



Annual
Report
2005

Sustainability
Report

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Francisco de la Fuente Sánchez
Chairman of the Board

Shareholders,

In 2005 we continued our efforts to instill the principles of sustainable development in the EDP Group.

The climate change struggle was one of our main concerns following the Kyoto Protocol launching and after the beginning of the emission trading allowances at European level. EDP has some 36 percent of the emission allowances in Portugal and plays an important role in this new "carbon market". Let us, therefore, embrace this challenge by drawing up a strategy of energy efficiency by 2012, on our road to sustainable development.

On the supply side, we prepared for the liberalisation of the market by setting up our Energy Management Business Unit, which manages emission allowances online. We invested in World Bank carbon funds, commissioned the third group at the Ribatejo Power Station ahead of schedule and increased our commitment to renewable energies, which included the acquisition of Nuon España. On the demand side, we organised energy efficiency campaigns aimed at domestic customers, professionals in the construction sector and schools. The school campaign will continue in 2006.

We continued to ensure that our actions were transparent and credible in the eyes of the community and of our investors, as demonstrated by our successive annual reports, which once again earned public recognition. We maintained our participation in international initiatives such as the Global Reporting Initiative, the guidelines of which are followed in this report, the United Nations Global Compact and the World Business Council for Sustainable Development and in national initiatives such as the Business Council for Sustainable Development, BCSD Portugal.

This year, we also restructured our sustainability activities in order to incorporate our principles in the Group's strategy and organisation and strengthened internal monitoring of compliance with our Code of Ethics, which was approved in January 2005.

From a social point of view, we approved a sponsorship policy, with all the inherent benefits to the community in areas as diverse as science, education, sport, culture and social solidarity. The EDP Foundation is now mainly responsible for these sponsorships.

As a group open to competition, we continued our efforts to come into line with global best practices, especially those established by the Dow Jones Sustainability Index, for which we have been preparing.

From a personal point of view, it has been highly gratifying to devote a substantial part of my time to Sustainable Development.

Francisco de la Fuente Sánchez

Francisco de la Fuente Sánchez
Chairman of the Board

THIS REPORT

A commitment to transparency

EDP publishes this report every year. In it, we endeavour to abide by the rules of transparency and diligence in describing our annual performance in areas of greatest relevance to the sustainability of the company and for the community to which it belongs.

The whole report is based on the Global Reporting Initiative (GRI) guidelines and also describes the company's progress in complying with the 10 Global Compact Principles. Global Compact is an international initiative sponsored by the Secretary-General of the United Nations. EDP joined it in 2004.

The index on page 16 shows the extent of EDP's compliance with the GRI and Global Compact requirements.

In our efforts to abide by the 11 GRI principles, we extended external checking of key sustainability indicators. It was possible to check indicators for Portugal and Spain and five more indicators than were considered in 2004.

As in 2004, our report was partially checked by an outside entity. We decided to keep the same EDP Group financial auditor, KPMG, in 2005.

Consolidation criteria

The full consolidation method was adopted for all available information, i.e. 100 percent of the performance by the companies wholly owned by the EDP Group is considered and 100 percent of the performance of the companies over which EDP has management control. This universe corresponds to 95% of the Group's turnover.

For the financial component, we have only presented data for 2004 and 2005, due to the change in the format for showing results, now in accordance with the IAS/IFRS.

There is a simplified organisation chart of the Group on page 8 showing the companies covered by this report.

An exception to this criterion is the gas sector in Portugal, where it has not yet been possible to report performance in terms of sustainability.

Organisation of the Report

The EDP Group's Sustainability Report is an integral part of the EDP 2005 Annual Report, which has two other sections, the Institutional and Corporate Governance Report and the Financial Report. Since it is essential to ensure that they can be read independently, some information has had to be repeated. Whenever appropriate, specific references have been made to the other sections.

The sustainability report is organised in the same way as in 2004. The chapter on Performance is divided into the EDP Group's eight Principles of Sustainable Development and enables stakeholders to assess the company's performance for each of the principles adopted in 2004.

1 creation of value

- Create shareholders value.
- Increase productivity and efficiency and reduce exposure to risks related to the economical, environmental and social impact of its activities.
- Commit to customer orientation ensuring high quality of service.
- Integrate environmental and social aspects in planning and decision making processes.

3 environmental protection

- Minimise the environmental impact of all its activities.
- Participate in initiatives that contribute to the preservation of the environment.
- Extend the use of environmental criteria to the entire value chain.

2 efficient use of resources

- Promote and development cleaner and more efficient energy technologies.
- Develop means of generation based on renewable energies.
- Promote the rational use of energy.

5 dialogue with stakeholders

- Ensure an open, transparent and trustful relationship with the different stakeholder groups.
- Establish stakeholder communication channels and integrate their concerns.
- Report performance in a credible, objective way in its economical, environmental and social dimensions.

4 integrity

- Ensure the observance of ethical standards in the conduction of business.
- Respect human rights in its sphere of influence.
- Elaborate specific codes of conduct.

6 human capital management

- Reinforce management systems to ensure health, safety and well-being of workers.
- Promote the development of individual skills and reward excellence and merit.
- Reject abusive and discriminatory practices.

7 promotion of access to electric energy

- Promote reliable, generalised access to electric energy.
- Adopt a transparent, socially fair price policy.
- Develop means of electricity generation with appropriate quality at minimum cost.

8 support to social development

- Support social and cultural promotion initiatives, based on transparent assessment of importance to the community.
- Promote technology transfer to developing countries.

EDP Group's Principles of Sustainable Development

**National Ballet
Company**

As the sole patron of the National Ballet Company, the EDP Foundation is able to achieve one of its major objectives; promoting the arts and culture.



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1. THE EDP GROUP

1.1. Our organisation

The EDP Group is a group of companies focusing on its core business, i.e. the generation, distribution and sale of energy in the Iberian and Brazilian markets. It also operates in the market segment with the highest return in telecommunications in Portugal.

In Portugal, the Group's electricity generation, distribution and sales companies play an essential role in today's organisation of the National Electricity System (SEN), which was set up in 1995. We expect a new legal framework introducing a free, competitive market as of 2006.

In the telecommunications sector, the company owns

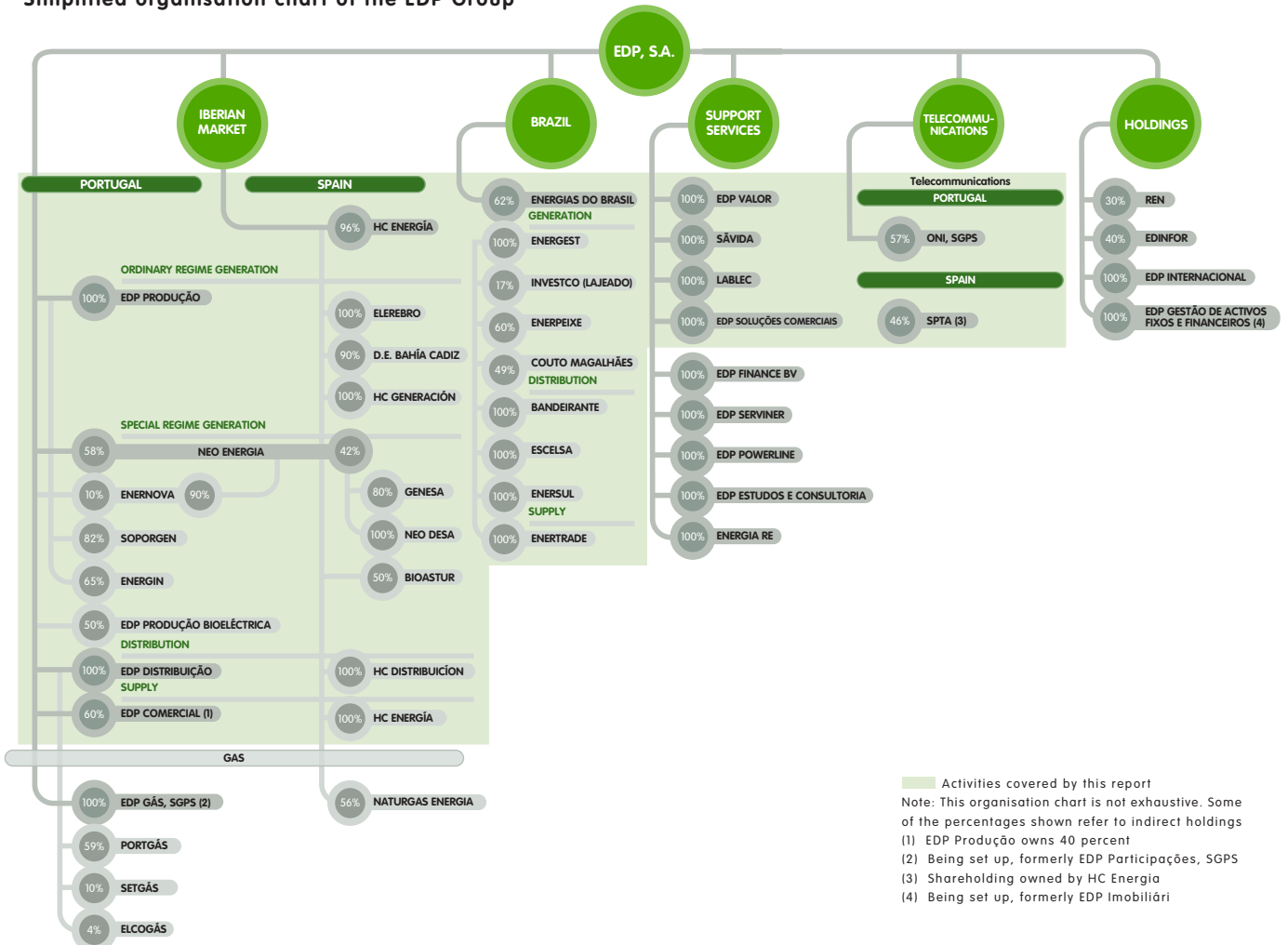
56.61 percent of the share capital of ONI SGPS, a company that operates in landline telecommunications providing voice and data services.

