Strategic Plan for 2005-2007

Focus on Profitable Growth:

Clear progress towards a consolidated Iberian player

December 15, 2004

Forward-looking statements

This presentation contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of the EDP and certain of the plans and objectives of the EDP with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The actual results and developments may differ materially from those expressed or implied in the forward-looking statements due to any number of different factors. These factors include, but are not limited to, changes in costs, changes in economic conditions and changes in regulatory and government policy. Additional information, including information on factors which may affect EDP's business, is contained in EDP's 2003 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

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Agenda

- 2004 highlights: Clear progress of strategic plan
- Strategy: Steady course in a challenging environment
- 2005-2007 Business Plan: Continued focus on profitability

2004 highlights: clear progress versus strategic plan

1 Portfolio consolidation

- Acquired full control of HC
- Guaranteed PPAs value-neutrality
- Progressed on Brazilian portfolio restructuring
- Divested from non-core IT business

2 Operational efficiency

- Aggressive headcount reduction
- Tight control of supplies and services
- Higher quality of service in Portuguese distribution

3 Client oriented organization

- Enhanced value proposition
- Improved brand image
- Segmented commercial approach

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1. Early execution of Iberian strategy: full control of HidroCantábrico

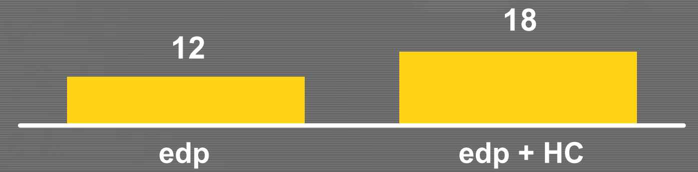
Market share

Strategic rationale

- Improve skills and develop a coordinated strategy to operate the Iberian market (wholesale; retail)
- Improve generation mix as a result of portfolio complementarities
- Enhance balance between generation and distribution/retail portfolio
- Gas platform in Spain with potential for growth
- Improve the generation portfolio competitiveness by leveraging on new gas sourcing contracts (through Naturcorp assets)
- Capture investment and operating synergies

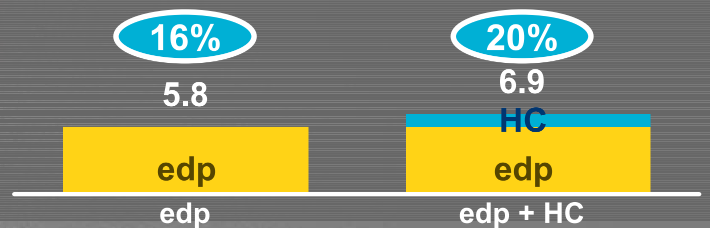
Iberian market share generation

Percentage



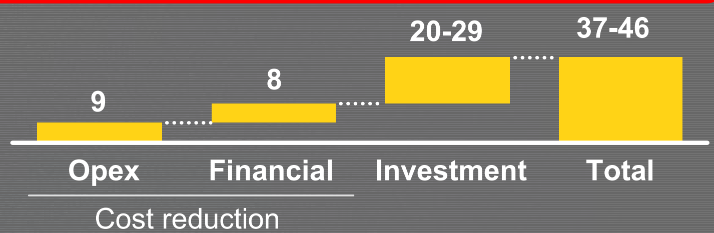
Number of energy clients in Iberia

Million



Annual synergies 2005-2007

Million €



1. PPAs termination: guaranteed value neutrality and cash in-flow

Value neutrality

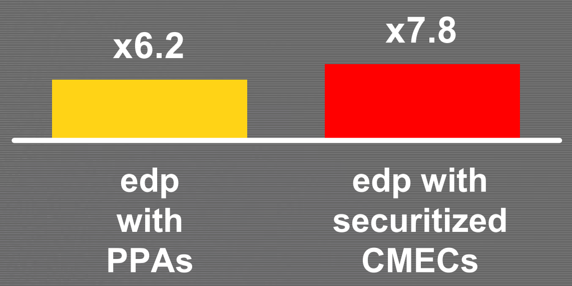
- PPAs termination driven by MIBEL implementation
- CMECs[1] will be revised annually during the first 10 years taking into account real market variables (pool, fuel costs, CO_2 emissions, generation output)...
- ... and fixed from then on, accounting for future expected markets conditions

Net present value gross profit
Billion €

Financial ratios improvement

- edp will securitize 90-95% of the initial CMECs[1]
- Dec.-law creates conditions to guarantee the SPV[2] debt (triple A rating expected)
- Outstanding edp debt to be replaced by non-recourse debt issued by SPV[2]

(FFO-Net interest) / Net interest

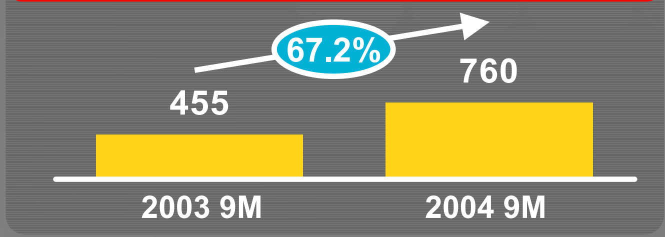


Notes
1. NPV of compensation as of YE 2004. Securitization following PPA contract breakup, pending start of MIBEL
2. Special purpose vehicle– issues bond with CMEC as collateral

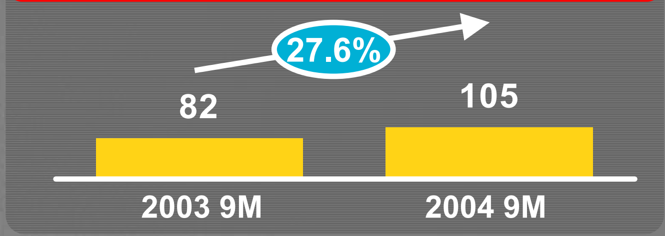
1. Brazil restructuring: ring-fence operations and achieve self-sustainability

- Balance portfolio through partnerships
  - Furnas becomes edp's partner in Peixe Angical
  - Financing of R$ 670 million from Banco Nacional de Desenvolvimento (BNDES)
- Consolidate group structure (in progress)
  - Consolidate Brazilian assets in holding company (edp Brasil)
  - Roll up of the minority interests to holding (edp Brasil)
- Capture operating improvements
  - Efficiency Program yielded R$ 15 millions in 2004 mainly on renegotiation of material's supply contracts and on commercial services
- Divesture of non-core assets (e.g. Fafen)

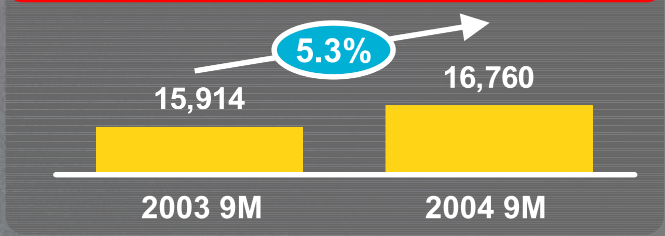
EBITDA
R$ Million



Net Profit
R$ Million



Distributed energy
(GWh)



1. Divestment of non-core assets: finalizing sale of 60% of Edinfor to strategic partner

Strengthen Edinfor's business plan by leveraging on strategic partner (Logica CMG) global business

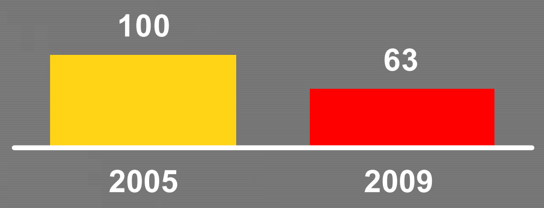
- Gain competitive advantage on non-commoditised IT services through Logica CMG's expertise on application management
- Create IT centers of excellence in Edinfor, namely SAP ISU and finishing center for continental Europe
- Create an Iberian IT services platform through Edinfor

