, broken down as follows by activity:

Number of Employees

	2000	1999	Var. 00/99
Electricity	10,526	12,051	-12.7%
a) Generation	1,893	1,995	-5.1%
CPPE	1,699	1,811	-6.2%
Other	194	184	5.4%
b) Transmission	-	620	
c) Distribution	8,221	9,030	-9.0%
d) Engineering & studies	412	406	1.5%
Telecommunications	1,470	1,095	34.2%
a) Telecommunications	545	458	19.0%
b) Information Technologies	925	637	45.2%
Other	726	733	-1.0%
Total Number of Employees	12,722	13,879	-8.3%

The decrease in the number of workers in the electrical sector companies was 1,525 (*), primarily with recourse to retirements or mutual-agreement rescissions, thereby complying with established targets.

* Includes 620 departures as part of the process involving REN's autonomisation

Meanwhile, following through on the work started in the preceding year, the most salient aspects were:

- With the conclusion of negotiations within the ambit of the collective labour agreement (ACT) between the electrical sector companies and the 32 representative trade unions, a regulatory instrument became available in terms of which it was possible to take action in keeping with current demands, concurrently with measures aimed at facilitating the Group's cohesion;
- The application of the Performance Management model to 11,600 employees, with the clear separation from the Skills Management model (with the object of developing the Group's human potential) and the Results Evaluation model (increasingly directed at the formulation of objectives);
- Conclusion of the Regulations for Overseas Postings, as a support to the Group's internationalisation thrust;
- Implementation of SAP/HR (human resources module on a SAP platform) with the assurance of simplified administrative processes, at the same time permitting easier access to information on the part of hierarchies and personnel.

Continuity was given to a programme directed at achieving greater proximity to schools/universities. This initiative involves being present at various events organised at these establishments for the purpose of disseminating the Group's new reality. In this way, the Group hopes to foster students' interest in the possibility of engagement for new projects to be developed, as well as for the indispensable rejuvenation of senior personnel.

Prevention and safety

The EDP Group recognises that safety forms an essential part of efficient and responsible business management and, as such, discharging its obligations towards employees, customers and the community in general. In this regard, the Group companies strive to be at the vanguard of practices pertaining to prevention and safety at the workplace.

Thus, reaffirming the will expressed in the Declaration of Safety Policy of continuously improving EDP's safety and quality, work was carried out on the development of a vast number of initiatives relating to work safety conditions. These covered the protection of installations and risk minimisation for third parties arising from the normal execution of the Group companies' activities.

Of particular note were:

- The creation of the Risk Characterisation Plan for the various work functions and posts, including the identification and evaluation of risks which employees are exposed to in the performance of their work, the respective means for personal protection and recommended medical examinations;

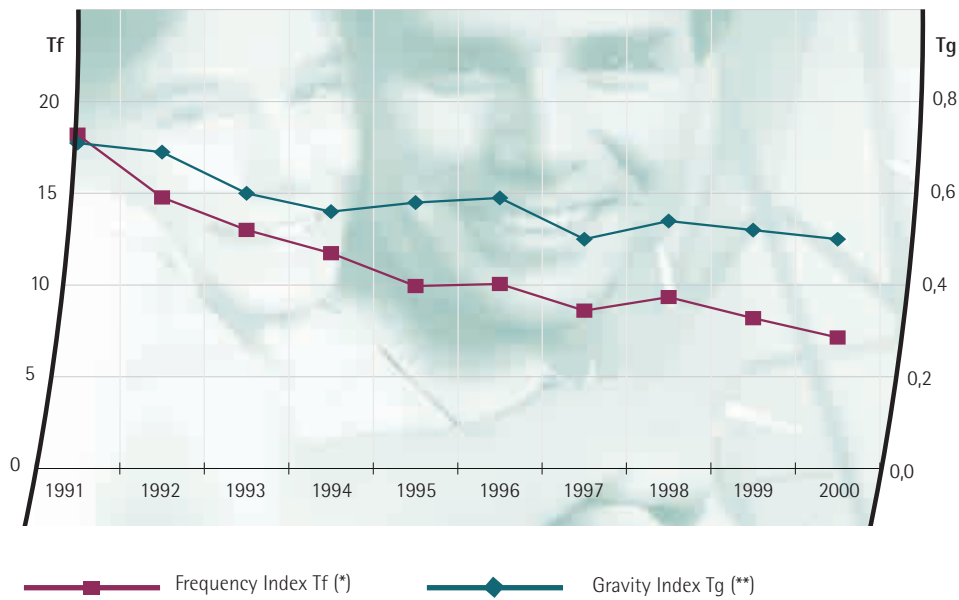


- The revision of the technical procedures manuals for work at electrical installations, with the creation of a new Consignment Regulation for the distribution network;
- Interaction with service providers aimed in particular at adapting the organisation and execution of safety at work sites to the requirements of EDP's Safety regulations and to compliance with Safety and Health Plans;

Safety-related results as measured by the usual numerical indicators showed a significant reduction in the frequency and gravity of accidents, thereby validating the efforts made in this direction.

Trend in key safety indices





(*) - Number of accidents with sick leave per million work hours

(**) - Number of days lost per thousand work hours

Environment

As an integral part of its management strategy, EDP strived for equilibrium between the supply of energy services and the safeguarding of environmental values, in conformity with its Environment Policy, which was publicly assumed by the Board of Directors in 1994.

EDP keeps abreast of national and international trends in environmental issues that could impact on its activities, paying special attention to regulatory developments and trying to anticipate consequences and discover new business opportunities.

The integration of the environmental issue at EDP is effected at various levels, ranging from a strategic management approach and planning through to questions dealing with the operation of installations and equipment.

EDP was one of the European companies that participated in the second European simulation of a carbon market, termed Greenhouse Gas and Energy Trading Simulation (GETS2), promoted at European Union level by Eurelectric. On the other hand, the review of the "threats and opportunities" stemming from the application of emission-curbing measures which Portugal is obliged to implement was also the object of an in-depth in-house analysis.

2000 was also the year in which the country's legal regime governing the evaluation of environmental impact procedures was revised. EDP's most recent practices were already in line with the provisions contained in new legislation:



the Group will undertake a pilot study for the application of a new method for evaluating the environmental impact of the future Very-High Voltage Alqueva – Sines powerlines, anticipating the new method now incorporated into the law. Pioneer in the use of the new techniques prescribed in the statute books, EDP submitted to the Ministry for the Environment and Territorial Planning proposals for the definition of the environmental impact studies covering two major projects: the Baixo Sabor–Alto Côa hydroelectric scheme and the Ribatejo combined-cycle power station.

Internally, EDP intensified the monitoring of the environmental performance of its existing installations in 2000. In this connection, reference is made to the awarding of the Environmental Certification to the Barreiro and Carregado thermoelectric power stations, the verification work of which was carried out by Lloyd's Register Quality Assurance. At this moment, three of the EDP Group's installations have ISO Standard 14001 certification.

Continuing the initiatives flowing from the application of the "National Programme for the Reduction of Emissions at Large Combustion Plants", work was completed on the modification of the burning systems at the Sines power station's four thermal generating units. With the complete replacement of the burners in service with low NO_x-content burners (an investment valued at PTE 8 billion), it was possible to reduce emissions of this pollutant by approximately 50% at the Sines power station, the installation which made the biggest contribution to total NO_x emissions.

In its quest to make available unbiased and quality information relating to major environmental issues, EDP

supported the edition of the Portuguese version of the brochure entitled "Electromagnetic fields" of the series "Administration, Health and Environment". This publication addresses the problem associated with the electromagnetic fields produced by electrical installations and equipment, allowing those responsible and the public in general to gain a proper perspective of the matter and its real implications.

Besides the main themes outlined above, various action plans of a more operational nature were pursued in 2000 at Group level, namely, in the areas of industrial waste management, the ongoing control of atmospheric emissions, the specification and control of liquid effluent at thermal power plants, and the monitoring of the water quality at reservoirs.

Support Activities

Training of human resources

The EDP Group's training policy continued in 2000 to be focused on the establishment within the Group of the skills deemed essential taking into consideration medium and long-term objectives. In the short term perspective, training covered the new technological tools for supporting activity and the comprehension of the internal and external change facets.

In this context, the initiatives realised enabled the Group's employees to boost their knowledge progressively and enhance their skills, thereby curbing vulnerability and increasing their employability and their ability to take decisions within the context of an increasingly demanding work environment. This means a clear commitment to the re-qualification of current staff, in this way simultaneously enhancing the organisation's competitiveness.

The year under review saw the implementation of the measures needed for compliance with the POEFDS (Operating Programme for Employment, Training and Social Development) and which formed the most significant part of the Annual Training Plan for 2001, with a view to the programme's possible funding under the 3rd Community Support Framework.

In qualitative terms, 2000 was marked by the concern with giving timely training to an extremely large number of future users of the new management-support information system (sustained on the SAP platform) adopted by the Group. These training courses accounted for around 20% of the training schedule directed at the Group's employees in that year.

Besides SAP training, significant levels of execution were maintained both with regard to training targeted specifically at electric energy themes (e.g. Multi-functions for Electricians, Live Working, Prevention and Safety), and as concerns the other areas of vocational training (Development of Management Effectiveness, Organisational Development, Commercial Function, Personal Computing, Secretariat, Foreign Languages, etc), with each one of these major thematic areas representing around 40% of the volume of training ministered within the Group in the period.

In quantitative terms, the total volume of training conducted in 2000 at the EDP Group attained roughly 25,000 days, representing an investment force of about 1.5% of the Group's payroll costs. MRH, as the Group's central technical skills and educational company, carried out a sizeable percentage of the training courses realised.

Management of real estate holdings

During the year EDP Imobiliária – the company that centralises the administration of the Group's real estate assets – undertook a number of activities aimed at enhancing the value of fixed property not directly deployed in the Group's operating activities.

In the case of the major portion of the surplus land that possesses the characteristics and scale for the execution of property developments destined for housing, offices and commerce, the necessary building capacity was obtained. Two market surveys were conducted (Oporto and Lisbon), while two township and one architectural projects were adjudicated.



Those that do not possess the above characteristics will be sold.

In parallel with these projects, approval was obtained for the construction projects of two office buildings for EDP Distribuição (one in Coimbra and the other in Braga) These offices will enable the company's departments to be centralised and to free the scattered premises that are worth more than the new ones.

Fleet and installations management and administrative procurement

EDP Serviços began to concentrate on the Group's activities relating to Fleet Management, Real Estate Services and Administrative Procurement. The concentration of these activities in this company was another important step taken by the Group towards reducing operating costs. In this regard, it is hoped to secure, in particular, the attainment of economies of scale, the decrease in the number of personnel assigned to these areas and an improvement in the provision of services through specialisation.

The centralised management of the Group's fleet of motor vehicles commenced in May 2000, and by December more than 40% of the fleet was already managed by EDP Serviços. During the year it was possible with the strong support of EDP Distribuição to reduce the Group's total fleet by around 10%.

In the Real Estate Management area, the administration of several service contracts, notably security, cleaning, courier service and installations maintenance, was centralised for the purpose of gearing up for a process of global contracting for each sector.

In addition to these services, a start was made to the management of rental contracts, as well as complementary services embracing telecommunications, energy, water and equipment at the Group's various installations.

With the recourse to new IT technologies, it was possible to detail installations and the respective occupational situation taking into consideration the rationalisation of the real estate assets used by the Group.

At the level of Administrative Procurement, the acquisition of vehicles and respective assistance services, equipment and office supplies, travelling and accommodation, was renegotiated and contracted with significant economic benefits.

Health care services

In 2000 Sávica continued to ensure medical and medicinal assistance as a complement to the National Health Service, to the entire universe of EDP Group employers, pensioners and their families. The policy of continuously improving the quality of service, as well as a personalised service, were objectives that were maintained in 2000.

In the area of Work Medicine, the provision of the relevant services continued to be guaranteed to all EDP group companies and, optimising synergies, identical services were rendered to eleven companies outside the Group.

Information systems

From the standpoint of IT systems, the year got off to a good start with the absence of any incompatibility problems whatsoever associated with the transition from 1999 to 2000. This smooth changeover can be attributed to the hard work that went into the testing and repair of the respective systems in the years preceding the critical date rollover.

During the course of the year and in accordance with the activities envisaged for the implementation of the Systems Master Plan, attention was focused on three large-scale projects:

- Integrated Management Support System (SIAG), on the SAP R/3 platform;
- Distribution Commercial Management System (SGCD);
- Systems Security Project, which is designed to endow EDP with a Security Policy for its information systems that will ensure the confidentiality, integrity and availability of information on any back-up system, as well as the continuity of operations in the event of power failure.

The first two projects referred to above also contemplate the adaptation of existing systems in operations for the final phase of the Euro's implementation, thereby avoiding the additional investment that would have been necessary to guarantee systems compatibility.

Besides the substitution of its main information systems, EDP did not overlook the need to adapt its other IT applications to Euro usage during 2000. With the



work carried out to date and which will be concluded in the current year, the EDP Group will be fully prepared to adopt the single currency in 2002.

Turning to computer infrastructures, 2000 was dedicated to extensive equipment modernisation (from central processors to individual workstations), including the communication networks, preparing a support base adjusted to the new generation of the Group's information systems.

The progressive implementation of the SAP system throughout the Group's companies entailed the updating of work posts, printing resources and collaborative work processes, such as the adoption of a single platform for electronic mail. Use of the Internet was expanded appreciably through the multiplication of Web accesses.

In order to promote the Group's corporate image and facilitate extensive access to the information by customers, investors, local authorities, employees and any other parties interested in knowing the company better, a new EDP site was built which promotes contacts, disseminates news and makes available links to other Internet sites of major interest.



Proprietary systems – SAP

Within the context of the EDP Group's Systems Master Plan, the Office for the Integrated Management Support System – GSIAG – continued to work in 2000 on the development of the Navigator Project initiated in the previous year.

Founded on the SAP/R3 platform, and taking into account the changes to the business environment and the strategic guidelines laid down by the Company, the project seeks to respond to the new challenges faced by the Group. It will permit the uniformisation and rationalisation of common processes and procedures, thereby making available to decision makers better real-time information. This, in turn, should create an ideal opportunity for implementing business change and modernisation.

Preparations for the substitution of the existing in-house systems entailed work aimed at structuring the following modules:

- In the Financial Area – FI (Financial Accounting); CO (Management Accounting – including the method – Activity Based Costing); TR (Treasury); PO (Operating Plan and Budget); AA (Fixed Assets Management)
- In the Logistics Area – MM (Procurement); SD (Sundry Commercial Operations)
- In the Human Resources Area – HR (Human Resources Management)
- In the Technical Area – PS/PM (Management of Investment Projects and Maintenance Works)

As planned, the SD Modules and the following HR modules entered into operation midway during the year at all the Group companies: Organisational Structures and Master Data, Qualifications, Performance Management and Evaluation, Recruitment, Training, Prevention and Safety Management.

The strategy for this project's implementation is divided into two stages: January 2001, entry into operation at the 1st stage companies (Holding company, CPPE and all the service companies) of the FI, CO, TR, AA, MM and HR (Remuneration and Time Management) Modules; January 2002, EDP Distribuição.

Research and development

The EDP Group's Research and Development (R&D) and technological innovation policy was oriented during 2000 at boosting the Group companies' approximation to the opportunities presented by the Community Framework now in force.

The Group participated in 25 R&D projects in 2000 (14 Community sponsored and 11 National projects), 9 of which were completed during the year. R&D expenditure realised by EDP in this domain was in the order of PTE 600 million.

These projects cover a wide range of technological sectors, notably for materials, information systems, automation and control, conventional power generation, renewable energies and the environment.

The following were the chief areas of involvement:

New metering technologies at Low Voltage with the development and installation of the prototypes of the new system of Telemetry via PLC (power line carrier);

Telecommunications via broadband PLC with the installation of a pilot system equipped with Internet and telephony services.

In an endeavour to secure greater, overall internal efficacy and a higher standard of service, by means of better coordination between Labelec and the Group's distribution company, strategy has been directed at obtaining synergies, notably with the integration into Labelec's structure of the various meter calibration laboratories.

Laboratory activities

During the past year, Labelec – the Group's company specialised in laboratory activities – continued to conduct a significant number of applied research and technological development activities, both independently and through participation in studies undertaken within the EDP Group and with other national and foreign entities.

Confirming the recent growth trend, Labelec's services climbed expressively last year (around 33%), registering similar percentage values for services rendered within and outside the Group.





The EDP Group in the Equity Capital Market

Stock market performance in 2000

2000 was characterised by the pronounced erosion in the world's principal stock market indices and by a period of marked instability on the financial markets. This behaviour was largely influenced by the strong corrections observed in the telecommunication and new economy sectors, with Internet-related and multimedia companies being particularly penalised during this period.

Contributing to this unfavourable climate pervading the world's leading financial markets were the successive signals of a likely slowdown in American economic growth and a prolonged period of political "limbo" in the US.

As a consequence of the significant weight of the telecommunications sector on the Portuguese indices, the local stock market did not represent an exception to the widespread bearish sentiment. In 2000, the BVL 30 index (the benchmark index for the Portuguese equities market) shed 13.0% when compared with the 1999 closing figure.

During 2000, EDP shares turned in a favourable performance, not only on the Lisbon Stock Exchange (BVL), but also on the New York Stock Exchange (NYSE) where they are quoted in the form of American Depositary Receipts (ADRs). EDP shares are also traded on the London and Frankfurt stock exchanges, while also forming the base asset for future contracts and warrants on the Lisbon and Oporto Derivatives Exchange.

In the domestic market EDP shares posted a gain of 1.6% during 2000, closing the year at EUR 3.52 per share. This price appreciation outperformed the BVL30 index by 16.8%, reflecting investors' preference for the equities of companies having the capacity to generate strong cash flows, the aggressive dividend distribution policies, and coherent and carefully considered expansion and diversification strategies.





sult of this stock split, in terms of which each share with a nominal value of EUR 5 was substituted by five shares of EUR 1 each. The number of shares representing EDP's share capital thus rose from 600,000,000 to 3,000,000,000 shares. After the stock split each ADR (American Depositary Receipt) began to represent 10 ordinary EDP shares.

EDP's own shares

In conformity with the general regime applicable to companies governing the acquisition and sale of own shares, the company was authorised at the General meeting of May 11 1999 to acquire its own shares up to a limit of 5% of share capital.

During the course of 2000, EDP purchased 650,000 own shares at an average price of EUR 3.36 euros. At December 31 2000, the treasury stock portfolio comprised 2,400,000 shares with an average cost price of EUR 3.35. The own shares holding is intended to support the stock option programme for the EDP Group's management and senior personnel.

4th privatisation phase

The fourth phase of EDP's privatisation took place in October. Via this operation, the Portuguese State (shareholder) sold a further 20.0% of the company's capital, corresponding to 600 million shares (post-stock split figure). Following the special stock exchange session held on October 23 2000, the Portuguese State reduced its equity stake in the company from 50.8% to its present holding of 31.3% (direct and indirectly).

The final placing price, arrived at on the basis of purchase orders (bookbuilding) and reflecting conditions on the national and international financial markets, was fixed at EUR 3.10 per share.

This operation marks the turning point in the EDP Group's ownership structure. Following the decrease in the State's shareholding, the majority of EDP's capital (69.2%) is now in the hands of private shareholders.

In line with previous operations, the fourth privatisation phase took the form of a Public Offer for Sale (OPV) directed at small investors, the Company's employees and the general public, and a Direct Sale reserved for national and foreign institutional investors.

Although realised in an extremely adverse climate shrouding the equity markets, this operation was a resounding success with demand exceeding the total number of shares on offer by a factor of ten. The "greenshoe" corresponding to 54,545,454 shares was exercised in its whole immediately after the privatisation, representing an added signal of confidence in the company and constituting a factor confirming the operations' immense appeal.

Another aspect worth highlighting was the success achieved in the broadening of EDP's base of foreign institutional shareholders, who were allotted 53% of the shares floated on the market. This percentage is substantially higher than the 20% subscribed for in the tranche earmarked for the direct international sale in the previous privatisation phase. The OPV represented 40% of the total shares sold by the Portuguese State, while in the Direct Sale portion, national institutional investors subscribed for 7% of the total shares on offer.

Distribution of Capital at the POS and Direct Sale

	Allotment (%)	Allotment No. Shares	Amount (euros)
Employees	1.7	10,000,000	29,400,000
Small Subscribers and Emigrants	26.7	160,000,000	470,400,000
Loyalty Prize	2.8	17,000,000	
General Public	8.8	53,000,000	164,300,000
Portugal Institutional	6.7	40,000,000	124,000,000
United States	10.7	64,000,000	198,400,000
United Kingdom	29.9	179,200,000	555,520,000
Rest of World	12.8	76,800,000	238,080,000
Total	100.0	600,000,000	1,780,100,000

Compliance with the CMVM's Recommendations on Corporate Governance

EDP's management and governance is subject to the rules contained in its statutes and by the provisions of prevailing company law. With regard to the recommendations drawn up by the Securities Market Commission (CMVM) relating to Corporate Governance, EDP falls within the parameters laid down and complies fully with this entity's proposals.

This set of recommendations is intended to define a system of rules and procedures relating to control at quoted companies, as well as the exercise (responsible and oriented to the creation of value) of these companies' management bodies. Of the guidelines proposed by the CMVM relating to: i) the exercise of voting rights and shareholder representation (proxies); ii) company rules; iii) structure and functioning of the management body; iv) disclosure of information and investor relations; v) conduct of institutional investors, the following aspects need to be highlighted:

Exercise of voting right and shareholders' representation

EDP complies with all the CMVM's recommendations on the question of voting rights and the representation of shareholders. The right to vote may be exercised at a shareholders' general meeting or, alternatively, by way of correspondence addressed to the chairman of the General Meeting Committee. It should be pointed out that EDP incorporated into its statutes the exercise of postal voting immediately after this voting mode was provided for in the Securities Code.

In order to participate at a General Meeting, shareholders must prove at least fifteen days prior to the date set for the meeting that their shares are recorded in a book-entry securities account, and moreover such shares must remain so



recorded or registered in the shareholder's name at least till the General Meeting have been declared closed.