There is additional information on the EDP Group's positioning in Portugal in the Institutional and Corporate Governance Report on page 39 of the 2005 Annual Report.

In Spain, EDP has exclusive control (95.7 percent of the capital) over the fourth largest Spanish electricity company, HC Energía, which operates in the electricity sector - generation, distribution and sale, and in the gas and telecommunications sectors.

In Brazil, the company operates in the generation, distribution and sale of electricity and owns 62.4 percent of Energias do Brasil.

Simplified organisation chart of the EDP Group



Activities covered by this report
 Note: This organisation chart is not exhaustive. Some of the percentages shown refer to indirect holdings
 (1) EDP Produção owns 40 percent
 (2) Being set up, formerly EDP Participações, SGPS
 (3) Shareholding owned by HC Energia
 (4) Being set up, formerly EDP Imobiliári

1.2. Corporate governance

The EDP Group's current form of governance is one of the two possible models set forth in the Company Code and consists of a Board of Directors and a Single Auditor.

EDP's articles of association provides for six corporate bodies: the General Meeting of Shareholders, the Board of Directors, the Auditor, the Company Secretary, the Remuneration Committee and the Environment Board.

The Board of Directors is responsible for managing the company and representing it in its relations with third parties. It currently consists of 15 members, as decided by the General Meeting of Shareholders on 31 January 2005.

The company's day-to-day management has been delegated to a five-member Executive Committee, which defines the Group's structure and apportions functions among the different Business Units.

The Board of Directors has set up a subordinate Environment Board consisting of five members elected at the General Meeting of Shareholders. It is responsible for giving opinions and making recommendations on the environmental impact of company projects.

The company's supervision is performed by a firm of official auditors, KPMG & Associados, SROC, SA, by decision of the General Meeting of Shareholders on 31 January 2005.

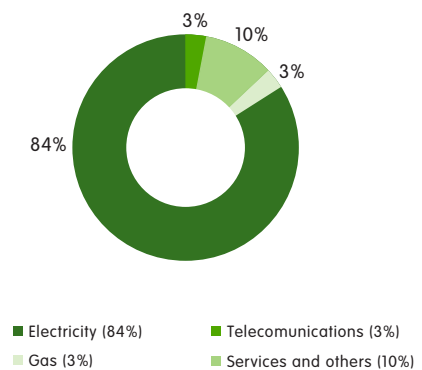
An Auditing Committee consisting of three non-executive directors has been set up to make supervision more effective.

There is more detailed information about EDP's functional structure on page 130 of the Institutional and Corporate Governance Report.

1.3. Positioning in 2005

The year 2005 was one of consolidation, after some employees left in 2003 and 2004, and of greater productivity, thanks to more proactive human resource management. At year end, the Group had 14,141 employees, a number corresponding to an increase of some 11 percent in labour productivity.

Distribution of EDP Group employees



In 2005, the EDP Group's installed capacity in the Iberian market increased by 768 MW to 12,111 MW. There was also a substantial rise in demand for electricity: 6 percent in Portugal and 2.5 percent in Spain. These increases in capacity in the Iberian market are the result of the commissioning of Group 3 at the Ribatejo Thermoelectric Power Station (392 MW) and the two reversible groups at the Frades Hydroelectric Power Station (192 MW), the enlargement of wind farms (15 MW, from the takeover of Nuon España, which has a 224 MW portfolio of wind projects, and the installation of four new wind farms in Spain (140 MW).

Electricity demand was boosted by an increase in the number of customers: 1.4 percent in Portugal and 1.8 percent in Spain.

Activities in Brazil grew significantly. The company Energias do Brasil produced 4 percent more than in 2004, to a total of some 2,800 GWh.

Electricity distribution by Energias do Brasil rose by 3 percent, influenced by the 6.4 percent and 2.6 percent increases in the areas operated by Escelsa and Enersul. Consumption in these areas was boosted by a 4.1 percent increase in the number of customers, thanks to a universal connection programme for low voltage customers.

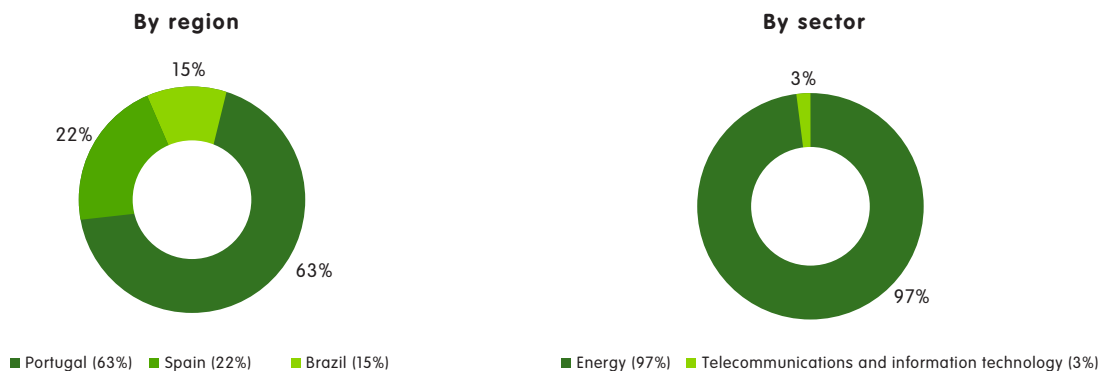
The EDP Group's main operating indicators

	2005	2004	2003	Var. 05/04
Electricity in Portugal				
Maximum power (MW)	8,921	8,402	7,939	6.2%
Electricity sales - Generation (GWh)	25,237	25,374	28,532	-0.5%
Electricity sales - Distribution (GWh)	43,784	41,315	38,955	6.0%
Electricity sales - Supply (GWh)	6,314	4,381	2,724	44.1%
Number of customers	5,907,365	5,823,342	5,768,287	1.4%
Gas in Portugal				
Gas sales - Distribution (GWh)	1,948	1,839	1,767	5.9%
Number of customers	149,196	139,328	126,165	7.1%
Electricity in Spain				
Maximum power (MW)	3,190	2,941	n.d.	8.5%
Electricity sales - Generation (GWh)	16,496	15,034	n.d.	9.7%
Electricity sales - Distribution (GWh)	9,247	9,023	8,659	2.5%
Electricity sales - Supply (GWh)	5,926	4,647	4,526	27.5%
Number of customers	584,922	574,560	n.d.	1.8%
Gas in Spain				
Gas sales - Distribution and Supply (GWh)	21,547	22,059	27,363	-2.3%
Number of customers	599,904	577,802	543,268	3.8%
Electricity in Brazil				
Maximum power (MW) ⁽¹⁾	531	531	756	0.0%
Electricity sales - Generation (GWh) ⁽¹⁾⁽²⁾	2,756	2,643	2,588	4.3%
Electricity sales - Distribution (GWh)	23,061	22,396	21,426	3.0%
Electricity sales - Supply (GWh)	6,379	4,849	2,737	31.6%
Number of customers	2,972,458	2,895,600	2,902,215	2.7%

(1) Considering the EDP group's 27.65% holding in Lajeado
 (2) In 2004, not including 236 GWh for Fafen, which was sold in December 2004
 n.d. - Not available

The EDP Group's turnover was EUR 9,677 billion, which is around 32.4 percent up on 2004, thanks to an improvement in its competitive position in the Iberian Peninsula with the acquisition of total control of HC Energía.

The EDP Group's turnover, 2005



2. A contribution to Sustainability

In 2004, EDP accepted a commitment to take its Principles of Sustainable Development into account when defining its policies and strategies. These principles were adopted in line with its Vision, Mission and Values.

EDP's challenge is now balanced management based on the three aspects of sustainability – Economy, Environment and Society. This is the only way to ensure the so-called "licence to operate" given by the community to which we belong.

2.1. Strategic plan and objectives

In 2005, the EDP Group defined its first Strategic Environment and Sustainability Plan.

The plan is based on a wide range of strategic objectives grouped into different target areas including Climate Change, Energy Efficiency, Renewable Energies, Biodiversity, Environmental Management, Creation of Value, Research, Development and Innovation, Energy and Citizenship, Human Resources and Training.