Reinforce arms length relationship with IT outsourcer

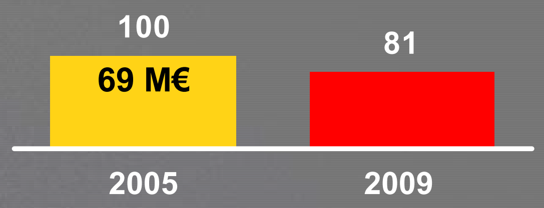
- Contract IT services based on pricing benchmarks
- Ensure quality delivery by contracting service level agreements
- Restructure IT corporate function to focus on relationship management with IT provider

IT oursourcing costs[1]

Unit Cost (indexed)



Total Cost[2] (indexed)



Note
1. Outsourcing contracts covering i) WAN, ii) Helpdesk, LAN and Desktop, iii) CPD, iv) Printing and finishing, v) Application maintenance
2. Total costs adjusting for volume IT services' increase and excludes investment expenses

2004 highlights: clear progress versus strategic plan

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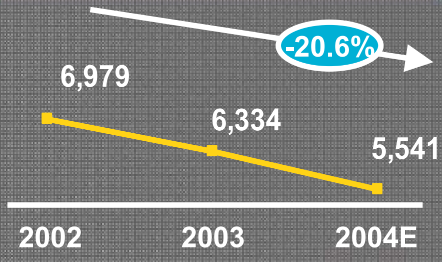
2. Personnel cost reduction: fast delivery on ambitious goals

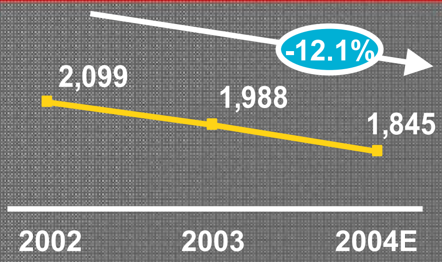
% Chg.

Headcount

Distribution (Portugal)

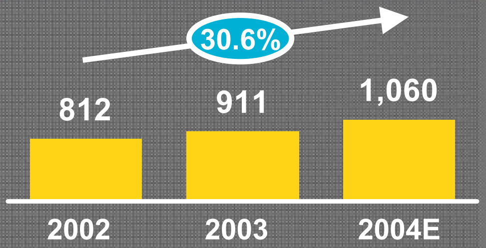


Generation (Portugal)

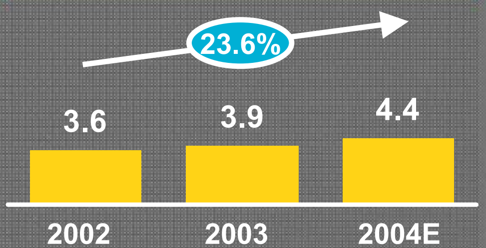


Productivity

Distribution (Portugal)
Clients/employees

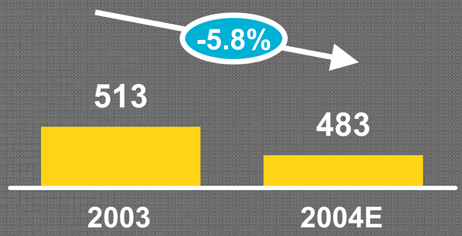


Generation (Portugal)
MW/employee



Personnel Costs

Core business – Portugal
€ Million



- ~90% of 2003-2007 goal (1,800 employees for edpP and edpD) already achieved in 2004
- Further reduction of 264

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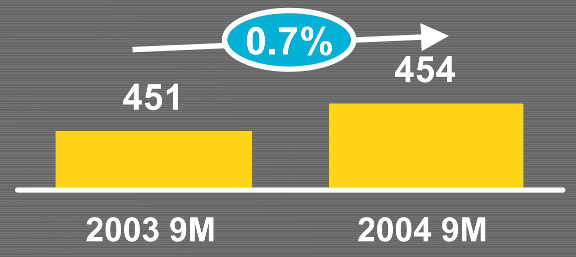
2. Reduction of supplies and services: Group wide effort already yielding results

Key initiatives

- Reduce Group wide general expenses (e.g. office supplies, travel, fleet management, advertisement and institutional communication) through renegotiations by shared services platform
- Additional benefits from 2003's Efficiency Program at edp Distribuição
- Most re-branding related costs included in 2004
- Cost cutting initiative (Efficiency Program) launched at edp Brasil
- Capped IT and advertising expenditures at ONI

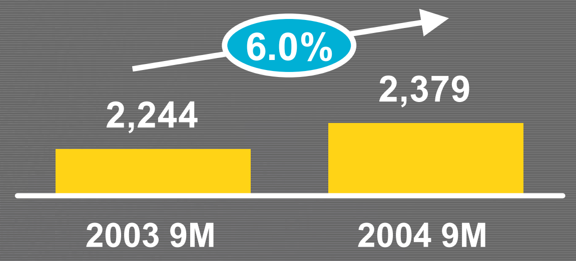
Supplies and services

Million €



Gross profit

Million €



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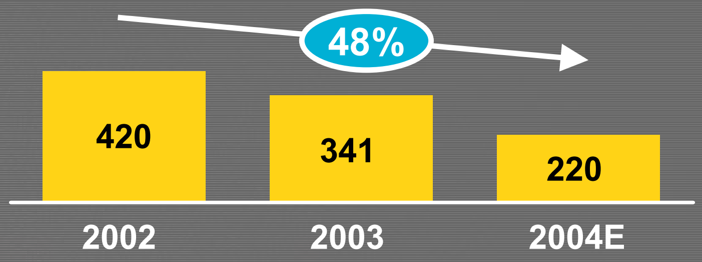
2. Quality of service: deliver on technical targets and improved on commercial service

Technical

Effort focused on improving quality of distribution grid

Equivalent interruption time (EIT)
Minutes



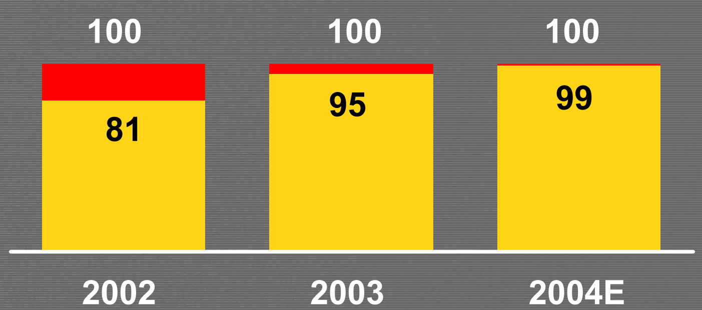
% change

Estimation of 2004YE EIT 48% lower than 2002 and 70m below 2004 estimated target

Commercial

Optimization of customer-related internal processes

Degree of fulfillment of regulatory requirements. Percentage



Steady improvement on commercial service quality

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3. Integrated commercial strategy in Iberia to sustain combined market share