General Meetings may be attended by qualified representatives who, in their own name and in the capacity of EDP shareholders, or in representation of another shareholder or group of shareholders, are entitled to vote. Each 100 shares corresponds to one vote, without prejudice to the rights pertaining to grouping and representation:

- shareholders owning less than 100 shares can group together so that, as a whole and with one of their number representing them, they can amongst themselves attain the number of shares required in order to exercise their right to vote;
- Shareholders can be represented at General Meetings provided that the representative is the shareholder's spouse, ascendant or descendent, or represented by another shareholder, or by a member of the Board of Directors. The representation instrument being a signed letter addressed to the chairman of the General Meeting Committee is sufficient.

The holders of ADRs are entitled to identical rights as those conferred to the holders of ordinary shares. The voting rights of ADR holders are established taking into consideration the fact that one ADR is equivalent to ten ordinary EDP shares.

Proposals to be submitted by the Board of Directors to the General Meeting, as well as the reports that must legally accompany these proposals and any other preparatory details, must be available to all shareholders at EDP's head office – Avenida José Malhoa, Lote

A13, Lisbon – fifteen days prior to the date set for the General Meeting. In order to facilitate shareholders' access to the above-mentioned information, especially when foreign shareholders are concerned or if shareholders reside outside the Lisbon metropolitan area, these documents are sent by mail, fax or e-mail at the shareholder's request.

Corporate rules

EDP's corporate or statutory rules constitute documents that are open to public consultation, and are available to all those who make such a request to EDP's Investor Relations Office.

EDP's statutes contain rules relating to information obligations concerning shareholder control and the holding of qualified equity interests, prohibiting the exercise of voting rights in the case of non-compliance. There are no categories/class of shares conferring special rights to shareholders, although the statutes and the enactment relating to the 4th phase of privatisation contain specific provisions relating to the State and similar entities.

Structure and functioning of the administrative body

EDP's Board of Directors, which includes persons who have no association with the key shareholders, is currently composed of eleven directors, elected by the majority of votes. A director's mandate is for three years, although there is no restriction regarding the re-election of directors.

EDP's Board of Directors is responsible for the management of the company's activity and, as a rule, meets every month with the participation of all the directors. The Board of Directors cannot deliberate unless the ma-

jority of its members are present. The representation of more than one director at each meeting is not permitted. All directors have equal voting rights, while the Chairman has the casting vote. The functioning of the Board of Directors is governed by an internal regulation which also sets the functioning of the Executive Committee, prescribing rules relating to information and the monitoring of the administrative Board of Directors activities.

In accordance with resolutions passed by the Board of Directors, and pursuant to the provisions of the above-mentioned internal regulations and the company's statutes, the company's day-to-day management is the responsibility of an Executive Committee, composed by seven members and presided over by the Chairman of the Board of Directors. The majority of votes of the members of the Executive Committee is required to approve its decisions, with all the members having equal voting rights, while the Chairman has the casting vote.

The Executive Committee's duties are set by the Board of Directors, detaining all the powers which can legally be delegated, are delegated whenever necessary. However, notwithstanding this delegation of powers, the Board of Directors continues to assume the responsibility for the company's overall management.

Disclosure of information and investor relations

EDP complies with all legal and statutory obligations pertaining to information disclosure. Following the first privatisation phase, EDP strengthened the availability of information to the public through the creation of the Investor Relations Department. This department's duty is to ensure that there is a proper relationship with the universe of EDP's shareholders, analysts and potential

investors, as well as with the regulatory entities of the stock markets on which it is listed, namely, the CMVM and the SEC (Securities and Exchange Commission). This department has as its principal function acting as a spokesman between the EDP Group's board of directors and the financial markets in general. It is responsible within the ambit of its normal activity for all the information released by the EDP Group with respect to the publication of periodic financial statements, as well as of any important facts and events as when they occur. The Investor Relations Office maintains a constant flow of information with institutional investors and financial analysts, disseminating all the necessary information so as to facilitate compliance with these institutions' responsibilities and diligence duties.

The Investor Relations Office is located at EDP's head office on the Av. José Malhoa, Lote A 13, 6th Floor, in Lisbon, and can be contacted by telephone at +351 21 001 2834, telefax +351 21 720 3040 or by way of the e-mail address ir@edp.pt.

The EDP Group is of the opinion that its communication policy is governed by the adoption, in accordance with the best market practice amongst quoted companies, of the recommendations proposed by the CMVM with the intention of promoting and reinforcing the confidence of shareholders, workers, customers, strategic partners, creditors and the public in general.



Economic and Financial Evolution of the EDP Group

EDP sold to the Portuguese State 70% of its shareholding in REN – Rede Eléctrica Nacional, S.A.. at the end of the first half of 2000.

As a compensation, EDP received a total of PTE 195.7 billion made up as follows: PTE 21.3 billion refers to REN's debt to EDP, PTE 78.7 billion refers to the distribution of extraordinary dividends, and PTE 95.7 billion to the purchase of 70% of EDP's shareholding.

As a consequence of the sale of part of the REN investment, the financial statements relating to 2000 reflect the following consolidation method:

- Total consolidation of REN between January 1 and June 30 2000;
- Consolidation of REN using the equity method (30%) between June 30 and December 31 2000.

The adoption of the equity method with effect from the beginning of the second half of 2000 has as its principal implications the inclusion in the EDP Group's consolidated income statement:

- CPPE's electricity sales to REN in accordance with the Power Purchase Agreements entered into between the parties;
- EDP Distribuição's electricity purchases from REN which includes the costs of electric power acquisition and transmission.

Further to the takeover bid launched together with Enerpaulo (EDP Group) and Draft I Participações S.A. (CPFL) during 2000, the EDP Group increased its participation in Bandeirante's total capital from 16.69% to 53.96%. EDP and CPFL subsequently decided to submit to Brazil's electrical sector regulator (ANEEL), a proposed demerger of that company in proportion to the stake held in the controlling group by each one of the shareholders – that is, 56% of Enerpaulo and 44% of CPFL.

As a consequence, the EDP Group consolidated in the 2000 financial year Bandeirante Energia S.A.'s financial statements in the following manner:

- Balance sheet: consolidated in proportion to the investment held by the EDP Group in the company's share capital;
- Income statement: consolidated using the equity method, taking into consideration for this purpose the percentage interest held in the period. The option to use this consolidation method versus proportional consolidation was due to the fact that the increased shareholding only took place at the end of 2000.

Balance sheet

Balance Sheet		PTE Billion			
	1997	1998	1999	2000	
Tangible and intangible fixed assets (net)	2,173.9	2,119.3	2,130.2	2,074.3	
Financial Investment (net)	39.2	193.3	364.4	547.2	
Medium/Long Term Receivables	19.1	28.5	14.6	20.9	
Current Assets (net)	90.1	121.0	152.8	223.9	
Accruals and deferrals	24.6	23.0	86.5	118.3	
Assets	2,346.9	2,485.1	2,748.5	2,984.6	
Provisions for risks and contingencies	93.1	133.6	138.8	141.9	
Hydraulicity Correction	77.7	77.7	68.0	73.3	
Interest-bearing debt	627.3	695.8	875.8	1,004.9	
Other Liabilities	86.9	101.6	120.1	179.0	
Accruals and Deferrals	223.0	247.7	330.5	334.1	
Shareholders' Funds	1,238.5	1,228.4	1,214.9	1,243.9	
Minority Shareholders' Interests	0.4	0.3	0.4	7.5	
Shareholders' Funds + Liabilities	2,346.9	2,485.1	2,748.5	2,984.6	

Net total assets increased by around PTE 236 billion, due above all to two factors: on the one hand, the change in the consolidation circumference due to the leaving of REN, which meant a reduction of some PTE 196 billion, and the entry of Bandeirante which represented an increase of PTE 157 billion; on the other hand, a very substantial investment in internationalisation, diversification and strategic partnerships which contributed to an increase in assets of some PTE 310 billion.

Current assets grew by around PTE 71 billion, of which some PTE 50 billion relates to customers in the sequence of Bandeirante's inclusion in the Group's consolidation.

Fixed assets are adequately covered by permanent capital, while current assets represent a slightly higher percentage of assets than in the preceding year.



Turning to liabilities, of particular note was the increase to approximately PTE 1,005 billion in interest-bearing debt, with an increase of PTE 129 billion, which is explained by the growth of global investment noted within the EDP Group.

In line with previous years, shareholders' funds continued to ensure a high cover of short-term payables and thus underlining the EDP Group's healthy financial equilibrium.

Income statement

Comparative Income Statement

PTE Billion

	1997	1998	1999	2000
Cost of Inventories Sold and Consumed	134.8	143.1	180.7	347.0
Outsise Supplies and Services	45.0	45.4	57.6	73.9
Personnel Costs	83.8	86.3	92.8	88.1
Depreciation of the year	123.6	122.5	123.5	123.0
Provisions of the year	9.4	8.2	8.3	21.1
Concession and Power-generating Centre Rentals	23.4	24.7	25.8	26.6
Other Operating Costs	10.2	3.5	3.1	2.2
Financial Costs	83.4	88.1	52.7	81.0
Extraordinary Income	24.2	35.2	32.9	2.7
Corporate Income Tax	67.6	79.1	61.7	62.7
Total Costs	605.4	636.1	639.1	828.3
Sales and Services Provided	571.5	603.5	615.9	771.2
Own Work Capitalised	38.1	38.9	42.9	45.9
Supplementary Income	2.3	1.9	1.9	1.6
Other Operating Income	0.6	2.1	12.7	8.5
Financial Income	41.5	47.1	24.6	45.9
Extraordinary Income	44.5	46.7	44.1	60.6
Total Income	698.5	740.2	742.1	933.7
Minority Shareholders' interests	0.0	0.7	0.0	4.7
Net Income	93.1	104.8	103.0	110.1

In 2000 the EDP Group earned a consolidated net income of PTE 110.1 billion and gross earnings per share of PTE 36.69. These figures represent an increase of 6.8% relative to 1999's performance. The proposed dividend for 2000 is PTE 28 per share, which is equivalent to the previous year's pay-out.

The 6% growth in electric power consumption recorded in 2000 compensated for the 0.6% nominal decrease fixed by the ERSE in energy tariffs to final customers, confirming the trend observed in recent years in this variable's growth which has consistently outpaced the rise in gross domestic product (GDP). The growth rate recorded in 2000 in electric power consumption exceeded Portugal's GDP growth of 3.4% by a percentage of 2.6 points.

Revenue from the EDP Group's electricity sales totalised PTE 737 billion (EUR 3,676 million). With the exclusion of REN from the consolidation universe, the EDP Group's consolidated accounts reflect for the first time CPPE's and Enernova's electricity sales (relating to the second half of 2000) to REN amounting to PTE 120 billion in total.

Sales and Services

PTE Million

	2000	1999
Electricity Sales	736,945	594,592
Electricity Sales to Customers	615,131	588,949
Tariff Adjustments to Electricity Sales	-1,823	-1,544
Electricity sales to REN (Transmission Grid)	120,114	-
Electricity Export	3,523	7,187
Other Sales	12,207	7,622
Services	22,000	13,669
Services Provided – Electricity	1,458	1,167
Services Provided – Multi-Utility	2,525	2,424
Services Provided – Telecom & Information Technologies	8,920	4,836
Services Provided – Consultancy External Market	2,702	2,175
Other Services Provided	6,395	3,067
Sales + Services	771,152	615,883

Revenue from the EDP Group's electricity sales (excluding CPPE and Enernova sales to REN) rose 3.7% when compared with the corresponding figure for 1999 (PTE 617 million in 2000 against PTE 595 million in 1999).

Multi-utility services contributed PTE 2.5 billion (EUR 12.5 million) to the EDP Group's revenue from services provided.

The increase under the telecommunications issue reflects the start-up of ONI's operations in January 2000, with the contribution made by this activity climbing from PTE 3 billion (EUR 15 million) in 1999 to PTE 6.4 billion (EUR 31.9) in 2000. This sales figure does not include services billed to the EDP Group which totalled some PTE 2 billion in 2000.



In the income statement for 2000, a total amount of PTE 1.8 billion (EUR 9.1 million) relating to tariff adjustments recognised during the year has been deducted from revenue from electricity sales:

Tariff Adjustments 2000	<small>PTE Million</small>
Tariff difference REN	9,403
Tariff difference EDP Distribuição 1999	-7,119
Tariff difference EDP Distribuição	-4,107
Total	-1,823

Electricity generating costs variance (tariff difference REN):

A positive adjustment of PTE 9 billion (EUR 46.9 million) referring to the difference between the real cost of generating electric power borne by REN and the cost of generation estimated by the ERSE for the purpose of determining the sales tariff to be applied by REN to EDP Distribuição in 2000.

This difference was the result of the increase in the cost of fuel purchases and, in accordance with the Tariff Regulations drawn up by the ERSE, REN is entitled to recover this negative difference after two years past away, i.e. in the 2002 tariffs.

Complying with the principle of accrual-based accounting, REN's financial statements at the end of the first half of 2000, and consequently the EDP Group's consolidated annual financial statements for 2000, reflected this same amount in their income statements as an accrual of revenue from electricity sales;

Profit-sharing mechanism:

Under the tariff regulations, electric power distribution and sales activity is subject to a "profit sharing" mechanism whenever these activities show a profit margin of more than 65% in the case of distribution activity, and 2% in the case of sales activity. According to this rule, a predetermined percentage of the profits in excess of the above-mentioned limits must be "returned" to customers in the form of a tariff reduction two years after their occurrence.

Tariff difference – EDP Distribuição 1999:

A negative adjustment of PTE 7 billion (EUR 35.5 million) due to the sharing of 1999 profits relating to EDP Distribuição's sales activity and reflected in the 2001 tariffs.

In 1998, the ERSE defined the tariffs for 1999 on the basis of a consumption growth rate of 4.8%. At the end of 1999, it was noted that this variable's real growth rate was 5.9%, that is, 1.1% higher than the regulator's projection. This circumstance meant that the EDP Group was able to record an improvement in its profit margin on sales activity, thereby giving origin the profit-sharing mechanism to be reflected in the tariffs for 2001.

Tariff difference – EDP Distribuição 2000:

Negative adjustment of PTE 4 billion (EUR 20.5 million) corresponding to the EDP Distribuição estimate relative to 2000 profit sharing from electricity sales activity. This figure is reflected in the 2002 tariffs.

The EDP Group's projection in respect of the amount to be taken into account as the tariff variance for 2000 is based on the fact that the growth rate for electric power consumption in 2000 was higher than the ERSE's 1999 estimate of 4.5% at the time it fixed the 2000 tariff.

Globally, operating revenue was PTE 827.1 billion, an advance of PTE 153.6 billion relative to 1999. This improvement is explained by the increase in electricity sales referred to earlier and by the 61% expansion in revenue from services in the EDP Group's consolidated accounts (PTE 22 billion in 2000 against PTE 13.7 billion in 1999), reflecting mainly the growth in telecommunication and services activities.

Operating expenditure totalised PTE 681.9 billion against PTE 491.8 billion in 1999. With the exclusion of REN from the consolidation universe, this figure includes EDP Distribuição's electricity purchases from REN during the second half of 2000 in the amount of PTE 187 billion.

For its part, operating profit fell by PTE 36.5 billion. This decrease is largely due to the negative contribution of PTE 16.1 billion from telecommunication business operations which saw their inauguration during 2000, as well as the "de-consolidation" of REN in the second half of the year, although, in the case of the latter, the effects were partially offset under the net financial items caption.

Net financial items deteriorated by 24.5% (negative balance of PTE 35 billion in 2000 compared with a negative PTE 28.1 billion in 1999). This performance is essentially due to the increase of PTE 18.2 billion in financing interest as a consequence of:

- An increase in the average interest rate on financing operations, from 3.32% in 1999 to 4.21% in 2000;
- The higher level of average borrowings in the year, which climbed from PTE 724 billion in 1999 to PTE 890 billion in 2000.

This negative impact on net financial items was partially compensated by the equity-accounted results of associated companies, which contributed with a positive balance of PTE 8.4 billion to the Group's results in 2000.



PTE million

	2000		1999	
	Capital held (%)	Impact on con. net income	Capital held (%)	Impact on consolid. net income
OPTIMUS*	25.00%	-	25.00%	(991)
CERJ	19.15%	447	21.08%	(2,153)
CEM	22.00%	1,460	22.00%	1,676
EEG SA	17.00%	664	17.00%	546
Bandeirante	53.75%	2,997	16.69%	(2,397)
IVEN (Escelsa/Enersul)	73.00%	158	73.00%	(298)
EDP-Brasil	100.00%	(2,147)	100.00%	(143)
PORTSINES	39.60%	181	39.60%	454
REN	30.00%**	999	-	-
Outras participações		3,629		1,231
Total		8,378		2,074

* - Suspension of contribution calculation owing to disposal

** - 30% in second half of year

At the end of 2000, the EDP Group's financial statements disclosed a positive balance on net extraordinary items of PTE 57.9 billion, against PTE 11.2 billion in 1999. The increase in this title is basically explained by the gains on the disposal of financial investments, amongst which the capital gain realised on the sale of 27.5% of ONI.

Amongst the items comprising extraordinary income and gains, it is to point out those which are of a recurring nature, in particular, the set-off of depreciation charges on subsidised fixed assets, in the amount of PTE 12.2 billion (EUR 61 million), and the set-off of depreciation charges on concession-held fixed assets, in the amount of PTE 1.0 billion (EUR 5 million).

Cash flow

Cash flow, which is defined as the sum of the items "Net Income", "Depreciation" and "Change in Provisions", totalised PTE 241.8 billion compared with the PTE 234.1 billion generated in 1999, corresponding to an improvement of 3.3%.

Total capital expenditure

Capital Expenditure

PTE million

	2000	1999
Capital Expenditure on Electricity	70,378	81,157
Operating Capital Expenditure:	70,378	81,157
Generation	19,937	23,725
– binding	9,710	10,095
– non-binding	2,833	2,387
– renewable energies	2,290	3,694
– cogeneration	5,104	7,549
Transmission	3,023(*)	10,300
Distribution	47,218	46,996
Engineering	200	136
Telecom & Information Technologies	89,502	77,562
Operating Capital Expenditure:	50,040	41,162
ONI Group	44,026	37,127
EDINFOR	6,014	4,035
Financial Investment:	39,462	36,400
Grapes Communications	20,048	
Grupo Case	13,000	
Shopping Direct	5,000	
Germinus XXI	1,103	
Central-E	261	
ONI Açores	50	
Internationalisation	60,992	124,581
Financial Investment:	60,992	124,581
Bandeirante	41,304	
Essel	14,000	
Lajeado	4,280	
FAFEN	873	
EEGSA	535	
Other	216,288	25,655
Operating Capital Expenditure	6,624	3,419
Financial Investment:	209,664	22,236
EDA – Electricidade dos Açores	1,148	
GALP Energia	63,748	
BCP	100,826	
Outros	43,942	
Total Operating Capital Expenditure	127,042	125,738
Total Financial Investment	310,118	183,217
Total	437,160	308,955

(*) Only includes capital expenditure in 1st half year, since due to sale of 70% of REN's capital to the State, this company ceased to be fully consolidated



EDP's total non-financial capital expenditure (i.e. excluding capital resources used to acquire equity interests in other companies) amounted to PTE 127 billion in 2000, or 1.0% more than in 1999. Correcting the 1999 figures for the impact of REN's exclusion from the EDP Group's consolidated accounts, non-financial capital expenditure rose by 7.4%, essentially due to the increase channelled into ONI with the start-up of operations in January 2000 and the substantial capital investment associated with the roll-out of its operations.

In generating (more specifically in binding generation - CPPE) and distribution activities, the EDP Group considers that the objectives proposed in its capital market communication at the end of 1999 concerning the maintenance in real terms of non-financial capital expenditure, have been attained. The trend in this item at the core business remained unchanged, with the EDP Group investing some PTE 56,9 billion in both 1999 and 2000.

Financial investment during 2000 absorbed around PTE 310 billion, with the chief equity investments relating to GALP Energia (PTE 63.7 billion), BCP (PTE 100.8 billion) and Bandeirante (PTE 41.3 billion).

Funding

The EDP Group's funding activity is broadly centralised at the holding company. This arrangement permits the optimisation of the Group's current treasury management, as well as the contracting of medium and long-term debt under optimal market terms and conditions by taking advantage of its high credit rating.

The year under analysis was marked by the high recourse to short-term funding which peaked at PTE 237

billion (credit lines and commercial paper) in August. These facilities were subsequently refinanced with the funds received from the sale to the Portuguese State of a 70% interest in REN. This transaction involved a sum of around PTE 200 billion which, together with internally-generated cash resources, enabled the Group not only to make financial investments of some PTE 310 billion in internationalisation, diversification and strategic partnerships, but also to repay some of its medium and long-term borrowings without the need to resort to further indebtedness.

On December 31 2000, the Group's total consolidated debt was around PTE 1,000 billion, of which 87% has carried in the parent company's books and the remaining in those of its subsidiaries. The increase in the Group's borrowings when compared to the previous year is essentially attributable to ONI's financing requirements (roughly PTE 62 billion), as well as to the change in the way in which the Brazilian company Bandeirante is accounted for, with the latter's balance sheet being consolidated in the EDP Group on December 31 2000 (contributing around PTE 53 billion to the consolidated debt).

EDP Group Interest-bearing Debt

PTE million

	2000	1999
Debt – Medium / Long Term		
Non-convertible bond loans	362,433	403,486
Bank loans	276,770	349,804
Other loans	3,398	2,586
	642,601	755,876
Debt – Short Term		
Non-convertible bond loans	26,897	8,843
Bank loans	335,392	111,118
	362,289	119,961
Total EDP Group	1,004,890	875,837

In what concerns the EDP Group's debt portfolio management the proceedings only concerned the Holding centralized debt amounting to PTE 871 billion. The debt portfolio did not undergo any significant changes during 2000. The most noteworthy operations involved the contracting of a new commercial paper programme, with the agent being BCPI - Banco de Investimento, S.A., in the amount of € 200 M (roughly PTE 40 billion) and the release of 2 bank guarantees associated with 2 loans from the EIB - European Investment Bank. At the end of 2000, the Group had PTE 78 billion at its disposal in credit lines and a further PTE 109 billion in commercial paper programmes. These short-term funding instruments give the Group access to swift and flexible funding.

As regards the management of the Group's debt portfolio, initiatives were limited to borrowings centralised at the holding company. During the year, work was followed through aimed at the conversion or redenomination into euros of financing contracts and commercial paper programmes. Stemming from this process and the early repayment of a residual loan in Swiss francs (about PTE 1 billion), all the Group's indebtedness is now denominated in euros and "in" currencies (i.e. euro zone currencies), with the obvious exception of debt carried in Bandeirante accounts.