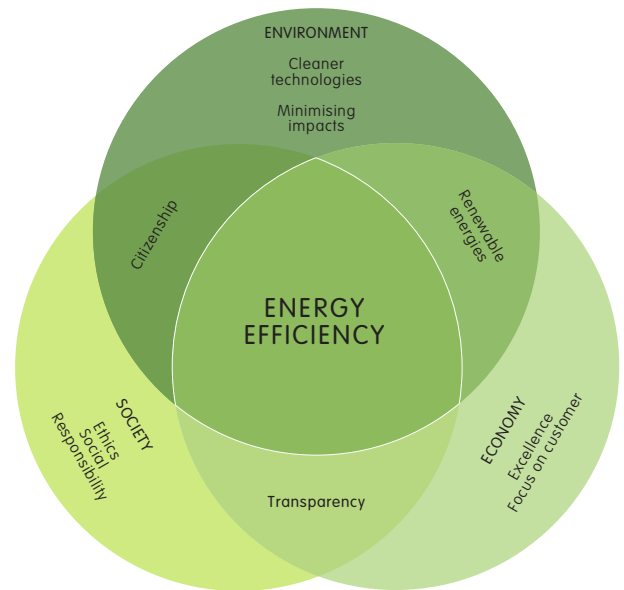
The plan's main goals are improving environmental management and means of communication in the Group, improving management of the impacts of climate change and the threats and opportunities inherent in the present and future legal framework governing energy and the environment and creating the right conditions for EDP to be included in the DJSI (Dow Jones Sustainability Index).

2.2. Internal organisation

In 2005 the organisational model for sustainability was finally approved, thereby strengthening the strategic aspect of this issue in the organisation.

The environment and sustainability competences developed are distributed to all levels of the organisational structure.

The Executive Committee approves policies, strategies and plans of action proposed by the Environment and Sustainability Committee.



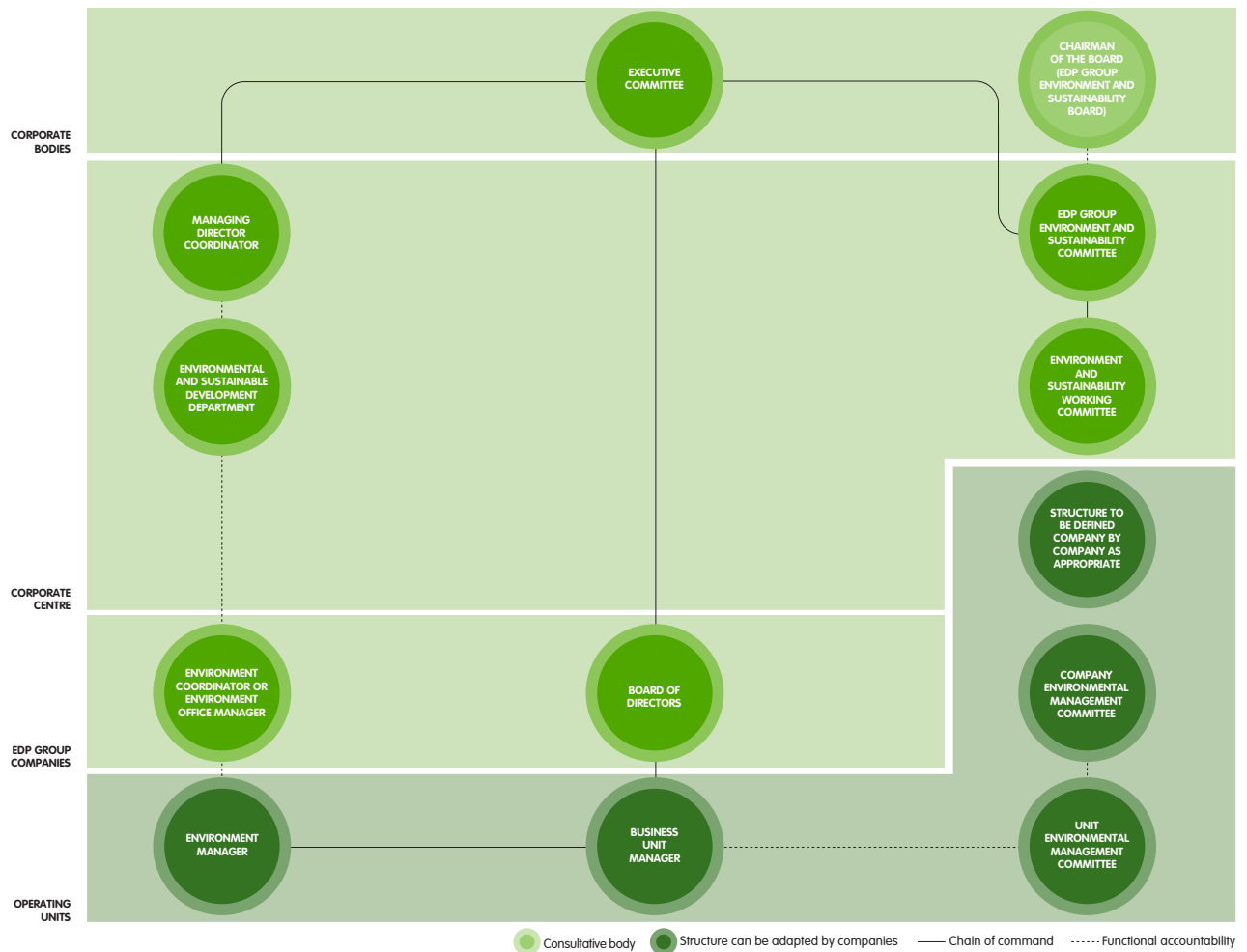
The Environment and Sustainable Development Department is responsible for coordinating strategic environment and sustainability activities, ensuring that they are consistent and in line with the company's business strategy.

The Environment and Sustainability Committee is a deliberative forum for sustainability issues and is presided over by a member of the Executive Committee. The committee is responsible for drawing up and updating the EDP Group's Strategic Environment and Sustainability Plan.

At the same time, an Environment and Sustainability Working Group has been set up for operational monitoring of matters falling within the committee's remit.

Structures are adapted to their size and characteristics and may include an Environmental Coordinator or Environmental Manager responsible for fostering environmental management and proposing policies and strategies to their company's Environment Committee.

Organisation of Sustainability and Environment in the EDP Group



2.3. Last year

In 2004, 31 goals were set in the areas underlying the Group's Principles of Sustainable Development. Of these, 21 were achieved in full, while 10 were only partially achieved or not achieved at all. One of the reasons for these last 10 is explained in the appropriate chapters. A total of 29 goals have been set for 2006, evenly distributed among the EDP Group's Principles of Sustainable Development. They are listed at the end of each chapter on Performance.

2.4. Future commitments

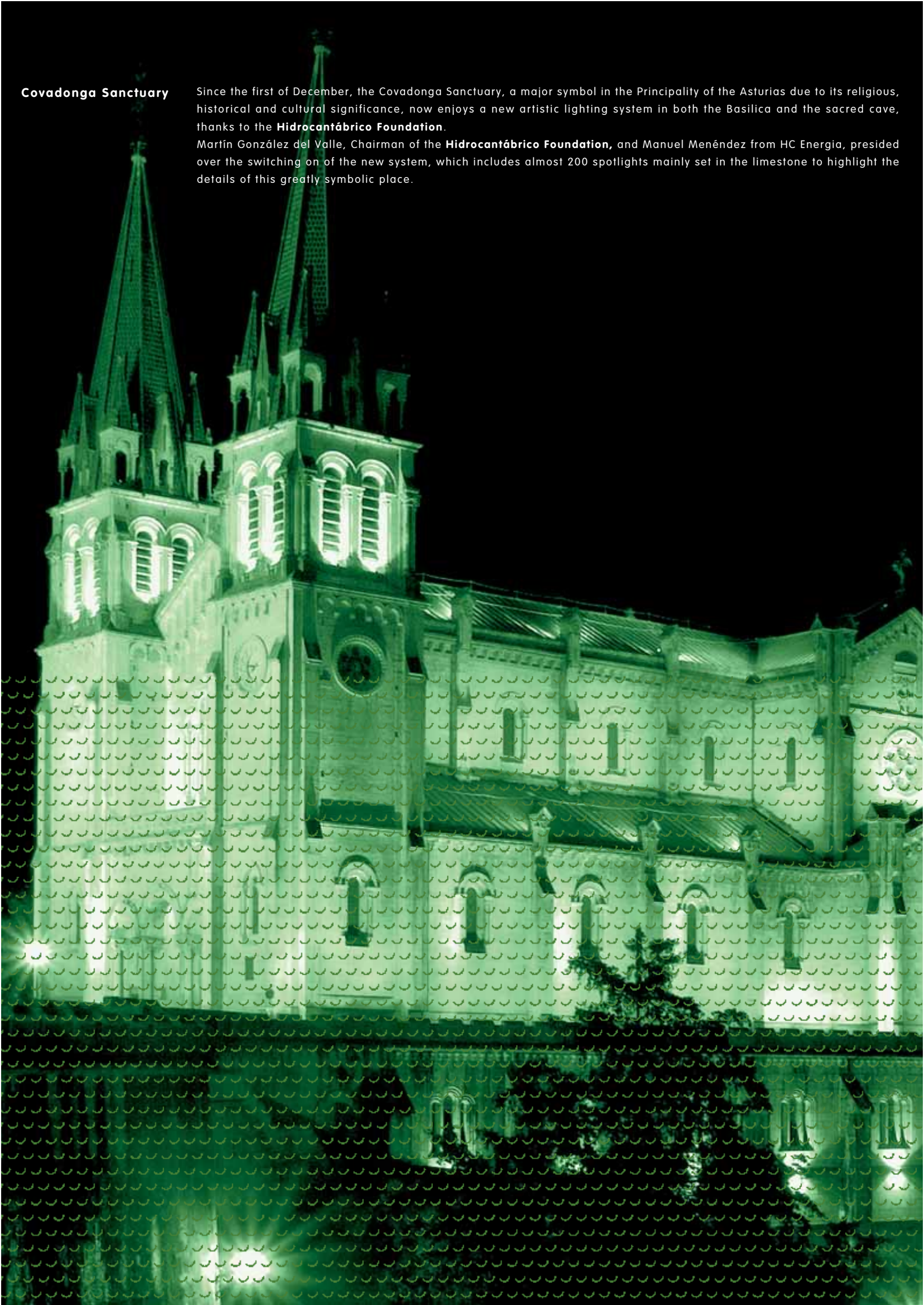
Continuing to chart the same course, EDP's main corporate commitments are:

