



RIGHT FROM
OUR VERY
FIRST DAY,
WE HAVE LIT
UP PATHS

'02 | **GRCA**

Group Report
and Consolidated
Accounts 2002

CONTENTS '02

'02 CHAIRMAN'S MESSAGE



'1 GENERAL DATA



'08 PRINCIPAL CONSOLIDATED DATA

'12 ORGANISATION STRUCTURE

'14 EDP'S GOVERNING BODIES – Electricidade de Portugal, S.A. (HOLDING)

'2 MANAGEMENT REPORT



'19 MACROECONOMIC BACKGROUND



'22 THE EDP GROUP IN 2002



'22 THE ELECTRICITY SECTOR



'45 TELECOMMUNICATIONS



'50 INFORMATION TECHNOLOGIES



'53 SUPPORT SERVICES: CREATION OF EDP VALOR



'57 THE EDP GROUP'S MANAGEMENT POLICIES



'57 CONTROL OF BUSINESS RISK



'60 EFFICIENCY PROGRAMME



'60 HUMAN RESOURCES



'63 INFORMATION SYSTEMS



'65 ENVIRONMENT



'66 RESEARCH AND DEVELOPMENT



'68 THE EDP GROUP'S ECONOMIC AND FINANCIAL REVIEW



'68 THE CONSOLIDATION PERIMETER



'69 THE EDP GROUP



'75 EDP PRODUÇÃO



'79 EDP DISTRIBUIÇÃO



'83 EDP ENERGIA



'84 HIDROCANTÁBRICO (SPAIN)



'88 BRAZIL



'97 TELECOMMUNICATIONS



'99 INFORMATION TECHNOLOGIES



'101 HIGHLIGHTS



'104 PROPOSED APPROPRIATION OF 2002 NET INCOME



'105 OUTLOOK FOR 2003



'107 ACKNOWLEDGEMENTS



'3 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



'4 AUDIT AND SUPERVISORY REPORTS



'5 REPORT ON CORPORATE GOVERNANCE



'6 ANNEXES

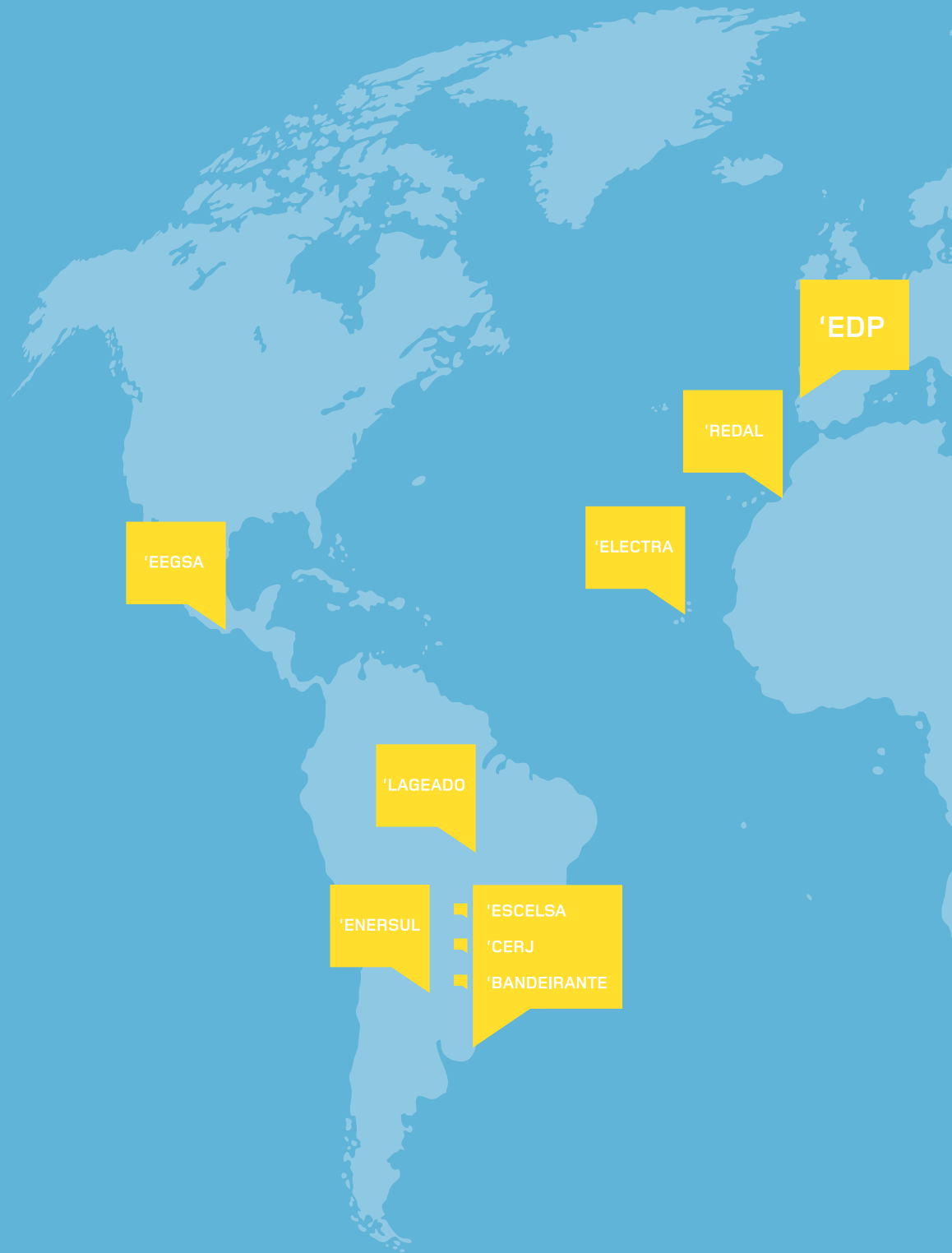


BECAUSE
WE HAVE
MUCH
TO SAY

'02 | **GRCA**

Group Report
and Consolidated
Accounts 2002

'EDP Group | International Presence





CEM



CHAIRMAN'S MESSAGE

TO THE SHAREHOLDERS,

With the close of 2002, I once again address our shareholders to inform them about the most salient aspects of our Group's activity during the past year.

It seems appropriate to me to start this review by referring to those developments that most marked the financial year and gave expression to the strategic direction that we have been gradually pursuing in recent years: the EDP Group's greater concentration on its traditional core business – electricity – in a market which, flowing from the continuing integration process, we now consider to be our domestic market – the Iberian Peninsula.

Indeed, the constitution of an Iberian market within the framework of the Portuguese and Spanish electrical sectors' progressive liberalisation, has led in an almost natural manner to the change in the EDP Group's concept of the domestic market. Accordingly, in response to this challenge and in the wake of a movement initiated at the end of 2001, the Group assumed midway through 2002 a controlling position in the Spanish company Hidroeléctrica del Cantábrico (Hidrocantábrico).

The EDP Group thus became the first Iberian company to possess significant generating and distribution assets on both sides of the border, not to mention a substantial customer base.

In this connection and already at the beginning of 2003, the recognition of the importance of a strategic convergence between gas and electricity interests on an Iberian scale led us to join forces, through Hidrocantábrico, in the privatisation operation of Naturcorp, a gas company in the Basque country.

If successful, Hidrocantábrico will own a company boasting a market share of 10% in Spain's gas business, with more than half a million customers and a portfolio of highly attractive assets. Simultaneously, this operation will pave the way for a substantial improvement in the Group's access to gas contracts, a critical success factor in the development of new electric energy production on the Iberian Peninsula. On the other side, it will also allow capitalising on the existing operational and strategic complementarity between Hidrocantábrico and Naturcorp and which promises the creation of significant value through the securing of short-term synergies.

The inevitable transition process towards the new reality pervading the Iberian energy sector continues to be shrouded by uncertainties concerning its final configuration; however, we believe that the recent successes achieved in Spain constitute a solid platform for EDP that will enable the Group to face the

challenge of building the Iberian market with confidence and to develop strong competitive capabilities engendered by its presence on the Portuguese and Spanish markets.

Another step of enormous significance for the Group occurred in the Brazilian market. In October 2002, the Group finally secured operating control of Escelsa - Espírito Santo Centrais Elétricas, S.A. and Enersul - Empresa Energética do Mato Grosso do Sul, S.A. - two electricity distribution companies in which we have been present since August 1999. We have therefore created the conditions to implement restructuring measures at these companies, as well as at the Group's other businesses in Brazil, that will certainly lead to efficiency gains and the delivery of sustainable positive earnings.

However, the less benign Brazilian macroeconomic climate and the political uncertainty which characterised a large part of 2002 constituted widely recognised instability factors which hindered the realisation of an objective that we have long awaited, namely, the definition of a regulatory framework for the Brazilian electrical sector that is more just and equitable, capable of offering a clear and unequivocal improvement in the returns on the investments made in that country. On this score, we believe that Enersul's expected tariff revisions embody the first signs of the Brazilian government's political will to create an environment that, in regulatory terms, will offer electric power companies the desired conditions for stability.

Still in Brazil, and in the light of the uncertainties I have outlined, the EDP Group decided to re-programme in this phase the development of the Peixe Angical (452 MW) and Couto Magalhães (150 MW) hydroelectric projects, the concessions for which were attributed in 2001.

The majority of investments in Brazil have now been concluded with the result that I consider that in 2003 the chief priority will be focusing all our efforts on tackling the restructuring of the electricity distribution companies in which we presently exercise operating control.

Activity on the international market in general translated itself into a restructuring process initiated back in 2001 and which had as its prime goal achieving a greater concentration of resources and management capabilities on the Brazilian market.

Hence, after having sold in 2001 the 25.5% shareholding in ESSEL in Chile and concluded the demerger of Bandeirante Energia, S.A., 2002 saw the sale of the equity holding in REDAL in Morocco.

In the Telecommunications area, the year 2002 constituted a period of difficult decisions for the EDP Group.

In the light of the new reality characterising the telecommunications business and the successive postponement of the availability of UMTS technology, the shareholders of ONI Way - ONI's mobile telephone operator - decided, after a prolonged and thoroughly pondered reflection, to discontinue the company's activity. This operation, which in broad terms materialised in an offer on the part of the other three national mobile operators to acquire the company's assets and, on the part of one of them, to acquire all of ONI Way's shares, permitted EDP to substantially reduce its exposure to the potential risks associated with this business and, simultaneously, to recoup a significant part of the investment already made.

Insofar as the other business areas are concerned, and in consonance with the present scenario of economic slowdown confronting the new fixed-network operators, ONI gave continuity to the process of internal reorganisation embarked on in 2001, with special emphasis on enhancing flexibility in its cost structure and on improving the capacity to respond to its customers' needs.

In 2002, ONI reinforced its position as number one amongst the new fixed telecoms operators and now boasts a solid base of corporate and residential customers, an ample communications



infrastructure and a strong shareholder base composed of four of the country's biggest economic groups.

As regards electric power generation in Portugal, EDP Produção continued during the course of 2002 to oversee the construction of the first 800 MW at the new natural-gas combined-cycle power station - the Ribatejo thermoelectric power station -, which has advanced within the budgeted figure and on schedule.

In the electricity distribution business in Portugal, 2002 was marked by the entry into force of the new regulations governing activity in the electricity sector. Notwithstanding the average increase in electricity tariffs applied to the final consumer, the new regulatory framework for the sector led to a substantial reduction in EDP Distribuição's regulated revenues, requiring on the part of the EDP Group an intensive drive to reduce operating costs in all business areas that will enable us to partially cushion the negative effect of the restrictions imposed.

The materialisation of this effort took form in the "Efficiency Programme", the launch of which I had the opportunity to communicate to our shareholders at the end of 2001 and the effects of which, in conjunction with those resulting from EDP Valor's actions, are already evident in the Group's results in 2002.

We shall continue to make every endeavour and involve all the necessary resources so that in 2003 we can, once again, repeat the success attained this year from the standpoint of progressively improving the Group's current levels of operating efficiency.

Since the beginning of 2002, we have witnessed the broadening, through the operation of the sector's new regulations, of the base of customers eligible to join the liberalised market, that is, those who can choose their electricity supplier. In this domain, the Group strengthened its position in the Non-Binding Electricity Sector (Portuguese initials SENV) through the medium of EDP Energia which, at the end of 2002, held a share of approximately 70% in the liberalised electricity market, thereby securing with remarkable success the retention within the Group universe of the greater part of the customers who had opted to adhere to that system.

Turning now to the EDP Group's financial and operating performance, it is worth bearing in mind that the 2002 consolidated accounts reflect the changes to the consolidation perimeter stemming from the integration of Hidrocantábrico, Escelsa and Enersul. These alterations to the group of consolidated companies, as well as the good results flowing from the implementation of the "Efficiency Programme", contributed decisively to EDP's operating income, managing to a certain extent to compensate for the decrease of around 50% in EDP Distribuição's operating income as a consequence of the application of the new tariff regulation.

Net income in 2002 was EUR 335 million, compared with the EUR 451 million earned in 2001. This decline resulted fundamentally from the extraordinary charge of EUR 107 million associated with the discontinuation of ONI Way.

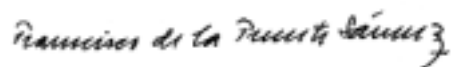
In line with previous years, EDP remains committed to sharing the value created by the Group with its shareholders.

As a result, EDP's Board of Directors will propose to the Shareholders' general Meeting to be held on 22 May, the distribution of a dividend of nine cents per share. This amount corresponds to the distribution of about 81% of 2002's net income, up from the 75% distributed from the results of 2001.

As I have had opportunity to point out at the beginning of last year, 2002 was going to be above all a year of reorganisation and consolidation of the businesses in which we are present; a year of reaffirmation and implementation of the strategy we had previously mapped out: a strategy centred on the development of the Group's activity in the Iberian Peninsula's energy sector and the consolidation of the investments in Brazil.

After the sweeping internal restructuring which characterised these few past years, after having reduced substantially the currency risk associated with our presence in Brazil which, in the recent past, have adversely affected the Group's consolidated results, and having taken the difficult decision to discontinue ONI Way's operations, I am of the opinion that the conditions are in place to initiate in 2003 a new stage in the EDP Group's history. These include consolidating an important position in the Iberian Peninsula's energy market, ensuring competitiveness and taking advantage of the growth opportunities as they appear. I am confident that this is the correct trajectory for fulfilling our principal mission: the creation of value of our shareholders.

Francisco de la Fuente Sánchez
Chairman





'1 | GENERAL DATA

OUR ENERGY IS FELT
IN ALL FOUR CORNERS
OF THE GLOBE'



'02 GRCA

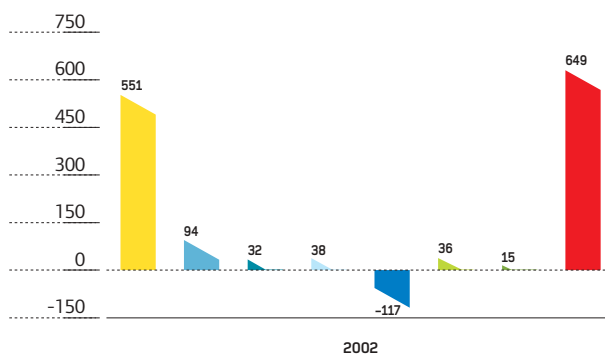
1.1

PRINCIPAL CONSOLIDATED DATA

[ECONOMIC AND FINANCIAL DATA

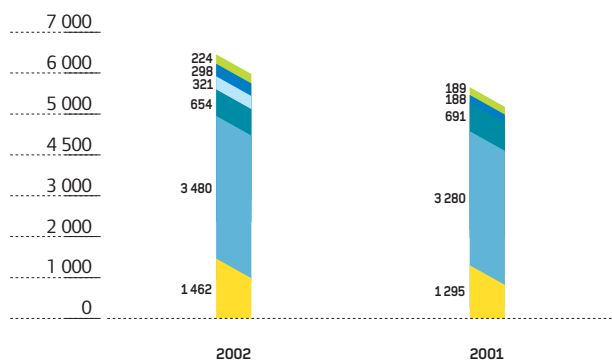
Operating income

(EUR million)



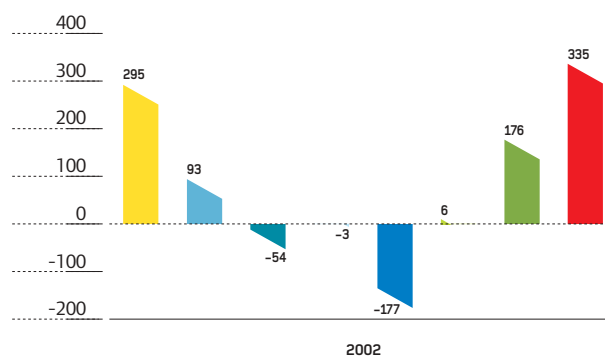
Turnover

(EUR million)



Net income (10)

(EUR million)



■ [Generation
 ■ [Distribution
 ■ [Brazil
 ■ [Hidrocarbónico
 ■ [Telecommunications
 ■ [Informations technologies
 ■ [Others
 ■ [EDP Group

 Economic and Financial Data

(EUR Thousand)

	2002	2001	Δ%
EDP Group Consolidated			
Turnover	6 386 558	5 650 374	13.0%
Operating income	648 704	673 532	-3.7%
Net income	335 216	450 795	-25.6%
Cash flow before capital expenditure (1)	1 175 402	1 231 472	-4.6%
Operating capital expenditure (2)	1 479 976	1 359 572	8.9%
Financial investment	966 434	479 737	-
Net total assets	18 125 190	16 233 143	11.7%
Shareholders' funds	5 494 182	6 096 758	-9.9%
Interest-bearing debt	7 994 076	5 799 124	37.8%
Return on shareholders' funds (3)	6.1%	7.4%	-1.3%
Capital structure (4)	145.5%	95.1%	50.4%
Solvency (5)	143.5%	160.1%	-16.7%
Earnings per share (euros)	0,112	0,150	-25.6%
Pay-out ratio (6)	80.5%	75.2%	5.3%
Stock market capitalisation	4 770 000	7 320 000	-34.8%
Electricity generation in Portugal			
Turnover	1 462 295	1 294 883	12.9%
Operating income	550 661	516 172	6.7%
Net income	294 623	288 727	2.0%
Operating capital expenditure (9)	286 431	140 354	104.1%
Electricity distribution in Portugal			
Turnover	3 479 696	3 280 000	6.1%
Operating income	93 916	191 239	-50.9%
Net income	92 821	185 255	-49.9%
Operating capital expenditure (9)	371 187	265 874	39.6%
Electricity and gas in Spain (Hidroantábrico) (8)			
Turnover	1 436 215	1 179 783	21.7%
Operating income	201 813	155 841	29.5%
Net income	14 565	74 347	-80.4%
Operating capital expenditure (9)	211 938	197 790	7.2%
Electricity in Brazil (7)			
Turnover	1 030 127	1 342 282	-23.3%
Operating income	76 741	187 287	-59.0%
Net income	-176 081	91 102	-293.3%
Operating capital expenditure (9)	202 758	413 038	-50.9%
Telecommunications			
Turnover	297 538	187 922	58.3%
Operating income	-116 504	-136 078	14.4%
Net income	-177 425	-58 600	-202.8%
Operating capital expenditure (9)	311 962	239 020	30.5%
Information technologies			
Turnover	224 004	189 032	18.5%
Operating income	35 563	31 129	14.2%
Net income	7 721	9 848	-21.6%
Operating capital expenditure (9)	41 833	72 862	-42.6%

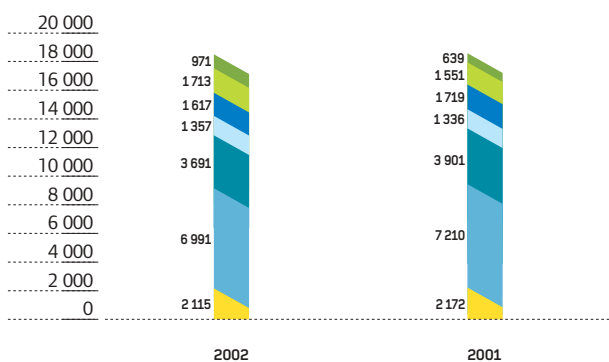
⁽¹⁾ Net income + Amort.Deprec + Provisions⁽²⁾ 100% of the operating capital expenditure of the consolidated companies taken into account⁽³⁾ Net income / Shareholders' funds⁽⁴⁾ Interest-bearing debt / Shareholders' funds⁽⁵⁾ Assets / Liabilities⁽⁶⁾ Dividends distributed / Net income⁽⁷⁾ Data relating to Bandeirante, Escelsa and Enersul (100%) in 2001 and 2002, for purposes of analysis and comparison⁽⁸⁾ Includes 100% of Hidroantábrico⁽⁹⁾ The figures presented are, in both periods, corresponding to 100% of the investment made in the company, irrespective of the EDP Group's shareholding in the company of each one of the periods⁽¹⁰⁾ "Other" includes, namely, financial gains from the acquisition of Escelsa Bonds at below par value and the use of provisions recorded in the holding company's accounts



PRINCIPAL CONSOLIDATED DATA

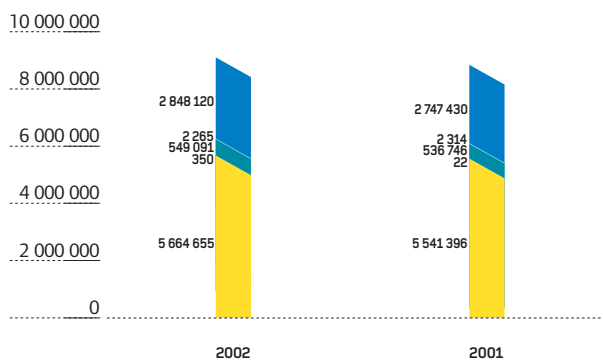
[OPERATING DATA

Number of employees



[Generation [Distribution and Commercialisation [Brazil
[Hidrocarbónico [Telecommunications [Information technologies [Other

Number of electricity customers



[Portugal - SEP [Portugal - SENV [Spain - Distribution
[Spain - Commercialisation [Brazil


Operational Data

	2002	2001	Δ%
Number of employees (1)	18 455	18 528	-0.4%
Electricity in Portugal	9 106	9 382	-2.9%
EDP Produção	2 115	2 172	-2.6%
EDP Distribuição	6 979	7 172	-2.7%
EDP Energia	12	38	-68.4%
Brazil (2)	3 691	3 901	-5.4%
Hydrocantábrico	1 357	1 336	1.6%
Electricity	1 116	1 104	1.1%
Other	241	232	3.9%
Telecommunications	1 617	1 719	-5.9%
Information Technologies	1 713	1 551	10.4%
Other	971	639	52.0%
Electricity business in Portugal			
Maximum power (MW)	7 654	7 609	0.6%
Hydroelectric capability factor	0.76	1.19	-0.43
Sales of electric energy (GWh)			
Generation	25 513	28 268	-9.7%
Distribution	36 905	36 024	2.4%
Number of electricity customers			
SEP	5 664 655	5 541 396	2.2%
SENV	350	22	1490.9%
Electricity distribution customers / Distribution workers	811.7	772.6	5.1%
Distribution sales / Distribution workers (euros)	495.3	454.3	9.0%
Electricity business in Spain (1)			
Maximum power (MW)	3 204	3 204	0.0%
Sales of electric energy (GWh)			
Generation	13 308	11 921	11.6%
Distribution	8 326	7 919	5.1%
Commercialisation	3 887	3 853	0.9%
Number of electricity customers			
Distribution	549 091	536 746	2.3%
Commercialisation	2 265	2 314	-2.1%
Electricity business in Brazil (1)			
Maximum power (MW)	903	850	6.2%
Sales of electric energy (GWh)	21 811	22 458	-2.9%
Number of customers	2 848 120	2 747 430	3.7%
Telecommunications (1)			
No. of registered CLI's (thousand)	506	488	3.8%
Portugal	399	377	5.6%
Spain	108	111	-2.6%
Voice traffic (million minutes)	1 651	1 189	38.9%
Portugal	733	535	36.9%
Spain	919	654	40.6%

⁽¹⁾ The figures presented, in both periods, correspond to 100% of the company, irrespective of the EDP Group's shareholding in the company.

⁽²⁾ Includes the total no. of employees in 2001 and 2002, for purposes of analysis, despite Escelsa and Enersul only being fully consolidated with effect from October 2002.



'02 GRCA

1.2

ORGANISATION STRUCTURE

EDP - Electricidade de Portugal, S.A.

'OUR GROWTH
KEEPS PACE
WITH OUR
CUSTOMERS'
NEEDS

GENERAL NOTE:

% rounded off.

Some of the percentages shown correspond to indirect shareholdings.

'IBERIAN MARKET

'PORTUGAL		'SPAIN	
100%	EDP PRODUÇÃO	40%	HIDROCANTÁBRICO
'SEP		HC GENERACIÓN	100%
	CPPE	16%	AIE TRILLO
'SEI		HC DISTRIBUIÇÃO	100%
60%	EDP ENERGIA	40%	HC ENERGIA
40%	HDN	60%	CANTÁBRICO TRADING
40%	HIDROCENEL	60%	SINAE
	TER	100%	GAS ASTURIAS
	ENERNOVA	100%	GAS CAPITAL
	EDP Produção BIOELÉCTRICA	100%	SPTA
	EDP COGERAÇÃO	100%	
'ENGINEERING AND O&M			
	EDP Produção EM	100%	
22,5%	HidrOeM	77,5%	
	TERGEN	80%	
	O&M Serviços	60%	
	ECOGEN	35%	
100%	EDP DISTRIBUIÇÃO		
100%	LABELEC		

'EDP HOLDING

'BRAZIL		'SUPPORT SERVICES		'TELECOMMUNICATIONS		'INFORMATION TECHNOLOGIES		'PARTICIPATING INTERESTS	
100%	EDP INTERNACIONAL SGPS	100%	EDP VALOR	56%	ONI SGPS	100%	EDINFOR	17%	EEGSA (GUATEMALA)
100%	EDP BRASIL	MRH	100%	ONI TELECOM	100%	ACE HOLDING, SGPS	60%	22%	CEM (MACAU)
90%	ENERPRO	10%	SÃVIDA	60%	ONI AÇORES	IT-LOG	100%	31%	ELECTRA (CABO VERDE)
	ENERGEST	100%	100%	70%	ONI MADEIRA	IT-GEO	100%	30%	REN
	ENERTRADE	100%	SCS			COPIDATA	99%	100%	EDP PARTICIPAÇÕES SGPS
	BANDEIRANTE	97%	EDP IMOBILIÁRIA	100%	100%	EDINFOR, Sol. Infor. (BRASIL)	90%		EDP ÁGUAS
	FAFEN ENERGIA	80%	100%	100%	100%	CENTRAL-E			BCP
	INVESTCO (LAJEADO)	14%	100%	100%	100%				GALP ENERGIA
	ENERPEIXE	95%	100%	70%	100%				TURBOGÁS
	COUTO MAGALHÃES	49%	100%		93%				TEJO ENERGIA
					60%				IBERDROLA
47%	ESCELSA	7%							EDA
	ENERSUL	65%							GEOTERCEIRA
									VALORSUL
	CERJ	11%							PORTSINES
									TANQUIPOR
									AFFINIS
									EFACEC



1.3

GOVERNING BODIES OF EDP

GENERAL MEETING COMMITTEE

José Manuel Galvão Teles Chairman

António Campos Pires Caiado Vice-Chairman

BOARD OF DIRECTORS

Francisco de la Fuente Sánchez Chairman

Jorge Fernando Alves Ferreira Guimarães Vice-Chairman

Rui Miguel de Oliveira Horta e Costa Member

Fernando Noronha Leal Member

António Manuel Barreto Pita de Abreu Member

Manuel de Jesus Martins Member

Arnaldo Pedro Figueirôa Navarro Machado Member^[1]^[2]

Jorge Manuel Jardim Gonçalves Member

João Afonso Ramalho Pereira Bento Member

Ernâni Rodrigues Lopes Member

António José Fernandes de Sousa Member^[2]

SOLE SUPERVISORS

In office **Bernardes, Sismeiro e Associados, SROC, Lda.**

represented by **Carlos Marques Bernardes**, Statutory Auditor

Alternate **Severo Praxedes Soares**, Statutory Auditor

COMPANY SECRETARY

António José Marrachinho Soares Alternate^[3]

REMUNERATION COMMITTEE

State (President) **José Salvado Mesquita**

Caixa Geral de Depósitos **Victor Lilaia**

Banco Comercial Português **Filipe de Jesus Pinhal**

^[1] Co-opted by the Board of Directors on 30 April 2002 to fill the vacancy left by the resignation of Luís Filipe da Conceição Pereira, following his appointment as Minister of Health. Luís Filipe da Conceição Pereira was co-opted as a Director of EDP, S.A. to replace Vasco Fernandes Pereira Valente, whose resignation had been presented on 8 March 2002.

^[2] Co-options ratified at the General Meeting held on 10 May 2002.

^[3] Following the cessation of Manuel Jorge Pombo Cruchinho's functions on 16 December 2002, the alternate company secretary, António José Marrachinho Soares, continues his functions.



Francisco
de la Fuente Sánchez
Chairman

'EXECUTIVE
COMMITTEE



Jorge Fernando
Alves Ferreira Guimarães
Vice-Chairman



Rui Miguel
de Oliveira Horta e Costa
Member



Fernando Noronha Leal
Member



António Manuel
Barreto Pita de Abreu
Member



Manuel de Jesus Martins
Member



Arnaldo Pedro Figueirôa
Navarro Machado
Member







'21 MANAGEMENT REPORT

WE FEEL
THE RESPONSIBILITY
OF BEING UNIQUE'

[MANAGEMENT REPORT

'19 MACROECONOMIC BACKGROUND**'22 THE EDP GROUP IN 2002****'22 THE ELECTRICITY SECTOR**

'22 PORTUGAL

'39 SPAIN

'41 BRAZIL

'45 TELECOMMUNICATIONS

'45 ORGANISATION AND REGULATION OF THE SECTOR IN PORTUGAL

'46 ORGANISATION AND ACTIVITY

'50 HUMAN RESOURCES

'50 INFORMATION TECHNOLOGIES

'50 EDINFOR GROUP

'52 B2B PLATFORM

'53 SUPPORT SERVICES: CREATION OF EDP VALOR

'54 PROVISION OF HEALTH-CARE SERVICES

'55 TRAINING ACTIVITIES

'55 MANAGEMENT OF REAL-ESTATE ASSETS

'57 THE EDP GROUP'S MANAGEMENT POLICIES**'57 CONTROL OF ACTIVITY RISK**

'57 MANAGEMENT OF OPERATING RISKS

'58 MANAGEMENT OF FINANCIAL RISKS

'58 MANAGEMENT OF ENVIRONMENTAL RISKS

'59 CONTROL OF THE EDP GROUP'S MANAGEMENT

'60 EFFICIENCY PROGRAMME**'60 HUMAN RESOURCES****'63 INFORMATION SYSTEMS****'65 ENVIRONMENT****'66 RESEARCH AND DEVELOPMENT****'68 THE EDP GROUP'S ECONOMIC AND FINANCIAL REVIEW****'68 CONSOLIDATION PERIMETER****'69 EDP GROUP**

'69 CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

'69 OPERATING INCOME

'70 NET FINANCIAL ITEMS

'71 NET INTEREST-BEARING DEBT

'73 NET EXTRAORDINARY ITEMS

'73 CAPITAL EXPENDITURE

'75 PENSION FUND AND OBLIGATIONS FOR THE PROVISION OF HEALTH-CARE

'75 CONSOLIDATED TAXATION OF THE EDP GROUP

'75 DISTRIBUTION OF PROFIT TO EMPLOYEES

'75 EDP PRODUÇÃO**'79 EDP DISTRIBUIÇÃO****'83 EDP ENERGIA****'84 HIDROCANTÁBRICO (SPAIN)****'88 BRAZIL**

'88 BANDEIRANTE

'91 ESCELSA

'94 ENERSUL

'97 TELECOMMUNICATIONS

'97 FIXED TELECOMMUNICATIONS

'99 MOBILE TELECOMMUNICATIONS (CLOSURE OF ONI WAY)

'99 INFORMATION TECHNOLOGIES**'101 HIGHLIGHTS OF THE YEAR**

'101 HIGHLIGHTS OF 2002

'103 IMPORTANT FACTS AFTER THE BALANCE SHEET DATE

'104 PROPOSED APPROPRIATION OF 2002 NET INCOME**'105 OUTLOOK FOR 2003****'107 ACKNOWLEDGEMENTS**



2.1

MACROECONOMIC BACKGROUND^[1]

[THE WORLD ECONOMY

The world economy's growth in 2002 was, according to the most recent data made available by international organisations, slightly higher than that posted in 2001. At the end of 2000 it was already possible to foresee a slowdown in global economic growth in 2001 which the September 11 terrorist attacks made deeper and more protracted than initially expected. Nonetheless, in 2002 there was a reversal in the cooling of the world's principal economies, while economic growth in 2003 should be more expressive and closer to the levels recorded in the last decade.

In its most recent forecasts, the IMF – International Monetary Fund – maintains the figure of 2.8% advanced at the start of 2002 for world economic growth in the year, but revised downwards the 2003 growth projection (3.7%), down 0.3 percentage points on the figure forecast at the beginning of 2002. The IMF forecasts are, however, more optimistic than those published by the OECD, according to which economic growth for its member countries in 2002 was in the order of 1.5%, and expected to rise to 2.2% in 2003.

In the first quarter of 2002, oil prices initiated a new upward spiral in the wake of the September 11 attacks, fluctuating between an interval of between USD 25 and 30 per barrel throughout the year. In the closing days of the year, the price of Brent oil actually pierced the USD 30 level, reflecting the drop in Venezuela's output following the deterioration in that country's economic and political stability, as well as the uncertainties surrounding the possibility of military intervention in Iraq.

In line with the downward trajectory that started at the end of 2000, and with the first signs of economic deceleration, interest rates sank to historical lows in 2002. With the objective of stimulating investment and relaunching the economies, the European Central Bank cut its benchmark rate to 2.75% in December to 2.75%.

After virtually nil growth in 2001, the North American economy is expected to have grown by around 2.3% in 2002, evidencing tentative recovery which is expected to gain momentum in 2003 and 2004, pointing to economic growth that could reach 2.6% and 3.6%, respectively.

The Japanese economy, which has been presenting modest economic growth in recent years, saw negative growth in 2001, with 2002 expected to follow suit despite the favourable trend in exports and industrial output. This scenario, coupled with the revival in private consumption and investment, lies beneath the positive growth projected for 2003 of close to 1.0%.

Latin America was affected in 2001 by the strong instability plaguing the sub-continent's main economies, in particular, in Brazil and Argentina. The latter country began 2002 immersed in a deep political and economic crisis. Consequently, following the negative growth of more than 4% recorded in 2001, projections for 2002 point to a further deterioration in economic conditions, with growth once again expected to be negative by more than 15%. Also posting negative economic growth was Venezuela, similarly beleaguered by political and economic turmoil. The last month of the year was marked by a general strike that extended into 2003, with international consequences as a result of this country's importance as an oil producer. The instability in Argentina and Venezuela, in conjunction with Uruguay's negative performance and Brazil's precarious economic

^[1] Text drafted with information available up until January 2003



EDP RANKS AS ONE OF EUROPE'S BIGGEST OPERATORS IN THE ELECTRICITY SECTOR

and financial situation, left an indelible stamp on Latin America's economic and financial fortunes in 2002.

In summary, the relatively optimistic prospects for the North American and European economies, the stabilisation of the Latin American economies and the Japanese economy's positive growth now appear to be overshadowed by the war in Iraq, making it increasingly difficult to foresee higher world economic growth in the next two years.

[EURO AREA ECONOMY

After the Euro area's economic growth in 2001 of not more than 1.5%, the projections of numerous international bodies point to moderate growth in 2002, perhaps even lower than that of 2001, influenced by the performance of Europe's leading economies, namely, France and Germany. These forecasts reflect a downward revision of previous figures, motivated by the decreasing competitiveness of European exports, the lacklustre financial markets and the subdued trend in domestic demand.

The slowdown in economic growth had an adverse impact on unemployment in the Euro zone. Following a slight decline in 2001 to 8.0%, the unemployment rate is expected to edge higher in 2002 to close to 8.5%. Price stabilisation was achieved in 2002, as borne out by the drop in the average rate of change in the Harmonised Index of Consumer Prices (HICP) from 2.5% in 2001 to 2.2% in 2002.

1 January 2002 was a milestone in the history of European integration with the introduction of the physical circulation of the single currency in 12 of the 15 European Union countries. Although this event had no significant impact on the European currency's exchange rate, the euro reached and even breached parity with the North American currency in July after a period of sustained appreciation. In the second half of 2002, the euro and the dollar always traded at close to parity, with the euro closing the year marginally stronger than the dollar.

In tandem with the world economy, economic growth in the Euro zone in 2003 could be more expressive than in 2002, underpinned by domestic demand, bearing in mind that public investment should remain at modest levels as a consequence of the difficult budgetary situation prevailing in certain countries. The major unknown will continue to be the impact on the global economy and, naturally, the European economies emanating from the conflict between the United States and Iraq.

[IBERIAN ECONOMY

PORTUGAL

In 2002, the Portuguese economy was not able to circumvent the deceleration that has been visible since 2001, giving rise to modest estimates for economic growth by the principal international bodies that were corroborated by the Bank of Portugal which, for its part, projects probable growth of 0.5%. This figure reveals a distancing from the European average, contrary to the trend noted up until 2001. Portugal's economic situation in 2002 is explained not only by the international landscape, but also by the evolution in domestic demand and the contraction in private investment. On the other side, the difficult situation of the public accounts imposed containment measures that prevented the implementation of a budgetary policy more conducive to economic stimulus.

The business community's confidence in the direction of the national economy fell significantly, and in particular, consumer confidence sank to minimum levels close to those registered in 1993.

Weak economic growth and lower investment had inevitable repercussions on unemployment. In 2002, the unemployment rate was 5.1%, 1 percentage point more than in 2001, having deteriorated in the closing months of the year, although it continues to be situated well below the Euro zone's unemployment rate.

Contrary to the trend in the unemployment rate, inflation in Portugal is higher than the European average. In the meantime,

the trend in domestic demand, aided by the effect of the euro's appreciation on imports, permitted the containment of price rises in 2002, with the Harmonised Index of Consumer Prices (HICP) being situated at 3.7%, lower than the 4.4% recorded in 2001.

In relation to 2003 and 2004, the Bank of Portugal advanced with a growth forecast of between 0.75% and 1.75%, respectively, which permits foreseeing a gradual recovery, albeit much slower than that projected the world and European economies.

■ SPAIN

The Spanish economy shadowed the global economy's deceleration in 2001, and in particular, the European economy, despite having outperformed that of the Euro zone. In 2002, the cooling down trend continued, with GDP expected to have grown at close to 2.0% which, if confirmed, was 0.7 percentage points below the 2001 value, but once again outpacing the Euro zone average.

Moving in the opposite direction was the trend in prices, the acceleration of which has widened the HICP gap with the European average to around 3.5%. Spain continues to be one of the Euro zone countries with the highest unemployment rate. In 2002 and in tandem with the rising trend caused by the economic downswing, the jobless rate hovered at above the 11% mark.

As regards 2003 and 2004, Spain's economic performance is expected to improve in step with the revival in the other European economies, which will reflect itself in higher economic growth rates and lower unemployment, despite various projections which in the last-mentioned case point to a figure of close to 10%.

[BRAZILIAN ECONOMY

The Brazilian economy was affected in 2001 by a serious energy crisis and the significant exposure to the exterior. The economy grew by no more than 1.5%.

In 2002, the Brazilian economy was also marked by the energy rationing in force in the first months of the year and by the uncertainty surrounding the outcome of the presidential elections in October, in tandem with the influence of the international economic climate and the situation in the other major Latin American economies, notably, in neighbouring Argentina.

These overriding factors prevented economic growth outpacing that of 2001, with growth in 2002 also projected at 1.5%,

followed by more buoyant growth of around 3% forecast for 2003. Brazil's economic, financial and political situation had a dampening effect on the real's exchange rate, dragging it down to below the levels registered in 2001. In October, the real slumped to minimum levels (below EUR 0.26), with the outcome of the electoral process not translating itself into any recovery by the Brazilian currency, which was quoted in the last quarter always below EUR 0.30, closing the year at EUR 0.27.



'02 GRCA

2.2

THE EDP GROUP IN 2002

[THE ELECTRICITY SECTOR

PORTUGAL

The electricity sector in Portugal

a] Organisation of the electricity sector

The foundations of the National Electricity System (Portuguese acronym SEN) and the principles which govern the conduct of generation, transmission and distribution activity and this sector's regulation are essentially enshrined in Decree-Laws 182 to 187/95 of 27 July.

The SEN's structure is represented in the following figure:

SEN - NATIONAL ELECTRICITY SYSTEM	
ERSE Energy Services Regulator	
SEP Public Electricity System	SEI Independent Electricity System
Binding Producers	Non Binding Electricity System (SENV) Non Binding Producers
Concessionaire of the National Transmission Grid (RNT)	Non Binding Distributors Non Binding Customers
Binding Distributors	Special Regime Producers (PRE) Mini-Hydro plants (up to 10 MW)
SEP Customers	Other Renewable Energies Cogeneration

In the present legislative configuration, the National Electricity System (SEN) envisages the coexistence of two systems:

- the **Public Service Electricity System (Portuguese acronym SEP)**, in which the generation, transmission and distribution activities are undertaken on a public-service regime, to which are associated the obligation to supply electric power with

adequate quality standards and the principle of territorial tariff uniformity;

- the **Independent Electricity System (Portuguese acronym SEI)** which, for its part, comprises:
 - a) a Non-Binding Electricity System (**Portuguese initials SENV**), which operates along free market lines, in which the economic agents can freely establish commercial relationships amongst themselves;
 - b) **Special Regime Generators (Portuguese initials PRE)**, which carry out deliveries to the SEP's networks in terms of specific legislation.

Operating within the ambit of the SEP are:

- the Binding Generators

The expansion of the power-generating system in the SEP is subject to centralised planning, under the responsibility of the Directorate-General for Energy (Portuguese initials DGE).

The binding generators have commercial relationships on an exclusive regime with the National Transmission Grid concessionaire under long-term Power Purchase Agreements (PPAs).

- the concessionaire of the National Transmission Grid (Portuguese initials RNT)

The transmission of electric power is carried out on an exclusive basis through the attribution of a public-service concession for the operation of the National Transmission Grid of Electric Power (RNT).

In its role as the RNT's concession-holder, Rede Eléctrica Nacional, S.A. (REN) is responsible for the transmission of electric power in Portugal. Besides this, as the central nucleus of the national electricity system, it is responsible for:

- a) undertaking the SEP's global technical management;
- b) coordinating the functioning of the SEP's installations connected to it;
- c) ensuring the SEP's optimal operation;
- d) centralising the commercial relations between the SEP and the SENV.

By regulation approved in 1995 and 1997, the following functions at REN were individualised:

- a) SEP's Commercial Agent;
- b) Supply Manager;
- c) System Manager;
- d) Accounts Adjustment;
- e) Transmission of electric power.

- The Binding Distributors

The operation of the SEP's distribution networks is dependent on the obtainment of a binding distribution licence.

The entity charged with binding distribution is obliged:

- a) to enter into a binding contract with the RNT's concessionaire, with the result that it undertakes to acquire from it all the contracted energy;
- b) to supply to the SEP's customers the electric power contracted by them, in accordance with the tariffs and conditions laid down by the ERSE.

In the SEP, the distribution of electric power is undertaken by EDP Distribuição:

- a) exclusively, at the HV and MV levels, in its capacity as the MV and HV distribution licence-holder which is valid for the whole of mainland Portugal;
- b) on an almost exclusive basis at LV, the voltage level for which each licence is valid for a municipal area.

The SEI comprises:

- the Non-Binding Electricity System (SENV)

In the Market System, access to generation and distribution activities in MV and HV is unrestricted (free), with the object of satisfying its own or others' needs through the non-regulated commercial contracts.

The SENV is, therefore, composed of Non-Binding Generator, Non-Binding Distributions and Non-Binding Customers. The sector's regulation guarantees them the right to use,

in a universal and non-discriminatory manner, the SEP's transmission and distribution infrastructures for the physical transaction of energy through the payment of the respective tariffs (fixed by the ERSE). The transaction of energy is done in accordance with specific regulation and managed by REN, through the figures of the Supply Manager and the System Manager.

Effective from 1 January 2002, all those customers possessing premises which are supplied with Medium, High and Very High Voltage electricity can join the SENV (that is, freely choose their electric power supplier and negotiate the form of their relationship). Non-binding customers (Portuguese initials CNV) are those who meet the technical-commercial conditions needed for obtaining the status of CNV and who exercise this option.

- Special Regime Generation (PRE)

Special Regime Generation includes the generation at mini-hydro (up to 10 MW) and cogeneration plants, and the power generation using other renewable energies (wind, biomass, etc.).

Special regime generators effect deliveries to the SEP's network under the terms of specific legislation which contemplates technical issues and tariffs. The remuneration for the acquisition of the energy produced at PRE installations is defined on the basis of the principle of the SEP's costs avoided by the supplies from these plants, and contemplates an environmental premium which reflects the benefits flowing from the use of renewable energies and which differs according to the type of production (wind, mini-hydros, cogeneration, etc.).

The Energy Services Regulator (Portuguese acronym ERSE) resulted from the transformation of the Electricity Sector Regulator (Entidade Reguladora do Sector Eléctrico) in terms of Decree-Law 97/2002, of 12 April, which extended its functions to the regulation of the natural gas sector.

In addition, Decree-Law 69/2002 of 25 March extended the ERSE's responsibilities within the ambit of the electrical sector to the Autonomous Regions of the Azores and Madeira, with nationwide tariff equalisation being one its principal objectives.

The ERSE's responsibility within the specific scope of mainland Portugal's electricity sector is:

- To supervise compliance with the SEP's functioning rules and the relationship between the SEP and the SENV;
- To establish customer eligibility criteria for the SENV;



- To regulate the activities carried out within the ambit of the SEP, namely, to fix tariffs and prices for electric energy, as well as for the other services provided by the RNT's concessionaire and by the holders of binding distribution licences to other licence holders or to customers, ensuring their publication in the official journal (Diário da República).

The second regulatory period which will remain in force until the end of 2004 commenced on 1 January 2002.

b] Entry into functioning of the Iberian Electricity Market (Mibel)

Flowing from the creation of the Internal European Market and under Directive 96/92/CE of 19 December (and ensuing legislative transposition by each European Union country), the Portuguese and Spanish governments signed a protocol on 14 November 2001 which fixed 1 January 2003 as the date for the creation on the Iberian Peninsula of an integrated electricity market (MIBEL). This market is expected to evolve according to two complementary systems:

- Bilateral contracting freely established between agents;
- Organised contracting through the Iberian Market Operator.

Due to the delay in compliance with some of the targets laid down in the protocol, the date for the MIBEL's start-up was postponed. At the Portuguese-Spanish Summit held in Valência on 2 and 3 October 2002, a new calendar was defined for the realisation of this initiative.

This market's implementation should be realised in a phased manner starting in the first half of 2003, with the establishment of a model for the Iberian energy market such that it becomes operational in 2006. This will occur with the finalisation of the projects for the reinforcement of the interconnection with three new 400 kV lines, which will permit boosting the commercial capacity for cross-border transactions.

The two governments envisage the creation of a single Iberian Market Operator which should function in the following manner:

- The daily and intraday management of the markets will be entrusted to the Spanish side pólo;
- The management of the forward markets will be entrusted to the Portuguese side pólo.

The MIBEL's gradual development will take place as both the electrical systems evolve towards the approximation of their respective functioning situations, in particular, as regards:

- A. Extension of final customers' eligibility to all low-voltage supply:

The opening up of the market to all consumers commenced in Spain on 1 January 2003, while in Portugal complete market opening is scheduled to occur in mid 2004, with the opening to low-voltage supply expected to take place on 1 January 2004 for contracted power ratings of more than 41.4 kVA.

- B. Gradual elimination of the Power Purchase Agreements (PPA):

About 95% of the electricity produced in Portugal is guaranteed under this type of long-term contract. In the context of a competitive market in power generation at Iberian level, the PPA's constitute a market restriction, and are to be phased out. The question of the definition of these compensation mechanisms was resolved in Spain through the so-called Transition to Competition Costs (TCC's), but still requires a solution in Portugal in a process that has to safeguard the rights and obligations of the producers involved.

- C. Cooperation between the national institutions of the two countries and the harmonisation of procedures.

c] EDP's positioning

- The Public Service Electricity System (SEP)

The EDP Group occupies a prominent position in the SEP:

- a) in generation, through CPPE, a company integrated within EDP Produção, which owns around 82% of the SEP's installed generating capability, and has minority interests in the equity capital of the producers Tejo Energia and Turbogás (10% and 20%, respectively);
- b) in transmission, in which it has a 30% shareholding in Rede Eléctrica Nacional, S.A., the RNT (transmission grid) concessionaire;
- c) in distribution, in which it controls EDP Distribuição, the company holding the binding distribution licence in high and medium-voltage electric energy, as well as being the concession-holder for low-voltage distribution.

- Independent Electricity System (SEI)

In the SEI the EDP Group is present in the following manner:

a) SENV

In the liberalised electricity market, the EDP Group occupies a significant position, supplying at the end of 2002, 350 of the SENV's 493 customers.

Participation in this market is conducted through EDP Energia in coordination with HDN, HIDROCENEL, HIDROTEJO and TER (Termoelétrica do Ribatejo), with the last-mentioned being charged with the construction of the new natural-gas combined-cycle power station destined to operate in the SENV, whose entry into functioning is scheduled to take place in phases between 2004 and 2006.

b) PRE

The EDP Group has been seeking new modes of participating in the domain of Special Regime Generation, namely, fostering the production of electric energy from:

- mini-hydro plants (hydro facilities with an installed capacity of up to 10 MW): through HDN, HIDROCENEL and HIDROTEJO;
- cogeneration: through EDP COGERAÇÃO;
- renewable energies: through the medium of ENERNOVA (wind power) and EDP BIOELÉCTRICA (biomass).

• EDP Trading

The constitution of EDP Trading is envisaged in anticipation of the changes which the entry into functioning of the MIBEL will introduce to the "electricity business". This company will be responsible for the acquisition of fuel and the wholesale commercialisation of electric energy, as well as the integrated management of the risks associated with these two activities.

d] Regulation

• Opening up of the markets

In accordance with Directive 96/92/CE, which prescribes common rules for the Internal Electricity Market, the Member States must guarantee in 2002 the liberalisation of their markets equivalent to a minimum of 29.56% of national annual consumption.

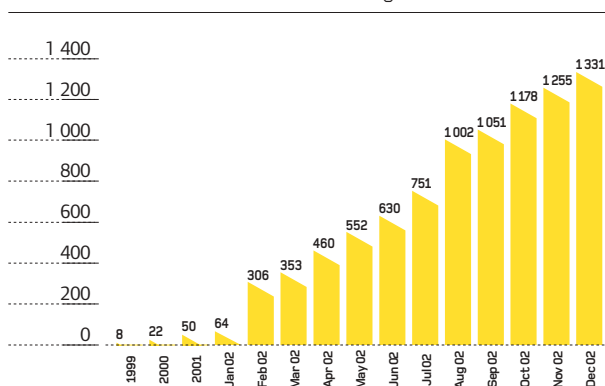
The ERSE has defined new eligibility thresholds which came into force on 1 January 2002, extending the possibility of access to the Non-Binding Electricity System (SENV) to all customers connected to the medium, high and very-high voltage networks.

The potential universe is around 20 500 customers representing consumption of approximately 19 800 GWh and slightly more than 54% of electric energy consumption on the mainland, thereby exceeding the community's minimum quota of 29.56%.

Up till 31 December, the ERSE had attributed non-binding status to 1 331 customers, with an equivalent consumption of some 5 700 GWh in the SEP, corresponding to 29% of consumption and around 6.5% of the number of potentially eligible installations.

As can be seen from the following chart, the number of installations to which the CNV status has been attributed increased appreciably during the course of 2002.

Non-Binding Customers
Trend in the number of non-binding statuses attributed



Of the 1 331 customers with non-binding customer status in December (whose consumption represented 957.8 GWh in 2002, that is, about 2.7% of EDP Distribuição's total supplies), 493 abandoned the Public Electricity System (SEP).

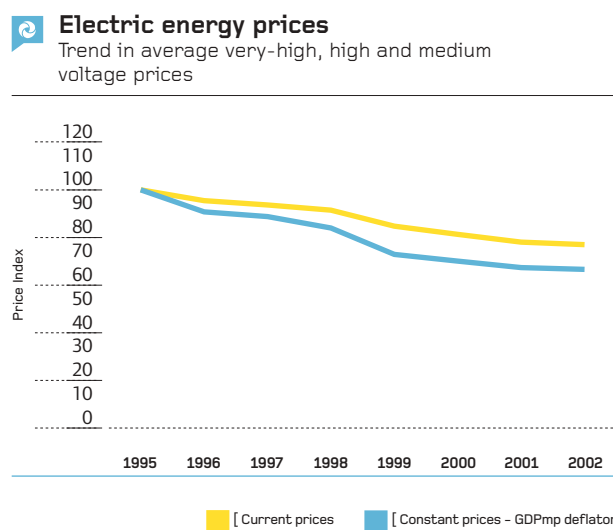
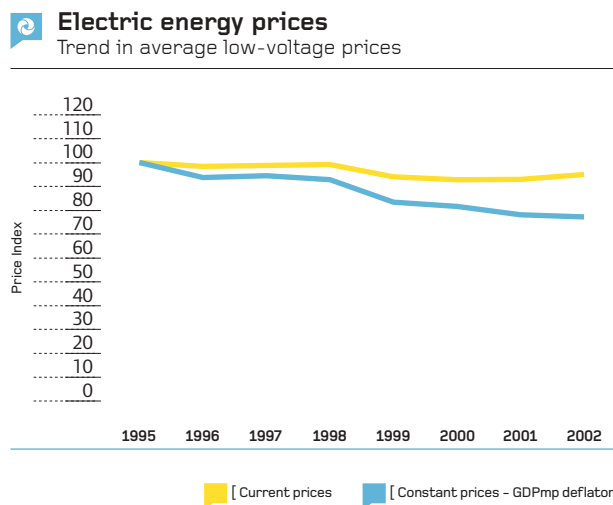
Of the 493 customers:

- 99.2% are connected to the medium-voltage network, while the remaining (totalling 4) customers were connected to the high-voltage network;
- 350 are supplied by EDP Energia and the remaining 143 by other market operators.

• Evolution of tariffs

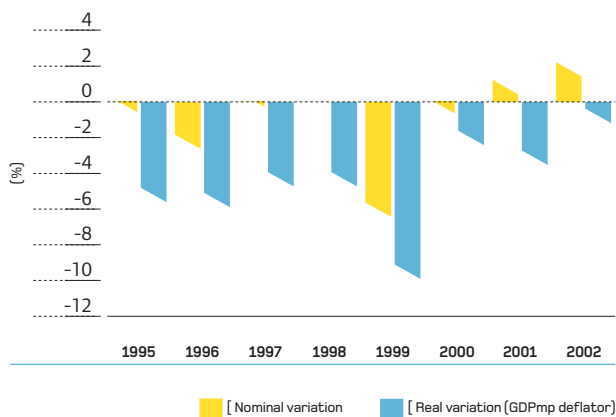
In the last 7 years, average electricity prices have registered an annual average decrease in real terms of around 3.7% in the low-voltage segment and 5.6% for the remaining voltage levels – medium, high and very high.

The following charts depict the evolution in average prices for the above segments during the period 1995 to 2002, at current and constant prices.



Electric energy prices

Nominal and real variations



Electricity prices

a) General

The ERSE fixes annually the tariffs to be applied in the Electricity Sector in terms of the provisions of the Tariff Regulations. The ERSE determines adjustments on a quarterly basis, thus enabling a more rapid reflection of the fuel component of generating costs.

In September 2001, the ERSE published a new Tariff Regulation, in terms of which:

- it redefined the rules for calculating the revenue and prices of the tariff components Energy and Power, Global Use of the System, Use of the Transmission Network and Use of the Distribution Network;
- two new tariff components are now considered: Commercialisation of Networks and Commercialisation in the SEP;
- the calculation of the structure of selling tariffs to the SEP's final customers is now based on the concept of pancaking of the tariff structure of the forementioned tariff components.
- made alterations to the billing variables of power and fixed costs applicable to the tariffs for use of the networks and to the selling tariffs to final customers.

b) Normal fixing of tariffs

Dispatch no. 24657 - A/2001 laid down the tariffs for 2002, estimating a nominal increase in the price of electric power applied to final customers of the SEP of 2.2% relative to 2001. By voltage level, the increases estimated by the ERSE are as follows:

- Very High Voltage (VHV) ⁽¹⁾	2.3%
- High Voltage (HV) ⁽¹⁾	2.4%
- Medium Voltage (MV)	1.8%
- Special Low Voltage (SLV)	1.4%
- Normal Low Voltage (NLV)	2.4%

In terms of the tariffs for access to the SENV, the tariff for the global use of the system increased 36%, while the tariffs for use of the networks changed as follows:

- transmission at VHV	-8.1%
- transmission at HV	+4.5%
- distribution at HV	-4.5%
- distribution at MV	-9.2%
- distribution at LV	- 5.4%

c) Extraordinary tariff revision

The alterations made by the ERSE on the occasion of revising the Tariff Regulations in 2001 have created great volatility in the individual tariff variations at all voltage levels (with the exception of NLV), strongly penalising the best customers in terms of the load diagram and, inversely, benefiting those customers with the worst diagrams.

The ERSE, through Dispatch no. 17573 - C/2002, of 7 August, fixed optional selling tariffs for VHV and HV final customers to apply transitionally in 2002, in such a manner that the maximum individual tariff variation was limited to around 5%.

On the same date, by way of Dispatch no. 17573 - B/2002, it made a correction to the selling tariff to final customers in MV and SLV, fixing new prices for power in peak hours which were in force during the final quarter of 2002.

These tariffs translated themselves into an additional annualised tariff change of -0.8% in MV and -0.4% in LV.

d) Quarterly adjustments

At the beginning of the third and fourth quarters, the ERSE made tariff adjustments aimed at reflecting more rapidly the variations in generating costs. These adjustments resulted in annualised increases of 1.37% in VHV, 1.24% in HV and 0.86% in MV.

e) Tariffs for 2003

The tariffs fixed by the ERSE for 2003, through Dispatch no. 25754 - A/2002, of 4 December, assume a nominal rise in the selling tariffs to final SEP customers of 2.8%,

with an identical change at all voltage levels and type of supply.

For its part, the evolution from 2002 to 2003 underlying the tariffs for access on the mainland is as follows:

Tariff for Global Use of the System	35.1%
-------------------------------------	-------

Tariffs for Use of the Networks:

- transmission at VHV	- 0.4%
- transmission at HV	-3.9%
- distribution to HV	0.3%
- distribution at MV	-5.0%
- distribution at LV	-3.75%

f) Alterations to the Tariff Regulations

In order to comply with the requirements of Decree-Law 69/2002 of 25 March, which widened the ERSE's responsibilities to the electricity sectors of the Autonomous Regions of the Azores and Madeira in July 2002, the ERSE introduced alterations to the regulations with a view to their application in these regions.

In this tariff revision, the objective is to attain tariff convergence in the Autonomous Regions of the Azores and Madeira.

Tariff convergence translates itself into the harmonisation of the prices applied in each Autonomous Region with prices on the mainland, while simultaneously ensuring the economic and financial equilibrium of the electricity sector companies operating in those islands.

Due to the fact that the unit costs of supplying power in those islands are higher than on the continent, by virtue of their specific situations resulting from their ultra-peripheral location, tariff convergence entails compensating the regulated companies in these outlying regions, the cost of which is borne by the tariffs applied to customers on the mainland, via the Global Use of the System.

However, it should be noted that the convergence process must be carried out in such a way as to ensure that the variations in the sales tariff to the SEP's customers resulting therefrom must be limited to the change in the price index implicit in Private Consumption (IP) foreseen for this year. For this reason, the tariff convergence objective was not completely accomplished in 2003.

⁽¹⁾ Before the internationalisation of the discounts of article 90 of the Tariff Regulations



- International price comparison

In order to gauge the positioning of Portuguese electricity tariffs relative to the universe of the European Union's countries, a comparative study is conducted periodically. The methodology employed and approved by the ERSE's Tariff Board, is based on the definition by EUROSTAT of a group of representative consumers for the residential and industrial segments and entails the determination of the respective equivalent average prices.

The drawing up of a comparison of electricity selling prices to final customers is proving to be increasingly difficult to carry out in the present context of market liberalisation. The process of the electricity market's opening up has had particular incidence on the higher consumption brackets, encompassing for this reason essentially the industrial segment, a fact that is not yet reflected in the surveys carried out by EUROSTAT. Besides this and with ever-increasing frequency, countries have ceased replying to the price surveys, thereby strongly undermining international comparison.

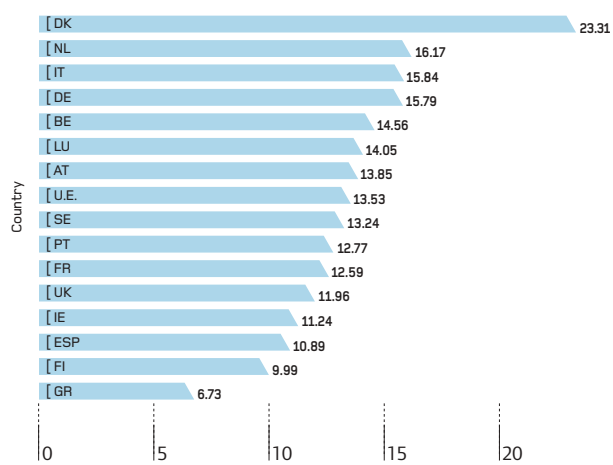
In the light of the above limitations, the comparison of electricity prices for the industrial segment in the format adopted by EUROSTAT is considered to be inadequate, with the result that it was abandoned.

As concerns the residential segment and using the method outlined above, the prices of electric energy in Portugal were situated at 5.6% below the European Union average, as can be seen in the following chart.