From the standpoint of interest rate risk, a strategy was pursued directed at controlling risk associated with interest rate rises. To this end, a few structured swap operations were executed with the object of limiting the impact of any rate rises on debt servicing costs.

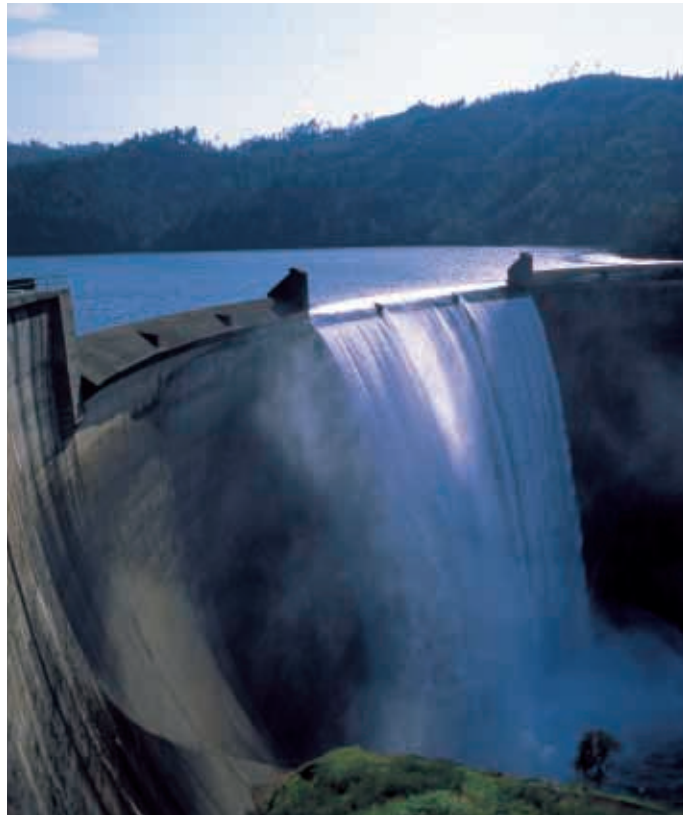
At the end of the year, the rate of interest on outstanding financial debt (average of the various debt instruments) was situated at 4.8%, against 3.5% the previous year. This level mirrors the company's good performance in terms of financing costs and compares favourably with its European counterparts. The average financing rates in 1999 and 2000 were respectively 3.32% and 4.21%. It is also worth noting that at the end of the year, 30.5% of debt was tied to fixed interest rates.



Two of the principal events in the company's life in 2000 – the 4th privatisation phase and the sale of REN – had a major impact on financial activity and in particular, on the management of the Group's debt portfolio.

The 4th privatisation phase, which resulted in the majority of EDP's share capital being relinquished by the Portuguese State, required agreement with the banks concerning the guarantees in favour of the EIB and the immediate exercise, on the part of certain bondholders, of redemption options relating to EDP's 22nd Bond Issue. It is expected that the balance of this issue and the whole of the 23rd Issue will be redeemed in 2001.

Insofar as the second event is concerned, the fact that EDP ceased to own the majority of REN's share capital constituted, in terms of the majority of financing and guarantee contracts, a default or early repayment situation by virtue of the fact that this company appeared in these contracts as a key EDP Group subsidiary. In this case, it was also necessary to obtain agreement from the banks with whom these contracts had been entered into, as well as that of the holders of bonds in EDP's international issue ("Eurobond"). These negotiations were concluded quickly and timeously, with the result that these two events did not have any negative reflections on EDP's financial commitments from the viewpoint of early repayment. In this connection, the only outcome was the renegotiation of the financial terms in the case of the Eurobond 6%, 2009, whereby its coupon was altered to 6.40%.



As for medium and long-term ratings, Standard & Poor's gave EDP a rating of AA at the time of the announced sale of 70% of REN's capital to the Portuguese State; Moody's maintained unchanged its Aa3 rating. EDP thus retains its position amongst the European electricity utilities with the highest ratings.

Financial contribution for capital investment

These receipts are basically represented by customers' contributions towards the execution of works for their benefit, namely new power connections, and by EU financial grants within the scope of the Community Structural Funds.

In 2000 the amounts received from customers amounted to some PTE 24.5 billion, while EU community subsidies totalled PTE 2.1 billion.

Own work capitalised

The contribution of the Group companies' own resources to capital expenditure during the year rose by 7.1%, to be situated at PTE 45.9 billion in 2000 against PTE 42.9 billion in 1999, broken down as follows:

Own Work Capitalised

PTE billion

	1997	1998	1999	2000
Materials, supplies and services	27.2	29.1	33.9	34.8
Administrative overheads	7.4	6.7	7.1	9.4
Financial charges	3.5	3.1	1.9	1.7
Total	38.1	38.9	42.9	45.9

This increase is primarily explained by the higher capitalisation of costs incurred with the launching of the telecommunications company and which totalised PTE 9.3 billion in 2000.

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 basis. Hence, the Group's global activities (which are conducted by subsidiaries in which the controlling interest is at least 90% and whose head offices are situated in Portuguese territory) are subject to corporate income tax (IRC).

IRC computed on income from activity carried out during the year, including deferred taxation calculated in accordance with International Accounting Standard 12, amounted to PTE 62.7 billion.

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 income of the company in which they work.



Proposed appropriation of 2000 net income

In terms of Article 27 of the Company's Memorandum and Articles of Association, the Board of Directors proposes that net income of PTE 110,059,360,182\$00 be appropriated as follows:

Appropriation of Net Income		(PTE)
Legal Reserve (5%)	5,503,000,000	
Dividends	84,000,000,000	
Retained Earnings	20,556,360,182	
Net Income	110,059,360,182	

It should be pointed out that the level of the dividends to be distributed is unchanged from that of the previous year, even though the dividend per share is PTE28 (versus PTE140 last year). This is due to the stock split realised in June 2000, in terms of which each share with a nominal value of EUR 5 was divided into 5 new shares with a nominal value of EUR 1 each.

Highlights

Highlights in 2000

General

→ Stock split of EDP shares on July 20

The nominal value of the shares representing EDP's share capital was altered on July 20 2000 from EUR 5 to EUR 1, following the resolution passed at the general meeting held on May 12 2000. Accordingly, the company's share capital is now represented by 3 billion shares with a nominal value of EUR 1 each. As a result of this change, each one of the previous shares was replaced by 5 "new" shares.

→ EDP's 4th privatisation phase

The 4th phase of EDP's privatisation took place in October. A total of 600 million shares corresponding to 20% of the company's capital were sold, following which the State's shareholding in the company dropped to around 30%.

→ Change in the Board of Directors

An extraordinary general meeting was held on October 18 for the purpose of electing the new Chairman of the Board of Directors, Eng. Francisco de la Fuente Sánchez, and the ratification of the co-option of a new member to the Board of Directors, Dr. Manuel de Jesus Martins.

→ Creation of EDP Participações SGPS

As part of the internal reorganisation of the management of the Group's financial investments, EDP formed EDP Participações SGPS, S.A., with the objective of aggregating in one single entity the control of minority shareholdings.

Electricity

→ Portuguese State acquires 70% of REN – Rede Eléctrica Nacional

In this operation, EDP received a total of PTE 195.7 billion (EUR 976 million), made up of PTE 21.3 billion (EUR 106 million) relating to the repayment of REN's debt to EDP, PTE 78.7 billion (EUR 392.5 million) relating to the distribution of extraordinary dividends, and PTE 95.7 billion (EUR 477 million) for the purchase of 70% of REN's share capital.

→ Interruption of electricity supply

An important interruption in the supply of electric power in the southern part of Portugal occurred on May 15 2000. This interruption had its origins in an outage in the National Transmission Grid's power lines.

→ EDP acquired 10% of EDA's share capital

EDP acquired 10% of EDA – Electricidade dos Açores's share capital for PTE 1.2 billion (EUR 6 million), with whom it entered to in a strategic partnership.

→ ERSE fixed an increase of 1.2% for 2001 tariffs

ERSE announced an increase in tariffs for 2001 of 1.2%, compared with a decrease of 0.6% in 2000. The hike in tariffs is attributable to the rise in fuel prices.



Natural gas

→ EDP reinforces its position in Galp Energia to 14.27%

As part of the ownership restructuring at Galp, EDP acquired 11% of Galp's capital for a figure of PTE 63.7 billion (EUR 317,7 million), after which its shareholding in this company rose to 14.27%. This acquisition falls within EDP's strategy of strengthening its involvement in the natural gas business as a pillar for the development of electricity generating projects in the Iberian Peninsula and the pursuance of its multi-utility strategy.

Internationalisation

→ EDP reinforces its position in Bandeirante to 53.97%

Energypaulo (EDP Group) and Draft I Participações S.A (CPFL Group) jointly launched a takeover bid for 96.37% of the capital of Brazilian electrical distributor Bandeirante Energia S.A. EDP's equity stake rose from 16.69% of Bandeirante's total capital to 53.97%.

→ EDP sells 10.94% of its share capital in CERJ

EDP sold all the shares it held outside of Cerj's controlling block (10.94% of capital). This sale resulted from a takeover bid by Endesa for Cerj at a price of 0.73 reais per lot of one thousand shares, generating cash proceeds of PTE 16.6 billion (EUR 82.8 million). EDP retains its 30% stake in Cerj's controlling block, which is equivalent to 19% of this company's share capital.

Telecommunications and information technologies

→ Strategic partnership between EDP and BCP

EDP and BCP entered to in a strategic partnership with special emphasis on telecommunications and the Internet, further cemented by an agreement to acquire reciprocal shareholdings of up to 5% in each other's capital.

In September 2000, EDP and BCP reached agreement on the sale of a participating interest of 27.5% in the capital of ONI SGPS and ONItelecom by EDP to BCP for a global consideration of PTE 41.2 billion (EUR 205.7 million). As part of the agreement, EDP increased its shareholding in BCP from 3% to 4.25%. This transaction was realised on October 6. Galp Energia, the holder at that time of a 5% interest in ONItelecom S.A., strengthened its partnership with EDP and BCP by acquiring 5% of ONI SGPS S.A.

→ ONI WAY licensed as UMTS operator

One of the four licences for the operation of the 3rd generation mobile phone (UMTS) network was awarded to the ONI WAY consortium.

The ONI WAY consortium has the following ownership composition: ONI SGPS 55%, Telenor 20%, Iberdrola 8%, Impresa 4%, Brisa 4%, Grupo Jerónimo Martins 3%, Media Capital 3%, Grapes Communications 2%, Efacec 1%. The initial cost of the licence was fixed by the ICP at PTE 20 billion (EUR 99.8 million).

→ **EDINFOR acquires
60% of CASE**

EDINFOR – Sistemas Informáticos S.A. (EDP Group company) acquired for PTE 13 billion (EUR 64.8 million) a block of shares representing 60% of CASE – Conceção e Arquitectura de Soluções Informáticas Estruturadas S.A.'s share capital.



This deal constituted a decisive step towards the establishment of ACE, a company held 60% by EDINFOR and 40% by the previous shareholders of CASE. The new entity will become the largest Portuguese company providing consultancy services and information systems, with internationally compatible resources and expertise.

Significant post-balance sheet events

→ **Termination of the partnership between EDP and Iberdrola**

In the wake of the intention manifested by the Board of Directors of Iberdrola to merge with Endesa that would result in the elimination of the prospects for cultivation of the partnership with EDP, an end was put to the relevant strategic partnership. With the support of its principal shareholders, EDP therefore decided to analyse alternative opportunities of involvement in the Spanish market.

→ **EDP and CajaAstur launch takeover bid for Hidrocantábrico**

On January 25 2001, EDP and Caja de Ahorros de Asturias (CajAstur) launched a takeover bid of EUR 24 per share for 100% of the capital of the Spanish utility Hidroeléctrica del Cantábrico. This operation resulted in the combined acquisition of 35% Hidroeléctrica del Cantábrico's share capital.

→ **Constitution of a sub-holding company for the generating area: "EDP Produção"**

The creation of EDP Produção represents another step in the EDP Group's reorganisation strategy and has the object of optimising the coordination and efficiency of the various EDP Group companies engaged in the energy generating sector.



Outlook for 2001

It is envisaged that 2001 will be a year of transition in the EDP Group's major strategic areas:

- In the national electrical sector, with the termination of the first regulatory period, the parameters characterising the next three-year period will be defined. The EDP Group anticipates increasing demands, not only at internal level with added demands for the efficiency in resources utilisation, but also on the external front and the escalating dispute for market share. 2001 will also mark EDP's return to large-scale capital investments in electricity generation in the form of the TER project – the second natural-gas-fired combined-cycle thermoelectric power plant. Also on the Iberian market, the EDP Group will strive to assume a prominent position in the Spanish electricity sector.
- In telecommunications 2001 will be mostly dedicated to the construction of important infrastructures and to the preparation of a product range that permit the entry into operation next year of the 3rd generation mobile communications system, to be operated by the consortium led by ONI.
- In the multi-utility arena, 2001 will see an intensification of initiatives relating to the formulation of business plans that will underpin over the medium term the EDP Group's presence in the water, sewage and natural gas sectors and where joint studies are currently being undertaken with the AdP and GALP Energia groups, respectively.
- On the internationalisation stage, the EDP group will seek to consolidate and firmly secure a new dimension for its presence in Brazil, notably through electricity generation activity.

The EDP Group will give a serene, competent and determined response to all these challenges with the overriding goal of continuing to merit the full confidence of its customers, shareholders and employees.

Acknowledgements

The Board of Directors expresses its gratitude to the Portuguese Government, in particular, the Ministers of Finance and of the Economy, the Secretaries of State for the Treasury and Finance, and the Deputy Minister of the Economy, for the support given in a variety of situations impacting the company's affairs, in particular, during the immensely busy period leading up to the fourth phase of EDP's reprivatisation.

The Board is also grateful to all those entities who collaborated with the EDP Group, namely:

CMVM, BVLV and Interbolsa;

The statutory and external auditors of the EDP Group's companies;

Financial institutions;

Scientific, university and technical institutions.

And a special vote of thanks:

To the EDP Group's companies' customers, to whom we reiterate our unceasing commitment to the quest for quality levels which are on a par with the total satisfaction of their needs;

To our shareholders, for the confidence they place in the EDP Group;

To our workers and employees, for the positive manner in which they have contributed to the EDP Group's growth, and the competence and professionalism displayed in the performance of their functions.

The Board of Directors was enlarged to 11 members with effect from the General Meeting of May 12 2000, date on which it had the following composition: Dr. Mário Cristina de Sousa (Chairman), Eng. Jorge Fernando Alves Ferreira Guimarães (Vice-Chairman), Eng. Francisco de la Fuente Sánchez, Dr. Fernando Noronha Leal, Eng. António Manuel Barreto Pita de Abreu, Dr. Rui Miguel de Oliveira Horta e Costa, Eng.

Vasco Fernandes Pereira Valente (members who form part of the Executive Committee set up in the meantime), Eng. Jorge Manuel Jardim Gonçalves, Iberdrola, represented by Eng. Javier Herrero Sorriqueta, Prof. Dr. Ernâni Rodrigues Lopes and Prof. Eng. João Afonso Ramalho Sopas Pereira Bento.

In the light of the above-mentioned election of members to EDP's governing bodies for the three-year term in progress, the following ceased functions: Dr. Carlos Adrião Rodrigues, Chairman of the General Meeting Committee, Dr. António Moura Rodrigues, sole supervisor, Eng. Luis Filipe Lucena Ferreira and Dr. Humberto da Costa Biu, Directors and former employees of the company, and in July 2000, Dr. António Pedro Balançuela Alfaia de Carvalho ceased functions as the company's Secretary. The Board of Directors expresses its recognition of the work carried out in the period in which they held office, in addition to the acknowledgements expressed at the appropriate ceremony, and notably for the special and long standing relations maintained with the company by each one of the above-mentioned retiring members.

Finally, to Dr. Mário Cristina de Sousa, who during the course of the financial year resigned his position as Chairman of EDP's Board of Directors in order to assume the post of Minister of the Economy, it is entirely appropriate to record its recognition of the important contribution he made when at the helm of the EDP Group's destiny.



Board of Directors

Eng. Francisco de la Fuente Sánchez – Chairman

Eng. Jorge Fernando Alves Ferreira Guimarães – Vice-Chairman

Dr. Rui Miguel de Oliveira Horta e Costa – Member

Dr. Fernando Noronha Leal – Member

Eng. António Manuel Barreto Pita de Abreu – Member

Eng. Vasco Fernandes Pereira Valente – Member

Dr. Manuel de Jesus Martins – Member

Eng. Ignácio Francisco Javier Herrero Sorriqueta
Representing Iberdrola – Member

Eng. Jorge Manuel Jardim Gonçalves – Member

Prof. Eng. João Afonso Ramalho Pereira Bento – Member

Prof. Dr. Ernâni Rodrigues Lopes – Member

Lisbon, 20 April 2001

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Group Annual Financial Statements

Consolidated Balance Sheet

31 December 2000

Assets		Dez. 00			1999
Notes	Fixed assets:	AB	A/P	AL	AL
23.b./25/27.	Intangible:				
	Start-up costs	12,312,062	2,985,192	9,326,870	2,425,184
	Research and development costs	3,930,993	1,911,938	2,019,055	724,301
	Industrial property and other rights	135,910,079	7,465,274	128,444,805	407
	Capital expenditure in progress	21,992,556		21,992,556	26,633,337
		174,145,690	12,362,404	161,783,286	29,783,229
23.c./27.	Tangible:				
	Fixed assets (DL 344-B/82)	50,471,241	46,011,370	4,459,871	5,472,124
	Land and natural resources	19,524,972		19,524,972	19,906,885
	Buildings and other facilities	56,020,347	22,662,142	33,358,205	36,096,082
	Basic equipment	3,959,011,166	2,210,516,182	1,748,494,984	1,938,696,265
	Vehicles, transport equipment	12,672,380	8,332,198	4,340,182	3,274,906
	Loose tools	2,362,867	2,115,397	247,470	302,429
	Administrative equipment	36,777,489	25,609,471	11,168,018	7,889,553
	Returnable containers	333	333	0	0
	Other fixed assets	1,828,226	492,360	1,335,866	853,093
	Capital expenditure	84,045,427		84,045,427	82,682,874
	Advance payments for capital items	634,003		634,003	482,121
23.c./27.	Multi-purpose projects (part not assigned):	4,897,295		4,897,295	4,787,963
	Hydroelectric generation	3,511,059		3,511,059	3,469,124
	Works under construction	1,386,236		1,386,236	1,318,839
		4,228,245,746	2,315,739,453	1,912,506,293	2,100,444,295
23.d./27.	Financial investments:				
	Group companies	86,838,531	140,000	86,698,531	46,329,994
	Associated companies	197,263,498	13,301,408	183,962,090	218,703,848
	Securities and other investments	276,569,650	214,453	276,355,197	99,368,294
	Capital expenditure in progress	138,018		138,018	0
		560,809,697	13,655,861	547,153,836	364,402,136
	Current assets:				
23.e.	Inventories:				
50.f.	Raw and consumable materials	21,164,216		21,164,216	17,503,690
	Goods and work in progress	272,807		272,807	396,543
	Goods for resale	1,182,740	0	1,182,740	3,732,502
	Advance payments to suppliers	210,168		210,168	316,640
		22,829,931	0	22,829,931	21,949,375
33.b.	Medium and long-term receivables:				
50.a.	Local authorities – debt at 31/12/88	39,584,232	21,655,778	17,928,454	14,576,159
	Shareholders and investee companies	1,764,682		1,764,682	1,563,686
50.a.	Fixed assets in course of integ. – debt set-off	2,670,115	1,509,239	1,160,876	1,246,403
		44,019,029	23,165,017	20,854,012	17,386,248
	Short-term receivables:				
50.b.	Trade debtors	100,236,052	0	100,236,052	48,875,494
50.b.	Debtors – notes receivable	232		232	703
50.b.	Debtors – doubtful recovery	27,153,352	25,303,135	1,850,217	789,723
	Shareholders and investee companies	46,151,789		46,151,789	14,290,993
	Suppliers – advance payments	846,831		846,831	15,344
50.e.	State and other public entities	10,433,284		10,433,284	5,780,843
50.c.	Other debtors	30,897,061	882,576	30,014,485	55,012,628
	Share capital subscribers	0		0	0
		215,718,601	26,185,711	189,532,890	124,765,728
	Trading securities:				
	Other short-term investments	7,104,783		7,104,783	2,554,683
		7,104,783	0	7,104,783	2,554,683
	Bank deposits and cash:				
	Bank deposits	4,443,729		4,443,729	612,000
	Cash	17,417		17,417	104,498
		4,461,146		4,461,146	716,498
50.d.	Accruals and deferrals:				
	Accrued income	18,704,712		18,704,712	19,090,578
	Deferred costs	99,630,759		99,630,759	67,428,765
		118,335,471		118,335,471	86,519,343
	Total depreciation		2,341,617,718		
	Total provisions		49,490,728		
	TOTAL ASSETS	5,375,670,094	2,391,108,446	2,984,561,648	2,748,521,535

Accounting Consolidation Office
 Manager: Dr. Carlos Manuel Fernandes de Almeida Carvalho
 Registered Accountant No. 26000