- Reinforcing internal mechanisms for monitoring compliance with its Code of Ethics, as this is the only way to show behaviour dictated by the highest ethical standards;
- Continuing to invest in renewable energies, thereby making a real contribution to reducing the global problem of Climate Change;
- Increasing activities that help to improve energy efficiency;
- Continuing to report on its performance, improving means of communication and increasing the frequency of information given to its different stakeholders.

Covadonga Sanctuary

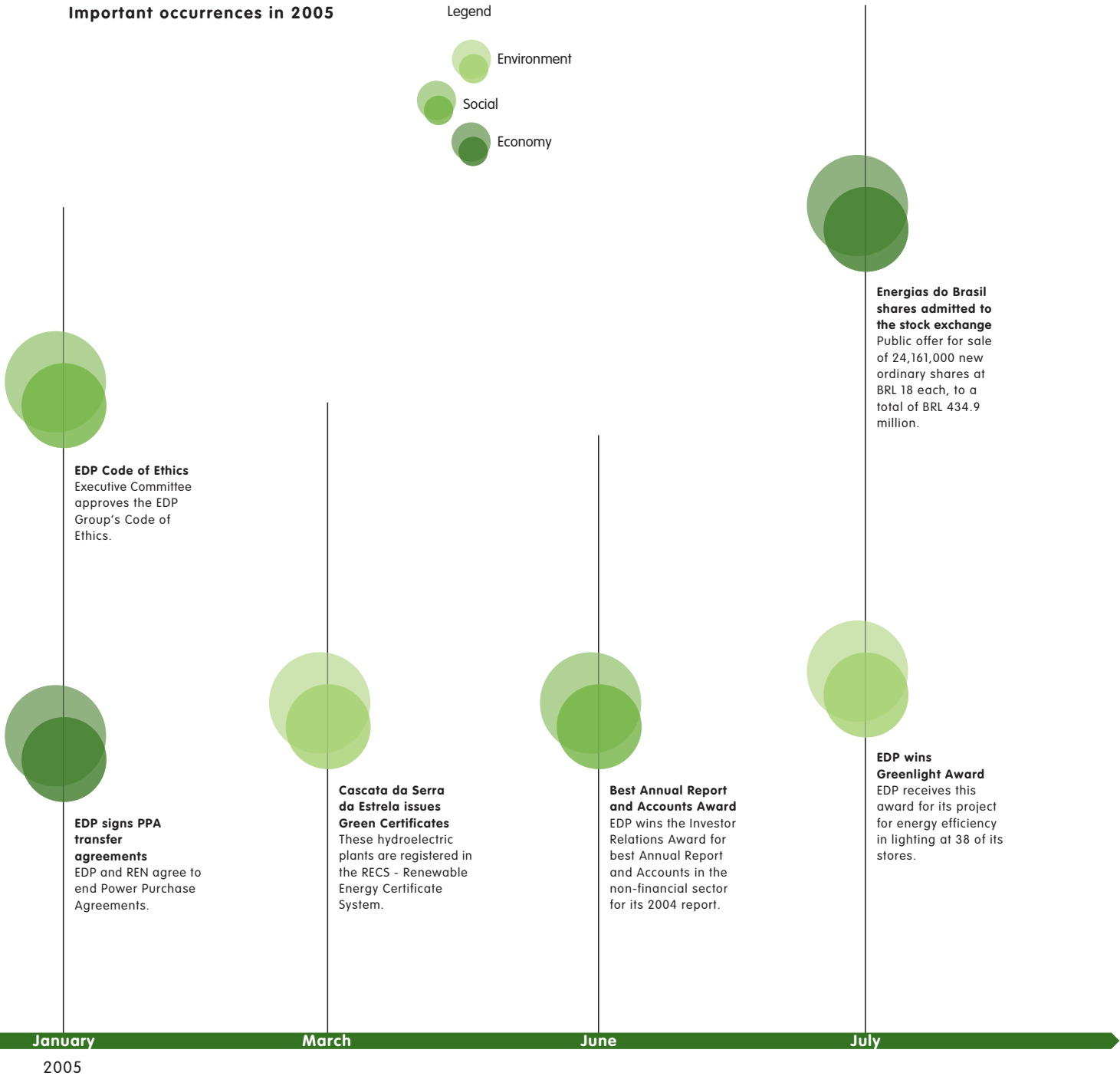
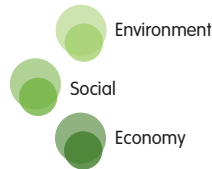
Since the first of December, the Covadonga Sanctuary, a major symbol in the Principality of the Asturias due to its religious, historical and cultural significance, now enjoys a new artistic lighting system in both the Basilica and the sacred cave, thanks to the **Hidrocantábrico Foundation**.

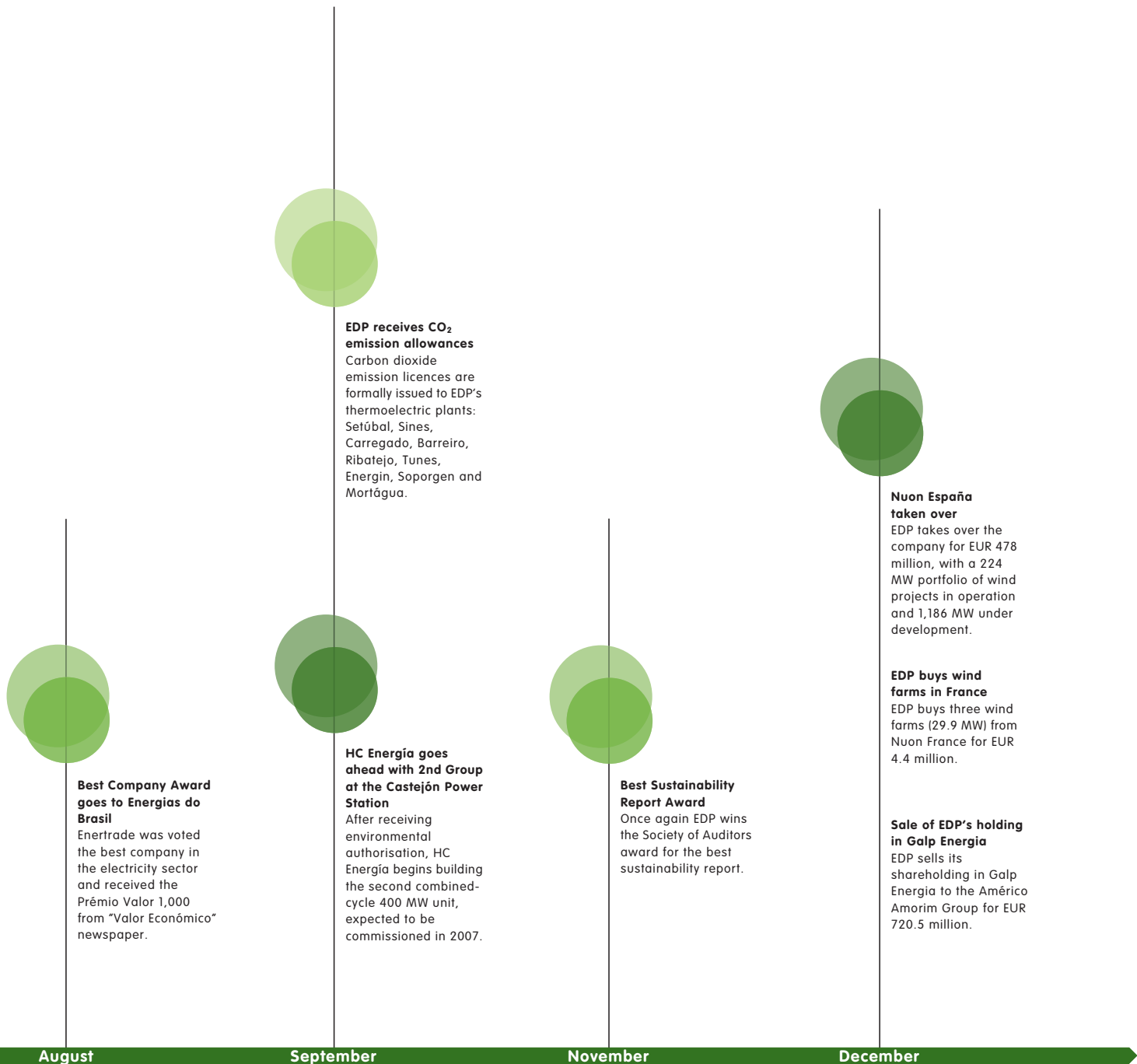
Martín González del Valle, Chairman of the **Hidrocantábrico Foundation**, and Manuel Menéndez from HC Energia, presided over the switching on of the new system, which includes almost 200 spotlights mainly set in the limestone to highlight the details of this greatly symbolic place.