Electric energy prices

International comparison
(household consumers)

Euro cents /KWh



Generating activity

The companies in EDP's generating area are organised under the direction of a sub-holding company, EDP Produção, which initiated its activity in July 2001 with the object of rationalising the various activities associated with this sector.

EDP Produção is presently represented in the various market segments contemplated in existing legislation: Public Service Electricity System (CPPE), Non-Binding Electricity System (HDN, HIDROCENEL, EDP Energia and TER) and Special Regime Generation (HDN, HIDROCENEL, EDP Energia, ENERNOVA, EDP Cogeração, Soporgen, Energin and EDP Produção Bioelétrica).

Within the ambit of company and process reorganisation, EDP Produção has since its formation been organising various companies in the area of operations, maintenance and engineering services according to the needs of each segment.

In July 2002 a new company commenced its activity, EDP Produção EM - Engenharia e Manutenção, S.A., in the area of project and maintenance engineering, aggregating the specialised units of the former engineering companies PROET and HIDRORUMO and of CPPE.

Also constituted in 2002 was EDP Produção Bioelétrica, S.A., with the mission of operating in the area of renewable energies, namely, power production based on biomass, and which involved integrating the Mortágua Biomass Power Station.

'EDP PRODUÇÃO
SUB-HOLDING COMPANY

SEP GENERATION	NON-BINDING GENERATION	SPECIAL REGIME GENERATION	SERVICES
CPPE	HDN	HDN	EDP PRODUÇÃO EM
	HIDROCENEL	HIDROCENEL	HIDROEM
	EDP ENERGIA	EDP ENERGIA	TERGEN
	TER	ENERNOVA	O&M SERVIÇOS
		EDP COGERAÇÃO	ENERPRO
		SOPORGEN	ENERFIN
		ENERGIN AZOIA	
		EDP PRODUÇÃO BIOELÉCTRICA	

The following are the general details relating to generating activity in 2002:

- 2002 was a year with a hydroelectric capability factor of 0.76, well below the regime average by approximating the minimum figure of the last 10 years (0.68 in 1999), with the first three quarters of the year being dry and the last quarter extremely humid, a situation which contributed to the storage level at reservoirs at the end of the year being situated at roughly 85% of maximum capacity;
- The SEP' net hydroelectric generation was 6 764 GWh (-46% than in 2001) while thermoelectric generation totalled 17 437 GWh (+22%), representing the highest contribution recorded since 1993, with the emission from the fuel-oil power stations climbing by 36% when compared with 2001;
- The SEI's net generation, including the hydroelectric, wind, biomass and cogeneration components totalled 1 312 GWh, around 1% lower than in the previous year, due essentially to the growth in thermal generation (+42%) and wind power (+26%), thus compensating for the decline in hydroelectric emission (-28%).

General Data
EDP Produção

	Unit	2002	2001	Δ%
Maximum capacity	MW	7 654	7 609	0.6%
SEP	MW	7 183	7 183	0.0%
SEI	MW	471	426	10.6%
Net electricity generation	GWh	25 513	28 268	-9.7%
SEP	GWh	24 201	26 947	-10.2%
SEI	GWh	1 312	1 321	-0.7%
Hydroelectric capability factor (calendar year)	-	0,76	1,19	-0.43

a] Binding Generation

Binding electricity generation in Portugal is presently attributed to three companies holding binding licences - CPPE, Tejo Energia and Turbogás - which possess long-term contracts for supplying REN, concessionaire of the National Transmission Grid. The power contracted from these producers at the end of the year was 8 757 MW.



CPPE - Companhia Portuguesa de Produção de Electricidade, S.A., an EDP Produção company, possesses a power generating capability of 7 183 MW of contracted power (82% of the total), distributed as follows: 3 903 MW at hydroelectric plants and 3 280 MW at conventional thermoelectric power stations.

CPPE's hydroelectric generation can satisfy around 25% of the mainland's public-network electricity consumption in an average hydrological year, corresponding to some 10 000 GWh.

All of CPPE's power stations which take advantage of this endogenous energy (embracing a universe of 63 generating units) are commanded from a single site, the Remote Control Centre, situated close to Régua.

CPPE's generating capacity in the Douro hydrographic basin, is essentially based on run-of-river hydro complexes and can be complemented by raising the storage capacity through the realisation of new reservoir projects on the Douro tributaries, as well as reinforcing the installed capacity of the existing run-of-river facilities. Studies in this direction are under way with a view to submission for governmental decision. This measure will pave the way for an improved management of hydroelectric generation, thereby contributing to reducing the national energy bill.

It is also worth pointing out that the Douro hydroelectric plants were equipped with canal locks (eclusas) which enable navigation from the river mouth up to the Spanish border. These canal locks (eclusas) are operated by CPPE under the terms of a protocol with the Douro Navigation Institute (IND - Instituto de Navegabilidade do Douro). The last few years have witnessed an appreciable increase in traffic.

CPPE's thermoelectric generation capability comprises 7 power stations using as fuel: coal, fuel-oil, natural gas and gas oil.

The Sines power station is presently the plant with the biggest installed capacity in Portugal, using coal as fuel. The Carregado power station has two of its six generating units equipped to burn alternatively fuel-oil and natural gas.

The EDP Group owns participating interests in the other binding producers, i.e. 10% in Tejo Energia (Pego power station, with two coal-fired units totalling 584 MW) and 20% in Turbogás (the Tapada do Outeiro natural-gas-fired power plant, with 990 MW, composed of three combined-cycle generating units).

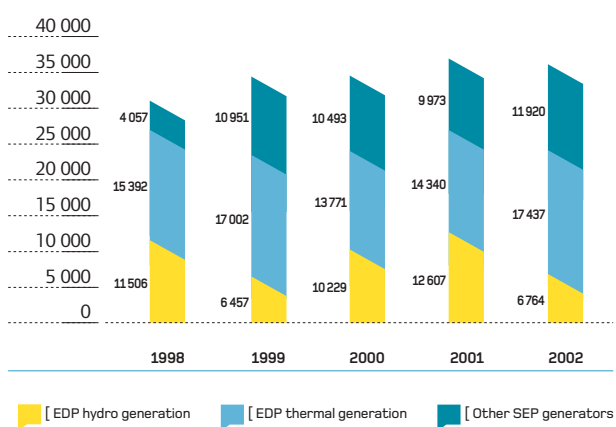
Contracted capacity at 31 December 2002 (MW) Binding Generators

EDP Group power stations	7 183
Hydroelectric power stations	3 903
Termoelectric power stations	3 280
<hr/>	
Thermoelectric power stations of other SEP generators	1 574
Pego	584
Tapada do Outeiro	990
<hr/>	
Total	8 757

CPPE's net generation in 2002 was 24 201 GWh, of which 6 764 GWh was from hydro sources and 17 437 GWh of thermal origin. Hydroelectric generation was prejudiced by the extremely unfavourable hydrological conditions during the year, characterised by a hydroelectric capability factor of 0.76, one of the lowest of the past 10 years.

CPPE's generation represented 67% of binding generation and contributed roughly 66% to satisfying the electricity consumption needs of the mainland's public network (SEP+SENV), figures these which are lower than those achieved in the previous year, respectively, 73% and 75%. The growth rate in emission-related consumption was a mere 1.6%, against the 5.4% registered in the previous year.

SEP net generation (GWh)



Reflecting the effects of the poor hydrological year, CPPE's net overall generation declined 10.2% when compared with the previous year. This decrease was pronounced and solely in the hydroelectric segment (-46.3%), which was not sufficiently compensated by the increase (21.6%) in production at the thermoelectric power stations, which was only exceeded in the last 10 years by the production in 1995.

The greater recourse to thermoelectric-sourced energy was basically felt at the fuel-oil-fired power stations, Setúbal (+62.4%) and Carregado (+91.3%). In addition, the recourse to natural gas generation at the Carregado power station provoked an increase of 158.7% from this source.

The Sines power station continues to serve as the base of the country's electricity supply diagram, with its production (9 541GWh) representing 54.8% of CPPE's thermal generation and 32.5% of the energy produced from fossil fuel within the SEP.

Reservoir storage remained at low levels during the year, attaining a value of around 2 078 GWh at the end of the year, which represents some 85% of the maximum, fruit of the heavy rainfalls in the last four months of the year.

Thermal-source generation was responsible for the consumption of 3 594 thousand tons of coal, 1 814 thousand tons of fuel-oil and 150 million m³ of natural gas.

Turning to service quality, CPPE's generating centres continue to maintain high availability levels, with the hydroelectric plants attaining 95.9% in 2002 and the thermoelectric installations 94.4%. These performances place CPPE amongst the best in terms of service quality, a situation that has been sustained in recent years thanks to the substantial investments made by the company in this domain.

Availability of power-generating centres (CPPE) Binding Generators

	1998	1999	2000	2001	2002
Hydro availability	96.1%	95.1%	95.0%	94.8%	95.9%
Thermal availability	92.9%	93.0%	93.2%	94.6%	94.4%
MW / Worker	3.8	4.0	4.2	5.8 (a)	6.4 (a)

(a) Effect of EDP Produção's reorganisation with reduction in number of employees and transfer between companies.

• Significant facts and indicators

The following facts merit special mention:

- a) CPPE's reorganisation and restructuring stemming from the creation of EDP Produção EM - Engenharia e Manutenção, S.A., involving the transfer of the engineering and large-scale maintenance area to the new company. The tasks of the Assets Manager and Assets Operator were retained at CPPE, embracing routine Operations and Maintenance and a certain amount of external contracting;

- b) the extension of the Tapada do Outeiro PPA, Generating unit 3, for a further two years at the request of REN, at the same time requesting the extension of the Alto Mira PPA till the end of 2003;
- c) the start of fuel-oil supply with 1% sulphur content for consumption at the thermal power plants, in compliance with environmental directives and legislation;
- d) work on the adaptation of the Sines power station's coal-fired generating units in the wake of the application of the new community directive for LCI (Large Combustion Installations) with a view to compliance with the emission limits for SO₂ and NO_x. In addition, technical and economic studies were conducted addressing the need for the introduction of technologies for the desulphurisation of gases and the curbing of nitrogen oxide emissions;
- e) monitoring the situations of flooding which occurred in the final quarter, essentially in the Douro basin, with liaison between the Hydraulic Generation Division and the various agents involved in the field, the National Civil Protection Service and INAG;
- f) The submission at the end of the year to the DGE of the "Environmental Impact Study for the Comparative Evaluation of the Baixo Sabor and Alto Cõa Hydroelectric Projects", together with the prior studies of the Alto Cõa and Baixo Sabor schemes, with a view to initiating the respective environmental licensing process, thereby complying with the government's decision of April 2000 on the previous EIS process for the Baixo Sabor Hydroelectric Scheme;
- g) Continuation of construction work on increasing the installed capacity at Venda Nova (Venda Nova II Development), within the contractual deadlines, where the excavations of the hydraulic circuit and caverns are practically concluded. A start has already been made to the preparatory phase for the mechanical mounting of the reversible generating units (2 x 95,8 MW).

b] Non-Binding Generation

- Hydro power stations in operation

The most salient aspects in 2002 relating to the EDP Group's hydroelectric power facilities integrated within the Independent Electricity System were:

- a) its coordinated functioning with EDP Energia within the ambit of the SENV, with the status of Supplies Agent based on a mandate contract which lays down the conditions for the sale of production and the Programming and Dispatch model for the



- power stations with installed capacity of more than 10MW;
- b) the operating activity of HidroE – Gestão Operação e Manutenção de Centrais Eléctricas, S.A., undertaking on a service-provider regime the management and operating activities of the generating assets belonging to the companies of the HDN Group, HIDROCENEL and EDP Energia;
 - c) following the publication of Decree-Law 85/2002 of 6 April, only the EDP Group's hydroelectric installations with an installed capacity of more than 10 MW are deemed to be integrated within the SENV.

In this business segment, the total installed capacity is 80.3 MW at HDN, and 94.1 MW at HIDROCENEL, out of a total of 255.1 MW for the EDP Group (including EDP Energia's Belver hydroelectric complex).

In 2002, the net generation from HDN and HIDROCENEL in this business segment was respectively 89.5 GWh and 222.5 GWh, down 19.5% and 9.2% respectively when compared with 2001 (EDP Energia's net generation in the SENV was 110.7 GWh, 55.0% lower than in 2001)

The decrease in hydroelectric generation figures is attributable, as referred to earlier in the binding generation section, to the less favourable hydrological regime in 2002.

- Ribatejo thermoelectric power station

EDP Produção is building (through TER) a combined-cycle thermoelectric power station located adjacent to the Carregado power station, and will function in the Non-Binding Generation regime.

During 2002, the rhythm of construction work on this power station was intensified, with two generating units scheduled to enter service in 2004.

c] Special Regime Generation

The EDP Group's activity in this segment encompasses companies owning power-generating centres using renewable energies such as hydro, wind, biomass, as well as companies with cogeneration power plants.

Generation from renewable sources represented some 300 GWh, broadly in line with the previous year. Of special note was the increase in wind (+25%) and biomass (+103%) generation, which compensated for the lower hydro-sourced generation (-21%) due to the year's poor hydraulicity, as mentioned earlier.

**WE ARE
PORTUGAL'S
BIGGEST
INDUSTRIAL
COMPANY**

- Hydro generation

With regard to this type of generation and as a major development in 2002, following the publication of Decree-Law 85/2002 of 6 April, hydroelectric power plants with an installed capacity of 10 MW or less belonging to companies in the SENV were given the possibility to become integrated within the legislative regime relating to Special Regime Generation. Accordingly, an application was made to the DGE to effect an alteration for all the EDP Group's eligible plants. This authorisation was granted with effect from 1 October 2002.

The EDP Group's hydro power capacity in this segment at the end of the year was 54.6 MW, while the EDP Group's total net generation was 75 GWh.

At the beginning of 2003, the Labruja hydroelectric facility on the river Mestre, in the district of Ponte de Lima, will be integrated into HDN's power plants, adding an additional 2.9 GWh to annual average capability.

This acquisition, as well as the studies into and the construction of new developments - Drizes and Lagoa Comprida at HIDROCENEL -, form part of the business development plans in the Special Regime Generation segment.

- Wind-power generation

At the end of 2002, ENERNOVA had in operation four wind farm facilities - Fonte da Mesa, Pena Suar, Cabeço Rainha and Cadafaz - with a combined installed capacity of 40.6 MW.

Generation in the year reached 113 GWh, about 26% more than in 2001, due to the larger contribution from the Cadafaz (+119%) and Cabeço Rainha (+34%) wind farms. ENERNOVA's generation represented around 33% of total national wind-power generation (340 GWh).

On the issue of new wind-farm projects, building work commenced on the Serra do Barroso facility and the enlargement of the Cabeço Rainha wind farm, representing an increase in installed capacity of 12 MW and 6 MW, respectively, which will enter service in 2003. Tenders are under way for the construction of the Fonte da Quelha, Alto do Talefe and Padrela wind farms involving a power rating of some 32 MW.

In the meantime, licences were obtained for the establishment of the Açor and Vila Nova wind farms.

As regards projects currently on the drawing board (some of which on a partnership regime) totalling around 700 MVA, and within the scope of the process regulated by Decree-Law 312/2001 of 10 December, ENERNOVA was attributed a total power connection of about 137 MVA in the network's various zones. Counting also with the power rating attributed under the legal regime in force up until the end of 2001, ENERNOVA has already secured a total power connection of 326 MVA, the materialisation of which is naturally dependent on numerous factors, namely, those relating to the environmental licensing of the projects.

This situation corresponds to the intensification on the part of EDP Produção, through ENERNOVA, of its activity in the field of wind-power generation in a market that is currently very active with respect to the supply of power installation. This can essentially be ascribed to the combination of two factors: one relating to the entry in 2002 of the new tariff, more favourable than the previous one, and the other linked to the strong competition amongst the promoters for access to the networks, the provisions of which were prescribed at the end of 2001 (Decree-Law 312/2001, of 10 December).

The DGE, which is responsible for managing the capacity for receiving electric power at the SEP's networks, and following the requests from wind farms in 2002, which led to the surpassing of the reception capacity up until the end of the decade, decided to prohibit new applications for wind farms and define the criteria for allotting the applications effected.

- Biomass generation

EDP Produção Bioelétrica, S.A., the EDP Produção company created in 2002 with the objective of managing the assets deployed in energy generation from biomass, became the owner of the Mortágua biomass power plant.

This plant, with an installed capacity of 9 MW and which entered industrial service in 1999, had an annual net generation of some 37 GWh, which corresponds to around double the 2001 figure. This performance can be attributed to the introduction of technical refinements to certain items of equipment and industrial installations and an overall improvement in the respective availability.

Forest waste received totalled about 86 thousand tons, of which close to 44% represents direct forest waste.

- Cogeneration

In this domain, EDP Cogeração dedicated itself on the one hand to continue managing Soporgen, the company owning the natural-gas cogeneration power plant (in which EDP Cogeração has an 82% interest) which generates electricity and heat for Soporcel's factory plant in Lavos and, on the other, to the realisation of investments in the Energin and Carriço projects, where construction work on the respective power plants was given as concluded during the year.

These power plants, both functioning on natural gas, are owned by companies with Galp Power, in which EDP Cogeração has stakes of 65% and 35%, respectively, in ENERGIN AZÓIA and CARRIÇO COGERAÇÃO.

Net generation in 2002 from EDP cogeneration plants was 590 GWh, (which already includes the contribution from the Energin power plant), representing 167 GWh more than in 2001 and having supplied to the network 141 GWh (+86% on the preceding year).

d] Engineering, Operation and Maintenance

- EDP Produção EM

EDP Produção EM - Engenharia e Manutenção, S.A., the company that now integrates the activities and resources of the companies PROET and HIDRORUMO and CPPE's operating engineering and major maintenance areas, began its activities on 1 July 2002.



The constitution of EDP Produção EM falls under the new organisational and functioning model for the EDP Group's electricity generating companies, subordinated to the general objectives of enhancing efficiency, competitiveness and flexibility, encouraging better coordination and integration in the engineering areas.

EDP Produção EM's activity is, therefore, conducted in three principal segments:

- a) Conception, project and operations engineering;
- b) Project management and construction supervision;
- c) Management, supervision and execution of major maintenance of systems, equipment and installations.

Although endowed with special expertise in the technologies relating to electric energy generating centres, EDP Produção EM seeks to position itself as a company providing engineering services in all the areas compatible with the capacity of its vast resources, asserting itself as a benchmark company in the projection, management and operation of capital developments which demand the integration and coordination of highly multi-disciplinary skills and know-how.

In order to affirm its expertise in the market, it was decided immediately after its constitution to promote the development, implementation and certification of the Common Quality, Environmental and Security Management System at the company.

In this way, and with the aim of EDP Produção EM obtaining the Quality Seal from LNEC as General Quality Manager of Construction Projects, the relevant candidacy application documents were submitted in December to this laboratory, thus constituting a reformulation and update of the processes previously presented by PROET and HIDRORUMO.

During 2002, the new company was involved in a significant number of studies, projects and management and supervisory activities covering not only the construction of new developments, but also increasing installed capacity, remodelling and rehabilitating existing installations.

The chief activities carried out were:

- a) Drawing up the project for and the management and supervision of the construction of the Ribatejo thermal power station, the Venda Nova II hydroelectric scheme and the Alqueva hydroelectric scheme;
- b) The Environmental Impact Study for the Comparative Evaluation of the Baixo Sabor and Alto Cõa Hydroelectric Plant and the Environmental Impact Study for the Douro natural-gas power station;

- c) The studies and projects relating to the Drizes and Belver hydroelectric plants and the Lagoa Comprida power plant;
- d) The support activities for ENERNOVA, involving the wind farms under construction and those being tendered, and the development of a significant number of Licensing Projects and Environmental Impact Studies (EIS).

Owing to their value and the volume of activity and resources involved, special reference is made to the support for the operation of the thermal power plants belonging to CPPE, as well as the engineering services relating to the projects for improving these installations and non-routine maintenance activities.

• O&M Serviços

At the Extraordinary General Meeting held on 3 April, the firm SEFLOR was renamed O&M Serviços - Operação e Manutenção Industrial, S.A. The new company's business object consists of the operation and maintenance of industrial installations. The company can also produce and sell energy in the form of electricity resulting from the operation of its own or others' thermal power stations.

SEFLOR, which was formed in October 1999 for ensuring the operation and maintenance of the Mortágua biomass power plant, has sought to expand its O&M activities at other installations.

2002 was marked by the strategic objective of increasing the number of Operation and Maintenance contracts and by the organisation's consolidation.

At the end of 2002, O&M Serviços provided operation and maintenance services at the Mortágua power plant, at the cogeneration plants at Soporgem, Energin and Carriço, and at the coal handling facility at the Sines power station. It was also responsible for providing equipment maintenance services at the Carregado and Setúbal power stations, the Fonte da Mesa and Pena Suar wind farms and water and waste treatment facilities at the Carregado, Barreiro, Setúbal and Sines thermal power stations.

• TERGEN

TERGEN is a company in which the EDP Group has a majority interest, and has as its partners SIEMENS and KOCH. It was formed to handle the day-to-day operation and maintenance of the new combined-cycle natural-gas power station – the Ribatejo thermoelectric power station.

During 2002, TERGEN's activity was centred on complying with the objectives proposed in the aspects relating to the organisation, training, selection and recruitment of the human resources needed for the new power station's operation and maintenance.

Activity also involved monitoring the project, as well as giving technical support to TER.

- HIDROeM

The process involving the integration of the hydroelectric generating companies operating in the SENV, led to the creation of HidroEM - Gestão, Operação e Manutenção de Centrais Eléctricas, S.A.

This company's biggest shareholder is EDP Produção, which owns 32.5%, while the rest of the capital is owned in equal percentages (22.5%) by HDN, HIDROCENEL and EDP Energia.

HidroEM commenced its operational activity on 1 January 2002, undertaking the management and combined operation of the hydroelectric-generating assets of the EDP Group's three companies operating in the SEI: HDN, HIDROCENEL and EDP Energia.

e] Energy balance

The growth in electricity consumption in Portugal posted modest rates in 2002, which is reflected in an increase of only 1.6% in "emission-related consumption" (energy sent out to the transmission network).

Energy Balance (GWh)

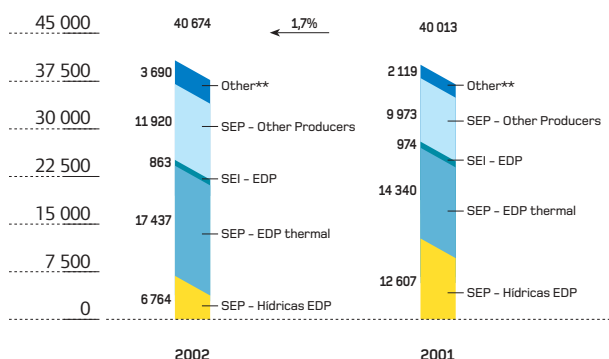
		2002	2001	Δ%
HYDROELECTRIC CAPABILITY FACTOR		0.76	1.19	-0.43
(Hydraulicity coefficient)				
EDP Produção power stations				
Hydroelectric emission (SEP)		6 764	12 607	-46.3%
Thermoelectric emission (SEP)		17 437	14 340	21.6%
Hydroelectric emission (SENV)		497	786	-36.8%
Mini-hydro plants emission (PRE)		75	4	1775.0%
Wind power emission (PRE)		113	90	25.6%
Biomass emission (PRE)		37	18	105.6%
Cogeneration emission (PRE)		590	423	39.5%
EDP Produção net generation		25 513	28 268	-9.7%
Direct sales to industrial customers*		-449	-347	-29.4%
Emission to the network (EDP Produção)		25 064	27 921	-10.2%
Other SEP producers (SEP)		11 920	9 973	19.5%
Auto-producers (SEI)		2 461	2 365	4.1%
Import / (Export)		1 899	239	694.6%
Hydroelectric pumping		- 670	- 485	-38.1%
Emission-related consumption (net generation)		40 674	40 013	1.7%
Synchronous compensation		-37	-34	-8.5%
Own consumption - generation		-3	-3	0.0%
Transmission Grid's own consumption		-9	-10	10.0%
Losses		-684	-708	3.4%
Energy delivered to Distribution		39 941	39 258	1.7%

* associated with cogeneration installations.

There was a sharp rise in thermoelectric generation as a consequence of the unfavourable hydrological conditions which characterised 2002. Hence, hydroelectric emission registered an annual decrease of 46.3%, whilst thermoelectric emission rose 21.6%.



Generation* by type of power station (GWh)



* Electricity generation after deducting hydro plants' pumping, corresponding to "Emission-related consumption"
 ** Other = Auto-producers + Import / Export balance - Pumping

The negative trend in hydroelectric emission referred to above meant that the net energy produced by the EDP Group in 2002 was situated at 25 064 GWh versus 27 921 GWh at the end of 2001, reflecting a decrease of 10%.

EDP Produção's market share fell from 71% in 2001 to 63% in 2002, which corresponds to a negative variation of 8 percentage points.

Distribution and Binding Commercialisation Activity

a) Distribution

During 2002, EDP Distribuição - Energia, S.A. continued to be actively involved in the electric energy market, defining a number of guidelines with the aim of fostering customer loyalty through more and better service.

The integrated management of information, with added gains, was facilitated by the company's vertical structure, the IT standardisation of functions, notably, the commercial function, and the revision of the methods and procedures used.

The extension since the start of the year of liberalisation to all customers receiving MV power, accompanied, since the middle of the year, with the lightening of the administrative process for passage to the SENV, led to important growth in the transfer of customers to the liberalised regime in the second half of the year.

In order to respond to this movement, and in anticipation of the campaign determined by the ERSE's dispatch, there was a strong increase in the installation of telemetering with recourse to existing resources, although certain difficulties of an operational

and administrative nature were experienced in the unfolding of the process.

There was also a continuation of the requests for connection to the networks by new independent producers in terms of specific legislation, which has led to an appreciable increase in the networks and a steep rise in planning and security initiatives in operations.

b) Binding Commercialisation

With the extension in 2002 of the energy market's liberalisation to all MV customers, EDP Distribuição felt the need to continue the process of adapting to the new reality, promoting the survey of priorities and the profiling of the expectations of the different customer segments, as support for the definition of the methods and processes to be adopted in the commercial area with the object of strengthening the company's credibility in the eyes of its customers.

In the pursuance of these objectives, work continued on implementing a policy of customer approximation. This entailed concentrating on adding dynamism to the teams of Customer Managers and increasing the number of Direct Customer Contact Teams in the business and residential segments respectively.

Relationships with local authorities continued to be close and collaborative. The spirit of openness in contacts with the National Association of Portuguese Municipalities and the capacity shown in responding to questions raised by the Municipal Councils permitted the normal processing of electricity concession contract renewals, with 92% of the total having already been signed.

In the area of information given to customers, a new and friendlier format for electricity bills was introduced, while the practice continued of inserting regular information and/or promotional messages.

The diversification of ways in which customers can access the customer continued to warrant closer attention. In this regard, another Citizens Shop was opened, while counters were installed at Post Office (CTT) providing attendance functions, namely, contracting, altering and rescinding contracts, as well as the communication of readings and, moreover, the extension of the collection network via the Energy Points and PayShop. Also worth mentioning is the preparation for the entry into functioning of the Citizen's Attendance Posts (PAC's), under the sponsorship of the Institute for the Management of Citizens' Shops, in partnership with the local authorities.

In the telephone attendance arena, there was a substantial increase in the recourse to this facility by customers, with the installation of the regional ACD's (Automatic Calls Distribution) in Oporto and Lisbon aimed at providing the decentralised attendance of telephone calls in the event of an increase in contacts motivated by anomalous facts.

EDP's page on the internet continued to offer new content and functionalities, namely, of a commercial nature.

c] Acquisition and sale of electric energy

2002 was characterised by a slowdown in Binding Commercial activity, with the sale of electric energy to the Public Electricity System (Sistema Eléctrico Público - SEP) growing by just 1.2 %, despite the number of customers having risen by 2.2% in relation to the previous year. Conversely, with the growing adherence of consumers to the Non-Binding Electricity System (SENV), energy traffic to these customers climbed from 537 GWh in 2001 to 993 GWh in 2002. Consequently, the total energy sent out from the distribution networks increased 1.9%.

In physical terms, the purchases of energy to supply SEP customers grew by a mere 0.6%, reflection of the trend noted in the sales of electric energy to these customers. The decrease in purchases from REN, which represented 89.3% of EDP Distribuição's total purchases, was counterbalanced by the increase in purchases from Special Regime Producers (PRE) and from the SENV.

In 2002, electric energy purchases totalled EUR 2 346,8 million, 14.6% more than in 2001.

Electricity energy purchases (GWh) EDP Distribuição

	2002	2001	Δ%
REN	34 791	35 282	-1.4%
SENV	1 354	891	52.0%
PRE (Special Regime Producers)	2 827	2 552	10.8%
Total	38 972	38 725	0.6%

In the sale of electric energy to the SEP (totalling 35 947 GWh), special mention is made due to their weight of those referring to final customers in Low Voltage. Also worth noting was the growth in VHV sales, a situation which is explained by the alterations introduced in the manufacturing process by one of the customers.

In 2002, notably in the second half, with the opening of the market to all customers receiving MV supplies, 460 customers transferred from the SEP to the SENV. This movement had a particular impact on MV sales to SEP customers, which registered a decrease of 1.5% in spite of the number of customers having grown by 4.3%. However, if one takes into account the combined SEP and SENV, the consumption of MV and HV electric energy between 2001 and 2002 registered a growth rate well below that of previous years (1.3%), in line with the clear slowdown in the economy.

Sales of electric energy in the SEP (GWh) EDP Distribuição

	2002	2001	Δ%
VHV (Very High Voltage)	875	797	9.8%
HV (High Voltage)	3 396	3 462	-1.9%
MV (Medium Voltage)	11 186	11 358	-1.5%
SLV (Special Low Voltage)	2 880	2 806	2.7%
LV (Low Voltage)	16 530	16 017	3.2%
Public illumination	1 080	1 064	1.5%
Total	35 947	35 504	1.2%

Number of SEP customers EDP Distribuição

	2002	2001	Δ%
VHV	11	11	0.0%
HV	98	98	0.0%
MV	20 377	19 536	4.3%
SLV	27 290	26 519	2.9%
LV	5 575 766	5 455 273	2.2%
Public illumination	41 113	39 959	2.9%
Total	5 664 655	5 541 396	2.2%

d] Quality of service

Although the quest for the improvement in service quality is a constant concern in electricity distribution activity, the Service Quality Regulation (Portuguese initials RQS) in force since 1 January 2001 has presented EDP Distribuição with a number of new obligations which the company has sought to fulfil.

In 2002, as the RQS stipulates, the Report on EDP Distribuição's Quality Service in 2001 was prepared and published.

Fruit of the efforts made in adapting computer systems in the technical and commercial area, it was possible to quantify the performance attained in virtually all the general indicators of service quality defined in article 30 of the RQS.

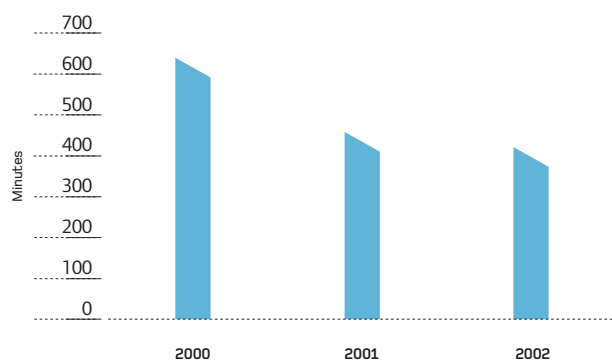


It was ascertained in 2002 that it was possible to attain (and even exceed) some of the standards laid down in the RQS, while it is hoped that in 2003 this situation will embrace all the indicators.

In the sphere of technical service quality, the main highlight was the execution of the Annual Monitoring Plan for Quality and the Continuity of the Voltage Wave at the distribution networks, which permitted the ongoing retrieval of measurements relating to the indicators of service quality in all districts of the country and the carrying out of the works envisaged in the Service Quality Improvement Plans previously approved by the DGE.

The trend in the overall values of the principal indicators of service quality of the electricity distribution networks registered a significant improvement in relation to the two previous years, reflecting the hard work and resources that were channelled into reinforcing the networks and the information systems.

Equivalent interruption duration of installed capacity in MV (EID IC MV)



In view of the importance of the systems of geo-referenced information as support for EDP Distribuição's business and organisational processes, special attention continued to be paid to the modernisation of the technical area systems through the GeoEDP Programme. On the applications side, work continued on the development of the New System for the Dispatch of the Distribution Network (Genesys), while the first prototype was installed of the ActiveNetwork aimed at the installation of the new Incidents Management System.

e] Energy balance

The total energy distributed in 2002 reached 36 905 GWh, up 2.4 % on 2001, of which 35 947 GWh in the SEP and 958 GWh in the SENV.

Energy sales in the SEP posted a positive variance of 1.2%. The VHV (Very High Voltage) segment presented the highest rate of growth, with 9.8%. The PL (Public Lighting) and LV (Low Voltage) segments presented modest growth rates of 3.2% and 1.5%, respectively.

Energy Balance (GWh) EDP Distribuição

	2002	2001	Δ%
Energy delivered to Distribution	39 941	39 258	1.7%
Distribution's own consumption	-46	-40	-13.8%
Distribution losses	-2 990	-3 194	6.4%
Energy sent out from Distribution network	36 905	36 024	2.4%
Electric energy sales	35 947	35 504	1.2%
VHV (Very High Voltage)	875	797	9.8%
HV (High Voltage)	3 396	3 462	-1.9%
MV (Medium Voltage)	11 186	11 358	-1.5%
SLV (Special Low Voltage)	2 880	2 806	2.7%
LV (Low Voltage)	16 530	16 017	3.2%
PL (Public lighting)	1 080	1 064	1.5%
Electric energy sales - SENV	958	520	84.3%
EDP customers	644	241	167.2%
VHV (Very High Voltage)	0	0	-
HV (High Voltage)	78	71	10.2%
MV (Medium Voltage)	566	170	232.2%
Non-EDP customers	314	279	12.7%
VHV (Very High Voltage)	0	0	-
HV (High Voltage)	104	105	-1.3%
MV (Medium Voltage)	210	174	21.2%

Commercialisation activity in the Non-binding System

The EDP Group's presence in the commercialisation of electric energy in the SENV is the responsibility of the subsidiary EDP Energia, whose mission is to be the undisputed market leader, employing a strategy centred on marked interaction with the customer. It endeavours, therefore, to provide them with a unique service that contributes to the competitiveness of their businesses, and which transmits to them the EDP Group's high credibility and clear technical capacity.

In this context, and taking into account the opportunities and threats stemming from the new phase of liberalisation which commenced on 1 January 2002, which multiplied by 100 the number of customers with access to the market system, EDP Energia concentrated its action on two fronts: internally, by equipping the organisation with the necessary resources to fulfil its mission, notably human resources and information systems; externally, identifying the needs of the various market segments, preparing and commercialising a value proposition which entails a personalised offer of electric energy and by the provision of a series of complementary services aimed at boosting customer affinity and product differentiation.

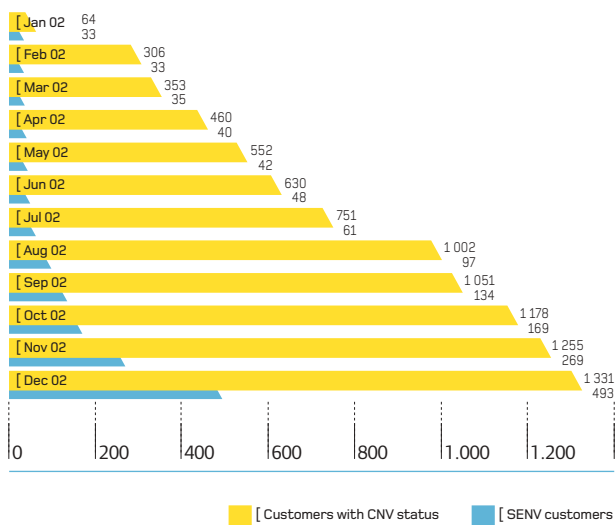
This strategy enabled EDP Energia to consolidate its leading position as a supplier of electric energy to customers opting for the market regime, raising its market share from 67% (22 customers) at the end of 2001 to 71% (350 customers) at the end of 2002.

Market growth was, however, lower than expected – only about 40% of the statuses granted by the ERSE for access to the market system were in fact exercised. This situation can be related to various factors, such as:

- Excessive expectations on the part of customers, in relation to the conditions to be met in the market system;
- Lack of competitiveness in the market system relative to the public system, a consequence of the high energy costs in the “wholesale markets”;
- Certain amount of instability of tariffs in the public system arising from extraordinary alterations.

EDP Energia has sought to approach the challenge of liberalisation in an efficient manner, striving to contribute to the market’s credibility and dynamism. On the other hand, it seeks to deliver value to the customer and contribute to maintaining the EDP Group’s clear leadership in the Portuguese electricity market.

Customers in the SENV vs Customers with non-binding customer (CNV) status



SPAIN Organisation and regulation of the Spanish electricity market

The present regulation of the Spanish electricity sector was fundamentally defined by Law 54/1997 of 27 November, which established amongst others, the following basic principles:

- Introduction of competition in generating activity through the following measures:
 - a) Since 1 January 1998 electric power generation in Spain began to operate on a free-competition regime based on a system of electric power offers realised by producers and a demand system realised by eligible customers, distributors and vendors. Energy is sold at the system’s marginal price, plus a component covering power guarantee and the complementary services required to ensure adequate supply;
 - b) The installation of new generating units was liberalised, subject to obtaining the necessary authorisations;
 - c) Producers are entitled to use in their generating units the most suitable sources of primary energy, taking into account the restrictions of an environmental nature imposed under prevailing legislation;



- d) Contemplated the possibility of giving priority to generating plants which use indigenous energies (national coal, etc.), always and when they do not represent more than 15% of the total primary energy needed for electric energy generation and are compatible with a freely competitive market.
- Guarantee of the System's proper functioning through the following measures:
 - a) Red Eléctrica de España, S.A. carries out the activities of Transmission Manager and System Operator, being responsible for the technical management, with the object of guaranteeing the continuity and security of supply and the proper coordination of the production and transmission system;
 - b) The responsibility for the System's economic management is attributed to the Market Operator, Compañía Operadora del Mercado Español de Electricidad, S.A., the entity that is legally separate from Red Eléctrica de España, S.A., which is charged with handling the supply reception and communication mechanisms required to establish the generation market.
 - Progressive liberalisation of electricity supply and introduction of commercialisation activity
 - a) Progressive liberalisation of electricity supply according to a calendar (subsequently modified) which envisages complete liberalisation of consumption with effect from 1 January 2003;
 - b) The right to use the transmission and distribution networks by eligible customers and sales companies, with single tolls at national level for the use of these networks, without prejudice to their differentiation by voltage levels and network usage, or consumption characteristics depending on whether they refer to transmission or distribution networks;
 - c) Compensation for distribution activity payable to each company, observing the criteria on the necessary costs for the development of activity, taking into account a model which characterises the distribution zones, as well as other parameters.
 - Formation of prices and structure of single tariffs throughout the country applicable to non-eligible customers or to those who abstained from exercising their right to eligibility.
 - Transitional period and tariff evolution

In order to ensure a gradual process and guarantee the economic and financial feasibility of power companies during the transition to a competitive market, an initial transitional period with a duration of 10 years was defined, in which a financial compensation was laid down for the Electricity System companies as costs for transition to competition. This amount was subsequently revised, being subjected to a reduction of approximately 20%, while the initial period was extended to the year 2010.

The average increase in tariffs fixed for 2002 was 0.412%, while for 2003 Decree 1436/2002 approved an average increase of 1.4%.

- Legal separation of activities

In terms of the law, those companies engaged in any of the regulated activities (system's economic and technical management, electricity distribution and transmission), must have as their sole business object the carrying out of these activities, and are barred from also conducting non-regulated activities.

- Accounting separation of activities

Those companies whose mission involve the realisation of electrical activities must have their accounting records separated according to activities, and are required to present annual reports on these activities.

Hidrocantábrico's activity (Corporate Development and Strategy)

On the corporate front, the Hidrocantábrico Group concluded in 2002 a shareholder and financial structuring process subscribed to by the shareholders on 4 December 2001. To this end, an application was made for the delisting of the company's shares which took place on 26 June 2002, it obtained a stable rating Baa2/BBB from Moody's and Fitch IBCA for the new Hidrocantábrico Group, and it formalised a loan of EUR 2 000 million from a group of first-class international banks to guarantee the financing of the shareholder restructuring and the Hidrocantábrico Group's strategic expansion. Finally, the Hidrocantábrico Group's investment reorganisation was consummated with the merging of Adygesinval, S.A., Hidroeléctrica del Cantábrico, S.A., and Hidrocantábrico Generación, S.A.U. into a new company which retains the company name Hidroeléctrica del Cantábrico, S.A..

As regards the Hidrocontábrico Group's strategic development, the objectives set for the year were met. In this context, the most salient aspects were the incorporation of 400 MW in new generating capacity, with the entry into commercial operation of the Castejón combined-cycle power station, the acquisition of Gas Figueres, S.A.U., with a portfolio of more than 11 000 customers, which inaugurated the expansion of gas distribution by the Hidrocontábrico Group outside the Astúrias market, and the most promising start to the commercialisation of gas in the liberalised market, where it was possible to invoice 1 946 GWh to 83 customers.

In summary, 2002 was an extremely positive year for the Hidrocontábrico Group, in which there were significant increases in energy generation and commercialisation figures, substantial improvements in operating income, with rises of 28.2% and 29.5% respectively, the strategic goals set were met, and the entire shareholder, financial and investment restructuring of the Hidrocontábrico Group culminated successfully and within the prescribed period with the Shareholders Agreement of 4 December 2001.

BRAZIL **Organisation and Regulation of the Brazilian Electricity**

The year 2002 was highly atypical for the Brazilian electricity sector, which witnessed unique or uncommon events in the sector's history. These facts demanded adaptability and agility on the part of players to face these circumstances.

The principal factors influencing the energy market in 2002 and consequently the EDP Group's results were the following:

a] Rationing, Generation and Demand

Energy rationing, which was introduced in June 2001 and extended into the first two months of 2002, had a major influence on the sector. Even with the end of rationing in February in 2002, the consumption reduction targets (20% for residential consumers and 15% for the industrial sector) continued to be felt throughout 2002 as a result of the change in consumption habits, notably in the domestic sector. The recovery in the manufacturing sector's consumption, influenced by international factors and the election year, also fell short of expectations, leaving distributors with a steep fall in billings. Energy consumption in 2002 receded to 1999 levels. In the residential sector, the 27% decline in consumption in the south-east and central-western regions reduced this to 1994 levels.

The hydroelectric projects were accelerated, raising the generating sector's capacity. Overall installed capacity registered an increase of 10.2%.

During the course of 2002, the General Sector Accord was in force which laid down a special regime for accounting for the short-term energy of the signatories of the initial contracts, constituting the basis for overcoming the effects of rationing on the sector companies. Basically, in the rationing period (up until February 2002) the distributors' surpluses were not considered in the Wholesale Energy Market (Mercado Atacadista de Energia - MAE). These surpluses were valued at a fixed price of 73.39 BRL/MWh paid by the generators. There was also an increase in the tariffs charged to final consumers for re-establishing the economic and financial equilibrium and concession-holders' losses caused by rationing.

The decrease in consumption associated with the increase in productive capacity were behind the Brazilian electricity sector suddenly switching from a deficit to a surplus energy supply situation, constituting a structural energy surplus that should last until 2005, although this depends on the Brazilian economy's performance. This scenario had an immediate reflection on the prices charged in the short and medium term markets, as described below.

b] Price on the spot market

The prices on the wholesale market were highly volatile. In the months of January and February, still under the aegis of rationing, the spot prices on the South-east and Centre-west submarkets were 297,00 BRL/MWh and 39,00 BRL/MWh and in the North-east 515,00 BRL/MWh and 308,00 BRL/MWh, respectively. With the end of rationing, the price fell in March to 9,77 BRL/MWh (South-east) and 5,79 BRL/MWh (North-east) and, despite some variations, maintained a downward trend until the end of the year, sinking in the last week of December to a minimum figure of 4,00 BRL/MWh. Excluding the influence of rationing, in the period March to December, the average spot price was 10,75 BRL/MWh in the South-east submarket and 10,09 BRL/MWh in the North-east submarket. The decrease in electric power consumption by final consumers, the surplus supply and the rapid recovery of reservoir levels were the chief factors behind this behaviour in prices during 2002.

c] Free consumers

2002 is a milestone year in the entrance of large consumers onto the free market. The opportunities offered by the short



and medium-term market sparked the attentions of potentially free consumers, despite the gaps in the legislation which were only covered in December. The number of consultations and competitive bids launched by free customers rose steeply at the end of the year due to the low prices, with the intensive electricity consumers being the major protagonists in the development of this new market.

Besides the difficulties in placing electric energy in a 100% controlled market, the departure of free consumers faced barriers of a regulatory order. For a number of reasons, the Brazilian electricity sector's legal system is still characterised by elements of uncertainty. These uncertainties significantly influenced the development of the free customers market which, confronted with a certain element of regulatory flexibility, reversed the decision to contract energy and opted to remain as captive customers of the distribution concession-holders.

Throughout the year new decrees and resolutions were issued to address the suggestions of the Crisis Management Committee and to overcome the need for regulating activity with free customers. However, these enactments helped little to clarify the regulatory environment which was characterised at times by contradictory decisions.

d] Energy auctions

Obligated by law to make public sales of energy and with a reduction from 2003 of 25% of the initial contracts, the federal and state producers saw themselves forced to hold auctions. 5 major energy sales auctions were held involving public and private generators and a purchase auction promoted by a private distributor. Despite marking a new leaf in the Brazilian electric energy sector, the rigid structure of the auction notices and the full contracting of the distributors resulted in small demand from buyers, with those showing the most interest being the free consumers (only about 22% of a total of 7 240 MW average placed on sale were sold by auction).

The EDP Group's position in Brazil

Corporate-investment restructuring was the principal action in the consolidation of the EDP Group's activities in Brazil. On 31 October 2002, the EDP Group concluded the first phase of this restructuring through shareholding movements which permitted placing Energest, S.A., Enertrade Comercializadora de Energia, S.A., Bandeirante Energia, S.A., EDP Lajeado S.A., Fafen Energia, S.A., and Enerpeixe, S.A., under the direct control of the sub-holding EDP Brasil, S.A..

The following table shows the investment structure and the respective percentage control of the EDP Group's businesses in Brazil after the realisation of the first restructuring phase:

EDP, S.A.

EDP BRASIL, S.A.	100.00%	ESCELSA	54.75%
ENERGEST	100.00%	ENERSUL	35.70%
ENERTRADE	100.00%		
BANDEIRANTE	96.50%		
FAFEN ENERGIA	79.60%		
EDP LAJEADO	100.00%		
INVESTCO	14.36%		
ENERPEIXE	94.80%		
ENERCOUTO	99.90%		
COUTO MAGALHÃES	48.80%		

The second investment restructuring phase should be concluded during 2003, with the transfer to EDP Brasil, S.A. of the Group's shareholding in Iven, S.A., which has direct control of Espírito Santo Centrais Eléctricas, S.A. - Escelsa and indirect control of Empresa Energética de Mato Grosso do Sul, S.A. - Enersul.

These measures have the following objectives:

- Improving investors' perception of the Group's business and the performance of its investments in Brazil;
- Allowing EDP Brasil, S.A. to reinvest the resources generated locally in power-generation expansion projects;
- Attracting resources on the Brazilian financial market, reducing and/or eliminating currency risks;
- To simplify the corporate structure, reducing the number of entrepreneurial levels in order to eliminate tax inefficiencies;
- To make viable the capture of synergies in the operation of the different companies controlled by the EDP Group in Brazil, reducing costs and increasing the return on the investments made.

With these company shareholdings' reorganisation, EDP Brasil, S.A. reinforces its function as a sub-holding company responsible

for the formulation of the EDP Group action strategies in Brazil and the integrated management of the Group's activities in the generation, distribution, commercialisation and services segments.

Enertrade played an important role in 2002 by selling EDP Lajeado's energy through contracts with other sector agents and free customers, reducing the Group's exposure to the uncertainties of settlement on the MAE (Wholesale Energy Market). In 2002, the EDP Group presented a surplus energy position due to the conclusion and start-up of generation at the Lajeado hydroelectric power station and the continuation of the low level of electric power consumption in the wake of the period of rationing.

In distribution, EDP sought to consolidate its participating interests with the object of securing management control. In October 2002, the EDP Group took an important step by assuming the control of and appointing the directors of Espírito Santo Centrais Eléctricas, S.A. - Escelsa and, thereafter, of its subsidiary Empresa Energética de Mato Grosso do Sul, S.A. - Enersul. EDP had already consolidated its controlling position in Bandeirante Energia, S.A., following the company's demerger in October 2001. The integrated management of the distribution companies will make possible the sharing of functions and services, thereby boosting business effectiveness in Brazil.



In December 2002, EDP - Electricidade de Portugal, S.A. made a public takeover bid and renouncement request for certain rights relating to the bonds denominated in dollars, issued by Espírito Santo Centrais Eléctricas, S.A. - Escelsa, which bear interest at 10% per annum and mature in July 2007. Considering the bonds acquired previously in the public offer, the EDP Group began to hold around 83% of a total of USD 430 958 thousand in circulation. The operation sought to eliminate risk and the corresponding impact on the EDP Group's consolidated income statement of the volatility of the Real/Dollar exchange rate, resulting from the dollar-denominated debt held by Escelsa.

In generation, the Group remained focused on hydroelectric generation, notably at the Luis Eduardo Magalhães hydroelectric scheme (Lajeado) which was completed in 2002 and the Peixe Angical and Couto Magalhães installations, whose respective commissionings are scheduled for 2006 and 2007. The unstable background experienced by the country and by the Brazilian electricity sector in particular, made it impossible to define the financing structure for Peixe Angical in 2002, leading to the project's reprogramming. The thermal generating activities continue to be concentrated on finishing the reinforcement of installed capacity at the Fafen Energia thermal power station.

More specifically, the following is a more detailed profile of each capital project:

a] UHE Lajeado

The Lajeado hydroelectric power station (27.65% held by EDP) entered into full operational service with the completion and commissioning of its fifth machine in November 2002, thereby complying with the programming established for the project which, in a record period of 53 months, added 902.5 MW to Brazil's electrical system. The power station generated 2 589 GWh during the year, although it is prepared for an annual generation output of 4 468 GWh/year from 2003.

b] UTE Fafen

The FAFEN thermoelectric power plant at Camaçari Petrochemical Complex (State of Bahia) began the first phase of commercial operation on 25 August 2002. This capital project, developed by EDP (80%) in partnership with Petrobrás - Petróleo Brasileiro, S.A. (20%) was initially conceived to be a cogeneration plant destined to supply electricity and steam to PETROBRAS's fertiliser factory, FAFEN Fertilizantes, with any surplus production being made available to the complex's other companies. In view of the impossibility of selling steam to the other companies at the Camaçari plant, it was decided to make

changes to the initial project in such a way as to convert the surplus steam into electric energy. In its final configuration, the power station will have the capacity to generate 133 MW of electric energy and 42 t/h of steam, using natural gas as its primary fuel.

In 2002 the power plant generated 200,5 GWh of electric energy and 127 585 tons of steam.

c] AHE Peixe Angical

The Peixe Angical hydroelectric power plant, with installed capacity of 452 MW and which is being developed by EDP (95%) in partnership with the REDE Group (5%), initiated its construction in May 2002. The total projected investment is BRL 1 295 million (June 2002 constant prices). EDP has invested around BRL 170 million so far. The year saw the completion of the first phase of the coffer-dam, as well as the excavations for the implantation of the reinforced concrete structures for the Machine House and the Spillway. In the same period, work commenced on the left bank earth dam. Negotiations proceeded with financial entities, namely the BNDES, with a view to making financing viable. As these negotiations were not finalised, the capital project was the object of reprogramming. At the present time, the first generating unit (150,7 MW) is expected to begin operating in January 2006, while the power station (three generating units) is scheduled to be concluded in April of the same year.

d] AHE Couto Magalhães

The Couto Magalhães hydroelectric facility (installed capacity of 150 MW), in which EDP has a stake of 49% and the REDE Group 51%, was the object of reprogramming as a result of the need to conduct environmental impact and engineering studies associated with the question of equilibrium between the minimum admissible discharge and the maintenance of contractual conditions for guaranteed energy production. The development's current planning foresees a start to its construction in March 2004, the beginning of generation from the first unit in April 2007, and the power plant's completion in July of the same year. The total projected investment in this project is BRL 338 million.

Commercialisation

Enertrade, the company geared to act in sales activity, was able to generate positive results by reducing the surplus position in energy presented at the beginning of 2002, consolidating itself

as the leading selling company in the local market despite the particularly adverse conditions affecting the Brazilian electricity market during the year.

Direct sales to final consumers in 2002 totalled 1 270 GWh. The majority of customers are intensive electricity consumers located outside the concession area of the Group's distributors, thus extending the frontiers of EDP operations. Enertrade's integrated action with Bandeirante, Escelsa and Enersul, also made it possible to retain customers who opted for the free market within these distributors' concession areas.

Another alternative for allocating the energy bought by Enertrade to EDP Lajeado was to use it in swap operation with distributors. The operations were advantageous in that they allowed Enertrade to divert the surplus energy from EDP Lajeado in the months of May to August, a period when the MAE registered low prices, to the end of the year when it can sell to free customers.

Enertrade also captured customers acting as a service provider in representing free consumers and auto-producers on the MAE and at energy auctions.

Within the EDP Group, long-term contracts were concluded at the end of 2002 between the Group companies, substituting the energy derived from the initial contracts by the energy from EDP Lajeado, Fafen Energia, Peixe Angical and Couto Magalhães. Accordingly, the integrated action of own generation and wholesale commercialisation with the EDP Group's distributors in Brazil ensured an adequate cover of risks, not only for its own power-generating facilities but also for the distributors, mitigating the exposure to the volatility of volume and prices for EDP's assets in Brazil.

[TELECOMMUNICATIONS

■ ORGANISATION AND REGULATION OF THE SECTOR IN PORTUGAL

Overview

2002 saw a deterioration in the economic crisis which originated in 2001, with the closure of a number of projects in the telecommunications sector that inevitably led to workforce retrenchments and the review of investments and business operations.

By attaining revenues from telecommunications of more than EUR 150 million in Portugal and some EUR 120 million in Spain, ONI posted strong growth in turnover when compared with the

previous year (roughly 74% of the growth in the volume of telecommunications services), an extremely significant feat considering the present economic landscape.

The external environment in which the Group operates, both in Portugal and in Spain, continues to be extremely adverse, with the maintenance of barriers imposed by regulatory issues that impede the existence of real competition. The chief difficulties centred around the access to the local loop, compounded by the costs of interconnection to the incumbent's networks (whose tariffs happen to be the highest in Europe).

2002 was also characterised by the reinforcement of ONI's position in Spain, with the recent acquisition of Ola Internet. With this acquisition, ONI is integrated within the leading third of Iberian operators, having strengthened its position in the Spanish business segment.

As for the mobile operation, 2002 was marked by the suspension of the UMTS project. With the decision of ONI Way's shareholders to sell the company's assets and the company itself to the mobile operators, ONI's involvement in this segment ceased.

Regulatory background

2002 represented a year of transition to a new period which will begin under the aegis of the new regulatory requirements adopted at European Union level. This new environment points to a more important role for the Sector and Competition Regulatory Authorities, in tandem with additional powers and a wider intervention on the part of the European Commission.

It is worth mentioning that an amendment to the Telecommunications Base Law was approved by parliament, in terms of which basic the telecommunications network was withdrawn from the public domain. The Cabinet approved the draft contract for the purchase and sale of the basic telecommunications network and the modifying agreement of the concession contract for the universal telecommunications service. This operation was carried out still in 2002.



Of note at community level was the publication of the new regulatory framework for electronic communications, which alters the present legislative provisions governing the access and interconnection to networks, licensing, universal service and users' rights and the treatment of personal details. This new regulatory package should be transposed into national law by 25 June 2003. In relation to the existing legal framework, of particular note is the suppression of an objective definition of an operator with significant market power based fundamentally on market shares, and is now identified based on the concept of dominant position.

Following the issues already raised with the ICP-ANACOM in previous years and the new issues emerging during 2002, the Regulator adopted during the year a set of resolutions which address crucial aspects relating to telecoms activity, and even the viability of the new operators, such as interconnection tariffs, the costs of rented circuits (where the final proposal, despite having been revised, is extremely punitive for ONI), and the process of opening the local loop.

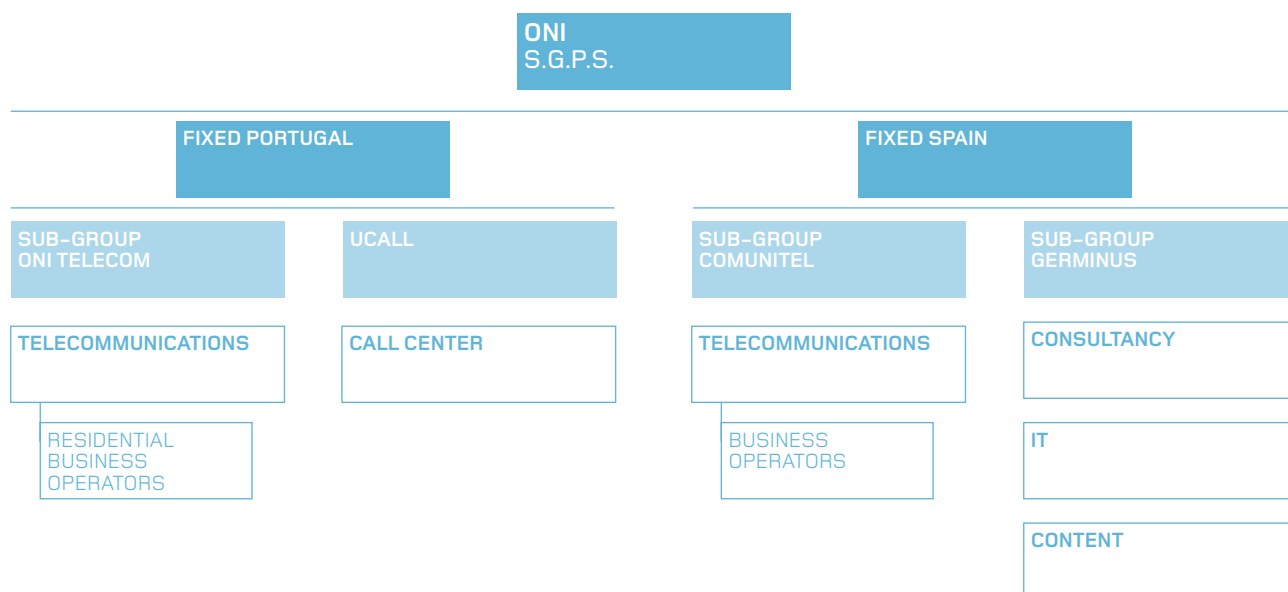
However, several constraints of a legal and regulatory nature still persist, many of which are recurring relative to previous years, amongst which:

- Lack of regulatory intervention on essential aspects of the wholesale ADSL supply and the effective control of non-discrimination in its implementation;
- Delay in the consecration of the co-mingling regime (the only one capable of making the process economically viable) and in access to the exchanges by the operators' own means, maintaining the non-definition over fundamental aspects of its effective implementation;
- Maintenance of high prices for reference supply in the access to the local loop and the manifestly inadequate service quality levels which are far removed from best European practices;
- Termination tariffs in the mobile networks which are the highest in the European Union (about 20% above the average and 50% above the best practice), while the overall average costs remained virtually constant in 2002, despite the expectations of a reduction created by the ANACOM's deliberation;
- Network interconnection tariffs payable to the incumbent operator which are globally well above the European averages and best practices (around 30% and 55% higher, respectively);
- Setting interconnection tariffs for access to the internet at levels above those applicable to the Fixed Telephone Service, with an increase in billing and collection costs of about 65% relative to those previously in force;
- Continuation of the discriminatory treatment of the new operators on the issue of licensing and municipal levies in the access to the public and private domain;
- Absence of measures against certain campaigns launched by the incumbent operator to recoup pre-selected customers and, in particular, the fixing of a period during which any contacts are prohibited on the part of that operator with the pre-selected customers for the other operators;
- Non-existence of a wholesale offer for the monthly fee for the incumbent operator's Fixed Telephone Service, coupled with the widening of the eligibility of the indirect access calls, so as to allow the new operators' customers to receive a single invoice, the lack of which is a major barrier to accession and affinity to the new operators.

Thus and in spite of the activity carried out in 2002, it has to be acknowledged that the principal constraints of a legal and regulatory nature to the sector's development are far from being surmounted.

ORGANISATION AND ACTIVITY

The ONI Group, in which EDP has a participating interest of 56%, is composed of a number of companies operating in the fixed telecommunications arena in Portugal and Spain and in complementary business areas (ex: call centres, internet projects, information technologies). At the end of 2002, the Group presented the following business organisation:



Fixed telecommunications

Despite the sector's specific difficulties and a tough economic climate, 2002 was a period of strong growth for ONI, having achieved a very positive turnover performance (close to EUR 300 million in aggregate terms) in parallel with the intensive drive targeted at cost containment and rationalisation of resources.

ONI maintained its market approach strategy, positioning itself as a global operator in Portugal (serving all segments: residential, business and operators) and a posture highly focused on Spain (directing its products exclusively at the business segment).

The present competitive situation in the residential market is intense, both on the part of the new operators and the incumbents, both of which launched loyalty campaigns and cut tariffs. Also noteworthy were the additional difficulties caused by the need to maintain two invoices for what the customer perceives as "the same service" (one issued by the incumbent operator for the basic charge and the other by ONI for communications). This duplicity has become the principal constraint for ONI.

One of the major investments in the residential segment in 2002 was the launching of the commercial offer for the internet ADSL service, at a time when the incumbent began to make available certain of its exchanges for ADSL access at an economically viable price.

As concerns the operators' segment, 2002 was characterised by a very positive trend, with turnover rising by more than 75% when compared to a year earlier to more than EUR 29 million and consolidating ONI's role as the carrier's carrier in the Iberian Peninsula.