A competitive client-oriented Iberian energy supplier

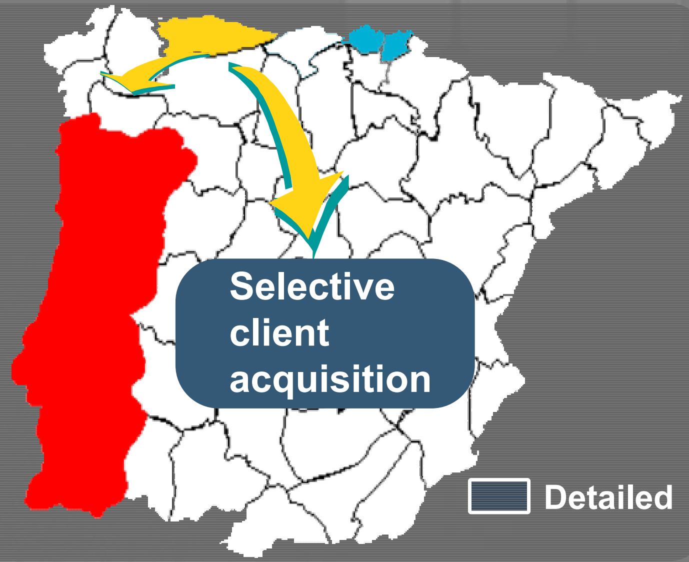
Commercial strategy

Portugal

- Prepared to face full market liberalization by focusing on client retention through innovative products and improved customer service

Spain

- Client acquisition in Spanish market driven by future competitive dynamics, leveraging on HidroCantábrico's commercial platform



Sustain Iberian market share

2004	2007
20%	20%

3. Innovative products for the retail market and new brand image

Enhanced value proposition to mass market customers

- **Family protection insurance:** first 2 months free and additional capital indexed to edp invoice
- **Efficient heat solution:** edp offers a 10% discount in heat accumulators and up to 45% reduction in night tariff
- **Repair service:** edp clients benefit from discount in household repairs and a 24x7 helpline
- **LV loyalty campaign in preparation:** migration to the liberalized market

New branding and communication

Retail-oriented commercial locations

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3. edp restructured Portuguese commercial organization to increase client orientation

Wires | Regulated supply → B2B | B2C

Key commercial operations and support system

Customers gradually moving to the "free-market"

Responsible for

- Value proposition
- Marketing mix
- Serve lead targets

edp commercial operations platform

- Customer channels (branches, call center, agents, etc)
- Billing collections
- Claims handling
- Commercial IT systems

- **Two new business units reflect commercial strategy / client focus**
- **One commercial platform to maximize efficiency**

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Financial Fast-facts: healthy performance during 2004

	2003 (9 M)	2004 (9 M)	Change
EBITDA (M€)	1,320	1,460	+11%
Net profit (M€)	258	351	+36%
Net Debt (M€)	7,496	7,215	-4%
Capex (M€)	529	707	+34%
ROIC[1] (%)	5.5	6.1	+0.6p.p.

- Cost control key to attractive EBITDA growth
- Increase in capex driven by Peixe Angical and renewables in Iberia

Note
1. 2003YE ROIC; 2004 Annualized ROIC; HC@40%

2004 highlights: clear progress against plan

- Iberian strategy execution
- Value-neutral PPAs termination
- Brazilian portfolio restructuring
- Non core assets divestiture

- Headcount reduction in core business
- Supplies and services control
- Quality of service improvement in Portuguese distribution

- Value proposition enhancement
- Brand image improvement
- Segment focused commercial areas

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Agenda

- 2004 highlights: Clear progress of strategic plan
- **Strategy: Steady course in a challenging environment**
- 2005-2007 Business Plan: Continued focus on profitability

A challenging environment

Major challenges	Description	Perspectives for the future
1. Generation: short-term decrease in Spanish market margins	• Hike in fuel costs not reflected in the pool price • Uncertainty over tariff cap and CTCs methodology in Spain • Spanish CO_2 NAP allowances for HC resulted in less than 3MTons deficit 05-07	• Sustainable high growth of Iberian consumption • Recognition of system deficit - “White paper” discussion should clarify current regulatory issues • Market profitability expected to improve in the mid-term

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1. Generation: committed to high sustainable growth maintaining market share

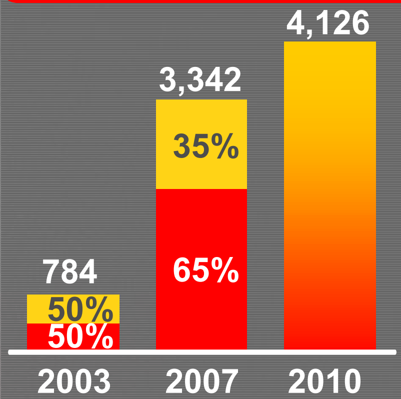
Spain
Portugal

Market context

edp + HC installed capacity (MW)

CCGTs

- High consumption growth in Iberia mitigates risk of excess capacity
- Spanish CO_2 NAP favours CCGT's
- "White paper" should provide for more transparent tariff framework and improved mid-term profitability of new investments

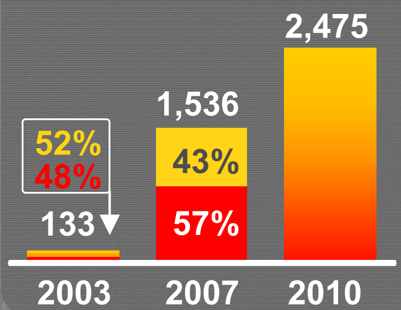


Purposeful investments in CCGTs to maintain market share...

...closely monitor strategy to adjust to regulatory developments and ensure adequate return

Wind Farms

- Portuguese and Spanish governments committed to increasing renewable capacity
- Regulatory stability in Spain (10 year tariff for new wind projects)
- Expected convergence with Spain of Portuguese regulatory framework



Significant investment in wind generation rebalancing portfolio and increasing weight of regulated/stable revenues

Note: CCGT capacity in 2007 and 2010 includes 990 MW of Turbogás power plant

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2. Distribution: insufficient 2005 tariff increase in Portugal	• First time recognition by ERSE of edpD’s efficiency • Regulator decreased ROA from 9,0% (in 2004) to 8,5% (in 2005) • Despite efficiency achieved by edpD, ERSE did not allow cost convergence in 2005 review	• Decision, influenced by high fuel costs, only applies for 2005 • Extraordinary revision may occur in mid-2005 due to MIBEL implementation • Forthcoming revisions acknowledging edp’s efficiency gains are expected • Insufficient Spanish distribution returns provide solid argument to tariff increases in Portugal

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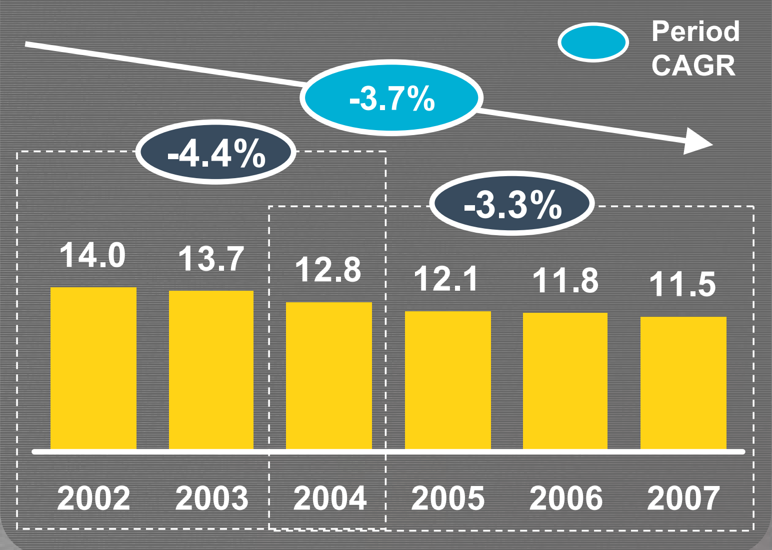
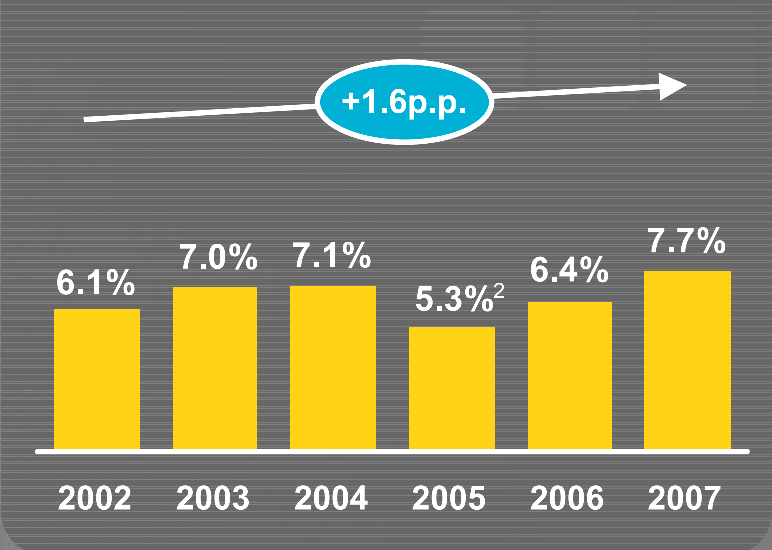
2. Distribution: edp will continue to focus on efficiency