Important occurrences in 2005

Legend





GRI content index and a Global Compact Communication on Progress

Cross References

GRI content index and a Global Compact accomplishment

Global Compact Principles

EDP Sustainability Report 2005 content

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	B HR6	5		42 e *
	B HR7	4		42 e *
	A HR8 a HR14		N.D.	
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	B SO2	10		42 e *
	A SO4, SO5, SO6, SO7			43
Product responsibility			N.A.	-

B - Core indicator
A - Additional indicator
 (1) - The level of availability of each indicator is provided by internal evaluation undertaken by EDP.
ICGR - Institutional and Corporate Governance Report
 (*) - See EDP Code of Ethics on www.edp.pt

**Volta a Portugal Cycling
Tour**

Sport is one of EDP's priority sponsorship areas in terms of initiatives that support the community and the Volta a Portugal Cycling Tour is one of its most famous contributions.



Matilde Stilwell

EDP is sponsoring rider Matilde Stilwell – a top name in the national and international horse riding scene – in this distinctive and very traditionally Portuguese sporting event that is rapidly gaining in popularity.



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Key Sustainability Indicators

Consolidated EDP Group		EUR thousands					
Economic and financial indicators		2005	2004	Var. %			
Turnover		9,677,024	7,310,688		32.4%		
Operating Profit*		1,141,880	317,240		259.9%		
Gross Operating Profit**		2,053,293	1,130,869		81.6%		
Net Profit		1,071,102	42,815		2,401.7%		
Operating Investment ⁽¹⁾		1,427,154	1,218,420		17.1%		
Net Assets		24,032,975	20,900,976		15.0%		
Return on Assets		4.70%	0.20%		4.5% p.p.		
Equity		4,823,400	4,037,858		19.5%		
Return on equity		25.22%	1.06%		24.2% p.p.		
Financial Liabilities		10,584,300	9,141,885		15.8%		
Market Capitalisation		9,506,998	8,154,079		16.6%		
Profit per share (EUR)		0.29	0.01		1,990.0%		
Dividend Yield		3.85%	4.10%		-0.3% p.p.		
(*) Does not include the effect of gains / losses on the sale of financial assets - (**) Does not include the effect of gains / losses on the sale of financial assets and other provisions							
Operating indicators		Portugal		Spain ⁽²⁾		Brazil ⁽³⁾	
Net generation and distribution of electricity		2005	2004	2005	2004	2005	2004
Total electricity generation (MWh)		25,237,362	25,373,682	14,668,226	13,699,071	2,755,988	2,654,163
Conventional thermal generation (MWh)		14,545,058	11,755,851	11,164,227	10,355,711	n.a.	11,163
Combined-cycle generation (MWh)		5,088,061	3,418,755	2,108,491	1,961,077	n.a.	n.a.
Co-generation (MWh) ⁽⁴⁾		670,894	655,710	n.a.	n.a.	n.a.	n.a.
Hydroelectric generation (MWh)		4,533,804	9,257,164	847,177	853,638	2,755,988	2,643,000
Wind generation (MWh)		348,155	237,034	528,696	513,622	n.a.	n.a.
Biomass generation (MWh)		51,389	49,168	19,634	15,023	n.a.	n.a.
Steam generation (TJ)		5,540	5,528	n.a.	n.a.	n.a.	n.a.
Primary energy consumption							
Total primary energy consumption (TJ)		178,338	147,105	125,658	106,468	n.a.	124,146
Coal consumption (t)		3,557,685	3,534,969	4,102,153	3,750,057	n.a.	n.a.
Fuel oil consumption (t)		1,230,385	557,906	7,001	13,383	n.a.	n.a.
Natural gas consumption (Nm ³ x10 ³)		920,411	831,687	362,637	343,623	n.a.	n.a.
Blast furnace gas consumption (Nm ³ x10 ³)		n.a.	n.a.	3,064,644	1,522	n.a.	n.a.
Coke gas consumption (Nm ³ x10 ³)		n.a.	n.a.	131,700	150,834	n.a.	n.a.
Diesel consumption (kl)		6,592	2,059	1,112	150,834	n.a.	3,269,221
Forest waste consumption (t)		91,882	95,694	n.a.	n.a.	n.a.	n.a.
Fuel consumption by vehicle fleet (TJ)		176.62	n.d.	n.d.	n.d.	n.d.	n.d.
Water use and consumption							
Cooling water (m ³ x10 ³)		2,134,927	1,736,835	566,028	661,415	n.a.	n.d.
Consumption in electricity generation (m ³ x10 ³)		7,537	4,985	992	92,612	n.a.	n.d.
Consumption at administrative services (m ³ x10 ³)		123	n.d.	n.d.	n.d.	n.d.	n.d.
Electricity consumption							
Consumption by generation (MWh)		1,777,479	1,499,992	n.d.	n.d.	n.d.	n.d.
At administrative services (MWh)		28,297	n.d.	n.d.	n.d.	n.d.	n.d.
Environmental Indicators							
Environmental certification							
ISO 14 001 certification (MWh)		2,904	2,904	393	393	0	0
Atmospheric emissions ⁽⁵⁾							
Total emissions (kt)							
CO ₂		14,881	12,052	12,918	11,842	n.a.	n.d.
SO ₂		78.86	67.31	45.74	41.53	n.a.	n.d.
NO _x		39.54	31.69	32.90	29.43	n.a.	n.d.
Particles		2.09	1.58	2.79	2.92	n.a.	n.d.
Specific emissions (g/kWh)							
CO ₂		731	718	973	913	n.a.	n.d.
SO ₂		3.67	4.01	3.45	3.20	n.a.	n.d.
NO _x		1.84	1.89	2.48	2.27	n.a.	n.d.
Particles		0.10	0.09	0.21	0.23	n.a.	n.d.
Wastewater							
Total volume of effluent treated in generation (m ³)		7,448,430	4,142,741	768,049	811,882	n.a.	n.d.
Discharge into the sea (m ³)		913,490	1,047,285	n.d.	n.d.	n.a.	n.d.
Discharge into estuaries (m ³)		6,534,940	3,095,456	n.d.	n.d.	n.a.	n.d.
Waste disposal							
Total waste disposed of (t) ⁽⁶⁾		459,141	465,621	631,382	598,238	1,672	n.d.
Total hazardous waste (t)		3,941	1,249	248	386	138	n.d.
Total non-hazardous waste (t)		455,199	464,372	631,134	597,852	1,534	n.d.
Recovered waste (%)		89%	51%	73%	99%	88%	n.d.
Total sub-product sold (t)		354,393	364,623	n.a.	n.a.	n.a.	n.d.
Social indicators							
Employment and labour relations ⁽⁷⁾							
N° of employees		8,918	10,392	1,680	1,555	3,461	3,621
Turnover (%)		0.03	0.08	0.07	n.d.	0.06	n.d.
Employees' average age (years)		45	46	44	n.d.	39	n.d.
Absentee rate (%)		4.52%	5.52%	3.87%	n.d.	4.74%	n.d.
Total training hours		168,686	n.d.	40,630	n.d.	n.d.	n.d.
Employees trained (%)		64%	n.d.	71%	n.d.	n.d.	n.d.
Safety and accident prevention							
Installed capacity with OSHAS 18 001 certification		83%	83%	0%	0%	0%	0%
On-duty accidents (n°)		61	77	9	8	23	n.d.
Severity rate (SR)		300	319	128	150	82	n.d.
Frequency rate (FR)		4.4	5.12	3.77	3.50	3.38	n.d.

(1) Considering 100 percent of the operating investment of consolidated companies - (2) The information in Spain does not include Genesa, except wind and biomass production - (3) The Energias do Brasil thermoelectric power stations are currently being sold. In 2004, production at Lajeado was considered at 27.65 percent - (4) Co-generation does not include Barreiro Power Station. Steam generation includes Barreiro Power Station - (5) CO₂ emissions are calculated on the basis of greenhouse gas emission certificates, specific emissions on the basis of gross production at EDP thermoelectric plants - (6) Total waste disposed of now includes sub-products sold - (7) In 2005 it includes ONI, with the exception of training indicators - n.d. Not available - n.a. Not applicable.