This level of revenue was achieved by the consolidation of capacity and voice traffic sales and by technological innovation in a market hampered by adverse conditions, notably the bankruptcy of some global giants (eg: WorldCom, KPNQwest).

In the business segment, the objectives for 2002 centred on increasing market share, not only by the conquest of new customers, but also through greater penetration in the universe of existing customers.

In the large accounts, the main focus was on the disclosure of the data networks, a product of greater sophistication that permits higher levels of customer loyalty. In total, more than 160 medium-sized companies in direct voice access were signed up and more than 1 700 SME's in ADSL access.

In Spain, the Group's operations are centred at Comunitel, an operator with national coverage and whose products are targeted solely at the business segment. At the end of 2002, Comunitel acquired a stake in Ola Internet, a voice services company for SME's, that is, the same target segment as Comunitel.



This project seeks to consolidate itself from the market position already captured by Comunitel and by Ola Internet which jointly recorded aggregate revenues of some EUR 160 million, focusing on efficiency in order to attain short-term profitability.

The principal operating and financial indicators for ONI's fixed operation reflect a positive trend, exceeding 1,600 million voice minutes and 700 million internet commuted minutes. The number of customers with direct access (i.e. connected directly to ONI's network) climbed to more than 2 500.

and those associated with the cost of using the broad range of patents which are at the base of UMTS technology.

In view of the uncertainty concerning the availability of UMTS technology, measures required for pursuing the project were taken, namely, through the implementation of a national roaming agreement as part of the licence for the operation of international UMTS mobile telecommunications and the preparations for the commercial launch.

Operating indicators Telecommunications

	2002			2001			Δ% Total
	Portugal	Spain	Total	Portugal	Spain	Total	
Voice traffic (million mins.)	732.8	918.7	1 651.5	535.6	653.6	1 189.2	38.9%
Business	346.6	524.3	870.9	228.5	454.0	682.5	27.6%
Residential	286.4	-	286.4	250.0	-	250.0	14.6%
Operators	99.8	394.4	494.2	57.1	199.6	256.7	92.5%
No. of registered CLI's (thousand)	398.7	107.7	506.4	377.4	110.6	488.0	3.8%
Business	41,5	107,7	149,2	36,9	110,6	147,5	1.1%
Residential	357,2	-	357,2	340,5	-	340,5	4.9%
Traffic data							
Internet (million mins.)	703,8	45,4	749,2	551,4	38,7	590,1	27,0%
Business	54,6	45,4	100,0	35,5	38,7	74,2	34,7%
Residential	649,2	-	649,2	515,9	-	515,9	25,8%

These figures group the activities in Portugal (Oni Telecom and uCall) and Spain (Comunitel, Germinus and Tecnipublicaciones), but do not those of Ola Internet, bearing in mind that this company was only acquired at the end of December 2002.

Mobile/UMTS business

ONI Way's activity in 2002 suffered from two types of difficulties: on the one side, the delay in the development of UMTS technology and, on the other, not obtaining interconnection with the other mobile networks, thereby jeopardising the viability of ONI Way's entry into the mobile telecommunications market.

In fact, in 2002 the manufacturers of equipment continued to accumulate delays in the development of UMTS technology, above all in the aspects related to the inter-operability between systems. At the origin of these delays were, without doubt, issues relating to market contraction, difficulties in financing research and development activity experienced by the majority of technological companies, the standardisation of technology,

The argument advanced for the launching of activity as early as possible was the possibility of participating right from the very start in the voice and image services market, thereby avoiding the need for the existing operators to position themselves on the market, a situation that would otherwise make the attainment of the company's business plan more difficult or even place at risk its capacity to subsequently enter the market for these services.

In order to make the operation's launch possible, it was first necessary to obtain the relevant interconnection agreements with the mobile operators with no prospect of a possible refusal on the part of these operators, namely, taking into consideration the history of the implementation of mobile operators in Portugal.

Obviously, the previous appraisal of the roaming agreement by the Regulator also presupposed the recognition of ONI Way's right to interconnect with these operators, as can be construed from the Portuguese legal system and the obligations of other operators in their capacities as licensed entities.

ONI REINFORCED ITS NUMBER ONE POSITION AMONGST THE NEW FIXED-NETWORK OPERATORS

This recognition was confirmed by way of five resolutions passed between March and October 2002 by ICP - ANACOM with a view to interconnection, including exact dates for this matter to be resolved. However, an additional set of difficulties of an economic, financial, but essentially legal and regulatory nature, meant that the project's timely start-up was seriously compromised.

The refusal by some operators to grant interconnection prevented ONI Way from attaining the conditions indispensable for the functioning of the services it intended to make available on the market.

With the start-up of commercial operations seriously jeopardised, and all the initiatives and pressure mechanisms for the definition of a date on which the indispensable conditions for the launch exhausted, ONI Way suspended at the end of November the launch and began to act in conformity with the only two alternatives that appeared viable:

- On the one side, to suspend the company's activity until the verification of conditions that permitted the commercial launch of operations.
- On the other, to definitively close down activity and sell the assets allocated to it.

As concerns the first scenario, it became clear that the temporary suspension of activity would always imply significant additional investment and that it could have serious negative consequences, given that it would entail non-compliance with the licence conditions and would exacerbate the conditions for benefiting from a future launching.

In the scenario of the definite closure of activity, the individual proposals received from the national mobile operators for the acquisition of a significant part of ONI Way's assets would have to be considered and, in the case of one of them, a proposal for the acquisition of the company's share capital. In broad terms, these proposals would permit, in the eventuality of discontinued activity, a maximum global cash inflow of more than EUR 150 million from the sale of assets.

Therefore, in December and because either one of the two alternatives included a first phase centred on minimising the company's fixed costs, investments were temporarily suspended and negotiations embarked on for the modifications and/or cessation of important contracts for this purpose, namely, those relating to staff, respecting in all circumstances the protection of the investments already made.

Meeting in General Meeting already in January 2003, ONI Way's shareholders opted to cease the company's activity within the ambit of the licence granted to it for operating international UMTS mobile telecommunications.

In conformity with this decision, an application was made to the Minister of the Economy for the licence to be revoked. This application was approved by dispatch dated 13 January, with the ICP - ANACOM charged with performing the necessary acts to implement the execution of this ruling, notably, releasing the bank guarantee furnished by ONI Way at the time it was awarded the licence and the cessation of the obligations under the licence.

Subsequently, certain shareholders applied for a legal injunction from the Lisbon Commerce Court for the suspension of the company resolutions passed at the forementioned General Meeting. However, this action has not had any practical effect as regards the core issue, that is, closure of operations and the sale of the respective assets.



CAPITAL EXPENDITURE

The telecommunications services offered by ONI are supported by a modern infrastructure, encompassing the basic functions of transmission, commutation and access. Its growth is propelled by two basic factors:

- Geographical coverage of the range of services, striving to reach important business areas and minimising the associated operating costs;
- The maintenance of service quality indices, involving reinforcing the capacity to support the growth in volume and use of the services;

In 2002 the ONI Group outlaid a total of some EUR 70 million on the development of the Iberian networks, of which around 60% was spent in Portugal and 40% in Spain.

In summary, the ONI network is characterised by the following data:

Network Telecommunications

Backbone International	Backbone Iberia	MAN's / Local Loop
IRU's	Fibre optics	200 kms of fibre installed
London	approximately	in urban zones
Paris	4.500 kms in Portugal,	(MAN's)
New York	of which it owns 25%	
Latin America	IRU's on Iberian Peninsula	80 telephone exchanges
	4 rings with	equipped with DSL
	approximately	40 base stations FWA
	8.000 kms	
	Iberian Transmission Network	
	more than 200 PoPs	

Nota: IRU - Indefeasible Rights of Use
 MAN - Metropolitan Area Network
 PoPs - Point of Presence
 FWA - Fixed Wireless Access
 DSL - Digital Subscriber Line

HUMAN RESOURCES

2002 was marked by the reduction in the ONI Group's workforce in the light of its repositioning in the areas of the internet, information technologies and contents, decreasing from 1 413 workers at the end of 2001 to 1 326 at the close of 2002.

These numbers do not include ONI Way's employees who, at 31 December 2002, numbered 291 people, nor those of Ola Internet (acquired towards the end of December 2002) and who at the same date totalled around two hundred.

INFORMATION TECHNOLOGIES

EDINFOR GROUP

EDP's presence in the Information Technologies (IT) arena is undertaken by EDINFOR - Sistemas Informáticos, S.A. as the Group company specially geared to operate in this business area. This company, directly or through its subsidiaries, has been gaining in importance, both in the global provision of services to the market in general, and in lending support to the EDP Group. Possessing specialised know-how and a complete product range, EDINFOR is considered to be the national leader in systems integration services and IT consultancy. Consolidated revenues in 2002 were in the region of EUR 238 million.

EDINFOR has a solid and profitable business base. It offers a strong array of products in the most interesting business areas and has a broad customer base outside the EDP Group in the most attractive segments.

Information technologies market

2002 registered a global economic slowdown with direct repercussions on the IT sector. In Portugal, the restrictive measures adopted by the government and companies also had a direct impact on this sector. Notwithstanding the unfavourable environment, EDINFOR was able to expand during the year with balanced results.

Despite the current difficult period, the IT market in Portugal continues to be characterised by great potential for development, and is expected to outstrip the European average until 2005. The chief growth drivers in the market will be software and services, with the latter being the most appealing segment where EDINFOR is the leading player.

Supply has been consolidating on the Portuguese market, being presently dominated by companies which have adopted the "one-stop-shop" model. This business model is expected to gain momentum in Portugal, accompanying the overall trend in the European Union. In this scenario, EDINFOR has the conditions to gain critical mass and assert itself as a major Iberia-wide company.

Strategy

The spectrum of products and services that EDINFOR currently sells is so comprehensive that it covers the greater part of companies' needs in the IT sector. This fact is conducive to the pursuance of a one-stop-shopping strategy, providing complete solutions and thus constituting an important factor capable of generating substantial value added. In this regard, EDINFOR followed this strategy in 2002, further cultivating the commercial relationship between all the companies controlled by it, galvanising skills and resources in order to deliver complete solutions.

The principal focus was on large companies and complex organisations, consolidating its presence in existing segments such as Utilities and Public Administration, while at the same time paying attention to other areas, namely, Health, Social Security, Banking, Telecommunications, Defence, Air and Sea Navigation, Commerce and Distribution.

EDINFOR intends to continue expanding, both organically and through acquisitions that can lead to the development of critical competencies and greater speed in capturing market share.

The sustained growth strategy is aimed at achieving the critical mass needed for achieving the desired success, underpinned by a number of the company's strong points:

- Full outsourcing offer directed at the large and medium-sized companies;
- Strong technological know-how with highly-qualified specialists in the various areas;
- Important customer base, growing and diversified, in several important sectors of the economy;
- Infrastructure of the Data Processing Centre, which is one of the largest and best equipped in Europe;
- Vast array of renowned international partners in the technical and business areas (SAP, IBM, Oracle, Navision, Microsoft, HP/COMPAQ, Cisco, Accenture, SmallWorld, etc.).

Business development

Of particular note during the year under review were the efforts targeted at achieving greater efficiency and lower costs, in articulation with the EDP's initiatives on this issue, with emphasis of structural reorganisation measures and benchmarking studies.

EDINFOR, S.A. took major steps with regard to its business reorganisation and development towards a holding company structure and the creation of autonomous business units in certain cases.

In the ACE sub-holding's companies, work continued on consolidation and internal restructuring with a view to reducing the number of companies. The main priorities were strengthening commercial capability and improving efficiency with the object of simplifying and lightening the existing organisation and facilitating the mobility of intercompany resources.

Principal activities

EDINFOR operates in six distinct business areas: consultancy and systems integration; outsourcing of processes and applications; information technologies infrastructures; geo-referenced solutions; graphic and finishing solutions; and complementary processes.

a] Activities outside the EDP Group

In the Central Public Administration, a solution was developed for content management for the corporate portal of the Citizens Shop and mySAP.com solutions implemented in the Financial Management System (SIF - Sistema de Gestão Financeira), which had as the domain all the Institutions of the Social Solidarity and Security System, in the back-office function, and in the Contributors Management System (SGC - Sistema de Gestão de Contribuintes) with the implementation of a single national system for the management of contributors.

In Local Public Administration, various solutions were implemented for managing the commercialisation of water and gas for some companies and for SMAS (Sintra Municipal Water Services). Another noteworthy project was the SAP R/3 solution for the Madeira Regional Legislative Assembly. In geo-referenced solutions, EDINFOR managed the largest national project for the production of large-scale digital cartography for national municipal councils, in liaison with municipalities and public entities from the sector.

A number of important applications were developed and services of high technological requirements were provided in sectors as diverse as banking and financial services, commerce and distribution, transportation services, health and social security and telecommunications.



OUR TURNOVER EXCEEDED EUR 6 300 MILLION

In the area of Utilities, of special note was the implementation of a SAP R/3 system and several important projects which included an e-learning solution, an Extranet, as well as support and maintenance of the Customer Management Information System (Sistema de Informação Gestão de Clientes - SIGC).

For virtually all the abovementioned markets and other business areas, graphic and finishing solutions were developed through the subsidiary Copidata and the Finishing Centre. Besides its traditional activity, Copidata sought to expand into new markets and business areas, while the Finishing Centre participated in the IT development of new publishing solutions, amongst which those directed at the BCP Group.

On the external market, it is worth citing the participation in two e-learning projects for European Commission initiatives, the development and implementation of a SAP/R3 solution for the Bank of Mozambique, the participation in the major MERCATOR project of EdF/GdF (Électricité de France/Gaz de France) for geo-referenced solutions with large international companies, and in Brazil, the implementation of an attendance Help Desk which serves all the EDP Group companies in Brazil.

b] Activities for the EDP Group

In corporate applications, the main highlights owing to their scale and strategic importance were the provision of outsourcing services which permitted the operation, management and maintenance of the large corporate applications

Management Support Information System (SIAG - Sistema de Informação de Apoio à Gestão), known in short as the Navigator Project) and the Commercial Management System for Distribution (SGCD/ISU - Sistema de Gestão Comercial da Distribuição), known in short as the "Customer More" Project, both using SAP R/3 technology and designed firstly for all the EDP Group companies and secondly for EDP Distribuição.

Also worth mentioning was the conclusion of the commercial management system for the customers of EDP Energia (SGTBI). This system encompasses specific modules, such as the pricing models and energy consumption profiles. It is envisaged that in 2003 a new contracting model for the commercial system will be implemented and the integration of modules, such as the CRM and pricing models, in tandem with the maintenance and support for the system already in production.

In the outsourcing of distributed infrastructures management, a master contract was signed with the EDP holding company, while in the networks and communications networks area, numerous projects were carried out for a large number of Group companies.

Also to be highlighted was a series of activities underlying the "Geo-EDP" Programme, as well as the implementation of the "RedeActiva" project for EDP Distribuição, in the area of geo-referenced areas, the development and implementation of the Group's corporate Intranet and the ongoing maintenance of EDP's corporate site.

Turning to EDP Distribuição's Call Centre services, besides the technical management of the entire infrastructure, the functioning of the automatic meter-reading reception system was consolidated.

In the e-learning domain, a strategic study was conducted for the implementation of a global solution within the EDP Group and several specific programmes produced, amongst which the "Maestro" for the development of Leadership skills for managers and senior staff, "Polaris" for training within the ambit of the Navigator project and "Electrical Risk" for training at EDP Distribuição.

B2B PLATFORM

2002 was a difficult year for the company Central-e. The goals which ForumB2B.com set for itself at the beginning of the year were not met as regards turnover. Results were below those projected at the start of the year, forcing cost reduction measures during the course of the year, culminating at the end of the year in a decrease in personnel. Contributing to this scenario was the deceleration in economic activity in Portugal

throughout the year, marked by cutbacks in public and private spending in these areas.

Despite the unfavourable economic landscape, Central-e's turnover exceeded EUR 800 thousand, while forumB2B.com affirmed itself as a benchmark on the national Business-to-Business market.

An electronic purchasing solution was implemented at ONI and a pilot project of forumB2B.com's electronic purchases installed at CME.

An important international auction was held for the adjudication of the contract for changing the image for Galp Energia's 1 000 petrol stations. Another auction was launched for CME for the adjudication of material for subcontracts.

[SUPPORT SERVICES: CREATION OF EDP VALOR

In the wake of a series of internal reorganisation initiatives which the Group has carried out in recent years – the creation of EDP Distribuição by the merger of the previous four distribution companies, the creation of EDP Produção and the in-depth overhaul of corporate information systems – all directed at providing additional efficiency gains, the Group unveiled

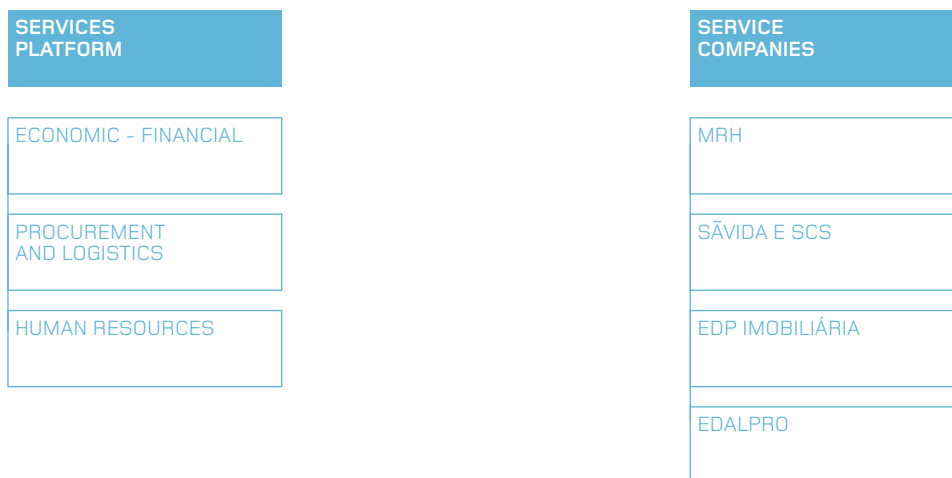
a project for the creation of a shared services structure, leading at the end of 2001 to the creation of EDP Valor.

EDP Valor is a sub-holding company to the extent that it encompasses companies offering transversal services already in existence at the date of its creation – Sãvida, SCS, EDP Imobiliária, EDALPRO and MRH – operating in the area of health, real-estate management and promotion and training. As a shared-services structure, EDP Valor is founded on three service platforms: PEF – Plataforma Económica e Financeira (Economic and Financial Platform), PAL - Plataforma de Aprovisionamentos e Logística (Procurement and Logistics Platform) and PRH – Plataforma de Recursos Humanos (Human Resources Platform). It has as its principal objectives:

- The optimisation of processes and systems;
- Maximising synergies in the provision of support services, transversal to the business;
- The centralisation of back-office services;
- The centralised negotiation and procurement of goods and general services in the Group;
- The standardisation and rationalisation of functions in a global Group perspective.

EDP VALOR GESTÃO INTEGRADA DE SERVIÇOS, S.A.

PLANNING AND CONTROL OFFICE
ORGANISATIONAL DEVELOPMENT DIVISION
CUSTOMER SERVICE OFFICE





EDP Valor commenced its activity at the beginning of 2002, having extended its perimeter of involvement during the year through the Platforms to the electricity companies in Portugal. This phase ended in February of the current year with the complete integration of the services of the two principal customers: EDP Produção and EDP Distribuição.

During this first year of existence, EDP Valor has already taken significant steps towards fulfilling the mission entrusted to it and well in line with the reference theme adopted “We integrate knowledge; we create Value”.

It played a particularly key role in the adoption of measures for reducing costs in the Group, acting in priority areas where it was foreseeable that, as a result of centralisation, substantial savings could be generated. This was the case in areas such as fleet management, real estate and space management, communications and other supplies of services whose reorganisation or contract re-negotiation have already had some financial impact in 2002, although the full effect will be felt in 2003 and following years.

To this extent, EDP Valor affirms itself at the organisation’s level as a privileged support instrument for the “Efficiency Programme”, itself being an all-embracing programme and mobilising force for the entire Group with a view to listing and implementing measures inducing efficiency gains and cost reduction.

At the end of 2002, EDP Valor had in its service 531 employees, having as a result of the functions integrated so far released 145 employees who, in the meantime, were deployed in other functions at their respective companies.

PROVISION OF HEALTH-CARE SERVICES

The provision of health care to the majority of EDP Group employees, retirees and pensioners in Portugal is undertaken by Sávída and by SCS - Serviços Complementares de Saúde, two companies forming part of the EDP Valor universe.

Sávída is responsible for primary health care – General Clinic, Paediatrics and Work Medicine – while SCS provides health care in specialised areas. SCS corresponds, in fact, to an initiative embarked on by Sávída in 2002, with the aim of having a more flexible business structure, capable of conceiving innovative solutions in an area where significant changes are under way. On the other hand, it sought to release Sávída in order to concentrate on its original mission: the direct provision of primary health care.

WE BASE OUR
CONDUCT
ON IDEALS
OF BUSINESS
CITIZENSHIP,
QUALITY
AND COMPETENCE

In 2002, Sávída was responsible for the health care of some 65 thousand users with an average age of 47. To this end it counted on 120 medical suites at 57 points spread around the country and close to the installations where users (EDP Group employees) carry out their activities.

At the end of 2002 Sávída’s staff complement included 30 doctors and 28 professional nurses, at the same time resorting to more than 220 doctors and 130 nurses on a service contract basis.

SCS’s activity effectively started in August 2002, having assumed from then the entire organisation of health care services in the specialised medical area in the southern region, previously undertaken by Sávída. As from that time, SCS assumed the mantle of Sávída’s special services supplier on the basis of a specific service contract which seeks to preserve the quality of service provided to users.

Notwithstanding the fact that both Sávída and SCS are involved in the “Efficiency Programme” and adopted specific measures in order to reduce the cost of providing medical aid, rationalising services and encouraging the better deployment of resources, without putting into question the overriding quality ideals.

TRAINING ACTIVITIES

Training activities are carried out by the Group companies in the areas referring to their specific businesses. However, as regards training in transversal subjects, these activities are realised or coordinated by MRH, an EDP Valor universe company, as concerns the companies operating on the Portuguese market.

MRH's activity in 2002 was influenced by a number of significant factors and circumstances in the training areas, notably:

- The project for the creation of EDP Valor itself, which led to a reappraisal of the most appropriate manner for the conducting vocational training activity at the Group;
- The important cutback in training investments on the part of certain Group and non-Group companies stemming from cost-cutting measures or the end of the more intensive training phases of a few specific projects (Navigator, Customer Plus and Qualification of Distribution Subcontractors, for example);
- The confirmation both as regards external entities and at EDP Group level, of distance training with support in information (IT) and communication technologies (e-learning).

In this context, MRH carried out in 2002 a very significant series of activities, amongst which:

- Certifications and accreditations by external entities

MRH had its quality management system certified by APCER, and saw its accreditation as a training entity renewed by ANEFA as the entity promoting a Centre for the Recognition, Validation and Certification of Competencies (CRVCC);

- Vocational training activity

Despite the retraction noted in the market when compared with the preceding year, the volume of attendance training conducted in 2002 was even more significant, reaching a total of more than 130 000 hours, involving around 6 700 trainees. The portion of training directed at the market outside the EDP Group represented about 44% of the abovementioned total volume. In this regard, of special note was the organisation by CERTIEL (Associação Certificadora de Instalações Eléctricas) of a new series of information and awareness seminars aimed at installers;

- Activities of the RVCC Centre in Seia

Following MRH's accreditation as an entity promoting a Centre for the Recognition, Validation and Certification of Competencies, MRH initiated this activity in the first phase limited to the Seia municipal area and, later, directed at EDP Group employees. At the end of the year, 163 candidates had registered, of whom 41 were in the process of analysis;

- Innovation, research and development activity

Also in the sphere of R&D projects, mention is made of MRH's participation in the community project Alfanet, for the development of an adaptive e-learning platform in which it led the study into the characterisation of the needs of various user groups. A pilot demonstration version is in the process of being prepared.

MANAGEMENT OF REAL-ESTATE ASSETS

The EDP Group has two companies dedicated to fixed-property management: EDALPRO and EDP Imobiliária.

The first-mentioned undertakes the management of the social housing estates and the surplus rustic and urban buildings belonging to the hydroelectric and thermoelectric power facilities. The second company is responsible for upgrading, promoting and sale of the Group's surplus properties.

In 2002, EDP Imobiliária sold various office buildings and land plots for about EUR 80 million, realising capital gains for the Group of EUR 31 million.

In the area of enhancing property values, work continued on the licensing and drawing up of projects at various locations, having obtained approval for 2 requests for prior information and a township permit.

These plots, in respect of which the surface building capacity is more than 140 000 m², will be sold as soon as they attain their maximum appreciation potential.

In line with the delineated programme, EDP Imobiliária managed the remodelling work at the Group's head office at the Praça Marquês de Pombal, in Lisbon, and the construction of the Arregaça office building in Coimbra for the EDP Distribuição Centre. This property is designed to accommodate these services and will free two of the company's own and one rented office buildings.

For its part, EDALPRO continued to organise the registration of assets, the management of infrastructures of social-housing



suburbs and the identification and control of local authority rates of surplus properties.

In 2002, steps were taken for the licensing by local authorities of certain suburbs lacking the proper township procedures with a view to putting matters into proper order so as to sell these dwellings to the respective users.

EDALPRO also sold buildings owned by it, namely, those of “Tabaqueira” in Matinha, and the building on Av. Casal Ribeiro, 50, to the EDP Pension Fund, from which was realised an extraordinary income of almost EUR 9 million, thereby creating the conditions for the company’s integration into EDP Valor at minimal cost.

Generally speaking, EDALPRO’s intervention in the Group’s surplus buildings continued to be governed by a policy of containing the costs of residential infrastructures by means of control and adjustment, as well as through the sale to users whenever possible.

WE
INCORPORATE
THE ENVIRONMENT
AS A STRATEGIC
VALUE OF OUR
BUSINESS



2.3

THE EDP GROUP'S MANAGEMENT POLICIES

[CONTROL OF BUSINESS RISK

MANAGEMENT OF ACTIVITY RISKS

The existence associated with claims for unforeseeable and unquantifiable losses, sometimes higher than the costs indemnified, obliges the EDP Group to increasingly look for greater control of the various risks associated with its activities.

To this end the EDP Group has always relied upon a specialised structure in the area of prevention and security – the Intercompany Prevention and Security Service, whose action is geared towards:

- Ensuring a safe and healthy work environment for its employees, applying legislation in force;
- Promoting training and information relating to the risks attaching to the activities amongst all employees, making them aware of the need to comply with safety standards;
- Protecting the installations and equipment so as to ensure adequate safety conditions;
- Minimising the risks to people and the environment that may stem from the conduct of its activities.

In 2002, reinforcing the activities carried out in previous years, the EDP Group promoted a number of initiatives aimed at evaluating and controlling existing risks, but also making personnel aware of possible action and prevention attitudes.

Of these initiatives, the following are referred to by way of example:

- Creation, within the ambit of EDP Valor, of a Risk Management Department which, besides monitoring and promoting, in conjunction with the other Group companies, actions aimed at controlling operational risk and respective claims record, advises the Board of Directors in the negotiation and contracting of insurance;
- Creation, within the ambit of EDP Produção and by virtue of its business activity, of an Industrial Risk Council with the mission of, amongst other activities, monitoring the implementation of the best management practices relating to the control, prevention and mitigation of industrial risks;
- Promotion, with the support of international specialists, of risk audits of work premises and conditions, issuing reports which simultaneously detail the existing situation and present recommendations with a view to curbing risks and improving safety conditions at installations,
- Implementation of the recommendations emanating from the abovementioned audits;
- Realisation of gatherings devoted to safety with the participation of specialised external entities, designed to share experiences and best practices in this domain.

All the initiatives in the area of operating risk management counted on the strong involvement of the Group companies' senior managers who, simultaneously, have been monitoring the evolution and profile of the claims record.



Bearing in mind that, even with a proper system of operating risk management, it is not possible to eliminate the occurrence of incidents, the EDP Group has always effected the transfer of part of these risks through the contracting of insurance cover.

With a view to an appropriate management of costs and risk sharing, a captive reinsurance company was formed in 1994 within the core of the Group - Energia RE – headquartered in Luxembourg (European centre specialising in this area of activity), enabling the EDP Group to obtain, amongst others, the following benefits:

- Standardisation of the insurance programme;
- Direct access to the international reinsurance market;
- Retention of part of the risk, through primary policies for material damages, equipment breakdown and public liability;
- Control and stability of insurance costs.

Seeking to take maximum advantage of the synergies associated with its size, the EDP Group negotiates and contracts centrally a global insurance package which covers the following risks: property damage, public liability (general and that of directors and managers), human resources (work and personal accident) and vehicles for all the business areas.

MANAGEMENT OF FINANCIAL RISKS

In the EDP Group's financial activity, risk exposure lies essentially in the debt portfolio and consists of interest rate risk, currency risks and, to a more limited extent, in the risk of counterparty default.

EDP manages interest rate risk through the use of derivative interest-rate instruments. These operations have as their objective reducing financial charges and/or limiting the impact on financial charges of variations in market interest rates. For this purpose, EDP has conducted swap operations converting fixed into variable interest, as well as some more structured operations incorporating caps. All the operations are realised over existing liabilities in the Group's debt portfolio and involve seamless cover, matching the payment/receipt dates of the hedging operation to the underlying debt, taking consideration their capital repayment profile.

Presently the EDP Group's exposure to currency risk, in terms of debt, results from the consolidation of the Brazilian companies which have debt denominated in foreign currency, namely,

American dollars given that all the debt contracted by the holding company is denominated in euros. EDP monitors the evolution of the BRL/USD and USD/EUR exchange rates and seeks to identify ways of covering/mitigating the impact of currency variations on these companies' financial charges, and consequently on their consolidated results through derivatives or the restructuring of these debts.

In this context and with the objective of reducing currency risk on the EDP Group's debt associated with Escelsa, a repurchase of the Senior Notes denominated in dollars operation was realised. In this way, it was possible to effect cover, in consolidated terms, of Escelsa's debt in dollars.

In terms of counterparty risk, in the negotiation and contracting of all financial operations, whether debt or derivatives, EDP takes into account technical capacity, competitiveness, credit rating, as well as EDP's exposure to this entity so as to avoid concentration of counterparty risk.

Another risk that has been gaining in importance recently is documentation risk and, in this respect, EDP has adopted market standards whenever possible. In this perspective, all derivative operations are contracted in accordance with the ISDA MASTER AGREEMENTS, while bonds are issued through its Programme for the Issuance of Debt Instruments.

As regards derivative operations, it should be mentioned that all operations require Board of Directors approval, which defines the operation's parameters in such a manner as to permit its execution on the market under the best conditions. EDP's policy is only to effect operations for hedging purposes, thereby excluding outright the possibility of any speculative operations. The operations are monitored during their life and their efficacy in the continuous pursuance of risk control and cover periodically assessed, as well as the market value of the contracted instruments so as to support decisions of continuity or alterations to the operations realised.

MANAGEMENT OF ENVIRONMENTAL RISKS

The EDP Group has had an Environmental Policy since 1994, publicly assumed by the Board of Directors. This policy addresses the principal environmental issues associated with the Group's activities and lays down voluntarily the Environment as a management objective.

EDP possesses an Environment Board, a statutory body with consultancy functions, composed of independent and acknowledged experts, which advises the Board of Directors on the definition of strategic guidelines and issues

recommendations on new projects having a major environmental component.

The organisation of the environmental function at the EDP Group takes into account the need to guarantee an integrated corporate vision and the accountability of each one of the companies for their environmental performance. At holding company level, the Environment Office lends direct support to the Board of Directors and is responsible for the general coordination of environmental activities throughout the Group. As concerns the generating and distribution companies, these have their own environmental competencies and structures, responsible for defining specific guidelines and for the action programmes which ensure improvement in environmental performance.

EDP strives to respond to the evolution in environmental regulation, at European and national level, in a proactive fashion. Accompanying at close quarters legislative developments, the company aims to anticipate future regulatory changes and evaluate in good time the respective impact on its activities.

The control of risk associated with environmental damage is effected by means of environmental protection measures implemented at EDP's installations, in particular, at those deployed in electricity generation and distribution. In order to manage in a systematic manner the various environmental aspects of its operations, EDP possesses a programme for the progressive implementation of the Environmental Management System.

Ever since 1997, EDP has published annually an environmental report which gives detailed and quantified information about the company's environmental strategy and performance. Since the 2001 edition, the report is prepared along the guidelines defined in the Global Reporting Initiative, the most important standardisation initiative on environmental and sustainability reporting worldwide. The environmental report is published and disseminated simultaneously with EDP's Annual Report. It is also available in the full version on EDP's internet page. The 2001 edition was awarded the first prize in the IV National Award for Environmental Reports organised by the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas).

CONTROL OF THE EDP GROUP'S MANAGEMENT

The EDP Group is organised into sub-holding companies, according to type of business, which group the companies which pursue the different specialised activities:

- EDP Produção;
- EDP Distribuição;
- EDP Valor;
- EDP Brasil;
- ONI, S.G.P.S.;
- Edinfor;
- EDP Participações, S.G.P.S..

The management bodies of each one of these sub-holding companies include and are chaired by members of the EDP parent company's Board of Directors which appoints the respective supervisory bodies.

The EDP Group has for management and internal control purposes a Management Control System, which contemplates three principal components:

- The first is responsible for the preparation for all the Group's companies and once a year, of a Business Plan and a Pluri-annual Investment Plan, both for five years and, an Operating Plan and a Budget, these two on a yearly basis. These documents are drawn up on the basis of centrally-delineated goals which, after concluded, are validated and formally approved by the respective Board of Directors. The annual documents are then subjected to a consolidation process at sub-holding company level and thereafter at the Group holding company level, and are also subjected to validation and formal approval by the respective Boards of Directors.
- This system's second component translates itself into the conduct at each one of the companies and at sub-holding level of a monthly review of the compliance with the Operating Plan and Budget, with the consequent introduction if necessary of corrective measures.
- The third and last component of this system entails the realisation of meetings every four months between the holding company's Board of Directors and that of each one of the sub-holdings, held exclusively for the purposes of gauging the degree of compliance with the centrally-defined objectives.

EDP, as the Group's holding company, has also implemented an Internal Control System, in whose monitoring the Internal Audit Office (Gabinete de Auditoria Interna - GAI) participates



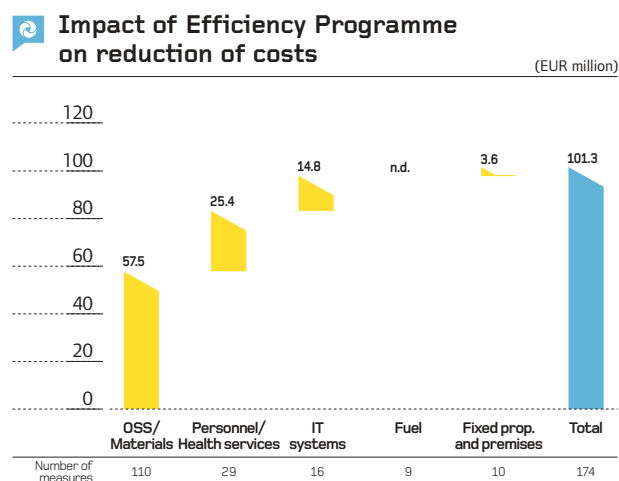
and which functions alongside the Board of Directors. The GAI also has responsibilities in the management, analysis and control of business risks and, in cooperation with the Board of Directors of the Group companies, in the systematic implementation of the procedures for identifying and evaluating the risks associated with the respective activities.

[EFFICIENCY PROGRAMME

The objective of improving the quality of service provided to customers and the need to ensure the sustained creation of value for the shareholders against a background of the growing liberalisation of the continental European energy markets, and in particular on the Iberian Peninsula, has dictated the implantation of new management processes at the EDP Group.

The “Efficiency Programme” in its role as a project geared to the quest for best practices in the realm of cost control and productivity, and also as an instrument for fostering a permanent attitude of change, was implemented in July 2002. It has revealed itself to be a fundamental initiative, enabling the Group to create the conditions for dealing with the new competitive environment that is approaching.

In order to attain the objectives advanced under the programme 15 initiatives were launched involving more than 100 employees from the Group’s various companies based in Portugal, Spain and Brazil. The intense work realised led to the identification of 174 Measures in the most diverse areas of activity, responsible for a potential reduction in the Group’s costs of more than EUR 100 million. However, this potential will only materialise during 2003 and 2004 with the implementation of the approved measures.



In the meantime in 2002 it was possible to attain the Programme’s short-term aspiration – to maintain the principal operating costs of the principal business units at their 2001 levels – through the creation of an adequate organisational culture centred on the rigour and urgency of cost control.

Having overcome the first phase of analysing and conceiving the measures, during which the conduct of work was of necessity centralised, a new stage was entered into that strives to ensure the integral materialisation of the identified potential for cost reduction and the assimilation of the Programme’s spirit, principles and methodology at all the Group’s companies. For this purpose, “Efficiency Committees” were formed at four of the principal business units (EDP Distribuição, EDP Produção, EDP Valor and Edinfor) and employees appointed to assume responsibility for the implementation of each one of the measures. Every effort will continue to be coordinated by the EDP holding company’s Executive Committee and by the Programme’s Monitoring Committee, composed of senior staff drawn from the various companies with the goal of ensuring the Programme’s coherence.

In parallel, specific initiatives are being carried out at the Group companies in Brazil – EDP Brasil, Bandeirante, Escelsa and Enersul –, where there is a perception of significant potential, but which will only be possible to determine during the first half of 2003.

The Programme also developed methods for harnessing synergies between the Group companies and the identification of best internal and external practices, encouraging the systematic recourse to benchmarking as a fundamental tool for the detection of practices to be implemented at the EDP Group.

Finally, new processes were launched in the domain of human resources management that will contribute over the medium term to a sustained rise in the EDP Group’s productivity.

[HUMAN RESOURCES

In an open economic system undergoing permanent change, the survival and prosperity of organisations depends on their capacity to adapt to markets and on the solutions they find to confront these challenges.

During 2002, the EDP Group was marked by strong organisational alterations that it attempted to accompany with the development of Human Resources Management processes, bearing in mind that the difference will be made with and through people.

STEERING CHANGE

In this sense, the creation of EDP Valor as a service company for the entire EDP Group engendered a profound reflection over operating procedures and methods, namely in the Human Resources (HR) area and the support systems for its activity. Furthermore, the organisation implemented in the respective platform has reinforced the Group concept, securing substantial cost reductions. During the course of 2002, the instruments of adaptation to the alterations that have already occurred or still expected to occur on issues of a social nature, notably in the areas of social security payments and health policy, were prepared and are in the conclusion phase in order to be integrated into the negotiating agenda for the revision to the ACT (Collective Employment Agreement).

The efficacy of human resources management policy demands permanent action over the instruments which sustain it, adapting their harmonisation to the specific needs of each company.

The adoption of SAP as the platform for the corporate information systems endowed the EDP Group with an instrument capable of implementing a new type of flexible organisational structure, integrating also HR's central processes and enabling increased collaboration and accountability amongst employees, line managers and human resources structures.

2002 was marked by the company's rejuvenation with the admission of 180 new employees to the Group.

The policy of the EDP Group's staff adjustment was centred on functional and geographical mobility, aligned with business development and the overall reduction of costs, resulting in the following employee distribution by areas of activity:

Number of employees EDP Group

	2002	2001	2000	Δ%
Electricity	13 848	14 346	10 533	-3.5%
Portugal	9 106	9 382	10 526	-2.9%
Generation	2 115	2 172	2 272	-2.6%
Distribution	6 979	7 172	8 221	-2.7%
Commercialisation	12	38	33	-68.4%
Spain ⁽¹⁾	1 116	1 104	-	1.1%
Generation	620	618	-	0.3%
Distribution	388	396	-	-2.0%
Commercialisation	108	90	-	20.0%
Brazil ⁽¹⁾	3 626	3 860	7	-6.1%
Bandeirante	1 345	1 471	7	-8.6%
Escelsa	1 353	1 411	-	-
Enersul	928	978	-	-5.1%
Hidrocantábrico - Other ⁽¹⁾	241	232	-	3.9%
Brazil - Other	65	41	7	58.5%
Telecommunications	1 617	1 719	558	-5.9%
ONI Fixed	1 326	1 413	557	-
ONI Mobile	291	306	1	-
Information technologies	1 713	1 551	915	10.4%
Other ⁽²⁾	971	639	567	52.0%
TOTAL	18 455	18 528	12 580	-0.4%

(1) Includes the total number of employees in 2001 and 2002 for purposes of analysis.

(2) Includes employees working at EDP Valor, EDP, S.A., EDP Águas, Valorágua, EDP Internacional, Internel, EDP Serviner, Labelec and EDP Estudos e Consultoria.

In the pursuance of the Human Resources Policy defined for 2000 - 2002, the Integrated Management of People project (GIP - Gestão Integrada de Pessoas) was launched with the goal of promoting:

- Strategic consistency and alignment of all the human resources management of policies and procedures at all the EDP Group's core business companies;
- Superior performance standards, maximising the effectiveness of companies and boosting the EDP Group's productivity and profitability;
- Development of leaders for the company's management through people management.

The model now in the implementation phase constitutes a global instrument for the companies, integrating the HR policy measures based on the Management of Competencies and on the formulation of objectives and respective degree of realisation in the activities generating value for the companies.



“More youth for a new strategy” was the motto driving the EDP Group’s presence at employment fairs staged by universities.

In 2002 the Group presented itself to various universities around the country and in certain cases launched a programme of traineeships for electrical engineering final-year students 2002/2003, having selected 13 finalists with high potential for conducting studies of mutual interest.

Besides the social importance which this openness to universities represents, affording a useful link between both parties, this policy has enabled the Group to attract the best students, thereby contributing to reinforcing the Group’s image as a vehicle for privileged professional realisation.

EDP participated in the initiative Global Management 2002 (“Gestão Global 2002”), through 10 teams from various Group companies, of which one was composed solely of EDP personnel and nine made up of one EDP employee and five students from a number of universities in the north and south of the country (from Oporto to Faro).

This participation led to a better knowledge of skills and the specific training of the participants, and strengthened the company’s image not only at the universities involved but also externally through the events staged by the organisation which counted with the participation of EDP directors.

The interaction between students and EDP staff resulted in the exchange of knowledge and experience that were fruitful for both sides. The involvement and results obtained encouraged the staging of a similar initiative scheduled for 2003.

Welcoming sessions were held for receiving the Group’s new employees, with the aim of affording a better and quicker approximation by the new employees to the companies’ reality. The goals of these initiatives were attained and achieved a high level of satisfaction amongst the participants.

PREVENTION AND SAFETY ACTIVITIES

EDP regards safety as an essential component of management and its responsibilities to society and its employees.

Reaffirming the will to constantly improve safety conditions, with a view to the sustained pursuance of the “Zero accidents” goal, intense activity was developed in the strategic, harmonisation and operational fields, notably:

- The revision of Safety Policy;
- The holding of the III EDP Seminar on Safety at Work;
- The adaptation of the Safety Management System,
- Standard-setting and training activities

In the last-mentioned case, of special note was the revision of the “Manual for the Prevention of Electrical Risk” and the institution of two new prevention mechanisms which are expected to constitute a major contribution for minimising accident risks: the “Qualification Title” and the “Safety Passport”.

The “Qualification Title” is a certificate recognising the holder’s competence for executing certain types of work at electrical installations.

The “Safety Passport”, the implementation of which will take place in a progressive manner until the end of 2005, and is required of workers from EDP Group subcontractors, represents a confirmation that the bearers have acquired through training a set of basic skills in safety matters.

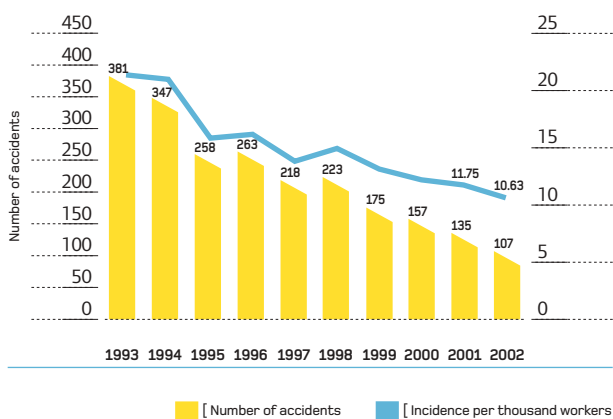
Around 2 300 workers attended training or awareness courses in the area of Safety at Work, at the same time as a platform was prepared for training by means of e-learning, associated with the Manual for the Prevention of Electrical Risk.

Safety-related results, measured in terms of the usual numeric indicators, evidenced a significant decrease in the number of work accidents (at work), resulting also in a clear improvement in both the frequency^[1] and the gravity^[2] indices, thus vindicating the efforts made in this connection.

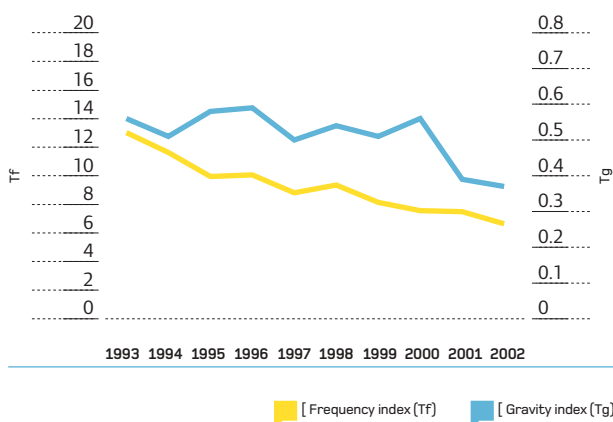
^[1] Number of accidents with sick leave per million hours

^[2] Number of days lost per thousand hours worked

Number of accidents and incidence per thousand workers



Frequency and gravity indices



[INFORMATION SYSTEMS

As instruments inducing efficiency and consistent supports for the various decision-making levels, the Information Systems acquired particular importance in the context of growing liberalisation and competition. This conclusion led to the substitution with effect from 2001 of numerous heterogeneous systems functioning at the majority of the Group’s companies in Portugal since the end of the 1980’s.

A NEW INTEGRATED MANAGEMENT SUPPORT SYSTEM

The new Integrated Management Support System run on the SAP R/3 platform embraces various functions and, in particular,

Human Resources Management; Financial and Management Accounting; Materials Management; Fixed Assets Management; Treasury Management and financial flows; Group Internal Sales; and Management of Investment Projects and Maintenance Works.

This platform also supports in an integrated manner the preparation and monitoring of the Group’s Operating Plan and Budget.

Giving compliance to the two-stage Implementation Plan and after the first stage was accomplished in 2001 as scheduled, the System entered production in 2002 at a second group of companies. Owing to the complexity of the specific development for the handling of information in the technical area and the interconnection to its own system, special mention is made of the new system’s commissioning at EDP Distribuição. This event and the preparation of the 2003 Operating Plan and Budget posed a special challenge to the respective project team and the company in the following facets: analysis and communication, training and structured monitoring of users, and the monitoring of the System’s performance and quality of production.

Also worthy of mention due to the innovation and the rationalisation of time and resources, was the launch of an e-learning platform for training employees at the most diverse levels and the technical updating of information system users.

Functioning at the EDP holding company, EDP Produção, EDP Distribuição and at all the service companies, and having identified the critical transversal processes, the system began to be monitored in greater depth with the object of optimising the quality of services, characterised primarily by availability and response times.

In Brazil, Bandeirante Energia similarly carried out a substitution and modernisation project based on the SAP platform.

With the involvement and interest of all the Group companies, a system was developed in 2002 for the consolidation of information in the accounting, budget and management-support fields based on the same platform.

The entry into production in accordance with the phased implementation strategy was carried out at the end of December based on data relating to the financial area and a batch of standardised management information reports.

In the near term, the entry of the block linked to human resources is expected to take place, as well as the extension to other information segments.



■ A NEW SYSTEM FOR THE COMMERCIAL MANAGEMENT OF DISTRIBUTION

The treatment of processes related to the commercial cycle of EDP Distribuição's electricity customers is supported by SAP's IS-U/CCS solution (Industrial Solutions for Utilities/Customer Care and Service System), which is completely inter-operable with the R/3 Platform that supports the EDP Group's Management Support Information System.

In addition to the gains stemming from the internal integration of information are those which this new system makes viable both in terms of effective relationships with the suppliers of technical and commercial services and from the standpoint of customer interactivity.

With the first entry into production in 2001 of the processes directly related to the euro's circulation debut, the new system saw its important achievement with the entry into production of all the functionalities that support the processes relating to customers supplied in VHV, HV, MV and SLV. Associated with this accomplishment is the entry into force of the new tariff for this customer segment (non residential), the issue of detailed bills and the treatment of customers who opted for the non-binding electricity system (SENV).

The entry into production of the functionalities still not available for the residential customers' segment is expected to take place in the first half of 2003.

In anticipation of the new reality of the fully liberalised Iberian market, the Commercial System will incorporate a new system currently in the final development phase for information relating to meter readings.

■ INFORMATION SYSTEMS FOR THE LIBERALISED MARKET

As support for EDP Energia in the liberalised market, a basic structure of support information systems for its commercial activity was implemented in 2002. In coherence with the EDP Group's Master Systems Plan support systems were created for Energy Sales, Contract Management, Pricing, Consumption Forecasting, and Billing. Significant developments occurred in the Trading systems bearing in mind the proximity of the Iberian market's start-up.

Implementation was accompanied by specialists from the EDP Group's Information Technology companies, notably Edinfor, ACE and IT-Log. At the end of 2002, EDP Energia was prepared

to respond in an efficient manner to the challenges posed by the liberalised segments of the electricity market.

■ PROJECT GEOEDP – GEO-REFERENCED INFORMATION SYSTEM

In view of the importance of geo-referenced information systems as support for EDP Distribuição's business and organisational processes, this company remained committed to the GeoEDP Programme initiated in 2001 and which was developed in close partnership with IT-Geo (Edinfor).

The GeoEDP Programme, which is focused on the technical areas of distribution, entails a multi-project dimension directed at the management of area-related information and systems integration with the objective of guaranteeing generalised access to functionalities and data repositories as support to the new work cycle and to the processes and information flows of business management.

There was a significant expansion in the information repository for the electrical network based on a geo-referenced map made possible by information surveys conducted on the ground.

On the applications front, several initiatives were launched, amongst which: the ActiveNetwork Project (with the objective of implementing a new incidents management system), GeoProjectar (strategic for supporting information management); the integration with SAP-run systems.

In global terms, the great advantage stemming from an integrated systems architecture is the increased agility in the access to information, with the consequent higher productivity and decrease in overall costs.

■ EDP SITE AND INTRANET (EDPONTO)

EDP's site on the internet has been gaining in importance as a means of interacting with customers, investors and business partners.

There was a considerable increase in the number of visits to and use of EDP's site, with particular emphasis on customer interactions via the Virtual Shop and for the creation of a Newsletter that allows the establishment of a regular interaction with users.

The site made available a broad range of new content, including that relating to Electricity at Home and Safety in the use of Electricity, as well as new functionalities such

as the establishment of a privileged communication channel for municipal councils and the opening of a specific channel for handling relationships with Partners.

Also noteworthy was the entry into service in February 2002 of the new micro site designed specially for mass media professionals, the Virtual Press Room (SIV - Sala de Imprensa Virtual) whose prime objective is to improve considerably the level of effective knowledge about the Group's activities, creating externally a habit of consulting and taking advantage of the details supplied by the SIV.

EDPonto, the EDP Group's intranet, serves as an information meeting point for the whole of the EDP Group.

With permanently updated news about the activities of the Group's various national and international companies, and enriched by new contents and functionalities in the different channels, the site has contributed to the consolidation of the corporate image and spirit of belonging to the Group.

COMPUTER SECURITY

Following the conclusion of the Systems Master Plan (PDS2001), a number of projects were launched within the ambit of Computer Security.

The first phase of an Access Management Application was carried out with the aim of improving the control of requests and the management of user access to the Group's IT resources.

In order to endow EDP with the instruments needed to supply its employees with remote and secure access means, namely for purposes of mobile work and tele-working, a start was made to a project for the management of remote accesses to the Group's data network.

The Security Manual for SAP Environments was also revised so as to better adapt it to the development and maintenance phases of applications in the SAP environment.

[ENVIRONMENT

The question of climate change and the respective regulation at national and international level marked EDP's environmental agenda in 2002.

The ratification of the Kyoto Protocol by the European Union countries and the political accord obtained in December in relation to the proposed directive on Trading of Greenhouse

Gas Emission Rights in the European Union, demonstrate the European Union's determination to spearhead this process worldwide. The start-up of the community's emission rights market (envisaged for 2005) introduced a new variable to the electrical business, whose dominance over the medium term will be fundamental for the success of companies in the sector.

In order to gain experience in the use of these new instruments, EDP has participated since 1999 in various projects, amongst which the PGETS - Portuguese Greenhouse Gases and Emissions Trading, whose work was concluded in 2002. This involved an exercise simulating a market for greenhouse gas emissions, a pioneer initiative at national level led by EDP and which counted with the participation of Portuguese companies from a variety of business sectors.

At national level, 2002 saw the national debate on the first version of the National Plan for Climate Change. This document seeks to define the national strategies for complying with the commitments assumed by Portugal. As the largest national operator in the energy supply sector, EDP participated actively in this Programme's discussion, attentive to the proposals for the setting of sector responsibilities for curbing emissions that will influence the company's competitiveness from the perspective of the national and the Iberian markets.

Following the publication in 2001 of the Directive on Large Combustion Installations (Grandes Instalações de Combustão - GIC), EDP made a start to the conduct of various technical-economic studies that will enable it to assess the impact that this regulation will have on its electricity generation activities, namely, the need to introduce gas de-sulphurisation technology and curb nitrogen oxide emissions at the Sines thermoelectric power station.

During the course of 2002, EDP was also involved in the preparatory work for the National Emission Ceilings coordinated by the Environment Institute, which stems from the publication in 2001 of the directive for the reduction of national emissions of atmospheric pollutants and which complements the strategy referred to previously for the sector of large combustion plants.

According to the principles of its Environmental Policy, EDP continued to undertake a number of activities of an operational nature for controlling and enhancing environmental performance within the context, as mentioned earlier, of the progressive adoption of Environmental Management Systems. After the conclusion in 2001 of the certification of its four large thermoelectric power-generating centres, EDP Produção initiated in 2002 a process for the conception and implementation of the Environmental Management System at the Douro Generating



Centre which encompasses 10 hydroelectric facilities, as well as at the wind farms.

In distribution activity and after the approval by the ERSE of the Plan for the Promotion of Environmental Quality presented by EDP Distribuição in the terms of the Tariff Regulations, an implementation plan was defined and a start made to the respective execution. A set of 10 programmes is included in various areas such as waste management, the landscape integration of the distribution network's infrastructures and the minimisation of the impact of overhead lines on birdlife. The Plan will become effective by the end of 2004 and represents an important symbol in the systematic approach to environmental action and in the reduction of the environmental impact of EDP Distribuição's operations. Still in 2002, discussions were held with the ERSE concerning the details of the Demand Management Plan also presented by EDP Distribuição in terms of the forementioned Regulations.

These processes continued, owing to their importance for the Group's activity, to be monitored by EDP's Environment Board, a statutory consultative body composed of independent personalities of acknowledged expertise in the Environmental arena.

[RESEARCH AND DEVELOPMENT

▮ RESEARCH AND DEVELOPMENT

Following the strategic reorientation decided upon in 2001 of the EDP Group's Innovation Area, Labeltec took over the coordination of the EDP Group's Research and Development (R&D) and Technological Innovation activities.

The EDP – Innovation Commission was created as a privileged instrument of dialogue and liaison for the different R&D activities of the Group companies, via which policies are formulated and crucial decisions taken in this area.

In 2002, the EDP Group participated in more than 20 R&D Projects in the area of Electric Energy Generation and Distribution, of which 7 received Community financing.

Of special note was the launching of two projects in the new technologies for electricity generation and/or heat, namely, in the areas of Fuel Cells and Micro Turbines.

5 new candidacies were submitted within the ambit of the European Commission and that of the Economy's Operating Programme (Programa Operacional da Economia - POE / MAPE), 3 of which were approved.

EDP contributed to the specification of R&D information within the ambit of the Survey of National Scientific and Technological Potential (IPCTN – Inquérito ao Potencial Científico e Tecnológico Nacional), launched by the Science and Technologies Observatory (OCT - Observatório das Ciências e das Tecnologias).

A start was made to the development of a uniform IT support for the EDP Group, with a view to the management of R&D information. This application will further the knowledge of R&D activities, permitting the reaping of rewards: moreover, it boosts the capacity of response to surveys promoted externally or internally, with special relevance for the R&D costs contemplated by the Tax Incentive System for Business Research and Development (R&D) (SIFIDE – Sistema de Incentivos Fiscais à Investigação e Desenvolvimento (I&D) Empresarial).

The bases were launched for the constitution of the Wave Energy Centre (WEC), in which EDP actively participates. This initiative will undoubtedly place Portugal in a prominent place in the development of technologies aimed at taking advantage of the energy created by waves for electric power generation.

Labeltec also represented the EDP Group on various international organisations dedicated to R&D, namely:

- EURELECTRIC: Working Group "Research & Development", with involvement focused on the launching of candidacies for the 6th Community Framework Programme;
- ENERSEARCH: with the sharing of experiences and knowledge with other partners, accomplished in particular with the organisation of a workshop addressing new electricity markets, technologies and services;
- AIE: "Photovoltaic Power Systems Programme".

▮ LABORATORY ACTIVITIES

During 2002, confirming a trend of sustained growth, the provision of laboratory services undertaken by Labeltec increased 14 % relative to the previous year, while sales to outside the electrical sector also rose by 10%.

The growth observed is underpinned by the constant demand for technological excellence in the human and equipment facets. By way of example, reference is made to the acquisition in 2002 of equipment based on laser technology which permits the detection of leakages of sulphur hexafluoride from equipment and substations which utilise this insulation gas.

Activity involving the monitoring of the quality of the voltage wave in the electrical sector grew significantly, with 1,380 weekly monitoring acts having been carried out in the high, medium and low-voltage segments of the distribution and transmission networks.

Complementing monitoring activity and in the studies and development fields, work was carried out on the quality of the electric voltage wave. In addition, an intensive collaboration commenced between Labelec and EDP Distribuição with a view to the installation of a tele-metering system covering a universe of some 20,000 customers.



'02 GRCA

2.4

THE EDP GROUP'S ECONOMIC AND FINANCIAL REVIEW

[CONSOLIDATION PERIMETER

2002 was characterised by significant changes in the EDP Group's organisational structure, with natural repercussions on the consolidation perimeter of the Group's accounts. Due to their importance in the presentation of accounting information and their impact on the consolidated accounts, the following alterations warrant special mention:

• Consolidation of Hidrocantábrico

As a consequence of the assumption of the operational control and management of Hidrocantábrico following the joint agreement concluded between EDP and the other shareholders (EnBW, CajAstur and Cáser), Hidrocantábrico's accounts began to be consolidated in the Group's financial statements using the proportional consolidation method (40%) with effect from 1 June;

• Consolidation of Escelsa / Enersul

In October 2002, EDP started the full consolidation of Escelsa's financial statements following its assumption of the latter's operational control and the appointment of EDP representatives to the company's governing bodies. Since Escelsa is the majority shareholder in Enersul, the latter also began to be included in the EDP Group's consolidation perimeter using the purchase (full consolidation) method with effect from the same date.

• Disposal of OPTEP

In compliance with the obligations associated with the tender for the granting of UMTS licences in Portugal, the EDP Group sold in March all the shares it held in OPTEP – Sociedade Gestora de Participações Sociais, S.A., the company which

indirectly owned a 25.49% stake in Optimus –Telecomunicações, S.A.. With this operation, EDP ceased to have any holding, direct or indirect, in any of the other companies possessing UMTS licences, with the result that OPTEP no longer falls within the EDP Group's universe of consolidated companies.

It is also worth mentioning a significant change in the way of presenting the EDP Group's activities but which has no impact on the consolidation perimeter:

• Prominent presentation of EDP Energia's activity

EDP Energia, the Group company geared to operating in the Non-Binding Electricity System, dedicates itself to the commercialisation of electric energy, while at the same time it also possesses its own generating capability at small hydroelectric power plants falling within the SENV.

Given its hitherto small sales-oriented activity, this company's financial statements were, up until December 2001, included in the sub-consolidation covering the Generating business. With the widening of the eligibility criteria for SENV customers and the consequent expansion of the EDP Group's activity in the liberalised market, it has become appropriate to highlight EDP Energia's activity in the economic and financial review of the EDP Group, with this company's size and importance in the Group's expansion expected to continue growing.

WE RANK
AS THE IBERIAN
PENINSULA'S
FOURTH LARGEST
ELECTRICITY
COMPANY

[THE EDP GROUP

CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

Abridged Consolidated Balance Sheet

	(EUR million)	
	2002	2001
Fixed assets	18 125.2	16 233.1
Intangible and tangible fixed assets (net)	13 047.4	10 980.0
Financial investments (net)	1 896.0	3 023.5
Medium/long-term accounts receivable	260.6	102.9
Current assets (net)	1 802.1	1 385.8
Accruals and deferrals	1 119.1	740.9
Shareholders' funds + Liabilities	18 125.2	16 233.1
Provisions for risks and contingencies	806.3	831.5
Hydraulicity correction	324.1	387.5
Net interest-bearing debt	7 994.1	5 799.1
Other liabilities	1 368.8	1 140.7
Accruals and deferrals	2 072.5	1 736.8
Shareholders' funds	5 494.2	6 096.8
Minority shareholders' interests	65.2	240.7

Consolidated income statement

	(EUR million)		
	2002	2001	Δ%
Operating revenue	6 662.5	5 948.4	12.0%
Sales and services provided	6 386.5	5 650.4	13.0%
Own work capitalised	241.8	232.5	4.0%
Other operating income	34.2	65.5	-47.8%
Operating costs	6 013.8	5 274.9	14.0%
Cost of inventories sold and consumed	3 690.7	3 079.7	19.8%
Outside supplies and services	675.0	651.2	3.7%
Personnel costs	624.8	592.0	5.5%
Amortisation, depreciation and provisions	840.2	780.7	7.6%
Concession and power-generating centre rentals	158.2	149.1	6.1%
Other operating costs	24.9	22.2	12.3%
Operating income (EBIT)	648.7	673.5	-3.7%
EBITDA (Oper. Inc. + Amort./Deprec. + Provisions)	1 488.9	1 454.2	2.4%
Financial income	553.3	384.1	44.1%
Financial costs	776.2	589.4	31.7%
Net financial items	-222.9	-205.3	-8.5%
Extraordinary income	304.0	186.6	62.9%
Extraordinary costs	442.9	60.6	630.8%
Net extraordinary items	-138.9	126.0	-210.3%
Income before taxation	286.9	594.2	-51.7%
Corporate income tax	171.7	203.0	-15.4%
Minority shareholders' interests	-220.0	-59.6	-269.4%
Net income	335.2	450.8	-25.6%

OPERATING INCOME

In 2002, the EDP Group's consolidated operating income was EUR 648.7 million, corresponding to a decrease of 3.7% relative to 2001.