Shareholders' Funds and liabilities		Dec. 00	1999
Notes			
50.m	Shareholders' funds:		
	Share Capital	601,446,000	601,446,000
	Treasury stock – nominal value	(481,157)	(350,844)
	Treasury stock – premiums and discounts	(1,130,412)	(822,324)
	Equity-accounting adjustments	(1,298,787)	(1,123,663)
	Currency conversion reserve	(6,139,006)	(9,014,405)
	Revaluation reserves	405,154,583	394,498,545
	Reserves:		
	Legal	38,841,100	33,689,350
	Other	15,784,546	15,784,546
	Retained earnings – holding company	51,708,888	50,635,801
	Retained earnings – consolidated subsidiaries	29,991,524	27,119,522
	Subtotal	1,133,877,279	1,111,862,528
	Consolidated net income for the year	110,059,359	103,034,925
	TOTAL SHAREHOLDERS' FUNDS	1,243,936,638	1,214,897,453
	Minority shareholders' interests	7,466,738	387,056
	Liabilities:		
46.	Provisions for risks and contingencies:		
	Provisions for pensions		
	Other	141,857,847	138,839,534
		141,857,847	138,839,534
23.n./50.j.	Hydraulicity Correction	73,280,324	67,985,815
33.a.	Medium and long-term payables:		
50.k.	Bond loans – non-convertible	362,433,362	403,486,090
50.l.	Bank loans	276,770,209	349,804,326
	Other loans	3,397,500	2,586,168
33.	Other creditors	34,709,713	16,344,186
23.c.	State participation in multi-purpose projects	3,957,418	3,957,418
23.c.ii.	Adjustments account – (Reg. DL344-B/82)	4,459,871	5,472,124
		685,728,073	781,650,312
	Short-term payable:		
50.k.	Bond loans – non-convertible	26,896,608	8,843,059
50.l.	Bank loans	335,391,902	111,117,652
	Advance payments on sales account	46,116	53,990
	Trade creditors	79,080,573	21,641,600
	Suppliers – pending invoices	1,024,888	165,409
	Other shareholders	924,268	230
	Customer advances	349,215	202,806
	Suppliers – fixed assets	29,947,306	38,930,381
50.e	State and other public entities	9,559,202	18,796,612
50.c.	Other creditors	14,934,225	14,468,970
		498,154,303	214,220,709
50.d.	Accruals and deferrals:		
	Accrued charges	41,476,279	27,563,361
	Deferred income	292,661,446	302,977,295
		334,137,725	330,540,656
	TOTAL LIABILITIES	1,733,158,272	1,533,237,026
	TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	2,984,561,648	2,748,521,535

Board of Directors

Eng. Francisco de la Fuente Sánchez – Chairman
 Eng. Jorge Fernando Alves Ferreira Guimarães – Vice-Chairman
 Dr. Rui Miguel de Oliveira Horta e Costa
 Dr. Fernando Noronha Leal
 Eng. António Manuel Barreto Pita de Abreu
 Eng. Vasco Fernandes Pereira Valente

Dr. Manuel de Jesus Martins
 Eng. Ignácio Francisco Javier Herrero Sorriqueta
 Eng. Jorge Manuel Jardim Gonçalves
 Prof. Eng. João Afonso Ramalho Pereira Bento
 Prof. Dr. Ernâni Rodrigues Lopes

Consolidated Income Statement

Expenses		Dec. 00	Dec. 99
Notas	Cost of inventories sold and consumed:		
	Electricity	256,341,631	101,490,562
	Fuel for power generation	61,536,545	53,845,388
	Sundry materials	22,062,573	21,837,011
	Goods for resale	7,090,403	3,501,378
		347,031,152	180,674,339
	Outside supplies and services		57,560,874
	Personnel costs:		
	Remuneration	60,130,584	66,185,430
	Staff welfare costs:		0
	Complementary pensions	0	31,192
	Current pension contributions	3,804,000	3,829,000
	Social security contributions	16,132,670	15,477,947
	Social welfare initiatives	1,470,390	1,355,494
	Other	6,536,707	5,953,471
		88,074,351	92,832,534
27.b.	Depreciation	123,015,895	123,465,624
	Provisions	21,068,783	8,311,049
	Indirect taxes	1,599,597	1,993,516
	Direct taxes	231,421	156,734
	Other operating costs and losses	415,595	996,888
23.c./50.g.	Concession and generating centre rentals	26,591,262	25,799,881
	Hydraulicity correction – diff. year – charge	0	0
		28,837,875	28,947,019
	A - Operating costs and losses	681,914,508	491,791,439
44.	Financial costs and losses:		
	Losses in group and associated companies	10,324	5,855,946
	Interest	63,875,378	32,436,168
27.b.	Provision for diminution in value of investments	21,327	23,276
	Unfavourable foreign-exchange differences	1,351,448	3,839,913
	Other	15,727,251	10,585,663
		80,985,728	52,740,966
	C - Current costs and losses	762,900,236	544,532,405
45.	Extraordinary costs and losses		
	Bad debts	4,820	3,311,357
	Inventory losses	126,519	46,003
	Fixed asset losses	199,931	709,016
	Increase in depreciation and provisions	567,378	17,241,221
	Prior-year charges	1,105,552	1,126,695
	Hydraulicity correction – additional charge	0	0
	Other	739,453	10,483,762
		2,743,653	32,918,054
	E - Costs and losses for the year	765,643,889	577,450,459
	Corporate income tax		
	Income tax for the year	62,298,405	71,018,576
	Income tax for the year – deferred	380,543	(9,269,340)
		62,678,948	61,749,236
	G - Total costs	828,322,837	639,199,695
	Minority shareholders' share of net income	(4,668,395)	(87,778)
	Consolidated net income for the year	110,059,359	103,034,925
	TOTAL	933,713,801	742,146,842
	Operating profit	(B) - (A)	145,222,132
	Net interest and financial expense	((D) - (B)) - ((C) - (A))	(35,049,922)
	Net operating income	(D) - (C)	110,172,210
			181,701,576
			(28,159,977)
			153,541,599

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

Income		Dec. 00	Dec. 99
Notas			
	Sales:		
36.	Electric power	736,945,293	594,591,718
36.	Other	12,207,582	7,621,693
36.	Services provided	21,999,787	13,669,812
		771,152,662	615,883,223
	Variation in production:		
	Goods and work in progress:		
	Closing inventories	359,445	396,543
	Opening inventories	307,015	345,127
		52,430	51,416
23.i./50.h.	Own work capitalised	45,924,774	42,869,636
	Supplementary income	1,582,609	1,955,449
50.i.	Operating subsidies	120,611	150,691
	Other operating income and gains	1,204,754	652,968
23.n./50.j.	Hydraulicity correction – diff. year – income	7,098,800	11,929,632
		10,006,774	14,688,740
	B – Operating income and gains	827,136,640	673,493,015
44.	Financial income and gains:		
	Profit in group and associated companies	8,388,095	3,781,904
	Investment income	4,626,452	2,284,617
	Income from trading and other securities	1,229,458	149,565
	Other interest and similar income	30,720,088	13,447,076
	Favourable foreign-exchange differences	971,713	4,917,827
		45,935,806	24,580,989
	D – Current income and gains	873,072,446	698,074,004
45.	Extraordinary income and gains:		
	Fixed asset gains	41,393,387	6,129,045
	Decreases in depreciation and provisions	2,216,105	23,786,624
	Hydraulicity correction – surplus	856,173	1,412,437
	Other interest and similar income	16,175,690	12,744,732
		60,641,355	44,072,838
	F – TOTAL INCOME	933,713,801	742,146,842
	Net extraordinary income	((F) - (D)) - ((E) - (C))	11,154,784
	Income before taxation	(F) - (E)	164,696,383
	Consolidated net income for the year	(F) - (G)	103,034,925

Board of Directors

Eng. Francisco de la Fuente Sánchez – Chairman
 Eng. Jorge Fernando Alves Ferreira Guimarães – Vice-Chairman
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 Prof. Eng. João Afonso Ramalho Pereira Bento
 Prof. Dr. Ernâni Rodrigues Lopes



Notes to the Group Annual Financial Statements at December 31 2000

00 – Introduction

a) Organisation and business mission

EDP – Electricidade de Portugal, S.A. was formed in 1976 in the wake of the government-decreed nationalisation and merger of the principal companies operating in the electricity sector in mainland Portugal.

The EDP Group was formed in 1994 following 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 – Electricidade de Portugal, S.A..

The Group's activities are centred on the generation 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.

In the first six months of 2000, the EDP Group's activities also included the transmission of electric power through the integration of REN – Rede Eléctrica Nacional, S.A. With the sale of 70% of the Group's interest in this company to the Portuguese State, REN became merely an associated company for consolidation purposes.

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 company responsible for guaranteeing the transmission of electric power and the SEN's overall 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.

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, as well as laying down the tariffs covering both the use of infrastructures and the supply of electric power to SEP customers.

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. EDP is now a public-limited company in which the State and other public entities hold a minority interest.

1997 marked the start of EDP - Electricidade de Portugal, S.A.'s partial privatisation, with the second and third phases taking place in 1998. 2000 saw the fourth privatisation phase, following which the State's direct and indirect interest in EDP's equity capital fell to 31.33%. The Company's share capital is currently held by the following shareholders:

Portuguese State (DGT)	22.65%
Caixa Geral de Depósitos, S.A.	4.75%
PARPÚBLICA	3.93%
Public Entities	31.33%
Banco Comercial Português, S.A.	5.06%
Iberdrola	4.00%
Other Private Shareholders	59.53%
EDP - Treasury stock	0.08%
Total	100.00%

Portuguese State 22.65% Caixa Geral de Depósitos, S.A. 4.75% PARPÚBLICA 3.93% Public entities 31.33% Banco Comercial Português, S.A. 5.06% Iberdrola 4.00% Other private shareholders 59.53% EDP - treasury stock 0,08% 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 power 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 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 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
EDP - Electricidade de Portugal, S.A.	Av. José Malhoa, Lote A-13 Lisbon	Promotion, evolution 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 PARPÚBLICA C.G.D. B.C.P. IBERDROLA Treasury stock Other private shareholders	22.65% 3.93% 4.75% 5.06% 4.0% 0.08% 59.53%	1,133,877,276	110,059,360	Majority of voting rights
CPPE - Companhia Portuguesa de Produção de Electricidade, S.A.	Av. Barbosa do Bocage, 45 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%	504,982,127	55,152,718	Majority of voting rights
TER - Termoelectrica do Ribatejo, S.A.	Av. Estados Unidos da América, 55, Lisbon	The establishment and operation of a combined-cycle thermo-electric power station, the sale of the energy produced and any other allied activity.	EDP	100%	100,241	(673)	Majority of voting rights
EDP ENERGIA, SA	Praça Marquês de Pombal, 13 Lisbon	Generation and the purchase and sale of energy, in the form of electricity or others, resulting from its own or others' installations, as well as any other type of energy selling.	EDP	100%	14,390,894	33,906	Majority of voting rights
HDN - Energia do Norte, S.A.	Rua do Caires, 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%	6,996,576	520,710	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
HIDROBASTO	OPorto	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.	HDN -Energia do Norte, S.A. Câmara Municipal de Celorico de Basto	60%	20,000	(164)	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%	13,832,460	715,633	Majority of voting rights
ENERNOVA - Novas Energias, S.A.	Avenida José Malhoa, lote A-13 Lisboa	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 of activities in accordance with its capabilities.	EDP CPPE	75% 25%	1,104,602	226,761	Majority of voting rights
SEFLOR	Lugar do Freixo Mortágua	Mortágua Production and sale of electric energy in the form of electricity resulting from the operation of its own or third parties' thermal power plants destined, as a matter of priority, to take advantage of forest waste.	CPPE	60%	100,569	25,986	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
EDP-COGERAÇÃO	Avenida José Malhoa, lote A-13 Lisbon	Carrying out activity in the field covering the promotion, execution, operation, 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%	502,333	(174,115)	Majority of voting rights
SOPORGEN	Av. 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 produced.	EDP-COGERAÇÃO	82%	10,024	(202,425)	Majority of voting rights
ENERGIN AZOIA	Av. José Malhoa, lote A-13, Lisbon	Generation in the form of cogeneration , and the sale of electric and thermal energy	EDP-COGERAÇÃO	65%	10,024	0	Majority of voting rights
EDP DISTRIBUIÇÃO	Rua Camilo Castelo Branco, nº 43 Lisbon	Electric power distribution and sale in the areas where it is legally authorised to do so.	EDP	100%	433,002,793	30,881,349	Majority of voting rights
OPTEP, SGPS	Av. José Malhoa, lote A-13 Lisbon	Telecommunications	EDP	100%	6,227,888	14,464,099	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
ONI, SGPS	Avenida José Malhoa, lote A-13 Lisbon	Management of investments in other companies as a direct form of engaging in economic activities.	OPTEP, SGPS	67.5%	10,024	(362,997)	Majority of voting rights
ONITELECOM	Av. da República, 24 Lisbon	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	OPTEP, SGPS	67.5%	36,775,728	(14,108,644)	Majority of voting rights
ONI GRANDES REDES	Av. 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 equity participation in companies.	ONI, SGPS	100%	10,024	0	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
ONI ONE	Av. José Malhoa lote A-13 Lisbon	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONI, SGPS	100%	10,024	0	Majority of voting rights
ONI WAY	Av. José Malhoa lote A-13 Lisbon	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONI, SGPS	55%	10,024	0	Majority of voting rights
ONI WEB	Av. José Malhoa lote A-13 Lisbon	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONI, SGPS	100%	10,024	0	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(loss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
ONI SOLUTIONS	Av. da República, 24 Lisbon	Operation of data and other communication networks, as well as the provision of allied services.	ONITELECOM	100%	872,790	(754,587)	Majority of voting rights
ONI AÇORES	Rua Eng. José Cordeiro, 6 Ponta Delgada	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONITELECOM	60%	50,120	(6,550)	Majority of voting rights
ONI MADEIRA	Rua Brigadeiro Oudinot, edifício Oudinot, 3º, salas 301 e 302 Funchal	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONISOLUTIONS ONITELECOM	69% 1%	10,024	0	Majority of voting rights
093X	Av. José Malhoa, lote A-13 Lisbon	Telecommunications.	OPTEP, SGPS	100%	4,456,432	(35,351)	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
SHOPPING DIRECT	Rua Eugénio de Castro, 352 - 1º OPorto	Establishment, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services, as well as the conduct of any other complementary, subsidiary or accessory activities, directly or through the constitution of or equity participation in companies.	ONI WEB	100%	(392,696)	(507,226)	Majority of voting rights
Electricidade de Portugal Internacional, SGPS, S.A.	Av. José Malhoa, lote A13 Lisbon	Promotion, evolvment 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.	EDP	100%	21,369,514	(10,084,715)	Majority of voting rights
INTERNEL CONSULTADORIA	Av. José Malhoa, lote A13 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 Internacional	100%	10,024	100,330	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
ENERGEN	BRAZIL	Participation in other companies as shareholder, as well as in businesses and capital projects in the energy sector.	EDP BRASIL, LDA EDP Internacional	90% 10%	88,078	(22,476)	Majority of voting rights
EDP - Brasil, Serviços Corporativos, Lda	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%	12,579,176	3,040,076	Majority of voting rights
EDP Brasil, SA	BRAZIL	Participation in other companies as shareholder, as well as in businesses and capital projects in the energy sector.	EDP EDP Internacional	0.2% 99.2%	110	(384,394)	Majority of voting rights
EDINFOR - Sistemas Informáticos, S.A.	Rua 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%	1,269,365	1,771,367	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
COPIDATA, S.A.	Rua Heróis de Chaimite, 12 e 12-A Loures	Creation, execution and sale of computerised forms and graphic systems for computers, or any other industrial, commercial or service activity.	EDINFOR	99.12%	1,874,179	62,614	Majority of voting rights
COPIDATA, LDA	Rua Heróis de Chaimite, 12 e 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%	239,808	1,722	Majority of voting rights
ESCRITOMÁTICA, LDA	Rua Heróis de Chaimite, 12 e 12-A Loures	Creation, execution and sale of computerised stationery and graphic systems for computers, or any other industrial, commercial or service activity.	EDINFOR COPIDATA,SA	40% 60%	54,040	10,724	Majority of voting rights
MECARESOPRE	Rua Formoso de Cima, 150 Lisbon	Provision of IT services, sale of IT equipment and accessories, electrical and electronic material, as well as the provision of technical assistance.	EDINFOR	80%	24,321	22,117	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
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 information 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 participation 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%	56,610	(96,451)	Majority of voting rights
EDINFOR MOÇAMBIQUE	MOZAMBIQUE	Operation of its own or others' information systems, the design. implementation and operation of data networks, the development of computer programmes and information 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, S.A.	90% 10%	3,183	0	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
HIDRORUMO - Projecto e Gestão, S.A.	Rua do Bolhão, 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%	994,337	429,465	Majority of voting rights
PROET - Projectos, Engenharia e Tecnologia, S.A.	Avenida Estados Unidos da América, 55, 2º Lisboa	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%	813,706	183,669	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
LABELEC - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Rua Cidade de Goa, 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 electronic industry and allied entities.	EDP	100%	732,391	273,926	Majority of voting rights
MRH - Mudança e Recursos Humanos, S.A.	Rua D. Luís, 12, 2º 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%	148,449	16,043	Majority of voting rights
SÁVIDA - Medicina Apoiada, S.A.	Avenida Casal Ribeiro, 15 Lisbon	Provision of health-care services, management and operation of its own or others' hospitals, medical-assistance and similar establishments.	EDP	100%	204,738	29,564	Majority of voting rights
EDP -Serviços de Gestão de Frotas, Instalações e Logística, S.A.	Av. 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%	161,483	4,325	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
EDP - Imobiliária, S.A.	Av. 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%	796,487	456,778	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%	164,285	(2,061)	Majority of voting rights
EDIPOMBAL-Imobiliária, S.A.	Praça Marquês de Pombal, 13 Lisbon	Property promotion, purchase and sale of fixed properties, and resale of those acquired for this purpose; administration of its own properties and the provision of property-related services.	EDP-Imobiliária	100%	219,749	88,894	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(loss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
ENERFIN - Sociedade de Eficiência Energética, S.A	Rua Guerra Junqueiro, 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%	(576,236)	392,421	Majority of voting rights
EDP ÁGUAS-Gestão de Águas e Saneamento, S.A.	Av. José Malhoa, lote A-13 Lisbon	Promotion, development and management, direct or indirect, of business activity in the water, sewage 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%	949,134	(513,350)	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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	2000 net income/(oss)	Reason for compulsory consolidation Art. 1 DL 238/91 of 2/Jul
VALORÁGUA-Água e Saneamento de Portugal, S.A.	Av. da República, 57-3º Lisbon	Promotion, development and management, direct or indirect, in the water and sewage business sectors.	EDP ÁGUAS	50%	442,385	(75,254)	Majority of voting rights
ENERTRADE	BRAZIL	Carrying out activity in the electric energy purchase and sale market.	EDP BRASIL,SA	100%	110	0	Majority of voting rights
BANDEIRANTE	BRAZIL	Distribution and sale of electric energy.	ENERPAULO	53.96%	36,159,194	2,996,949	Majority of voting rights
EDP LAJEADO	BRAZIL	Conduct of activity involving the promotion, execution and operation for its own or others' account of electric energy generation projects, as well as power sales.	EDP BRASIL,LDA	99.99%	8,563,655	(2,671)	Majority of voting rights
ENERPAULO	BRAZIL	Investment-holding company and therefore has no other business activity (equity accounted)	EDP EDP Internacional EDP BRASIL, SA	80.95% 6.33% 12.72%	36,344,906	3,620,336	Majority of voting rights

Note: Shareholders' Funds are stated as at 00.12.31 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 ARTº 4 DL 238/91 DE 2/7
				Year	Shareholders' funds	Income/loss for the year	
ENERGIA, RE	LUXEMBURG	EDP	99.998%	1999	248,490	0	Substantially different business activity (equity accounted)
EDP Finance BV	HOLIAND	EDP					Substantially different business activity (equity accounted)
EDP – Investimento, Gestão de Participações e Assistência Técnica, Lda	MACAU	EDP	99%	1999	1,606,410	359,967	Investment-holding company and therefore has no other business activity (equity accounted)
SOGESTE	MACAU	EDP – Investimento, Gestão de Participações e Assistência Técnica, Lda	85%	1999	3,364,357	1,786,417	Investment-holding company and therefore has no other business activity (equity accounted)
EDP 2000 - Participações, Lda	BRAZIL	EDP Internacional	100%	1999	18,029,743	0	Investment-holding company and therefore has no other business activity (equity accounted)
EDP - investimentos, SA	BRAZIL	EDP Internacional	100%	1999	14,927,992	0	Investment-holding company and therefore has no other business activity (equity accounted)
FUNDO APHELION	BRAZIL	EDP Internacional	100%				Investment-holding company and therefore has no other business activity (equity accounted)

Note: Shareholders' Funds are stated as at 00.12.31 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 ARTº 4 DL 238/91 DE 2/7
				Year	Shareholders' funds	Income/loss for the year	
IVEN	BRAZIL	EDP Investimentos Fundo Aphelion 135 Part. SA	5.35% 58.64% 18.64%	1999	53,270,549	(6,919,038)	Investment-holding company and therefore has no other business activity (equity accounted)
EDP CHILE	CHILE	EDP Águas	99.9%				Investment-holding company and therefore has no other business activity (equity accounted)
INVERSIONS ANDES SUR	CHILE	EDP Chile	50%				Investment-holding company and therefore has no other business activity (equity accounted)
EDP MARROCOS	MARROCOS	EDP Internacional	100%				Investment-holding company and therefore has no other business activity (equity accounted)
CASE	Av. Dr. Mário Moutinho, Lote 1732 A Lisbon	EDINFOR	60%	1999	581,584	569,221	Acquired on December 28 2000: the company's assets are immaterial for consolidation purposes.

Note: Shareholders' Funds are stated as at 00.12.31 and 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	Income/loss for the year
REN - Rede Eléctrica Nacional, S.A.	Av. Estados Unidos da América, Lisboa	EDP	30%	2000	130,060,049	12,261,927
EDEL - Empresa Editorial Electrotécnica, Lda.	Rua de Dona Estefânia, nº 48, 3º, Lisboa	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	19.15%	1999	32,531,523	(10,211,478)
DECA II - Distribucion Eléctrica Centroamericana Dos, SA	GUATEMALA	EDP	21%	1999	55,934,726	(2,598,852)
EEGSA - Empresa de Electricidade de Guatemala, SA	GUATEMALA	DECA	80%	1999	49,812,036	3,403,538
REDALSA	MARROCOS	EDP	29%	1998	2,490,823	0
CEM - Companhia de Electricidade de Macau	MACAU	EDP - Investimento, Gestão de Participações e Assistência Técnica, Lda SOGESTE	5% 20%	2000	59,764,556	12,672,329
135 Participações, S.A.	BRAZIL	EDP 2000	49%	1999	8,644,686	(6,696)
ESCELSA	BRAZIL	IVEN	52.27%	1999	83,886,897	(14,638,019)
MAGISTRA	BRAZIL	ESCELSA	100%	1999	74,987,929	3,021,141
ENERSUL	BRAZIL	MAGISTRA	65.2%	1999	56,964,357	(4,220,554)
ELECTRA	CAPE VERDE					

Note: Shareholders' Funds are stated as at 00.12.31 and 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	Income/loss for the year
OPTIMUS	Av. dos Combatentes, 43 A - 13 Lisbon	093X	25%	1999	51,952,876	(3,963,125)
VALORSUL S.A.	Plataforma Ribeirinha da CP Estação de Mercadorias da Bobadela S. João da Talha	EDP	11%	1999	4,543,733	755,576
IMOTRON - Edifícios Inteligentes, S.A.	Avenida Estados Unidos da América, 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%	2000	18,066,435	5,931,661
TURBOGÁS - Produtora Energética, S.A.	Avenida Miguel Bombarda, 36, 6º Lisbon	EDP	10%	1998	2,667,000	0
AGEEN - Agência para a Energia	Estrada de Alfragide, Praceta 1, Alfragide	EDP	10%	1998	97,277	16,230

Note: Shareholders' Funds are stated as at 00.12.31 and 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 13,713 (13,992 in 1999); there are no casual workers.