1. CREATION OF VALUE

- Create shareholders value
- Increase productivity and efficiency and reduce exposure to risks related to the economical, environmental and social impact of its activities
- Commit to customer orientation ensuring high quality of service
- Integrate environmental and social aspects in planning and decision making processes

Creating value involves generating earnings that are not only reflected in economic results but also in intangible assets that include aspects such as transparency, reputation, trust, credibility, environmental responsibility and the ability to work in partnership with stakeholders.

This chapter focuses on the economic aspect - business and the return obtained not only for shareholders but also for the company.

EDP's Strategic objectives 2005-2007

In December 2004, EDP announced its strategic objectives for the three-year period of 2005-2007 to the market in London. Some of the most important were:

- Strengthening its competitive position in the Iberian Peninsula;
- Controlling costs and improving quality of service in the distribution of electricity;
- Maximising the economic value of international investments and complementary activities.

Following the reinforcement of the company's competitive position in the Iberian Peninsula through the acquisition of HC Energía, the Executive Committee completed Phase 3 of the Sinergia project. Processes based on best practices at each company in Portugal and Spain have now been standardised.

As a result of this work, EUR 350 million will be invested by 2008 in environmental control projects at three coal-burning thermal power stations in Portugal and Spain (Sines, Aboño and Soto de Ribera) for desulphuration and reduction of NO_x and particle emissions.

The improvement in our competitive position in the Iberian Peninsula was also supported by a contract signed in December 2005 with Nuon International Renewable Projects B.V with a view to the takeover of Nuon España, valued at EUR 478 million.

In Portugal, quality of service improved thanks, among other reasons, to substantial investment and a series of initiatives aimed at motivating technical staff to seek solutions and best practices in terms of the cost and quality of technical and commercial services (see page 58 of this report).

An investment of EUR 45 million in electricity distribution facilities in Asturias, Madrid and the Valencian Community contributed to the high quality of supply by electricity distribution companies in Spain (see page 59 of this report).

In April 2005, the EDP Group sold 60 percent of Edinfor's share capital to LogicaCMG for a total of EUR 81 million, in order to maximise the economic value of its international and complementary activity investments. This sale is part of the Group's chosen strategy to focus on its main activity, the energy sector.

In April 2005, Energias do Brasil, the EDP Group's company in Brazil, was reorganised and its shares were eventually admitted to trading on the new Bovespa market in July 2005. This contributed to a substantial improvement in the Group's operating performance.

The EDP Group's economic performance in 2005

(EUR thousands)	2005	2004	Var. (%)
Turnover	9,677,024	7,310,688	32.4
Operating Profit (*)	1,141,880	317,240	259.9
Income Tax	152,189	121,962	24.8
Net Profit	1,071,102	42,815	2,401.7
Operating Investment (1)	1,427,154	1,218,420	17.1
Financial Investment	775,682	149,360	419.3
Net Assets	24,032,975	20,900,976	15.0
Equity	4,823,400	4,037,858	19.5
Financial Liabilities	10,584,300	9,141,885	15.8
Market Capitalisation	9,506,998	8,154,079	16.6
Profit per Share (EUR)	0.29	0.01	1,990.0
Dividend Yield	3.8%	4.1%	-0.3% p.p.

(1) Considering 100% operating investment of consolidated companies
 (*) Does not include the effect of gains / losses on the sale of financial assets

In 2005, the EDP Group's operating profits increased from EUR 371 billion to EUR 1.142 billion, reflecting the takeover of HC Energía, an improvement in Iberian business margins, good operating performance by the Group in Brasil and the capital gain obtained from the sale of all of its 14.3 percent shareholding in Galp.

The company benefited from the high growth in the Iberian market, essentially reflecting good operating performance in Spain (+59.4 percent). On the other hand, operating profits in Portugal fell, due to the increase in market prices in generation and sale and a rise in the cost of buying electricity, which will be passed on to price lists in the next few years.

Operations in Brazil also contributed substantially to operating performance (+120.2 percent), as a result of price increases and a 3 percent rise in the amount of electricity distributed.

The Group's operating investment totalled EUR 1.427 billion, reflecting investments made in the construction of Group 3 at the Ribatejo Thermoelectric Power Station and in the distribution network in Portugal, the construction of the Peixe Angical Hydroelectric Power Station in Brazil and investments in the plan to connect all low-voltage customers in Brazil to the grid.

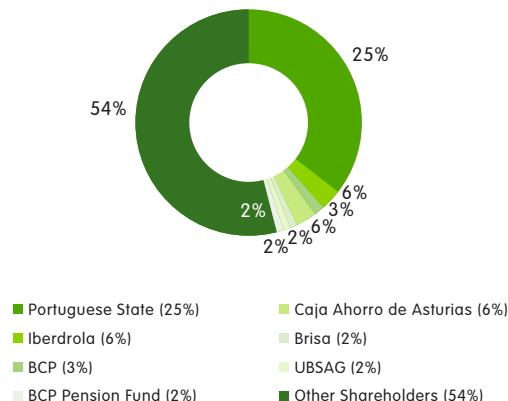
The EDP Group's market value, calculated on the basis of its market capitalisation on 31 December 2005, was EUR 9.507 billion.

In 2005, EDP's Board of Directors intends to submit an annual growth of 7 to 8 percent for total distributable dividends.

1.1. Shareholders

Increasingly more shareholders regard companies from the point of view of sustainability, preferring to invest in sustainable companies. EDP has focused on creating value when informing its shareholders and investors in general, so that they can properly evaluate the company's performance in terms of the new corporate paradigm, taking not only profits but also environmental and social quality into account.

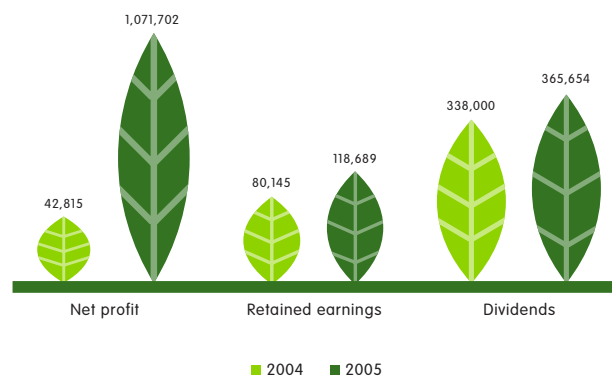
The EDP Group's shareholder structure



Between 31 December 2004 and 31 December 2005, the EDP Group's share price rose some 16.6 percent, going from EUR 2.23 to EUR 2.60, i.e. around 40 cents per share.

In March 2005, the EDP Group's General Meeting of Shareholders decided on the distribution of a gross dividend of EUR 0.09243 per share, which corresponds to a 4.1 percent return of dividend per share.

Net profits, retained earnings and dividends (EUR thousands)

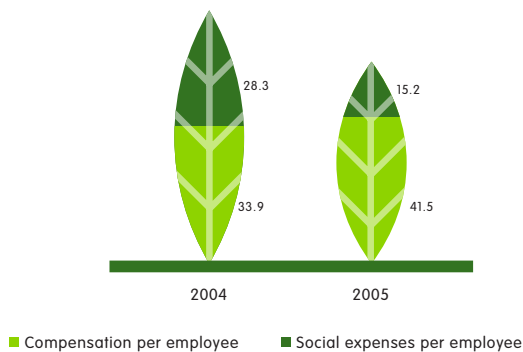


1.2. Employees

Personnel costs increased by around EUR 18 million against 2004 and social benefit costs went down by some EUR 240 million. This was due to a reduction in the number of employees in Portugal and fewer rescissions by mutual accord during the period, which reduced severance payments.

The fall in social benefit costs has to do with the premiums paid as part of the flexible retirement programme (lowering retirement age) and the recording in 2004 of a cost of EUR 192 million regarding the Restructuring Support Programme (PAR).

Total costs per employee (EUR thousands)



In 2005, as in previous years, the EDP Group distributed EUR 24.5 million in profits for 2004 to its employees.

1.3. Customers

EDP’s goal is to provide its customers with more effective services by reducing costs, creating synergies and optimising processes.

Our customer-oriented reorganisation took the form of the growth in our trademark, extending it to Brazil and Spain, creating a Group identity for customers. Our brand is regarded as an intangible asset that reflects the Group’s commitment to its stakeholders based on a management model that can generate medium- and long-term results. Our brand has been valued at EUR 401 million by Interbrand.

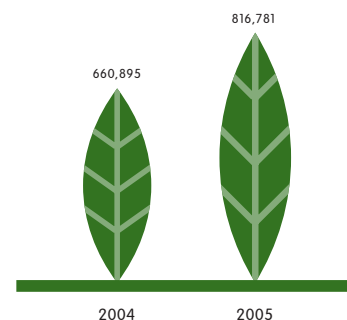
1.4. Suppliers

EDP’s corporate management is aimed at the rationalisation of costs with gains in synergies by reorganising supply activities. We have set up an Iberian Buying Platform that is responsible for acquiring goods and services for use by all the companies in the Iberian region. Our goal for 2006 is

to develop cooperation in the buying area with Brazil.