Operating Income by Business

	(EUR thousand)				
	2002		2001		Δ%
EDP Produção	550 661	84.9%	516 172	76.6%	6.7%
EDP Distribuição	93 916	14.5%	191 239	28.4%	-50.9%
EDP Energia	5 758	0.9%	4 158	0.6%	38.5%
Hidrocentábrico ⁽¹⁾	38 035	5.9%	-	-	-
Bandeirante	31 098	4.8%	64 613	9.6%	-51.9%
Escelsa ⁽²⁾	12 649	1.9%	-	-	-
Enersul ⁽²⁾	2 580	0.4%	-	-	-
Telecommunications	-116 504	-18.0%	-136 078	-20.2%	14.4%
Information technologies	35 563	5.5%	31 129	4.6%	14.2%
Other	-5 052	-0.8%	2 299	0.3%	-319.7%
Operating income	648 704	100.0%	673 532	100.0%	-3.7%

(1) Corresponds to 40% of Hidrocentábrico's Operating Income from 1 June to 31 December 2002

(2) Corresponds to the full consolidation of Escelsa's and Enersul's Operating Income from 1 October to 31 December 2002.



This result was to a great extent originated by EDP Produção, whose performance continues to reflect the drive directed at achieving efficiency gains, as well as the stable nature of the Power Purchase Agreements (PPA) associated with the greater part of the company's generating capacity.

Despite the increase in operating revenues and the positive results of the Efficiency Programme at EDP Distribuição, this company's operating income fell in the period under review by some EUR 97 million. This trend can be ascribed from the ERSE's latest tariff revision which imposed a cut in tariffs for use of the distribution network (Uso da Rede de Distribuição - URD), the networks' commercialisation (CREDES) and commercialisation in the SEP (CSEP).

The performance of the Brazilian distributors continues to reflect the negative impact of the change in consumption habits resulting the electric energy rationing programme implemented in 2001, as well as the real's strong depreciation against the euro during the year. However, the last quarter of 2002 showed a few signs of recovery that should continue in 2003. It is also hoped that Bandeirante and Enersul will benefit from their tariff revisions in October and April 2003 respectively.

The 2002 results were significantly affected by the telecommunications business owing to ONI Way's closure. ONI's operating revenues rose substantially when compared with 2001 and although negative the ONI Group's contribution to the EDP Group's operating income improved considerably by some EUR 20.3 million. The company expects to achieve a positive EBITDA in 2003/2004.

NET INTEREST AND FINANCIAL EXPENSE

Net financial items

	(EUR thousand)		
	2002	2001	Δ%
Interest paid / received	-201 261	-235 257	14.5%
Gains/ losses in Group and associated companies	-78 734	11 620	-777.6%
Net foreign-exchange differences	67 414	-1 345	5113.0%
Income from financial investments	40 042	16 831	137.9%
Amortisation of Hidroantábrico goodwill	-3 381	-	-
Amortisation of Bandeirante goodwill	-8 435	-12 839	34.3%
Amortisation of Iven goodwill	-18 414	-18 414	0.0%
Amortisation of Optep goodwill	-	-8 509	100.0%
Amortisation of Comunitel goodwill	-8 897	-5 522	-61.1%
Amortisation of Ace Holding S.G.P.S. Goodwill	-2 942	-4 407	33.2%
Other	-8 235	52 509	-115.7%
Net interest and financial expense	-222 843	-205 333	-8.5%

In 2002, the Group's net interest and financial expense amounted to EUR 222.9 million, up 8.5% on the previous year. Contributing to this trend were:

- Increase of EUR 81.8 million in interest payable as a result of the EDP Group's higher consolidated interest-bearing debt, and a rise of EUR 115.8 million in interest receivable, explained in large part by the financial gain of EUR 89.8 million resulting from the acquisition of Escelsa bonds at an average discount of 25% vis-à-vis their nominal value;
- Increase of EUR 23.2 million in income from financial investments, reflecting dividends received in 2002: EUR 15.8 million from Iberdrola (EUR 14.8 million in 2001); EUR 14.9 million from BCP; EUR 5.4 million from GalpEnergia and EUR 3.0 million from Tejo Energia (EUR 0.5 million in 2001);
- Increase of EUR 68.8 million in net foreign-exchange differences as a result of the EUR 40.8 million decrease in unfavourable currency differences arising from the repayment effected at the end of 2001 of Bandeirante's dollar-denominated debt and the realisation of a currency gain of EUR 56.4 million in the hedging operation of Escelsa's "Senior Notes" in dollars (at 31 December 2002 the EDP holding company held 357.4 million dollars out of a total of 431.1 million dollars worth of Escelsa bonds);
- Negative contribution from group and associated companies of EUR 78.7 million reflecting, in particular, the negative impact of the real's depreciation on Escelsa's dollar-denominated debt up until 30 September 2002 (period during which the consolidation was done using

the equity method), but benefiting from a financial gain of EUR 89.8 million resulting from the acquisition of Escelsa's bonds at an average discount of 25% relative to their nominal value.

Details of the contribution from group and associated companies and the financial gain associated with the purchase of Escelsa's securities are shown in the following table:

Gains/Losses in Group and associated companies		
(EUR thousand)		
	Capital held	2002
REN	30.0%	19 395
Escelsa ⁽¹⁾	54.74%	-102 908
Hidrocontábrico ⁽²⁾	19% x 50%	5 379
SPE (CEM)	21.8%	6 538
Other	-	-7 138
Total (*)		-78 734

(1) Includes Enersul. Escelsa and Enersul consolidated by the equity method up until September 2002 and the full consolidated method from October, with the EDP Group controlling 54.75% of Escelsa and 35.69% of Enersul.

(2) Hidrocontábrico consolidated by the equity method from January to May 2002 and by the proportional consolidation method with effect from June.

(*) CERJ does not appear due to the fact that it is in the process of being sold.

NET INTEREST-BEARING DEBT

At the end of 2002, the Group's consolidated debt was situated at EUR 7 994 million, representing an increase of 38.7% over the preceding year. This increase reflects a rise of 22.4% in the holding company's borrowings (including EDP Finance BV), basically as a result of the investment of EUR 783 million for the acquisition of Hidrocontábrico, but above all the alterations registered in the consolidation perimeter with the full consolidation of Escelsa's and Enersul's debt and 40% of Hidrocontábrico's debt.

The policy was maintained in 2002 of centralising the contracting of interest-bearing debt and treasury management at the EDP holding company (including EDP Finance BV), with the exception of those companies not controlled 100% (as is the case of Hidrocontábrico and ONI) and the Brazilian subsidiaries. At the end of 2002, 74% of the Group's medium and long-term borrowings had been contracted by the EDP holding company (including EDP Finance BV). Of the borrowings raised by the Group's companies, of special note was the EUR 2 000 million operation contracted by Hidrocontábrico, without recourse to the shareholders and which permitted financing part of this company's acquisition.

In terms of maturity profile, 24% of the EDP Group's consolidated debt is short term and 76% medium and long term, while at the EDP holding company (including EDP Finance BV) this proportion is 15% and 85% respectively. From the medium and long term perspective, the Group's debt portfolio is composed 56% of bond loans, while the remainder is in the form of bank loans and commercial paper.

Interest-bearing debt

EDP Group		
(EUR thousand)		
	2002	2001
Medium and long-term payables	6 107 042	4 054 780
Bond loans - non-convertible	3 392 111	2 361 355
Bank loans	2 697 721	1 679 244
Other creditors	17 210	14 181
Short-term payables	1 887 034	1 744 344
Bond loans - non-convertible	12 261	23 385
Bank loans	1 874 772	1 720 959
Total EDP Group	7 994 076	5 799 124

During 2002 continuity was given to the policy adopted in previous years of extending the average maturity of EDP's debt portfolio. In this context and in the wake of the Group's revised rating, several transactions were realised in the second half of 2002 on the capital and bank loans markets via EDP Finance BV:

- Under the Euro Medium Term Notes (EMTN) Programme, a 15-year bond issue was floated in August denominated in pounds sterling in the amount of GBP 200 million with a fixed annual coupon of 6.625%. Simultaneously, EDP entered into a swap contract via which it converted the issue into EUR 320 million, thus eliminating the associated currency risk. With this issue, EDP assumed a pioneering place amongst Portuguese companies in the access to the pound sterling bond market for 15-year maturities.
- In November, EDP raised a 5-year EUR 550 million loan from an international banking syndicate.
- At the beginning of December a 5-year EUR 500 million bond issue was floated under the EMTN Programme with a fixed annual coupon of 5%. The market's receptiveness in this period of great volatility was extremely positive, with demand exceeding supply by a wide margin.
- At the end of December, a EUR 93-million bond issue maturing in 20 years was also floated within the ambit of the EMTN programme. This constituted a one-off issue placed with



WE ARE PORTUGAL'S BIGGEST NON-FINANCIAL COMPANY

a single investor that afforded the Group an extremely favourable cost/maturity relationship.

As concerns short-term funding during 2002 and in its treasury management, the EDP holding company (including EDP Finance BV) resorted primarily to Euro Commercial Paper issues, an instrument that gives it access to a broad investor base at very competitive costs, guaranteeing the flexibility required for effective treasury management.

At the end of the year, the EDP holding company (including EDP Finance BV) had at its disposal EUR 1 502 million in contracted credit lines and EUR 490 million in commercial paper with underwriting commitments. These facilities ensure that the EDP Group has the necessary liquidity and flexibility in its treasury management, as well as the capacity to face any future challenges posed by the creation of the Iberian energy market.

Turning to the management of interest rate risk in the EDP holding company's debt portfolio, a few interest rate swap operations were entered into, at the same time as certain existing swaps were restructured so as to reduce the interest rate on these operations. As regards floating-rate debt and with the same objective in mind, operations involving structured options were entered into.

At the end of 2002, the average rate of interest on EDP holding company's (including EDP Finance BV) borrowings was situated

at 3.67% (3.70% at the end of 2001), with 27.3% being tied to fixed rates.

In terms of currency, the EDP Group's debt is denominated in euros, with the exception of debt contracted by the Brazilian companies, whose borrowings are denominated in reais and American dollars.

Following the take over of control at Escelsa in October 2002, EDP's Board of Directors decided to rationalise and attenuate the impact on the consolidated income statement of the volatility of the Real/Dollar exchange rate resulting from this subsidiary's dollar-denominated debt. In this context, a public takeover bid was launched in November and a renouncement request relating to the dollar-denominated bonds issued and not cancelled by Escelsa which, at that date, totalled USD 431 million. The bid was successfully concluded in December, with EDP having acquired USD 206 million-worth of bonds. Prior to the launching of the takeover bid, EDP had already acquired bonds worth USD 152 million, with the result that its holding increased to around 83% of the total issue. The cost of acquiring these bonds was about 25% below their face value, thus enabling EDP to achieve a positive financial gain of EUR 89.8 million. Following the success of the renouncement request, the majority of covenants attaching to the bond loan were eliminated, allowing Escelsa to increase its operating and financial flexibility and EDP to pursue the restructuring of its subsidiaries in Brazil.

On the issue of medium and long-term ratings, during 2002 S&P and Moody's revised downwards the long-term rating of EDP, S.A. and EDP Finance BV to, respectively, A+ with *Negative Outlook* and A2 with *Stable Outlook*. These downgrades stem to a large extent from the heavy financial investments made by EDP in recent years in the execution of its positioning as an important player in the Iberian and Brazilian energy markets.

NET EXTRAORDINARY ITEMS

The EDP Group's net extraordinary items were negative to the extent of EUR 138.9 million in 2002, reflecting a steep fall relative to the positive figure of EUR 126.0 million in 2001.

Net Extraordinary Items

	(EUR thousand)		
	2002	2001	Δ%
Fixed assets gains/(losses)	11 933	25 046	-52.4%
Decrease in provisions, amortisation and depreciation	76 371	18 681	308.8%
Increase in provisions, amortisation and depreciation	- 299 232	- 3 069	-9650.7%
Prior-year adjustments (net)	- 4 243	5 837	-172.7%
Hydraulicity correction (net)	0	47 466	-100.0%
Set-off of depreciation	76 051	68 769	10.6%
Bad debts	- 9 084	- 1 385	-555.9%
Inventory gains/(losses)	- 2 093	- 2 635	20.6%
Other gains/(losses)	11 358	- 32 721	134.7%
Net extraordinary expenses and losses	- 138 939	125 989	-210.3%

Contributing decisively to this result was the closure of ONI Way, i.e. through the provision of EUR 280 million set aside for this company. It will be recalled that ONI Way is fully consolidated, so that the total amount of this provision has a negative impact on net extraordinary items.

As regards the disposal of OPTeP, despite the exercise period of the EDP's buy option over the company's shares having terminated in September, the Group retains for a period of three years an exposure to the variation in the value of the shares as a consequence of a financial derivative. In accordance with the principle of prudence, the capital gain on this sale was deferred and, therefore, is not reflected in the Group's 2002 results.

Following the acceptance by the Moroccan authorities of the operation involving the sale of the EDP Group's shareholding in Redal, a capital gain of EUR 15.8 million was recorded.

Net extraordinary items also include a loss of EUR 20.3 million relating to the closure of Shopping Direct by ONI Web and a gain of EUR 27.9 million on the sale of certain office buildings to the EDP Pension Fund.

CAPITAL EXPENDITURE

Operating capital expenditure

In 2002, operating capital expenditure totalled EUR 1 480 million, which represents an increase of 8.9% relative to 2001. This increase is principally explained by the capital investments made by EDP Produção, EDP Distribuição and ONI, and by the consolidation of 40% of Hidrocantábrico's capital expenditure.

Operating capital expenditure

	(EUR thousand)		
	2002	2001	Δ%
EDP Produção	286 431	140 354	104.1%
Binding generation	55 481	43 320	28.1%
Non-binding generation	145 007	63 558	128.1%
Special regime generation	58 253	19 604	197.1%
Non-specific capital expenditure	27 690	13 872	99.6%
EDP Distribuição	371 187	265 874	39.6%
High / Medium voltage	95 760	82 765	15.7%
Low voltage	135 168	125 569	7.6%
Public illumination	11 355	16 890	-32.8%
IT systems ⁽¹⁾	80 807	517	15544.5%
Other	48 097	40 133	19.8%
EDP Energia	8 504	1 104	670.5%
Electricity Portugal	666 122	407 332	63.5%
Generation	135 724	277 787	-51.1%
Distribution ⁽²⁾	66 773	133 643	-50.0%
EDP-Brasil	261	1 608	-83.8%
Electricity Brazil	202 758	413 038	-50.9%
Hidrocantábrico ⁽³⁾	211 938	197 790	7.2%
Telecommunications	311 962	239 020	30.5%
Information technologies	41 833	72 862	-42.6%
Other	45 364	29 531	53.6%
Total operating capital expenditure	1 479 976	1 359 572	8.9%

Note: In the EDP Group's business, it should be noted that the figures do not correspond to the standpoint of consolidation nor to cash outflow because total operating capital expenditure is shown for each company, irrespective of the EDP Group's shareholding in the company and changes in the internal ownership within the Group.

(1) In 2002, EUR 80.5 million refers to the transfer of IT systems from the Edinfor Group to the property of EDP Distribuição, with the result that there is no impact on the EDP Group's cash outflow.

(2) Included for 2001 and 2002 are the total capital expenditure of Escelsa and Enersul. It must be noted that in 2001 and up until October 2002 these companies were consolidated by the equity method, after which they were fully consolidated.

(3) Hidrocantábrico began to be consolidated in the EDP Group's accounts on 01 June 2002.

EDP Produção outlaid some EUR 143.7 million on the new combined-cycle natural-gas TER power station and EUR 25.7 million on the expansion of the Venda Nova hydroelectric power station.



EDP Distribuição's capital expenditure was essentially focused on improving the distribution network. In 2002, Edinfor Group IT systems were transferred to EDP Distribuição for an amount of EUR 80.5 million which, from a consolidation perspective, represent only a transfer of property within the EDP Group, without any impact on the consolidated cash outflow.

The EDP Group's operating capital expenditure in Brazil in 2002 was BRL 207 million (EUR 56 million).

Operating capital expenditure Brazil

	(BRL thousand)				(EUR thousand)			
	2002		2001		2002		2001	
	Total Capex	Loans EDP	Total Capex	Loans EDP	Total Capex	Loans EDP	Total Capex	Loans EDP
Generation	503 807	206 387	568 464	83 567	135 724	55 600	277 787	40 836
AHE Peixe Angical	154 068	146 056	22 184	23 466	41 505	39 347	10 840	11 467
UTE Fafen	100 581	42 001	106 424	26 877	27 096	11 315	52 005	13 134
UHE Lajeado	243 781	12 953	433 961	27 329	65 674	3 489	212 060	13 354
Enertrade	240	240	4 400	4 400	65	65	2 150	2 150
Studies and projects	5 137	5 137	1 495	1 495	1 384	1 384	731	731
Distribution	247 861	-	273 487	-	66 773	-	133 643	-
Bandeirante ⁽¹⁾	94 332	-	96 643	-	25 413	-	47 226	-
Escelsa ⁽²⁾	60 165	-	67 820	-	16 208	-	33 141	-
Enersul ⁽²⁾	93 364	-	109 024	-	25 152	-	53 276	-
EDP Brasil, S.A.	967	890	3 291	3 291	261	240	1 608	1 608
Total operating capital expenditure	752 635	207 277	845 242	86 858	202 758	55 840	413 038	42 444

(1) The 2001 figure refers to the 54% of capital expenditure realised by the company until September (before the split) and 100% of capital expenditure realised as from October (after split).

(2) Escelsa and Enersul consolidated up until September 2002 using the equity method and full consolidation method from October. The figures correspond to 100% of these companies in 2001 and 2002.

EDP Brazil's capital contributions were directed at boosting the capacity of the energy generation companies, notably, the construction of Peixe Angical, the completion of the Lajeado hydroelectric scheme and raising the installed capacity at the Fafen thermoelectric power plant.

Hidrocontábrico invested EUR 54.3 million on the construction of the natural-gas combined-cycle Castejón power station. The balance was outlaid on the expansion of the distribution network in the Astúrias, Madrid, Alicante and València districts.

Turning to the distributors, the major share of capital expenditure was channelled into the modernisation and automation of the distribution network, with the objective of reducing attendant maintenance costs and the number of employees.

As regards ONI (which absorbed 22% of the EDP Group's total capital expenditure), EUR 171.2 million was spent on the mobile telecommunications business.

The inclusion of 40% of Hidrocontábrico's capital expenditure in 2002 led to an increase in total investment of EUR 84.8 million.

Financial investment

Financial Investment

	(EUR thousand)	
	2002	2001
BCP	30 636	0
Galp Energia	0	0
EDA - Electricidade dos Açores	0	813
Geoterceira	499	0
Affinis	13 757	0
Turbogás	20 986	0
Hidrocantábrico (1)	520 591	262 388
Bonds Escelsa (2)	379 964	0
Escelsa	0	209 011
Redal	0	7 525
Total Financial Investment	966 434	479 737

Note: Does not include shareholder loans to the companies in Brazil for the purpose of funding operating capital expenditure, which amounts are taken into account in the analysis of Operating Capital Expenditure.

(1) The total cost of the Hidrocantábrico acquisition was EUR 783 million, of which EUR 262 million had already been outlaid in 2001.

(2) Amount corresponding to the nominal value of the bonds. However, these were acquired at below par value, with EUR 290.2 million having been paid and a gain of EUR 89.9 million recorded.

Financial investment in 2002 totalled EUR 966 million, resulting essentially from the acquisition of a controlling stake in Hidrocantábrico, and the increased shareholdings in BCP and Turbogás.

PENSION FUND AND OBLIGATIONS FOR THE PROVISION OF HEALTH-CARE

The EDP Group has welfare-benefit plans for a large part of the Portuguese Group companies' employees covered by the Collective Employment Agreement (ACT - Acordo Colectivo de Trabalho), as well as for employees at certain companies abroad. These benefits encompass supplementary retirement and pension rights and the provision of health care for retirees and pensioners.

The accounting treatment of the costs associated with these welfare benefits in the EDP Group's financial statements are governed by the requirements embodied in International Accounting Standard (IAS) 19.

Cover for the costs of past obligations due at 31 December 2002 is guaranteed by the Funds, which had assets at the end of 2002 totalling EUR 750 million, as well as by means of provisions carried in the consolidated balance sheet totalling EUR 645 million.

Details of these Welfare Benefit Plans, as well as the corresponding obligations, assumptions and respective movements which took place in 2002 are presented in the notes to the consolidated accounts (Note 21).

CONSOLIDATED TAXATION OF THE EDP GROUP

By dispatch of the Minister of Finance, the EDP Group is authorised to be taxed on a consolidated (group) basis. In terms of this authorisation, the EDP Group is subject to corporate income tax (Imposto sobre Rendimento das Pessoas Colectivas – IRC) on the global activity carried out by the subsidiaries held at least 90% and whose head offices are situated in Portuguese territory.

DISTRIBUTION OF PROFIT TO EMPLOYEES

The distribution of profits to its employees forms part of the EDP Group's human resources policy. This policy is effected at the companies to which the employees are assigned.

[EDP PRODUÇÃO

In 2002 emission-related consumption grew by 1.6% relative to 2001, totalling 40 664 GWh. Due to the low levels of rainfall recorded in the year (hydroelectric capability factor of 0.76 in 2002 versus 1.19 in 2001), the weight of thermal-sourced generation increased when compared with the previous year. Given that EDP Produção owns virtually all the installed hydro capacity in Portugal, the contribution of its power stations to the volume of energy delivered to the system dropped from 67% in 2001 to 60% in 2002.

Although EDP Produção's net generation declined by 11.1%, the impact on the financial statements was limited bearing in mind that the greater part of the company's generating capacity is bound to the SEP under long-term Power Purchase Agreements (PPA) which guarantee to producers a fixed portion based on the guarantee of contracted availability with the SEP, regardless of the quantity of energy produced, and permit the passage of fuel costs to final tariffs through a variable portion invoiced monthly to REN.



Income Statement EDP Produção

	(EUR thousand)		
	2002	2001 pro forma	Δ%
Operating revenue	1 495 568	1 324 361	12.9%
Electricity sales	1 425 432	1 267 922	12.4%
Other sales	18 651	12 361	50.9%
Services provided	18 212	14 600	24.7%
Own work capitalised	26 183	23 900	9.6%
Other operating revenue and gains	7 090	5 578	27.1%
Operating costs	944 907	808 189	16.9%
Electricity	37 277	3 653	920.4%
Fuel for electricity generation	465 527	377 192	23.4%
Sundry materials and goods for resale	4 377	3 909	12.0%
Outside supplies and services - outside Group	50 853	52 154	-2.5%
Outside supplies and services - Group	22 110	17 442	26.8%
Personnel costs	119 559	113 481	5.4%
Amortisation and depreciation	228 231	225 182	1.4%
Provisions	11 612	9 805	18.4%
Concession rentals	3 664	3 437	6.6%
Other operating costs and losses	1 697	1 934	-12.3%
Operating income	550 661	516 172	6.7%
EBITDA			
(Op. Income + Amort./Deprec + Provisions)	790 504	751 159	5.2%
Net financial items	-90 135	-92 414	2.5%
Net extraordinary items	7 066	6 448	9.6%
Tax and minority shareholders' interests	-172 969	-141 479	-22.3%
Net income	294 623	288 727	2.0%

Note: Sub-consolidation not audited.

EDP Produção's electricity sales grew 12.4%. This increase is due to an increase of EUR 95.7 million in the variable portion of the PPA (portion which remunerates the cost of generation), stemming from the greater recourse to sources of thermal generation during 2002, and an increase of EUR 14.1 million in the fixed portion of the PPA, associated with the higher availability coefficient (average availability verified / average availability contracted) of CPPE's power stations.

Revenue from electricity sales EDP Produção

	(EUR thousand)		
	2002	2001	Δ%
PPA Fixed Portion - CPPE	864 919	850 798	1.7%
PPA Variable Portion - CPPE	458 979	363 277	26.3%
CPPE	1 323 898	1 214 075	9.0%
HDN	29 798	12 906	130.9%
Hidrocenel	27 809	12 585	121.0%
Mini-hydro plants	57 607	25 491	126.0%
Wind farms (Enernova)	8 626	5 530	56.0%
Biomass (Mortágua power station)	2 514	1 208	108.1%
Cogeneration (Soporgen e Energin)	32 787	21 618	51.7%
Total EDP Produção	1 425 432	1 267 922	12.4%

Note: Sub-consolidation not audited.

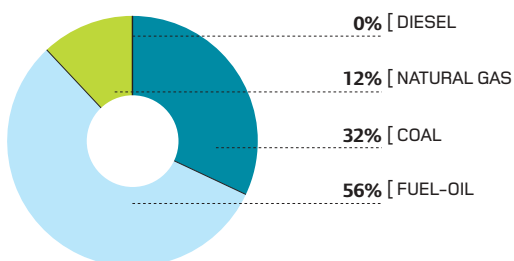
The higher cost (EUR 88.3 million) of fuel for electricity generation in the period under review reflects the widespread rise in fuel prices, which in 2001 had only affected the closing months of the year, and the greater recourse to thermal-origin generation as a result of the dry hydrological year, as mentioned earlier.

Fuel consumption EDP Produção

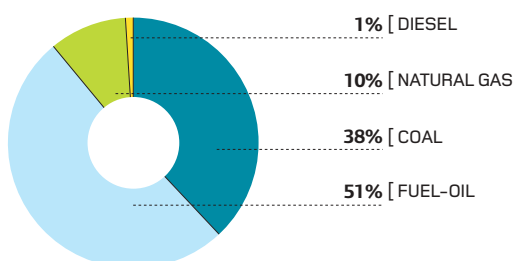
	(EUR thousand)		
	2002	2001	Δ%
Coal	148 773	142 810	4.2%
Fuel-oil	259 816	193 867	34.0%
Natural gas	55 412	35 897	54.4%
Diesel	1 526	4 618	-67.0%
Total fuel	465 527	377 192	23.4%

Note: Sub-consolidation not audited

Fuel consumption - 2002



Fuel consumption - 2001



The gross profit from EDP Produção electricity business climbed 4.0%, from EUR 887.1 million in 2001 to EUR 922.6 million in 2002. This increase reflects essentially the improved availability of CPPE's power stations and the increased efficiency achieved in the acquisition of fuel and coal. In fact, CPPE managed better results that the European Union's Index of Coal Prices (using as the benchmark for the calculation of the variable portion of the PPA which remunerates the cost of coal purchases), with the increased efficiency being reflected in the difference of EUR 14.7 million between CPPE's fuel acquisition costs and the variable portion of the PPA in 2002.

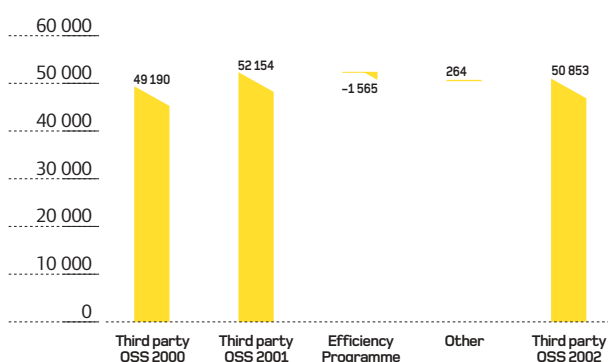
Outside supplies and services - Third parties EDP Produção

	(EUR thousand)		
	2002	2001	Δ%
Insurance premiums	9 839	5 642	74.4%
Maintenance and repairs	17 485	25 297	-30.9%
Vigilance and security	2 525	2 520	0.2%
Specialised work	773	4 092	-81.1%
Other	20 231	14 603	38.5%
Total OSS - Third parties	50 853	52 154	-2.5%

Note: Sub-consolidation not audited

Efficiency Programme on OSS's in 2002

(EUR thousand)



Despite the significant increase in insurance costs after 11 September 2001, Outside Supplies and Services (OSS) provided to EDP Produção by non-Group entities fell by 2.5% in annual terms. This decrease reflects the company's endeavours in attaining the objectives announced at the beginning of 2002 within the ambit of the "Efficiency Programme". Had insurance expense remained at its 2001 levels, the decrease would have been 10.5%. The increase in OSS provided by companies included in the EDP Group's consolidation perimeter of about EUR 5 million is due to the booking in EDP Produção in the last quarter of the year of non-recurrent costs associated with the SAP R/3 application invoiced by Edinfor, and to the invoicing of services rendered by EDP Valor which previously corresponded to EDP Produção's internal costs. For 2003, EDP Produção expects that these OSS will return to 2001 levels, that is, to around EUR 17 million.

Personnel costs EDP Produção

	(EUR thousand)		
	2002	2001	Δ%
Personnel costs	119 559	113 481	5.4%
Pension premiums	9 841	6 749	45.8%
Correction for early retirements	13 142	10 293	27.7%
Social benefits for early retirements	1 314	1 029	27.7%
Medical costs with former employees	6 758	6 026	12.1%
Corrected personnel costs	88 504	89 384	-1.0%

Note: Sub-consolidation not audited

Personnel costs climbed 5.4% in 2002. After correcting for pension premiums and early-retirement charges (effected solely at the holding company), as well as the other welfare costs



relating to non-working employees, personnel costs fell by around 1% in 2002. This trend is attributable to the net decrease of 59 employees, the greater part of whom due to the transfer of staff to EDP Valor. Since the transfer occurred mostly in the last quarter of the year, it was not sufficient to compensate for the salary increase of 3.4% relating to 2002.

Operating capital expenditure EDP Produção

	(EUR thousand)		
	2002	2001	Δ%
Binding generation	55 481	43 320	28.1%
Non-binding generation	145 007	63 558	128.1%
Special regime generation ⁽¹⁾	58 253	19 604	197.1%
Non-specific capital expenditure ⁽²⁾	27 690	13 872	101.2%
Total operating capital expenditure	286 431	140 354	104.2%
Recurrent	32 815	39 408	-16.7%
Non-recurrent	253 616	100 946	151.2%

Note: Sub-consolidation not audited.

(1) Includes capital expenditure realised at SOPORGEN and ENERGIN AZÓIA, given that they are majority-held by EDP Cogeração.

(2) Non-specific capital expenditure at the sub-holding company, EDP Cogeração, PROET, HIDRORUMO, O&M Serviços and HidroEM

EDP Produção's operating capital expenditure in 2002 (at total costs) amounted to EUR 286.4 million.

Of the capital investments realised, EUR 143 million refers to the construction of TER's net combined-cycle power station, which accounted for roughly 50% of the total.

As concerns non-recurrent capital expenditure, also worth highlighting was the capital investment in new SEP generating centres (some EUR 29 million), in particular, the additional installed capacity at the Venda Nova II hydro complex, while in the SEI work continued on the construction programme for wind farms (EUR 11.8 million). Finally, EUR 10.7 million was spent on completing the Energin Azóia cogeneration power plant.

The Venda Nova power station, with a capacity of 90 MW, should benefit from the commissioning by September 2004 of a further set of two generating units (95.8 MW), representing an investment of EUR 139 million (at technical costs), of which EUR 75 million has already been realised. The TER power station includes three generating units with a capacity of 392 MW each, with completion of the first two scheduled for the beginning and end of 2004, respectively. The total planned capital expenditure (at technical costs) is EUR 663 million (EUR 467 million for the first two groups), of which EUR 205 million has already been spent.

Non-recurrent capital investment includes EUR 11 million outlaid by Enernova in boosting the capacity at the Serra do Barroso and Cabeço da Rainha wind farms by 18 MW, which will come on stream during the first half of 2003.

Recurrent capital expenditure totalling EUR 32.8 million was essentially centred on existing power facilities, in particular, modernisation work at the Castelo de Bode hydroelectric power station, upgrading of Group 3 at the Crestuma-Lever power plant and the replacement of the Process Computers at the Sines power station, where studies are also being carried out with a view to the power station's adaptation to new environmental requirements.

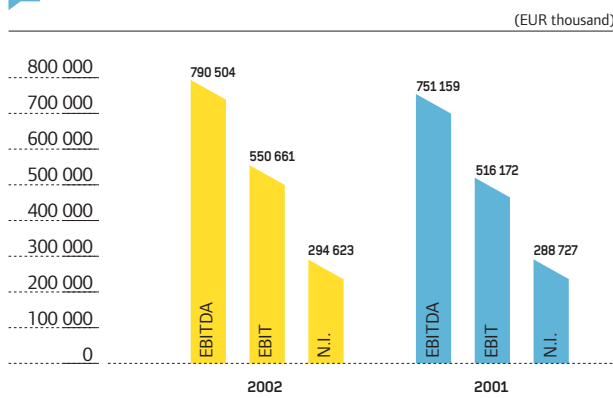
In addition, capital expenditure includes the intra-group transfer from EDP holding company to EDP Produção of EUR 34 million relating to the Mortágua forest-waste power plant (built in 1999). This transfer does not constitute operating capital expenditure having an impact on the EDP Group's consolidated cash outflow.

General indicators EDP Produção

	2002	2001	Δ%
Market share (net generation)	63%	71%	-7.9%
Gross profit margin (electricity)	64.7%	70.0%	-5.2%
Number of employees	2 115	2 172	-2.6%
Operating capital expenditure (EUR thousand)	286 431	140 354	104.1%

Note: Sub-consolidation not audited.

EDP Produção



Note: Sub-consolidation not audited.

[EDP DISTRIBUIÇÃO

Total energy distributed in 2002 was 36 905 GWh in 2002, which represents growth of 2.4% on the preceding year, with the binding system (SEP) accounting for 97.4% of the total energy distributed in Portugal. Energy sales in the SEP were affected by the slowdown in economic growth in Portugal and by the passage of certain High and Medium Voltage customers from the binding to the non-binding system. The Very-High Voltage and Low Voltage segments were those which contributed most to the increase in energy sales, posting rises of 9.8% and 3.2%, respectively.

WE DISTRIBUTE
99% OF THE
ELECTRICITY
CONSUMED
IN PORTUGAL

Number of customers and sales of electric energy EDP Distribuição

	Number of customers			Sales of electric energy (GWh)		
	2002	2001	Δ%	2002	2001	Δ%
Total SEP	5 664 655	5 541 396	2.2%	35 947	35 504	1.2%
VHV	11	11	0.0%	875	797	9.8%
HV	98	98	0.0%	3 396	3 462	-1.9%
MV	20 377	19 536	4.3%	11 186	11 358	-1.5%
SLV	27 290	26 519	2.9%	2 880	2 806	2.7%
LV	5 575 766	5 455 273	2.2%	16 530	16 017	3.2%
Public illumination	41 113	39 959	2.9%	1 080	1 064	1.5%
Total SENV	493	33	1393.9%	958	520	84.3%
EDP group	350	22	1490.9%	644	241	167.2%
Other	143	11	1200.0%	314	279	12.7%
Total	5 665 148	5 541 429	2.2%	36 905	36 024	2.4%

In the liberalised market, EDP was able to secure a market share of 67.%, compared with 46.4% at the end of 2001.

In January 2002, the ERSE prescribed new eligibility limits for the non-binding system, according to which consumers of Very High, High and Medium Voltage electricity were now considered to be eligible customers. At the end of the period under review, the number of eligible customers totalled 20 979, of whom 493 opted to be supplied by the SENV. Of these, 350 chose to be supplied by EDP.



Energy sales

EDP Distribuição

	(EUR thousand)		
	2002	2001	Δ%
Electricity sales - Group	2 081	3 054	-31.9%
Electricity sales - non-Group - SEP	3 441 487	3 255 431	5.7%
Billing	3 371 005	3 213 213	4.9%
VHV (Very High Voltage)	37 936	36 838	3.0%
HV (High Voltage)	156 046	173 254	-9.9%
MV (Medium Voltage)	786 259	777 036	1.2%
SLV (Special Low Voltage)	272 829	261 227	4.4%
LV (Low Voltage)	2 061 311	1 931 840	6.7%
Public illumination	86 614	83 918	3.2%
Interruptibility discounts	-25 522	-25 555	0.1%
Tariff correction discounts	-4 468	-25 345	82.4%
Tariff Adjustments	70 482	42 218	66.9%
Tariff Adjustments			
- Distribution 1999 reversal	0	35 509	-100.0%
Tariff Adjustments			
- Distribution 2000 reversal	20 486	0	-
Tariff Adjustments 2001	0	6 709	-100.0%
Tariff Adjustments 2002	49 996	0	-
Electricity sales - non-Group - SENV ⁽¹⁾	12 817	2 787	-
Electricity sales - Total revenues	3 456 385	3 261 272	6.0%
Electricity purchases (cost of sales)	2 346 800	2 047 706	14.6%
Gross profit on electricity sales			
- third parties	1 109 585	1 213 566	-8.6%
Gross margin on electricity sales			
- third parties	32.1%	37.2%	-5.1%
Gross profit margin (€/MWh)	30.07	33.69	-10.8%

(1) The revenues from energy traffic to the SENV up to and including 2001 corresponded only to the tariffs which remunerate EDP Distribuição's activity, with the result that they were recorded as Provision of Services. In 2002 they began to be recorded as Electricity Sales, including in addition, by regulatory imposition, the tariffs relating to the system's overall use and to energy transmission activity. The cost relating to the tariffs from these activities was in 2002 accounted for as Electricity Purchases. Owing to the change in accounting treatment, the variation in the figures presented have no significance.

The 6% growth in electricity revenue is explained by an average increase in the sales tariff to SEP final customers of 2.2% and by a tariff adjustment of EUR 70.5 million.

In 2002, revenue associated with the supply of electric energy to customers in the Public Electricity System (Sistema Eléctrico Público - SEP) amounted to EUR 3 441 million, of which 28% refers to energy supplies at Very High, High and Medium Voltage levels and 70% to supplies at Low Voltage and Public (Street) Lighting (including the respective discounts), while the remainder relates to the tariff variance.

EDP Distribuição's regulated revenues are the sum of the permitted revenues from the company's activities – Use of the Distribution Networks (Uso das Redes de Distribuição - URD), Commercialisation of Networks (Comercialização de Redes - CREDES) and Commercialisation in the SEP (Comercialização no SEP - CSEP) – with the costs of generation, overall use of the system and transmission, which are likewise regulated by the ERSE and passed on in full in the tariff to the final customer. In this manner, the increase in the sales tariff to SEP final customers reflects the variations in the various abovementioned components.

According to the tariff schedule published by the ERSE for 2002, whereas the tariffs for energy and power, overall use of the system and energy transmission were raised (reflected both in the revenue from electricity sales and in the direct costs of EDP Distribuição's activity and, for this reason, with no impact on the company's gross profit), the tariffs for use of the distribution network at all voltage levels were cut (4.5% in HV, 9.2% in MV and 5.4% in LV), as were the tariffs for commercialisation activities. These tariff cuts translated themselves into a decrease of 7.6% in EDP Distribuição's permitted revenues.

The tariff variances correspond to the accrual-based accounting of the differences verified in the year between invoiced and permitted revenues, which are passed through in tariff adjustments in subsequent years.

Energy traffic for SENV customers represented EUR 12.8 million, relating to the Overall Use of the System, Use of the Transmission Grid and Use and Commercialisation of the Distribution Network.

Customer accounts receivable at the end of the year stood at EUR 592.5 million, representing around 18% of electric energy billing, and were about 6.5% lower than at the end of the preceding financial year.

Trade debtors

EDP Distribuição

	(EUR thousand)		
	2001	2000	Δ%
State and official bodies	26.7	29.5	-9.5%
Local authorities	261.9	246.9	6.1%
Business and private sector	303.9	357.0	-14.9%
Total	592.5	633.4	-6.5%

Decisive to the improvement in debt collection was the adoption of a set of preventative measures, notably, frequent contact with large customers and systematic reminders to other customers.

Income statement

EDP Distribuição

	(EUR thousand)		
	2002	2001	Δ%
Operating revenue	3 655 868	3 454 023	5.8%
Electricity sales - outside Group	3 454 304	3 255 431	6.1%
Electricity sales - Group	2 081	3 054	-31.9%
Services provided	21 573	19 895	8.4%
Other sales	1 738	1 620	7.3%
Own work capitalised	160 691	153 507	4.7%
Other operating revenue and gains	15 481	20 516	-24.5%
Operating costs	3 561 952	3 262 784	9.2%
Electricity	2 346 800	2 047 706	14.6%
Sundry materials and goods for resale	80 121	107 544	-25.5%
Outside supplies and services - outside Group	123 391	133 416	-7.5%
Outside supplies and services - Group	79 911	79 873	0.0%
Personnel costs	379 552	367 004	3.4%
Amortisation and depreciation	330 239	324 576	1.7%
Provisions	65 094	54 655	19.1%
Concession rentals	153 991	145 642	5.7%
Other operating costs and losses	2 853	2 368	20.5%
Operating income	93 916	191 239	-50.9%
EBITDA			
(Oper. Inc. + Amort./Deprec. + Provisions)	489 249	570 470	-14.2%
Net financial items	-46 762	-24 684	-89.4%
Net extraordinary items	85 675	90 517	-5.3%
Tax and minority shareholders' interests	40 008	71 817	-44.3%
Net income	92 821	185 255	-49.9%

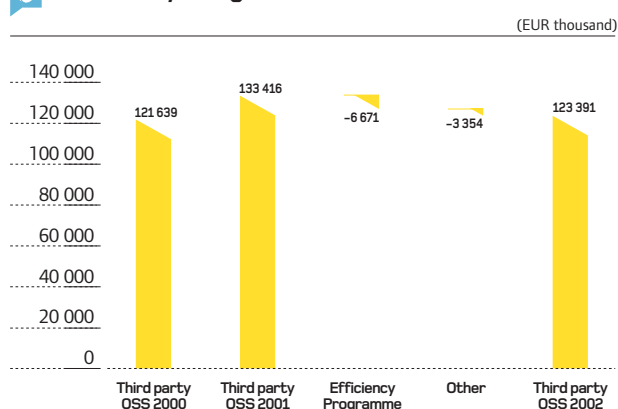
Despite the success achieved in reducing controllable operating costs, operating income and EBITDA fell by 14.2% and 50.9%, respectively, as a consequence of the cut in the tariffs which contribute to EDP Distribuição's gross profit margin.

Outside supplies and services - Third parties

EDP Distribuição

	(EUR thousand)		
	2002	2001	Δ%
Maintenance and repairs	45 517	53 549	-15.0%
Specialised work	33 119	37 071	-10.7%
Communications	15 675	14 639	7.1%
Insurance premiums	5 858	3 579	63.7%
Other	23 222	24 578	-5.5%
Total OSS's - third parties	123 391	133 416	-7.5%

Efficiency Programme on OSS's in 2002



The cost reduction programme implemented in 2002 was responsible for the 7.5% decrease in Outside Supplies and Services provided by non-EDP Group entities, this in spite of the higher costs of insurance premiums and communications. Postal expenses which account for about 87.4% of communication expenditure, climbed by 10.8% in the period as a result of the postal tariffs charged by the CTT (Postal Services), as well as the increase in the number of EDP Distribuição customers. The savings achieved in OSS exceeded the targets laid down by EDP Distribuição by EUR 3.4 million. The decrease of 15.0% in maintenance and repair expenses was fruit of the renegotiation of certain contracts and the lower maintenance and repair costs incurred in 2002, thanks to the less adverse climatic conditions than those that wreaked havoc in 2001.

Personnel costs

EDP Distribuição

	(EUR thousand)		
	2002	2001	Δ%
Personnel costs	379 552	367 004	3.4%
Pensions premiums	30 983	26 601	16.5%
Correction for early retirements	77 082	58 600	31.5%
Social benefits for early retirements	11 936	9 782	22.0%
Medical costs with former employees	13 060	10 701	22.0%
Corrected personnel costs	246 491	261 320	-5.7%

Personnel costs totalled EUR 379.6 million in 2002, 3.4% more than in the previous year. When corrected for early retirement charges (provided for in the EDP holding company's accounts), pension premiums and other charges with non-working employees, personnel costs fell by 5.7%. There was a decrease of 193 in the number of employees, of whom 178 were



transferred to EDP Valor which began to provide services to EDP Distribuição, with an impact on the Group's OSS borne by this company. This decrease more than compensated the 3.4% salary increase award for 2002. It should be noted that personnel costs in 2001 do not reflect the full impact of the decrease in staff which took place in that year given that the major portion of this decrease only materialised at the end of the year (through the passage to early retirements). Since the sector regulator in Portugal has still not allowed EDP to recover these "efficiency-related costs" (non-controllable) via the tariff to the final customer, EDP decided to temporarily suspend its programme of early retirements until obtaining additional clarification on this matter.

Operating capital expenditure EDP Distribuição

	(EUR thousand)		
	2002	2001	Δ%
High Voltage	40 084	33 637	19.2%
Medium Voltage	55 676	49 128	13.3%
Low Voltage	135 168	125 569	7.6%
Public illumination	11 355	16 890	-32.8%
IT systems	80 807	517	15544.5%
Other	48 097	40 133	19.8%
Total operating capital expenditure	371 187	265 874	39.6%
Recurrent	266 281	244 338	9.0%
Non-recurrent	104 906	21 536	387.1%

The 39.6% increase in EDP Distribuição's capital expenditure is basically due to the transfer of assets valued at EUR 80.5 million from the Edinfor Group to EDP Distribuição, relating to the new information system based on a SAP platform and, therefore, had no impact on the EDP Group's cash outflow in 2002.

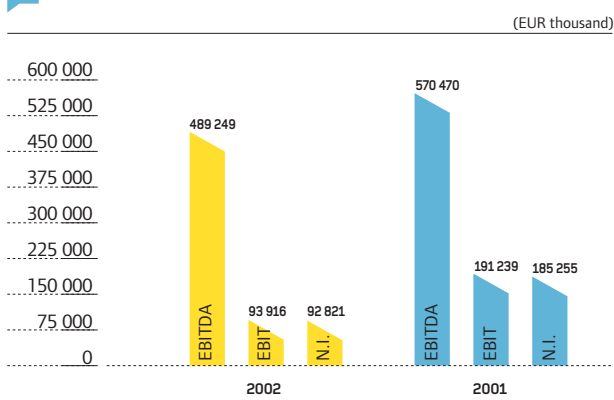
Recurrent capital expenditure at EDP Distribuição, which represented around 71.7% of total capital expenditure carried out by this company in 2002, was essentially related to expenditure on extending and reinforcing the High, Medium and Low Voltage distribution networks. The capital investment in the distribution network continued to be marked by the need to improve feed conditions to a significant group of customers, both as regards voltage quality and improvement in service continuity. Simultaneously, connecting Special Regime Producers (in particular, wind farms) had a strong influence on the level of activity in terms of High Voltage installations.

WE HAVE
MORE THAN
5.6 MILLION
CUSTOMERS
IN PORTUGAL

General indicators EDP Distribuição

	2002	2001	Δ%
Gross profit margin (electricity)	32.1%	37.2%	-5.1%
Number of employees	6 979	7 172	-2.7%
Operating capital expenditure			
EUR thousand	371 187	265 874	39.6%

EDP Distribuição



[EDP ENERGIA

EDP Energia, the EDP Group company geared specifically to operate in the liberalised electricity market (SENV), is engaged in activities involving the generation, supply and commercialisation of electric energy. In the generating sphere, EDP Energia resorts to 5 small-scale hydroelectric plants with generating capacity varying between 0.2 and 80.7 MW, with a maximum power rating of 85.1 MW. Electric energy sales (commercialisation) activity is backed not only by own generation, but also by electricity acquisitions from other EDP Group power stations operating in the non-binding system (HDN and Hidrocel, integrated within EDP Produção) and from the Spanish pool.

[Sales (GWh) EDP Energia

	2002	2001	Δ%
Electricity generation (SENV + PRE)	111	246	-55.0%
Electricity commercialisation (SENV)	644	241	167.2%
VHV (Very High Voltage)	0	0	-
HV (High voltage)	78	71	10.2%
MV (Medium voltage)	566	170	232.2%

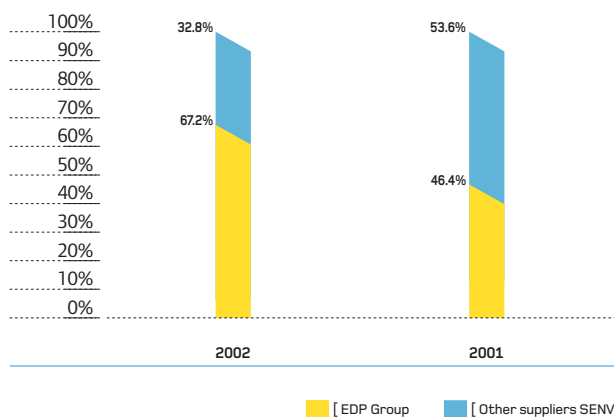
Note: Provisional figures relating to 2002.

Turning to electric energy generation, EDP Energia's power plants produced 110.7 GWh, substantially below the 2001 figure but in line with the rest of the national hydroelectric power facilities, which inevitably felt the effects of the poor hydraulicity registered throughout the year. On the commercialisation front, the growth in EDP Energia's sales was evident, benefiting from the widening of the criteria for accessing the Non-Binding Electricity System. In 2002, the EDP Group reinforced its dominant position in the liberalised market vis-à-vis its competition, not only in terms of energy sold, but also as regards the number of customers.

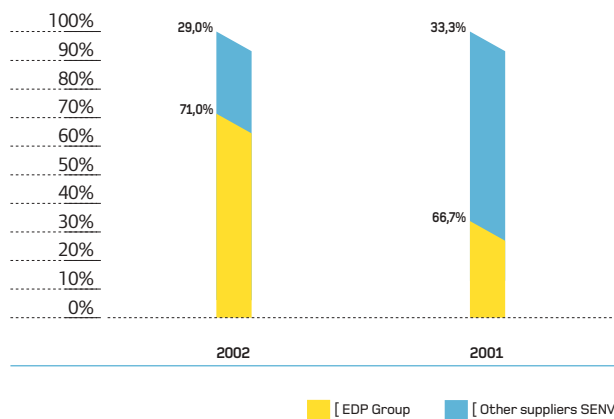
[Market share EDP Energia

	2002		2001		Δ%
Sales GWh - SENV	958	100.0%	520	100.0%	84.3%
EDP Group	644	67.2%	241	46.4%	167.2%
Other suppliers SENV	314	32.8%	279	53.6%	12.7%
Number of customers - SENV	493	100.0%	33	100.0%	1393.9%
EDP Group	350	71.0%	22	66.7%	1490.9%
Other suppliers SENV	143	29.0%	11	33.3%	1200.0%

[Market share SENV Energy sold (GWh)



[Market share SENV Number of customers



Out of a universe of eligible customers of more than 20 000, the status of Non-Binding Customer (Cliente Não Vinculado - CNV) was granted to little more than 1 300, while the number of customers who actually transferred to the SENV was 493 (corresponding to consumption of 958 GWh). This consumption is equivalent to 2.6% of the total energy consumed in mainland Portugal in 2002, that is, 1.2 percentage points more than in 2001.

Of the 493 customers in the SENV, 350 maintained their ties with the EDP Group through EDP Energia, corresponding to roughly 71% of the total customers in the SENV and slightly more than 2/3 of the energy sold in this market. In both cases, the trend relative to 2001 was positive, thereby attesting to the EDP Group's commercial success in the liberalised electricity market.



Income statement EDP Energia

	(EUR thousand)		
	2002	2001	Δ%
Operating revenue	59 604	24 320	145.1%
Electricity sales - outside Group	12 584	8 791	43.1%
Electricity sales - Group	34 426	15 268	125.5%
Services provided	11 502	0	-
Own work capitalised	1 086	249	336.8%
Other operating revenue and gains	6	12	-51.2%
Operating costs	53 846	20 162	167.1%
Electricity	39 553	12 585	214.3%
Sundry materials and goods for resale	0	0	-
Outside supplies and services - outside Group	1 118	689	62.4%
Outside supplies and services - Group	4 737	1 900	149.2%
Personnel costs	1 002	1 617	-38.0%
Amortisation and depreciation	3 380	3 251	4.0%
Provisions	237	75	217.2%
Concession rentals	17	0	-
Other operating costs and losses	3 802	45	8372.2%
Operating income	5 758	4 158	38.5%
EBITDA			
(Oper. Inc. + Amort./Deprec. + Provisions)	9 375	7 484	25.3%
Net financial items	-402	-391	-2.8%
Net extraordinary items	-15	-90	83.9%
Tax and minority shareholders' interests	1 828	1 480	23.5%
Net income	3 513	2 197	59.9%

The steep drop in the gross profit margin on sales (from 47.7% in 2001 to 15.9% in 2002) reflects the higher costs of electricity purchases caused by the unfavourable hydrological conditions registered in Portugal and Spain, with the latter's pool price rising appreciably.

With the start-up of activity at HidroOEM, the company forming part of the EDP Produção universe created for the purpose of undertaking the management of the hydroelectric plant and equipment belonging to the EDP Group companies operating in the SEI, the management of EDP Energia's equipment is now reflected in its accounts under the caption Group OSS's. The trend in these OSS's was similarly influenced by the formation of EDP Serviner, a company 100% owned by the EDP Group which provides services to EDP Energia that were previously carried out the company itself. This transfer of services to these two companies was accompanied by the transfer of staff from EDP Energia, with a consequent impact on personnel costs.

In tandem with the expansion in EDP Energia's activity, operating capital expenditure rose sharply. In the area of electricity-generating infrastructures, the most salient aspect

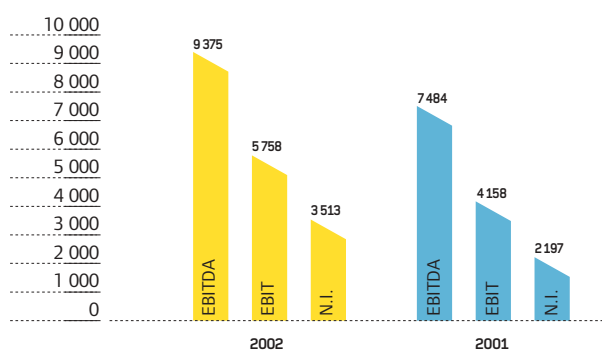
was the intensification of renovation and modernisation work at the Belver power station. With the aim of providing a response to near-term demands, notably the increase in energy commercialisation and trading activity, EDP Energia made sizeable investments in 2002 in the computer systems handling these two activities.

General indicators EDP Energia

	2002	2001	Δ%
Gross profit margin (electricity)	15,9%	47,7%	-31,8%
Number of employees	12	38	-68,4%
Operating capital expenditure			
EUR thousand	8 504	1 104	670,5%

EDP Energia

(EUR thousand)



[HIDROCANTÁBRICO (Spain)

Energy balance (GWh) Spanish market

	2002	2001	Δ%
Normal generation	171 524	172 422	-0.5%
Special regime generation	34 048	30 282	12.4%
Imports	9 595	7 432	29.1%
Total demand	215 167	210 136	2.4%
Regulated distribution	150 010	146 038	2.7%
Commercialisation	60 802	59 959	1.4%
Exports	4 355	4 139	5.2%

In 2002, electric energy generation at Hidrocantábrico reached 13 176 GWh, which represents growth of 11.9% on the 2001

figure. This trend is essentially due to the strong increase in thermal generation at the expense of that produced from hydro sources, due to the low rainfall levels which characterised the greater part of 2002. In addition, a low system reserve margin, coupled with a sustained expansion in demand on the Spanish electricity market, also contributed to this performance.

Sales (GWh) Hidrocontábrico (100%)

	2002	2001	Δ%
Electricity generation	13 308	11 921	11.6%
Hydroelectric generation	771	866	-11.0%
Thermoelectric generation	10 997	9 833	11.8%
Nuclear generation	1 212	1 222	-0.8%
Combined cycle generation	328	0	-
Electricity distribution	8 326	7 919	5.1%
Gas distribution	1 777	1 593	11.6%
Electricity commercialisation	3 887	3 853	0.9%
Gas commercialisation	1 946	4	-
High Voltage	5 492	5 220	5.2%
Medium Voltage	807	755	6.9%
Low Voltage	2 027	1 944	4.3%
Asturias	843	795	6.0%
Rest of Spain	3 044	3 058	-0.5%
Asturias	196	4	-
Rest of Spain	1 750	0	-

Given the market conditions observed in 2002 and benefiting from the high proportion of thermal-origin generation (especially coal), Hidrocontábrico was able to place its production on the Spanish pool at competitive prices. Consequently, the company saw its market share climb by 0.9 percentage points to be fixed at 7.7% at the end of 2002.

	2002	2001	Δ%
Hidrocontábrico's performance in the Pool			
Average selling price			
Hidrocontábrico (€/MWh)*	44.15	37.11	19.0%
Average selling price in the Pool (€/MWh)*	47.15	39.30	20.0%
Hidrocontábrico's market share	7.7%	6.8%	0.9 p.p.
Fuel costs at Hidrocontábrico			
Average fuel costs (€/MWh)	15.06	15.48	-2.7%

* Including wholesale market, support services and capacity payments

The rise in the average sales price to 44.15 EUR/MWh in 2002, in combination with a drop of 2.7% in average fuel costs, resulted in an increase in the company's sales margin when compared with 2001.

Hidrocontábrico's gross profit - Distribution Hidrocontábrico (100%)

	2002	2001	Δ%
Gross profit from electricity distribution	101 099	94 305	7.2%
Gross profit on gas distribution	31 177	26 001	19.9%
Total gross profit from distribution	132 276	120 306	9.9%
Transmission tariff (Permitted revenue)	3 615	3 324	8.8%
Distribution tariff (Permitted revenue)	90 243	83 835	7.6%
Commercialisation tariff (Permitted revenue)	7 241	7 146	1.3%
Permitted revenues	25 824	0	-
Non-regulated revenues ⁽¹⁾	5 353	26 001	-79.4%

(1) The 2002 figures refer to January and February

Of the 8 326 GWh of electricity distributed in 2002, 66% was distributed in the High Voltage (HV) segment, mirroring the large proportion of industrial customers in Hidrocontábrico's customer base. In accordance with the regulations in force for the Spanish electricity sector, Hidrocontábrico's permitted revenues from electricity distribution totalled EUR 101.1 million.

The total gas distributed to regulated customers was 1 417 GWh, down 6.8% on the 2001 figure and reflecting the passage of industrial customers and co-generators to non-regulated activity. However, the total gas distributed via Hidrocontábrico's network (Gás das Astúrias) rose by 11.6%. It should be noted that the distribution of gas has, since February 2002, been subject to new regulations which establish an amount of permitted revenues in terms of gross profit margin. Hidrocontábrico's permitted revenues for this activity totalled EUR 25.8 million since March 2002. In January and February, the EUR 5.4 million of gross profit corresponds to quantities sold at the regulated unit price in this period.



Hidrocantábrico's sales - Commercialisation

Hidrocantábrico (100%)

	(EUR thousand)		
	2002	2001	Δ%
Asturias	44 721	39 138	14.3%
Rest of Spain	162 479	151 392	7.3%
Electricity commercialisation	207 200	190 530	8.7%
Asturias	2 920	-	-
Rest of Spain	25 939	57	-
Gas commercialisation	28 859	57	-
Total Commercialisation	236 059	190 587	23.9%

Turning to electricity commercialisation activity, the declining trend in the number of customers outside the Asturias Principality is due to the less aggressive posture on the part of Hidrocantábrico in relation to non-regulated activity in 2002, explained by the rise in average prices prevailing in the Spanish pool. Notwithstanding the fall in the number of customers, Hidrocantábrico increased sales in this activity by 8.7%.

As regards the commercialisation of gas, the beginning of liberalisation transmitted to Hidrocantábrico the opportunity to expand outside the Principality, with the company managing to supply close to 2 000 GWh in this activity. The gas business has high growth potential that is associated with the expected expansion of natural-gas-fired power stations on the Spanish market.

Number of customers

Hidrocantábrico (100%)

	2002	2001	Δ%
Electricity distribution	549 091	536 746	2.3%
High Voltage	19	19	0.0%
Medium Voltage	649	596	8.9%
Low Voltage	548 423	536 131	2.3%
Electricity commercialisation	2 265	2 314	-2.1%
Asturias	476	459	3.7%
Rest of Spain	1 789	1 855	-3.6%
Total electricity customers	551 356	539 060	2.3%
Gas distribution	146 037	136 539	7.0%
Gas commercialisation	85	2	-
Asturias	8	2	-
Rest of Spain	77	0	-
Total gas customers	146 122	136 541	7.0%

In 2002, EBITDA from the generating and commercialisation business rose by some 44% in comparison with 2001,

contributing decisively to Hidrocantábrico's consolidated EBITDA. This performance can be ascribed to the greater volume of generation, associated with the increase in the average selling price, stemming from the sustained expansion in the demand for electricity, greater recourse to thermal generation sources and the higher prices ruling in the Pool.

Turnover by activity

Hidrocantábrico (100%)

	(EUR thousand)		
	2002	2001	Δ%
Electricity generation	619 704	474 542	30.6%
Electricity distribution	490 462	416 208	17.8%
Commercialisation	241 977	192 259	25.9%
Gas distribution	56 250	63 078	-10.8%
Special regime	27 379	22 507	21.6%
Holding company and other	443	11 189	-96.0%
Total	1 436 215	1 179 783	21.7%

The higher-than-expected increase in the system's generating costs (high prices ruling in the Pool and the development of renewable energies) contributed to a "tariff deficit" in the system. According to prevailing regulations, Hidrocantábrico is responsible for EUR 24.7 million of this "deficit" in 2002, which amount had a negative impact on the net sales from generating activity.