The following table gives a breakdown of the full-time staff complement at December 31 2000 by managerial/departmental head positions and by professional categories:

Senior executives/Departmental heads	803
Senior managers	1 616
Middle manager	402
Section heads	366
Highly-skilled staff	2 882
Skilled staff	5 375
Semi-skilled staff	1 254
Unskilled staff	166
Total	12 864

In addition to permanent staff, 402 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.

Except in 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 «net extraordinary items». Those 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 retained in the new aggregate.

14. Changes to the consolidation universe

a) Details of changes

i) EDP sold 70% of its equity interest in REN – Rede Eléctrica Nacional, S.A. to the Portuguese State at the end of the first half of 2000.

As a result of the REN sale, the annual financial statements for 2000 reflect the following:

- Full consolidation of REN between January 1 and June 30 2000;
- Consolidation using the equity accounting method (30%) between July 1 and December 31 2000.

ii) Following the takeover bid launched jointly by Enerpaulo (EDP Group) and Draft I Participações, S.A. (CPFL) during 2000, the EDP Group raised its equity interest in Bandeirante from 16.69% to 53.96%. EDP and CPFL subsequently decided to submit to the Brazilian electricity sector regulator (ANEEL) an application to demerge this company in proportion to the stake held in the controlling group by each one of the shareholders – that is, Enerpaulo 56% and CPFL 44%.

Stemming from combination of these two factors, the EDP Group consolidated during the 2000 financial year Bandeirante Energia in its financial statements in the following manner:

- Year-end balance sheet: Bandeirante Energia, S.A. was consolidated in proportion to the EDP Group's shareholding in the company;
- Income statement: Bandeirante Energia, S.A. was consolidated using the equity method, taking into account for this purpose the attribution of 53.96% of the company's net income. The decision to opt for this consolidation method, as opposed to proportional consolidation, was due to the fact that the increased participation in this company took place at the end of 2000.

b) Impact on the consolidated financial statements

i) Balance sheet (figures net of depreciation and provisions)

Assets	REN	Bandeirante
Fixed assets		
Tangible fixed assets	(271,818,888)	94,138,195
Financial investments	0	204,152
Currents assets		
Inventories	(249,185)	332,186
Accounts receivable – short term	(1,847,586)	29,889,557
Bank deposits and cash	(1,116)	4,039,047
Accruals and deferrals	(1,980,624)	28,322,446
Total Assets	(275,897,399)	156,925,583
Liabilities		
Provisions for risks and contingencies	(3,619,576)	4,081,546
Accounts payable – medium and long term	0	59,690,241
Accounts payable – short term	(14,041,272)	51,735,412
Accruals and deferrals	(29,139,340)	1,234,370
Total Liabilities	(46,800,188)	116,741,569



ii) Income statement (REN impact only)

Cost of inventories sold and consumed	117,867,056
Outside supplies and services	(2,056,282)
Personnel costs	(2,526,172)
Depreciation	(6,835,100)
Provisions	(169,500)
Indirect taxes	(686,951)
Direct taxes	(4,315)
Hydraulicity correction – Dif. Year – COst	(2,244,095)
Other operating costs and losses	(40,907)
Extraordinary costs and losses	(1,429,548)
Total Costs	101,704,186
Sales	109,175,490
Own work capitalised	(1,268,690)
Hydraulicity correction – Dif. Year – Income	7,098,800
Other operating income and gains	(142,714)
Extraordinary income and gains	(588,314)
Total Income	114,274,572

iii) Effect on financial investments

Decrease of 10,886,374 in Financial Investments due to the inclusion of Bandeirante in the consolidation using the purchase method. Increase of 42,008,211 in Financial Investments and of 998,452 in Gains in Group and Associated Companies due to the exclusion of REN in the consolidated accounts using the purchase method.

iv) Financial movements

With the sale of 70% of its shareholding in REN, EDP received PTE 95,689,000 thousand from the Portuguese State after the distribution of an extraordinary dividend of PTE 78.7 billion.

EDP paid PTE 41,304,000 thousand for the acquisition of around 37% of Bandeirante Energia's capital.

17. Amortisation of consolidation differences

Consolidation differences are amortised over the period the 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 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.

This method includes implicitly the fair value differences attributed to identifiable assets and liabilities, namely, concession rights not recorded in the relevant companies' individual accounts. These rights are amortised over the period of the respective concession.

21. Financial commitments

a) Contractual commitments for the acquisition of fixed assets totalled PTE 16 billion at balance sheet date.

b) Welfare 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:

	2000	1999
Service cost	2,035,000	2,095,000
Interest cost	12,488,000	11,724,000
Estimated return on fund assets	-12,194,000	-11,219,000
Amortisation of the transitional obligation	1,182,000	1,229,000
Net cost for the period - IAS 19	3,511,000	3,829,000



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

	2000	1999
Change in benefit obligations		
Obligations at the beginning of the period	208,526,000	191,381,000
Sale of REN	-10,095,000	-
Reallocation of non-current staff	2,793,000	-
Restructuring 2000-2002	43,589,000	-
Service cost	2,035,000	2,095,000
Interest cost	12,488,000	11,724,000
Actuarial (gains)/losses	5,528,000	23,777,000
Benefits paid	-21,588,000	-20,451,000
Obligations at the end of the period	243,276,000	208,526,000
Changes in fund assets		
Fair value of assets at beginning of the period	173,199,000	160,595,616
Sale of REN	-9,327,000	-
Reallocation of non-current staff	2,793,000	-
Effective return on assets	12,183,000	13,512,334
EDP contributions	3,415,000	11,953,000
Benefits paid	-11,469,000	-12,862,000
Actuarial gains/losses	-10,172,000	-
Fair value of assets at end of the period	160,622,000	173,199,000
Surplus (shortfall) in Fund cover	-82,654,000	35,327,000
Actuarial (Gains)/losses not recognised	15,741,000	-
Deferred transitional obligation	13,653,000	15,615,000
Deferred costs (accrued) – IAS 19	-53,250,000	-19,712,000

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

	2000	1999
Annual discount rate	6.5%	6.5%
Annual growth rate of pensions	3.5%	3.5%
Fund annual rate of return	7.5%	7.5%
Expected percentage of eligible staff opting for early retirement	(*)	40%

(*) All employees who meet the conditions for pre-retirement in accordance with the Collective Bargaining Agreement (ACT) (36 years of service and aged at least 60 or 40 years of service) will transfer to pre-retirement situation up until 31.12.2002.

In 2000, 2001 and 2002, 30%, 90% and 70% respectively of employees aged 55 or more will transfer to pre-retirement.

As from 2003 inclusive, 40% of the employees who meet the ACT conditions will transfer to pre-retirement.

ii) Medical care

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

	2000	1999
Service cost	1,302,000	1,166,000
Interest cost	5,390,000	4,644,000
Amortisation of transitional obligation	1,063,000	1,149,000
Net cost of the period – IAS 19	7,755,000	6,959,000



The following table shows the changes in benefit obligations and in the respective provision:

	2000	1999
Change in obligations		
Obligations at the beginning of the period	87,107,000	73,155,000
Sale of REN	-4,729,000	-
Service cost	1,302,000	1,129,000
Interest cost	5,390,000	4,644,000
Actuarial (gains)/losses	5,096,000	11,536,000
Benefits paid	-3,303,000	-3,394,000
Obligations at the end of the period	90,863,000	87,107,000
Surplus (shortfall) in Fund cover	-90,863,000	-87,107,000
Actuarial (gains)/losses not recognised	7,572,000	-
Deferred transitional obligation	11,427,000	14,595,000
Deferred costs (accrued) – IAS 19	-71,864,000	72,512,000

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

	2000	1999
Annual rate of increase in health costs	5.0%	6.0%
Annual rate of increase in salaries	3.5%	3.5%
Annual discount rate	6.5%	6.5%

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 53 billion.

These guarantees comprise almost exclusively bank guarantees, with the remainder being in the form of cash guarantees. There are no corporeal (real) 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 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 distribution	10 - 30
Other basic equipment	5 - 10
Vehicles, transport equipment	4 - 25
Loose tools	3 - 10
Administrative equipment	4 - 10
Currency 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 purposes 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.

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 and 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 (financial 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) Employee welfare benefits

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 21). 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 31/12/2000. The Group will continue to allocate resources to this Fund: the amount of such allocation corresponds to the obligations maturing during each financial year. With the aim of complementing this Pension Fund, the Group created a provision for recognising the remaining portion of past obligations outstanding as at 31/12/2000.

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.

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.c), 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.

In terms of Ministerial Order 987/2000, the hydraulicity account is included in EDP's accounts. Consequently, this account is shown as a liability in the balance sheet, while the corresponding annual movements are described in the notes to the annual financial statements (Note 50.j).

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 which is borne by REN in its capacity as concessionaire of the National Transmission Grid (RNT) and exclusive manager of the hydraulicity correction account. EDP pays REN every month the positive differences and receives from REN the negative differences. These payments and receipts are made against the hydraulicity account.

→ The financial expenses or income associated with the Hydraulicity Correction's accumulated balance represent a cost or revenue item of EDP;

The portion corresponding to the amount required to make the expected balance over a period of 10 years equal to an adequate reference level, when it involves a debit to the hydraulicity account represents income for EDP; when it involves a credit, REN must make the respective payment to EDP. REN must incorporate the corresponding cost in its electricity sales tariff to be charged to the binding distribution company (EDP Distribuição), which in turn constitutes a charge to be recouped in the sales tariffs applied to its consumers.

The movements on the hydraulicity account are subject to approval by way of a ministerial dispatch.

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 31/12/2000, as follows:

AUD	1.6770	GBP	0.62410	LVL	0.5764	SIT	213.5401
BGN	1.9543	GRD	340.75	MTL	0.4075	SKK	43.933
CAD	1.3965	HKD	7.2578	NOK	8.2335	TRL	624267
CHF	1.5232	HUF	265.00	NZD	2.1120	USD	0.9305
CYP	0.57369	ISK	78.80	PLN	3.8498	ZAR	7.0392
CZK	35.047	JPY	106.92	ROL	24142		
DKK	7.4631	KRW	11770.8	SEK	8.8313		
EEK	15.6466	LTL	3.7229	SGD	1.6126		

25. Start-up, research and development costs

Start-up costs essentially comprise expenditure incurred with the formation of companies. Research and development costs basically refer to studies carried out within the scope of European Community programmes.



27. Intangible and tangible fixed assets and financial investments

a) Fixed assets

Item	Opening Balance	Revaluation/ Adjustment	Additions	Disposals	Change to universe of consolidation	Transfers and scrapped	Closing Balance
INTANGIBLE ASSETS							
Start-up costs	3,523,374		385,703		(6,373)	8,409,358	12,312,062
Research and development costs	2,199,634		442,299			1,289,060	3,930,993
Industrial property and other rights	40,512		6,794,367			129,075,200	135,910,079
Capital expenditure in progress	26,633,337		23,565,229			(28,206,010)	21,992,556
Total (1)	32,396,857		31,187,598		(6,373)	110,567,608	174,145,690
TANGIBLE FIXED ASSETS							
Fixed assets DL 344-B/82	50,471,434					(193)	50,471,241
Subtotal (2.1)	50,471,434					(193)	50,471,241
Land and natural resources	19,906,885		16,882	(104,863)	(279,147)	(14,785)	19,524,972
Buildings and other facilities	60,585,750		213,059	(572,340)	(5,102,267)	896,144	56,020,346
Basic equipment	4,241,292,926		18,702,823	(42,772)	(372,977,317)	75,546,564	3,962,522,224
Specific technical equipment	4,222,787,443		10,871,786	(3,016)	(370,987,806)	55,762,068	3,918,430,475
Electricity generation	2,195,961,993		284,141		(186,745,873)	12,479,135	2,021,979,396
Hydroelectric	1,533,264,187		284,141		(178,096,968)	2,352,004	1,357,803,364
Thermoelectric	654,997,785				(8,648,905)	10,085,196	656,434,076
Renewable energies	4,230,897						4,230,897
Multi-purpose projects (part not assigned)	3,469,124					41,935	3,511,059
Electricity transmission	328,001,660				(328,001,660)		
Electricity distribution	1,698,823,790		10,587,645	(3,016)	143,759,727	43,282,933	1,896,451,079
Other basic equipment	18,505,483		7,831,037	(39,756)	(1,989,511)	19,784,496	44,091,749
Transmission equipment	11,480,451		2,433,426	(431,291)	(637,795)	(172,411)	12,672,380
Loose tools	2,623,371		75,255	(484)	(274,511)	(60,764)	2,362,867
Administrative equip.	32,160,406		1,565,506	(45,313)	1,067,300	2,029,590	36,777,489
Returnable	333						333
Other fixed assets	1,274,649		69,809	(1,655)		485,423	1,828,226
Subtotal (2.2)	4,369,324,771		23,076,760	(1,198,718)	(378,203,737)	78,709,761	4,091,708,837
Capital expenditure in progress	82,603,366		89,688,354		(6,388,591)	(80,545,982)	85,357,147
Multi-purpose projects (part not assigned)	1,318,839		72,283			(1,316,606)	74,516
Advance payments for cap. expenditure	561,630		1,178,644			(1,106,271)	634,003
Subtotal (2.3)	84,483,835		90,939,281		(6,388,591)	(82,968,859)	86,065,666
Total (2)	4,504,280,040		114,016,041	(1,198,718)	(384,592,328)	(4,259,291)	4,228,245,744
FINANCIAL INVESTMENTS							
Participating	374,218,307	8,419,038	249,163,513	(108,779,960)	31,121,838	5,955,199	560,097,935
Investment properties	529,940						529,940
Other	43,804						43,804
Capital expenditure in progress			138,018				138,018
Total (3)	374,792,051	8,419,038	249,301,531	(108,779,960)	31,121,838	5,955,199	560,809,697
Grand Total (1) + (2) + (3)	4,911,468,948	8,419,038	394,505,170	(109,978,678)	(353,476,863)	112,263,516	4,963,201,131

b) Depreciation and provisions

Item	Opening Balance	Revaluation	Increases	Change perimeter of consolidation	Adjustments and transfer	Closing Balance
INTANGIBLE						
Start-up costs	1,098,190		1,658,342	(6,373)	235,033	2,985,192
Research and development costs	1,475,333		576,835		(140,230)	1,911,938
Industrial property and other rights	40,105		4,366,612		3,058,556	7,465,273
Total (1)	2,613,628		6,601,789	(6,373)	3,153,359	12,362,403
TANGIBLE						
Fixed assets DL 344-B/82	44,999,310		1,012,253		(193)	46,011,370
Subtotal (2.1)	44,999,310		1,012,253		(193)	46,011,370
EDP Group fixed assets						
Buildings and other facilities	24,489,668		1,290,235	(2,955,355)	(162,406)	22,662,142
Basic equipment	2,299,127,536		114,029,104	(202,612,663)	(27,794)	2,210,516,183
Specific technical equipment	2,286,176,416		109,832,379	(200,626,158)	(83,599)	2,195,299,038
Electricity generation	1,217,453,716		45,654,649	(85,022,960)	(50,525)	1,178,034,880
Hydroelectric	811,692,498		26,599,025	(78,597,145)	131,045	759,825,423
Thermoelectric	405,460,271		18,844,079	(6,425,815)	(181,570)	417,696,965
Renewable energies	300,947		211,545			512,492
Electricity transmission	170,713,325		4,961,535	(175,674,860)		
Electricity distribution	898,009,375		59,216,195	60,071,662	(33,074)	1,017,264,158
Other basic equipment	12,951,120		4,196,725	(1,986,505)	55,805	15,217,145
Transport equipment	8,205,545		1,161,401	(499,797)	(534,951)	8,332,198
Loose tools	2,320,941		88,462	(232,210)	(61,796)	2,115,397
Administrative equipment	24,270,853		2,690,293	(611,610)	(740,065)	25,609,471
Returnable	333					333
Other	421,557		70,633		170	492,360
Subtotal (2.2)	2,358,836,433		119,330,128	(206,911,635)	(1,526,842)	2,269,728,084
Total (2)	2,403,835,743		120,342,381	(206,911,635)	(1,527,035)	2,315,739,454
FINANCIAL INVESTMENTS						
Participating	10,196,789		6,180,282		(2,935,663)	13,441,408
Investment properties	193,126		21,327			214,453
Total (3)	10,389,915		6,201,609		(2,935,663)	13,655,861
Grand Total (1) + (2) + (3)	2,416,839,286		133,145,779	(206,918,008)	(1,309,339)	2,341,757,718



- i) The capitalised foreign-exchange differences are included in the different categories of fixed assets to which they relate.
- ii) 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.
- iii) 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 2000:

Fixed assets	50 471 241
Accumulated depreciation	46 011 370
Net book value	4 459 871

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	10 630
Basic equipment	1 711 190
Specific tecnic equipment	1 711 190
Electricity generation	875 897
Hydroelectric generation	198 740
Thermoelectric generation	646 953
Wind-powered generation	30 204
Electricity transmission	189 302
Electricity distribution	625 274
Studies and projects	20 717
	1 721 820

33. Medium and long-term payables and receivables

Comprise at December 31:

a) Creditors

	2000		
	1 to 5 years	more than 5 years	Total
Bond loans	67 466 279	294 967 083	362 433 362
Bank loans	202 303 920	74 466 289	276 770 209
Other loans	3 397 500	0	3 397 500
Other creditors	8 002 600	0	8 002 600
Customer deposits	7 921 688	0	
Other deposits	80 912	0	
State participation in multi-purpose projects		3 957 418	3 957 418
Fundação CESP (Bandeirante)	0	13 873 384	13 873 384
Concession-linked liabilities (Bandeirante)	0	12 833 729	12 833 729
Adjustment account (DL 344-B/82)	4 459 871	0	4 459 871
	285 630 170	400 097 903	685 728 073

	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



b) Debtors

	2000		
	1 to 5 years	more than 5 years	Total
Debtors – Local Authorities – debt at 31.12.88	6 310 901	33 273 331	39 584 232
Provision for Local Authorities – debt at 31.12.88	0	(21 655 778)	(21 655 778)
Shareholders and affiliated companies	0	1 764 682	1 764 682
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	(1 509 239)	0	(1 509 239)
	7 471 777	13 382 235	20 854 012

	1999		
	1 to 5 years	more than 5 years	Total
Debtors – 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	0	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

Details of the item Shareholders and affiliated companies:

	2000	1999
Elcogás	1 498 331	1 491 278
Biolettica	65 041	61 808
AGEEN	0	10 600
EDP Marrocos	79 409	0
EDP Finance	1 307	0
EDP Investimentos	1 307	0
Carriço Cogeração	119 287	0
	1 764 682	1 563 686

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

	2000		1999	
- Domestic market				
National Transmission Grid	119 918 312		0	
Final customers				
Very-high voltage	7 079 729		7 026 312	
High voltage	33 791 540		31 131 304	
Medium voltage	150 413 430		145 626 273	
Low voltage (>39,6 KVA)	49 256 587		46 818 018	
Low voltage	367 525 966		350 429 365	
Low voltage (public lighting)	16 094 515		14 906 195	
Interruptibility discounts	(3 033 811)		(2 416 573)	
Tariff correction discounts	(5 801 087)		(6 115 830)	
Tariff difference – REN	9 403 000		0	
Tariff diff.-EDP Distribuição 1999	(7 119 000)		0	
Tariff diff.-EDP Distribuição 2000	(4 107 000)		0	
	<u>733 422 181</u>		<u>587 405 064</u>	
- External market	<u>3 523 112</u>	736 945 293	<u>7 186 654</u>	594 591 718

a.2) Other – Domestic market

	2000		1999	
Steam	462 076		254 423	
Ash	841 620		728 507	
IT products	3 295 419		3 361 451	
Fixed properties	4 127 000		9 600	
Sundry materials	3 481 467	12 207 582	3 267 712	7 621 693



b) Services

	2000		1999	
- Domestic market				
Electricity	1 458 030		1 167 470	
Engineering	2 481 736		2 036 987	
Laboratories	403 804		61 248	
Training	138 582		53 228	
Medical assistance	370 129		183 325	
IT products	2 507 503		1 901 899	
Consultancy	382 101		150 303	
Telecommunications	6 412 287		2 933 715	
Other	5 143 415		3 006 726	
	<u>19 297 587</u>		<u>11 494 901</u>	
- External market				
Consultancy	2 702 200	21 999 787	2 174 911	13 669 812
		<u>771 152 662</u>		<u>615 883 223</u>

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 2000.

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 1996.

However, no additional tax assessment is expected to be raised in respect of the 1997 to 1999 financial (and tax) years.

The tax charge recorded in the period basically corresponds to:

	Tax base	Income tax
Profit before tax	168 069 913	
Permanent differences	9 945 591	
Equity-accounted attributable earnings	(8 377 771)	
Profit distribution and other	(4 459 000)	
	165 178 733	
Normal tax charge		4 274 341
Tax underprovided in 1999		592 262
Adjustments and other		62 678 948

39. Governing Bodies' emoluments

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

Board of Directors	486 265
Sole supervisors / Statutory auditors	9 565
General Meeting Committee	500

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 provided for the formation of new public limited companies through the simple demerger of EDP, stipulated 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.

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	Costs increases arising from revaluations	Revalued book value
Gross fixed assets	2 046 338 571	2 095 841 504	4 142 180 075
Depreciation	527 998 048	1 787 741 406	2 315 739 454
Net fixed assets	1 518 340 523	308 100 098	1 826 440 621

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 EDP group changed the manner in which it accounts for decreases in provisions in 2000, implementing the recourse to provisions using the direct method.