In 2005, Third Party Supplies and Services increased by EUR 156 million, due mainly to the recording of the goods and services provided by Edinfor as “third party”, following the sale of a 60 percent holding in the company to LógicaCMG and the increase in EDP’s shareholding in HC Energia.

Third party supplies and services (EUR Thousands)



1.5. Risk management

It is increasingly important to adopt a strategic approach to risk, involving not only identifying them but also anticipating them.

This new approach was reflected in EDP’s Risk Policy, supported by an operating model aligned with our business characteristics, where risk management is everyone’s responsibility. Risk managers have been appointed in all the EDP Group’s companies for the purpose.

After a method for identifying and monitoring risks has been defined and implemented through the EDP Risk Portal, a company chart will be prepared for the different risks, including strategic, operational, market, credit and human resource risks, so that integrated risk mitigation measures can be defined.

EDP’s risk culture in 2005 took the form of monitoring financial risks, by characterising the company’s debt and management of the pension fund, as well as the business risk.

Where the business risks are concerned, in generation, for example, there is current uncertainty as regards regulation and, in sales, there is EDP's preparation for the liberalisation of low-voltage customers in Portugal and energy management.

In 2005, a generation proceeded in an environment of uncertainty, with the start-up of the Iberian Electricity Market (MIBEL) postponed until July 2006 (there is more detailed information on page 43 of the Institutional Report).

With the coming into force of the Kyoto Protocol and the introduction of the European Union Greenhouse Gas Emission Trading Scheme, it was imperative to create the right conditions for sustaining the CO₂ emissions market. As a result, EDP has invested some EUR 44 million in Carbon Funds. These investments give CO₂ emission credits that EDP can then use in Portugal and Spain.

Sales activity has proceeded and has now been extended to all electricity users, including domestic consumers and Public Lighting.

This new phase in the opening-up of the market resulted in a project to characterise consumers by diagram analysis, characterisation of demand, contribution to losses and the ratio of peak use versus simultaneity factor.

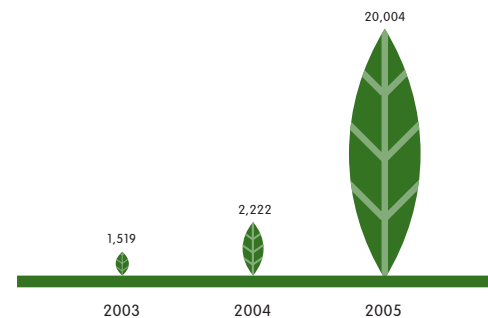
Where energy management is concerned, EDP's goal is to develop the "MUR System", a tool that is expected to go into operation in 2006 and will allow better control over the risk associated with the activities of the Energy Management Business Unit.

1.6. The community

EDP has taken care to guarantee that it fits into its surroundings by fostering improvement in the quality of life of the communities in question. It sponsors initiatives that strengthen the three pillars of its new corporate paradigm, thereby ensuring recognition of the Group's prestige and increasing the value of its brand.

In Portugal in 2005, EDP contributed some EUR 20 million in patronage, EUR 19 million of this being the initial sum allocated to the EDP Foundation.

Donations given (EUR thousands)



In Spain, around EUR 1 million was spent in donations, reflecting social needs, such as the promotion of culture and sport and scientific and social sponsorship, among others.

In Brazil, the EDP Group's actions are aimed more at human and social development, such as improving the quality of education, promoting human rights and social insertion. In 2005 around EUR 1.7 million was spent on social development.

2. EFFICIENT USE OF RESOURCES

- Promote and development cleaner and more efficient energy technologies
- Develop means of generation based on renewable energies
- Promote the rational use of energy

Within the framework of the environmental and energy conditions imposed by the Kyoto Protocol and the resulting legislation already in force or soon to be introduced, in Portugal and the EU, EDP's energy efficiency strategy, in line with its sustainable development policy, is based on two main lines of intervention:

- Making energy systems more efficient on the supply side (electricity generation and distribution);
- Promoting efficient end use of electricity and rationalising consumption by EDP customers in the different sectors of economic activity.

The first line of intervention involves the supply of energy. The approach here is essentially technological and systemic. It involves using a balanced energy mix leading to an overall increase in the output of thermoelectric generating facilities (with a resulting reduction in specific emissions of greenhouse gases), increasing generation from renewable energy sources (especially hydroelectric and wind facilities but not ignoring the potential of photovoltaic or thermoelectric sources, biomass or wave energy) and reducing losses in electricity grids.

These goals must enable us to respond properly to the important challenges that the company faces in this area, such as the Renewables Directive, the Co-generation Directive and European Emissions Trading, reflected in the Portuguese National Plan for the Allocation of Emission Allowances (PNALE).

The second line of intervention is on the energy demand side and is aimed at contributing to the targets of the National Plan for Climate Change (PNAC). Another of its goals is to anticipate fulfilment of the obligations that will arise from

the recently approved directive on efficient end-use of energy and energy services.

Objectives for 2005

Implementing a hydrogen-powered generation system		Implemented in labs in Portugal
Developing systems for detecting defects in lines and obstacles in line corridors		Ongoing
Building Penide and Sines photovoltaic plants		Not achieved. See page 28
Building 900 MW in wind farms in 2007 in Spain		Ongoing. Building and acquisition of another 361 MW
Entering EDP stores for the Greenlight Programme		See page 30
Completing the study of consumption profiles and surveys of customers' predisposition regarding RUE initiatives		Completion expected in 2006
RUE promotion measures		See page 29
10% reduction in fuel consumption by EDP fleet		6% reduction



2.1. Research , development and technological innovation

Activities in this field were undertaken in the framework of the Research and Development and Technological Innovation Policy defined for the Group and approved by the holding company in 2004. In addition to participating in projects, EDP was also represented at a number of national and international R&D forums, such as the Wave Energy Centre, UIE, Enersearch, Eurelectric, IEA and EPRI. EDP was involved in some 30 projects (Portugal and Spain) in 2005 in its priority areas: Conventional Generation, Environment and Sustainability, Distributed Generation and Renewable Energies, Electricity Distribution, the Energy Market and Value-Added Services.

Main R&D and innovation projects in 2005

Conventional Generation, Environment and Sustainability

- . New generation of powdered coal thermolectric plants (super-critical cycles);
- . Integrated engineering and maintenance management systems;
- . Safety, Risk Engineering, Maintenance Engineering, Product Reliability, Industrial Systems and Facilities;
- . Environmentally friendly anti-corrosion protection;
- . Integrated systems for managing sludge produced by thermolectric power stations;
- . Alternatives to Hydrazine in the chemical treatment of the water-steam circuit at thermolectric power stations.

Distributed Generation and Renewable Energies

- . Distributed generation technologies: hydrogen-fuelled fuel cells, Stirling Motor, Gas Microturbine, Photovoltaic Cells;
- . Wave energy: oscillating water column plant at the new north breakwater in Foz do Douro; AquaBuoy technology, operational recovery of the European Wave Energy Plant in Pico;
- . Impact and management of micro-generation in distribution grids from an economic, environmental, operational and safety point of view.

Electricity Distribution

- . Remote monitoring of defects in the overhead medium-voltage grid;
- . Pilot system for remote detection of obstacles to overhead lines;
- . Pilot facility with high-quality energy (minimising harmful effects of voltage sags and "micro-cuts" on customers);
- . Developing methods for integrated diagnosis of the status of Transformers, Substations and Transformer Stations;
- . Experimental inspections for detecting the corona effect in medium- and high-voltage equipment.

Energy Market and e Value-Added Services

- . Digital Power Line (telecommunications services - voice and data transmission - via the electricity grid superimposed on normal power traffic);
- . Characterisation of Consumers (charge models) and Grids in the liberalised electricity market;
- . Efficiency and Productivity Studies;
- . New hydrogen generation technologies;
- . Research into current European natural gas networks to facilitate the transport and future use of hydrogen;
- . Development of a an integrated carbon monoxide and methane gas detector with a magnetic filter for domestic use.

In Brazil, R&D projects and activities in the electricity sector proceeded in a framework where companies are obliged to contribute at least 0.75 percent of their net operating revenue for this purpose. In 2005, the following projects were particularly important:

- Development of a method for measuring earth networks in live substations;
- Development of software based on artificial intelligence to reduce commercial losses in high-voltage customers;
- Measurement of consumption with energy cards;
- Models using Artificial Intelligence for diversified demand and select expansion works for distribution systems;
- Using fibre optics to monitor the distribution grid;

- Studies of inter-related electricity generation;
- Electronic equipment for detecting consumption frauds.

Technological innovation and development in the EDP Group



In 2005, this EDP report described its R&D and technological innovation policy and the most important activities and projects from 1999 to 2004.

In 2006, EDP is planning to launch new projects and continue existing ones in the areas of distribution and quality of service of its grids and generation of electricity from renewable sources, with particular focus on Wave Energy.

2.2. Renewable energies

A new company, NEO Energía, was set up in 2005. It is responsible for sole, integrated management of the renewable energy business in the Iberian Peninsula, taking advantage of the operational synergies in Portugal and Spain. NEO's goal for 2010 is 2,880 MW of installed special-regime generation capacity, based mainly on wind energy. The most important occurrence in the field of renewable energies in 2005 was the purchase of the assets of Nuon España, totalling 224 MW in operating wind farms and 1,186 MW in different phases of project development.