The revenues originated by the electricity distribution business continue to reflect this activity's expansion to the Madrid, València and Alicante markets. The 28.4% rise in the caption of other operating costs is similarly a reflection of this expansion.

The trend in gas distribution activity reflects the regulatory alterations introduced at the end of February 2002, which guaranteed gas distributors a more stable gross profit margin. The performance noted in this business at the end of 2002 is explained by the existence of a stable margin relative to 2001, permitted by a regulated unit price applied to a high level of demand.

As concerns involvement in special regime projects, Hidrocantábrico is present in this activity primarily via its subsidiary SINA E, S.A., in which it has an 80% holding (60% in December 2002). At the present time, this activity contributes little to the Hidrocantábrico Group's results. However, Hidrocantábrico delineated a strategy of expanding installed capacity in this field, principally in wind-powered energy, with a view to boosting this by 500 MW between 2003 and 2007.

Net financial items

Hidrocontábrico (100%)

(EUR thousand)

	2002	2001	Δ%
Interest received / paid	-81 756	-40 137	-103.7%
Gains / Losses in Group and associated companies	-593	5 898	-110.0%
Amortisation of Goodwill	-61 466	-4 228	-1353.8%
Other gains / losses	-971	433	-134.6%
Net interest and financial expense	-144 786	-38 881	-272.4%

The increase in Hidrocontábrico's interest-bearing debt in 2002 resulted almost exclusively from its merger with Adygesinval. At the close of 2002, Adygesinval's interest-bearing debt totalled EUR 1 095 million, and refers to the acquisition of Hidrocontábrico, leading to a considerable increase in interest expenditure.

Income statement

Hidrocontábrico (100%)

(EUR thousand)

	2002	2001	Δ%
Operating revenue	1 462 083	1 197 562	22.1%
Turnover	1 436 215	1 179 783	21.7%
Own work capitalised	13 008	10 139	28.3%
Other operating revenue and gains	12 860	7 640	68.3%
Operating costs	1 260 270	1 041 721	21.0%
Cost of goods sold and materials consumed	964 344	797 538	20.9%
OSS + Other operating costs	84 128	66 199	27.1%
Personnel costs	76 951	75 672	1.7%
Amortisation and depreciation	128 677	101 976	26.2%
Provisions	6 170	336	1736.3%
Operating income	201 813	155 841	29.5%
EBITDA			
(Oper. Inc. + Amort./Deprec. + Provisions)	336 660	258 153	30.4%
Net financial items	- 144 786	- 38 881	-272.4%
Net extraordinary items	- 34 341	- 7 054	-386.8%
Tax and minority shareholders' interests	- 8 121	- 35 559	77.2%
Net income	14 565	74 347	-80.4%

Taking into consideration the financial statements of the "old Hidrocontábrico" (before the merger with Adygesinval), EBITDA and net income between 2001 and 2002 grew by 30.3% and 49.1%, respectively.

The results of the "new Hidrocontábrico" include the impact of the merger between the "old Hidrocontábrico" and Adygesinval,

as well as the subsequent revaluation of assets. The post-merger result of EUR 14.6 million was principally affected by accounting movements having no impact on the company's cash flow (higher fixed asset depreciation and the decrease in the original amortisation of Goodwill) and by the inclusion of Adygesinval's financial charges.

Hidrocontábrico's net income for 2002 could have been higher if the company had recognised in its accounts the recovery of the "tariff deficit" in 2002. In reality, the Spanish Government recognised the right of electricity companies to receive compensation for the "tariff deficit" in 2000, 2001 and 2002. This "tariff deficit" is to be recouped by means of a tariff increase between 2003 and 2010, with Hidrocontábrico being entitled to recover 4.28% of the system's total deficit, corresponding to EUR 61.0 million (which amount is not recorded in the 2002 financial statements).

Operating capital expenditure

Hidrocontábrico (100%)

(EUR thousand)

	2002	2001	Δ%
Generation	66 548	112 693	-40.9%
Electricity distribution	68 534	40 043	71.2%
Commercialisation	2 237	5 295	-57.8%
Gas distribution	29 460	17 801	65.5%
Special regime	43 133	19 029	126.7%
Other	2 026	2 929	-30.8%
Operating capital expenditure	211 938	197 790	7.2%
Recurrent	89 431	80 925	10.5%
Non-recurrent	122 507	116 865	4.8%

The completion of the new combined-cycle natural-gas power station at Castejón meant that capital expenditure in this area decreased. However, Hidrocontábrico increased the level of capital investments in other areas. In distribution activity, EUR 21.9 million was invested in expansion to the Madrid, València and Alicante markets. In relation to the gas distribution business, the strong growth in investment in this activity stems essentially from the acquisition of Gas Figueres, S.A., (for EUR 7.0 million) and the development of the gas distribution network.

Insofar as special regime generation is concerned, of the EUR 43.1 million invested in 2002, EUR 12.9 million refers to the construction of a wind farm in the region of Burgos, with an installed capacity of 34 MW.

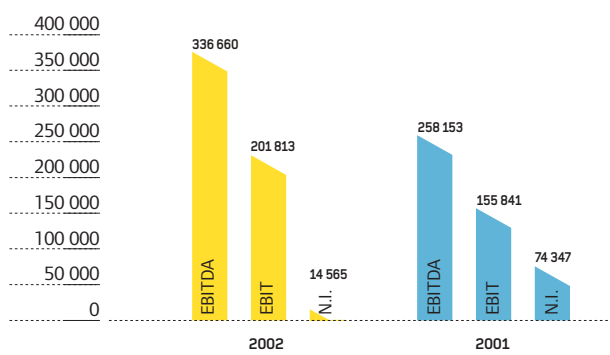


General indicators Hidrocantábrico (100%)

	2002	2001	Δ%
Market share - generation	7.8%	6.9%	0.8%
Gross profit margin (electricity)	32.9%	32.4%	0.5%
Number of employees	1 357	1 336	1.6%
Generation	481	464	3.7%
Electricity distribution	388	396	-2.0%
Commercialisation	108	90	20.0%
Gas distribution	62	58	6.9%
Special regime	139	154	-9.7%
Holding company and other	179	174	2.9%
Operating capital expenditure (EUR thousand)	211 938	197 790	7.2%

Hidrocantábrico

(EUR thousand)



[BRAZIL

BANDEIRANTE

With the objective of raising long-term loans at attractive rates, Bandeirante obtained finance from the Deutsche Development Bank (DEG), amounting to USD 10 million and repayable in half-yearly instalments until March 2006 with interest at 9.5% p.a.. This loan is not exposed to currency fluctuations since a swap contract for reais was entered into at the same time.

Bandeirante's market, which was influenced by the economic crisis and the continuing effects of the rationing programme, ended 2002 with a total of 10 165 GWh sold, corresponding to a decrease of 7.1% when compared with the preceding year. The residential sector presented a decrease of 7.9%, the industrial sector 6.5% and the commercial sector 17.1%,

the last-mentioned influenced by the reclassification of a large customer to the industrial sector. The remaining sectors registered growth of 6.9%. This trend in demand continues to reflect the negative impact of the new consumption habits adopted in the wake of the electric energy rationing plan imposed by the Brazilian Government, as well as the economy's slowdown.

Energy sales (GWh) Bandeirante

	2002	2001	Δ%
Energy acquisition	13 538	14 033	-3.5%
Losses from Itaipú contract	-519	-651	20.3%
Transmission losses	-300	-325	7.7%
Energy entered into Distribution	12 719	13 057	-2.6%
Distribution losses	-886	-614	-44.4%
Energy sales	11 833	12 443	-4.9%
Sales to MAE (Wholesale Energy Market)	1 668	1 506	10.8%
Energy commercialisation	10 165	10 937	-7.1%
Residential	2 115	2 296	-7.9%
Industrial	5 991	6 409	-6.5%
Commercial	1 130	1 363	-17.1%
Other	929	869	6.9%

Despite the 7.1% drop in sales by volume, revenue from electricity sales to final customers rose by 21.5%. This increase reflects the tariff adjustments of 19.43% and 19.09% which took place respectively in October 2001 and 2002, and the extraordinary tariff adjustment of around 6% implemented by ANEEL (electricity sector's regulator in Brazil) on 27 December 2001. The latter corresponds to a regulatory adjustment for compensating the losses arising from the rationing measures and the so-called "Portion A" ("Parcela A"). The respective amount, which had been accrued in 2001 and reflected as accrued billing in 2002, was reversed in the current year financial statement in the account «Other revenues and taxes».

Besides these revisions, Bandeirante has tariff revisions every four years, the next one being on 23 October 2003. The company's preparation for this first revision was regarded as being one of the principal goals for the year and, with this objective, measures have been taken to ensure that a properly-substantiated presentation is made at the appropriate time in order to ensure that the tariff review is just and equitable.

Gross profit

Bandeirante

	(BRL thousand)		
	2002	2001	Δ%
Total energy sales	1 620 179	1 218 121	33.0%
Energy sales to the MAE	99 502	-33 160	400.1%
Energy sales to final customers	1 520 677	1 251 281	21.5%
Residential	460 957	372 772	23.7%
Industrial	694 639	578 087	20.2%
Commercial	233 304	204 742	14.0%
Other	131 777	95 680	37.7%
Other operating revenues	- 85 800	364 700	-123.5%
Other revenue and taxes	- 103 300	- 58 800	-75.7%
Regulatory adjustment	17 500	423 500	-95.9%
Total operating revenues	1 534 379	1 582 821	-3.1%
Energy acquisition	899 216	865 720	3.9%
Other direct costs	244 341	264 951	-7.8%
Regulatory adjustment	8 758	37 897	-76.9%
Total direct costs	1 152 315	1 168 568	-1.4%
Gross profit	382 064	414 253	-7.8%
Gross profit margin (%)	24.9%	26.2%	1.3%

WE SERVE
SOME 6 MILLION
CUSTOMERS
IN BRAZIL

In *reais*, Bandeirante's gross profit in 2002 presented a decline of 7.8% relative to 2001, influenced by the decrease in the sales volume, as well as by the increased weight of the less profitable segments.

Income statement

Bandeirante

	BRL thousand			EUR thousand		
	2002	2001	Δ%	2002	2001	Δ%
Operating revenue and gains	1 534 379	1 582 821	-3.1%	567 781	690 509	-17.8%
Operating costs and losses	1 447 405	1 433 320	1.0%	536 683	625 896	-14.3%
Electricity	1 152 315	1 168 568	-1.4%	429 063	497 387	-13.7%
Sundry materials and goods for resale	7 516	5 838	28.7%	2 866	2 785	2.9%
Outside supplies and services	77 063	76 122	1.2%	27 683	36 367	-23.9%
Personnel costs	87 831	92 672	-5.2%	31 769	43 877	-27.6%
Amortisation and depreciation	111 750	75 287	48.4%	41 335	35 827	15.4%
Provisions	0	3 984	-	0	4 911	-
Other operating costs and losses	10 930	10 849	0.8%	3 967	4 743	-16.4%
Operating income	86 974	149 501	-41.8%	31 098	64 613	-51.9%
EBITDA (Oper. Inc. + Amort./Deprec. + Provisions)	198 724	228 772	-13.1%	72 433	105 351	-31.2%
Net financial items	- 105 166	55 987	-	- 34 517	32 793	-
Net extraordinary items	- 12 341	- 15 271	19.2%	- 6 489	- 10 769	39.7%
Tax and minority shareholders' interests	- 19 598	76 147	-	- 5 452	19 242	-
Net income (96.5%)	- 10 935	114 070	-	- 4 456	67 395	-



In spite of the intense inflationary pressures (25.3%) on the company's costs in the second half 2002, operating costs decreased 1.0% when compared with 2001. As regards personnel costs, the drop of 5.2% in comparison with 2001 is explained by the decrease of 126 employees.

The year-on-year decline of 13.1% in EBITDA is not directly comparable due to the non-recurrent effect of the regulatory adjustment recorded in 2001.

Owing to the Real's depreciation, the decrease in operating income and EBITDA (in euros) was even more pronounced: 51.9% and 31.2% respectively. In terms of net income, besides the effects referred to as concerns operating performance, it is worth noting the trend in 2001 and 2002 of the impact of the repayment of debt denominated in American dollars which occurred at the end of 2001.

Following the process of Bandeirante's demerger in October 2001, EDP revalued the company's assets. In this regard, Bandeirante's accounts in 2002 include the impact of this revaluation.

Interest-bearing debt Bandeirante

	(BRL thousand)		
	2002	2001	Δ%
Local currency	813 538	541 455	50.3%
EDP Brasil, S.A.	382 191	473 165	-19.2%
BNDES	271 973	7 494	-
Other financial costs and losses	159 374	60 796	162.1%
Foreign currency	51 900	16 913	206.9%
Debt in dollars	51 900	16 913	206.9%
Total interest-bearing debt	865 438	558 368	55.0%
In assets: Losses from rationing and "Portion A"	322 361	331 513	-2.8%

The increase in interest-bearing debt is related to the loan granted by BNDES (the national economic and social development bank) in 2002 in the amount of BRL 306.1 million, anticipating the recovery of losses with rationing and "Portion A" approved by ANEEL, whose amount receivable is BRL 322.4 million.

Net financial items Bandeirante

	(BRL thousand)		
	2002	2001	Δ%
Interest received / (paid)	-14 643	-18 028	18.8%
Favourable / (unfavourable) foreign exchange differences	-8 699	-64 971	86.6%
Other gains / (losses)	-81 824	138 986	-
Net financial items	-105 166	55 987	-

With regard to net financial items, the early repayment of dollar-denominated debt in 2001 generated a significant non-recurring financial gain in that financial year. In the meantime, this operation made it possible to substantially improve the item «foreign-exchange differences». The growth in the price index in Brazil to which some financial contracts are indexed contributed to the negative trend in «Other Financial Gains/Losses» in 2002.

With the objective of attaining productivity gains, Bandeirante has been encouraging its employees through training courses to build a creative, innovative culture directed at results and focused on customers and the market. The decrease in the workforce to 1 345 employees led to an improvement in productivity and achieve an indicator of 965 customers per worker.

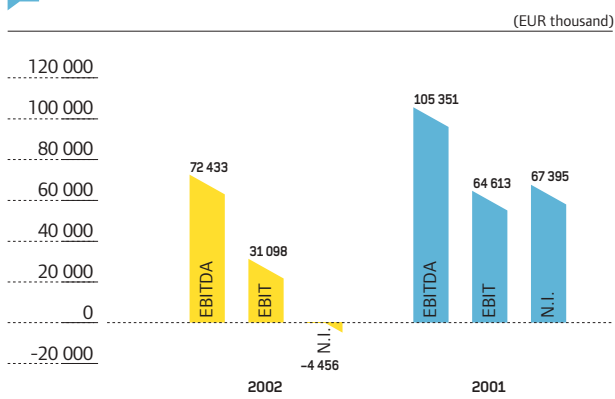
General indicators Bandeirante

	2002	2001	Δ%
Gross profit margin	24.9%	26.2%	-1.3%
Number of employees	1 345	1 471	-8.6%
Operating capital expenditure⁽¹⁾			
Total (BRL thousand)	94 332	96 643	-46.2%
Total (EUR thousand)	25 413	47 226	-2.4%
Recurrent	72 535	92 257	-21.4%
Non-recurrent	21 797	4 386	397.0%

(1) In 2001, Bandeirante was proportionally consolidated (54%), both as regards of the Balance Sheet and thaw Income Statement, up until September. With effect from October 2001, with the company's demerger and the increased shareholding to 96.5%, the EDP Group began to fully consolidate its financial statements.

In 2002, the company made a global capital investment of BRL 94.3 million, with emphasis on capital expenditure aimed at modernisation and automation of the distribution network with the goal of reducing their maintenance costs and the number of staff. Two new substations were inaugurated adding 140 MVA to the company's distribution system.

Bandeirante



ESCELSA

EDP - Electricidade de Portugal, S.A. took over the company's effective management in October 2002 with the election of the new Executive Board of Directors.

The following detailed data relating to Escelsa refers to the entire company and has as its sole objective the analysis of comparable realities. In terms of the impact on the EDP Group's consolidated accounts, it will be recalled that Escelsa was consolidated using the equity method up until September 2002 and then the full consolidation method as from October.

Escelsa's energy entered into the system in 2002 was 7 790 GWh, 2.3% more than in the previous year. In order to cater for market needs, Escelsa used 1 056 GWh of own generation at its hydroelectric power stations, representing 14.6% of needs, and 6 734 GWh from other suppliers. In addition, 134 GWh produced by auto-producers was transmitted by Escelsa's transmission system.

Total energy sold in 2002 was 6 365 GWh, an increase of 4.3% when compared with 2001. The residential sector (17.8% of total energy sold) presented a decrease of 4.4%, due basically to the incorporation of new consumption habits acquired as a result of power rationing, as well as the use of more economical electrical appliances. The industrial sector, which accounts for 51.7% of total energy sold, presented an increase of 7.8%, which confirms the revival in economic activity in the State of Espírito Santo. The commercial sector, which represents 13.2% of total energy sold, presented an increase of 7.6%.

Energy sales (GWh) Escelsa

	2002	2001	Δ%
Energy acquisition	8 280	8 208	0.9%
Losses from Itaipú contract	-228	-295	22.9%
Transmission losses	-262	-299	12.3%
Energy entered into Distribution	7 790	7 614	2.3%
Distribution losses	-838	-727	-15.3%
Energy sales	6 952	6 887	0.9%
Sales to the MAE (Wholesale Energy Market)	587	783	-25.0%
Energy commercialisation	6 365	6 104	4.3%
Residential	1 134	1 186	-4.4%
Industrial	3 290	3 051	7.8%
Commercial	839	780	7.6%
Other	1 102	1 087	1.4%

In *reais*, revenue from electricity sales to final customers in 2002 rose by 24.5%. This growth reflects the tariff adjustments of 19.89% and 15.97% which occurred respectively in August of 2001 and 2002, and the extraordinary tariff adjustment of around 6%, implemented by ANEEL on 27 December 2001. As had happened at Bandeirante and Enersul, the latter corresponded to a regulatory adjustment for compensating losses from rationing and the so-called "Portion A". The respective amount, which had been accrued in 2001 and reflected as accrued billing in 2002, was reversed in the current year financial statement in the account «Other revenues and taxes». It is important to mention that Escelsa has tariff revisions every three years, with the next falling due on 7 August 2004.

The costs of energy acquisition climbed 8.3% due to the tariff adjustment in the power purchase contracts from Itaipú, indexed to the Dollar. The 4.7% increase in other direct costs reflects the rise in the energy transmission tariff. It should be noted, however, that the non-controllable direct costs are a pass-through for the final tariff through the recognition of "Portion A" in the tariff calculation.



Gross profit Escelsa

	(BRL thousand)		
	2002	2001	Δ%
Total energy sales	890 624	703 654	26.6%
Energy sales to the MAE	33 212	14 876	123.3%
Energy sales to final customers	857 412	688 778	24.5%
Residential	254 738	227 037	12.2%
Industrial	321 097	245 921	30.6%
Commercial	153 439	112 778	36.1%
Other	128 138	103 042	24.4%
Other operating revenue	- 53 375	164 142	-132.5%
Other revenue and taxes	- 60 220	- 45 498	-32.4%
Regulatory adjustment	6 845	209 640	-96.7%
Total operating revenues	837 249	867 796	-3.5%
Energy acquisition	424 271	391 643	8.3%
Other direct costs	119 063	113 756	4.7%
Regulatory adjustment	7 436	25 014	-70.3%
Total direct costs	550 770	530 413	3.8%
Gross profit	286 479	337 383	-15.1%
Gross profit margin (%)	34.2%	38.9%	4.7%

In relation to gross profit, the fall of 15.1% relative to 2001 is primarily due to the non-recurring amounts in 2001 referring to the accounting of the tariff recoupment prescribed by ANEEL and to the reversal of the amounts recovered in 2002 through the extraordinary tariff adjustment. The drop in the weight of the residential segment also had an adverse impact on gross profit.

Income statement Escelsa

	BRL thousand			EUR thousand		
	2002	2001	Δ%	2002	2001	Δ%
Operating revenue and gains	837 249	867 796	-3.5%	306 178	418 566	-26.9%
Operating costs and losses	742 282	746 028	-0.5%	271 589	357 042	-23.9%
Total direct costs	550 770	530 413	3.8%	199 909	253 910	-21.3%
Sundry materials and goods for resale	6 848	7 980	-14.2%	2 485	3 795	-34.5%
Outside supplies and services	50 063	41 952	19.3%	18 046	19 940	-9.5%
Personnel costs	63 106	62 324	1.3%	22 972	29 835	-23.0%
Amortisation and depreciation	57 081	55 499	2.9%	21 056	26 448	-20.4%
Provisions	16 160	46 092	-64.9%	7 237	22 273	-67.5%
Other operating costs and losses (net)	-1 746	1 768	-198.8%	-116	841	-113.8%
Operating income	94 967	121 768	-22.0%	34 589	61 524	-43.8%
EBITDA (Oper. Inc. + Amort./deprec. + Provisions)	168.208	223 359	-24.7%	62 882	110 245	-43,0%
Net financial items	-671 446	-165 110	-	-206 355	-70 537	-
Net extraordinary items	-13 553	-4 044	-	-4 471	-1 933	-
Taxes	-80 782	-21 249	-	- 29 517	-6 888	-
Net income (100%)	-509 251	-26 137	-	-146 720	-4 058	-

The 24.7% decline in EBITDA is not directly comparable owing to the non-recurring effect of the regulatory adjustment booked in 2001. The drop in EBITDA and operating income in euros is even more pronounced as a result of the real's depreciation.

Escelsa's net income, besides the deterioration in gross profit, was strongly affected by the real's depreciation, leading to a loss of BRL 509.3 million (EUR -146.7 million) in 2002. Escelsa's total contribution in 2002 to the EDP Group results was BRL -278.8 million (EUR -80.3 million). However, taking into account the compensation (gain) with Escelsa's "Senior Notes" held by EDP holding company, as described further on, the impact on the Group's results was BRL -42.5 million.

Interest-bearing debt

Escelsa

(BRL thousand)

	2002	2001	Δ%
Local currency	366 402	205 187	78.6%
BNDES	333 050	192 509	-
Other	33 352	12 678	163.1%
Foreign currency - denominated in dollars	1 645 325	1 045 828	57.3%
"Senior Notes"	1 592 495	1 045 828	52.3%
Other	52 830	0	-
Total interest-bearing debt	2 011 727	1 251 015	60.8%
In assets: Losses from rationing and "Portion A"	142 414	164 275	-13.3%
Hedging at EDP, S.A.: Assets denominated in dollars	296 324	256 678	15.4%

The increase in borrowings contracted in *reais* is due, as was the case at Bandeirante, to the loan granted by BNDES (the national economic and social development bank) in 2002, anticipating the amount to be recouped for losses arising from rationing and "Portion A". In addition, Escelsa has an amount receivable of BRL 142.4 million relating to the forementioned recovery.

As regards interest-bearing debt denominated in dollars, Escelsa has "Senior Notes" in issue amounting to USD 431 million. Due to the real's steep depreciation in 2002, these bonds saw their value increase 52.3% in local currency. However, the effect of the real's depreciation was attenuated as referred to earlier given that the EDP holding company holds "Senior Notes" with a value of USD 357.4 million, whose positive effects are disclosed in EDP's consolidated net financial items.

Net financial items

Escelsa

(BRL thousand)

	2002	2001	Δ%
Interest received / (paid)	-125 451	-70 261	-78.5%
Favourable / (unfavourable) foreign exchange differences	-448 531	-95 247	-370.9%
Gains / (losses) in Group and associated companies	-65 296	21 355	-405.8%
Other gains / (losses)	-32 168	-20 957	-53.5%
Net financial items	-671 446	-165 110	-306.7%

Net interest and financial expense was strongly affected, as already stated, by the depreciation of the real which had a negative impact on foreign-exchange differences, as well as the interest relating to the "Senior Notes". It must be emphasised that Enersul is consolidated in Escelsa's financial statements using the equity method via the vehicle company Magistra, S.A. (100% owned by Escelsa) which, in turn, owns 65.2% of Enersul's share capital, with the result that its impact on Escelsa's financial statements is reflected in the caption «Net financial items».

The staff complement at the close of 2002 was 1 353 employees, 4.1% less than in 2001. The number of customers per employee was 654 in 2001, climbing to 705 in 2002, translating into an improvement of 7.8% in this indicator.

General indicators

Escelsa 100%

	2002	2001	Δ%
Gross profit margin	34.2%	38.9%	-4.7%
Number of employees	1 353	1 411	-4.1%
Operating capital expenditure ⁽¹⁾			
BRL thousand	60 165	67 820	-11.3%
EUR thousand	16 208	33 141	-51.1%

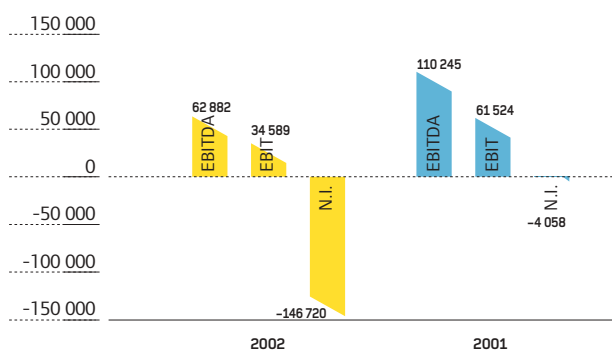
(1) Escelsa was consolidated on EDP financial statements using the equity method until September 2002 and fully consolidated thereafter. Figures for the whole company have been taken into account for comparative purposes.

Capital expenditure in 2002 of some BRL 60 million was directed at extending and improving the distribution systems, new substations and the company's modernisation. The year-on-year decline of 11.3% in capital investment reflects the deceleration in demand. Owing to the prospects of lower demand, a number of projects and building works were abandoned, with the consequent write-offs and losses being reflected in the company's «Net extraordinary items».



Escelsa

(EUR thousand)



ENERSUL

In October 2002, EDP - Electricidade de Portugal, S.A. took over the effective management of the company with the election of the new Executive Board of Directors.

As mentioned in relation to Escelsa, Enersul's details are presented for the entire company. The impact on the EDP Group's consolidated accounts materialises in an indirect way (through Escelsa) by application of the equity method up until September 2002, and by full consolidation as from October.

Enersul's energy entered into the system in 2002 was 3 541 GWh, 0.7% more than in the previous year. In order to satisfy market needs, Enersul used 129 GWh of own power produced at its hydroelectric power stations, which represents 3.9% of needs, and 3 412 GWh acquired from other producers.

The volume of energy sold in 2002 presented growth of 3.1% relative to 2001, attaining a total volume of 2 754 GWh. The residential sector (31.3% of total energy sold) presented a decrease of 0.7% on the preceding year, the industrial sector (24.4% of total energy sold) presented an increase of 8.7% and the commercial sector (19.1% of total energy sold) an increase of 0.9%. At the end of 2002, Enersul had 596 569 customers, 4.2% more than a year earlier.

Energy sales (GWh) Enersul

	2002	2001	Δ%
Energy acquisition	3 702	3 697	0.1%
Losses from Itaipú contract	-93	-120	22.9%
Transmission losses	-68	-59	-16.0%
Energy entered into Distribution	3 541	3 518	0.7%
Distribution losses	-515	-390	-32.3%
Energy sales	3 026	3 128	-3.3%
Sales to the MAE (Wholesale Energy Market)	272	456	-40.5%
Energy commercialisation	2 754	2 672	3.1%
Residential	863	868	-0.7%
Industrial	671	618	8.7%
Commercialisation	527	523	0.9%
Other	693	663	4.5%

Revenue from electricity sales to final customers increased 21.4%. This growth reflects the tariff adjustments of 18.24% and 12.25% which occurred in April 2001 and 2002, respectively, and the extraordinary tariff adjustment of around 5.2%, implemented by ANEEL on 27 December 2001. As was the case with Bandeirante and Escelsa, the latter increase corresponded to the regulatory adjustment in order to compensate losses arising from rationing and the so-called "Portion A". The respective amount, which had been accrued in 2001 and reflected as accrued billing in 2002, was reversed in the current financial year in the account «Other revenues and taxes». Enersul's tariff revisions take place every four years, with the first falling due on 8 April 2003.

Energy acquisition costs rose by 9.9% due to the tariff adjustment in the dollar-indexed power purchase contracts with Itaipú. The growth of 9.0% in Other Direct Costs reflects the increase in the energy transmission tariff and in the Fuel Consumption Quota (Quota de Consumo de Combustível - CCC). However, these costs are a pass-through to the final tariff by means of the recognition of "Portion A" in the tariff calculation.

Gross profit

Enersul

	(BRL thousand)		
	2002	2001	Δ%
Total energy sales	429 625	414 501	3.6%
Energy sales to the MAE	- 17 577	46 243	-138.0%
Energy sales to final customers	447 202	368 258	21.4%
Residential	175 429	154 032	13.9%
Industrial	80 526	60 125	33.9%
Commercial	103 987	83 212	25.0%
Other	87 260	70 889	23.1%
Other operating revenue	- 5 060	69 181	-107.3%
Other revenue and taxes	- 33 625	- 19 712	-70.6%
Regulatory adjustment	28 565	88 893	-67.9%
Total operating revenues	424 565	483 682	-12.2%
Energy acquisition	172 437	156 886	9.9%
Other direct costs	63 980	58 684	9.0%
Regulatory adjustment	5 459	2 602	109.8%
Total direct costs	241 876	218 172	10.9%
Gross profit	182 689	265 510	-31.2%
Gross profit margin (%)	43.0%	54.9%	11.9%

The 31.2% drop in gross profit when compared with 2001 is primarily due to the non-recurring amounts booked in 2001 related to the tariff recovery laid down by ANEEL and the reversal of the amounts recovered in 2002 through the extraordinary tariff increase. In addition, the lower weight of the residential segment also affected Enersul's gross profit.

Income statement

Enersul

	BRL thousand			EUR thousand		
	2002	2001	Δ%	2002	2001	Δ%
Operating revenue and gains	424 565	483 682	-12.2%	156 168	233 206	-33.0%
Operating costs and losses	400 355	362 792	10.4%	145 114	172 056	-15.7%
Electricity	241 876	218 172	10.9%	88 138	103 761	-15.1%
Sundry materials and goods for resale	9 372	12 875	-27.2%	3 408	5 874	-42.0%
Outside supplies and services	32 893	27 869	18.0%	11 815	13 182	-10.4%
Personnel costs	48 202	44 648	8.0%	17 659	21 319	-17.2%
Amortisation and depreciation	53 571	46 294	15.7%	19 499	22 038	-11.5%
Provisions	12 233	11 952	2.4%	3 752	5 401	-30.5%
Other operating costs and losses (net)	2 208	982	124.8%	843	481	75.3%
Operating income	24 210	120 890	-80.0%	11 054	61 150	-81.9%
EBITDA (Oper. Inc. + Amort./deprec. + Provisions)	90 014	179 136	-49.8%	34 305	88 589	-61.3%
Net financial items	-68 266	-43 894	-	-21 895	-19 966	-
Net extraordinary items	-57 305	-3 296	-	-15 830	-1 653	-
Taxes	-7 250	26 729	-	-1 927	14 225	-
Net income (100%)	-94 112	46 971	-	-24 744	25 306	-



Relative to 2001, Operating Costs in *reais* climbed by 10.4%. This variation is explained by the 18.0% increase in Outside Supplies and Services (caused by inflationary pressures) and an increase in maintenance costs. The 8.0% rise in Personnel Costs is attributable to the 7.0% salary increase awarded to employees to bring these into line with the sector average. The decrease in the number of staff was not sufficient to compensate for this increase, given that the reduction in staff occurred in the second half of 2002.

The negative variation of 49.8% in EBITDA is not directly comparable due to the non-recurring effect of the regulatory adjustment accounted for in 2001. Finally, Enersul's net income, besides the effect of the lower gross profit, was affected by the real's sharp depreciation against the dollar and by a non-recurring provision of BRL 50 million.

The real's depreciation was also responsible for the fact that the decline in EBITDA in euros was even more pronounced: -61.3%.

Interest-bearing debt Enersul

	(BRL thousand)		
	2002	2001	Δ%
Local Currency	377 780	275 040	37.4%
Magistra (Group)	65 951	1 463	4407.9%
BNDES	157 696	79 880	-
Other	154 133	193 697	-20.4%
Foreign currency-denominated in dollars	199 375	152 297	30.9%
Total interest-bearing debt	577 155	427 337	35.1%
In assets: Losses from rationing and "Portion A"	141 585	71 528	97.9%
<i>Hedging at EDP, S.A.:</i>			
Assets denominated in dollars	5 956	3 612	64.9%

The increase in interest-bearing debt contracted in *reais* is explained by the loan granted by the BNDES (the national economic and social development bank) in 2002, in anticipation of the amount of the losses from rationing and "Portion A" to be recovered. Enersul has, in the meantime, an amount receivable of BRL 141.6 million relating to the recovery of losses from rationing and "Portion A". As regards borrowings denominated in dollars, the increase of 30.9% is principally explained by the Brazilian currency's steep depreciation against its American counterpart. Besides the increase in debt, the real's depreciation had a negative impact on the company's net financial items, namely, in the form of the higher foreign-exchange losses.

Net financial items Enersul

	(BRL thousand)		
	2002	2001	Δ%
Interest received / (paid)	-20 997	-28 956	27.5%
Favourable / (unfavourable) foreign exchange differences	-45 159	-24 444	-84.7%
Gains / (losses in group and associated companies)	1 191	1 086	9.7%
Other gains / (losses)	- 3 302	8 420	-139.2%
Net financial items	-68 267	-43 894	-55.5%

At the end of 2002, the workforce stood at 928, 5.1% less than in 2001, resulting in a ratio of 644 customers/employee, 10.1% more than in 2001.

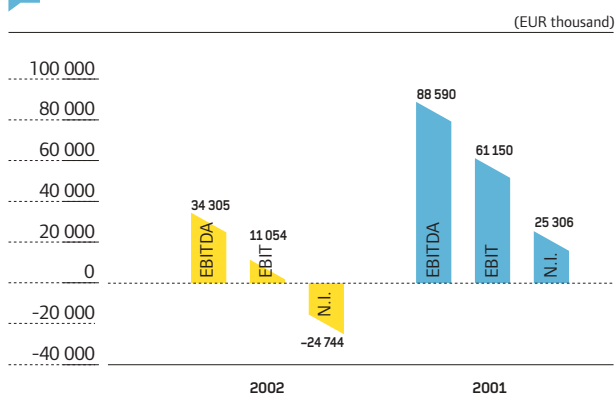
General indicators Enersul

	2002	2001	Δ%
Gross profit margin	43.0%	54.9%	-11.9%
Number of employees	928	978	-5.1%
Operating capital expenditure ⁽¹⁾			
BRL thousand	93 364	109 024	-14.4%
EUR thousand	25 152	53 276	-52.8%

(1) Enersul was consolidated on EDP financial statements using the equity method until September 2002 and fully consolidated thereafter. Figures for the whole company have been taken into account for comparative purposes.

Turning to operating capital expenditure, the decrease reflects the slowdown in demand growth in 2002. Non-recurrent capital expenditure was mostly directed at a new gas turbine for a thermoelectric power station and was incurred before EDP assumed indirect control of Enersul. However, due to the present market conditions for this type of energy, the company decided to sell this asset, having set aside a provision of BRL 50 million (Net Extraordinary Items) to cover potential losses.

Enersul



[TELECOMMUNICATIONS

FIXED TELECOMMUNICATIONS

Operating revenue for the ONI Fixo Group increased 58.3% in 2002. Revenue from telecommunications services (which represent 92.0% of the total revenues) rose by 74.4% due to the significant increase in voice and data services.

Gross profit

Fixed telecommunications

(EUR thousand)

	2002	2001	Δ%
Sales and services provided	297 538	187 922	58.3%
Revenue from telecommunications services	273 838	157 032	74.4%
Voice telecommunications services	160 038	108 839	47.0%
Data telecommunications services	84 018	20 152	316.9%
Other telecommunications revenues	29 782	28 041	6.2%
Revenue from equipment sales	23 700	30 890	-23.3%
Direct operating costs	157 396	123 084	27.9%
Cost of telecommunications services	142 533	102 399	39.2%
Cost of equipment sales	14 863	20 685	-28.1%
Gross profit	140 142	64 838	116.1%
Gross profit on telecommunications services	131 305	54 633	140.3%
Gross profit on equipment sales	8 837	10 205	-13.4%

Revenue originated by the voice service, which accounted for 58.4% of total revenue from telecommunications services, climbed by 47.0% when compared with 2001. In 2002, voice traffic commuted by ONI grew 38.9% over the preceding year and the number of CLIs rose 3.8%. Voice traffic in minutes by CLIs expanded by some 38%, reflecting to a large extent the impact of gradual liberalisation on short-distance call (local traffic) in Portugal.

Revenue from data services represented 30,7% of total revenue from telecommunications services. At the end of 2002, ONI had 367 641 registered internet accounts (252 350 at the end of 2001), which translated itself into an increase in ISP traffic of 27.0%.

The direct costs of telecommunication services activity climbed by 39.2% between 2001 and 2002. This increase was substantially lower than that of Operating Revenues, with the result there was an increase of 81.2% in gross profit when compared with 2001. This positive performance results from the growing use of ONI's fibre optic network in providing access to an also expanding customer base.

Income statement

Fixed telecommunications

(EUR thousand)

	2002	2001	Δ%
Operating revenue and gains	310 403	237 751	30.6%
Revenue from telecommunications services	273 838	157 032	74.4%
Revenue from equipment sales	23 700	30 890	-23.3%
Own work capitalised	494	38 537	-98.7%
Other operating revenue	12 371	11 292	9.6%
Operating costs and losses	426 907	373 829	14.2%
Direct costs of activity	157 396	123 084	27.9%
Outside supplies and services - outside Group	121 844	109 401	11.4%
Outside supplies and services - Group	994	7 402	-86.6%
Personnel costs	69 763	76 022	-8.2%
Amortisation and depreciation	63 491	48 871	29.9%
Provisions	7 887	3 741	110.8%
Other operating costs	5 532	5 308	4.2%
Operating income	- 116 504	- 136 078	14.4%
EBITDA			
(Oper. Inc. + Amort./deprec. + Provisions)	- 45 126	- 83 466	45.9%
Net financial items	- 43 134	- 41 441	-4.1%
Net extraordinary items	- 48 329	4 475	-1180.0%
Tax and minority shareholders' interests	- 30 542	- 114 444	73.3%
Net income (100%)	- 177 425	- 58 600	-202.8%

ONI Portugal and ONI Espanha's contributions to Operating Revenues were 56% and 44%, respectively.

Revenue from voice services in Spain grew by 78.8% in the period, due to the inclusion of Comunitel's and Germinus's accounts for the whole of 2002 (included in the 2001 financial statements only from the date of acquisition - in June 2001).



The 5.2% increase in Outside Supplies and Services (OSS) resulted from the greater recourse to Information Technologies (40% of total OSS's), as well as the higher costs incurred on attracting customers in the fixed telecommunications' area (20% of total OSS's).

Personnel Costs totalled EUR 69.8 million at the end of 2002, which represents a decrease of 8.2% over the previous year. This trend reflects a decrease in the number of employees, namely, in the fixed telecommunications business, given that ONI Way was consolidated using the equity method in 2002.

The pursuance of the cost-cutting programme implemented by ONI since the end of 2001 was responsible for the 46.0% improvement in EBITDA.

The Group's decision to discontinue operations in the mobile telecommunications business led to a write-off of EUR 173.9 million incorporated in ONI, S.G.P.S.'s net interest and financial expense. In addition, ONI created a general provision of EUR 18.3 million (booked as an extraordinary charge) to cover any additional liabilities that may emerge from this transaction.

The ONI Group's financial statements also include an extraordinary provision of EUR 20 million linked to the closure of Shopping Direct, an e-commerce company 100% controlled by the ONI Group.

ONI's operating capital expenditure in 2002 amounted to EUR 312.0 million, 30.5% more than the 2001 figure. This trend is related to the capital investments made in the mobile telecommunications business in the first nine months of the year, as well as in the development of the fixed telecommunications network and direct access infrastructures. Capital expenditure directed at fixed telecommunications in Spain increased appreciably to EUR 87.6 million. This growth is tied to the acquisition of a right to use cable in the Spanish market (IRU – Indefeasible Right of Use) for EUR 52.1 million.

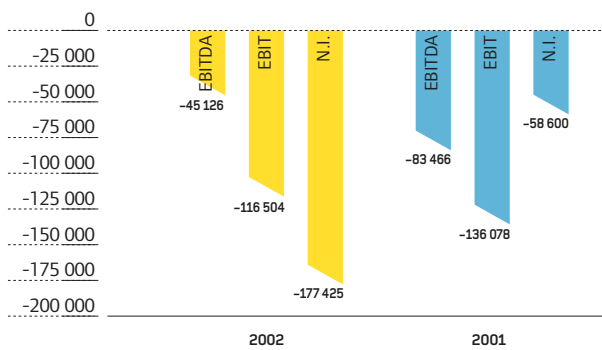
ONI'S OPERATING REVENUES ROSE 58.3% IN 2002

General indicators Telecommunications

	2002	2001	Δ%
Number of employees ONI	1 617	1 719	-5.9%
Portugal	1 023	1 110	-7.8%
Fixed	732	804	-9.0%
Mobile	291	306	-4.9%
Spain	594	609	-2.5%
Operating capital expenditure (EUR thousand)	311 962	239 020	30.5%
Portugal	224 338	208 190	7.8%
Fixed	53 179	52 812	0.7%
Mobile	171 160	155 378	10.2%
Spain	87 624	30 831	184.2%

Telecommunications

(EUR thousand)



MOBILE TELECOMMUNICATIONS (CLOSURE OF ONI WAY)

In December 2002, ONI decided to discontinue its activity in the mobile telecommunications business following a proposal made by the three portuguese mobile operators for the acquisition of ONI Way's assets and the shares representing its share capital.

In terms of the proposal, part of ONI Way's assets were sold to Optimus, TMN and Vodafone for a total of EUR 150.0 million, while Vodafone undertook to acquire ONI Way's share capital for an amount corresponding to 70% of the decrease (saving) in taxation that the company should benefit from.

ONI Way's negotiations with operators and other third-party entities enabled the company to minimise the costs initially estimated of closing down the operation.

All the costs relating to the closure of ONI Way, as well as the other potential losses, were realised and provided for in 2002. The provision constituted at ONI Way therefore amounts to EUR 280.9 million

The accumulated investment in UMTS (including closing-down expenses) totalled EUR 480.0 million, of which EUR 340 million was financed from own funds. Following the sale of assets and renegotiations with suppliers, ONI Way closed the 2002 financial year with shareholders' equity of EUR 20.2 million.

The total impact of this operation on ONI's consolidated accounts was a loss of EUR 192.2 million, of which EUR 173.9 million was accounted for under the caption Net Financial Items (by way of the interest in ONI Way being accounted for using the equity method). The balance is reflected in a non-recurring general provision of EUR 18.3 million in ONI, S.G.P.S..

This operation translated itself, therefore, into a net loss of EUR 107.7 million in the EDP Group's consolidated accounts, corresponding to 56% of the loss recorded by ONI.

[INFORMATION TECHNOLOGIES

Edinfor, the EDP Group company dedicated to the Information Technologies (IT) business, centres its activity on the provision of services in the information systems' development and operating areas.

Income statement Information technology

	(EUR thousand)		
	2002	2001	Δ%
Operating revenue and gains	238 216	215 918	10.3%
Sales	35 510	39 149	-9.3%
Services provided - Group	122 478	72 825	68.2%
Services provided - outside Group	66 016	77 058	-14.3%
Own work capitalised	12 633	21 680	-41.7%
Other operating revenue and gains	1 579	5 206	-69.7%
Operating costs and losses	202 653	184 789	9.7%
Sundry materials and goods for resale	31 640	34 164	-7.4%
Outside supplies and services - Group	5 070	9 785	-48.2%
Outside supplies and services - outside Group	70 051	55 880	25.4%
Personnel costs	75 470	65 398	15.4%
Amortisation and depreciation	18 924	17 796	6.3%
Provisions	781	960	-18.6%
Other operating costs and losses	717	806	-11.0%
Operating income	35 563	31 129	14.2%
EBITDA			
(Oper. Inc. + Amort./deprec. + Provisions)	55 268	49 885	10.8%
Net financial items	- 13 856	- 9 485	-46.1%
Net extraordinary items	- 6 890	- 795	-766.5%
Tax and minority shareholders' interests	7 096	11 001	-35.5%
Net income	7 721	9 848	-21.6%

Note: Sub-consolidation not audited.

The Edinfor Group's Operating Revenues totalled EUR 238.2 million at the end of 2002, which represents growth of 10.3% in relation to 2001. Services Provided, which represent 79% of total revenues, grew by 25.8% in the period. This growth results, to a large extent, from the continued involvement in Group companies in the development and implementation of SAP projects. Notwithstanding this fact, it is worth mentioning that 46.1% of total Operating Revenues were derived from sales and services to companies and entities outside of the EDP Group.

The 9.7% increase in Operating Costs when compared with the preceding year resulted essentially from the 14.4% and 15.4% rises in Outside Supplies and Services and Personnel Costs, respectively.



Operating Income presented an annual growth of 14.2%; however, the EBITDA and EBIT margins fell by 1.7 and 0.6 percentage points, respectively. This trend was essentially the consequence of the transfer of assets linked to the development of an information system to EDP Distribuição, with Edinfor therefore losing some intragroup revenue arising from the previous provision of this service to the EDP Group's energy distributor.

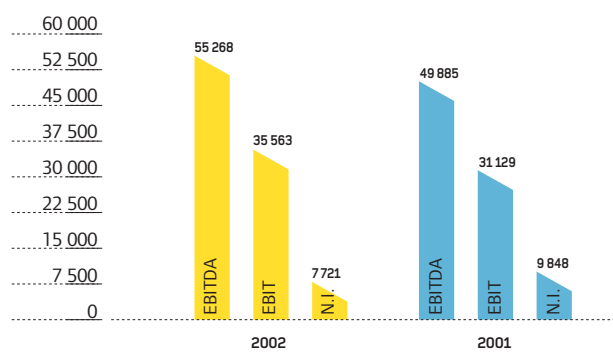
General indicators

Information technology

	2002	2001	Δ%
Number of employees	1 713	1 551	10.4%
Edinfor S.A. + subsidiaries	746	763	-2.2%
ACE Group	967	788	22.7%
Operating capital expenditure			
EUR thousand	41 833	72 862	-42.6%

Information technologies

(EUR thousand)



Note: Sub-consolidation not audited.



2.5

HIGHLIGHTS

[HIGHLIGHTS OF 2002

GENERAL

• Start-up of EDP Valor's activity

January 2002 – As part of the EDP Group's reorganisation, a new sub-holding company, EDP Valor - Gestão Integrada de Serviços, S.A. commenced its activity, which encompasses and coordinates all the companies and organic units which have as their principal objective the provision of transversal support services to the entire Group. Amongst the priorities set down is, in the short term, the attainment of significant savings for the EDP Group through the centralised negotiation of non-specific general goods and services, and the rationalisation of certain functions.

• Changes in the Board of Directors

8 March 2002 – Renouncement by Vasco Pereira Valente and co-option in his stead of Luís Filipe Pereira as a Director and member of EDP's Executive Committee.

30 April 2002 – Co-option of Arnaldo Pedro Figueirôa Navarro Machado as a Director and member of EDP's Executive Committee, following the resignation presented by Luís Filipe da Conceição Pereira after his appointment as Minister of Health.

• Iberdrola communicates having a qualified shareholding of more than 5%

9 May 2002 – Iberdrola, S.A., by way of share acquisitions, announced that as from 27 July 2001 it has a direct shareholding of 4.9989% in the company's capital.

• EDP declares gross dividend of EUR 0.113 per share

10 May 2002 – EDP Shareholders' General Meeting held on this date approved the proposal of the Board of Directors for the

appropriation of net income for 2001, declaring a gross dividend per share of EUR 0.113.

• EDP issues bond loan in the amount of GBP 200 000 000

2 August 2002 – As part of its EMTNs Programme ("Euro Medium Term Notes"), EDP floated through its subsidiary EDP Finance B.V. a bond issue denominated in pound sterling in the amount of 200 000 000, maturing on 9 August 2017, with a fixed annual coupon of 6.625%. Simultaneously, EDP entered into a swap contract which converted this issue into euros.

• EDP issues bond loan in the amount of EUR 500 000 000

5 December 2002 – As part of its EMTNs Programme ("Euro Medium Term Notes"), EDP floated through its subsidiary EDP Finance B.V. a bond issue in the amount of EUR 200 000 000, maturing on 20 March 2008, with a fixed annual coupon of 5%.

• Brisa Participações SGPS, S.A. communicates having a qualified shareholding

10 December 2002 – BRISA Auto-Estradas de Portugal, S.A. sold to its group company BRISA Participações, S.G.P.S., S.A., the total of the qualified shareholding directly held by it in EDP's capital, corresponding to 2% of its share capital.

ELECTRICITY SECTOR

• The EDP Group concludes the acquisition of 40% of Adygesinval's share capital

12 July 2002 – In order to execute the terms of the Shareholders' Agreement entered into on 4 December 2001 between EDP, CajAstur, Cáser and EnBW, the public deeds



were signed on 12 July and the other corporate acts performed needed to realise the distribution of the shareholdings of the various shareholders referred to above in the company Adygesinval.

Adygesinval's share capital, which on that date held 94% of the shares in Hidrocantábrico, corresponding to 99% of the respective voting rights, thereafter became distributed in the following manner: EDP 40%, EnBW 35%, CajAstur 18% and Cáser 7%.

• EDP Group reinforces its equity interest in Turbogás

27 September 2002 - EDP Participações, S.G.P.S, S.A. acquired from Siemens Project Ventures GmbH (SPVG) a 10% participating interest in Turbogás Produtora Energética S.A. (Turbogás). With this acquisition, the EDP Group raised its shareholding in Turbogás from the previous 10% to 20%.

• EDP Group acquires a 45% shareholding in Affinis

4 October 2002 - EDP Participações, S.G.P.S, S.A. acquired from PROCME - Gestão Global de Projectos, S.A., a 45% participating interest in Affinis - Serviços de Assistência e Manutenção Global, S.A..

• ERSE defines increases in tariffs and electric energy prices for 2003

4 December 2002 - ERSE published the tariffs and prices for electric energy and other services for 2003, which contemplate a nominal variation in the sales tariff for electric energy to final customers of 2.8%.

INTERNATIONALISATION

• Inauguration of the Macau thermoelectric power station

January 2002 - The first generating set at the Macau thermoelectric power station was inaugurated. The power station is scheduled to be completely ready in March 2003.

• EDP signs contracts for the construction of the Peixe Angical Dam

12 March 2002 - The EDP Group and the Rede Group (Brazilian) signed the contracts for the construction of the Peixe Angical hydroelectric power station, in the State of Tocantins.

• EDP requests authorisation for restructuring of its equity holdings in Brazil

8 August 2002 - As part of EDP's international strategy and with a view to reorganising the Group's subsidiary and associated companies in Brazil, Bandeirante applied to the sector regulator - Agência Nacional de Energia Elétrica (ANEEL) - for the necessary authorisation to incorporate part of its direct holding company, Enerpaulo - Energia Paulista, Ltda. (Enerpaulo), a 100%-controlled EDP Group company.

• EDP takes over management of Escelsa and Enersul

10 October 2002 - EDP took over control of Espírito Santo Centrais Elétricas (Escelsa), a Brazilian distributor, located in the State of Espírito Santo, and indirectly that of Enersul.

• EDP concludes sale of the 29% participating interest in Redal

22 October 2002 - EDP concluded the sale of the 29% participating interest it held in the Moroccan company Redal.

• EDP announces the successful takeover bid (public offer of acquisition) for the bonds issued by Escelsa

20 December 2002 - Following the takeover bid and request for renouncement of certain rights launched on 20 November 2002 for all the "Senior Notes" issued by Escelsa, EDP announced that this operation had been successfully concluded, holding after that approximately 83% of the total issue.

TELECOMMUNICATIONS AND INFORMATION TECHNOLOGIES

• Oni signs new contract for use of REN's fibre optics

7 February 2002 - ONI Telecom, S.A. and REN - Rede Elétrica Nacional, S.A. signed a new contract for ONI's use of the fibre optics network belonging to REN.

• EDP - Electricidade de Portugal, S.A. sells its subsidiary OPTEP - Sociedade Gestora de Participações Sociais, S.A.

25 March 2002 - EDP signed a purchase and sale contract with Thorn Finance, S.A., a Luxembourg-law company, in terms of which it sold all the shares in its subsidiary OPTEP - Sociedade Gestora de Participações Sociais, S.A., which in turn had a 25.49% participating interest in Optimus - Telecomunicações, S.A..

• **EDP gives its agreement to the proposed acquisition of assets owned by and all the shares in ONI Way**

4 December 2002 – EDP announced that its subsidiaries ONI, S.G.P.S., S.A. and ONI Way – Infocomunicações, S.A. had entered into agreements with the other mobile operators with the object of selling ONI Way's assets and the shares representing its share capital, following which ONI Way will cease all activity as a mobile communications operator.

[**IMPORTANT FACTS AFTER THE BALANCE SHEET DATE**

At the date of finalising this report, there were no important post-balance sheet events or facts worthy of mention.

**WE ARE
PRESENT
IN AFRICA,
SOUTH AMERICA,
ASIA
AND EUROPE**



'02 GRCA

2.6

PROPOSED APPROPRIATION OF 2002 NET INCOME

Pursuant to Article 27 of the Company's Statutes, the Board of Directors proposed that the net income for the year of EUR 335 216 be appropriated as follows:

Appropriation of net income

(EUR thousand)

	2002
Legal reserves	16 761
Dividends	270 000
Retained earnings	48 455
Net income	335 216

The dividend proposed corresponds to EUR 0.09 per share, which represents a pay-out ratio of 80.5%.



2.7

OUTLOOK FOR 2003

In 2003 the Group's activity will continue to be centred predominantly on the energy sectors of the Iberian Peninsula and Brazil, in parallel with the consolidation of the Telecommunications and Information Technologies businesses.

The creation of the Iberian Electricity Market, the realisation of which will take place in a phased manner with effect from the middle of 2003 (with completion envisaged for 2006), will demand special attention from the Group, in particular, with respect to keeping abreast of the studies and measures required for its implementation. In this domain, the definition of the liberalised regime for generation assumes special importance, namely the process involving the opening of the Power Purchase Agreements concluded between the owners of the binding power-generating centres and the National Transmission Grid concessionaire, with a view to securing a solution that preserves the value of the aforementioned contracts.

Preparations for the opening up of the national electricity market to the more than 5.6 million customers being supplied in Low Voltage power (projected for 2004) and the further liberalisation of the VHV, HV and MV markets, will pose additional challenges to the Group, which naturally seeks to retain its leading position in the liberalised market. In this context, EDP Energia's role will be reinforced as the Group's commercial concern operating in this market. Moreover, is expected the formal constitution of EDP Trading, equipped with the proper tools to operate in the wholesale market and carrying out the corresponding risk management as and when the functioning of the MIBEL gains form and expression.

There are also expected to be developments insofar as the Portuguese Energy Sector's reorganisation is concerned in the wake of studies promoted by the Portuguese Government in this field. Should these developments materialise, they will undoubtedly have an impact on the Group's activity in 2003, perhaps even entailing a greater convergence of the electricity and gas sectors.

In Spain, EDP's participation in the energy market will consolidate itself via Hidrocarbónico, which operates in the electricity and gas markets, thereby reinforcing the convergence between these business activities on the Iberian Peninsula.

In Brazil, the Group will extend and develop management rationalisation measures at the electricity distribution companies, endeavouring to capitalise on existing synergies now that the Group has taken over operational control of Escelsa and Enersul. On the other hand, corporate shareholder restructuring will continue to take place, characterised by the subordination of the Group's activities in Brazil to the common strategic of the sub-holding company EDP Brasil. Accordingly, the Group's equity holdings in CERJ – Companhia de Electricidade do Rio de Janeiro and in Iven, S. A. (the entity which exercises direct control over Escelsa and indirect control over Enersul) will be transferred to EDP Brasil.

The significant drop in economic activity in Portugal will have less positive reflections on the buoyancy of the information technologies sector. The deceleration, already visible in 2002, led Edinfor to adopt cost containment measures and reorganise its resources in such a manner as to give it flexibility and thus face 2003 with confidence.

In the telecommunications arena, after the closure of the ONI Way project associated with UMTS technology, 2003 will be dedicated to consolidating the fixed network business in Portugal and Spain, reinforcing ONI's position as the number one alternative to the incumbent operator. To this end, it is hoped that regulation in this sector is fair and implemented with determination in such a fashion that the market can anticipate progressive liberalisation.

The Group will remain committed to the "Efficiency Programme" as a project nurturing a culture and state of spirit which is hoped will become permanently embedded. Launched in 2002 and with the first phase ended, the focus was turned to ensuring



the programme's greater integration with the organisational structures in such a way as to better guarantee the attainment of the cost reduction and rationalisation measures already identified, and encapsulate the Programme's spirit, principles and methodology. Initially centred on the companies located in Portugal, the extension of similar initiatives to Brazil should permit the identification of potential areas for substantial cost reductions in 2003.

In this context of increased efficiency, reorganisation of services and rationalisation of processes, work will also continue in 2003 on consolidating and broadening the structure of the Group's shared services through the sub-holding company EDP Valor. The results of its involvement in priority areas in 2002 demonstrated the importance of the project for meeting

objectives which are convergent with those of the "Efficiency Programme". In this way, besides the affirmation of the quality of service rendered to its internal customers, EDP Valor will widen its sphere of action in 2003 to other services and other Group companies, always with the common dual goal of raising efficiency and creating value for the Group's shareholders.

The above scenario will bring in its wake major challenges and demand from management at all levels great resolve and determination in order to overcome them with success. There are, however, grounds for believing in a positive economic and financial performance in 2003, all the more so because, to a large extent, in the present financial year the Group will be in the midst of consolidating its business interests in the Iberian Peninsula and in Brazil.



2.8

ACKNOWLEDGEMENTS

The Board of Directors expresses its gratitude to the group of shareholders who are more intimately involved in monitoring the evolution and affairs, and in particular, to the State shareholder through the respective members of government, namely, the Minister of State and Finance and the Minister of the Economy, and the Secretaries of State for the Treasury and Finance and the Deputy Minister of the Economy.

The Board of Directors also extends its appreciation to all those entities which collaborated with the EDP Group, namely:

- CMVM (Securities Market Commission), Euronext Lisbon and Interbolsa;
- the EDP Group's statutory auditors and the external auditors;
- Financial Institutions;
- Scientific, university and technical institutions.

A special word of thanks is also due;

- to the shareholders, for their continuing trust in the EDP Group;
- to the customers of the EDP Group companies, to whom is reaffirmed the commitment to strive for excellence in the quality of service provided and in the full satisfaction of their needs;
- to the workers and employees, for their contribution to the EDP Group's development, the competence and professionalism in the performance of their functions, and their committed involvement in the EDP Group's dynamic change and growth.

In March 2002 Vasco Fernandes Pereira Valente renounced his position as a Director and member of EDP, S.A.'s Executive Committee, having been replaced by Luís Filipe da Conceição Pereira, who also renounced his position in April following his


appointment as Minister of Health. The Board of Directors expresses its recognition and gratitude to these gentlemen for their contributions to the EDP Group's progress. The same acknowledgements are extended to Manuel Jorge Pombo Cruchinho, who ceased his functions as the Company's General Secretary at the beginning of 2003.

Board of Directors

Francisco de la Fuente Sánchez (Chairman)
 Jorge Fernando Alves Ferreira Guimarães (Vice-Chairman)
 Rui Miguel de Oliveira Horta e Costa (Member)
 Fernando Noronha Leal (Member)
 António Manuel Barreto Pita de Abreu (Member)
 Manuel de Jesus Martins (Member)
 Arnaldo Pedro Figueirôa Navarro Machado (Member)
 Jorge Manuel Jardim Gonçalves (Member)
 João Afonso Ramalho Pereira Bento (Member)
 Ernâni Rodrigues Lopes (Member)
 António José Fernandes de Sousa (Member)

Lisbon, 13 March 2003



A nighttime photograph of a cityscape with several multi-story buildings. The windows of the buildings are illuminated from within, casting a warm glow. A blue, semi-transparent rectangular box is overlaid on the center of the image, containing white text. The background shows a mix of architectural styles, including a prominent building with a fire escape on its side. The sky is dark, and the overall atmosphere is urban and modern.