As a result of this change in accounting treatment, decreases in provisions entail a corresponding credit entry in the cost items previously the object of provisioning. Consequently, the item Extraordinary Income and Gains – decrease in provisions is no longer credited with this type of movement.

The effect of this change in the 2000 Income Statement translated itself into a decrease in the following items and amounts:

Outside suppliers and services	2 139 246
Personnel costs	
Remuneration	10 620 199
Staff welfare charges:	
Complementary contribution to retirement pensions	28 774
Employer's contributions	59 422
Extraordinary costs and losses	
Bad debts	3 325 184
Extraordinary income and gains	4 719 993
Other	
Decrease in depreciation and provisions	20 892 818



44. Net financial items (expense)

	Financial Year			Financial Year	
	2000	1999		2000	1999
Costs and losses			Income and gains		
Interest payable	66 925 792	34 663 552	Interest receivable	27 176 488	10 908 472
Losses in group and associated companies	10 324	5 855 946	Gains in group and associated companies	8 388 095	3 781 904
Depreciation of investment properties	21 327	23 276	Fixed property income	137 817	23 577
Unfavourable foreign-exchange differences	1 351 448	3 839 913	Investment income	4 626 452	2 284 617
Other financial costs and losses	12 676 837	8 358 279	Favourable foreign exchange differences	971 713	4 917 827
			Prompt settlement discounts	390 241	404 799
			Other financial income and gains	4 245 000	2 259 793
Net financial items (expense)	(35 049 922)	(28 159 977)			
	45 935 806	24 580 989		45 935 806	24 580 989

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

	2000	1999
Interest on derivatives	17 750 021	5 096 323
Interest on the Hydraulicity Correction (*)	3 050 414	2 227 384

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

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

	2000	1999
Commissions on loan	319 843	1 629 784
Amortisation of CERJ rights	1 908 582	1 908 582
Amortisation of EBE rights	2 222 356	2 105 121
Amortisation of IVEN rights	3 691 640	1 230 547
Amortisation of OPTEP rights	2 123 013	426 480

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

	2000	1999
Interest on derivatives	22 465 619	8 014 464
Interest charged to HV/MV/SLV customers for delay in payment of electricity bills	511 448	247 001

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

	2000	1999
Penalties debited to LV/PL customers for late payment of electricity bills	1 484 449	2 168 518

45. Net extraordinary items

	Financial Year			Financial Year	
	2000	1999		2000	1999
Costs and losses			Income and gains		
Donations	179 574	260 938	Taxation recovered	1 045	7 469
Bad debts	4 820	3 311 357	Bad debts recovered	13 802	18 311
Inventory losses	126 519	46 003	Inventory gains	64 849	24 705
Fixed asset losses	199 931	709 016	Fixed asset gains	41 393 387	6 129 045
Fines and penalties	2 967	2 338	Contractual penalty awards	5 721	972 843
Increase in depreciation and provisions	567 378	17 241 221	Decreases in depreciation and provisions	2 216 105	23 786 624
Prior-year adjustments	1 105 552	1 126 695	Prior-year adjustments	856 173	1 412 437
Other extraordinary costs and losses	556 912	10 220 486	Other extraordinary		
Net extraordinary items (income)	57 897 702	11 154 784	Income and gains	16 090 273	11 721 404
	60 641 355	44 072 838		60 641 355	44 072 838



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

	2000	1999
Pension Fund premiums	0	4 465 000
Taxation underprovided (*)	0	1 697 626
Indemnities for negotiated rescissions	0	2 414 614

(*) The amount relating to "taxation underprovided" in 2000 was included in the item "income tax" (Note 38)

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

	2000	1999
Taxation overprovided	100 437	64 553
Set-off of depreciation charge on subsidised fixed assets	12 239 446	10 050 536
Set-off of depreciation charge on concession-held fixed assets	1 012 253	1 132 673

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

	2000	1999
Provision for miscellaneous risks	0	10 309
Provision for doubtful	2 208 586	5 732 924
Provision for employee welfare benefits	0	17 552 645

46. Movement on provisions

	Opening Balance	Increases	Decreases	Change in universe	Closing balance
For doubtful debts	53,615,890	727,872	5,465,983	472,950	49,350,729
Trade debtors	51,505,752	318,745	5,349,110	483,527	46,958,914
Other receivables	2,110,138	409,127	116,873	(10,577)	2,391,815
For risks and contingencies	138,839,534	20,908,288	18,147,319	257,344	141,857,847
Retirement benefits	131,750,265	15,348,000	17,537,634	(3,824,202)	125,736,429
Current lawsuits	214,660	567,378	600	0	781,438
Other	6,874,609	4,992,910	609,085	4,081,546	15,339,980
For diminution in value of inventories	2,493	0	2,493	0	0
For diminution in value of investments	140,000	0	0	0	140,000
	192,597,917	21,636,160	23,615,795	730,294	191,348,576

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.



b) Short-term receivables

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

	2000	1999
Trade debtors		
National		
State and official entities	5 611 949	5 374 095
Local authorities	4 133 796	3 933 607
Business sector and individuals	89 416 465	38 047 410
Foreign	1 073 842	1 520 382
	100 236 052	48 875 494
Trade notes receivables		
Business sector and individuals	232	703
	232	703
Debtors – doubtful recovery		
National		
Local authorities	8 483 593	8 474 871
Business sector and individuals	18 557 987	19 281 190
Foreign	111 772	38 345
Provision	(25 303 135)	(27 004 683)
	1 850 217	789 723

c) Other short-term debtors and creditors

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

Other debtors	2000	1999
Debtors for the supply of other goods and services	16 028 745	11 526 976
Deposits with third parties	83 771	88 454
Payments on behalf of the pension fund	6 517 724	11 152 561
Foz-Coa project compensation	0	24 835 172
Sundry debtors (net)	7 384 245	7 409 465
	30 014 485	55 012 628

During the year, the Portuguese State paid an amount of approximately PTE 26 billion as compensation for the abandonment of the Foz-Coa hydro project.

Other creditors	2000	1999
Trade and other creditors' deposits and retentions	124 350	147 498
Creditors for the supply of other goods and services	15 431	6 023
Concession rentals	973 858	1 270 142
Creditor entities for collections by Group companies	1 507 836	1 774 646
Amounts payable – Pension Fund	0	8 253 294
Fundação CESP (Bandeirante)	1 273 609	0
Liabilities payable		
- CASE shareholders	3 900 017	0
Sundry creditors (Bandeirante)	3 334 321	0
Sundry creditors	3 804 803	3 017 367
	14 934 225	14 468 970



d) Accruals and deferrals

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

Accrued income	2000	1999
Unbilled energy for consumption up to balance sheet date	16 268 082	16 499 932
Other	2 436 630	2 590 646
	18 704 712	19 090 578

Deferred costs	2000	1999
Fixed asset repairs and improvements	1 102 520	1 783 122
Bond-issue costs	339 535	517 923
Cartographic surveys	166 061	367 590
Concession charges	611 765	658 823
Deferred taxation	64 567 399	52 482 970
Advertising and publicity expenditure	3 446 302	10 077 822
Renegotiation of EIB financing	7 590 664	0
Fuel consumption account (Bandeirante)	4 234 675	0
Supplementary Benefits Plan (Bandeirante)	14 848 008	0
Other	2 723 830	1 540 515
	99 630 759	67 428 765

Accrued charges	2000	1999
Loan interest payable	8 733 563	5 746 879
Holiday pay and related subsidy	11 188 090	9 614 495
Amounts payable to the pension fund	3 749 000	0
Purchase of energy	0	8 768 264
Tariff difference	11 226 000	1 543 869
Purchase of energy from REN	3 400 000	0
Other	3 179 626	1 889 854
	41 476 279	27 563 361

Deferred income	2000	1999
Investment subsidies	237 582 823	239 042 604
Deferred taxation	54 047 306	61 325 552
Other	1 031 317	2 609 139
	292 661 446	302 977 295

Subsidies received during the year totalled PTE 26,547,612 thousand, of which PTE 2,051,011 thousand was paid out from EC community funds.



e) State and other public entities

Comprise at December 31:

Amounts receivable (Asset)	2000	1999
Income tax	1 571 327	0
Value Added Tax	8 861 957	5 780 843
	10 433 284	5 780 843

Amounts payable (Liability)	2000	1999
Income tax	0	14 695 356
Income tax retentions	1 570 025	1 296 116
Value Added Tax	714 488	912 227
Social Security	1 631 841	1 552 266
Other	5 642 848	340 647
	9 559 202	18 796 612

f) Inventories of raw and consumable materials

i) Comprise at December 31:

	2000	1999
Fuel for thermal generation		
In storage	6 413 182	4 563 812
Coal	9 754 870	7 906 789
Fuel-oil	225 390	602 275
Diesel	266 140	1 038 236
In transit	6 170 349	7 838 263
Sundry materials	22 829 931	21 949 375

ii) Cost of inventories sold and consumed

	Fuel for electricity generation	Sundry materials	Goods for sale
Opening inventories	14 111 112	2 884 805	4 953 458
Purchases	63 302 735	23 509 902	5 772 485
Inventory adjustments	782 280	(634 116)	(1 163 209)
Closing inventories	16 659 582	3 698 018	2 472 331
Cost of goods sold and consumed	61 536 545	22 062 573	7 090 403

g) Rentals for concessions and power-generating centres

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

	2000	1999
Concession rentals paid to local authorities	25 737 268	25 030 959
Rentals for power-generating centres paid to local authorities	853 994	768 922
	26 591 262	25 799 881

h) Own work capitalised

Breakdown of the amount shown in the Income Statement:

	2000	1999
Consumption of materials	15 176 881	15 294 378
Direct internal charges	10 583 934	15 455 129
Administrative overheads	9 383 147	7 145 199
Finance charges	1 721 820	1 932 698
Other own work for the company	9 058 992	3 042 232
	45 924 774	42 869 636



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	67 985 815
Difference	2 244 096
Finance charges	3 050 413
Closing balance	73 280 324

k) Bond loans

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

	20th issue	21st issue	22nd issue
Face value:	PTE 5,100,000,000	EUR 39,425,432.43	EUR 89,485,998.11
Interest rate:			
December 31 1999	3.063%	3.625%	3.500%
December 31 2000	5.313%	5.125%	5.125%
Interest payment date:	February 1 and August 1	June 23 and December 23	June 23 and December 23
Redemption:	3 equal annual instalments 1.02.1999	3 equal annual instalments 23.06.2000	4 equal annual instalments 2.06.2003

	23rd issue	24th issue	25th issue
Face value:	EUR 149,639,369.15	EUR 249,398,499.06	EUR 299,278,738.33
Interest rate:			
December 31 1999	3.438%	2.906%	3.679%
December 31 2000	4.938%	4.938%	5.325%
Interest payment date:	June 20 – December 20	January 5 – July 5	May 23 – November 23
Redemption:	4 equal annual instalments 20.12.2008	4 equal annual instalments 5.01.2002	6 equal half-yearly instalments 23.05.2006

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.

International issue	
Face value:	EUR 1,000,000,000
Interest rate:	
December 31 1999	6.000%
December 31 2000	6.400%
Interest payment date:	October 29
Redemption:	Once only on October 29 2009

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):

	2000		1999	
	Loan currency	PTE	Loan currency	PTE
PTE	109 718 577	109 717 577	46 590 459	46 590 459
EUR	2 336 745	468 475 404	3 051 259	411 240 524
DEM	21 429	2 196 532	42 913	4 398 796
NLG				
BEF				
FRF				
GBP				
BRL	14 785	1 633 274		
ESP				
GRD				
CHF			10 235	1 278 366
USD	152 788	33 536 824		
JPY				
		615 559 611		463 508 145



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 37,500,000 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. Of these facilities, EUR 395,000,000 had been used at December 31 2000.

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

Interest rate swaps	2000		1999	
	Assets	Liabilities	Assets	Liabilities
DEM				
FRF	28 122		30 428	
EUR			308 000	
PTE	1 449 579	1 449 579	1 275 000	1 275 000
		2 702 394		12 519 942

m) Movement on Shareholders' Funds

Account	Opening balance	Increases	Decreases	Closing balance
Share capital	601 446 000			601 446 000
Treasury stock	(1 173 168)		438 401	(1 611 569)
Equity-accounting adjustments	(1 123 663)		175 124	(1 298 787)
Currency conversion reserves	(9 014 405)	2 875 399		(6 139 006)
Revaluation reserves	394 498 545	10 656 038		405 154 583
Reserves:				
Legal Reserves	33 689 350	5 151 750		38 841 100
Reserves - DL 46031 and DL 46917	13 212 263			13 212 263
Free Reserves	2 572 283			2 572 283
Retained earnings – parent company	50 635 801	103 034 925	101 961 838	51 708 888
Retained earnings – consolidation of subsidiaries	27 119 522	2 872 002		29 991 524
Net income for the year	103 034 925	110 059 359	103 034 925	110 059 359
Total	1 214 897 453	234 649 473	205 610 288	1 243 936 638

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.

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:

<hr/>	
Opening balance	394 498 545
Correction for the transfer of the deferred tax corresponding to REN	10 656 038
Closing balance	<hr/> 405 154 583

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		50 635 801
Transfer of 1999 net income		103 034 925
Appropriated as follows:		
Legal Reserve	5 151 750	
Dividends	84 000 000	
Governing bodies' share of profits	214 787	
Employees' share of profits	3 463 238	
Equity-accounting reserve	(1 280 165)	
Retained earnings – Consolidation of subsidiaries	<u>8 492 320</u>	(100 041 930)
Deferred taxation adjustment		(1 919 908)
Closing balance		<u>51 708 888</u>

m) Segment information

	2000	1999
i) - Sales		
Sales to third parties		
Generation	122,401,621	987,598
Transmission	13,066,771	5,768,279
Distribution	606,550,230	592,449,093
Telecommunications	3,351,600	0
Other	25,782,440	16,678,254
Subtotal of non-Group sales (Note 36)	771,152,662	615,883,224
Group companies		
Generation	118,049,083	228,906,581
Transmission	178,310,535	346,727,839
Distribution	1,713,816	1,145,001
Telecommunications	1,858,647	0
Other	31,389,574	29,005,753
Subtotal of sales	331,321,655	605,785,174
Total sales	1,102,474,317	1,221,668,398
ii) - Depreciation for the year		
Generation	44,660,248	45,052,850
Transmission	6,754,974	13,236,137
Distribution	62,942,344	61,697,927
Telecommunications	4,144,444	0
Other	4,513,885	3,478,710
Total	123,015,895	123,465,624
iii) - Operating profit		
Generation	101,876,030	100,423,476
Transmission	9,670,000	19,086,329
Distribution	43,299,284	57,145,344
Telecommunications	(16,074,000)	0
Other	3,826,415	4,128,794
Subtotal	142,597,729	180,783,943
Intragroup	2,624,404	917,633
Total	145,222,133	181,701,576
iv) - Assets		
Generation	961,189,032	1,000,324,150
Transmission	0	325,506,039
Distribution	976,579,515	1,018,738,475
Telecommunications	207,010,000	15,447,132
Other	241,911,308	145,551,327
Subtotal	2,386,689,855	2,505,567,123
Intragroup	597,871,792	242,954,412
Total	2,984,561,647	2,748,521,535
v) - Capital expenditure during year:		
Generation	13,979,197	13,600,289
Transmission	3,002,375	10,196,126
Distribution	59,618,903	58,324,835
Telecommunications	14,314,407	11,583,649
Other	23,101,163	23,480,597
Total capital expenditure during year	114,016,045	117,185,496

Accounting Consolidation Office
 Manager: Dr. Carlos Manuel Fernandes de Almeida Carvalho
 Registered Accountant N° 26 000

Board of Directors
 Eng. Francisco de la Fuente Sánchez - Chairman
 Eng. Jorge Fernando Alves Ferreira Guimarães - Vice-Chairman
 Dr. Rui Miguel de Oliveira Horta e Costa
 Dr. Fernando Noronha Leal
 Eng. António Manuel Barreto Pita de Abreu

Eng. Vasco Fernandes Pereira Valente
 Dr. Manuel de Jesus Martins
 Eng. Ignácio Francisco Javier Herrero Sorriqueta
 Eng. Jorge Manuel Jardim Gonçalves
 Prof. Eng. João Afonso Ramalho Pereira Bento
 Prof. Dr. Ernâni Rodrigues Lopes



Consolidated Cash Flow Statement for the year ended December 31 2000

	2000	
Operating activities:		
Received from customers	768,626,095	
Payments to suppliers	(368,111,369)	
Payments to personnel	(91,268,341)	
Concession rental payments	(26,591,262)	
Cash flow generated by operations	282,655,123	
Payment of corporate income tax	(78,565,088)	
Other receipts relating to operating activities	65,947,105	
Other payments relating to operating activities	(38,930,736)	
Cash flow before extraordinary items	231,106,404	
Receipts relating to extraordinary items	3,714,514	
Payments relating to extraordinary items	(9,889,426)	
Net cash flow generated by operations (1)		224,931,492
Investing activities:		
Receipts arising from:		
Financial investments	67,637,348	
Tangible fixed assets	931,633	
Intangible assets		
Investment subsidies	196,645	
Interest and similar income	1,069,318	
Dividends	4,626,452	
Change in consol. universe (sale of REN)	95,689,000	170,150,396
Payments relating to:		
Financial investments	178,405,101	
Tangible fixed assets	109,387,317	
Intangible assets	31,352,932	
Change in consol. universe (acquisition of Bandeirante)	41,304,000	360,449,350
Net cash utilised in investing activities (2)		(190,298,954)
Financing activities:		
Receipts arising from:		
Loans raised	814,153,833	814,153,833
Payments relating to:		
Loans	800,371,431	
Interest and similar costs	26,212,101	
Dividends	83,853,944	
Acquisition of treasury stock	438,402	910,875,878
Net cash utilised in financing activities (3)		(96,722,045)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(62,089,507)
Effect of foreign-exchange differences		(2,390)
Cash and cash equivalents at beginning of the period		(13,302,426)
Cash and cash equivalents at the end of the year		(68,354,475)
BREAKDOWN OF CASH AND CASH EQUIVALENTS	2000	1999
Cash	17,417	104,498
Sight deposits and cash equivalents	(68,376,311)	(13,411,343)
Bank overdrafts	(75,476,675)	(15,961,606)
Other treasury assets	7,100,364	2,550,263
Other liquid assets	4,419	4,419
Bank deposits and cash as per balance sheet	(68,354,475)	(13,302,426)

Accounting Consolidation Office
 Manager: Dr. Carlos Manuel Fernandes
 de Almeida Carvalho
 Registered Accountant N° 26 000

Board of Directors
 Eng. Francisco de la Fuente Sánchez – Chairman
 Eng. Jorge Fernando Alves Ferreira Guimarães– Vice-Chairman
 Dr. Rui Miguel de Oliveira Horta e Costa
 Dr. Fernando Noronha Leal
 Eng. António Manuel Barreto Pita de Abreu

Eng. Vasco Fernandes Pereira Valente
 Dr. Manuel de Jesus Martins
 Eng. Ignácio Francisco Javier Herrero Sorriqueta
 Eng. Jorge Manuel Jardim Gonçalves
 Prof. Eng. João Afonso Ramalho Pereira Bento
 Prof. Dr. Ernâni Rodrigues Lopes

Consolidated Income Statement (Cost of Sales Format)

	(PTE 000's)
Sales and services provided	771,152,662
Cost of sales and services provided	
Cost of electric energy production	
Cost of fuel for power generation	61,536,545
Operating cost of electric production centers	58,341,963
Maintenance cost of electric production centers	9,225,513
Transport cost of electric energy	23,851,966
Distribution and comercialization cost of electric energy	
Aquisition cost of electric energy	256,341,631
Concession rentals	25,841,033
Operating cost of distribution grid	74,867,207
Maintenance cost of distribution grid	67,698,863
Comercialization cost of electric energy	19,409,285
Cost of telecommunication service provided	6,415,655
Cost of other sales and services provided	27,526,249
Gross Profit	140,096,752
Other operating income and gains	77,055,569
Administrative costs	39,461,323
Other operating costs and losses	14,140,928
Operating Profit	163,550,070
Net cost of financing	49,262,276
Gains in branch offices and associates	8,377,771
Other capital expenditure gains	5,834,583
Non frequent income	39,569,765
Net operating income	168,069,913
Income tax for net operating income	62,678,948
Net operating income after taxation	105,390,965
Minority shareholders' share of net income	4,668,395
Net Income	110,059,360
Net income per share (escudos)	36.69



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Audit and Supervisory Reports on the Consolidated Accounts

Statutory Audit Certification and Audit Report – Statutory Auditors

Introduction

1. Pursuant to applicable legislation, we present herewith the Statutory Audit Certification and Audit Report on the financial information contained in the accompanying Directors' Report and group financial statements of EDP - Electricidade de Portugal, SA, comprising the consolidated balance sheet at December 31, 2000, (which reflects a balance sheet total of PTE 2,984,581,649 thousand, total minority shareholders' interests of PTE 7,466,738 thousand and total shareholders' funds of PTE 1,243,936,639 thousand, including consolidated net income for the year of PTE 110,059,359 thousand), the consolidated income statement, by nature and by functions, and the consolidated cash flow statement for the year then ended, and the respective notes thereto.

Responsibilities

2. The Company's Board of Directors is responsible for (i) the preparation of the Directors' Report and the group 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; (ii) ensuring that the historical financial information is prepared in conformity with generally accepted accounting policies in Portugal, and that such information is complete, accurate, up-to-date, clear, objective and legitimate, as required in terms of the Negotiable

Securities Code; (iii) the adoption of appropriate accounting policies and criteria; (iv) the maintenance of proper systems of internal control; and (v) the disclosure of any material fact that has had an impact on the group of companies included in the consolidation, their financial position or results.

3. Our responsibility is to verify the financial information contained in the above-mentioned Directors' Report and group financial statements, namely, to satisfy ourselves that it is complete, accurate, up-to-date, clear, objective and legitimate, as required in terms of the Negotiable Securities Code, with a view to issuing a professional and independent opinion based on our examination.