Controllable[1] costs
Euro/MWh



ROA
Percentage



- **Strong cost reduction (-4.4 p.p.) allowing historic ROA improvement in spite of 7% efficiency factor imposed by regulator**
- **Future cost reduction drives ROA increase assuming gradual convergence between edpD's and ERSE's cost bases**

Note
1. Personnel, materials, external supplies and services and other regulated operating costs/revenues
2. Already taking into account efficiency measures to be implemented by edpD in 2005

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3. Gas: GDP acquisition blocked by EU	• The EU required remedies that could strongly dent the value of generation business in Portugal	• The strategic rationale of the operation still holds • MIBEL should be implemented in the short-term • Build up edp's presence in gas on Naturcorp platform

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3. Gas: edp assets ensure competitive platform in Iberia from which to start

Gas-electricity convergence will still reinforce edp's competitive position

edp has competitive contracts with Transgás	• Transgás major supplier is Algeria, which is the lowest price supply source in Iberia – Current edp CCGT in Portugal (TER) can be competitive in MIBEL
edp will leverage on Naturcorp's supply	• Naturcorp is the second largest gas player in Spain with a 10% market share – Will now be the platform to develop/strengthen a competitive position in gas (CCGT and retail)
edp will re-evaluate business in Portugal. Call-option of Portgás	• edp has option to acquire Portgás (~28% market share in distribution and retail supply) • Business configuration needs to be revised

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4. Brazil: regulator under-estimated edp’s provisional asset base	• Brazilian regulator did not recognize 35% of Bandeirante’s asset base • Distribution companies’ regulatory asset base still under discussion with ANEEL	• Attractive market with gross margin growth of 13% p.a. until 2007 • Brazil Govmt. still committed to attracting foreign investment • Unbundling Escelsa’s generation and distribution improves gross profit ~R$ 80 M 05-07 following energy auctions • Forecasted tariff growth expected to reflect adequate return to distribution companies

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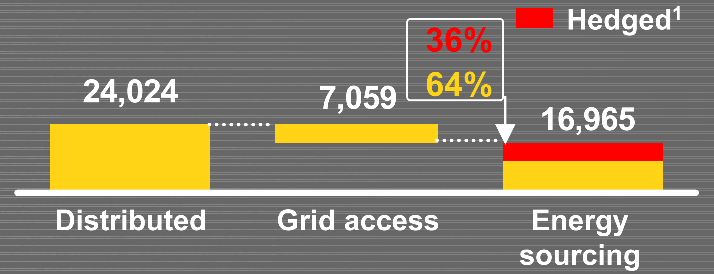
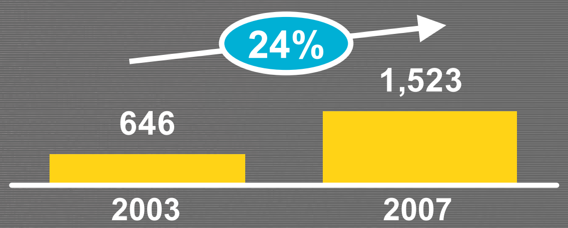
4. Brazil: edp will reinforce the Brazilian operations ring-fencing

- Despite uncertain regulatory scenario, market should remain very attractive due to very high growth rates
- edp to continue ring-fencing Brazilian operations, while reaping fruits of past years' operating improvements
- Ensure access to local funding – prepare edp Brasil's IPO

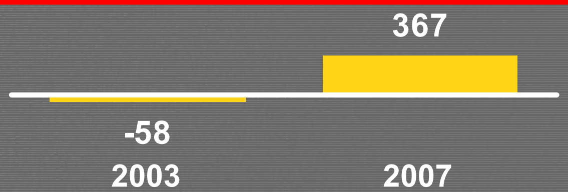
Energy
(GWh – 2007)



EBITDA
R$ Million



Net Profit
R$ Million



Note 1. Hedged by own generation

CAGR

edp will reduce business risk by establishing long-term stable sourcing generation contracts

Brazilian operations will considerably increase their profitability in the next three years

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A challenging environment in 2004

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5. Telecom: Residential and SMEs customers still hard to serve	• Access to last mile still difficult • Continued barriers to competitiveness (e.g., number portability)	• Increasing pressure on regulator to truly liberalize the telecom market

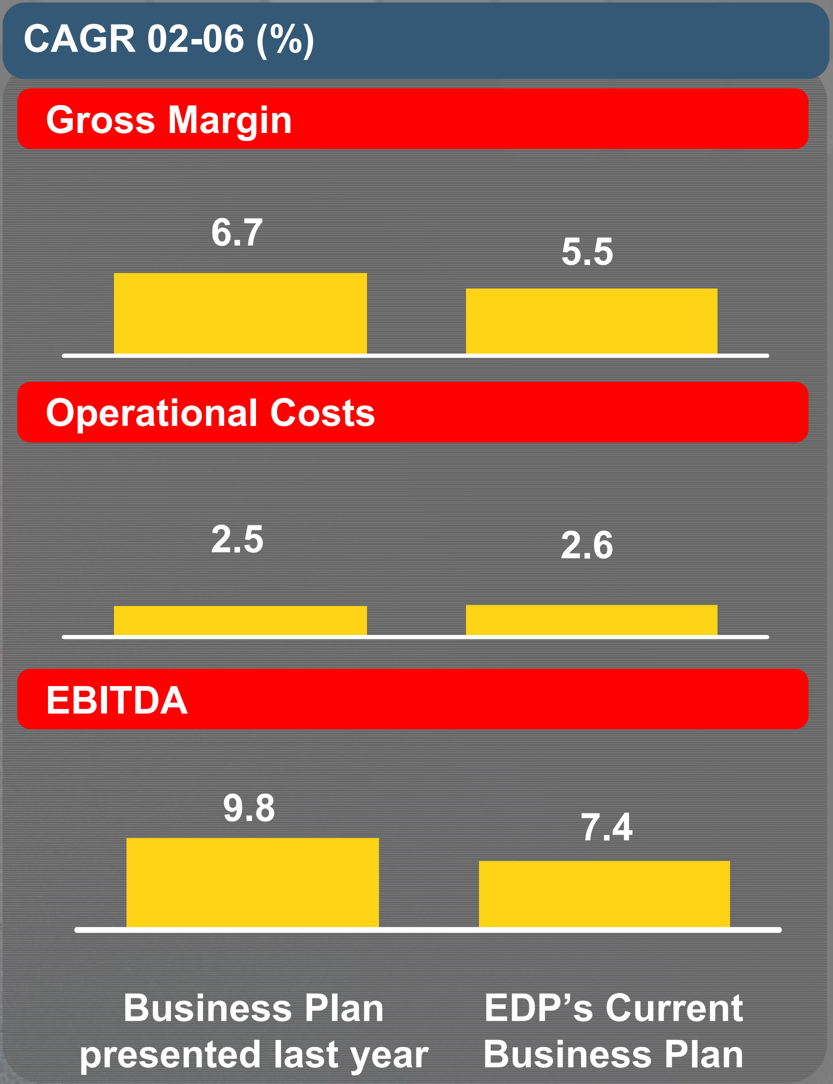
5. Telecoms: edp pursues profitability

Strategic move	Description
Divest ONI Spanish operations	■ No significant synergies with domestic operation; opportunity for "natural owner" to create value ■ Preparing sale for when opportunity arises
Leverage on ONI shareholders	
Explore cross-selling opportunities	■ Sell of ONI DUO products through Millennium bcp distribution channels – voice and internet to retail customers (small businesses, individuals) and customized solutions to mid-size companies
Develop PLC technology	■ PLC commercial pilot in various cities in Portugal ■ Leverage on edp's client portfolio and distribution network
Sustain pressure on regulator	■ Easier access to residential and SME customers following the liberalization