'3 | CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

WE ARE PRESENT
WHERE OUR CUSTOMERS
NEED US'

3.1

Consolidated Balance Sheet at 31st December 2002

NOTES	ASSETS	2002			2001 NET
		GROSS	DEPREC/PROV	NET	
	Fixed assets:				
23.b./25/27.	Intangible:				
	Start-up costs	93 056 395.91	50 471 230.93	42 585 164.98	98 161 631.08
	Research and development costs	140 433 845.02	35 501 600.79	104 932 244.23	5 564 998.23
	Industrial property and other rights	1 880 560 730.46	198 187 827.58	1 682 372 902.88	849 470 350.94
	Capital expenditure in progress	13 229 498.81		13 229 498.81	183 044 011.73
		2 127 280 470.20	284 160 659.30	1 843 119 810.90	1 136 240 991.98
23.c./27.	Tangible:				
	Fixed assets (DL 344-B/82)	259 915 573.61	243 265 126.85	16 650 446.76	20 934 323.11
	Land and natural resources	122 259 733.36		122 259 733.36	112 614 398.16
	Buildings and other facilities	336 746 374.80	143 317 068.95	193 429 305.85	193 510 435.68
	Basic equipment	22 474 832 329.01	12 839 247 899.08	9 635 584 429.93	8 746 022 227.06
	Vehicles, transport equipment	73 900 403.01	46 621 966.83	27 278 436.18	30 859 513.67
	Loose tools	76 922 099.59	5 443 128.05	71 478 971.54	1 119 630.18
	Administrative equipment	248 633 624.39	164 011 509.38	84 622 115.01	64 714 072.85
	Returnable containers	1 659.55	1 659.55		
	Other fixed assets	17 485 250.48	4 803 701.80	12 681 548.68	7 633 090.01
	Capital expenditure in progress	1 010 734 574.13		1 010 734 574.13	640 524 472.07
	Advance payments for capital items	4 788 147.67		4 788 147.67	1 789 892.44
23.c./27.	Multi-purpose projects (part not assigned):	24 729 492.72		24 729 492.72	24 055 920.71
	Hydroelectric generation	18 186 658.24		18 186 658.24	17 513 086.23
	Works under construction	6 542 834.48		6 542 834.48	6 542 834.48
		24 650 949 262.32	13 446 712 060.49	11 204 237 201.83	9 843 777 975.94
23.d./27.	Financial investments:				
	Group companies	202 518 336.35	9 151 209.93	193 367 126.42	185 267 983.89
	Associated companies	578 494 982.82	38 079 862.01	540 415 120.81	1 377 323 478.58
	Securities and other investments	1 431 517 440.41	269 318 117.81	1 162 199 322.60	1 459 907 397.53
	Capital expenditure in progress	2 584.15		2 584.15	1 057 767.41
		2 212 533 343.73	316 549 189.75	1 895 984 153.98	3 023 556 627.41
	Current assets:				
23.e.	Inventories:				
50.f.	Raw and consumable materials	130 031 670.96		130 031 670.96	89 408 542.20
	Goods and work in progress	5 446 017.07		5 446 017.07	2 540 602.98
	Goods for resale	10 142 972.56	1 179 695.02	8 963 277.54	11 997 603.68
	Advance payments to suppliers	5 864 063.82		5 864 063.82	5 089 790.56
		151 484 724.41	1 179 695.02	150 305 029.39	109 036 539.42
33.b.	Medium and long-term receivables:				
50.a.	Local authorities - Debt at 31/12/88	185 343 180.89	101 321 947.53	84 021 233.36	79 203 600.77
	Shareholder and investee companies	18 744 335.53		18 744 335.53	15 789 246.11
50.a.	Other debtors	170 239 358.15	12 421 025.70	157 818 332.45	7 859 131.47
		374 326 874.57	113 742 973.23	260 583 901.34	102 851 978.35
	Short-term receivables:				
50.b.	Trade debtors	855 970 456.68		855 970 456.68	787 426 279.00
50.b.	Debtors - notes receivable	13 734.12		13 734.12	1 238 089.57
50.b.	Debtors - doubtful recovery	159 510 962.04	150 863 310.63	8 647 651.41	7 302 863.75
	Shareholder and investee companies				106 324 521.51
	Suppliers - advance payments	3 298 096.12		3 298 096.12	1 187 455.46
50.e.	State and other public entities	120 419 334.15		120 419 334.15	59 736 296.64
50.c.	Other debtors	462 944 357.26	13 901 228.16	449 043 129.10	233 922 205.39
	Share capital subscribers	451 125.00		451 125.00	45 281 168.34
		1 602 608 065.37	164 764 538.79	1 437 843 526.58	1 242 418 879.66
	Trading securities:				
	Other short-term investments	175 264 037.96	5 819.42	175 258 218.54	33 944 265.45
		175 264 037.96	5 819.42	175 258 218.54	33 944 265.45
	Bank deposits and cash:				
	Bank deposits	37 287 707.07		37 287 707.07	
	Cash	1 426 792.90		1 426 792.90	441 515.04
		38 714 499.97		38 714 499.97	441 515.04
50.d.	Accruals and deferrals:				
	Accrued income	343 559 083.33		343 559 083.33	140 589 565.72
	Deferred costs	775 584 355.05		775 584 355.05	600 284 448.26
		1 119 143 438.38		1 119 143 438.38	740 874 013.98
	Total depreciation		14 038 270 699.61		
	Total provisions		288 844 236.39		
	TOTAL ASSETS	32 452 304 716.91	14 327 114 936.00	18 125 189 780.91	16 233 142 787.23

3.2

Consolidated Income Statement for the Year Ended 31st December 2002

NOTES	EXPENSES	2002		2001	
	Cost of inventories sold and consumed:				
	Electricity	3 005 526 055.68		2 524 293 349.17	
	Fuel for power generation	465 527 057.89		377 192 497.05	
	Sundry materials	136 028 321.28		122 679 049.47	
	Goods for resale	83 597 286.98	3 690 678 721.83	55 542 013.35	3 079 706 909.04
	Outside supplies and services		675 069 958.91		651 230 185.63
	Personnel costs:				
	Remuneration	427 618 996.07		402 399 701.96	
	Staff welfare costs:				
	Complementary pensions				
	Current pension contributions	44 339 970.29		37 492 144.01	
	Social security contributions	105 585 984.09		95 740 835.96	
	Social welfare initiatives	5 643 811.77		6 458 558.68	
	Other	41 583 484.31	624 772 246.53	49 882 248.21	591 973 488.82
27.b.	Depreciation and amortisation	739 540 617.58		664 691 412.75	
	Provisions	100 645 394.94	840 186 012.52	115 986 158.13	780 677 570.88
	Indirect taxes	13 823 786.06		12 850 221.58	
	Direct taxes	2 810 716.56		897 398.38	
	Other operating costs and losses	8 301 596.90		8 227 710.55	
23.c./50.g.	Concession and generating centre rentals	158 176 301.80		149 114 155.87	
	Hydraulicity correction - diff.year - charge		183 112 401.32		171 089 486.38
	A - Operating costs and losses		6 013 819 341.11		5 274 677 640.75
44.	Financial costs and losses:				
	Losses in group and associated companies	115 183 865.75		13 485 344.99	
	Interest	488 916 263.75		399 173 681.58	
27.b.	Provision for diminution in value of investments	107 318.56		106 297.10	
	Unfavourable foreign-exchange differences	22 846 399.45		63 666 000.06	
	Other	149 141 876.29	776 195 723.80	112 919 416.58	589 350 740.31
	C - Costs and losses from ordinary activities		6 790 015 064.91		5 864 028 381.06
45.	Extraordinary costs and losses				
	Bad debts	9 084 126.68		1 384 997.50	
	Inventory losses	2 278 697.61		2 635 002.47	
	Fixed assets losses	41 331 713.40		2 635 377.39	
	Increase in depreciation and provisions	299 231 756.28		3 068 836.86	
	Prior-year charges	13 934 530.37		7 467 438.07	
	Hydraulicity correction - additional charge				
	Other	77 033 520.95	442 894 345.29	43 414 535.50	60 606 187.79
	E - Costs and losses for the year		7 232 909 410.20		5 924 634 568.85
	Corporate income tax				
	Income tax for the year	171 167 862.75		244 011 679.38	
	Income tax for the year - deferred	571 459.51	171 739 322.26	(41 059 093.77)	202 952 585.61
	G - Total costs		7 404 648 732.46		6 127 587 154.46
	Minority shareholders' interest		(220 033 767.72)		(59 558 724.48)
	Consolidated net income for the year		335 215 826.44		450 794 716.53
	TOTAL		7 519 830 791.18		6 518 823 146.51
	Operating income	(B) - (A)	648 703 588.06		673 532 448.76
	Net interest and financial expense	((D) - (B)) - ((C) - (A))	(222 843 423.10)		(205 333 289.93)
	Net operating income	(D) - (C)	425 860 164.96		468 199 158.83

 **Consolidated Income Statement for the Year Ended 31 December 2002**

Unit: EUR

NOTES	INCOME	2002		2001	
	Sales:				
36.	Electric power	5 876 158 458.26		5 201 275 203.90	
36.	Other	111 981 793.30		97 966 532.94	
36.	Services provided	398 418 183.40	6 386 558 434.96	351 132 352.06	5 650 374 088.90
	Variation in production:				
	Goods and work in progress:				
	Closing inventories	5 569 215.55		2 203 417.62	
	Opening inventories	1 987 771.20	3 581 444.35	1 360 758.05	842 659.57
23.i./50.h.	Own work capitalised		241 769 257.27		232 518 748.98
	Supplementary income	8 066 938.77		39 961 257.07	
50.i.	Operating subsidies	453 433.17		1 898 662.18	
	Other operating income and gains	22 093 420.65		22 614 672.81	
23.n./50.j.	Hydraulicity correction - diff. year - income		30 613 792.59		64 474 592.06
	B - Operating income and gains		6 662 522 929.17		5 948 210 089.51
44.	Financial income and gains:				
	Profit in group and associated companies	36 449 846.48		25 104 850.55	
	Investment income	40 041 770.53		16 831 122.72	
	Income from trading and other securities	23 682 239.55		18 324 509.08	
	Other interest and similar income	362 918 182.49		261 435 745.44	
	Favourable foreign-exchange differences	90 260 261.65	553 352 300.70	62 321 222.59	384 017 450.38
	D - Income and gains from ordinary activities		7 215 875 229.87		6 332 227 539.89
45.	Extraordinary income and gains:				
	Fixed asset gains	53 264 297.20		27 681 504.13	
	Decreases in depreciation and provisions	76 371 070.41		18 680 924.73	
	Prior-year income adjustments	9 691 927.80		13 304 933.79	
	Hydraulicity correction - surplus			47 465 629.76	
	Other interest and similar income	164 628 265.90	303 955 561.31	79 462 614.21	186 595 606.62
	F - TOTAL INCOME		7 519 830 791.18		6 518 823 146.51
	Net extraordinary income/(expense) ((F)-(D))-((E)-(C))		(138 938 783.98)		125 989 418.83
	Income before taxation (F) - (E)		286 921 380.98		594 188 577.66
	Consolidated net income for the year (F) - (G)		335 215 826.44		450 794 716.53

Registered Accountant no. 5260

 CONSOLIDATION CONTROL
 AND BUDGET MANAGEMENT OFFICE
 MANAGER

BOARD OF DIRECTORS



CONTENTS

[GROUP ANNUAL FINANCIAL STATEMENTS

- '110 CONSOLIDATED BALANCE SHEET
- '112 CONSOLIDATED INCOME STATEMENT
- '115 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- '160 CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002
- '161 CONSOLIDATED INCOME STATEMENT BY FUNCTIONS (COST OF SALES FORMAT)



3.3

NOTES TO THE GROUP CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2002

00. [INTRODUCTION

a] Organisation and business

The Group's holding company, EDP – Electricidade of Portugal, S.A. (hereinafter referred to as EDP) was formed in 1976 in the wake of the government-decreed nationalisation and consequent merger of the principal companies operating in the electricity sector in mainland Portugal. EDP's head office is in Lisbon, at the Praça Marquês de Pombal, 12, 6º.

The EDP Group (hereinafter referred to as the EDP Group or the Group) was formed in 1994 in terms of Decree-Laws 7/91 and 131/94 following the unbundling of EDP, giving birth to a group of companies owned 100% (directly and indirectly) by EDP itself.

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

EDP's shares are listed on the Euronext Lisbon market and the NYSE – New York Stock Exchange, as well as being traded in London. They are also the base asset for futures contracts traded on Euronext Lisbon.

b] Activity in the Iberian Peninsula's energy sector

In Portugal, the National Electricity System (Portuguese acronym SEN) is founded on the co-existence of a Public Service Electricity System (Portuguese acronym SEP) with an Independent Electricity System (Portuguese acronym SEI). The last-mentioned is composed of the Non-Binding Electricity System (Portuguese initials SENV) and special regime producers (Portuguese initials PRE).

The SEP is made up of the National Transmission Grid (Portuguese initials RNT), the Binding Distributors and the Binding Customers. The RNT, whose concessionaire is REN - Rede Eléctrica Nacional, S.A., is responsible for the transmission of electric energy and undertaking the SEP's overall technical management. Binding Producers are connected to the RNT under exclusive long-term supply contracts. The Binding Distributors assume the obligation to supply their customers, subject to the tariffs and conditions prescribed in terms of the law by the Energy Services Regulator (Entidade Reguladora dos Serviços Energéticos - ERSE). The Binding Customers correspond to the consumers of electric energy who cannot opt for a supplier from the SENV (currently those consumers supplied with low voltage power) or to those who, if eligible, have opted to acquire electric energy from the respective binding distributor under the conditions prescribed by the ERSE.

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 tariffs fixed in terms of the law by the ERSE.



Special regime producers operate in the area of renewable energies and cogeneration, delivering electric energy to the SEP's networks under the terms of specific legislation.

According to the law, the Energy Services Regulator (ERSE) performs the function of regulating the sector through the drafting, issue and application of regulations, as well as setting the tariffs relating to both the use of the infrastructures and the supply of electric energy to the SEP's customers.

Through its electricity generation and distribution 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 it owns generating companies operating in the SEI at both the SENV and the PRE levels.

In Spain, the EDP Group owns a 40% shareholding in Hidroeléctrica del Cantábrico, S.A. (hereinafter referred to as Hidrocantábrico), a company in which it is responsible for the operating management.

Hidrocantábrico is the holding company of a business group operating in the electrical (in generation, transmission, distribution and commercialisation of electric energy), gas (distribution and commercialisation) and telecommunications' sectors.

This EDP investment in Hidrocantábrico falls within the logic of the Iberian energy market's integration and consolidation.

c] Activity in the Brazilian energy sector

In Brazil, the EDP Group operates in the electrical sector, namely, in the generation, distribution and commercialisation of electric energy.

In distribution, it has a 96.5% shareholding in Bandeirante Energia S.A. and controls 99.97% of IVEN, S.A., which in turn controls Escelsa Espírito Santo Centrais Eléctricas, S.A. and Enersul Empresa Energética do Mato Grosso do Sul S.A.

In the electricity generation sector, the EDP Group has equity interests in the Lajeado (27.65%) hydroelectric power station (Usina Hidroeléctrica - UHE) and in the Fafen (79.6%) thermoelectric power station (Usina Termoeléctrica - UTE); in partnership with the Brazilian Rede Group, it won in 2001 the tenders for the construction and operation of the Peixe Angical and Couto Magalhães hydroelectric power stations.

In commercialisation, besides the activities carried out by the distribution companies, the EDP Group operates in the energy trading market through Enertrade, a wholly-owned Group company.

d] Activity in the telecommunications sector

In the telecommunications sector, the EDP Group owns 56.025% of the shares in ONI SGPS, while the rest of the capital is held by BCP, Galp Energia and Brisa.

ONI operates in the fixed telecommunications segment providing voice and data services, and is present in the Portuguese (business and residential segments) and Spanish (business segment) markets.

e] Activity in the information technologies sector

In information technologies (IT), the EDP Group is present through Edinfor - Sistemas Informáticos S.A., a wholly-owned Group company geared to conduct business in this sector and which in turn controls 60% of the shares in ACE.

The strategic positioning in this sector is oriented towards "one-stop-shopping" in the fields in which it is conducts business: Consultancy and Systems Integration, Outsourcing of Processes and Applications, IT Infrastructures, Geo-referenced Solutions and Graphic Solutions and Finishing.

f] 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 the reprivatisation process, with the second and third phases taking place in 1998. 2000 saw the fourth reprivatisation phase, following which the State's direct and indirect interest in EDP's equity capital fell to roughly 30%.

EDP's share capital at 31 December 2002 was distributed amongst the following shareholders:

Portuguese State	18.96%
PARPÚBLICA	7.14%
Caixa Geral de Depósitos, S.A.	4.75%
Banco Comercial Português, S.A.	5.06%
Iberdrola	5.00%
Brisa Auto-Estradas de Portugal, S.A.	2.00%
Other private shareholders	56.51%
EDP - treasury stock	0.58%
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) and proportional methods is disclosed in Notes 01 and 05.

g] Electric power price regime

In terms of prevailing legislation, the Energy Services Regulator (Portuguese acronym ERSE) is responsible for exercising the sector's regulatory function, through the drafting, issue and application of regulations, as well as setting the tariffs for the use of the infrastructures and the supply of electric power to SEP customers.

In Brazil these functions are also assumed by a regulatory body, the National Electric Energy Agency (Agência Nacional de Energia Elétrica - Aneel).

In Spain, the prices of electric energy are fixed by the government, after hearing or at the proposal of the regulatory entity, the National Energy Commission (Comisión Nacional de Energía).

h] 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 in Portugal 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, this possibility was maintained in relation to the 4 electricity distribution companies created in the meantime and which were merged in 2000 to form EDP Distribuição S.A..

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

i] Public domain assets

In Portugal, certain of 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.

In Brazil, fixed assets used in the distribution and commercialisation of electric power are exclusively assigned to these services, and cannot be withdrawn, sold, assigned or pledged as mortgage security without the prior and express authorisation of the Regulator. Aneel has already issued regulations for the de-assignment of Public Service Electric Energy concession assets, granting prior authorisation for the de-assignment of assets which are of no use to the concession and therefore put up for sale, stipulating that the sale proceeds must be deposited in a binding bank account for application in the concession.

j] 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 certain tangible fixed assets and financial investments, and on the basis of the Group's continued business operations (i.e. the going concern principle), in conformity with the fundamental accounting principles of prudence, consistency, substance over legal form, materiality and the accruals system (or the matching concept).

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 Decree-Law 410/89 of 21 November (the Official Chart of Accounts), as amended by Decree-Law 238/91 of July 2.

k] 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 euros.



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
EDP - Electricidade de Portugal, SA	Prç.Marquês de Pombal, nº 12, Lisbon.	Promotion, evolvment and management, directly or indirectly, of capital projects and activities in the electricity sector at both national and international level.	Other private shareholders Portuguese State Parpública BCP Iberdrola CGD Brisa Treasury stock	56.51% 18.96% 7.14% 5.06% 5.00% 4.75% 2.00% 0.58%	5,158,966,255.90	335,215,826.44	Majority of voting rights
EDP Gestão da Produção de Energia, AS	Av. Barbosa du Bocage, 45, Lisbon.	Promotion, evolvment and management, directly or indirectly, of installations, capital projects and activities in the areas of power generation and sales, namely in the form of electricity.	EDP, SA	100.00%	1,567,329,479.24	292,323,714.50	Majority of voting rights
CPPE – Companhia Portuguesa de Produção de Electricidade, SA	Av.Barbosa du Bocage,45, Lisbon.	Generation and sale of energy in the form of electricity and others	EDP Produção, SA	100.00%	2,128,326,261.26	302,335,477.58	Majority of voting rights
EDP-Energia, SA	Praça Marquês de Pombal, 13, 1250-162 Lisbon.	Generation and sale of energy, in the form of electricity or others.	EDP, SA EDP Produção, SA	60.00% 40.00%	72,060,715.94	3,513,450.56	Majority of voting rights
HDN - Energia do Norte, AS	Rua do Caires, 292-1º, Braga.	Generation and sale of energy in the form of electricity and others.	EDP Produção, SA EDP, SA	60.00% 40.00%	28,235,961.13	1,845,618.46	Majority of voting rights
HIDROCENEL –Energia do Centro, AS	Lugar de Quintela, Seia.	Generation and sale of energy in the form of electricity and others.	EDP Produção, SA EDP, SA	60.00% 40.00%	52,839,878.36	3,439,998.29	Majority of voting rights
TER - Termoelectrica do Ribatejo, AS	Av. Estados Unidos da América, 55, Lisbon.	The establishment and operation of a combined-cycle thermo-electric power station, and the sale of the energy produced.	EDP Produção, SA	100.00%	487,803.20	-20,067.18	Majority of voting rights
ENERNOVA – Novas Energias,SA	Av. José Malhoa, Lt A -13 , Lisbon.	To project, build and operate the means for the generation of electric power in the alternative renewable energies sector	EDP Produção, SA	100.00%	8,845,418.05	2,802,545.55	Majority of voting rights
EDP Produção Bioelétrica, SA	Avº. Barbosa du Bocage, 45, Lisbon.	Electricity generation.	EDP Produção, SA	100.00%	50,000.00	-48,374.37	Majority of voting rights
EDP Cogeração, SA	Av. José Malhoa, Lt - A 13, Lisbon.	Promotion, execution and operation of projects involving the combined production of electric power and steam.	EDP Produção, SA	100.00%	3,571,244.28	1,242,425.85	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
EDP Produção EM-Engenharia e Manutenção, SA	Rua Sá da Bandeira, nº 567-1º Oporto	Provision of engineering services.	EDP Produção, SA	100.00%	4,465,418.76	309,954.91	Majority of voting rights
HIDRORUMO – Projecto e Gestão, AS		To conduct studies and projects, the management of capital projects and the supervision of works in any engineering field.	EDP Produção, SA	100.00%	5,549,489.75	4,515,379.88	Majority of voting rights
HidrOeM-Gestão, Operação e Manutenção de Centrais Eléctricas, AS	Rua Sá da Bandeira, 567-1º, Oporto. Rua Sá da Bandeira, nº 567-1º Porto	Operation, maintenance of power stations.	EDP Produção, SA HDN, SA EDP-Energia, SA HIDROCENEL, SA	32.50% 22.50% 22.50% 22.50%	999,738.16	-764,381.39	Majority of voting rights
Tergen-Operação e Manutenção de Centrais Termoeléctricas, SA	Vala do Carregado	Operation and maintenance of the new Ribatejo thermoelectric power station.	EDP Produção, SA EDP, SA TER, SA	79.996% 0.002% 0.002%	250,000.00	-1,589.98	Majority of voting rights
O&M Serviços - Operação e Manutenção Industrial, SA	Lugar do Freixo, Mortágua.	Generation and sale of energy in the form of electricity and others.	EDP Produção, SA	60.00%	600,546.09	174,762.41	Majority of voting rights
ENERFIN - Sociedade de Eficiência Energética, SA	Rua Guerra Junqueiro, 495, S/L, Oporto.	Carrying out activities in the field of energy efficiency and productivity.	EDP Produção, SA	74.88%	33,333.94	-28,691.27	Majority of voting rights
Energim Azóia	Av. José Malhoa, Lt A - 13, Lisbon.	Generation in the form of cogeneration , and the sale of electric and thermal energy	EDP-Cogeração	65.00%	50,000.00	497.22	Majority of voting rights
Enerpro-Serviços de Produção e Engenharia, LDA	Av. Paulista 2300-6º cjs 62 e 64, São Paulo, Brazil.	Provision of consultancy, engineering, project management, operation and maintenance.	EDP Produção, SA EDP-Brasil ,SA	89.89% 10.11%	135,583.79	130,744.40	Majority of voting rights
Hidrobasto	Praça da República. Refojos-Cabeceiras de Basto.	Generation and sale of energy in the form of electricity and others.	HDN, SA	60.00%	101,989.72	1,710.21	Majority of voting rights
SOPORGEN	Av. José Malhoa, Lt 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. Distribution and sale of electric power.	EDP-Cogeração	82.00%	-2,228,259.78	2,031,115.88	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
EDP-Distribuição de Energia, SA	Rua Camilo Castelo Branco, nº 43, Lisbon.	Provision of engineering services.	EDP, SA	100.00%	1,426,369,179.79	92,820,013.10	Majority of voting rights
LABELEEC - Estudos, Desenvolvimento e Actividades Laboratoriais, SA	Rua Cidade de Goa, 4, Sacavém.	Management of investments in other companies as an indirect manner of engaging in economic activities.	EDP, SA	100.00%	4,207,264.47	1,906,439.34	Majority of voting rights
Electricidade de Portugal Internacional,SGPS, SA	Av.José Malhoa, Lt A - 13, Lisbon.	Distribution and commercialisation of electric energy.	EDP, SA	100.00%	-117,217,607.00	-186,352,688.75	Majority of voting rights
Bandeirante Energia, SA	Rua Bandeira Paulista, 530-Chácara Itaim -São Paulo-Brazil	Indirect management of businesses and capital projects in the electrical sector.	EDP-Brasil, SA	96.50%	174,690,687.76	-4,617,632.82	Majority of voting rights
Balwerk- Consultadoria Económica e Participações, Lda	Av Arriaga, nº 73, 2º Sala 212, Freguesia da Sé, Funchal.	Management and coordination of investments in other companies.	EDP - Participações, SGPS, SA	100%	148,113,238.82	-12,123,065.95	Majority of voting rights
EDP-Brasil ,SA	Av.Paulista 2300-6º cjs 62 a 64, São Paulo, Brazil.	Electricity generation.	Balwerk, Lda EDP, SA EDP Internacional, SGPS, SA	50.82% 45.25% 3.93%	368,453,862.31	-23,851,645.42	Majority of voting rights
EDP Lajeado Energia, SA	Av.Paulista 2300-6º cjs 62 a 64, São Paulo, Brazil.	Management and coordination of investments in other companies.	EDP-Brasil ,SA	100.00%	27,126,065.56	-4,056,421.17	Majority of voting rights
Energest, SA	Av.Paulista 2300-6º cjs 62 e 64, São Paulo, Brazil.	Distribution of electric energy.	EDP-Brasil ,SA	100.00%	9,505,364.31	-8,633,866.47	Majority of voting rights
ESCELSA-Espírito Santo Centrais Eléctricas, SA	Rua Sete de Setembro, 362-Centro-Vitória-Espírito Santo-Brazil	Provision of advisory and consultancy services.	Iven Aphelion Investment Corporation	52.27% 2.49% (1)	18,979,604.01	40,843,126.59	Majority of voting rights
Enercorp-Serviços Corporativos, LTDA	Av.Paulista 2300-6º cjs 62 e 64, São Paulo, Brazil.	Corporate vehicle for the holding of equity holdings.	EDP, SA EDP-Brasil ,SA EDP Internacional, SGPS, AS	72.11% 24.78% 3.11%	1,513,830.08	-123,474.47	Majority of voting rights
Aphelion Investment Corporation	Cayman Islands	Corporate vehicle for the holding of equity holdings	EDP Internacional, SGPS, SA	100.00%	553,112,270.08	-17,280,821.59	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
EDP 2000 – Participações, Lda	Av.Paulista, nº2300-6ºandar-cjs 62 a 64-S.Paulo, Brazil	Corporate vehicle for the holding of equity holdings	43,84%	100.00%	1,192,689.06	1,956,252.21	Majority of voting rights
EDP Investimentos, LTDA	Av.Paulista, nº2300-6ºandar-cjs 62 a 64-S.Paulo, Brazil	Aphelion Investment Corporation	EDP Internacional, SGPS, SA	100.00%	33,136,000.48	-1,141,833.72	Majority of voting rights
Enercouth, SA	Av.Paulista 2300-6º cjs 62 a 64, São Paulo, Brazil.	Corporate vehicle for the holding of equity holdings	EDP-Brasil ,SA	99.90%	269.40	0.00	Majority of voting rights
Enerpeixe, SA	Av.Paulista 2300-6º cjs 62 a 64, São Paulo, Brazil.	Corporate vehicle for the holding of equity holdings.	EDP-Brasil ,SA	94.80%	42,885,665.41	0.00	Majority of voting rights
ENERSUL-Empresa Energética de Mato Grosso do Sul, SA	Av.Paulista, nº2300-6ºAndar-Cjs 62 a 64, São Paulo, Brazil	Generation and commercialisation of electric energy of any origin or nature.	Magistra	65.20%	128,585,183.01	-13,432,165.75	Majority of voting rights
Enertrade-Comercializadora de Energia, SA	Av.Paulista,nº2439-13º-São Paulo, Brazil.	Distribution of electric energy.	EDP-Brasil ,SA	100.00%	7,623,304.28	-3,692,539.17	Majority of voting rights
Fafen Energia, SA	Rua Eteno, nº2198-Pólo Petroquímico de Camaçari, Camaçari-Brazil	Purchase and sale of electric energy	EDP-Brasil ,SA	79.60%	1,349,474.43	-11,320,206.12	Majority of voting rights
Iven, SA	Av.Paulista, nº2300-6ºandar-cjs 62 a 64-S.Paulo, Brasil	Generation, in the form of cogeneration and sale of electric and thermal energy.	Aphelion Investment Corporation 135 Participações, SA EDP Internacional, SGPS, SA EDP Investimentos, LTDA	61.96% (1) 18.64% 14.02% 5.35%	13,078,634.26	21,342,686.32	Majority of voting rights
Magistra Participações, SA	Av.Rio Branco, nº57-3, salas 301 a 306, Rio de Janeiro, Brazil.	Corporate vehicle for the holding of equity holdings	ESCELSA	100.00%	208,297,966.52	-8,660,850.14	Majority of voting rights
EDP Valor-Gestão integrada de serviços, SA	Rua Camilo Castelo Branco, 46, Lisbon.	Provision of management and consultancy services.	EDP, SA	100.00%	6,550,000.00	6,695,349.32	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

(1) Including controlled voting rights



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
MRH - Mudança e Recursos Humanos, SA	Rua D.Luís, 12 - 2º, Lisbon.	The provision of services in the field of vocational training.	EDP Valor, SA	100.00%	1,063,217.38	-450,770.01	Majority of voting rights
SÃVIDA - Medicina Apoiada, SA	Av. Casal Ribeiro,15 - 6º, Lisbon.	Provision of services in the health-care sector .	EDP Valor, SA	100.00%	801,230.07	991,520.18	Majority of voting rights
SCS-Serviços Complementares de Saúde, SA	Av. Casal Ribeiro,15 - 6º, Lisbon.	Provision of services in the health-case sector.	SÃVIDA, SA	100.00%	47,096.66	379,311.22	Majority of voting rights
EDIPOMBAL- Imobiliária, S.A	Praça Marquês de Pombal, 13, Lisbon.	Real-estate promotion, purchase and sales.	EDP-Imobiliária, SA	100.00%	2,353,950.82	5,268,320.40	Majority of voting rights
EDALPRO – Imobiliária, Lda.	Av. José Malhoa, Lt A - 13, Lisbon.	Real-estate promotion, purchase and sales.	EDP, SA	100.00%	847,366.61	3,948,895.23	Majority of voting rights
EDP Estudos e Consultoria, SA	Av. José Malhoa, LT A 13, Lisbon.	Management and execution of activities in the areas of consultancy, human resources, logistics, finance and accountancy.	EDP, SA	100.00%	50,000.00	10,160.13	Majority of voting rights
EDP Serviner-Serviços de Energia, SA	Praça Marquês de Pombal, 13 , Lisbon.	Purchase and sale of energy in the form of electricity and others.	EDP, SA	100.00%	50,000.00	185,373.45	Majority of voting rights
EDP-Imobiliária, SA	Av. José Malhoa, Lt A - 13, Lisbon.	Real-estate promotion, purchase and sales.	EDP Valor, SA	100.00%	6,178,955.88	5,760,477.17	Majority of voting rights
EDP-Serviços de Gestão de Frotas, Instalações e Logística, SA	Av Estados Unidos da América, 55, Lisbon.	Fleet and transport management and brokers, real estate management and services.	EDP Valor, SA	100.00%	832,248.90	46,456.97	Majority of voting rights
EDP Finance BV	Holland	Asset management.	EDP, SA	100.00%	-58,341.00	78,738.00	Majority of voting rights
EDP Irlanda	Ireland	Asset management.	EDP, SA	100.00%	808,433.00	-87,847.00	Majority of voting rights
Internel-Serviços de Consultoria Internacional, SA	Av.José Malhoa, Lt A - 13, Lisbon.	Provision of management and consultancy services.	EDP Internacional, SGPS, SA	100.00%	709,450.29	193,881.73	Majority of voting rights
ONI - Operadora Nacional de Interactivos SGPS, SA	Av.José Malhoa, Lt A - 13, Lisbon.	Management of investments in other companies as a direct form of engaging in economic activities.	EDP, SA	56.025%	258,838,586.84	-345,126,023.39	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
OniTelecom	Av.da República, 24, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	ONI-SGPS,SA	100.00%	165,516,461.45	-57,981,956.78	Majority of voting rights
Oni Açores	Rua Eng. José Cordeiro, 6, Ponta Delgada.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	OniTelecom	60.00%	164,672.20	30,878.73	Majority of voting rights
Oni Grandes Redes	Av.José Malhoa, Lt A - 13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunications services.	OniTelecom	100.00%	33,105.91	-162,313.73	Majority of voting rights
Oni Madeira	R. Brigadeiro Oudinot, Edif.Odinot ,3º,Salas 301/2, Funchal.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	OniTelecom	70.00%	35,133.99	-224,228.90	Majority of voting rights
ONI MULTIMÉDIA-Serviços Interactivos, SA	Av.José Malhoa, Lt A 13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	ONI-SGPS,SA	100.00%	49,308.27	-47,504.16	Majority of voting rights
Oni One	Av.José Malhoa, Lt A - 13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	OniTelecom	100.00%	32,636,663.09	-32,586,663.09	Majority of voting rights
ONI PLATAFORMAS-INFOCOMUNICAÇÕES, SA	Av.José Malhoa, Lt A-13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	ONI MULTIMÉDIA, SA	100.00%	49,747.01	-2,389.83	Majority of voting rights
Oni Sistemas de Informação - Infocomunicações, SA	Av.José Malhoa Lt-A 13, Lisbon.	Provision of services in the telecommunications and information systems sector.	OniTelecom	100.00%	3,604,596.37	-3,555,199.65	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
Oni Solutions	Av.da República, 24, Lisbon.	Operation of data communication networks.	OniTelecom	100.00%	-14,811,361.84	-4,768,904.62	Majority of voting rights
Oni Way	Av.José Malhoa, Lt A - 13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	ONI MULTIMÉDIA, SA	69.765%	339,168,756.28	-248,989,241.24	Majority of voting rights
Oni Web	Av.José Malhoa, Lt A - 13, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	ONI MULTIMÉDIA, SA	100.00%	32,337,758.35	-32,287,758.35	Majority of voting rights
Shopping Direct	Rua Eugénio de Castro, 352 - 1º, Oporto.	Establishment, management and operation of telecommunications infrastructures and systems, and the provision of telecommunication services.	OniTelecom	100.00%	431,242.01	-153,318.02	Majority of voting rights
U CALL - ATENDIMENTO A CLIENTES E TELEMARKETING, SA	Av.José Malhoa Lt-A 13, Lisbon.	Provision of services in the telecommunications sector.	ONI-SGPS,SA EDINFOR, SA	60.00% 40.00%	34,972.47	-28,162.11	Majority of voting rights
Autor Tecnologias Multimédia, SA	Praça de Goa, 14, Aveiro.	Production and development of multimedia products and equipment.	OniTelecom	100.00%	69,367.98	-53,478.94	Majority of voting rights
Brisatel-Telecomunicações, SA	Quinta da Torre da Aguilha, Edifício Brisa.	Establishment, management and operation of telecommunications infrastructures and systems.	OniTelecom	100.00%	12,499,136.14	-2,191,707.00	Majority of voting rights
FCTE-Forum do Comércio, transacções electrónicas e serviços empresariais on-line, S.A.	Av. Da República, 26 - 9º, Lisbon.	Establishment, management and operation of telecommunications infrastructures and systems.	Oni Web	80.00%	86,143.99	-261,372.45	Majority of voting rights
Smartlogik Iberia, SL	Av.Mantoneras, 44-Madrid	Production, development and commercialisation of IT programmes and solutions.	Germinus XXI	100.00%	3,005.50	-3,753.75	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
TECNIPUBLICACION ES ESPAÑA, S.L.	Av Mantonerías, 44;3ªplanta. 28050 Madrid.	Printing, publishing and publication, periodic or isolated, of magazines, books, newspapers, leaflets, catalogues, year-books, cassettes, records or any other manifestation of thought or art.	Germinus XXI	67.00%	861,922.55	-3,347,291.37	Majority of voting rights
TLD	Camelias 114, portal 2-bajo. Vigo.	Promotion and development of commercial, industrial, agricultural and service companies.	ONI-SGPS, SA	100.00%	1,446,473.83	-8,742.71	Majority of voting rights
Germinus Solutions, SL	Calle Velázquez nº 12, Madrid	Provision of services in the telecommunications, new technologies and internet sectors.	Germinus XXI	100.00%	-771,101.91	-1,899,827.48	Majority of voting rights
Fonocom,SA	Muelle Príncipe de España, Edificio Tersaco 3ªplanta, Barcelona.	Installation of technical infrastructures and the commercialisation of information management services by computerised means.	Comunitel Global SA TLD	99.99% 0.01%	1,256,187.86	-1,049,355.08	Majority of voting rights Majority of voting rights
Germinus XXI	AvªMantonerías, 44-2ªplanta, Madrid	The research, development and commercialisation of projects in the sector of telecommunications, internet and the provision of telecommunications services.	TECNIPUBLICACION ES ESPAÑA, S.L. Oni Web	1.960% 79.895%	8,743,161.63	-8,244,088.02	Majority of voting rights
Intercom Internet	Muelle Príncipe de España, edificio Tersaco 3ª planta. 08039 Barcelona.	Provision of services in the telecommunications sector.	Fonocom SA	100.00%	49,407.02	574.93	Majority of voting rights
Comunitel Global SA	Área Portuária de Bouzas, Zona Franca, Vigo	Promotion and development of commercial, industrial, agricultural and service companies.	ONI-SGPS ,SA TLD	92.77% 7.16%	60,348,166.94	-16,252,815.15	Majority of voting rights
TECNIPUBLICACION ES EN RED, TECNIVIA, S.L.	Av Mantonerías, 44;3ªplanta. 28050 Madrid.	Provision of services in the telecommunications and computer systems sector. Operation of its own or	Germinus XXI TECNIPUBLICACION ES ESPAÑA, S.L.	30.00% 70.00%	649,154.37	-945,434.91	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
EDINFOR - Sistemas Informáticos, SA	Av.Sidónio Pais, nº 28-r/c Esq, Lisbon.	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, SA	100.00%	60,058,733.42	7,720,373.70	Majority of voting rights
Copidata Industrial Gráfica e Equipamentos, SA	R.Heróis de Chaimite, 12 - 12A, Odivelas.	Creation, execution and sale of graphic systems for computers.	EDINFOR, SA	99.32%	9,534,360.33	353,995.92	Majority of voting rights
Copidata Formulários e Sistemas para a Informática, Lda	R.Heróis de Chaimite, 12 - 12A, Odivelas.	Creation, execution and sale of forms computerised stationery and graphic systems for computers.	Copidata, SA EDINFOR, SA	89.17% 10.83%	1,201,450.07	52.94	Majority of voting rights
Escritomática-Racionalização e Segurança, Lda	R.Heróis de Chaimite, 12 - 12A, Odivelas.	Creation, execution and sale of computerised stationery and graphic systems for computers.	Copidata, SA EDINFOR, SA	60.00% 40.00%	315,767.95	87,056.06	Majority of voting rights
IT-GEO, Tecnologias e Informação Georeferenciadas,SA	Av. Sidónio Pais, 28-R/C-Esq., Lisbon.	Consultancy and Computer Programming within the ambit of geographical information.	EDINFOR, SA	100.00%	50,000.00	896,210.06	Majority of voting rights
IT-Log, Logística e Gestão de Tecnologias de Informação, SA	Av. Sidónio Pais nº 28 r/c Esq., Lisbon.	Conception, project, production, installation, logistics and management of information technology systems.	EDINFOR, SA	100.00%	1,458,179.11	1,652,178.25	Majority of voting rights
Mecaresopre-Centro Mecanográfico, SA	Av. Sidónio Pais, 28-R/C-Esq., Lisbon.	Accountancy, Statistical and Computer services.	EDINFOR, SA	80.00%	338,695.12	120,495.56	Majority of voting rights
ACE, Holding, SGPS, S.A.	Av. Mário Moutinho, Lt 1732 A, Lisbon.	Management of equity participations in other companies.	EDINFOR, SA	60.00%	15,452,702.45	1,234,771.92	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
CASE - Conceção e Arquitectura de Soluções Informáticas Estruturadas, SA	Av. Dr. Mário Moutinho, Lt 1732 A, Lisbon.	Involvement in the area of information systems by way of consultancy, training, development, analysis, conception, engineering and commercialisation of computer-based solutions.	ACE, SGPS, SA	100.00%	4,292,655.57	-187,432.64	Majority of voting rights
ACE BI-Soluções para Gestão de Clientes e Apoio à Decisão, SA	Av. Dr. Mário Moutinho, Lt 1732/A, Lisbon.	Provision of services and outsourcing of information systems.	ACE, SGPS, SA	100.00%	257,556.10	8,790.74	Majority of voting rights
Ace Consulting- Consultoria, Projectos e Tecnologias de informação, Ltda.	Rua Cmtd.Nzaji, n°7-B° do Alvalade, Luanda.	Provision of management, organisation, tax and audit services.	CONSULTEAM, SA. CASE, SA EDINFOR, SA	33.33% 33.33% 33.33%	-124,633.70	-283,958.83	Majority of voting rights
ACE Global-Serviços de Gestão, SA	Av. Dr. Mário Moutinho, Lt 1732/A, Lisbon.	Provision of consultancy and outsourcing services in the management areas.	ACE, SGPS, SA	100.00%	381,758.69	-22,472.32	Majority of voting rights
ACE Healthcare-Sistemas de Informação p/apoio à saúde, SA	Qta da Fonte, Edifício D.Dinis, Q55, Paço de Arcos.	Consultancy and computer programming in the health area.	ACE, SGPS, SA	51.00%	100,000.00	1,463.91	Majority of voting rights
ACE Plus, Soluções Informáticas, SA	R. da Alegria, n°31, 3º, freguesia de S.Pedro, Funchal.	Computer consultancy and programming.	ACE, SGPS, SA	80.00%	250,000.00	-7,832.01	Majority of voting rights
ACE QS – Qualidade em Sistemas de Informação, SA	Av.Dr.Mario Moutinho, LT 1732-A, Lisbon.	Provision of consulting services in information systems.	ACE, SGPS, SA	100.00%	260,158.38	146,031.50	Majority of voting rights
ACE Sist. Comerciais Informáticos, SA	Av.Dr.Mario Moutinho, LT 1732-A, Lisbon.	Provision of computer services.	ACE, SGPS, SA	100.00%	436,876.30	787,067.88	Majority of voting rights
ACE Sistemas de Informação, Ltda	Av.Eng.Luiz Carlos Berrini, n°1253, 1º- Brooklin Novo, São Paulo, Brasil.	Computer consultancy and services	ACE, SGPS, SA CASE, AS	92.12% 7.88%	985,810.52	-918,228.49	Majority of voting rights
ACEBNET – BUSINESS NETWORKING – Sistemas de Informação para Negócio Electrónico, SA	Av. Dr. Mário Moutinho, Lt 1732/A, Lisbon.	Provision of computer services.	ACE, SGPS, SA	100.00%	445,692.12	1,215.88	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year



01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
ACESI-Sistemas de Informação, Ltda	Av.25 de Setembro, nº420, 1º Andar, Escritório J1, Maputo, Mozambique.	Operation of computer systems and operation of data networks.	ACE, SGPS, SA Copidata, SA	95.00% 5.00%	15,877.53	0.00	Majority of voting rights
Case Internacional-Consultoria, Gestão e Marketing, Lda	AV.Arriaga, 77, Ed.Marina Forum, 1ºAndar, Sala 103, Funchal.	Provision of services within the ambit of consultancy, management and marketing.	CASE, SA	100.00%	-83,108.56	-60,392.32	Majority of voting rights
CASE/EDINFOR II, Sistemas de Informação, SA.	Alm. António Sérgio, nº22,9º, Miraflores, Algés.	Provision of computer services.	ACE, SGPS, SA	100.00%	678,501.35	487,148.00	Majority of voting rights
Case/Edinfor, ACE	Alm. António Sérgio, nº22,9º, Miraflores, Algés.	Provision of computer services.	ACE, SGPS, SA	100.00%	498,797.90	-6,373.93	Majority of voting rights
CENTRALBIZ – Soluções de Sistemas e Tecnologias de Informação, SA	Travessa de São Nicolau nº1 – 2º,S.Nicolau, Oporto.	Information systems and technologies.	ACE, SGPS, SA	51.00%	56,871.75	421.56	Majority of voting rights
CONSULTEAM – Consultoria de Gestão e Informática, SA.	R.General Firmino Miguel, nº5 torre 1-12ºB, Lisbon.	Provision of management consultancy, and computer services.	ACE, SGPS, SA	100.00%	78,740.06	-99,578.11	Majority of voting rights
INOVIS – Sistemas de Informação, SA.	Av. Dr.Mário Moutinho, LT 1732 A, Lisbon.	Provision of computer services.	ACE, SGPS, SA	100.00%	318,200.14	57,736.34	Majority of voting rights
INTEGER – Informática de Telecomunicações e Gestão, SA.	Av. Dr.Mário Moutinho, LT 1732 A, Lisbon.	Development of computer systems, consultancy and vocational training.	ACE, SGPS, SA	100.00%	774,028.64	356,223.72	Majority of voting rights
Nection-Gestão e Informática, SA	R.Agostinho Neto, nº26 A, Lisbon	Commercialisation of management, IT and internet services and products.	CASE/EDINFOR II, SA.	80.00%	416,163.80	-140,588.20	Majority of voting rights
NO LIMITS CONSULTING – Serviços em Sistemas de Informação, SA	Av. Dr.Mário Moutinho, LT 1732 A, Lisbon.	Provision of consultancy services in the areas of information systems.	ACE, SGPS, SA	70.00%	285,070.83	61,931.19	Majority of voting rights
Onalp-Soluções Informática em Suporte à Decisão, LDA	R.Abranches Ferrão, nº10, 8ºF -Edifício Atlanta II, Lisbon.	Commercialisation of software and the provision of technical services.	SIGMAPLANO, SA	100.00%	4,477.74	3,116.57	Majority of voting rights
Onsource-Soluções Informáticas, SA	Av.Sidónio Pais, nº28 - r/c Esq, Lisbon.	Conception, project, production, installation and management of distributed systems.	ACE, SGPS, SA	100.00%	1,393,968.05	2,021,194.30	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year

01. Companies included in the consolidation

Company	Head office	Principal activity	Shareholders	% Capital held	Shareholders' funds	2002 net income/(loss)	Reasons for compulsory consolidation N°1 Art DL238/91
PRIMITIVA – Artesanato e Turismo, SA	Travessa de S.Plácido, n°37, R/C Frente, Lisbon	Tourism and handicrafts.	ACE, SGPS, SA	100.00%	296,420.18	-100,891.89	Majority of voting rights
PSIDOC – Produção de Sistemas de Informação e Tratamento de Documentos, SA	R.Eça de Queiroz, n°20-1°Esq, Lisbon	Analysis of systems, production, development of computer programmes.	ACE, SGPS, SA	92.67%	-67,597.21	5,508.24	Majority of voting rights
SIGMAPLANO – Consultoria em Sistemas para Apoio à Decisão, SA	R. Abranches Ferrão, n°10, 8°F, Edifício Atlanta II, Lisbon.	Provision of consultancy services.	PRIMITIVA, SA	65.00%	431,242.01	-153,318.02	Majority of voting rights
S-Tecno Brasil, Lda.	Alm.Rio Negro, n°1084,11°, sala 115, Alphaville, Barueri, S.Paulo.	Provision of information technology services and consultancy in computer systems.	S-TECNO, SA.	100.00%	265,319.19	36,556.83	Majority of voting rights
S-TECNO, Serviços em Tecnologias de Informação, SA.	Rua Dr.António Martins, N°6, R/C Dir., Estoril.	Commercialisation of equipment, services, consultancy and training in the information technologies areas.	ACE, SGPS, SA	100.00%	-149,718.48	524,350.20	Majority of voting rights
INOVCASE.COM – Soluções Empresariais em Tecnologias da Informação e da Comunicação, SA	Av. Dr.Mário Moutinho, LT 1732 A, Lisbon.	Business solutions using information technologies, communication and consultancy and provision of services.	ACEBNET, SA	80.00%	10,458.85	0.00	Majority of voting rights
Edinfor-Soluções Informáticas, Ltda	Av.Presidente Castelo Branco. Cidade de Mogi das Cruzes, S.Paulo, Brazil.	Operation of information systems, the design. Implementation and operation of data networks.	EDINFOR, SA EDP Brasil, SA	90.00% 10.00%	586,320.38	308,277.88	Majority of voting rights
Central E-Informação e Comércio Informático, SA	Rua Castilho, n°75, 6° Esq, Lisbon.	Availability and information and electronic commerce operations.	EDP	52.00%	259,265.54	-4,238,536.34	Majority of voting rights
EDP - Participações, SGPS, SA,	Av. José Malhoa Lote A-13, Lisbon.	Management of equity investments.	EDP, SA	100.00%	-260,756,651.56	-10,334,716.11	Majority of voting rights
EDP Águas, Gestão de Águas e Saneamento, SA.	Av. José Malhoa, Lt A - 13, Lisbon.	Promotion, development and management of business activity in the water and sanitation sectors.	EDP - Participações, SGPS, SA	100.00%	9,416,126.53	-1,942,246.66	Majority of voting rights
VALORÁGUA-Água e Saneamento de Portugal, SA	Av.da República, 57 - 3°, Lisbon.	Promotion, development and management, direct or indirect, in the water and sanitation business sectors.	EDP Águas, SA	100.00%	1,567,573.72	-11,348.76	Majority of voting rights

Note: Shareholders' funds refer to 02.12.31 and do not include net income for the year



02. Companies excluded from the consolidation

Company	Head office	Shareholders	% capital held	Latest approved accounts			Reason for exclusion Art. 4 DL238/91 de 2/7
				Year	Shareholders' funds	Net income/(loss)	
Energia RE	Plaza de la Gare, L1616, Luxembourg.	EDP - Electricidade de Portugal, SA	100.00%	2002	1,239,468.00	0.00	Different activity (equity accounted)
EDP Maroc, SARL	Rabat-20 Rue Méliana Hay Nahda.	Electricidade de Portugal Internacional, SGPS, SA	100.00%	2002	25,846.62	70,967.91	Investment-holding company and, therefore, has no other business activity (equity accounted)
SOGESTE-Sociedade de Gestão de Participações, SARL	Av. Da República, nº26-1ºB, Macau.	EDP-Investimento, Gestão de Participações e Assist.Tecn.,Lda.----> Ex-SPE-Macau	85.00%	1999	16,781,342.00	8,910,610.00	Investment-holding company and, therefore, has no other business activity (equity accounted)
EDP-Investimento, Gestão de Participações e Assist.Tecn.,Lda.	Av. Dr.Mário Soares, nº25-1ºandar, compartimento 13-Macau.	EDP, SA	99.00%	2001	22,587,334.00	2,855,799.00	Investment-holding company and, therefore, has no other business activity (equity accounted)

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

Company	Head office	Shareholders	% capital held	Latest approved accounts		
				Year	Shareholders' funds	Net income/(loss)
REN – Rede Eléctrica Nacional, S.A	Av.Estados Unidos da América, 55 - 12º, Lisbon.	EDP, SA	30.00%	2002	722,471,927.00	64,651,315.00
Bioellectrica, SPA	Via Cesare Bastiti, 37, Pisa, Italy	EDP - Participações, SGPS	24.00%	2002	2,033,590.00	736,529.00
BIZFIRST- Business First Consulting-Consultoria em Sistemas de Informação, SA	Av. Dr. Mário Moutinho, LT 1732-A, Lisbon	ACE, SGPS, SA	35.00%	2002	250,000.00	-218,768.00
Campos Envelopagem, SA	Vila Amélia, Lt 330, Cabanas, Quinta do Anjo, Palmela.	EDINFOR, SA	30.00%	2002	481,081.41	55,463.84
Carriço Cogeração	Bucela, Estrada Nacional, 116, Vila de Rei.	EDP-Cogeração	35.00%			
ACE-SOFTGAL, Servicios de Software de Galicia, SA	Santiago de Compostela, Calle Montero Rios 9-3º, Spain.	ACE, SGPS, SA	50.00%	2002	262,233.82	-60,556.68
CBE-Centro de Biomassa para a energia.	Miranda do Corvo	EDP, SA	24.70%	2002	634,470.95	-39,048.35
ECOGEN-Serviços de Energia Descentralizada, SA	Estrada Nacional 116-KM 31,25, Vila de Rei, Bucelas, Loures	EDP Produção, SA	34.99%	2002	66,667.00	-174,335.00
EDEL - Empresa Editorial Electrotécnica, Lda.	Rua Dona Estefânea, nº 48-3º, Lisbon.	EDP, SA	47.77%	1998	1,501.00	80.00
LBC Tanquipor-Movimentação e Armazenagem de Líquidos, SA	Parque Industrial da Quimiparque, Barreiro.	EDP - Participações, SGPS	28.89%	2002	2,747,032.60	444,778.07
Portsines-Terminal Multipurpose de Sines, SA	Largo do Depósito, nº 4, Sines.	EDP - Participações, SGPS	39.60%	2002	19,832,913.23	1,323,266.05
Shipec-South China Inter.P.Eng.	-	EDP, SA	24.00%			
Geoterceira	Av.Conselheiro Jacinto Cândido, nº1, Angra do Heroísmo, Azores.	EDP - Participações, SGPS	49.90%	2002	987,956.56	-99,772.36
CEM-Companhia de Electricidade de Macau, SA	Edifício CEM-Estrada D.Maria II, Macau.	Sogeste	20.00%	2002	276,643,340.36	53,303,956.00
		EDP-Investimento,Gestão de Participações e Assist.Tecn.,Lda.	5.00%			



05. Companies included in the consolidation using the proportional method

Company	Head office	Principal activity	Shareholders	% capital held	Shareholders' funds	2002 net income/(loss)	Conditions on which Joint Management are based
Investco, SA	Av.Paulista, nº2439-3º,S.Paulo, Brazil	Management of the Lajeado hydroelectric power station.	EDP Lajeado	27.65%	185,340,127.16	-14,192,228.50	Management Agreement
Hidroeléctrica Del Cantábrico, SA	Plaza de La Gesta, nº2, Spain.	Electricity generation, storage, transmission and distribution.	EDP, SA	40.00%	1,679,958,933.83	-6,769,297.10	Management Agreement
AFFINIS-Serviços de Assistência e Manutenção Global, SA	Rua Castilho, nº50-1º, Lisbon	Provision of global assistance and maintenance services.	EDP - Participações, SGPS	45.00%	1,894,368.29	-1,341,657.93	Management Agreement

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

Company	Head office	Shareholders	% capital held	Latest approved accounts		
				Year	Shareholders' funds	Net income/(loss)
VALORSUL, SA	Plataforma Ribeirinha da CP, Estação de Mercadorias da Bobadela, S.João da Talha	EDP, SGPS, SA	11.00%	2002	26,902,022.58	5,072,717.91
EEGSA-Empresa de Electricidade da Guatemala,SA	GUATEMALA	EDP	21.00%			
CERJ - Companhia de Electricidade do estado do Rio de Janeiro	BRAZIL	EDP Internacional	11.27%			
Tejo Energia, SA	Central Termoeléctrica do Pego, EN118, km142,1, Pego, Abrantes.	EDP, SGPS, SA	10.00%	2001	99,934,159.00	37,010,804.00
TURBOGÁS-Produtora Energética, SA	Av.Miguel Bombarda, 36, 6º Lisbon	EDP, SGPS, SA	20.00%	2002	15,200,000.00	-354,232.00
Galp Energia, SGPS,SA	Torre C, Rua Tomás da Fonseca, Lisbon	EDP, SGPS, SA	14.27%	2002	1,460,577,000.00	114,521,000.00
EDA-Eléctrica dos Açores, SA	Azores	EDP, SGPS, SA	10.00	2002	49,983,206.00	3,169,320.00

07. STAFF COMPLEMENT

The average number of employees in the service of Group companies during the year was 17,212 (13,798 in 2001); there are no casual workers.

At 31 December 2002, the number of employees on the staff payroll, including those on fixed-term contract, was 18,455 (14,722 in 2001).

These numbers include the employees at all the companies forming part of the consolidation universe (full or proportional), irrespective of EDP's shareholding in the respective capital.

The following table gives a breakdown of the full-time staff complement at 31 December 2002 by managerial/departmental head positions and by professional categories:

Senior executives/Departmental heads	621
Senior managers	3 167
Middle managers	2 252
Section heads	353
Highly-skilled staff	7 630
Skilled staff	423
Semi-skilled staff	845
Unskilled staff	906
Total	16 197

Note: This breakdown does not include ONI-Espanha and Hidrocontábrico.

10. CONSOLIDATION DIFFERENCES

Consolidation differences 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.

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. CHANGE TO THE CONSOLIDATION PERIMETER

a) Details of changes

Following the assumption of control on the part of Adygensival in Hidrocontábrico, materialised at the General Meeting held on 15 May 2002, this group of companies was integrated into the consolidation with effect from 1 June 2002 using the proportional method.

With the assumption of control of Escelsa and Enersul in October 2002, the financial statements of these companies began to be consolidated using the purchase method as from that date.

Also in October 2002, EDP SGPS acquired 45% of AFFINIS, with the respective financial statements being consolidated using the proportional method.

As a result of the sale of OPTEP, which was concluded on 22 March 2002, this company's financial statements, as well as those of 093X, ceased to be consolidated with effect from that date. The recognition of the capital gains realised on this operation has been suspended.

EDP Chile was disposed of at the end of the year.

b) Impact on the consolidated financial statements

Only those companies having a material impact on the consolidated accounts are shown.



ij) Balance sheet figures net of depreciation, amortisation and provisions

euros

	Hidrocontábrico (40%)	Escelsa	Enersul	Optep
Assets				
Fixed assets				
Intangible	7 234 000.00	8 240 032.33	0.00	-2 510 247.00
Tangible	695 743 200.00	195 300 915.94	171 073 545.26	-50 118.00
Financial investments	90 917 200.00	201 203 926.73	2 508 890.09	-94 415 175.00
Current assets				
Inventories	24 009 600.00	975 484.91	633 081.90	0.00
Accounts receivable - medium and long term	8 965 200.00	77 051 724.14	51 216 594.83	0.00
Accounts receivable - short term	161 852 800.00	125 967 941.81	32 260 775.86	-11 777.00
Cash and banks	6 633 600.00	82 865 032.32	3 008 890.08	-493 708.00
Accruals and deferrals	8 607 200.00	74 150 700.42	37 898 706.90	-752.00
Total Assets	1 003 962 800.00	765 755 758.60	298 600 484.92	-97 481 777.00
Liabilities				
Provisions for risks and contingencies	26 192 000.00	44 841 325.43	10 422 952.59	0.00
Accounts payable - medium and long term	89 407 200.00	498 761 584.05	120 095 096.97	0.00
Accounts payable - short term	444 256 000.00	135 115 301.73	71 113 685.34	-31 895 601.00
Accounts and deferrals	41 228 400.00	2 058 728.45	0.00	-2 610 071.00
Total Liabilities	601 083 600.00	680 776 939.66	201 631 734.90	-34 505 672.00

ii) Income statement

euros

	Hidrocontábrico (40%)	Escelsa	Enersul
Electricity sales	51 358 000.00	68 035 794.10	32 779 504.00
Own work capitalised	2 987 600.00	0.00	0.00
Variation in production	-4 587 600.00	0.00	0.00
Other operating income	0.00	0.00	0.00
Financial income	496 400.00	42 934 652.58	3 266 986.25
Extraordinary income	164 000.00	0.00	0.00
Total income	50 418 400.00	110 970 446.68	36 046 490.25
Cost of inventories sold and consumed	-29 784 000.00	-42 659 465.22	-18 795 735.25
Outside supplies and services	-4 584 800.00	-3 989 578.63	-4 032 882.70
Personnel costs	-2 838 800.00	-4 371 888.33	-3 428 008.89
Depreciation and amortisation	-3 559 600.00	-3 981 001.17	-3 942 485.00
Provisions	-2 138 400.00	-346 713.36	0.00
Taxes	-292 400.00	0.00	0.00
Other operating costs	0.00	0.00	0.00
Financial costs	-1 534 800.00	-12 611 840.72	-4 654 033.99
Extraordinary costs	-430 000.00	-2 572 284.31	-14 625 509.95
Total costs	-45 162 800.00	-70 532 771.74	-49 478 655.78
Corporate income tax	-2 080 000.00	768 205.68	0.00
Minority shareholders' interests	132 000.00	18 221 240.41	-8 650 314.60
Net income	3 307 600.00	22 984 640.21	-4 781 850.93

iii] Effect on financial investments

Decrease of EUR 272.4 million in financial investments as a consequence of Hidrocontábrico's inclusion in the consolidation process using the proportional method.

Decrease of EUR 274.8 million in financial investments as a consequence of Escelsa's and Enersul's inclusion in the consolidation process using the purchase (full consolidation) method.

iv] Financial flows

EDP received EUR 315 million from the sale of 100% of Optep.

EDP received a total of EUR 7 million from the sale of EDP Chile.

EDP paid a total of EUR 784 million for the acquisition of 40% of Hidrocontábrico.

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**b) Welfare benefits for employees**

As referred to note 23.h, certain EDP Group companies have instituted certain post-retirement benefits in the form of either defined benefit or defined contribution plans, namely, pension plans which pay complementary old-age, disability or survivors' pensions, as well as in certain cases, the granting

of medical care during the retirement and early-retirement period by means of mechanisms that complement the National Health System.

The existing plans are presented below, with a brief description of each one and the companies covered by them, as well as their economic and financial data:

i. Pension plans*Defined benefit type*

The Group companies resulting from EDP's unbundling in 1994 have a social welfare plan financed through a closed pension fund and complemented by a specific provision.

The Pension Fund includes the obligations for complementary retirement pensions (age, disability and survival), as well as obligations relating to early retirements.

Bandeirante has two non-contributory defined benefit plans managed by the Fundação CESP, a closed complementary provident entity with its own assets and liabilities, separate from those of the Sponsors (Bandeirante and other Brazilian electricity companies):

- Plano BD in force until 31 March 1998, which is Balanced Benefit Plan that grants a balanced proportional supplementary benefit (Benefício Suplementar Proporcional Saldado - BSPS), in the form of an annuity revertible into a pension, to the participants enrolled up till 31 March 1998, of an amount defined according to the proportion of time of accumulated past service up until the above date, with effect from the compliance with the concession's regulatory requirements. The company is fully responsible for covering this plan's actuarial deficits.

- Plano BD in force after 31 March 1998, which grants an annuity revertible into a pension with respect to the time of accumulated past service after 31 March 1998, based on 70% of the real average monthly salary for the last 36 months of active service. In the case of death or disability occasioned by work accident, the benefits incorporate the entire period of past service (including that accumulated up until 31 March 1998) and, therefore, do not include just the period of accumulated past service after 31 March 1998. The responsibility for covering this Plan's actuarial deficits is shared equally between the company and the participants.



The trend in consolidated obligations for past services associated with the EDP Group's pension plans evolved in the following manner:

(EUR thousand)		
Obligations	2002	2001
Obligations at beginning of the period	1 433 183	1 213 456
Cost of current services	13 220	14 525
Interest cost	88 826	74.710
Benefits paid	-144 277	-123 434
Actuarial losses	96 242	175 653
Currency variation	-38 461	0
Obligations at end of the period	1 448 733	1 354 910

Note: In 2001, only includes the Group companies resulting from EDP's demerger which took place in 1994. In 2002, includes Bandeirante, contributing to an increase of EUR 78 273 thousand in obligations at the beginning of the period.