Scope

4. Our examination was conducted in accordance with the Technical Standards and Auditing Directives 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 consolidated financial statements do not contain material misstatements. To this end, our audit included: (i) verification that the financial statements of the companies included in the consolidation have been properly audited and, in those significant cases where this was not done, verification on a test basis of the evidence supporting the amounts and disclosures included 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; (ii) verification of correct consolidation procedures; (iii) an evaluation of the appropriateness of the accounting policies adopted and their disclosure, taking into account the circumstances; (iv) verification of the applicability of the going concern principle; (v) a consideration of the appropriateness of the overall presentation of the consolidated financial statements; and (vi) evaluation as to whether the consolidated financial information is complete, accurate, up-to-date, clear, objective and legitimate.

5. Our examination also included verification that the consolidated financial information appearing in the Directors' Report is in agreement with the group annual financial statements.
6. We believe that our audit provides an acceptable basis for expressing our opinion.

Opinion

7. In our opinion, the above-mentioned group annual 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 2000, 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 in Portugal, and that the financial information is complete, accurate, up-to-date, clear, objective and legitimate.

Lisbon, April 23 2001

Bernardes, Sismeiro e Associados, Statutory Auditors

Represented by

Carlos Marques Bernardes, Statutory Auditor

Sole Supervisors' Report and Opinion

To the Shareholders,

1. In accordance with the law and our mandate, we submit herewith the report on our supervisory activity and we express an opinion on the Directors' Report and group annual financial statements presented by the Board of Directors of EDP- Electricidade de Portugal, SA, for the year ended December 31, 2000.
2. During the course of the year we monitored, with the frequency and to the extent we deemed appropriate, the activity of the company and its more significant subsidiary and associated companies. We verified the accuracy of the accounting records and the adequacy of the respective supporting documents. Our supervisory work also covered compliance with the law and the company's statutes.
3. As a consequence of the statutory audit work carried out, we issued the respective Statutory Audit Certification (annexed hereto) as well as the Supervisory Report addressed to the Board of Directors, as required under Art. 451 of the Companies Code.
4. Within the scope of our work, we verified that:
 - i) the consolidated balance sheet, the consolidated income statement by nature and by functions, the consolidated cash flow statement and the respective notes to the financial statements, permit an adequate understanding of the company's financial position and its results;
 - ii) the accounting policies and valuation criteria adopted are appropriate;
 - iii) the Directors' Report is sufficiently detailed so as to give a proper account of the business affairs and situation of the company and the group of subsidiaries included in the consolidation, recounting the most salient aspects.
5. Accordingly, taking into consideration the information received from the Board of Directors and relevant Departments, as well as the conclusions contained in the Statutory Audit Certification, it is our opinion that:
 - i) the Directors' Report be approved;
 - ii) the group annual financial statements be approved

Lisbon, April 23 2001

Bernardes, Sismeiro e Associados, Statutory Auditors
Represented by
Carlos Marques Bernardes, Statutory Auditor



Audit Report

To the Shareholders of
EDP - ELECTRICIDADE DE PORTUGAL, S.A.

1- We have audited EDP - Electricidade de Portugal, S.A.'s consolidated Balance Sheet at December 31 2000, as well as the consolidated Income Statement, by nature and by functions, and the Cash Flow Statement for the year then ended, and the respective Notes thereto. These consolidated financial statements are the responsibility of the Company's 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 said consolidated 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 consolidated 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 presentation of the consolidated financial statements. 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 financial position of the group of companies included in EDP - Electricidade de Portugal, SA's consolidation at December 31 2000, 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 23 2001

PricewaterhouseCoopers
- Auditores e Consultores, Lda.

Excerpt from the Minutes of the Shareholders' General Meeting

Excerpt from Minute no. 1/2001 of the Shareholders' General Meeting of EDP –ELECTRICIDADE DE PORTUGAL, S.A., held on May 10 2001, and which relates to this legal publication.

(...)

The Board of Directors having concluded their clarification and with no other shareholder wishing to address the meeting, the Committee Chairman closed the discussion on Points One and Two on the Order of Business, having, next, put to the vote the first point on the Order of Business, with the Directors' Report and the annual financial statements for the year ended December thirty first two thousand being approved by a majority, with the following results: thirteen million four hundred and seventy one thousand, seven hundred and eighty eight votes in favour, five thousand six hundred and seventy three votes against, and four thousand and ten abstentions.

Having completed this voting, 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 two thousand being approved by a majority, with the following results: thirteen million four hundred and seventy one thousand, seven hundred and eighty eight votes in favour, five thousand six hundred and seventy three votes against, and four thousand and ten abstentions.

Next, point number three on the Order of Business was considered, with the Committee Chairman informing that he had received an alternative proposal relating to this point three, submitted by the State in its ca-

capacity as shareholder, which was basically identical to that previously presented by the Board of Directors, except in the preview of a new portion earmarked for the distribution of part of the net income to the members of the Board of Directors, to be drawn from the amount proposed to be transferred to "Retained Earnings".

The Committee Chairman declared also that it was his understanding that it constituted a proposal of partial substitution which, for this reason, should be discussed in conjunction with the initial proposal and, the discussion having terminated, voted on in the first place.

Accordingly, discussion commenced on the said proposals which had the following content:

Board of Directors Proposal:

In terms of Article 27 of the Company's Memorandum and Articles of Association, the Board of Directors proposes that net income of PTE 110,059,360,182\$00 be appropriated as follows:

Transfer to the	
Legal Reserve (5%)	5,503,000,000\$00
Dividends	84,000,000,000\$00
Transfer to Retained Earnings	20,556,360,182\$00



Proposal of the State in its capacity as shareholder

Considering:

- a) That is the practice of the majority of companies comparable with EDP to award their directors a part of the annual profits;
- b) That such practice was also adopted at EDP and is contemplated in the company's statutes and in the General Meeting's powers;
- c) That the results for 2000 justify such a distribution;
- d) That the proposed appropriation of results presented by the Board of Directors does not make provision for such a distribution;
- e) That, as regards the remainder of the Board of Directors proposal, the State is in agreement,

2nd That the Directors participate in the above profit-sharing distribution in proportion to their remuneration.

After a brief debate, the Committee Chairman put to the vote the proposal tabled by the State and which was approved by a majority, with the following results: thirteen million four hundred and seventy seven thousand, four hundred and fifty five votes in favour, six votes against, and four thousand and ten abstentions.

Lisbon, May 14 2001

Company Secretary
Manuel Jorge Pombo Cruchinho

It is proposed:

1st That net income for the year 2000 be appropriated as follows:

Net Income	<u>110,059,360,182\$00</u>
Transfer to Legal Reserve	5,503,000,000\$00
Dividends	84,000,000,000\$00
Directors' share of profits	128,420,000\$00
Transfer to Retained Earnings	<u>20,427,940,182\$00</u>
	<u>110,059,360,182\$00</u>

PTE 28\$00/share

Exemption from the Requirement to Publish Individual Accounts

" The Securities Market Commission, pursuant to the provisions of Article 250(3) of the Securities 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".



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Annexes



EDP's Shareholder Structure

Qualified Shareholdings

In terms of CMVM's Rule nº 11/2000, Article 6, nº 1, e) (which substitutes the CMVM's Rule nº 24/2000) the company's share capital is currently held by the following qualified shareholdings.

Qualified shareholdings	no. of shares	% capital	% vote (*)
Direcção Geral do Tesouro	679,616,150	22.654%	22.672%
Banco Comercial Português	151,731,308	5.058%	5.062%
Caixa Geral de Depósitos	142,516,830	4.751%	4.754%
Iberdrola	120,004,000	4.000%	4.003%
Parpública	117,787,330	3.926%	3.929%

(*) According with the By-Law, no shareholder, with the exception of the state or any entity deemed by law to be equivalent thereto for this purpose, may issue notes in its own name or as the representative of another, which exceed 5% of the total votes corresponding to the share capital.

Complementary Information

The composition of the treasury stock and the free-float is as follow:

	no. of shares	% capital
EDP - Treasury stock	2,400,000	0.08%
Other private shareholders	1,785,944,382	59.53%

The following Depositary Banks have more than 2% of the EDP's share capital in participating interests, which don't represent their direct interest in the shareholder profile but the interests of their own clients that alone have less than 2%. Although, there is no transmission of their right to vote or the issue of proxies.

	no. of shares	% capital
Chase Manhattan Bank / Mutual Funds	117,319,726	3.911%
State Street Bank and Trust Company	115,136,881	3.838%
Banco Comercial Português / Custódia	100,079,619	3.336%
The Bank of N.Y. as Custodian or Trustee	98,524,089	3.284%

Shares held by the members of EDP's Board of Directors

Annex referred to in article 447(5) of the companies code

Directors and family	Operations effected in 2000				Balance (no. of shares) December 2000
	Date	Price in Euros	no. of shares		
			Acquisition	Sale	
Francisco de La Fuente Sánchez	2000-10-24	5,914.80 €	2,120		
	2000-10-24	1,940.40 €	660		
	2000-10-24	1,457.00 €	470		7,515
Wife Maria Berta Pi B.R. de la Fuente Sánchez	2000-10-24	1,911.00 €	650		
		1,426.00 €	460		2,515
Jorge Fernando Alves Ferreira Guimarães	2000-10-24	5,914.80 €	2,120		
	2000-10-24	1,911.00 €	650		6,990
Wife Emilia M. Morgado	2000-10-24	1,911.00 €	650		1,895
Rui Miguel de Oliveira Horta e Costa	2000-10-24	5,914.80 €	2,120		
	2000-10-24	1,911.00 €	650		2,770
Wife Susana Maria G. P. D. M. Horta e Costa	2000-10-24	1,911.00 €	650		650
Fernando Noronha Leal	2000-06-09	9,350.00 €		2,500	
	2000-10-24	5,914.80 €	2,120		
	2000-10-24	1,911.00 €	650		
	2000-10-24	3,583.60 €	1,156		3,926
Wife Maria da Luz C. R. Noronha Leal	2000-10-24	1,911.00 €	650		650
António Manuel Barreto Pita de Abreu	2000-10-24	2,940.00 €	1,000		4,880
Wife Gilda Maria L. B. Pita de Abreu					
Vasco Fernandes Pereira Valente	2000-10-24	5,914.80 €	2,120		
		1,911.00 €	650		
		713.00 €	230		4,500
Manuel de Jesus Martins	2000-10-24	5,914.80 €	2,120		
		1,911.00 €	650		9,340
Wife Julieta Rosa Nunes da Costa Martins					500
Jorge Manuel Jardim Gonçalves	2000-04-14	22,679.80 €	6,100		
	2000-05-08	9,570.00 €	2,500		
	2000-05-09	9,625.00 €	2,500		
	2000-05-17	9,590.00 €	2,500		
	2000-09-27	18,850.00 €	5,000		
	2000-09-27	11,160.00 €	3,000		
	2000-09-29	7,400.00 €	2,000		
	2000-10-24	5,914.80 €	2,120		
	2000-10-24	1,911.00 €	650		
	2000-10-24	1,426.00 €	460		28,230
	Wife Maria D' Assunção A. O. V. Jardim Gonçalves	2000-05-17	1,883.56 €	490	
2000-10-24		1,911.00 €	650		
2000-10-24		1,457.00 €	470		2,120
João Afonso Ramalho S. Pereira Bento	2000-10-24	5,921.16 €	2,120		
		1,911.00 €	650		2,770
Wife Rita M. do Pranto N. L. Pereira Bento	2000-10-24	1,940.40 €	660		660
Ernâni Rodrigues Lopes					-
Wife Maria Isabel R. C. Rodrigues Lopes					-
IBERDROLA					120,004,000

31-12-2000



Positions held by the members of EDP's Board of Directors

Eng. Francisco de la Fuente Sánchez – Chairman

1. Chairman of the Board of Directors of CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.
2. Chairman of the Board of Directors of EDP Energia, S.A.
3. Chairman of the Board of Directors of EDP Cogeração, S.A.
4. Chairman of the Board of Directors of EDP Águas, S.A.
5. Chairman of the Board of Directors of ONI, SGPS, S.A.
6. Chairman of OPTeP, SGPS, S.A.
7. Chairman of 093X – Telecomunicações Celulares, S.A.
8. Chairman of EDP Brasil, Ltda.
9. Vice-Chairman of Empresa Bandeirante de Energia, S.A.
10. Member of the Senior Board of BCP
11. Director of GALP Energia, SGPS, S.A.
12. Director of BVLP, S.A.

Eng. Jorge Fernando Alves Ferreira Guimarães – Vice-Chairman

1. Chairman of the Board of Directors of EDP Distribuição - Energia, S.A.
2. Chairman of the Board of Directors of EDINFOR - Sistemas Informáticos, S.A.
3. Chairman of the Board of Directors of LABELLEC - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.
4. Chairman of the Board of Directors of COPIDATA, S.A.
5. Chairman of the Board of Directors of EDP - Investimentos, Gestão de Participações e Assistência Técnica, Limitada
6. Director of OPTeP, SGPS, S.A.
7. Director of ONI, SGPS, S.A.
8. Director of 093X – Telecomunicações Celulares, S.A.
9. Director of SOGESTE, S.A.
10. Director of SHIPEC, Co.
11. Director of Tejo Energia, S.A.
12. Director of GALP Energia, SGPS, S.A.

Dr. Rui Miguel de Oliveira Horta e Costa – Member of the Board of Directors

1. Chairman of the Board of Directors of CENTRAL – e – Informação e Comércio Electrónico, S.A.
2. Director of OPTeP, SGPS, S.A.
3. Director of ONI, SGPS, S.A.
4. Director of 093X – Telecomunicações Celulares, S.A.
5. Director of Electricidade de Portugal Internacional, SGPS, S.A.
6. Director of EDP – Investimentos, Gestão de Participações e Assistência Técnica, Limitada
7. Director of EDP Brasil, S.A.
8. Director of Energia RE

Dr. Fernando Noronha Leal – Member of the Board of Directors

1. Chairman of the Board of Directors of Electricidade de Portugal Internacional, SGPS, S.A.
2. Chairman of ENERPAULO
3. Chairman of the Board of Directors of ENERGEN
4. Chairman of the Board of Directors of EDP Brasil, S.A.
5. Chairman of the Board of Directors of IVEN
6. Chairman of the Board of Directors of ENERSUL
7. Chairman of the Board of Directors of ESCELSA
8. Vice – Chairman of EDP Brasil, Ltda
9. Director of EDP Águas, S.A.
10. Director of EDP – Investimentos, Gestão de Participações e Assistência Técnica, Ltda
11. Director of EDP Participações, SGPS, S.A.

Eng. António Manuel Barreto Pita de Abreu – Member of the Board of Directors

1. Chairman of the Board of Directors of EDP – Gestão da Produção de Energia, S.A.
2. Director of CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.
3. Director of EDINFOR – Sistemas Informáticos, S.A.
4. Director of ONI, SGPS, S.A.
5. Director of OPTeP, SGPS, S.A.
6. Director of 093X – Telecomunicações Celulares, S.A.
7. Director of SÃVIDA – Medicina Apoiada, S.A.
8. Director of MRH – Mudança e Recursos Humanos, S.A.
9. Director of da TURBOGÁS, S.A.



Eng. Vasco Fernandes Pereira Valente – Member of the Board of Directors

1. Chairman of the Board of Directors of MRH-Mudança e Recursos e Humanos, S.A.
2. Chairman of the Board of Directors of SÁVIDA – Medicina Apoiada, S.A.
3. Chairman of the Board of Directors of EDP Imobiliária, S.A.
4. Chairman of the Board of Directors of EDP – Serviços de Gestão de Frotas, Instalações e Logística, S.A.
5. Director of EDP Participações, SGPS, S.A.

Dr. Manuel de Jesus Martins – Member of the Board of Directors

1. Chairman of the Board of Directors of EDP Participações, SGPS, S.A.
2. Chairman of Energia RE
3. Director of EDP – Gestão da Produção de Energia, S.A.
4. Director of OPTeP, SGPS, S.A.
5. Director of 093X – Telecomunicações Celulares, S.A.

Eng. Ignácio Francisco Javier Herrero Sorriqueta – Member of the Board of Directors

1. Delegate Director Iberdrola, S.A.

Eng. Jorge Manuel Jardim Gonçalves – Member of the Board of Directors

1. Chairman of BCP's Group

Prof. Eng. João Afonso Ramalho Pereira Bento – Member of the Board of Directors

1. Director of Brisatel Telecomunicações, S.A.
2. Director of Briser – Serviços Viários, S.A.

Prof. Dr. Ernâni Rodrigues Lopes – Member of the Board of Directors

1. Executive Director of SaeR – Sociedade de Avaliação de Empresas e Risco, Lda.
2. Chairman of the Board of Directors of CPR – Companhia Portuguesa de Rating, S.A.
3. Member of the General Board of Espírito Santo Group

Summary of Data Relating to EDP Group Companies

Company and head office	Principal business activity	Key figures		
		(Euros)	(PTE 000's)	
EDP – Electricidade de Portugal, S.A. Av. José Malhoa, Lote A 13 1070-157 Lisbon Telef. 21 001 30 13 Fax 21 726 50 29 Taxpayer registration no. 500 697 256	Promotion, involvement 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.	(non-consolidated figures)		
		Assets	11,904,349,824	2,386,607,861
		Shareholders' funds	6,204,729,782	1,243,936,636
		Turnover	36,823,761	7,382,501
		Operating profit	-61,154,525	-12,260,381
		Net income	548,973,774	110,059,360
CPPE – Companhia Portuguesa de Produção de Electricidade, S.A. Av. Barbosa du Bocage, 45 Apartado 14125 1064-002 Lisboa Telef. 21 352 53 53 Fax 21 799 24 20 Taxpayer registration no. 503 293 695	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.	Assets	4,489,010,594	899,965,822
		Shareholders' funds	2,793,940,828	560,134,845
		Turnover	1,152,355,612	231,026,558
		Operating profit	491,942,839	98,625,684
		Net income	275,100,597	55,152,718
EDP Distribuição – Energia, S.A. Rua Camilo Castelo Branco, 43 1050-040 Lisboa Telef. 21 353 88 33 Fax 21 353 40 94 Taxpayer registration no. 504 394 029	Electric power distribution and sale and the provision of allied or complementary services.	Assets	4,871,158,082	976,579,515
		Shareholders' funds	2,313,844,347	463,884,142
		Turnover	3,034,015,011	608,265,397
		Operating profit	215,975,916	43,299,283
		Net income	154,035,521	30,881,349
ENERNOVA – Novas Energias, S.A. Av. Estados Unidos da América, 55, 11º 1749-061 Lisboa Telef. 21 841 21 00 Fax 21 841 27 10 Taxpayer registration no. 503 161 314	To project, build and operate electric-energy plants in the sector of alternative renewable energies.	Assets	41,240,477	8,267,973
		Shareholders' funds	6,640,809	1,331,363
		Turnover	4,172,694	836,550
		Operating profit	2,386,707	478,492
		Net income	1,131,080	226,761
HDN – Energia do Norte, S.A. Rua do Caires, 292, 1º 4704-516 Braga Telef. 253 60 30 50 Fax 253 61 88 36 Taxpayer registration no. 503 367 257	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.	Assets	69,151,372	13,863,605
		Shareholders' funds	37,496,066	7,517,286
		Turnover	13,666,952	2,739,978
		Operating profit	5,431,062	1,088,830
		Net income	2,597,292	520,710
HIDROCENEL – Energia do Centro, S.A. Apartado 182, Quintela 6270-909 Seia Telef. 238 320 000 Fax 238 320 027 Taxpayer registration no. 503 326 887	Generation and sale of energy in the form of electricity and others resulting from the operation of its own and/or third parties' installations.	Assets	106,179,933	21,287,165
		Shareholders' funds	72,565,584	14,548,094
		Turnover	13,715,366	2,749,684
		Operating profit	7,398,223	1,483,211
		Net income	3,569,564	715,633



Company and head office	Principal business activity	Key figures	
		(Euros)	(PTE 000's)
EDP Energia, S.A. Praça Marquês de Pombal, 13 1250-162 Lisboa Telef. 21 353 88 33 Fax 21 353 40 94 Taxpayer registration no. 503 504 564	Generation, purchase and sale of energy, in the form of electricity and others, resulting from the of its own and/or third parties' installations, as well as any other forms of energy selling activities.	Assets Shareholders' funds Turnover Operating profit Net income	88,812,405 17,805,289 71,612,353 14,356,988 11,444,483 2,294,413 996,581 199,797 -169,125 -33,906
HIDRORUMO – Projecto e Gestão, S.A. Rua do Bolhão, 36 4000-111 PORTO Telef: 22 200 82 01 Fax: 22 208 31 09 Taxpayer registration no. 503 293 547	To conduct studies and carry out projects, the management of capital projects and 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.	Assets Shareholders' funds Turnover Operating profit Net income	17,733,513 3,555,250 7,101,894 1,423,802 16,679,950 3,344,030 853,570 171,125 2,142,164 429,465
PROET – Projectos, Engenharia e Tecnologias, S.A. Av. Estados Unidos da América, 55, 2º 1749-061 LISBOA Telef: 21 847 01 80 Fax: 21 840 94 19 Taxpayer registration no. 503 293 504	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.	Assets Shareholders' funds Turnover Operating profit Net income	11,157,469 2,236,872 4,974,886 997,375 11,135,051 2,232,377 1,197,814 240,140 916,135 183,669
EDINFOR – Sistemas Informáticos, S.A. Rua Particular EDP (à Rua Cidade de Goa) 2686-997 SACAVÉM Telef: 21 941 81 30 Fax: 21 941 07 41 Taxpayer registration no. 502 605 731	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.	Assets Shareholders' funds Turnover Operating profit Net income	173,923,565 34,868,544 15,167,105 3,040,732 93,530,573 18,751,196 15,985,763 3,204,858 8,835,540 1,771,367