Challenging environment affecting gross margin but costs fully on target

- Gross margin affected by distribution activity regulatory environment in 2005 (edpD), by less favourable market variables (HidroCantábrico) and by regulatory constraints on growth (ONI)

- Delivery on commitment for a strong cost control, in line with previous Business Plan



Notes: CAGR – compound annual growth rate

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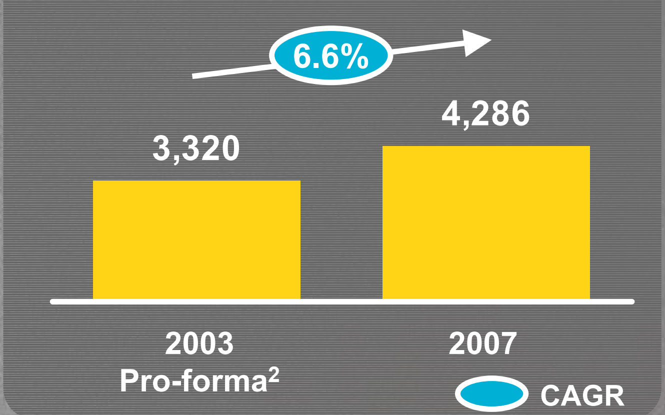
Strong gross profit growth expected

Gross profit[1]
€ Million



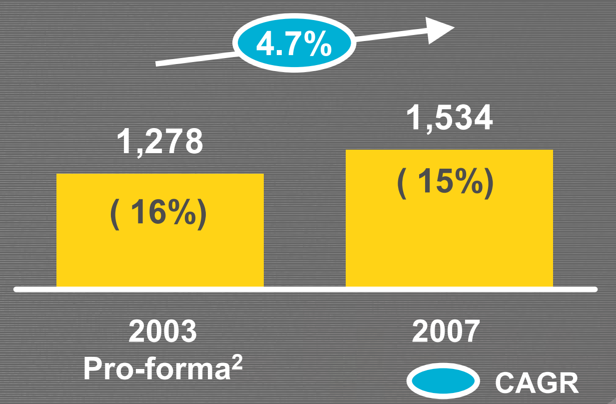
Business unit	2003[2]	2007	2003-2007 [3] CAGR
Generation	966	1,149	+4.4%
Distribution	1,209	1,326	+2.3%
Hidrocantábrico	531	781	+10.1%
Brazil	351	583	+13.5%
Renewables	11	169	+96.5%
Oni	154	269	+14.9%

- edp Produção growth driven by 3 CCGT units
- edp Distribuição penalized by 2005 tariff revision
- HC growth driven by new CCGT, wind generation capacity and recovery of wholesale margins
- Brazil motored by increasing demand, distribution tariffs and startup of Peixe Angical
- Increase in wind generation capacity in Portugal
- Oni's growth limited by regulation and incumbent competition in the market

Notes
1. Operating revenues – direct costs (includes S&S in Oni, which are considered a direct cost)
2. HC @ 100%
3. Main Business Plan assumptions in annex

Controlled operating costs in a growth environment

Operating costs[1]
€ Million



Business unit	2003[2]	2007	2003-2007 CAGR
Generation	153	190	+5.5%
Distribution	686	764	+2.7%
Hidrocantábrico	173	241	+8.7%
Brazil	164	191	+3.9%
Renewables	4	16	+44.2%
Oni	145	173	+4.4%

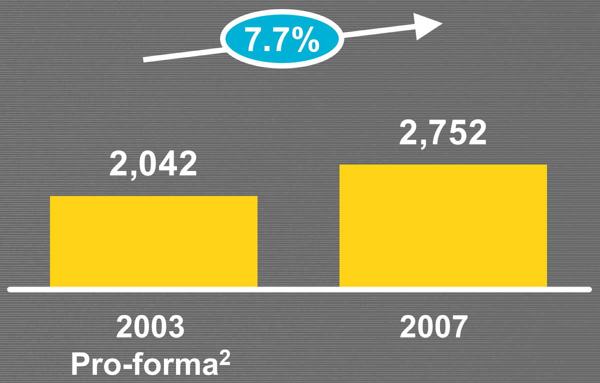
( ) Operating costs / Revenues

- **Absolute cost increases driven by business growth**
  - Generation: TER fully operational with 3 CCGT units by 2007
  - HC: increase in CCGT capacity and wind farms
  - Renewables: strong wind farm capacity growth in Portugal

Notes
1. Personnel + supplies and services + other operating costs – other operating revenues
2. HC @ 100%