The following are the most important financial and actuarial assumptions used in the calculation of the obligations associated with these pension plans:

Assumptions	(EUR thousand)		
	2002 Portugal	2001 Portugal	2002 Bandeirante
Fund rate of return	6.5%	7.5%	10.24%
Discount rate	6.0%	6.5%	10.24%
Rate of growth in salaries	3.3%	3.5%	7.12%
Rate of growth in pensions	2.25%	3.5%	7.12%
Rate of revaluation of Social Security salaries	2.0%	2.25%	4.0%
Inflation rate	2.0%	2.0%	5.0%
Mortality table	TV 73/77	TV 73/77	AT-49 (q _x)
Disability table	50% EKV 80	50% EKV 80	Light-Medium (i _x)
Expected percentage of eligible staff opting for early retirement	(a)	(a)	Not applicable

(a) In 2001, 100% of the eligible population (employees who meet the conditions or transition to pre-retirement in accordance with the Collective Employment Agreement (ACT): 36 years of service and at least 60 years old or 40 years of service regardless of age) and 90% of employees aged 55 or more. In 2002, 100% of the eligible population and 70% of those aged 55 or more. With effect from 2003, 40% of the eligible population.

The following shows the trend in the pension funds' consolidated assets:

(EUR thousand)		
Pension funds	2002	2001
Value of the funds' assets at beginning of the period	781 286	801 179
Group's contributions	52 669	31 930
Employees' contributions (Bandeirante)	706	0
Pensions paid in the period	-53 597	-54 225
Funds' income during the period	56 031	57 531
Actuarial losses	-72 767	-82 145
Currency variation	-14 384	0
Value of the funds' assets at end of the period	749 945	754 270

Note: In 2001 only includes the Group companies resulting from EDP's demerger which took place in 1994

As referred to earlier, only a portion of the Pension Plan's obligations are being funded through the Pension Fund, with the balance (i.e. EUR 698 788 thousand) being recognised in accordance with applicable rules, by means of an accounting provision, as follows:

(EUR thousand)		
Provision for pension plans	2002	2001
Obligations at end of the period	1 448 733	1 354 910
Value of funds' assets at end of the period	-749 945	-754 270
Obligations not covered by the funds at the end of the period	698 788	600 640
Deferred transitional obligation ⁽¹⁾	-56 504	-62 330
Deferred actuarial losses ⁽²⁾	-430 741	-232 361
Amount of the provision at the end of the period	211 543	305 949

Note: In 2001 only includes the Group companies resulting from EDP's demerger which took place in 1994

(1) The portion relating to the Initial Transition Period is being amortised annually, with the amount of the amortisation being EUR 5.826 thousand.

(2) The international accounting standards adopted by EDP allow the deferred actuarial gains/losses to be recognised in a systematic basis in the income statement by way of the amortisation of the amount which exceeds in the preceding year 10% of the amount of the Fund's obligations or assets, whichever is the greater. These amortisation charges are calculated for the period corresponding to the average remaining period of the current workforce's estimated work.

The components of consolidated net cost recognised in the period with these plans are as follows:

Cost of the period	(EUR thousand)	
	2002	2001
Service cost	13 220	14 525
Interest cost	88 826	74 710
Return on the funds' assets	-56 031	-57 531
Employees' contributions (Bandeirante)	-706	0
Amortisation of deferred transitional obligation ⁽¹⁾	5 826	5 826
Amortisation of deferred actuarial losses ⁽²⁾	11 219	0
Net cost of the period	62 354	37 530

Note: In 2001 only includes the Group companies resulting from EDP's demerger which took place in 1994

(1) The portion relating to the Initial Transition Period is being amortised annually, with the amount of the amortisation being EUR 5.826 thousand.

(2) The international accounting standards adopted by EDP allow the deferred actuarial gains/losses to be recognised in a systematic basis in the income statement by way of the amortisation of the amount which exceeds in the preceding year 10% of the amount of the Fund's obligations or assets, whichever is the greater. These amortisation charges are calculated for the period corresponding to the average remaining period of the current workforce's estimated work.

Defined contribution type

Hidrocantábrico, Bandeirante and Escelsa have social-welfare plans which complement those granted by the Social Provident Systems to employees of defined-contribution companies, making in this way an annual contribution to these plans calculated in accordance with the rules laid down for each case.

ii. Medical care plan

The Group companies resulting from EDP's demerger in 1994 have a Medical Care Plan of the defined benefit type, supported by an accounting provision which covers all these obligations.

The trend in consolidated obligations for past services associated with the EDP Group's medical care plan evolved in the following manner:

Obligations	(EUR thousand)	
	2002	2001
Obligations at the beginning of the period	474 371	453 223
Cost of current services	6 540	6 714
Interest cost	30 096	28 781
Benefits paid	-22 735	-20 880
Actuarial losses	7 929	6 533
Obligations at the end of the year	496 200	474 371

In calculating the obligations associated with this medical care plan, the following financial and actuarial assumptions were used:

Assumptions	(EUR thousand)	
	2002	2001
Discount rate	6.0%	6.5%
Annual growth rate of medical services costs	4.5% (a)	5.0%
Mortality table	(b)	(b)
Disability table	(b)	(b)
Expected percentage of eligible staff opting for early retirement	(b)	(b)

(a) 4.5% in the first 10 years and 4.0% in the remaining years

(b) As referred to in the Pension Plan assumptions

As referred to earlier, the Medical Care Plan's obligations are recognised in the Group's accounts by way of an accounting provision, as follows:

Provision for medical care plan	(EUR thousand)	
	2002	2001
Obligations at the end of the period	496 200	474 371
Deferred transitional obligation ⁽³⁾	-47 251	-52 124
Deferred actuarial losses ⁽⁴⁾	-52 237	-44 308
Amount of the provision at the end of the period	396 713	377 939

(3) The portion relating to the Initial Transition Period is being amortised annually, with the amount of the amortisation being EUR 4.873 thousand.

(4) The international accounting standards adopted by EDP allow the deferred actuarial gains/losses to be recognised in a systematic basis in the income statement by way of the amortisation of the amount which exceeds in the preceding year 10% of the amount of the Fund's obligations or assets, whichever is the greater. These amortisation charges are calculated for the period corresponding to the average remaining period of the current workforce's estimated work.

The components of consolidated net cost with this plan recognised in the period income are as follows:

Cost of the period	(EUR thousand)	
	2002	2001
Service cost	6 540	6 714
Interest cost	30 096	28 781
Amortisation of deferred transitional obligation ⁽¹⁾	4 873	4 873
Net cost of the period	41 509	40 368

(1) The portion relating to the Initial Transition Period is being amortised annually, with the amount of the amortisation being EUR 4.873 thousand.

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 EUR 409 million.

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

The purchase (full consolidation) method was applied in the consolidation of the companies referred to in Note 01.

The equity method was applied in the consolidation of the companies referred to in Notes 02 and 03.

The proportional consolidation method was applied in the consolidation of the companies referred to in Note 05.

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. Also eliminated are the shareholders' equity captions of the investee companies against the corresponding financial investments in the equity capitals of these companies. The amount corresponding to the investment of third parties is shown as «minority shareholders' interests».

The proportional consolidation method is identical to the full consolidation method, the only difference being that the figures included correspond to the percentage shareholding in the investee company.

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 relevant group company's shareholders' funds after taking into account the acquisition differences (goodwill) arrived at.

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, except in the case of concession rights, which are written off over the concession period.

c] Tangible fixed assets

i) Fixed assets belonging to the Group

Tangible fixed assets, except those existing at the date of EDP's demerger in 1994, 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), and 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.

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 same amount the subsidised asset is amortised (reflected in Accruals and Deferrals - Investment Subsidies).

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 EDP Distribuição's concessions

In terms of Decree-Law no. 344-B/82, and as referred to in paragraph h) 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.b.iii), 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 Company'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 electricity generation) of Companhia Portuguesa de Produção de Electricidade (CPPE)

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 project was computed by applying provisional percentages to the accumulated direct costs relating to these projects at balance sheet date.

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

Financial investments are recorded at acquisition cost, after which the respective fair values are ascertained and any acquisition differences calculated. These acquisition differences are, in the majority of cases, concession rights, which are amortised on a systematic basis during the respective concession period.

Equity interests (financial investments) in associated companies are stated at the amounts derived from the application of the equity accounting method, with the gains or losses being shown under «Net financial items» .

Investments in fixed property are shown at the value resulting from the revaluation effected in the 1992 financial year, with the resulting difference relative to historical cost being recorded in a revaluation reserve. These investment properties are depreciated over the period of their useful lives.

Financial investments in the capital of other companies which, by definition, are not immediately negotiable, are disclosed at market value, while the difference between this and cost is recorded in the account «balance sheet adjustments

in shareholders' funds». When sold, the recorded differences are reversed and the resulting gains or losses are recorded under «net financial items».

In the event that there is a permanent diminution in value due to the financial investment's impairment, a provision is set aside by way of a charge recorded under «net financial items».

e] Negotiable securities

These investments, including equity holdings in other companies which, by definition are immediately negotiable, are stated at market value, with the difference between this and cost being recorded as a gain or a loss under «net financial items».

f] 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.

g] 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).

h] 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 local Accounting Directive 19 (Note 21). This last-mentioned directive corresponds to the transposition into Portuguese law of the previous version of the abovementioned international standard.

i] 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.



j] Own work capitalised

By means of specific imputation criteria, the expenditure incurred by the Group (essentially materials and personnel costs) in the construction of fixed assets (as principal contractor) and recognised in the income statement, is capitalised. The effects of this capitalised expenditure are disclosed under operating income and gains.

k] 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.

l] 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).

m] Derivative financial instruments

The Group holds a portfolio of derivative products with the sole object of reducing 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.

n] 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.

In Portugal, electric power tariffs for SEP customers are fixed by the ERSE.

The adjustments in future tariffs of any surpluses or shortfalls arising from the non-confirmation of certain tariff assumptions require the creation of methods which permit the recording on an accrual basis of any such surpluses or shortfalls.

Hence, the surpluses or shortfalls arrived at in the financial year vis-à-vis the figures approved by the ERSE 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).

o] 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 or electricity imports increases substantially. In years with abundant rainfall, the exact opposite occurs. The tariffs charged for supplying electric power to SEP customers cannot be altered according to the variability of costs resulting from hydraulicity.

In terms of Ministerial Order 987/2000, the hydraulicity correction 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 28/12/2002, as follows:

AUD 1.8556	DKK 7.4288	LTL 3.4525	SEK 9.1528
BGN 1.9546	EEK 15.6466	LVL 0.614	SGD 1.8199
BRL 3.712	GBP 0.6505	MAD 10.63969	SIT 230.1577
CAD 1.655	GTQ 8.001581	MOP 8.4	SKK 41.503
CHF 1.4524	HKD 8.1781	MTL 0.4182	TRL 1738
CLP 755.064	HUF 236.29	NOK 7.2756	USD 1.0487
CVE 110.265	ISK 84.74	NZD 1.9975	ZAR 9.0094
CYP 0.57316	JPY 124.39	PLN 4.021	
CZK 31.577	KRW 1243.76	ROL 35.135	

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) Gross assets

Item	Opening Balance	Currency adjustment	Revaluation/ Adjustment
INTANGIBLE ASSETS			
Start-up costs	145 810 212.99	(5 478 574.58)	2 368 265.09
Research and development costs	18 691 454.57		
Industrial property and other rights	928 794 654.90	(2 200 727.97)	(258 075 810.18)
Capital expenditure in progress	183 044 011.73		
Total (1)	1 276 340 334.19	(7 679 302.55)	(255 707 545.09)
TANGIBLE FIXED ASSETS			
Fixed assets DL 344-B/82	259 915 575.48		
Subtotal (2.1)	259 915 575.48		
Land and natural resources	112 614 398.16	(6 829 251.74)	13 090 607.21
Buildings and other facilities	325 675 733.26	(15 992 372.52)	12 856 411.64
Basic equipment	20 305 160 888.88	(358 101 503.95)	478 038 047.42
Specific technical equipment	19 979 597 146.66	(357 950 122.66)	478 038 047.42
Electricity generation	10 287 634 498.71	(73 075 646.26)	
Hydroelectric	6 954 946 817.62	(73 075 646.26)	
Thermoelectric	3 282 695 800.96		
Renewable energies	32 478 793.90		
Multi-purpose projects (part not assigned)	17 513 086.23		
Electricity distribution	9 691 962 647.95	(284 874 476.40)	478 038 047.42
Other basic equipment	325 563 742.22	(151 381.29)	
Vehicles, transport equipment	76 056 885.32	(4 868 441.70)	2 212 823.27
Loose tools	4 823 471.32		
Administrative equipment	175 954 518.35	(1 803 415.60)	916 217.67
Returnable containers	1 659.56		
Other fixed assets	10 272 165.63	(123 608.69)	
Subtotal (2.2)	21 010 559 720.48	(387 718 594.20)	507 114 107.21
Expenditure in progress	640 524 472.07	(36 272 830.38)	932 530.38
Multi-purpose projects (part not assigned)	6 542 834.48		
Advance payments for capital expenditure	1 789 892.44		
Subtotal (2.3)	648 857 198.99	(36 272 830.38)	932 530.38
Total (2)	21 919 332 494.95	(423 991 424.58)	508 046 637.59
FINANCIAL INVESTMENTS			
Participating interests	2 927 230 083.23		11 150 353.17
Investment properties	2 643 331.92		
Other	181 816 673.93		
Capital expenditure in progress	1 057 767.41	(473 467.18)	
Total (3)	3 112 747 856.49	(473 467.18)	11 150 353.17
Grand Total (1) + (2) + (3)	26 308 420 685.63	(432 144 194.31)	263 489 445.67

Additions	Disposals	Change in consolidation perimeter	Transfers and Scrapped	Closing Balance
1 620 055.82	92 216.91	(343 218.10)	(50 828 128.18)	93 056 396.13
65 395 063.76		416 800.00	55 930 526.69	140 433 845.02
543 431 169.32	4 397 024.00	1 148 999 338.04	(475 990 869.65)	1 880 560 730.46
18 828 358.38	60 000.00	(1 658 968.00)	(186 923 903.30)	13 229 498.81
629 274 647.28	4 549 240.91	1 147 413 951.94	(657 812 374.44)	2 127 280 470.42
			(1.87)	259 915 573.61
			(1.87)	259 915 573.61
685 199.35	18 637 966.90	12 074 206.47	9 262 540.81	122 259 733.36
581 190.48	38 147 626.81	23 627 225.26	28 145 813.49	336 746 374.80
200 614 572.98	3 153 560.04	1 486 125 773.24	384 334 768.72	22 493 018 987.25
153 857 725.31	2 507 809.81	1 482 545 808.63	341 802 011.53	22 075 382 807.08
4 950 333.12		14 008 890.09	193 215 580.92	10 426 733 656.58
90 602.35		14 008 890.09	22 790 006.47	6 918 760 670.27
4 859 730.77			125 581 064.63	3 413 136 596.36
			44 170 937.81	76 649 731.71
			673 572.01	18 186 658.24
148 907 392.19	2 507 809.81	1 468 536 918.54	148 586 430.61	11 648 649 150.50
46 756 847.67	645 750.23	3 579 964.61	42 532 757.19	417 636 180.17
9 424 063.67	9 257 613.28	2 704 028.85	(2 371 343.12)	73 900 403.01
7 220 258.82	921.77	64 888 058.97	(8 767.75)	76 922 099.59
21 485 809.03	340 231.44	21 423 485.93	30 997 240.45	248 633 624.39
			(0.01)	1 659.55
3 288 981.83	116 790.96	982 285.75	3 182 216.92	17 485 250.48
243 300 076.16	69 654 711.20	1 611 825 064.47	453 542 469.51	23 368 968 132.43
778 964 418.85		160 834 102.24	(534 248 119.04)	1 010 734 574.12
				6 542 834.48
33 418 715.45			(30 420 460.21)	4 788 147.68
812 383 134.30		160 834 102.24	(564 668 579.25)	1 022 065 556.28
1 055 683 210.46	69 654 711.20	1 772 659 166.71	(111 126 111.61)	24 650 949 262.32
721 950 436.22	122 414 805.25	(1 435 333 247.41)	17 809 488.40	2 120 392 308.36
	2 107 817.11			535 514.81
2 263 066.71		2 464 400.00	(94 941 204.23)	91 602 936.41
			(581 716.08)	2 584.15
724 213 502.93	124 522 622.36	(1 432 868 847.41)	(77 713 431.91)	2 212 533 343.73
2 409 171 360.67	198 726 574.47	1 487 204 271.24	(846 651 917.96)	28 990 763 076.47



b) Depreciation and provisions

Item	Opening Balance	Currency adjustment
INTANGIBLE ASSETS		
Start-up costs	47 648 581.91	(2 297 028.22)
Research and development costs	13 126 456.34	
Industrial property and other rights	79 324 303.96	22 436 903.28
Total (1)	140 099 342.21	(2 297 028.22)
TANGIBLE FIXED ASSETS		
Fixed assets DL 344-B/82	238 981 252.37	
Subtotal (2.1)	238 981 252.37	
EDP Group fixed assets		
Buildings and other facilities	132 165 297.58	(6 025 590.65)
Basic equipment	11 541 625 578.59	(126 423 221.80)
Specific technical equipment	11 421 702 142.00	(126 412 894.32)
Electricity generation	6 099 258 183.21	(107 916.04)
Hydroelectric	3 915 391 894.44	(107 916.04)
Thermoelectric	2 179 970 429.90	
Renewable energies	3 895 858.87	
Electricity distribution	5 322 443 958.79	(126 304 978.28)
Other basic equipment	119 923 436.59	(10 327.48)
Vehicles, transport equipment	45 197 371.65	(3 083 195.14)
Loose tools	3 703 841.14	
Administrative equipment	111 240 445.50	(554 087.26)
Returnable containers	1 659.56	
Other fixed assets	2 639 072.62	(44 897.16)
Subtotal (2.2)	11 836 573 266.64	(136 130 992.01)
Total (2)	12 075 554 519.01	(136 130 992.01)
FINANCIAL INVESTMENTS		
Participating interests	88 013 050.73	
Investment properties	1 178 178.35	
Total (3)	89 191 229.08	
Grand Total (1) + (2) + (3)	12 304 845 090.30	(138 428 020.23)

Revaluation	Increases	Change in consolidation perimeter	Adjustments and Transfers	Closing Balance
1 750 808.19	14 855 965.31	(474 902.78)	(11 012 193.48)	50 471 230.93
	15 470 699.11		6 904 445.34	35 501 600.79
22 436 903.28	70 604 073.74	12 756 535.34	13 066 011.26	198 187 827.58
24 187 711.47	100 930 738.16	12 281 632.56	8 958 263.12	284 160 659.30
	4 283 876.37		(1.89)	243 265 126.85
	4 283 876.37		(1.89)	243 265 126.85
7 656 519.40	6 441 731.80	14 693 485.76	(11 614 374.94)	143 317 068.95
172 546 615.54	661 329 686.80	654 585 765.33	(64 416 525.38)	12 839 247 899.08
172 546 615.54	614 614 964.57	652 706 576.73	(55 239 593.17)	12 679 917 811.35
	229 296 013.66	6 673 760.78	(83 587.88)	6 335 036 453.73
	129 003 867.44	6 673 760.78	(225 429.18)	4 050 736 177.44
	98 100 628.77		141 841.29	2 278 212 899.96
	2 191 517.45		0.01	6 087 376.33
172 546 615.54	385 318 950.91	646 032 815.95	(55 156 005.29)	6 344 881 357.62
	46 714 722.23	1 879 188.60	(9 176 932.21)	159 330 087.73
3 399 245.69	8 188 926.12	2 061 452.14	(9 141 833.63)	46 621 966.83
	399 973.98	623 810.37	715 502.56	5 443 128.05
1 031 352.18	23 912 992.30	41 219 165.80	(12 838 359.14)	164 011 509.38
			(0.01)	1 659.55
	1 548 892.57	702 051.41	(41 417.64)	4 803 701.80
184 633 732.81	701 822 203.57	713 885 730.81	(97 337 008.18)	13 203 446 933.64
184 633 732.81	706 106 079.94	713 885 730.81	(97 337 010.07)	13 446 712 060.49
	268 974 551.00	(42 995 232.33)	2 213 253.54	316 205 622.94
	107 318.56		(941 930.10)	343 566.81
	269 081 869.56	(42 995 232.33)	1 271 323.44	316 549 189.75
208 821 444.28	1 076 118 687.66	683 172 131.04	(87 107 423.51)	14 047 421 909.54

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 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 2002:

Fixed assets	259 915 573.61
Accumulated depreciation	243 265 126.85
Net book value	16 650 446.76

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:

Intangible assets	19 097.22
Buildings and other facilities	410.54
Hydroelectric generation	4 352 805.21
Thermoelectric generation	5 531 277.63
Wind-powered generation	330 786.14
Electricity distribution	5 268 868.36
Studies and projects	532 561.60
	16 035 806.70

33. MEDIUM AND LONG-TERM ACCOUNTS PAYABLE AND RECEIVABLE

Comprise at 31 December:

a] Creditors

	2002		
	1 to 5 years	More than 5 years	Total
Bond loans	232 265 754.94	3 159 845 515.49	3 392 111 270.43
Bank loans	2 527 052 286.62	170 668 349.76	2 697 720 636.38
Other loans	17 210 004.36		17 210 004.36
Other creditors	90 390 147.07		90 390 147.07
State participation in multi-purpose projects		19 739 517.80	19 739 517.80
Adjustment account (DL 344-B/82)	16 650 446.77		16 650 446.77
	2 883 568 639.76	3 350 253 383.05	6 233 822 022.81

	2001		
	1 to 5 years	More than 5 years	Total
Bond loans	151 703 146,06	2 209 651 383,50	2 361 354 529,56
Bank loans	1 448 905 140,04	230 338 367,76	1 679 243 507,80
Other loans	14 181 280,94		14 181 280,94
Other creditors	43 101 996,30		43 101 996,30
State participation in multi-purpose projects		19 739 517,76	19 739 517,76
Adjustment account (DL 344-B/82)	20 934 323,11		20 934 323,11
	1 678 825 886,45	2 459 729 269,02	4 138 555 155,47

b] Debtors

	2002		
	1 to 5 years	More than 5 years	Total
Debtors – Local Authorities – Debt at 31.12.88	25 517 778.66	159 825 402.23	185 343 180.89
Provision for Local Authorities – Debt at 31.12.88		(101 321 947.53)	(101 321 947.53)
Shareholder and affiliated companies		18 744 335.53	18 744 335.53
Fixed assets in course in integration- debt set-off	19 246 239.07		19 246 239.07
Provision for fixed assets in course of integration – debt set-off	(12 421 025.70)		(12 421 025.70)
Extraordinary tariff recomposition (Escelsa)	42 557 650.86		42 557 650.86
Binding guarantees and deposits (Escelsa)	19 443 696.12		19 443 696.12
ICMS Vale do Rio Doce (Escelsa)	7 693 692.62		7 693 692.62
Special tariff-setting regime (Escelsa)	1 571 390.09		1 571 390.09
General Sector Accord (Enersul)	25 452 316.81		25 452 316.81
Binding guarantees and deposits (Enersul)	7 493 803.88		7 493 803.88
National Field Light Programme (Enersul)	1 708 782.33		1 708 782.33
Deposits bound to lawsuits (Bandeirante)	2 833 512.93		2 833 512.93
ICMS Materials Law 102/00 (Bandeirante)	1 810 883.62		1 810 883.62
Customer apportionment (Bandeirante)	1 719 511.87		1 719 511.87
Swap operations DEG (Bandeirante)	1 679 687.50		1 679 687.50
Accounts with subsidiary companies (Magistra)	17 594 019.40		17 594 019.40
Sundry debtors	19 434 171.05		19 434 171.05
	183 336 111.11	77 247 790.23	260 583 901.34

	2001		
	1 to 5 years	More than 5 years	Total
Debtors – Local Authorities – Debt at 31.12.88	25 517 778.66	162 907 149.22	188 424 927.88
Provision for Local Authorities – Debt at 31.12.88		(109 221 327.11)	(109 221 327.11)
Shareholder and affiliated companies		15 789 246.11	15 789 246.11
Fixed assets in course of integration – debt set-off	19 246 239.07		19 246 239.07
Provision for fixed assets in course of integration – debt set-off	(11 387 107.60)		(11 387 107.60)
	33 376 910.13	69 475 068.22	102 851 978.35



36. SALES AND SERVICES

Breakdown of the amounts by activities and markets (domestic and foreign):

a) Sales

a.1) Electric energy

	2002		2001	
- Domestic market				
To National Transmission Grid	1 323 893 608.75		1 214 072 593.08	
To final customers				
Very high voltage	37 936 490.49		36 837 394.76	
High voltage	167 221 799.46		175 099 745.15	
Medium voltage	812 018 175.83		782 980 341.41	
Low voltage (>39.6 KVA)	271 246 943.28		261 226 784.85	
Low voltage	2 059 594 389.07		1 965 300 829.15	
Low voltage (public lighting)	86 613 925.78		83 918 057.77	
Embedded generation	38 284 599.32		11 859.44	
Interruptibility discounts	(25 522 280.92)		(25 554 995.13)	
Tariff correction discounts	(4 468 079.19)		(25 344 703.44)	
Tariff diff. -EDP Distribuição -1999			35 509 422.29	
Tariff diff. -EDP Distribuição -2000	20 485 629.90			
Tariff diff. -EDP Distribuição -2001			6 708 831.72	
Tariff diff. -EDP Distribuição -2002	49 996 000.00	4 837 301 201.77		4 510 766 161.05
- External market				
To final customers				
Very high voltage	5 628 993.52		19 923 589.13	
High voltage	126 129 830.42		208 258 683.18	
Medium voltage	172 582 326.74		186 253 798.96	
Low voltage	719 539 493.44		268 372 747.43	
Low voltage (public lighting)	14 976 612.37		12 514 307.69	
Discounts	0	1 038 857 256.49	(4 814 083.54)	690 509 042.85
		5 876 158 458.26		5 201 275 203.90

a.2) Other sales

	2002		2001	
- Domestic market				
Steam	13 873 222.08		8 625 219.11	
Ash	4 777 835.64		3 735 599.15	
IT products	50 861 438.66		29 799 550.95	
Telecommunications	10 725 550.01		20 430 726.53	
Fixed properties	3 854 219.73		8 008 200.23	
Sundry materials	14 915 012.12	99 007 278.24	17 673 411.25	88 272 707.22
- External market				
Telecommunications		12 974 515.06		9 693 825.72
		111 981 793.30		97 966 532.94

b) Services

	2002		2001	
- Domestic market				
Electricity	18 996 466.53		9 235 240.57	
Engineering	5 310 771.67		9 346 843.23	
Laboratories	2 673 227.37		3 109 883.81	
Training	1 048 434.51		1 281 802.55	
Medical assistance	2 695 153.06		2 675 349.33	
IT products	50 574 163.08		93 899 146.70	
Consultancy	4 536 091.83		20 963 454.47	
Telecommunications	155 954 735.74		101 254 088.87	
Other	24 204 543.21	265 993 587.00	44 001 719.99	285 767 529.52
- External market				
IT products	14 599 798.17		14 779 899.77	
Telecommunications	117 824 798.23	398 418 183.40	50 584 922.77	351 132 352.06
		6 386 558 434.96		5 650 374 088.90

38. CORPORATE INCOME TAX

The EDP Group companies are taxed, whenever possible, by the consolidated regimes permitted by the tax legislation of the respective countries.

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 1998.

The tax charge recorded in the period basically corresponds to:

	Tax base	Income tax
Profit before tax	286 921 380.98	
Permanent differences		
Amortisation of goodwill	51 484 144.36	
Tax losses not eligible for carry forward	172 563 011.07	
Equity consolidation	78 734 019.27	
	589 702 555.68	
Normal tax charge		194 601 843.37
Tax overprovided in 2001		(18 984 513.31)
Rate and other adjustments		(3 878 007.80)
		171 739 322.26



39. GOVERNING BODIES' EMOLUMENTS

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

Board of Directors	2 814 688.12
Sole Supervisors / Statutory Auditors	76 462.09
General Meeting Committee	1 621.10

Meanwhile, EDP Remuneration Committee, in compliance with the mandate conferred on it at the General Meeting held on 10 May 2002, attributed to members of the Board of Directors an extraordinary remuneration relating to 2001's results totalling EUR 615 291,10, of which EUR 589 204,66 is payable to Executive Directors and EUR 26 086,44 to Non-Executive Directors.

41. REVALUATION OF TANGIBLE FIXED ASSETS AND FINANCIAL INVESTMENTS

Tangible fixed assets and investment properties of the Group companies resulting from EDP's demerger in 1994 have been revalued in accordance with the following legal 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 their respective historical costs:

	Historical costs	Increases due to revaluations	Revalued book values
Gross assets	13 174 870 358.21	10 454 013 347.83	23 628 883 706.04
Accumulated depreciation	4 124 018 608.13	9 322 693 452.36	13 446 712 060.49
Net fixed assets	9 050 851 750.08	1 131 319 895.47	10 182 171 645.55

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.

44. NET FINANCIAL ITEMS (EXPENSE)

	Financial year	
	2002	2001
Costs and losses		
Interest payable	501 492 407.46	419 733 375.14
Losses in group and associated companies	115 183 865.75	13 485 344.99
Depreciation of investment properties	107 318.56	106 297.10
Unfavourable foreign exchange differences	22 846 399.45	63 666 000.06
Losses on sales of financial investments	12 891.41	92 134.05
Other	136 552 841.17	92 267 588.97
Net interest and financial expense	(222 843 423.10)	(205 333 289.93)
	553 352 300.70	384 017 450.38

	Financial year	
	2002	2001
Income and gains		
Interest received	300 231 310.56	184 475 897.19
Gains in group and associated companies	36 449 846.48	25 104 850.55
Income from fixed properties	162 623.30	958 152.84
Income from investments	40 041 770.53	16 831 122.72
Favourable foreign exchange differences	90 260 261.65	62 321 222.59
Prompt payment discounts received	2 147 382.82	2 212 178.04
Gains on the sale of treasury assets	0	684 800.84
Other	84 059 105.36	91 429 225.61
	553 352 300.70	384 017 450.38

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

	2002	2001
Interest on derivatives	143 668 157.07	109 499 855.12
Interest on Hydraulicity Correction (*)	12 684 862.75	20 559 693.56

(*) In the Income Statement, included in the caption "Other financial and similar costs and losses"

b) «Other financial costs and losses» include, inter alia, the following amounts:

	2002	2001
Bond issue charges	1 414 108.17	5 112 563.06
Commissions on loans	2 711 553.57	12 205 266.80
Bank services	57 025 306.12	12 647 314.87
Amortisation of EBE's rights	8 434 734.22	12 839 352.17
Amortisation of IVEN's rights	18 413 824.63	18 413 824.63
Amortisation of OPTEP's rights	0	8 509 087.60
Amortisation of ACE Holding's rights	2 942 186.33	4 407 195.20
Amortisation of Hidroantábrico's rights	3 380 867.19	0
Amortisation of Comunitel's rights	8 897 089.00	5 521 882.47

c) «Interest received» includes, amongst others, the following amounts:

	2002	2001
Interest on derivatives	171 631 661.59	132 595 908.55
Interest charged to HV/MV/SLV/PL customers due to delays in the payment of bills	15 219 171.73	12 441 962.47
Interest on bank loans	170 094 652.60	126 689 257.70
Interest on bond loans	146 851 691.96	139 580 789.01

d) «Other financial income and gains» includes, inter alia, the following amount:

	2002	2001
Gain derived from restructuring of Brazilian subsidiaries' debt	7 332 275.61	86 196 124.62
Revised losses resulting from rationing (Bandeirante)	15 731 156.67	0
Currency variation (Escelsa)	7 476 603.04	0
Accrued Penalties on Energy Account (Escelsa)	1 025 181.93	0
Rationing losses (Escelsa)	1 879 795.35	0

e) The changes in the accounts «Unfavourable foreign exchange differences» and «Favourable foreign exchange differences» essentially refer to the foreign currency situation prevailing in Brazil during 2002.

45. NET EXTRAORDINARY ITEMS (EXPENSE)

	Financial year	
	2002	2001
Costs and losses		
Donations	1 662 599.53	1 296 437.56
Bad debts	9 084 126.68	1 384 997.50
Inventory losses	2 278 697.61	2 635 002.47
Fixed asset losses	41 331 713.40	2 635 377.39
Fines and penalties	2 247 637.33	74 135.71
Increase in amortisation, depreciation and provisions	299 231 756.28	3 068 836.86
Prior-year adjustments	13 934 530.37	7 467 438.07
Other extraordinary costs and losses	73 123 284.09	42 043 962.23
Net extraordinary costs and losses	(138 938 783.98)	125 989 418.83
	303 955 561.31	186 595 606.62

	Financial year	
	2002	2001
Income and gains		
Taxation recovered	402 510.02	37.25
Bad debts recovered	168 212.58	398 044.15
Inventory gains	185 699.41	168 558.97
Fixed asset gains	53 264 297.17	27 681 504.13
Contractual penalty awards	46 964.16	20 947.10
Decreases in amortisation, depreciation and provisions	76 371 070.41	18 680 924.73
Prior-year adjustments	9 691 927.80	13 304 933.79
Other extraordinary income and gains	163 824 879.77	126,341,106.50
	303 955 561.31	186 595 606.62

a) «Other extraordinary costs and losses» includes, inter alia, the following amounts:

	2002	2001
Additional assessment of IRC relating to 1996	0	10 835 832.96
Additional assessment of IRC relating to 1995/97/98	19 526 193.18	0
Negotiated retrenchment indemnities	6 637 712.98	8 826 195.19
Stoppage loss at Campo Grande thermoelectric power plant (Enersul)	13 962 553.88	

b) «Other extraordinary income and gains» includes, inter alia, the following amounts:

	2002	2001
Taxation overprovided	286 918.87	278 546.92
Set-off of depreciation charge on subsidised fixed assets	71 766 935.45	63 887 442.70
Set-off of depreciation charge on concession-held fixed assets	4 283 876.38	4 881 945.78
Hydraulicity Correction – Surplus	0	47 465 629.76
Residual value – Oniway	70 000 000.00	0



46. MOVEMENT ON PROVISIONS

	Opening Balance	Increases	Decreases	Change in consolidation perimeter	Closing Balance
For intangible assets (ONIWAY)		1 990 507.69			1 990 507.69
For capital expenditure in progress (ONIWAY)		278 944 492.31			278 944 492.31
For doubtful debtors	254 262 747.54	42 668 073.40	30 420 988.80	11 997 679.88	278 507 512.02
Trade debtors	236 540 039.57	21 675 709.06	22 423 498.29	5 169 016.09	240 961 266.43
Other receivables	17 722 707.97	20 992 364.34	7 997 490.51	6 828 663.79	37 546 245.59
For risks and contingencies	831 489 197.10	76 273 461.78	182 442 742.16	80 961 761.08	806 281 677.80
Employee retirement benefits	746 814 767.76	72 453 165.83	170 983 878.14	3 435 200.00	651 719 255.45
Current lawsuits	4 427 640.08	3 346 713.36	3 349 456.77		4 424 896.67
Other	80 246 789.26	473 582.59	8 109 407.25	77 526 561.08	150 137 525.68
For financial investments	6 937 956.39	2 213 253.54			9 151 209.93
	1 092 689 901.03	402 089 788.72	212 863 730.96	92 959 440.96	1 374 875 399.75

Note: The decrease in the provision for employee retirement benefits was effected by the direct method in the captions «Outside supplies and services» and «Personnel costs».

50. OTHER INFORMATION

a) Medium and long-term accounts receivable

i) Trade debtors – 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 31 December 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 accounts receivable

Comprise at 31 December:

	2002	2001
Trade debtors		
National		
State and official entities	29 352 768.15	33 423 591.64
Local authorities	32 651 649.50	21 323 361.12
Business sector and individuals	772 715 418.86	711 331 840.18
Foreign	21 250 620.17	21 347 486.06
	855 970 456.68	787 426 279.00
Trade notes receivable		
Business sector and individuals	13 734.12	1 238 089.57
	13 734.12	1 238 089.57
Debtors- doubtful recovery		
National		
Local authorities	49 517 883.93	39 127 627.19
Business sector and individuals	108 391 572.95	93 566 503.69
Foreign	1 601 505.16	1 923 248.05
	159 510 962.04	134 621 576.21
Provision	(150 863 310.63)	(127 318 712.46)
	8 647 651.41	7 302 863.75

c] Other short-term debtors and creditors

Comprise at 31 December:

Other debtors	2002	2001
Debtors for the supply of other goods and services	163 041 218.95	104 215 091.95
Deposits with third parties	3 268 682.64	1 117 144.16
Payments on behalf of the pension fund	12 074 520.10	7 776 930.41
Advance payments on behalf of the State to auto-producers	9 523 092.21	18 491 294.53
Residual value – Oniway	70 000 000.00	0
Advances to personnel on account of IOPS	7 091 576.82	3 938 771.35
Amounts owed by concessionaires – Bandeirante	40 189 116.38	33 558 885.00
Amounts owed by CST (Escelsa)	4 086 476.29	0
Recomposition of extraordinary tariff (Escelsa)	10 872 844.83	0
Deposits bound to lawsuits (Escelsa)	10 609 375.00	0
Sundry debtors (Balwerk)	34 791 815.79	0
Sundry debtors (Enersul)	12 129 579.74	0
Sundry debtors (Escelsa)	18 480 334.05	0
Sundry debtors (net of provisions)	52 884 496.30	64 824 087.99
	449 043 129.10	233 922 205.39

Other creditors	2002	2001
Trade and other creditors' deposits and retentions	485 367.03	582 958.70
Creditors for the supply of other goods and services	2 827 209.34	8 217 785.82
Concession rentals	6 476 726.34	627 155.40
Creditor entities for collections by Group companies	962 602.58	4 350 511.61
Creditors for capital subscribed not yet paid-up	2 281 451.12	14 851 070.34
Receipt of billings issued in SAP	16 181 080.75	1 246 942.68
SEGEC – Collection agents	24 242 919.92	5 665 389.11
Fundação CESP (Bandeirante)	2 875 269.40	5 557 067.95
Swap – Valorantim (Bandeirante)	11 232 758.62	0
Other liabilities – CCC (Bandeirante)	2 126 346.98	0
Sundry creditor (Bandeirante)	12 832 704.75	23 793 457.21
Consumer charges to be retrieved (Escelsa)	1 778 017.24	0
Cost of gas – Petrobrás (Fafen)	2 733 101.02	0
Copene difference (Fafen)	3 230 961.75	0
Engevix (Fafen)	1 750 702.32	0
Consumer charges to be retrieved (Enersul)	1 545 528.02	0
PROCME (Affinis acquisition)	9 450 000.00	0
Sundry creditors (Escelsa)	5 198 006.47	0
Sundry creditors (Enersul)	4 454 471.98	0
Sundry creditors (Hidrocontábrico)	22 251 538.60	0
Sundry creditors	28 316 696.04	32 945 479.65
	163 233 460.27	97 837 818.47

d] Accruals and deferrals

Comprise at 31 December:

Accrued income	2002	2001
Unbilled energy for consumption up to balance sheet date	106 227 758.70	110 511 019.44
Interest receivable	137 574 921.57	15 905 053.50
Tariff difference	49 996 000.00	0
Estimated IRC – 2002	11 521 853.22	0
Hydraulicity Correction accrued income	16 112 959.62	0
Other accrued income	22 125 590.22	14 173 492.78
	343 559 083.33	140 589 565.72

Deferred costs	2002	2001
Fixed asset repairs and improvements	4 150 383.20	4 419 026.30
Bond-issue costs	6 616 081.29	801 296.21
Concession charges	11 886 304.74	12 207 875.52
Deferred taxation	545 979 497.53	406 273 711.04
Advertising and publicity expenditure	2 361 353.84	9 943 645.49
Renegotiation of EIB financing	29 012 227.25	33 420 432.91
Fuel consumption account (Bandeirante)	1 346 174.57	3 506 152.17
Supplementary benefits plan (Bandeirante)	46 120 150.86	61 341 781.51
Portion A costs variation (Enersul)	8 839 170.26	0
CVA cost variation (Enersul)	9 345 096.98	0
Additional provisions for employee welfare benefits	62 329 785.22	62 329 785.22
CVA – (Escelsa)	13 233 836.21	0
Other deferred costs	34 364 293.10	6 040 741.89
	775 584 355.05	600 284 448.26

Accrued costs	2002	2001
Loan interest payable	169 370 574.34	68 754 698.01
Holiday pay and related subsidy	60 031 660.15	60 374 362.80
Tariff difference	0	13 776 797.92
Other accrued costs	65 096 344.98	70 349 718.68
	294 498 579.47	213 255 577.41

Deferred income	2002	2001
Investment subsidies	1 339 085 135.82	1 325 537 169.57
Deferred taxation	344 122 333.61	182 245 068.58
Deferral of additional capital gain on Optep	15 735 047.76	0
Reversal of Optep capital gain on sale of BCP	54 336 476.03	0
Other deferred income	24 783 096.62	15 761 197.31
	1 778 062 089.84	1 523 543 435.46



«Investment subsidies» represent the accumulated net balance of the funds received after deducting the annual write-off.

Subsidies received during the year totalled EUR 84,497,620.74, of which EUR 788,972.71 was paid out from EU community funds.

e] State and other public entities

Comprise at 31 December:

Amounts receivable (Asset)	2002	2001
Value added tax	102 656 631.64	59 736 296.64
Other taxes	17 762 702.51	0
	120 419 334.15	59 736 296.64

Amounts payable (Liability)	2002	2001
Corporate income tax (IRC)	9 080 777.13	136 116 583.25
Income tax retentions	8 415 419.73	8 790 417.02
Value added tax	18 665 293.52	7 071 919.05
Social Security	10 541 670.49	10 640 693.16
Other taxes and levies	3 049 057.88	34 065 975.79
	49 752 218.75	196 685 588.27

f] Inventories of raw and consumable materials

i) Comprise at 31 December:

Fuel for thermal generation	2002	2001
In storage		
Coal	41 219 455.40	28 651 352.58
Fuel-oil	50 428 631.03	21 252 820.31
Gas oil	2 199 761.72	2 860 787.33
In transit	10 843 208.35	11 571 244.65
Sundry materials	45 613 972.89	44 700 334.55
	150 305 029.39	109 036 539.42

g] Concession and power-generating centre rentals

Breakdown of the amounts shown in the income statement:

	2002	2001
Concession rentals paid to local authorities	154 008 204.44	145 641 942.73
Rentals for power-generating centres paid to local authorities	4 168 097.36	3 472 213.14
	158 176 301.80	149 114 155.87

h] Own work capitalised

Breakdown of the amounts shown in the income statement:

	2002	2001
Materials consumed	70 695 020.13	84 020 308.44
Internal direct charges	57 498 371.75	40 778 349.41
Administrative overheads	55 721 870.30	42 305 120.65
Finance charges (Note 28)	16 035 806.70	14 477 543.22
Other own work capitalised	41 818 188.39	50 937 427.26
	241 769 257.27	232 518 748.98

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 took place during the year:

Opening balance	387 506 423.96
Difference	(76 080 020.76)
Finance charges	12 684 862.75
Closing balance	324 111 265.95

k] Bond loans

The bond loans are issued in euro and bear different interest rates. The other main details are:

	22nd issue	23rd issue
Face value:	EUR 34 473 888.14	EUR 10 331 743.77
Interest rate:		
31 December 2001	3.3125%	3.2500%
31 December 2002	2.9375%	2.8125%
Interest payable:	2 June and 2 December	20 June and 20 December
Redemption:	4 annual instalments Beginning on 2.06.2003	4 annual instalments Beginning on 20.12.2008
	24th issue	25th issue
Face value:	EUR 10 134 953.92	EUR 299 278 738.33
Interest rate:		
31 December 2001	4.53125%	3.5030%
31 December 2002	3.68750%	3.1970%
Interest payable:	5 January and 5 July	23 May and 23 November
Redemption:	4 annual instalments Beginning on 5.01.2002	6 half-yearly instalments Beginning on 23.05.2006

Other conditions: The 22nd issue can be totally or partially redeemed before maturity date at the bondholders' option. The 23rd and 24th issues can be totally or partially redeemed on 20 Dec. 2006 and on 5 Jan. 2003 at EDP's or the bondholders' option. The 25th issue can be fully redeemed on 23 Nov. 2003 at EDP's option.

Issues under the EMTN programme

	1st International issue	2nd international issue
Face value:	EUR 1 000 000 000	EUR 1 000 000 000
Interest rate:	6.400%	5.875%
Interest payable:	29 October	28 March
Redemption:	Once only on 29 October 2009	Once only on 28 March 2011
	3rd Issue (EDP Finance BV)	4th Issue (EDP Finance BV)
Face value	GBP 200 000 000	EUR 500 000 000
Fixed interest rate	6.625%	5%
Interest payable:	9 August	29 March
Redemption:	9 August 2017	20 March 2008

l] 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:

	2002		2001	
	In loan currency	EUR	In loan currency	EUR
EUR	4 036 773 275.20	4 036 773 275.20	3 255 472 253.83	3 255 472 253.83
BRL	1 854 914 446.54	499 707 555.64	325 197 478.66	158.911.755.62
USD	55 913 983.51	53 222 218.66	-	-
	4 589 703 049.50		3.414.384.009.45	



Variable interest rates are generally based on the offered interbank rate for the BRL. The borrowings in EUR are primarily based on LISBOR for three or six months.

The Group (via the holding company) has access to long-term credit facilities amounting to EUR 152,133,358.59 to be negotiated at the time these facilities are utilised, based on EURIBOR rates for the facility period agreed.

The Group (via the holding company) also has two credit facilities of EUR 600,000,000 and EUR 750,000,000 respectively, at rates indexed to EURIBOR. At 31 December 2002 these two facilities were available in full

The swap contracts in force at the end of the year were as follows:

	2002		2001	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps:				
DEM	-	-	21 204 000.00	-
EUR	3 129 747 558.39	3 545 584 558.39	2 949 579.263.97	2 949 579 263.97
PTE	-	-	-	2 189 525 045.00
GBP	200 000 000.00			
JPY	8 000 000 000.00			

m] Movements on Shareholders' funds

Account	Opening balance	Distribution of dividends	Profit-sharing with employees	Transfers reserves	Other	Net income	Closing balance
Shares capital	3 000 000 000.00						3 000 000 000.00
Treasury stock (nominal value)	(11 726 209.00)				(5 702 717.00)		(17 428 926.00)
Treasury stock (premiums and discounts)	(21 368 993.34)				(4 695 540.00)		(26 064 533.34)
Equity-accounting adjustments	(36 965 571.08)			59 086 112.38			22 120 541.30
Currency adjustments	(79 439 987.59)				(300 027 774.89)		(379 467 762.48)
Revaluation reserves	2 020 902 537.49			(848 173 896.51)			1 172 728 640.98
Reserves:							
Legal reserves	221 187 440.75			22 540 000.00			243 727 440.75
Reserves - DL 46031 and DL 46917	65 902 490.70						65 902 490.70
Free reserves	12 830 494.76						12 830 494.76
Net asset adjustments					(268 974 551.00)		(268 974 551.00)
Retained earnings - holdin company	343 629 001.87			863 462 276.61	1 369 745.26		1 208 461 023.74
Retained earnings - consolidation of subsidiaries	131 011 803.54			(7 192 580.19)	1 312 173.14		125 131 396.49
Consolidated net income for the year	450 794 716.53	(339 000 000.00)	(22 072 804.24)	(89 721 912.29)		335 215 826.44	335 215 826.44
TOTAL	6 096 757 724.63	(339 000 000.00)	(22 072 804.24)	0.00	(576 718 664.49)	335 215 826.44	5 494 182 082.34

- a) «Currency Adjustments» reflects the amount resulting from the variation in local currency of the subsidiary and associated companies' Shareholders' Funds expressed in foreign currency arising from the change in the respective exchange rate.
- 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 and those used to absorb accumulated losses, as well as the corresponding deferred tax component. In the 2002 financial year, part of the revaluation reserves already realised was transferred to the «Retained earnings» account.
- 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.



Segment information

	2002	2001
<i>i) Sales</i>		
Sales to third parties		
Generation	1,428,471,312.47	1,256,495,040.52
Distribution		
Portugal	3,469,394,032.50	3,273,424,363.37
Spain	321,351,273.48	-
Brazil	668,595,920.38	690,509,042.85
	4,459,341,226.36	3,963,933,406.22
Telecommunications		
Portugal	189,630,042.58	125,569,484.32
Spain	130,799,313.29	61,544,827.80
	320,429,355.87	187,114,312.11
Information technologies	106,675,465.41	150,255,848.32
Other	71,641,074.85	92,575,481.73
Sub-total of non-Group sales (Note 36)	6,386,558,434.96	5,650,374,088.90
Group companies		
Generation	165,865,597.53	58,402,278.30
Distribution		
Portugal	10,301,640.83	6,575,664.36
Spain	-	-
Brazil	-	-
	10,301,640.83	6,575,664.36
Telecommunications		
Portugal	291,081.23	763,209.24
Spain	-	46,755.15
	291,081.23	809,964.38
Information technologies	199,445,405.70	116,776,822.42
Other	74,858,036.59	67,745,291.59
Sub-total of intragroup sales	450,761,761.88	250,310,021.06
Total sales	6,837,320,196.84	5,900,684,109.96
<i>ii) Depreciation and amortisation for the year</i>		
Generation	231,611,037.40	227,474,081.43
Distribution		
Portugal	330,239,155.15	324,576,466.66
Spain	27,822,891.84	-
Brazil	49,258,997.33	35,826,643.19
	407,321,044.32	360,403,109.85
Telecommunications		
Portugal	49,317,952.57	41,527,339.99
Spain	17,541,130.46	7,343,522.91
	66,859,083.03	48,870,862.90
Information technologies	18,896,582.69	18,456,114.83
Other	14,852,870.14	9,487,243.74
Total	739,540,617.58	664,691,412.75

	2002	2001
iii) Operating income		
Generation	546,873,789.03	514,952,466.00
Distribution		
Portugal	93,916,381.13	191,238,926.53
Spain	26,157,566.68	-
Brazil	33,930,282.53	64,609,291.61
	154,004,230.34	255,848,218.14
Telecommunications		
Portugal	(87,107,330.60)	(100,648,286.00)
Spain	(29,408,930.40)	(16,954,540.00)
	(116,516,261.00)	(117,602,826.00)
Information technologies	35,562,777.74	15,575,458.18
Other	18,586,877.60	(9,016,513.41)
Sub-total	638,511,413.71	659,756,802.91
Intragroup	10,192,174.35	13,775,645.85
Total	648,703,588.06	673,532,448.76
iv) Assets		
Generation	5,326,246,026.70	6,559,202,808.00
Distribution		
Portugal	5,141,351,275.90	4,968,090,322.26
Spain	1,707,908,194.12	-
Brazil	1,508,427,171.07	862,531,026.47
	8,357,686,641.09	5,830,621,348.73
Telecommunications		
Portugal	931,529,672.08	887,057,380.00
Spain	228,324,185.92	141,446,817.00
	1,159,853,858.00	1,028,504,197.00
Information technologies	332,269,765.86	256,409,556.78
Other	2,803,539,777.87	2,530,949,983.37
Sub-total	17,979,596,069.52	16,205,687,893.87
Intragroup	145,593,711.39	27,454,893.36
Total	18,125,189,780.91	16,233,142,787.23
v) Capital expenditure during the year:		
Generation	246,866,393.30	138,769,067.58
Distribution		
Portugal	376,318,954.39	335,363,007.39
Spain	102,355,351.29	-
Brazil	25,382,684.53	49,914,901.73
	504,056,990.21	385,277,909.12
Telecommunications		
Portugal	208,037,249.98	59,728,760.85
Spain	20,581,933.02	50,436,560.67
	228,619,183.00	110,165,321.52
Information technologies	28,199,390.00	62,064,070.61
Other	47,911,253.95	87,771,405.74
Total capital expenditure during the year	1,055,653,210.46	784,047,774.57

Registered Accountant no. 5260

CONSOLIDATION CONTROL
AND BUDGET MANAGEMENT OFFICE
MANAGER

BOARD OF DIRECTORS



'02 GRCA

3.4

Consolidated Cash Flow Statement for the Year Ended 31 December 2002

	2002	
Operating activities:		
Received from customers	6 215 764 280.39	
Payments to suppliers	(4 085 818 486.58)	
Payments to personnel	(685 791 498.06)	
Concession rental payments	(158 176 301.80)	
Cash flow generated by operations	1 285 977 993.95	
Payment of corporate income tax	(277 444 222.11)	
Other receipts relating to operating activities	299 940 173.89	
Other payments relating to operating activities	(362 467 086.81)	
Cash flow before extraordinary items	946 006 858.92	
Receipts relating to extraordinary items	28 026 103.19	
Payments relating to extraordinary items	(76 363 277.85)	
Net cash flow generated by operations (1)		897 669 684.26
Investing activities:		
Receipts arising from:		
Financial investments	193 377 110.73	
Tangible fixed assets	77 603 250.14	
Intangible assets		
Investment subsidies	56 447 772.51	
Interest and similar income	4 083 485.04	
Dividends	40 041 770.53	
Change to consolidation perimeter	315 000 000.00	686 553 388.95
Payments relating to:		
Financial investments	55 510 845.25	
Tangible fixed assets	931 346 484.99	
Intangible assets	42 980 565.04	
Change to consolidation perimeter	798 123 791.97	1 827 961 687.25
Net cash utilised in investing activities (2)		(1 141 408 298.30)
Financing activities:		
Receipts arising to:		
Loans raised	12 905 665 780.27	12 905 665 780.27
Payments relating to:		
Loans	11 884 707 993.94	
Interest and similar cost	375 733 979.21	
Dividends	337 674 938.74	
Acquisition of treasury stock	10 398 257.01	12 608 515 168.90
Net cash raised from financing activities (3)		297 150 611.37
Change in cash and cash equivalents (4)=(1)+(2)+(3)		53 411 997.44
Effect of foreign-exchange differences		(7 857 313.89)
Cash and cash equivalents at beginning of the period		(468 527 164.68)
Cash and cash equivalents at the end of the period		(407 257 853.35)
BREAKDOWN OF CASH AND CASH EQUIVALENTS	2002	2001
Cash	1 426 792.90	441 515.04
Sight deposits and cash equivalents	(501 117 144.34)	(472 759 373.95)
Bank overdrafts	(593 802 671.40)	(502 912 945.16)
Other treasury assets	92 685 527.06	30 153 571.21
Other liquid assets	92 432 498.09	3 790 694.23
Bank deposits and cash as per balance sheet	(407 257 853.35)	(468 527 164.68)

'02 GRCA

3.5

Consolidated Income Statement by Functions (Cost of Sales Format)

	2002	2001
Sales and services provided	6 386 558 434.96	5 650 374 088.90
Cost of sales and services provided		
Cost of electric energy generated		
Cost of fuel for power generation	465 527 057.89	377 192 497.05
Operating and maintenance costs of power-generating centres	373 517 545.42	345 065 356.23
Electric power transmission costs	0.00	0.00
Distribution and commercialisation costs of electric energy		
Acquisition of electric power	3 005 526 055.68	2 524 293 349.17
Concession rentals	154 008 204.44	145 641 942.73
Operating and maintenance costs of the distribution network and commercialisation cost of electric power	1 152 966 402.99	1 012 213 748.70
Cost of telecommunication services provided	155 417 000.00	124 654 000.00
Cost of other sales and services provided	373 988 859.13	321 099 712.66
Gross Profit	705 607 309.41	800 213 482.36
Other operating income and gains	579 920 055.52	463 715 712.92
Administrative costs	377 075 493.36	307 948 097.68
Other operating costs and losses	242 543 732.66	177 175 124.32
Operating income	665 908 138.91	778 805 973.28
Net financing cost	184 151 174.36	338 198 254.81
Gains (losses) in subsidiary and associated companies	(78 734 019.27)	11 619 505.56
Gains in other investments	40 041 770.53	35 049 334.70
Non-recurring or exceptional income and gains (net)	(156 143 334.83)	106 912 018.93
Income before taxation	286 921 380.98	594 188 577.66
Corporate income tax	171 739 322.26	202 952 585.61
Income after taxation	115 182 058.72	391 235 992.05
Minority shareholders' interest	220 033 767.72	59 558 724.48
Net income	335 215 826.44	450 794 716.53
Earnings per share (euros)	0.112	0.150





'4 AUDIT AND SUPERVISORY REPORTS

WITH US, IT IS POSSIBLE
TO GO FURTHER'



CONTENTS

[AUDIT AND SUPERVISORY REPORT

- '165 STATUTORY AUDIT CERTIFICATION OF CONSOLIDATED ACCOUNTS
- '166 SOLE SUPERVISORS' REPORT AND OPINION
- '168 AUDIT REPORT
- '170 EXCERPT OF THE MINUTES OF THE SHAREHOLDERS' GENERAL MEETING
- '172 EXEMPTION FROM THE REQUIREMENT TO PUBLISH INDIVIDUAL ACCOUNTS

'02 GRCA

4.1

STATUTORY AUDIT CERTIFICATION OF THE CONSOLIDATED ACCOUNTS

INTRODUCTION

1 We have audited the consolidated financial statements of **EDP - Electricidade de Portugal, S.A.**, comprising the consolidated balance sheet at 31 December, 2002, (which reflects a balance sheet total of EUR 18,125,190 thousand, total minority shareholders' interests of EUR 65,199 thousand and total shareholders' funds of EUR 5,494,182 thousand, including consolidated net income for the year of EUR 335,216 thousand), the consolidated income statement (by nature and by functions) for the year then ended, and the respective notes thereto.

RESPONSIBILITIES

2 The Board of Directors is responsible for the preparation of the consolidated 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, as well as the adoption of appropriate accounting principles and criteria and the maintenance of proper systems of internal control.

3 The financial statements of the subsidiaries referred to in Note 14 to the financial statements as having entered into the perimeter of the consolidated financial statements, were examined by other auditors.

4 Our responsibility is to express a professional and independent opinion based on our examination of the said consolidated financial statements and on the opinions expressed by the auditors of the aforesaid subsidiaries.

SCOPE

5 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 their preparation; (ii) verification of correct consolidation procedures and (when applicable) of the application of the equity method; (iii) an evaluation of the appropriateness of the accounting policies adopted, their uniform application and their disclosure, taking into account the circumstances; (iv) verification of the applicability of the going concern principle; and (v) a consideration of the appropriateness of the overall presentation of the consolidated financial statements.

6 We believe that our audit and the opinions expressed by the other auditors provide an acceptable basis for expressing our opinion.

OPINION

7 In our opinion, based on the audit carried out and on the opinions expressed by the other auditors, the abovementioned consolidated 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 31 December 2002, and the consolidated results of its operations for the year then ended, in accordance with generally accepted accounting principles in Portugal.

Lisbon, 20 March 2003

Bernardes, Sismeyro & Associados, Statutory auditors

Represented by: Carlos Marques Bernardes, Statutory auditor



'02 GRCA

4.2

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 consolidated management report and consolidated financial statements presented by the Board of Directors of **EDP-Electricidade de Portugal, SA**, for the year ended 31 December, 2002.

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 Article 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, and the respective notes to the financial statements, permit an adequate understanding of the financial position of the company and the group of companies included in the consolidation and their results;

ii) the accounting policies and valuation criteria adopted are appropriate;

iii) the consolidated management 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 consolidated management report be approved;
- ii) the consolidated financial statements be approved.

Lisbon, 20 March 2003

Bernardes, Sismeiro & Associados, Statutory auditors

Represented by: Carlos Marques Bernardes, Statutory auditor



'02 GRCA

4.3

AUDIT REPORT

To the Shareholders of **EDP – Electricidade de Portugal, S.A.**

1 We have audited the consolidated balance sheet of **EDP – Electricidade de Portugal, S.A.** at 31 December 2002, as well as 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. These consolidated financial statements are the responsibility of the Company's Board of Directors. The financial statements of the companies referred to in note 14 to the financial statements as having entered into the perimeter of the consolidated financial statements in the present financial year, were audited by other auditors. In this context, based on our examination and on the opinions expressed by the auditors of the aforesaid subsidiaries, our responsibility is to issue an opinion on these consolidated financial statements.

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 the evidence supporting the amounts and disclosures included in the consolidated financial statements. In addition, an audit 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. In our opinion, the audit performed by us and the audit reports issued by the other auditors constitute a reasonable basis for issuing our opinion.

3 In our opinion, based on the audit performed by us and on the opinions expressed by other auditors, 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 31 December 2002, as well as the results

of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in Portugal.

PricewaterhouseCoopers – Auditores e Consultores, Lda.
Lisbon, 20 March 2003,
except with regard to the information concerning cash flows,
which is dated 8 May 2003.

[AUDIT REPORT ON THE CONSOLIDATED FINANCIAL INFORMATION

INTRODUCTION

1 For purposes of Article 245 of the Securities Code, we submit herewith our audit report on the financial information contained in the accompanying consolidated management report and the consolidated financial statements of **EDP - Electricidade de Portugal, S.A.**, comprising the consolidated balance sheet at 31 December, 2002, (which reflects a balance sheet total of EUR 18,125,190 thousand, total minority shareholders' interests of EUR 65,199 thousand and total shareholders' funds of EUR 5,494,182 thousand, including consolidated net income for the year of EUR 335,216 thousand), the consolidated income statements, by nature and by functions, and the consolidated cash flow statement for the year then ended, and the respective notes thereto.

RESPONSIBILITIES

2 The Board of Directors is responsible (i) for the preparation of the consolidated 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) that the historical financial information is prepared in accordance with accounting principles

generally accepted in Portugal and that it is complete, accurate, current, clear, objective and legitimate, as required by the Securities Code; (iii) the adoption of appropriate accounting principles and criteria; (iv) the maintenance of proper systems of internal control; and (v) the disclosure of any important fact that has influenced the activity of the group of companies included in the consolidation, their financial position or their results.

3 The financial statements of the subsidiaries referred to in Note 14 to the financial statements as having entered into the perimeter of the consolidated financial statements, were examined by other auditors.