Company and head office	Principal business activity	Key figures		
		(Euros)	(PTE 000's)	
LABELEC – Estudos, Desenvolvimento e Atividades Laboratoriais, S.A. Rua Cidade de Goa, 4 2686-997 SACA VÉM Telef: 21 941 12 62 Fax: 21 941 92 54 Taxpayer registration no. 503 326 755	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.	Assets Shareholders' funds Turnover Operating profit Net income	7,920,135 5,019,438 7,634,164 1,954,699 1,366,337	1,587,845 1,006,307 1,530,512 391,882 273,926
Electricidade de Portugal Internacional, SGPS, S.A. Av. José Malhoa, Lote A13, 3º 1070-157 LISBOA Telef: 21 001 30 13 Fax: 21 720 29 99 Taxpayer registration no. 502 539 984	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 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.	Assets Shareholders' funds Turnover Operating profit Net income	853,993,446 56,288,341 4,296,223 -3,145,759 -50,302,346	171,210,314 11,284,799 861,315 -630,668 -10,084,715
MRH – Mudança e Recursos Humanos, S.A. Rua D. Luís I, 12, 2º 1200-151 LISBOA Telef: 21 322 22 00 Fax: 21 322 22 05 Taxpayer registration no. 503 293 520	Consultancy and the provision of services in the field of vocational training and human resources management.	Assets Shareholders' funds Turnover Operating profit Net income	3,001,468 820,480 3,614,728 133,072 80,021	601,740 164,492 724,688 26,679 16,043
EDALPRO Imobiliária, Lda. Av. José Malhoa, Lote A13 1070-157 LISBOA Telef: 21 841 25 44 Fax: 21 841 25 80 Taxpayer registration no. 502 881 690	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.	Assets Shareholders' funds Turnover Operating profit Net income	4,268,048 809,169 16,692,232 397,830 -10,280	855,667 162,224 3,346,492 79,758 -2,061
SÃVIDA – Medicina Apoiada, S.A. Av. Casal Ribeiro, 15, 6º 1000-090 LISBOA Telef: 21 313 89 00 Fax: 21 001 74 10 Taxpayer registration no. 503 293 512	Provision of health-care services, management and operation of its own or others' hospital, medical assistance and similar establishments.	Assets Shareholders' funds Turnover Operating profit Net income	10,606,294 1,168,694 32,932,477 432,619 147,467	2,126,371 234,302 6,602,369 86,732 29,564



Company and head office	Principal business activity	Key figures		
		(Euros)	(PTE 000's)	
EDP Imobiliária, S.A. Av. Estados Unidos da América, 55, 11º 1749-061 LISBOA Telef: 21 841 24 58 Fax: 21 841 22 15 Taxpayer registration no. 503 529 524	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 resale of those acquired for this purpose.	Assets	15,576,060	3,122,720
		Shareholders' funds	6,251,259	1,253,265
		Turnover	4,401,235	882,368
		Operating profit	2,828,238	567,011
		Net income	2,278,398	456,778
EDP Cogeração – Produção de Electricidade e Calor, S.A. Av. José Malhoa, Lote A13, 3º 1070-157 LISBOA Telef: 21 001 30 13 Fax: 21 720 29 60 Taxpayer registration no. 504 410 385	Carrying out studies and the promotion, execution, operation and sale of projects involving the combined production of electric and thermal energy by means of cogeneration.	Assets	14,516,564	2,910,310
		Shareholders' funds	1,637,143	328,218
		Turnover	618,330	123,964
		Operating profit	6,552	1,313
		Net income	-868,484	-174,115
EDP – Serviços de Gestão de Frotas, Instalações e Logística, S.A. Av. Estados Unidos da América, 55, 9º 1749-061 LISBOA Telef: 21 841 25 44 Fax: 21 841 25 80 Taxpayer registration no. 504 645 064	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.	Assets	2,499,639	501,133
		Shareholders' funds	827,048	165,808
		Turnover	2,826,529	566,668
		Operating profit	48,475	9,718
		Net income	21,575	4,325
EDP Águas – Águas e Saneamento de Portugal, S.A. Av. da República, 57, 3º 1050-198 LISBOA Telef: 21 001 57 00 Fax: 21 001 57 10 Taxpayer registration no. 504 657 992	Promotion, development and management, directly or indirectly, of business interests in the water and sewage sectors.	Assets	6,308,766	1,264,794
		Shareholders' funds	2,172,784	435,604
		Turnover	0	0
		Operating profit	-2,379,184	-476,984
		Net income	-2,561,477	-513,530
TER – Termoelectrica do Ribatejo, S.A. Av. Estados Unidos da América, 55, 12º 1749-061 LISBOA Telef: 21 001 34 02 Fax: 21 001 32 02 Taxpayer registration no. 504 718 347	Establishment and operation of a combined-cycle thermoelectric power station and the sale of the resulting energy produced.	Assets	4,186,668	839,352
		Shareholders' funds	496,641	99,568
		Turnover	0	0
		Operating profit	93,611	18,767
		Net income	-3,359	-673
OPTeP, SGPS, S.A. Av. José Malhoa, Lote A13 1070-157 LISBOA Telef: 21 001 3013 Fax: 21 726 50 29 Taxpayer registration no. 503 943 525	Management of participating interests in other companies as an indirect way of carrying out economic activities.	(consolidated figures)		
		Assets	873,263,525	175,073,618
		Shareholders' funds (1)	103,211,196	20,691,987
		Turnover	42,647,948	8,550,146
		Operating profit	-77,775,750	-15,592,638
		Net income (2)	72,146,622	14,464,099

(1) Does not include minority interests of PTE 7,277,033 thousand
 (2) After minority interests

Electricity: General Operating Data

Installed capacity

INSTALLED CAPACITY AT POWER STATIONS – at 31st Dec (MW)	1996	1997	1998	1999	2000
(1) SEP – Public Electrical System					
(Binding System) – (a)	7,814	7,814	8,098	8,758	8,758
EDP Group power stations:	7,230	7,230	7,184	7,184	7,184
Hydroelectric	3,903	3,903	3,903	3,903	3,903
Thermoelectric	3,327	3,327	3,281	3,281	3,281
Thermoelectric power stations of other SEP producers:	584	584	914	1,574	1,574
Pego	584	584	584	584	584
Tapada do Outeiro	-	-	330	990	990
(2) EDP Group in the SENV – Non-binding Electrical System					
Mini hydro plants	270	270	270	270	270
(3) EDP Group in the PRE – Special Regime Generation	10	13	20	29	106
Wind farms	10	13	20	20	30
Biomass	-	-	-	9	9
Cogeneration	-	-	-	-	67
Total EDP Group + Other SEP Producers=					
= (1) + (2) + (3)	8,094	8,097	8,388	9,057	9,134
Total EDP Group	7,510	7,513	7,474	7,483	7,560

(a) Power contracted in accordance with the PPAs (Power Purchase Agreements)



EDP Group Fuel Consumption

EDP Group Fuel Consumption	Units	1996	1997	1998	1999	2000
Fuel						
Quantities						
Fuel-oil (a)	1000 t	737.7	784.1	1,565.1	1,536.4	1,051.6
Diesel	1000 l	584.0	584.0	3,966.0	1,732.4	14,359.2
National Coal	1000 t	43.0	99.1	-	-	-
Imported Coal	1000 t	3,073.4	3,084.4	3,101.5	3,490.9	3,455.8
Natural Gas	1000 m3	-	26,312.7	163,761.3	376,277.7	142,058.6
Cost						
	PTE million	35,716.7	41,006.1	49,484.9	53,845.4	60,722.2
Fuel-oil (a)		11,744.8	13,563.4	21,885.5	21,927.4	29,414.7
Diesel		14.2	13.1	110.5	43.8	379.9
National Coal		368.5	877.7	-	-	-
Imported Coal		23,589.1	25,754.3	24,147.3	23,421.3	25,842.4
Natural Gas		-	797.5	3,341.6	8,452.8	5,085.2
Average prices						
Fuel-oil	PTE/t	15,920.7	17,297.4	13,983.5	14,271.7	27,971.4
Diesel	PTE/kl	24,389.8	22,464.6	27,861.8	25,306.2	26,456.9
National Coal	PTE/t	8,571.1	8,860.2	-	-	-
Imported Coal	PTE/t	7,675.3	8,349.8	7,785.7	6,709.2	7,478.0
Natural Gas	PTE/m3	-	30.3	20.4	22.5	35.8

a) Includes fuel consumption for the generation of steam at Barreiro's Plant: 45,3 kt (1996); 51,2 kt (1997); 55 kt (1998); 43 kt (1999); 48 kt (2000)

Energy Balance and Hydroelectric Capability Factor

	1996	1997	1998	1999	2000
HYDROELECTRIC CAPABILITY FACTOR	1.30	1.22	1.04	0.68	1.08
ENERGY BALANCE					GWh
EDP Generation	26,179	24,817	28,899	25,112	25,754
Hydroelectric power stations	14,169	12,472	12,425	7,010	10,991
Wind farms and biomass plants	6	22	47	57	79
Thermoelectric power stations	12,004	12,323	16,427	18,046	14,685
Power station consumption and losses	1,041	1,028	1,237	1,152	1,060
Hydroelectric pumping	137	100	101	491	558
Energy sent out to SEP's grid (net demand)	30,887	31,945	33,807	35,803	37,953
EDP	25,001	23,689	27,561	23,469	24,136
Other SEP producers (balance)*	3,261	3,605	4,057	10,951	10,493
Auto-producers and other deliveries (balance)**	1,514	1,752	1,917	2,241	2,393
Imports / Exports (balance)*	1,111	2,899	272	(858)	931
Synchronous compensation	29	32	30	41	39
Own consumption for generation and transmission + transmission losses***	724	612	615	679	709
Energy delivered to Distribution	30,134	31,301	33,162	35,083	37,205
1- EDP Group own consumption and Distribution losses	2,682	2,614	2,800	2,803	2,898
2- Sale of energy	27,451	28,686	30,364	32,280	34,091
Distributors	151	103	111	121	129
– Local authorities	0	0	0	0	0
– Other distributors	151	103	111	121	129
Direct supply to consumers	27,300	28,583	30,253	32,159	33,962
– Very-high, high and medium voltage	12,513	13,130	13,909	14,373	15,068
– Low voltage	14,787	15,453	16,344	17,786	18,894
3- Sales to non-binding customers	0	0	0	0	216
EDP Group	-	-	-	-	85
Network usage (outside EDP)	-	-	-	-	131

* Source: REN

** Does not include 2.7 billing relative to 1999 energy and includes an estimate of energy not yet billed of 12.9.

*** Source: EDP + REN



Number of EDP Group Customers and Electricity Consumption according to end uses

TOTAL EDP (SEP+SENV)	1996	1997	1998	1999	2000	Variation 99/00	
						Amount	%
Number of customers	4,914,966	5,033,837	5,161,391	5,291,520	5,415,313	123,793	2%
at high voltage (*)	93	94	96	102	110	8	8%
at medium voltage	16,197	16,868	17,424	18,140	18,834	694	4%
at low voltage	4,898,676	5,016,875	5,143,871	5,273,278	5,396,369	123,091	2%
Electricity consumption (GWh) (**)	27,356	28,638	30,308	32,208	34,088	1,881	6%
Lighting and other uses	13,540	14,217	15,216	16,485	17,658	1,173	7%
Household	7,841	8,065	8,317	8,987	9,678	691	8%
Non-household	5,699	6,152	6,899	7,498	7,981	483	6%
Lighting of state buildings, administrative places, etc.	1,187	1,243	1,366	1,529	1,632	103	7%
Cooking and heating	12	12	14	8	8	0	2%
Industrial uses	10,983	11,424	11,904	12,207	12,741	534	4%
Agricultural uses	514	546	607	667	679	11	2%
Traction	320	336	316	364	360	-4	-1%
Street lighting	800	860	884	946	1,010	63	7%

(*) Includes customers at Very-high voltage. In 2000 includes 9 SENV customers who continue to be supplied by the EDP Group.
 (**) Includes EDP Distribuição's own consumption and supplies for other Group companies' consumption.

SENV (EDP)	2000
Number of customers	9
HV	1
MV	8
Electricity consumption (GWh)	85
Lighting and other uses (non-household)	14
Industrial uses	71

Summary of Generating Centres

A – Hydro Power Stations	River	Entered into service	Type of hydro scheme	No. of generat. units	Max.Installed capacity (MW)
Alto Lindoso	Lima	1992	reservoir	2	630
Touvedo	Lima	1993	reservoir	1	22
Alto Rabagão	Rabagão	1964	reservoir	2	68
Venda Nova	Rabagão	1951	reservoir	3	90
Paradela	Cávado	1956	reservoir	1	54
Salamonde	Cávado	1953	reservoir	2	42
Vilarinho das Furnas	Homem	1972/1987	reservoir	2	125
Caniçada	Cávado	1954	reservoir	2	62
Cávado-Lima				15	1,093
Miranda	Douro	1960/1995	run-of river	4	369
Picote	Douro	1958	run-of river	3	195
Bemposta	Douro	1964	run-of river	3	240
Pocinho	Douro	1983	run-of river	3	186
Valeira	Douro	1976	run-of river	3	240
Vilar-Tabuaço	Távora	1965	reservoir	2	58
Régua	Douro	1973	run-of river	3	180
Carrapatelo	Douro	1971	run-of river	3	201
Torrão	Tâmega	1988	reservoir	2	140
Crestuma-Lever	Douro	1985	run-of river	3	117
Douro				29	1,926
Caldeirão	Caldeirão	1994	reservoir	1	40
Agueira	Mondego	1981	reservoir	3	336
Raiva	Mondego	1982	reservoir	2	24
Cabril	Zêzere	1954	reservoir	2	108
Bouçã	Zêzere	1955	reservoir	2	44
Castelo do Bode	Zêzere	1951	reservoir	3	159
Pracana	Ocreza	1993	reservoir	3	41
Fratel	Tejo	1974	run-of river	3	132
Tejo-Mondego				19	884
Reservoirs				35	2,123
Run-of-river				28	1,983
Total Hydro Power Stations				63	3,903



B – Thermal Power Plants	Location	Entered into service	Fuel used	No. of generat. units	Max.Installed capacity (MW)
Tapada do Outeiro	Gondomar	1959	Fuel-oil	1	47
Carregado (1)	Alenquer	1968	Fuel/Natural gas	6	710
Barreiro	Barreiro	1978	Fuel-oil	2	56
Setúbal	Setúbal	1979	Fuel-oil	4	946
Sines	Sines	1985	Coal	4	1.192
Alto de Mira	Amadora	1975	Diesel	6	132
Tunes	Silves	1973/1982	Diesel	4	197
Total Thermal Power Plants				27	3,281

(1) Functioning with fuel-oil/natural gas at 2 generating units became available as from October 1997

C – Wind Farms	Location	Entered into service	Fuel used	No. of generat. units	Max.Installed capacity (MW)
Fonte da Mesa	Resende/Lamego	1997	N.A .	17	10
Pena Suar	Amarante/Vila Real	1998	N.A .	20	10
Cabeço da Rainha	Oleiros/Sertã	2000	N.A .	17	10
Total Wind Farm Capability				54	30

D – Biomass Power Plants	Location	Entered into service	Fuel used	No. of generat. units	Max.Installed capacity (MW)
Mortágua forest Waste Power station	Mortágua	1999	Forest waste	1	9
Total Biomass Plants				1	9

E – Cogeneration Power Plants	Location	Entered into service	Fuel used	No. of generat. units	Max.Installed capacity (MW)
SOPORGEN	Lavos – Figueira da Foz	2000	Natural Gas	2	67
ENERGIN	Póvoa de St. Iria – V. F. Xira	Nov 2001	Natural Gas	1	45
CARRIÇO	Carrigo – Pombal	Nov 2001	Natural Gas	1	30
Total Cogeneration Plants				4	142

F – Embedded (SENV)	River	Entered into service	Type of hydro scheme	No. of generat. units	Max.Installed capacity (MW)	
France		Coura	1974	run-of-river	1	7.0
Lindoso		Lima	1922	run-of-river	2	17.5
Penide I e II		Cávado	1951	run-of-river	2	4.8
Guilhofrei		Ave	1939	reservoir	2	4.6
Ermal		Ave	1947	run-of-river with/reg	2	10.8
Ponte da Esperança		Ave	1942	run-of-river with/reg	1	2.8
Senhora do Porto		Ave	1945	run-of-river with/reg	2	8.8
Cefra		Ouro	1996	run-of-river	2	1.5
Chocalho		Varosa	1934	reservoir	3	24.7
Freigil		Cabrum	1926	run-of-river	1	4.6
Aregos		Cabrum	1958	run-of-river	2	3.2
Total HDN					20	90.3
Sabugueiro I		Rib. Caniça	1947	reservoir	3	13.2
Sabugueiro II		Rib. Covão Urso	1993	reservoir	1	10.0
Desterro		Alva	1959	run-of-river with/reg	2	14.0
Ponte de Jugais		Alva	1923	run-of-river with/reg	2	19.3
Vila Cova		Alva	1937	run-of-river with/reg	3	11.8
Santa Luzia		Unhais	1943	reservoir	4	23.2
Riba-Côa		Côa	1906	run-of-river	1	0.1
Pateiro		Mondego	1938	run-of-river	2	0.5
Ribafeita		Vouga	1955	run-of-river	2	0.9
Drizes		Vouga	1917	run-of-river	2	0.1
Pisões		Dinha	1927	run-of-river	2	0.1
Figueiral		Carvalhinho	1955	run-of-river	1	0.2
Rei de Moinhos		Alva	1993	run-of-river	1	0.7
Ermida		Rib. S. João	1943	run-of-river	2	0.4
Total Hidrocenel					28	4.5
Belver		Tejo	1951	run-of-river	6	80.7
Póvoa		Rib. Nisa	1927	reservoir	1	0.7
Bruceira		Rib. Nisa	1928	reservoir	1	1.6
Velada		Rib. Nisa	1935	reservoir	1	1.9
Caldeirão		Almonda	1927	run-of-river	2	0.2
Total EDP Energia					11	85.1
Total Embbeded Plants					59	269.9



Summary of the Distribution Grid

Distribution grid					
Summary of installations and equipment in service at 31st December					
	1996	1997	1998	1999	2000
Substations					
No. of substations	339	348	359	365	368
No. of transformers	618	631	642	645	657
Installed capacity (MVA)	12,074	12,405	12,690	12,752	12,962
Lines (including branch lines in km)					
Overhead					
HV (60/130 kV)	6,413	6,528	6,613	6,717	6,885
MV (<6/10/15/30/40 kV)	47,520	48,267	48,738	49,516	50,140
Underground cables					
HV (60/130 kV)	307	325	358	357	356
MV (<6/10/15/30/40 kV)	8,539	8,895	9,325	9,778	10,058
Transforming stations					
Units	41,871	43,266	44,620	46,134	47,060
Installed capacity (MVA)	10,677	11,155	11,664	12,169	12,454
LV grid (km)					
Overhead	86,905	88,408	90,344	92,020	93,507
Underground	19,483	20,534	21,731	22,894	23,532
Meters (units)					
HV+MV	4,943,652	5,078,750	5,214,777	5,366,479	5,609,940
LV+SLV	18,382	19,383	20,695	21,778	22,460
LV+SLV	4,925,270	5,059,367	5,194,082	5,344,701	5,587,480

International Affiliates

Accumulated Investment

Company	% EDP in capital	Country	Date	Business activity	PTE million
Escelsa	38.21% (a)	Brasil	1999	Electricity distribution	102,300
Bandeirante	53.97%	Brasil	1998 + 2000	Electricity distribution	124,988
CERJ	19.15% (b)	Brasil	1996	Electricity distribution	26,700
Lajeado	10.57%	Brasil	since 1998	Electricity generation	9,171
FAFEN	80.00%	Brasil	2000	Cogeneration (electricity and steam)	873
Total Brazil					264,032
EEGSA	16.96%	Guatemala	since 1998	Electricity distribution	13,068
Redal	29.00%	Marrocos	1998	Distribution of electricity, water and sewage	722
CEM	22.00%	Macau	1990 + 1999	Electricity generation and distribution	15,554
Electra	30.60%	Cabo Verde	1999	Production and distribution of electricity, water and sewage	5,456
ESSEL	25.50%	Chile	2000	Water and sewage distribution	14,000
Total other markets					48,800
Total Internationalisation					312,832

(a) This investment in Escelsa results from the fact that EDP owns 73.12% of Iven AS's share capital, which in turn owns 52.27% of Escelsa's capital. Escelsa, in turn, controls 65.2% of the capital of Enersul, a company that also distributes electricity in Brazil. Consequently, EDP has an indirect interest of 24.9% in Enersul.

(b) CERJ has a 20.61% interest in another Brazilian electricity distribution company – COELCE. In this manner, EDP has an indirect interest (via CERJ) of 3.95% in COELCE's capital.



Operating and Financial Indicators

	INTERNATIONAL INVESTMENTS (2000 data)								
	Activity Indicators						Financial Indicators		
	Sales		No. of customers	No. of workers	Installed capacity (MW)	Generation (GWh)	(PTE million)		
	Energy (GWh)	Water (Milhões m3)					Assets	Op. Profit	Net inco.
Brazil									
Electricity distribution									
Bandeirante	24,888	-	2,168,525	2,764	-	-	290,818	30,878	5,554
Escelsa	6,780	-	865,194	1,505	-	-	236,499	3,009	414
Enersul	2,836	-	541,093	1,022	-	-	110,493	4,281	1,297
CERJ	7,656	-	1,581,001	1,402	-	-	251,447	9,900	530
Coelce	5,874	-	1,795,800	1,592	-	-	208,140	18,142	9,265
Electricity generation									
Lajeado (Investco)	-	-	-	-	850	4,468*	-	-	-
Total Brazil	48,034		6,951,613	8,285	850	4,468	1,097,397	66,210	17,060
Macau									
Generation and distribution									
Electricity									
CEM	1,570	-	182,623	748	352	1,408*	83,945	11,734	10,739
Guatemala									
Electricity distribution									
EEGSA	3,148	-	609,353	486	-	-	140,975	13,387	3,502
Cape Verde									
Generation and distribution									
electricity, water and sewage									
Electra	96	2	47,149	686	-	-	9,418	-958	-735
Morocco									
Distribution of electricity, water and sewage									
Redal	917	64	291,293	2,073	-	-	46,073	n.a.	-79
Chile									
Water distribution and sewage									
Essel	-	34,552	142,943	246	-	-	22,210	633	781
Total Other markets	5,731	34,618	1,273,361	4,239	352	1,408	302,621	24,796	14,207
Total international investments	53,765	34,618	8,224,974	12,524	1,202	5,876	1,400,018	91,007	31,267

Note: all the data refers to the total value for each one of the companies, irrespective of EDP's shareholding.
* Annual Guaranteed Generation

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Communication and Image Office
Avenida José Malhoa, Lote A, 13
1070-157 Lisboa

Printing • Plinfo Informação Lda.
Avenida de Berna, 13, 5º Esq.º
1050 Lisboa
Tel. 21 793 62 65 Fax 21 794 20 74
E-mail plinfo@mail.telepac.pt

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