EBITDA up on back of gross profit and cost control

EBITDA[1]
€ Million

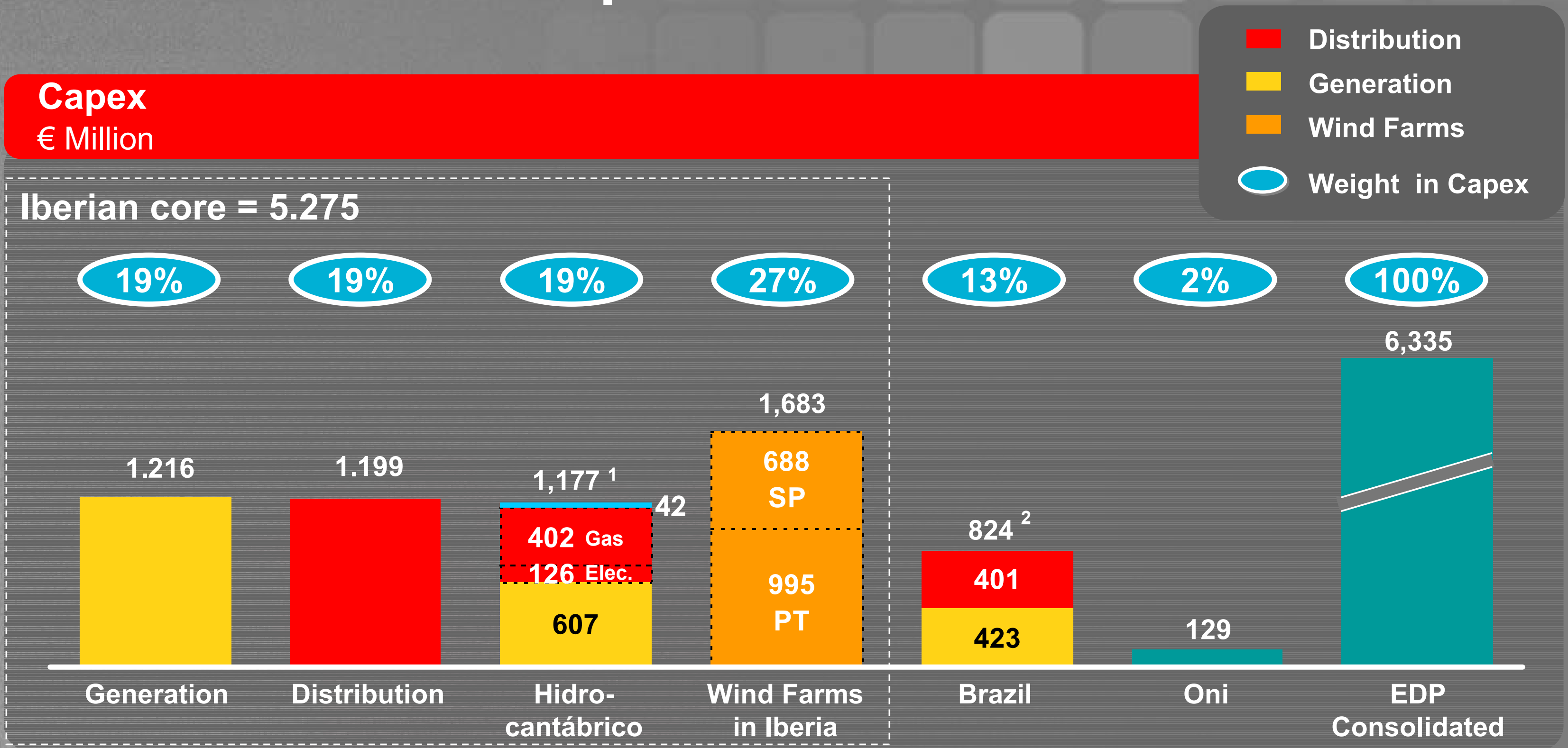


Business unit	2003[2]	2007	2003-2007 CAGR
Generation	813	959	+4.2%
Distribution	523	562	+1.8%
Hidrocantábrico	359	540	+10.8%
Brazil	187	392	+20.3%
Renewables	8	152	+112.1%
Oni	9	97	+81.4%

- Generation maintains a strong contribution for consolidated accumulated EBITDA
- Consolidated EBITDA growth driven by renewables in Iberia (~1/3) and by Brazil (~1/3) following startup of Peixe Angical

Notes
1. Gross profit – operating costs
2. HC @ 100%

83% of 2004-2007 Capex in core business

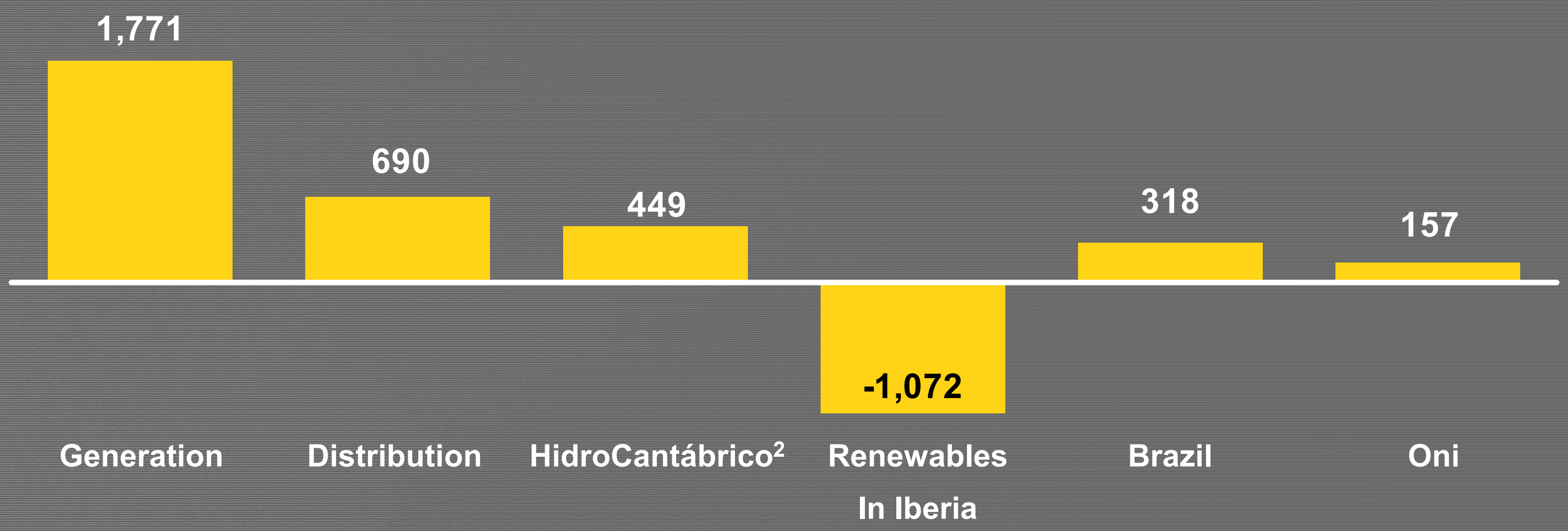


- Growth in CCGT and wind power capacity in Iberia driving most of investments
- Investments in Portuguese distribution grid to improve service quality
- Peixe Angical and mandatory distribution investments drive Brazil's accumulated capex

Notes
1. HC @ 100%. Does not include wind farm investment by Genesa
2. Out of 397 M€ in operating investment in Peixe Angical 95 M€ is the additional funding required to EDP. 25% of capex in distribution covers for regulatory Investments in "Universalização"

Business growth supporting strong investment between 2004-2007

Operating cash flow after capex [1]
€ Million

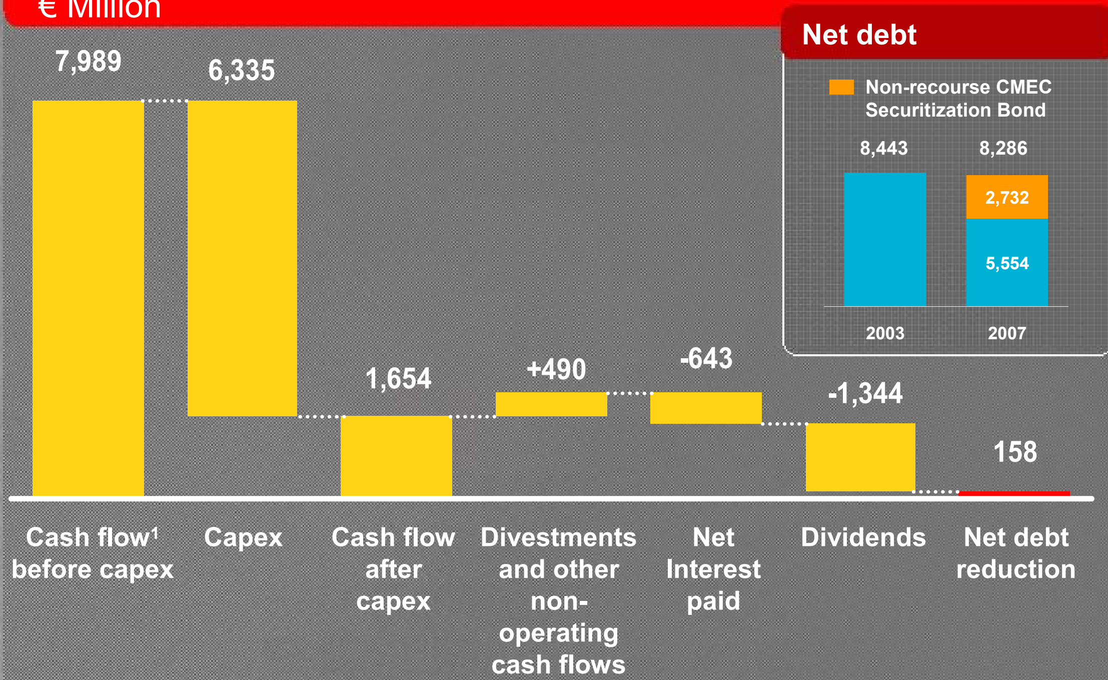


- Strong accumulated cash flow in Portuguese generation and distribution activities, despite high levels of investment
- Renewables' cash flow reflects strong investment growth plan
- Brazil and Oni with a positive contribution to the Group's cash flow