4 Our responsibility is to verify the financial information contained in the abovementioned annual financial statements, namely, as to whether it is complete, accurate, current, clear, objective and legitimate, as required by the Securities Code, to issue a professional and independent report based on our examination of the said consolidated financial statements and on the opinions expressed by the auditors of the aforesaid subsidiaries.

SCOPE

5 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 their preparation; (ii) verification of the consolidation operations; (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; and (v) a consideration of the appropriateness of the overall presentation of the consolidated financial statements; and (iv) an evaluation as to whether the consolidated financial information is complete, accurate, current, clear, objective and legitimate.

6 Our audit also included verification that the consolidated financial information contained in the consolidated management report is in agreement with the other documents making up the annual financial statements.

7 We believe that the audit carried out and the opinions expressed by the other auditors provide an acceptable basis for expressing our opinion.

OPINION

8 In our opinion, based on the audit performed by us and on the opinions expressed by the other auditors, the abovementioned consolidated 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 31 December 2002, 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 information contained therein is complete, accurate, current, clear, objective and legitimate.

Lisbon, 20 March 2003

Except with regard to the information concerning cash flows, which is dated 8 May 2003.

Bernardes, Sismeiro & Associados, Statutory auditors

Represented by: Carlos Marques Bernardes, Statutory auditor



'02 GRCA

4.4

EXCERPT OF THE MINUTES OF THE SHAREHOLDERS' GENERAL MEETING

Excerpt of Minute no. 1/2003 of the General Meeting of EDP - Electricidade de Portugal, S.A held on 22 May 2003, and which relates to this legal publication.

(...)

Having terminated the discussion of Points One and Two on the Agenda, the Management Report and the annual financial statements for the two thousand and two financial year, in the individual version, and the Group Management Report and the consolidated annual financial statements for the two thousand and two financial year, were successively put to the vote and unanimously approved. The meeting then turned to Point Three of the Agenda, with the Chairman of the AGM putting forward for discussion the proposed appropriation of net income submitted by the Board of Directors: Net income for the year EUR 335,215,826.44; Legal reserve EUR 16,760,791.32; Dividends: EUR 270,000,000.0; and Retained earnings: EUR 48,455,035.12.

(...) The motion presented by the Board of Directors was approved with twelve million, three hundred and seventy six thousand one hundred and eighteen (99.98%) votes in favour, one hundred and fifty two votes against and fourteen abstentions.

(...)

Having been put to the vote, the motion relating to the appraisal of the company's management and supervision, a vote of confidence in the Board of Directors and in each one of its members, as well as in the Sole Supervisor, was unanimously approved.

(...)

After opening the discussion on Point Five in the Order of Business and after clarifying the queries raised by Shareholders, which clarifications were given by the Chairman of the Board of Directors and the General Meeting Secretary, the request for dealing in the treasury stock was out to the vote. The General Meeting passed a resolution authorising the Board of Directors in accordance with the proposal, with twelve million seven hundred and forty eight thousand and thirty seven (99.99%) votes in favour and one thousand two hundred and forty three votes against.

(...)

In view of the manifestations formulated by the Shareholders and in terms of article 20 of the company's Statutes, the Committee Chairman of the GM decided to put to the vote the choice of the Supervisory System. The General Meeting approved a sole supervisory system instead of a supervisory board, with twelve million seven hundred and forty eight thousand and thirty seven (99.51%) votes in favour, nine hundred and forty nine votes against and sixty thousand five hundred and fifty abstentions.

(...)

The next motion tabled was the election of the governing bodies for the three-year term 2003 to 2005, forming part of the list composed of Messrs: General Meeting Committee - Chairman: José Manuel Galvão Teles; Vice-Chairman: António Campos Pires Caiado; Sole Supervisors: Bernardes, Sismeiro & Associados, Statutory Auditors (SROC), represented by Carlos Marques Bernardes, ROC; Alternate: Joaquim Patrício da Silva, Statutory audit; Board of Directors - Chairman: Francisco de la Fuente Sánchez; Members: João Luís Ramalho de Carvalho Talone, António de Almeida, António José Fernandes de Sousa, Arnaldo Pedro Figueiroa Navarro Machado, Jorge Manuel de Oliveira Godinho,

José Manuel Gonçalves de Morais Cabral, José Manuel Trindade Neves Adelino, Luís Filipe Rolim de Azevedo Coutinho, Paulo Azevedo Pereira da Silva, Pedro Manuel Bastos Mendes Rezende, Rui Miguel de Oliveira Horta e Costa and Vítor Ângelo Mendes da Costa Martins; Remuneration Committee - Chairman: Brisa, represented by Vasco de Mello; Parpública, represented by João Plácido Pires; and Ruy de Albuquerque. The motion was approved with twelve million seven hundred and forty seven thousand eight hundred and sixty three (99.98%) votes in favour, one hundred and three votes against and one thousand and fourteen abstentions.

(...)

Finally, a motion was put to the vote which was formulated pursuant to article 25 of the company's Statutes relating to the election as members of the Environment Board of Eduardo Oliveira Fernandes, Carlos Alberto Pimenta, Gonçalo Ribeiro Teles, Maria Teresa Andresen and Álvaro José Patrício Costa. The motion was approved with twelve million seven hundred and forty nine thousand two hundred and forty three (99.99%) votes in favour and thirty seven abstentions.

Lisbon, 23 May 2003

Deputy Secretary
António José Marrachinho Soares



'02 GRCA

4.5

EXEMPTION FROM THE REQUIREMENT TO PUBLISH INDIVIDUAL ACCOUNTS

“Pursuant to the provisions of article 250(3) of the Securities Code, the Securities Market Commission (CMVM) has exempted the company from the requirement to publish individual accounts.

The annual report and accounts covered by the above exemption are available for consultation, together with other relevant documents, at this company's head office, as required under the Companies Code.”



A photograph of a patient lying in a hospital bed, covered with a patterned blanket. In the background, there is a medical monitor and a piece of electronic equipment on a stand. A blue semi-transparent box is overlaid on the right side of the image, containing white text.

'5 REPORT ON CORPORATE GOVERNANCE

WE PROVIDE
OUR CUSTOMERS
WELL-BEING
AND QUALITY OF LIFE'



CONTENTS

[REPORT ON CORPORATE GOVERNANCE

'177 DISCLOSURE OF INFORMATION

- '177 DISCLOSURE OF INFORMATION
- '178 SHARE PRICE BEHAVIOUR
- '178 DIVIDEND POLICY
- '179 TREASURY STOCK
- '179 STOCK OPTION INCENTIVE SCHEME
- '180 USE OF NEW TECHNOLOGIES IN THE DISSEMINATION OF INFORMATION
- '180 INVESTOR RELATIONS OFFICE

'181 EXERCISE OF VOTING RIGHTS AND SHAREHOLDER REPRESENTATION

- '181 STATUTORY RULES
- '182 MODE FOR POSTAL VOTING
- '182 POSSIBILITY OF EXERCISING VOTING RIGHTS BY ELECTRONIC MEANS

'183 CORPORATE RULES

'184 CONTROL OF ACTIVITY RISK

'185 MANAGEMENT BODY

- '185 CHARACTERISATION OF THE MANAGEMENT BODY
- '185 EFFECTIVE CONTROL OF CORPORATE LIFE
- '186 REMUNERATION OF GOVERNING BODIES



5.1

DISCLOSURE OF INFORMATION

EDP's management and governance are conducted in accordance with the provisions and rules embodied in its statutes and prevailing company law, as well as with the internal regulations approved by the Board of Directors. With regard to the Securities Market Commission's recommendations (Comissão do Mercado de Valores Mobiliários - CMVM) dealing with Corporate Governance, which are intended to define a system of rules and procedures relating to the control of listed companies, as well as the exercise by the members of such companies' management bodies of their functions in a responsible manner oriented towards the creation of value, EDP falls within the parameters defined therein, and complies fully with the applicable requirements.

[FUNCTIONAL ORGANISATION CHARTS

EDP's management and supervisory bodies are the Board of Directors and the Sole Supervisor: in the case of the latter, at least one member must be a Portuguese statutory auditor (Revisor Oficial de Contas- ROC).

The Company's Statutes may provision for constitution of a Remuneration Committee appointed by the General Meeting and which is responsible for fixing the remuneration of the Directors, as well as any additional benefits, namely, supplementary retirement pensions for old age or disability. It also fixes the remuneration of the governing bodies.

The Company's Statutes also provide for the constitution of an Environment Board, whose mandate is to advise the Board of Directors.

EDP conducts its business in the form of a business group, as outlined schematically in the organisation chart included in the Management Report. It also has a central decision-support structure with transversal responsibilities and which functions from EDP in its role as the EDP Group's holding company in accordance with the organisation, function and responsibilities laid down by the Board of Directors.

This central support structure is composed of a group of assistants and advisors to the Board of Directors and a number of offices, as depicted in the following organisation structure:

Board of Directors

Executive Committee

Chairman	Francisco de la Fuente Sánchez
Vice-Chairman	Jorge Fernando Alves Ferreira Guimarães
Member	Rui Miguel de Oliveira Horta e Costa
Member	Fernando Noronha Leal
Member	António Manuel Barreto Pita de Abreu
Member	Manuel de Jesus Martins
Member	Arnaldo Pedro Figueirôa Navarro Machado
Member	Jorge Manuel Jardim Gonçalves
Member	João Afonso Ramalho Pereira Bento
Member	Ernâni Rodrigues Lopes
Member	António José Fernandes de Sousa

Assistants to the Board of Directors

Departments/Offices

SG	General Secretariat
GAB	Environment Office
GAI	Internal Audit Office
GAN	Business Analysis Office
GCI	Communication and Image Office
GCO	Consolidation, Control and Budget Management Office
GFN	Financial Management Office
GJR	Legal Affairs Office
GPE	Strategic Planning Office
GRH	Human Resources Office
GRI	Investor Relations Office
GRT	Regulation and Tariffs Office
GSI	Information Systems Office
GSIAC	Integrated System for Management Support Office
EDP Foundation (in constitution)	
Electricity Museum	



[SHARE PRICE BEHAVIOUR

EDP is listed on the Euronext Lisbon market and on the New York Stock Exchange, while its shares are also traded in London. Moreover, EDP's shares form the asset base for futures contracts traded on the Euronext Lisbon market.

In 2002, a total of 1,243 million EDP shares were traded, corresponding to a daily average of 5 million shares, thus making EDP one of the most liquid stocks on the national market. At the end of 2002, EDP represented roughly 17% of the PSI 20, Portugal's principal stock market index, while at the same time constituting a benchmark stock in any European index covering electricity companies.

The price of EDP shares, which depreciated 34% in 2002 against falls of 25% in both the PSI 20 and the Dow Jones STOXX Utility Index, contrasts with the conviction that the Group is reinforcing a strategy and implementing, in a sustained and consistent manner, management measures that will create value for shareholders over the medium and long term.

However, sight must not be lost of the fact that the trend in the EDP share price in 2002 is unquestionably linked to the widespread sentiment of economic crisis at global level and, consequently, to a period of great instability on the capital markets. The extent of the resulting negative effects, which are clearly evident in the steep declines in the world's leading stock market indices, has only been matched by the events that prevailed on the financial markets at the end of the 1920's. This economic landscape, the effects of which were more or less disproportionate in certain sectors of the economy, utilities being a case in point, obviously affected the EDP share performance, which is not impervious to the volatility of the capital markets.

In the meantime, there were other factors that contributed to the erosion of EDP's value during 2002; some of these exogenous factors affecting the Group's ordinary activities creating a climate of uncertainty which had an influence on the share price.

In the first place, the new tariff regulations for the period 2002 – 2004 published by the ERSE (sector regulator) at the end of 2001 had a very strong negative impact on the profitability of the electricity distribution business, through the substantial reduction in permitted revenues in this tariff-regulation period.

Secondly, the Brazilian currency's pronounced depreciation in 2002 had as a major consequence the perceived deterioration in the risk associated with companies (such as EDP) owning important assets in that country.

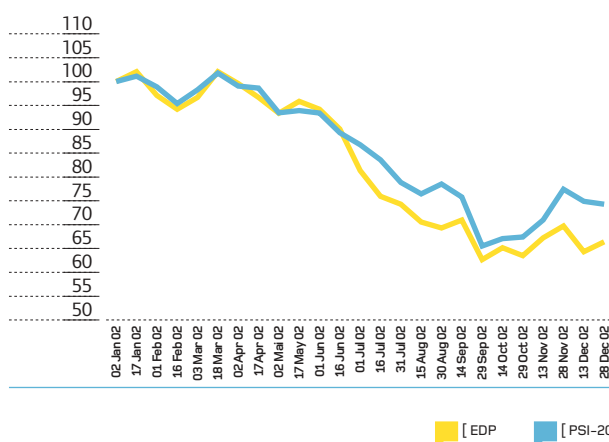
Thirdly, the expectations surrounding the integration of the Portuguese and Spanish energy sectors and the creation of the

Iberian Electric Energy Market (Mercado Ibérico de Energia Eléctrica - MIBEL) will have led investors to await clarification of the respective models in an attitude of prudence in the light of the potential repercussions for the electricity sector's, and in particular, EDP's future profitability.

Finally, in the telecommunications business the long and complex process which culminated in the disposal of ONI Way, as well as the speculation generated about the eventual outcome throughout virtually all of 2002, most definitely penalised EDP shares.

At least in relation to some of these factors measures were taken that were within the Group's sphere of influence and which will mitigate, to this extent, the associated risk – such as the cases of Brazil and telecommunications. In the other cases, the Group will continue to keep a watchful eye on developments and seek to minimise, whenever possible, the degree of uncertainty and the eventual negative effects on its performance. In such conditions, there are grounds for believing in the EDP share's increased attractiveness in the market in 2003 and in the corresponding capital appreciation.

EDP share price behaviour



[DIVIDEND POLICY

Since the start of the process involving EDP's reprivatisation and the stock market listing of its shares, EDP has distributed dividends annually to its shareholders in a responsible and properly substantiated manner, subordinated to rules governing prudence and the creation of value. The portion of net income set aside to pay dividends has been in excess of 65% ever since the shares were listed, in harmony with the desire to share with our shareholders an important part of the value created every year whenever the company's circumstances and prevailing market conditions so permit.

Distribution of dividends

Year	Payment date	Ex-Dividend date	Gross amount (euros)	Net amount (euros)	Observations
1997	18-05-1998	12-05-1998	0.648	0.534	
1998	28-05-1999	24-05-1999	0.698	0.620	
1999	31-05-2000	26-05-2000	0.698	0.611	
2000	31-05-2001	28-05-2001	0.140 *	0.119 *	
2001	06-06-2002	03-06-2002	0.113 * 0.113 *	0.099 * Residents 0.093 * Non-residents	

* After the stock split, in which each share was replaced by 5 shares with a nominal value equal to 1/5 of the pre-stock split value

A portion of the profits of the EDP Group companies, and pursuant to the respective statutes, is attributed to employees under the profit-sharing scheme, in accordance with criteria defined annually by the Board of Directors.

In terms of the company's statutes and following a resolution passed at the Shareholders' General Meeting, a part of annual net income was paid to members of the holding company's Board of Directors until 2000.

[TREASURY STOCK

In conformity with the general regime governing the acquisition and disposal by companies of treasury stock, the company was authorised by the General Meeting to acquire its own shares up to a limit of 10% of share capital.

During the course of 2002, EDP acquired 5,702,717 own shares at an average price of EUR 1.82. At 31 December 2002, the number of own shares on hand was 17,468,926, corresponding to 0.58% of share capital, with an average acquisition price of EUR 2.51. A portion of the treasury stock on hand is earmarked to support the stock options programme for the EDP Group's management and senior staff.

[STOCK OPTION INCENTIVE SCHEME

The EDP Group implemented a stock options programme which has been duly approved by the General Meeting. It applies to managerial and senior personnel and directors, and is aimed at encouraging the creation of value, in line with the practice adopted by similar companies.

The Plan, which was approved in 1999, has as its goal attributing over a period of five years options to buy EDP shares, subject to a limit of 16,250,000 options (after the stock split, in which each share was substituted by 5 shares with a nominal value equal to 1/5 of the pre-stock split value). Each option represents the right to buy one share.

In the case of a change in EDP's share capital, the forementioned limit (as well as the number of options already attributed) can be adjusted in such a manner that the size of the Plan and/or the position of the beneficiaries of the options awarded remain identical to the size and/or position that existed prior to the share capital change.

The provisions of the preceding paragraph may be applied to other cases which, in the opinion of EDP's Board of Directors, warrant identical treatment.

The consideration payable for the stock options (exercise price) is equal to the weighted average closing price of EDP shares during the period before the date laid down as the date for the attribution of such options, as may be determined by EDP's Board of Directors.

The exercise price may be corrected in the following situations: (a) changes in the share capital; (b) distribution of dividends and other reserves to shareholders which have a significant effect on the price of EDP shares; and (c) the occurrence of other facts of a similar nature which, in the unfettered judgement of the Board of Directors, justify such corrections.

Any change to the exercise price is aimed at ensuring that the position of beneficiaries remains unaltered from that which existed before the occurrence of the facts referred to in the preceding paragraph. Any such change must be fixed



by recourse to a technical judge, who must take into account the theoretical effect of such facts in the value of EDP shares.

The exercise price cannot be less than the nominal value of EDP shares.

[USE OF NEW TECHNOLOGIES IN THE DISSEMINATION OF INFORMATION

EDP has stepped up its recourse to IT support in all its information disclosure procedures, which go far beyond EDP's home page on the internet - www.edp.pt - which is constantly being enriched by progressively more interactive functionalities.

Accordingly, EDP has a consistent policy of investment in information technologies with the object of facilitating both access and the exchange of information between EDP Group and the different stakeholders, in particular, customers, shareholders, analysts and mass media professionals. EDP has employed Conference Call and Videoconference modes in its interaction with agents and institutional investors.

EDP's Internet home page on the internet discloses all important information, including mandatory announcements and publications, quarterly, half-yearly and annual results, key facts, detailed financial information and a significant part of the documentation relating to the holding of General Meetings.

[INVESTOR RELATIONS OFFICE

EDP complies with all legal and statutory obligations relating to information disclosure. After the first privatisation phase, EDP strengthened its information release capability through the creation of the Investor Relations Office. This unit's mission is to ensure an adequate channel of communication with the universe of shareholders, analysts and potential investors, as well as with the supervisory entities of the stock markets where EDP's shares are quoted, namely, the local Securities Market Commission (CMVM) and the SEC (Securities and Exchange Commission) in the United States of America.

The Investor Relations Office has as its primary function serving as a spokesman between the EDP Group's management and the financial markets in general. Within the scope of its normal activity, it is responsible for all the information made available by the EDP Group referring to the publication of the periodic financial statements, as well as that relating to any important facts that occur. The Investor Relations Office maintains a constant flow of information with institutional

investors and financial analysts, putting at their disposal all the required information so as to facilitate these institutions' compliance with their accountability and diligence duties.

The investor Relations Office is located at EDP's head office:

Praça Marquês de Pombal, n.º. 12, 5º Piso
1250-162 Lisbon
Telephone +351 21 001 2834
Telefax + 351 21 001 2899
Electronic address ir@edp.pt

The EDP Group also provides through its internet site comprehensive information about the company. This includes important press releases, EDP's share price history, the Group's shareholder structure, and other information of potential interest about the EDP Group. EDP's site on the internet allows interested parties to consult or request the expedition of annual reports dating back to 1997.

The EDP Group considers that its communication policy is governed by the adoption, in accordance with the best market practice amongst quoted companies, of the CMVM's recommendations with the aim of promoting and boosting the confidence and trust of shareholders, employees, customers, strategic partners, creditors and the public in general.

EDP's Director M. Rui Miguel Oliveira Horta e Costa is the responsible for market relationship.



5.2

EXERCISE OF VOTING RIGHTS AND SHAREHOLDER REPRESENTATION

[STATUTORY RULES

In terms of the company's statutes, only shareholders entitled to vote (one hundred shares correspond to one vote) may attend General Meetings.

No shareholder, with the exception of the State or entities deemed by law to be equivalent for this purpose, may cast votes either in their own name or as the representative of another, which exceed 5% of the total votes corresponding to the share capital. Shareholders who become the holders of shares corresponding to or in excess of 5% of voting rights or the share capital, must communicate this fact to the Board of Directors within five business days from the date of such occurrence, and shall not be entitled to exercise the respective voting rights until this communication is made. For this purpose, the voting rights which in terms of the Securities Market Code are deemed to form part of an important shareholding shall be deemed to be issued by the same shareholder; in this case, the shareholders are bound to furnish the Board of Directors in writing all the information requested concerning facts pertaining to them in a complete, objective, clear, accurate and satisfactory manner.

Shareholders can only attend General Meetings if they are the holders of shares at least fifteen days before the meeting date and maintain this status up to the date the meeting is held.

Proof of the ownership of shares is effected by way of dispatch to the Chairman of the General Meeting at least eight days prior to the date of such meeting of a declaration issued and authenticated by the financial intermediary entrusted with the job of registering such shares. This declaration must state that the shares in question have been registered in the respective account for at least fifteen days before the date

set for the meeting, and that such shares have been blocked up until the date on which the General Meeting takes place.

Shareholders can cast their vote on each one of the points on the order of business by means of a letter, the signature on which must be identical to that appearing on the shareholder's identity card, addressed to the Chairman of the General Meeting Committee, by registered letter with acknowledgement of receipt, and sent to the company's head office at least eight days before the meeting date, sent together with a legible copy of the identity card of the person who signed the letter.

The holders of rights representing shares under ADR programmes can give instructions to the respective depositary bank for the exercise of voting rights or conferring a proxy to a representative appointed for this purpose by EDP, in compliance with applicable legal and statutory provisions; the deposit contract should regulate the periods and manner of exercising voting instructions, as well as the cases of absence of instructions.

EDP complies with all the provisions recommended by the CMVM as regards voting rights and shareholder representation. It should be pointed out that as EDP wants the maximum participation of its shareholders in the Company's affairs, it embodied posting voting procedures in its statutes immediately after their inclusion was contemplated in the Securities Market Code.

The qualified representatives who, in their own name, as EDP shareholders or when representing another shareholder or group of shareholders, possess voting rights are eligible to attend General Meetings. Each 100 shares correspond to one vote, without prejudice to grouping and representation rights:



- shareholders owning less than 100 shares can group together with other such shareholders so that together they can attain the minimum required for exercising the right to vote, nominating one of their number to represent them;
- shareholders can be represented at General Meetings. A proxy document in the form of a signed letter addressed to the Chairman of the General Meeting Committee is sufficient for this purpose.

Identical rights as those of ordinary shareholders are attributed to the holders of ADRs. The voting rights of ADR holders are determined taking into account that one ADR represents 10 ordinary EDP Shares. The proposals for submission by the Board of Directors to the General Meeting, as well as the reports which by law must accompany those proposals and other preparatory information, are made available to all shareholders at EDP's head office – Praça Marquês de Pombal, 12, Lisbon – fifteen days before the date set for the holding of the General Meeting. In order to facilitate shareholders' access to this information, especially in the case of foreign shareholders or those residing outside the Lisbon metropolitan area, this information is sent by mail, fax or e-mail upon request by EDP shareholders.

[MODE FOR POSTAL VOTING

In order to extend the use and facilitate the exercise of postal voting by those shareholders wishing to avail themselves of this option, EDP makes available on its internet home page - www.edp.pt - or to those who personally so request in writing or by telephone, draft proxy forms and ballot papers for the exercise of postal voting. Of course, it is imperative that the shareholder must be properly identified in order to participate at the General Meeting.

[POSSIBILITY OF EXERCISING VOTING RIGHTS BY ELECTRONIC MEANS

The Company's Statutes do not exclude the possibility of voting by way of electronic mail, provided that the legal and statutory formalities for attending General Meetings are strictly complied with, and provided further that the correct identification of the shareholder by means of the appropriate certification methods is guaranteed. Considering that this mode of exercising the right to vote is becoming increasingly important in today's corporate life, initiatives are under way that will permit the Board of Directors to encourage shareholder participation via this easy and convenient form of exercising their rights.

At EDP's internet home page and also by traditional ways, information is provided for shareholders to exercise, safely, their voting rights by electronic ways.



5.3

CORPORATE RULES

EDP's corporate or statutory rules are documents available for public consultation or to those applying to EDP's Investor Relations Office.

EDP's statutes contain rules relating to the information duties regarding shareholder control and the holding of qualified shareholdings, preventing the exercise of voting rights in the case of non-compliance.

There are no classes of shares conferring special voting rights to shareholders, although the statutes and the enactment relating to the fourth reprivatisation phase contain specific provisions relating to the State or similar entities.



5.4

CONTROL OF ACTIVITY RISK

Owing to its importance, information relating to the control of operating risk is presented in the Management Report, in the chapter devoted to the EDP Group's Management Policies.



5.5

MANAGEMENT BODY

[CHARACTERISATION OF THE MANAGEMENT BODY

EDP's Board of Directors, which includes persons independent from the key shareholders, is presently composed of eleven directors, elected by the majority of votes cast. Directors' mandates are for three years, while there is no restriction as regards re-election.

EDP's Board of Directors is responsible for managing the Company's activity, and in terms of the Company's Statutes its duties include:

- Setting the company's and the Group's management objectives and policies;
- Preparing the annual operating and financial plans;
- Managing the company's business and performing all the acts and operations relating to the company's objects clause which are not attributed to another governing body;
- Representing the company in and out of court, as plaintiff and defendant, and it can discontinue, compromise and confess in any legal proceedings, as well as entering in to arbitration agreements;
- The acquisition, sale or any other form of disposing of or encumbering real-estate rights or goods;
- The formation of companies and subscribing for, acquiring, encumbering and disposing of equity holdings;
- Deciding on the issue of bonds and other negotiable securities in terms of the Law and the Company's Statutes;
- Establishing the company's technical and administrative organisation and the rules for internal functioning, namely, as concerns personnel and their remuneration;

- Appointing authorised signatories with the powers it deems necessary, including those of sub-delegation;
- Appointing the company secretary and respective alternate;
- Exercising all the other powers and duties attributed to it by Law or by the General Meeting.

As a rule, the Board of Directors meets every month in the presence of all its members. No resolutions may be passed without the presence of the majority of its members, while the representation of more than one director at each meeting is not permitted. All the Directors have the same voting rights, with the Chairman having the casting vote. The Board of Directors' functioning is regulated by an internal regulation which also governs the functioning of the Executive Committee, laying down the activity information and monitoring rules by the management body.

[EFFECTIVE CONTROL OF CORPORATE LIFE

Pursuant to Board of Directors' resolutions, and in harmony with the provisions of the forementioned internal regulations and the statutes, the company's day-to-day management is entrusted to an Executive Committee composed of seven members, which is chaired by the Chairman of the Board of Directors. The Executive Committee meets as a rule every week with the presence of all the Directors. Its meetings are subject to the same rules as those governing the meetings of the Board of Directors.

The Executive Committee's duties are fixed by the Board of Directors in the delegation of powers and include, save a resolution to the contrary, the overall definition



of the EDP Group's policies in the various areas in which it is involved, the coordination of the activities of the subsidiary companies and the management of the participating interests owned by the company. However, the delegation of powers does not include:

- The cooption of Directors;
- Requesting the convening of general meetings;
- Approval of the annual report and accounts to be submitted to the General Meeting;
- Approval of the annual and pluri-annual operating plans and budgets, and the periodic monitoring of their execution;
- Approval of the quarterly accounts;
- Changing EDP's head office, in accordance with the requirements of the Company's Statutes;
- Mergers, demergers, transformation and disposal of EDP Group companies;
- Provision of deposits and personal or real guarantees by the company.

The Executive Committee must also submit to the Board of Directors' consideration the resolutions which, due to their importance, it believes justifies this body's confirmation.

However, notwithstanding this delegation of powers, the Board of Directors remains responsible for the global management of the Company's activity.

[REMUNERATION OF GOVERNING BODIES

In terms of the company's statutes, the General Meeting elects the Remuneration Committee which fixes the remuneration of members of the Board of Directors. The General Meeting can also decide about the attribution of part of annual profits to Directors as part of the profit-sharing scheme, as well as the implementation of the stock options incentive plan.

The remuneration paid in 2002 to members of EDP – Electricidade de Portugal, S.A.'s governing bodies was as follows:

• Board of Directors	2,814,583.65 Euros
a) Executive Directors	2,700,857.73 Euros
b) Non-executive Directors	113,725.92 Euros
• Sole supervisor / Statutory auditor	82,551.06 Euros
• General Meeting Committee	1,621.09 Euros

In the meantime, EDP's Remuneration Committee, in compliance with the mandate conferred on it at the General Meeting held on 10 May 2002, attributed to the members of the Board of Directors an extraordinary bonus relating to the 2001 results in the global amount of EUR 615,291.10, of which EUR 589,204.66 was paid to the Executive Directors and EUR 26,086.44 to the Non-executive Directors.



'6 | ANNEXES

WE ENHANCE THE VALUE
OF IBERIAN ENERGY'



[ANNEXES

'191 EDP'S SHAREHOLDER STRUCTURE

'192 SHARES HELD BY MEMBERS OF EDP'S BOARD OF DIRECTORS

'193 SENIOR POSITIONS HELD BY MEMBERS OF EDP'S BOARD OF DIRECTORS

'195 SUMMARY OF DATA RELATING TO EDP GROUP COMPANIES

'199 THE EDP GROUP IN THE ELECTRICITY SECTOR IN PORTUGAL

'199 MAXIMUM CAPACITY AND NET GENERATION OF THE EDP GROUP

'200 EDP GROUP'S FUEL CONSUMPTION

'201 ENERGY BALANCE AND HYDROELECTRIC CAPABILITY FACTOR

'202 NUMBER OF CUSTOMERS AND ELECTRICITY CONSUMPTION BY FINAL USES

'203 SUMMARY OF POWER-GENERATING CENTRES

'206 SUMMARY OF THE DISTRIBUTION NETWORK

'207 EDP GROUP IN SPAIN - HIDROCANTÁBRICO

'207 EDP GROUP IN BRAZIL

'02 GRCA

6.1

EDP'S SHAREHOLDER
STRUCTURE

Under the provisions laid down in the article nº 6 of the CMVM regulations.

Edp's Shareholder Structure

Qualified shareholdings and voting rights

Shareholder	No. of shares	% of capital	% of vote
Direcção Geral do Tesouro (State)	568 853 506	18.96%	19.07%
Parpública - Participações			
Públicas (SGPS), S.A.	214 220 570	7.14%	7.18%
Banco Comercial Português	151 635 713	5.05%	5.00%
Caixa Geral de Depósitos	142 516 830	4.75%	4.78%
Iberdrola	149 966 455	5.00%	5.00%
Brisa	60 002 297	2.00%	2.01%
EDP (treasury stock)	17 468 926	0.58%	
Other private shareholders	1 695 335 703	56.51%	56.84%
Total	3 000 000 000	100.00%	



'02 GRCA

6.2

SHARES HELD BY MEMBERS OF EDP'S BOARD OF DIRECTORS

 **EDP Shares Held by Members of EDP's Board of Directors**
Annex referred to in Article 447(5) of CSC

	Operations realised in 2002					Balance (No. of shares) 31/12/2002
	Date	Price		Shares		
		Total (euros)	Unit	Bought	Sold	
Board of Directors						
Francisco de la Fuente Sánchez						7,793
<i>Wife</i> Maria Berta Pi B.R. de la Fuente Sánchez						2,580
Jorge Fernando Alves Ferreira Guimarães						7,267
<i>Wife</i> Emília M. Morgado						1,960
Rui Miguel de Oliveira Horta e Costa						3,047
<i>Wife</i> Susana Maria G. P. D. M. Horta e Costa						715
Fernando Noronha Leal	12/06/2002	2,847.08	2.18		1,306	
	22/07/2002	5,490.00	1.83	3,000		
	24/07/2002	1,136.61	1.73	657		
	24/07/2002	2,323.39	1.73	1,343		
	29/07/2002	3,875.00	1.55	2,500		7,500
<i>Wife</i> Maria da Luz C. R. Noronha Leal						
António Manuel Barreto Pita de Abreu						4,590
<i>Wife</i> Gilda Maria L. B. Pita de Abreu						390
Manuel de Jesus Martins						12,617
<i>Wife</i> Julieta Rosa Nunes da Costa Martins						500
Arnaldo Pedro Figueirôa Navarro Machado						9,680
Jorge Manuel Jardim Gonçalves						28,507
<i>Wife</i> Maria D'Assunção A.O.V. Jardim Gonçalves						2,185
João Afonso Ramalho S. Pereira Bento						3,047
<i>Wife</i> Rita M. do Pranto N. L. Pereira Bento						726
António José Fernandes de Sousa						1,865



6.3

SENIOR POSITIONS HELD BY MEMBERS OF EDP'S BOARD OF DIRECTORS

Francisco de la Fuente Sánchez – Chairman

- Chairman of the Board of Directors of EDP Distribuição - Energia, S.A.
- Chairman of the Board of Directors of EDP - Gestão da Produção de Energia, S.A.
- Chairman of the Board of Directors of EDP Valor – Gestão Integrada de Serviços, S.A.
- Chairman of the Board of Directors of EDP Energia, S.A.
- Chairman of the Board of Directors of EDP Serviner – Serviços de Energia, S.A.
- Chairman of the Board of Directors of ONI, S.G.P.S., S.A.
- Director of Hidrocontábrico
- Director of GALP Energia, S.G.P.S., S.A.

Jorge Fernando Alves Ferreira Guimarães – Vice - Chairman

- Chairman of the Executive Committee of EDP – Gestão da Produção de Energia, S.A.
- Chairman of the Board of Directors of CPPE – Companhia Portuguesa de Produção de Electricidade, S.A.
- Chairman of the Board of Directors of EDP Produção EM – Engenharia e Manutenção, S.A.
- Chairman of the Board of Directors of TER – Termoelectrica do Ribatejo, S.A.
- Chairman of the Board of Directors of EDINFOR - Sistemas Informáticos, S.A.
- Chairman of EDP – Estudos e Consultoria, S.A.
- Chairman of the Board of Directors of EDP – Investimentos, Gestão de Participações e Assistência Técnica, Limitada
- Director of ONI, S.G.P.S., S.A.
- Director of SOGESTE, S.A.

- Chairman of the Board of Directors of ECOGEN – Serviços de Energia Descentralizada, S.A.
- Director of Tejo Energia, S.A.
- Director of GALP Energia, S.G.P.S., S.A.

Rui Miguel de Oliveira Horta e Costa – Member

- Director of EDP Valor – Gestão Integrada de Serviços, S.A.
- Director of ONI, S.G.P.S., S.A.
- Director of EDP – Investimentos, Gestão de Participações e Assistência Técnica, Limitada
- Director of IBERENERGIA, S.A.
- Director of Energia RE
- Director of EDP Brasil, S.A.
- Director of Hidrocontábrico
- Chairman of the Board of Directors of CENTRAL-e – Informação e Comércio Electrónico, S.A.

Fernando Noronha Leal – Vogal

- Director of EDP – Gestão da Produção de Energia, S.A.
- Director of EDP Participações, S.G.P.S., S.A.
- Director of EDP Águas – Gestão de Águas e Saneamento, S. A.
- Director of Valorágua – Águas e Saneamento de Portugal, S. A.
- Director of Electricidade de Portugal Internacional, S.G.P.S., S.A.
- Director of INTERNEL – Serviços de Consultoria Internacional, S. A.
- Director of EDP – Investimentos, Gestão de Participações e Assistência Técnica, Ltda
- Chairman of the Board of Directors of EDP Brasil, S. A.
- Chairman of ENERPAULO



- Chairman of the Board of Directors of ENERGEN
- Chairman of the Board of Directors of IVEN
- Chairman of the Board of Directors of ENERSUL
- Chairman of the Board of Directors of ESCELSA

António Manuel Barreto Pita de Abreu – Member

- Vice – Chairman of EDP Energia, S.A.
- Vice – Chairman of EDP Serviner – Serviços de Energia, S.A.
- Director of EDP Distribuição – Energia, S.A.
- Director of EDINFOR - Sistemas Informáticos, S.A.
- Director of EDP Participações, S.G.P.S., S.A.
- Director of EDP - Estudos e Consultoria, S.A.
- Director of TURBOGÁS, S.A.

Manuel de Jesus Martins – Member

- Chairman of the Board of Directors of EDP Participações, S.G.P.S., S.A.
- Chairman of the Board of Directors of SÁVIDA – Medicina Apoiada, S.A.
- Chairman of the Board of Directors of SCS – Serviços Complementares de Saúde, S.A.
- Chairman of the Board of Directors of MRH – Mudança e Recursos Humanos, S.A.
- Chairman of the Board of Directors of EDP Águas – Gestão de Águas e Saneamento, S.A.
- Chairman of the Board of Directors of Valorágua – Águas e Saneamento de Portugal, S.A.
- Director of EDP VALOR – Gestão Integrada de Serviços, S.A.
- Director of EDP - Estudos e Consultoria, S.A.
- Chairman of the Board of Directors of Energia RE

Arnaldo Pedro Figueiroa Navarro Machado – Member

- Chairman of Executive Committee of EDP Distribuição – Energia, S. A.
- Chairman of the Board of Directors of Electricidade de Portugal Internacional, S.G.P.S., S.A.
- Chairman of the Board of Directors of INTERNEL – Serviços de Consultoria Internacional, S.A.

'02 GRCA

6.4

SUMMARY OF DATA RELATING TO
EDP GROUP COMPANIES

Company and head office	Principal business activity	Key figures	(EUR 000's)
EDP - Electricidade de Portugal, S.A. Praça Marquês de Pombal, 12 1250-162 Lisbon Tel. 21 001 30 13 Fax 21 726 50 29 Taxpayer registration no.: 500 697 256	Promotion, evolvment and management, directly or indirectly, of capital projects and activities in the electricity sector at both national and international level.	(consolidated figures) Assets Shareholders' funds Turnover Operating income Net income	12 986 994 5 494 182 16 242 -74 390 335 216
EDP Gestão da Produção de Energia, S.A Av. Barbosa du Bocage, 45 1064-002 Lisbon Tel. 21 352 53 53 Fax 21 799 34 20 Taxpayer registration no.: 505 432 811	Promotion, evolvment and management, directly or indirectly, of installations, capital projects and activities in the area of power generation and sales, namely in the form of electricity.	(consolidated figures) Assets Shareholders' funds Turnover Operating income Net income	5 199 910 1 854 575 1 462 295 550 661 294 623
CPPE - Companhia Portuguesa de Produção de Electricidade, S.A. Av. Barbosa du Bocage, 45 1064-002 Lisbon Tel. 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.	Assets Shareholders' funds Turnover Operating income Net income	4 513 189 2 430 662 1 330 350 519 292 302 335
HDN - Energia do Norte, S.A. Rua do Caires, 292, 1º 4704-516 Braga Tel. 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.	Assets Shareholders' funds Turnover Operating income Net income	76 737 30 082 29 798 1 374 1 846
HIDROCENEL - Energia do Centro, S.A. Apartado 182, Quintela 6270-909 Seia Tel. 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.	Assets Shareholders' funds Turnover Operating income Net income	111 822 56 280 27 384 5 326 3 440



Company and head office	Principal business activity	Key figures	(EUR 000's)
ENERNOVA - Novas Energias,S.A. Av. Estados Unidos da América, 55, 11º 1749-061 Lisbon Tel. 21 841 21 00 Fax 21 841 27 10 Taxpayer registration no.: 503 161 314	Projection, construction and operation of the means of producing electric energy in the alternative renewable energies.	Assets Shareholders' funds Turnover Operating income Net income	57 068 11 648 8 626 5 193 2 803
EDP Cogeração - Produção de Electricidade e Calor, S.A. Av. José Malhoa, Lote A13, 3º 1070-157 Lisbon Tel: 21 001 30 13 Fax: 21 720 29 60 Taxpayer registration no.: 504 410 385	Promotion, execution and operation of projects involving the combined production of electric and thermal energy through the process of cogeneration, as well as its commercialisation.	Assets Shareholders' funds Turnover Operating income Net income	33 899 4 814 108 -554 1 242
TER - Termoelectrica do Ribatejo, S.A. Av. Estados Unidos da América, 55, 12º 1749-061 Lisbon Tel: 21 001 34 02 Fax: 21 001 32 02 Taxpayer registration no.: 504 718 347	Establishment and operation of a combined-cycle thermoelectric power station and the sale of the resulting energy produced.	Assets Shareholders' funds Turnover Operating income Net income	211 595 498 0 476 -20
EDP Produção EM, SA Rua Sá da Bandeira, 567 4400-437 Oporto Tel: 22 001 30 00 Fax: 22 208 31 09 Taxpayer registration no.: 503 293 504	Carrying out studies and projects, and the provision of engineering services in the electrical sector.	Assets Shareholders' funds Turnover Operating income Net income	29 320 4 775 27 438 3 057 310
EDP Distribuição - Energia, S.A. Rua Camilo Castelo Branco, 43 1050-040 Lisbon Tel. 21 353 88 33 Fax 21 353 40 94 Taxpayer registration no.: 504 394 029	Distribution and sale of electric energy.	Assets Shareholders' funds Turnover Operating income Net income	5 141 351 1 519 190 3 479 696 93 916 92 821
EDP Energia, S.A. Praça Marquês de Pombal, 13 1250-162 Lisbon Tel. 21 353 88 33 Fax 21 353 40 94 Taxpayer registration no.: 503 504 564	Generation and sale of energy in the form of electricity and others.	Assets Shareholders' funds Turnover Operating income Net income	126 356 75 574 58 512 5 758 3 513
LABELEC - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A. Rua Cidade de Goa, 4 2686-997 Sacavém Tel: 21 941 12 62 Fax: 21 941 92 54 Taxpayer registration no.: 503 326 755	Provision of engineering services.	Assets Shareholders' funds Turnover Operating income Net income	13 460 6 114 11 314 2 806 1 906
Hidroeléctrica del Cantábrico, S.A. Plaza de la Giesta, 2 33 007 Oviedo - Spain Tel: 00 34 985 23 03 00	Generation, storage, transmission and distribution of electricity.	(consolidated figures) Assets Shareholders' funds Turnover Operating income Net income	4 275 067 1 660 888 1 436 215 201 813 14 565

Company and head office	Principal business activity	Key figures	(EUR 000's)
Bandeirante Energia, S.A. Rua Bandeira Paulista, 530 Chácara Itaim, São Paulo - Brazil	Distribution and commercialisation of electric energy.	Assets Shareholders' funds Turnover Operating income Net income	645 062 170 073 567 781 31 098 -4 618
ESCELSA - Espírito Santo Centrais Eléctricas, S.A. Rua 7 de Setembro,362 Centro Vitória Espírito Santo - Brazil	Distribution of electric energy.	(individual figures) Assets Shareholders' funds Turnover Operating income Net income	740 858 60 081 306 178 34 589 -146 720
ENERSUL - Empresa Energética de Mato Grosso do Sul, S.A. Av Gury Marques, s/nº BR 163-Km15, Campo Grande, Mato Grosso do Sul - Brazil	Distribution of electric energy.	Assets Shareholders' funds Turnover Operating income Net income	316 785 115 153 156 168 11 054 -24 744
ONI - Operadora Nacional de Interactivos S.G.P.S., S.A. Av. José Malhoa, Lote A 13 1070-157 Lisbon Tel. 21 001 30 13 Fax: 21 726 50 29 Taxpayer registration no.: 504 968 386	Management of participating interests in other companies as an indirect way of carrying out economic activities.	(consolidated figures) Assets Shareholders' funds Turnover Operating income Net income	1 159 854 -86 287 297 538 -116 516 -345 126
EDINFOR - Sistemas Informáticos, S.A. Av. Sidónio Pais, 28, R/C esq. 1050-215 Lisbon Tel: 21 001 83 00 Fax: 21 352 24 75 Taxpayer registration no.: 502 605 731	Operation of computer systems, implementation and operation of data networks, development of programmes and information systems.	(consolidated figures) Assets Shareholders' funds Turnover Operating income Net income	325 957 63 751 224 004 35 563 7 721
Ace Holding, S.G.P.S., S.A. Av. Dr. Mário Moutinho, Lote 1732 A 1400-136 Lisbon Tel. 21 001 40 00 Fax 21 001 40 01 Taxpayer registration no.: 505 187 981	Operation of computer systems, implementation and operation of data networks, development of programmes and information systems.	(individual figures) Assets Shareholders' funds Turnover Operating income Net income	38 539 16 687 0 -190 1 235
EDP Valor - Gestão Integrada de Serviços, S.A. Rua Camilo Castelo Branco, 46 1050-045 Lisbon Tel: 21 001 53 00 Fax: 21 001 53 70 Taxpayer registration no.: 505 938 022	Provision of management and consultancy services.	(individual figures) Assets Shareholders' funds Turnover Operating income Net income	26 587 13 245 8 242 556 6 695
SÁVIDA - Medicina Apoiada, S.A. Av. Casal Ribeiro, 15, 6º 1000-090 Lisbon Tel: 21 313 89 00 Fax: 21 001 74 10 Taxpayer registration no.: 503 293 512	Provision of health-care services.	Assets Shareholders' funds Turnover Operating income Net income	31 973 1 793 38 659 1 586 992



Company and head office	Principal business activity	Key figures	(EUR 000's)
MRH - Mudança e Recursos Humanos, S.A. Rua D. Luís I, 12, 2º 1200-151 Lisbon Tel: 21 322 22 00 Fax: 21 322 22 05 Taxpayer registration no.: 503 293 520	Provision of vocational training services.	Assets Shareholders' funds Turnover Operating income Net income	2 966 612 2 947 -651 -451
EDP Serviços de Gestão de Frotas, Instalações e Logística, S.A. Av. Estados Unidos da América, 55, 9º 1749-061 Lisbon Tel: 21 841 25 44 Fax: 21 841 25 80 Taxpayer registration no.: 504 645 064	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 Shareholders' funds Turnover Operating income Net income	7 225 879 4 477 99 46
EDP Imobiliária, S.A. R Camilo Castelo Branco, 46-1º 1050-045 Lisbon Tel: 21 841 24 58 Fax: 21 841 22 15 Taxpayer registration no.: 503 529 524	Promotion, purchase and sale of fixed properties.	Assets Shareholders' funds Turnover Operating income Net income	17 984 11 939 2 077 1 038 5 760
EDP PARTICIPAÇÕES S.G.P.S., S.A. Av. José Malhoa, Lote A 13 1070-157 Lisbon Tel. 21 001 30 13 Fax 21 726 50 29 Taxpayer registration no.: 504 930 087	Management of participating interests in other companies as an indirect way of carrying out economic activities.	Assets Shareholders' funds Turnover Operating income Net income	1 422 691 -34 381 0 2 480 -10 335

'02 GRCA

6.5

THE EDP GROUP IN THE ELECTRICITY SECTOR IN PORTUGAL

[MAXIMUM CAPACITY AND NET GENERATION OF EDP GROUP

Maximum Capacity at EDP Group Power Stations

	at 31 Dec (MW)				
	1998	1999	2000	2001	2002
(1) SEP (Public Electricity System) power stations	7 230	7 230	7 183	7 183	7 183
Hydroelectric (a)	3 903	3 903	3 903	3 903	3 903
Thermoelectric (a)	3 327	3 327	3 280	3 280	3 280
(2) SENV (Non-Binding Electricity System) power stations	270	270	270	309	255
Hydroelectric	270	270	270	309	255
(3) PRE (Special Regime Generators)	20	29	106	117	216
Mini-Hydros	0	0	0	1	55
Wind farms	20	20	30	40	40
Biomass	0	9	9	9	9
Cogeneration	0	0	67	67	112
Total EDP Group = (1) + (2) + (3)	7 520	7 529	7 559	7 609	7 654
Pego	584	584	584	584	584
Tapada do Outeiro	330	990	990	990	990
Other SEP power stations	914	1 574	1 574	1 574	1 574

(a) Contracted power according to the PPA's (Power Purchase Contracts)



Net Generation at the EDP Group's Power Stations

	at 31 Dec (GWh)				
	1998	1999	2000	2001	2002
(1) SEP (Public Electricity System) power stations	26 898	23 459	24 000	26 947	24 201
Hydroelectric	11 506	6 457	10 229	12 607	6 764
Thermoelectric	15 392	17 002	13 771	14 340	17 437
(2) SENV (Non-Binding Electricity System) power stations	718	447	623	786	497
Hydroelectric	718	447	623	786	497
(3) PRE (Special Regime Generators)	46	55	209	535	815
Mini-Hydros	0	0	0	4	75
Wind farms	46	53	70	90	113
Biomass	0	2	5	18	37
Cogeneration*	0	0	134	423	590
EDP Group net generation	27 662	23 961	24 832	28 268	25 513

* Includes energy delivered to industrial customers.

[EDP GROUP'S FUEL CONSUMPTION

Fuel Consumption By EDP Group

	Unit	1998	1999	2000	2001	2002
Quantities						
Fuel-oil	mil ton	1 565	1 536	1 052	1 373	1 814
Diesel	mil litres	3 966	1 732	14 359	20 873	6 377
Coal	mil ton	3 102	3 491	3 456	3 263	3 594
Natural gas (a)	mil m ³	163 762	376 278	182 526	171 484	326 100
Amounts						
	EUR 000's	246 829	268 580	306 943	377 192	465 527
Fuel-oil	EUR 000's	109 164	109 374	146 720	193 867	259 816
Diesel	EUR 000's	551	219	1 895	4 618	1 526
Coal	EUR 000's	120 446	116 825	128 902	142 810	148 773
Natural gas (a)	EUR 000's	16 668	42 162	29 426	35 897	55 412
Average prices						
Fuel-oil	Euro/kton	69 753	71 207	139 468	141 200	143 228
Diesel	Euro/klitre	139	126	132	221	239
Coal	Euro/kton	38 828	33 465	37 298	43 766	41 395
Natural gas (a)	Euro/hm ³	102	112	161	209	170

(a) Includes fuel consumption at the Carregado (CPPE) and Soporgen, Energin power stations.

[ENERGY BALANCE AND HYDROELECTRIC CAPABILITY FACTOR

Hydroelectric Capability Factor

	1998	1999	2000	2001	2002
	1.04	0.68	1.08	1.19	0.76

Energy Balance (GWh)

	1998	1999	2000	2001	2002
EDP gross generation (without cogeneration)	28 899	25 112	25 754	29 047	26 112
Consumption and losses at power stations	-1 237	-1 151	-1 056	-1 202	-1 189
Emission to the grid sent by Cogeneration	-	-	19	76	141
EDP emission	27 662	23 961	24 717	27 921	25 064
Pego	2 796	4 822	4 599	4 022	4 794
Tapada do Outeiro	1 261	6 129	5 894	5 951	7 126
Other SEP producers (balance)*	4 057	10 951	10 493	9 973	11 920
Auto-producers and other deliveries (balance)	1 917	2 241	2 369	2 365	2 461
Import / Export (balance) (*)	272	-858	931	239	1 899
Hydroelectric pumping	-101	-491	-558	-485	-670
Emission to the SEP's grid (Emission-related consumption)	33 807	35 804	37 952	40 013	40 674
Synchronous compensation	-30	-41	-39	-34	-37
Own consumption for generation and transmission + transmission losses (**)	-615	-679	-709	-721	-696
Energy delivered to distribution	33 162	35 084	37 204	39 258	39 941
EDP Group's own consumption and distribution losses	-2 799	-2 804	-2 897	-3 234	-3 036
Sale of energy - SEP	30 363	32 280	34 091	35 504	35 947
Distributors	111	121	129	137	137
- Local authorities	-	-	-	-	-
- Other distributors	111	121	129	137	137
Direct supply to customers	30 252	32 159	33 962	35 367	35 810
- Very high, high and medium voltage	13 908	14 373	15 068	15 480	15 320
- Low voltage	16 344	17 786	18 894	19 887	20 490
Sale of energy - SENV	-	-	216	520	958
EDP Group	-	-	85	241	644
Network usage (outside EDP)	-	-	131	279	314

* Source: REN

** Source: EDP + REN (REN data estimated)



[NUMBER OF CUSTOMERS AND ELECTRICITY CONSUMPTION BY FINAL USES

EDP Group (SEP)

	1998	1999	2000	2001	2002	Variation 01/02	
						Amount	%
Number of customers	5 161 391	5 291 520	5 415 304	5 541 396	5 664 655	123 259	2.2%
High voltage (*)	96	102	101	109	109	0	0.0%
Medium voltage	17 424	18 140	18 834	19 536	20 377	841	4.3%
Low voltage	5 143 871	5 273 278	5 396 369	5 521 751	5 644 169	122 418	2.2%
Electricity consumption (GWh) (**)	30 226	32 177	33 978	35 388	35 837	449	1.3%
Lighting and other uses	15 214	16 485	17 642	18 616	19 241	625	3.4%
Residential	8 317	8 987	9 678	10 188	10 513	325	3.2%
Non-residential	6 897	7 498	7 964	8 428	8 728	300	3.6%
Lighting of state buildings administrative bodies, etc.	1 366	1 529	1 632	1 722	1 700	-22	-1.3%
Cooking and heating	14	8	8	8	8	0	0.0%
Industrial uses	11 865	12 177	12 648	12 882	12 593	-289	-2.2%
Agricultural uses	607	667	679	737	776	39	5.3%
Traction	316	364	360	358	439	81	22.6%
Public illumination	884	947	1 009	1 065	1 080	15	1.4%

(*) Includes Very High Voltage customers

(**) Includes EDP Distribuição's own consumption and supplies for the consumption of other Group companies

[SUMMARY OF POWER GENERATING CENTRES

A - HYDRO POWER STATIONS (SEP)

	River	Entered into service	Type of hydro scheme	No. of generat. units	Max. inst. capacity (MW)
Alto Lindoso	Lima	1992	reservoir	2	630
Touvedo	Lima	1993	reservoir	1	22
Alto Rabagão	Rabagão	1964	reservoir	2	68
Vila Nova / Venda Nova	Rabagão	1951	reservoir	3	90
Vila Nova / 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
Bouça	Zêzere	1955	reservoir	2	44
Castelo do Bode	Zêzere	1951	reservoir	3	159
Praçana	Ocreza	1993	reservoir	3	41
Fratel	Tejo	1974	run-of-river	3	132
Tejo-Mondego				19	884
Reservoir				35	2 043
Run-of-river				28	1 860
Total Hydro Power Stations				63	3 903



B - THERMAL POWER STATIONS (SEP)

	Location	Entered into service	Fuel used	Nº de units	Potência capacity (MW)
Tapada do Outeiro	Gondomar	1959	Fuel-oil	1	47
Carregado	Alenquer	1968	Fuel-oil/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
Conventional power stations				17	2 951
Alto de Mira	Amadora	1975	Diesel	6	132
Tunes	Silves	1973/1982	Diesel	4	197
Gas turbine power stations				10	329
Total Thermal Power Stations				27	3 280

C - WIND FARMS (PRE)

	Location	Entered into service	Fuel used	Nº de units	Potência 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
Cadafaz	Góis	2001	N.A.	17	10
Total Wind Farms				71	40

D - BIOMASS POWER STATIONS (PRE)

	Location	Entered into service	Fuel used	Nº de units	Potência capacity (MW)
Mortágua biomass power plant	Mortágua	1999	Forest waste	1	9
Total Biomass Plants				1	9

E - COGENERATION POWER PLANTS (PRE)

	Location	Entered into service	Fuel used	Nº de units	Potência capacity (MW)
Soporgem	Lavos - Figueira da Foz	2000	Natural gas	2	67
Energin Azóia	Póvoa de St. Iria - V. F. Xira	2002	Natural gas	1	45
Carriço Cogeração	Carriço - Pombal	2002	Natural gas	1	30
Total do Parque				4	142

F - MINI-HYDRO PLANTS (SEI)

	River	Entered into service	Type of hydro scheme	No. of generat. units	Max. inst. capacity (MW)
Lindoso	Lima	1922	run-of-river	4	44.1
Ermal	Ave	1937	reservoir	2	11.2
Varosa / Chocalho	Varosa	1934	reservoir	3	25.0
Total HDN power stations > 10 MW				9	80.3
France	Coura	1974	run-of-river	1	7.0
Penide I e II	Cávado	1949	run-of-river	2	4.9
Guilhofrei	Ave	1939	reservoir	2	4.0
Ponte da Esperança	Ave	1942	reservoir	1	2.8
Senhora do Porto	Ave	1945	reservoir	2	8.8
Cefra	Ouro	1995	run-of-river	2	1.1
Freigil	Ribeira Cabrum	1988	run-of-river	1	4.6
Aregos	Ribeira Cabrum	1958	run-of-river	2	3.1
Caniços (ETE)	Ave	1946	run-of-river	2	0.9
Total HDN power stations <= 10 MW				15	37.2
Total HDN Power Stations				24	117.5
Sabugueiro I	Ribeira da Lagoa	1947	reservoir	3	12.8
Desterro	Alva	1959	run-of-river	2	13.2
Ponte de Jugais	Alva	1923	run-of-river	2	20.3
Vila Cova	Alva	2001	run-of-river	2	23.4
Santa Luzia	Ribeira de Unhais	1943	reservoir	4	24.4
Total Hidrocel power stations > 10 MW				13	94.1
Sabugueiro II	Ribeira Covão Urso	1993	reservoir	1	10.0
Riba-Côa	Côa	1906	run-of-river	1	0.1
Pateiro	Mondego	1938	run-of-river	2	0.3
Ribafeita	Vouga	1907	run-of-river	2	0.9
Drizes	Vouga	1917	run-of-river	1	0.2
Pisões	Dinha	1927	run-of-river	2	0.1
Figueiral	Carvalhinho	1932	run-of-river	1	0.2
Rei de Moinhos	Alva	1927	run-of-river	1	0.8
Ermida	Ribeira de S. João	1943	run-of-river	2	0.4
Total Hidrocel power stations <= 10 MW				13	13.0
Total Hidrocel Power Stations				26	107.1
Belver	Tejo	1951	run-of-river	6	80.7
Total EDP Energia power stations > 10 MW				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 power stations <= 10 MW				5	4.4
Total EDP Energia Power Stations				11	85.1
Total Power Stations > 10 MW				28	255.1
Total Power Stations <= 10 MW				33	54.6
Total Power Stations				61	309.7



[SUMMARY OF THE DISTRIBUTION NETWORK



Distribution Grid

Summary of installations and equipment in services at 31 December

	1998	1999	2000	2001	2002
Substation					
No. of substations	359	365	368	368	375
No. of transformers	642	645	654	651	663
Installed capacity (MVA)	12 690	12 752	12 902	12 971	13 228
Lines (including branch lines in km)					
Overhead	55 351	56 232	57 025	57 637	58 557
HV (60/130 kV)	6 613	6 717	6 885	6 925	7 097
MV (<6/10/15/30/40 kV)	48 738	49 515	50 140	50 712	51 460
Underground cables	9 683	10 135	10 415	10 893	11 352
HV (60/130 kV)	358	357	356	351	357
MV (<6/10/15/30/40 kV)	9 325	9 778	10 059	10 542	10 995
Transforming stations					
Units	44 620	46 134	47 695	49 165	50 649
Installed capacity (MVA)	11 664	12 169	12 776	13 432	14 094
LV grid (km)	112 075	114 914	117 039	118 104	120 238
Overhead	90 344	92 020	93 507	95 060	96 265
Underground	21 731	22 894	23 532	23 044	23 973
Meters (units)	5 214 777	5 366 479	5 635 492	5 779 459	5 902 787
HV+MV	20 695	21 778	22 460	23 170	24 046
LV+SLV	5 194 082	5 344 701	5 613 032	5 756 289	5 878 741

'02 GRCA

6.6

EDP Group in Spain - Hidrocontábrico (2002 data)

	Operating indicators					Financial indicators (in EUR thousand)		
	Sales (GWh)	No. of customers	No. of staff	Installed capacity (MW)	Generation (GWh)	Turnover	Oper. Inc.	Net inc.
Electricity Generation	-	-	481	3 204	13 308	619 704	250 889	147 949
Electricity Distribution	8 326	549 091	388	-	-	490 462	31 101	11 561
Gas Distribution	1 777	146 037	62	-	-	56 250	18 444	11 352
Commercialisation	5 833	2 350	108	-	-	241 977	-42 516	-28 600
Other	-	-	318	-	-	27 822	-56 114	-127 697
Total Hidrocontábrico (Spain)	15 936	697 478	1 357	3 204	13 308	1 436 215	201 813	14 565

Note: all the data takes into account 100% of each one of the companies.

'02 GRCA

6.7

EDP Group in Brazil (2002 data)

	Operating indicators					Financial indicators (in EUR thousand)		
	Energy Sales (GWh)	No. of customers	No. of staff	Installed capacity (MW)	Generation (GWh)	Assets	Oper. Inc.	Net inc.
Electricity Distribution	21 811	2 848 120	3 626	-	-	1 702 446	76 741	- 176 081
Bandeirante	11 833	1 297 170	1 345	-	-	645 062	31 098	- 4 617
Escelsa	6 952	954 381	1 353	-	-	740 600	34 589	- 146 720
Enersul	3 026	596 569	928	-	-	316 785	11 054	- 24 744
Electricity Generation	-	-	-	1 505	2 790	135 044	2 548	- 15 377
Lajeado (Investco)	-	-	-	903	2 589	28 263	1 188	- 4 057
⁽¹⁾ Peixe Angical	-	-	-	452	-	48 072	-	-
⁽¹⁾ Couto Magalhães	-	-	-	150	-	258	-	-
Fafen (Cogeração)	-	-	-	-	201	58 451	1 360	11 320
Total Brazil	21 811	2 848 120	3 626	1 505	2 790	1 837 490	79 289	- 191 458

Note: All the data takes into account 100% of each one of the companies.
(1) Under construction.



▪ **PUBLICATION**

EDP Electricidade de Portugal, S.A.
Gabineta de Comunicação e Imagem
Praça Marquês de Pombal, 12
1250-162 Lisboa

▪ **LAY-OUT/PRINTING**

Shift design, Lda.
Av. José Gomes Ferreira, 15 3º
Edifício Atlas IV
Miraflores 1495-139 Alges

▪ **PRINT RUN**

1500 COPIES

▪ **ISSN**

0872-7732

▪ **LEGAL DEPOSIT NO.**

890607/95
June 2003

TECHNICAL DETAILS

BECAUSE
WE HAVE
AN EXCITING
FUTURE
AHEAD OF US

'02 | GRCA