Notes
1. Operating cash flow after taxes, change in operating working capital, capex, before interests and dividends
2. HC @ 100% and excluding renewables

Strong improvement in credit ratios

Accumulated Free Cash Flow 04-07
€ Million



Credit ratios

	2003	2007	2007[2] Adj
Net debt/ total capital	55%	49%	39%
Net debt/ EBITDA	4.1	3.0	2.3
EBITDA/ net interest	5.0	9.4	8.2
FFO[3] + net interest / net interest	5.2	8.0	7.8
FFO[3]/Net debt	20%	25%	36%
Retained CF / Net Debt	22%	24%	34%

Notes:
All figures are for HC @ 100%
1. Operating cash flow after taxes, change in working capital, before capex, interests and dividends
2. 2007 Adjusted for non-cash EBITDA and non-recourse debt and cash flow resulting from the securitization of the CMECs
3. FFO (funds from operation) net profit + tariff adjustment + depreciation + provisions + interests on hydro account + compensation of subsidised assets depreciation + change in working capital

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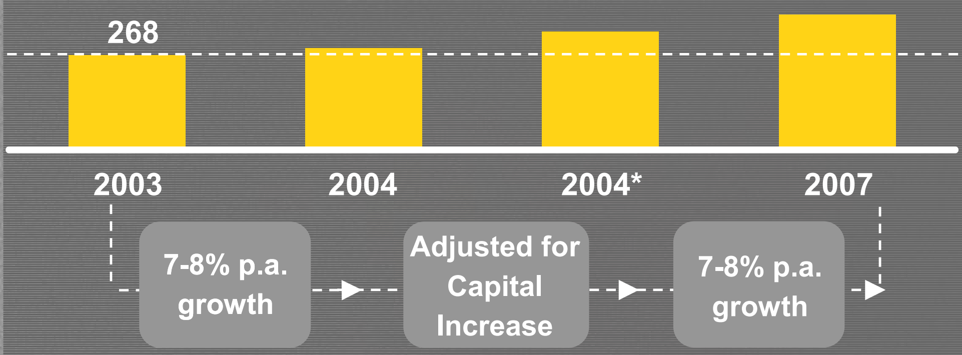
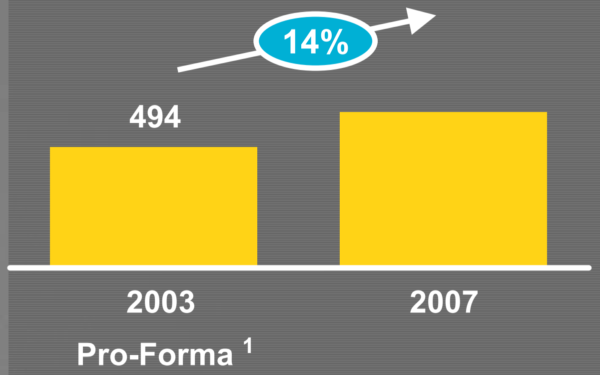
Sustained dividend growth policy and a coherent value creation strategy

CAGR

Distributed Dividends
Million €



Net Income
Million €



Adjust 2004 dividend for the increase in Market Cap following €1.2 billion capital increase:

- Total dividend distributed on 2003 Results to grow by 7-8%
- Adjust 2004 total dividend amount preserving Market Cap yield (based on cum-right's price of €2.36 plus capital increase of €1.2 billion)

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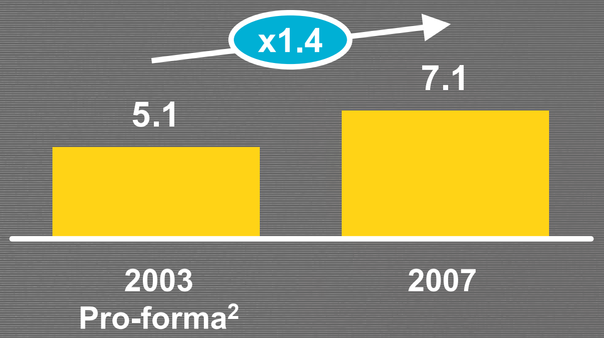
Notes

1. HC @ 100% + excluding goodwill amortization pursuant to IAS rules in force from 2005 onwards (€92 million). Reported YE2003 Net Profit €381 million.

ROIC improves on the back of Generation in Portugal and Brazilian activities

Return on invested capital[1]
(after taxes and goodwill)
Percent



Business unit	2003[3]	2007	Growth 2003-2007
Generation	8.7	11.7	x1.3
Distribution	5.4	6.4	x1.2
Hidrocantábrico	4.0	4.4	x1.1
Brazil	3.9	12.5	x3.2
Renewables	3.0	6.8	x2.3
Oni	-8.3	3.8	N.A.

Notes
1. EBIT Adjusted x (1-t) / Invested Capital
2. HC @ 100%
3. Includes Decrease in Provisions for Medical Care as an adjustment to the EBIT of EDP Distribuição

Strong position in profitable growth

Profitable strategy in the core business

- Most balanced energy player
- Improved risk profile

Unique starting position in a growing market

- Competitiveness of generation portfolio
- Generation capacity growth potential
- Hedging through position in renewables
- Focus on distribution efficiency and quality
- Integrated Iberian supply strategy

Value from previous investments

- Growth and restructuring of the Brazilian portfolio
- Improvement of Oni performance
- Divesture process in non-core assets underway

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Annex

EDP-HC Integration in progress

Main organizational changes decided		Synergies impact
Joint management	Planning Internal Auditing Financial and Administrative	Control and Know how
Integrate business units / areas at Iberian level	Trading Renewables Financial policy management Risk management	5 – 6 10 – 15 6 – 7 0 – 1
Strong Iberian coordination through Committees	Commercial, Regulation, Environmental, Key personnel management, Legal, Quality management, Internal/External communication, Generation, Purchases, ITs, Institutional relations	16 – 17
	Total	37 – 46

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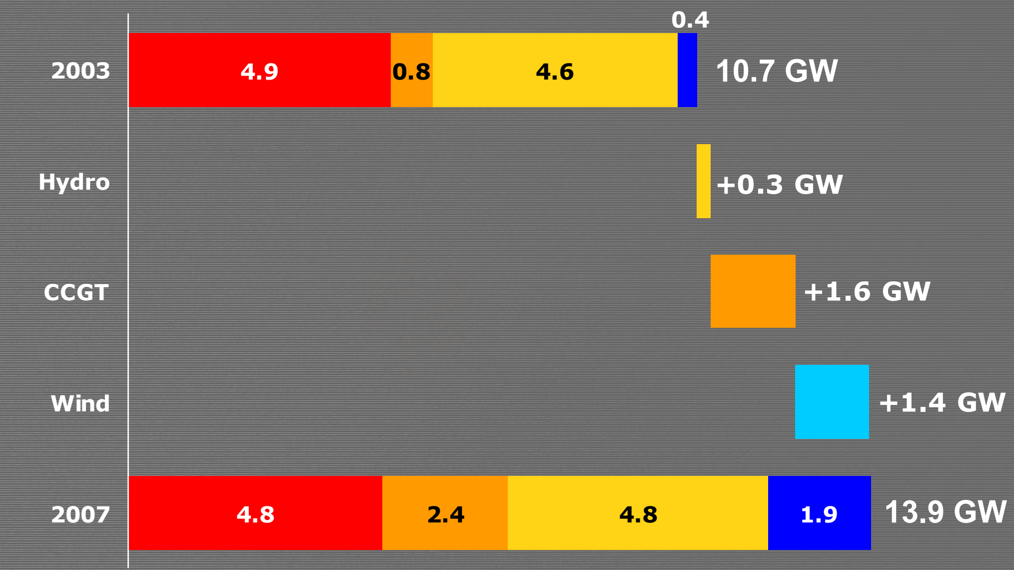
Capacity increase in Iberia focused on CCGTs and wind farms

Thermal
Hydro
CCGT
Special Regime

Installed capacity
GW



Hydro	MW	Capex 04-07	Start-Up
Venda Nova II (P)	188	€37 m	2005
Alqueva (P)	50% x 240	Rent	2005

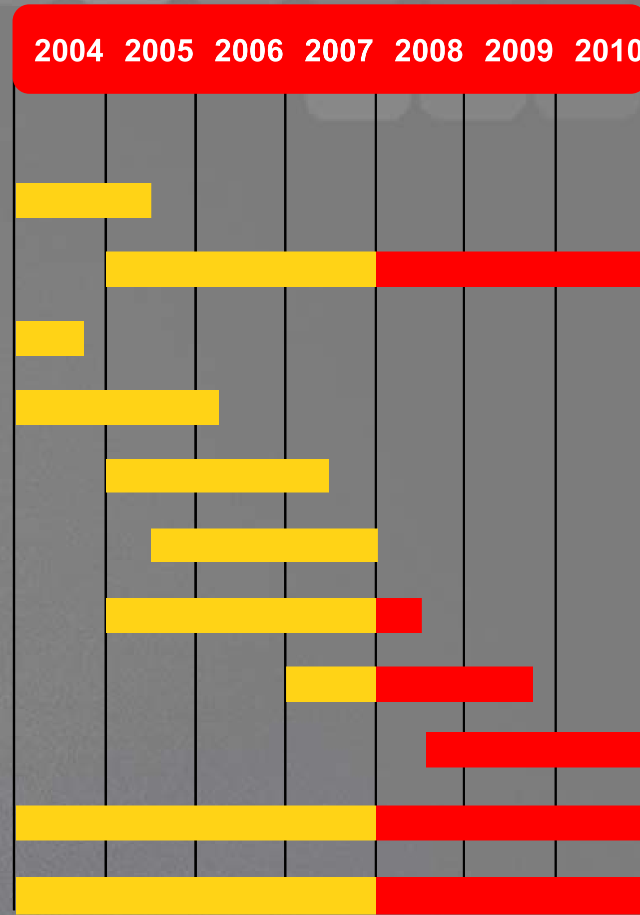
CCGT	MW	Capex 04-07	Start-Up
TER II & III (P)	785	€247 m	04-06
Castejón 2 (S)	393	€189 m	2007
Soto CC (S)	393	€199 m	2007

Wind	MW	Capex 04-07	Start-Up
Wind (P)	813	€995 m	04-07
Wind (S)	590	€688 m	04-07

- Maintain 18% market share in competitive generation in Iberia
- Reinforce investment in green energy, specially wind farms, with high yield of return
- Besides capacity increase, additional capex will be made to comply with EU environmental legislation (SO_2 and NO_x): €191 million in Portugal and €148 million in Spain

Capacity increase in Iberia focused on CCGTs and wind farms

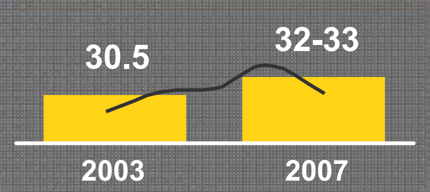
	Facility	△ MW 2004-2010	Total Capex (€m)	Capex 04-07 (€m)
Hydro	Alqueva (P)	50% x 240	-	-
	Venda Nova II (P)	188	139	37
	Baixo Sabor (P)	170	280-320	32
CCGT	TER II (P)	393	239	80
	TER III (P)	393	160-180	166
	Castejón 2 (S)	393	189	189
	Soto CC (S)	393	199	199
	CC G1 (P)	393	160-180	165
	CC G2 (P)	393	160-180	86
	CC G3 (P)	393	160-180	4
Wind	Wind Farms (P)	1,300-1,400	-	995
	Wind Farms (S)	900-1,000	-	688



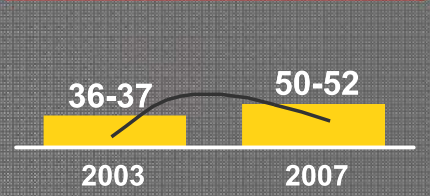
2005-2007 Business plan key assumptions (1/2)

Generation in Iberia

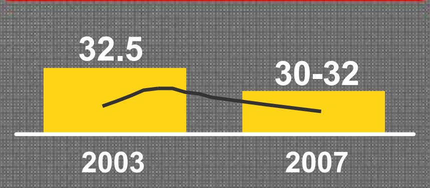
Pool
Euro/MWh



Coal
USD/Ton

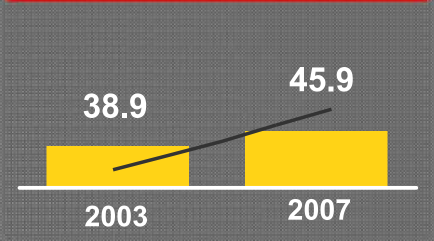


Brent
USD/BBL

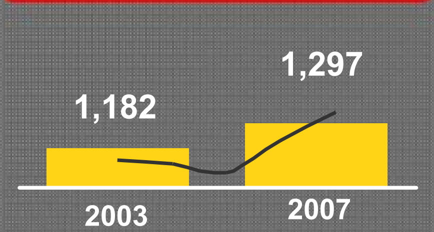


Distribution in Portugal

Electricity Distribution
TWh



Allowed Revenues
Million euros



Trend

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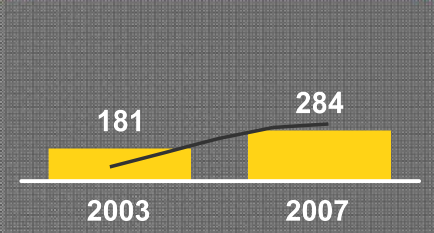
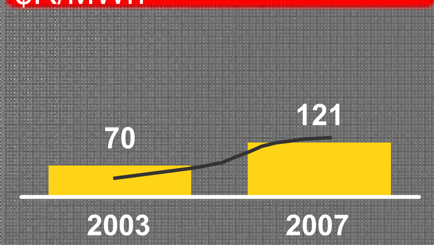
2005-2007 Business plan key assumptions (2/2)

Brazil

Tariffs in Distribution [1]
$R/MWh



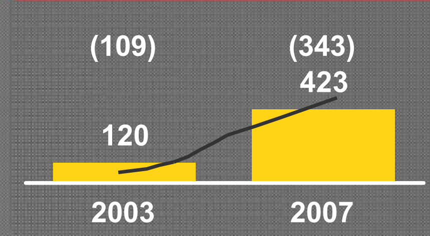
Tarrif in generation
$R/MWh



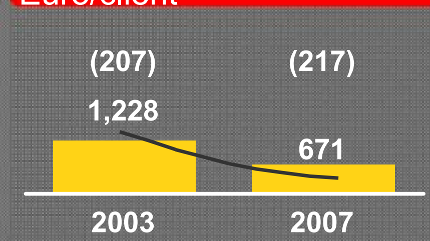
ONI (Portugal)

( ) Residential

Number of Clients
Thousands



ARPU – Annual
Euro/client



Notes: 1. Average

Trend