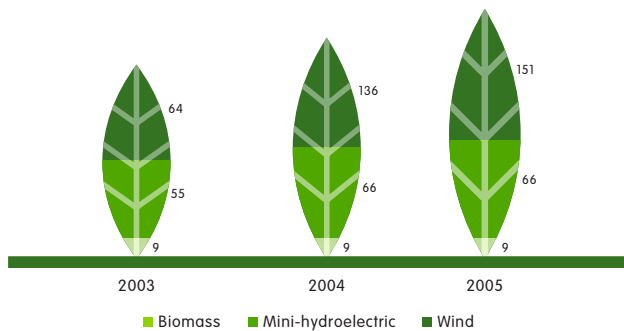
Also in Spain, four new wind farms went into operation with a total of 140 MW. At the end of 2005, installed wind capacity in Spain is 808 MW. Our expansion of wind power continued in 2005 with the installation in Portugal of another 15 MW at the Vila Nova, Alto do Talefe, Fonte da Quelha and Pena Suar wind farms.

EDP also has a 40 percent holding in the Alagoa de Cima wind farm (13.5 MW), although with no management control.



Fonte da Quelha Wind Farm

Growth in installed renewable energy capacity (PRE) in Portugal



Where hydroelectric power was concerned, 192 MW of additional capacity went into service in Portugal as a result of the increased capacity of the Venda Nova hydroelectric plant (Frades Power Station). This did not prevent a sharp drop in hydroelectric generation compared to 2004, as a result of the highly unfavourable conditions: HECF = 0.42, one of the lowest figures on record.

The installed hydroelectric capacity in Brazil (around 270 MW) is managed by Energest, which took over the plants from Escelsa and Enersul (some 161 MW), in addition to the total assets of Cesa - Castelo Energética, S.A. (58.5 MW), Pantanal Energética (31.2 MW) and 51 percent of Costa Rica Energética (16.5 MW).

Energias do Brasil also has a minority holding in the Lajeado Power Station (27.65 percent, corresponding to 250 MW) and controls 60 percent of the new Peixe Angical hydroelectric power station, with a total capacity of 452 MW. It is expected to go into service in March 2006.

Generation of electricity from renewable energy sources

MWh	2005	2004	2003
Portugal			
Wind	348,155	237,034	128,355
Biomass	51,389	49,168	38,323
Mini-hydroelectric	90,288	140,888	196,343
Hydroelectric (>10 MW)	4,443,516	9,116,275	14,668,557
HECF	0.42	0.81	1.33
Spain			
Wind	528,696	513,622	483,000
Biomass	19,634	15,023	23,000
Mini-hydroelectric	n.d.	123,451	100,001
Hydroelectric (>10MW)	847,177	730,187	588,971
Brazil			
Mini-hydroelectric	109,262	52,304	31,030
Hydroelectric (>10MW)*	1,431,810	1,369,437	1,202,782

* The Lajeado contribution is not included, as EDP does not have management control.

Short- and medium-term prospects

In 2006, with the commissioning of the Peixe Angical Power Station and of other smaller plants in Brazil, we expect an increase of around 500 MW in installed hydroelectric capacity.



Peixe Angical Hydroelectric Development

Where wind energy is concerned, EDP has 15 new wind farm projects in its portfolio for Portugal, totalling around 271 MW, 32 MW of which are in their final stages of completion and 37 MW of which are in the contracting stage and should be completed in 2006. The remaining 202 MW (some in partnerships) will be installed by 2008. With regard to the development of new wind projects in Spain, around 1,336 MW should be installed between 2006 and 2008.

EDP is the leader of one of the consortia bidding to install 1,000 MW of wind power in Portugal (between 2008 and 2013) and set up an industrial cluster in this area. The government issued the invitation to tender in 2005 but the results will only be known in mid-2006. Where solar photovoltaic energy is concerned, the pilot projects planned for Sines (300 kW) and Penide (100 kW) did not go ahead. In Sines, the planned installation site was considered unsuitable and a new

one is being chosen. The Penide project was submitted to the Innovation Agency's DEMTEC Programme and is awaiting approval.

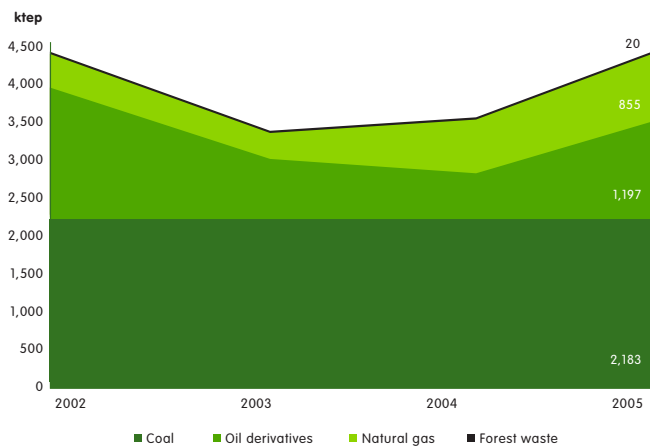
For its medium- and long-term plans, EDP undertook several studies for hydroelectric plants, including studies of technical and economic viability and environmental factors for Foz-Tua and increased in capacity at Bemposta, preliminary assessment studies in the Tâmega and Mondego rivers and evaluations of mini-hydroelectric plants.

2.3. Fuels

The year 2005 was an exceptionally dry year (42 percent of an average year). It was also marked by the commissioning of the third and final group at the Ribatejo Power Station ahead of schedule, as it was only expected to go into service in 2006.

As a result of these two factors and of the drought in particular, there was a 43 percent increase in fossil fuel consumption compared to 2004. The increase in natural gas consumption was more significant (up 252 percent on 2004), along with oil by-products (+119 percent in relation to 2004).

Fossil fuel consumption, EDP plants, Portugal



EDP intends to continue investing in improving the efficiency of its electricity generating facilities and there are plans for two combined-cycle natural gas power stations, two groups in Sines and two in Lares, with a unit capacity of 400 MW, and one supercritical coal-fired group, also in Sines.

2.4. Transports

The EDP Group currently owns 4,068 vehicles (not including HC Energía and Naturgas) for its main activity, the electricity sector.



EDP Vehicle

From 2004 to 2005 there was an 8.4 percent reduction in the number of vehicles in Portugal, as part of the strategy to renew the EDP fleet.

Travel remained practically the same in 2005 (+0.25 percent), thanks to our policy of optimising travel in the EDP Group.

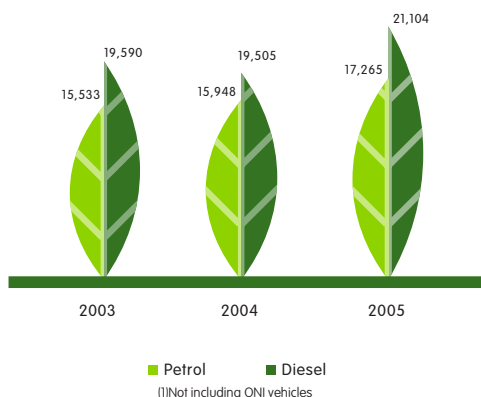
Fuel consumption went down 6 percent in relation to 2004 though the goal set in 2004 (10 percent) was not achieved.

Use of EDP vehicles in Portugal⁽¹⁾

	2005	2004	2003
Total vehicles	2,945	3,218	3,583
Distance travelled (km)	59,780,602	59,631,906	66,302,975
Average fuel consumption (l/100km)	8.62	8.82	8.74
Average use (km/vehicle)	20,249	18,542	18,505

(1) Not including ONI vehicles

Average km travelled per vehicle and type of fuel in Portugal (km/year)⁽¹⁾



2.5. Water

Achieving greater efficiency in water consumption is one of the goals arising from the Group's Environmental Management Systems.

Monitoring and control of water consumption continued at its electricity generating facilities. A special mention goes to the Sines Thermolectric Power Station, where the dry slag extraction system was implemented in another of the station's four groups, replacing the existing wet extraction system. This substantially reduced water consumption. Replacement should be completed in the other two groups by the end of 2007.

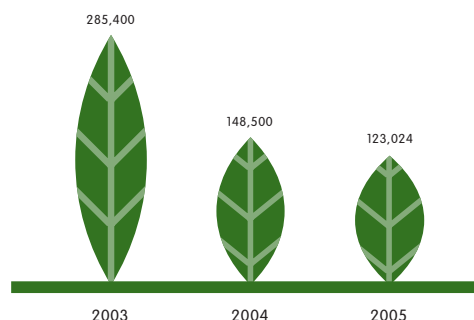
Water consumption in Generation activities (m³)

	2005	2004	Var. %
Portugal			
Drinking water	81,697	75,444	8.3%
Raw water	4,785,965	4,635,396	3.2%
Cooling water	2,134,633,625	1,736,835,370	22.9%
Spain			
Drinking water	648,186	724,845	-10.6%
Raw water	992,134	3,902,834	-74.6%
Cooling water	566,027,617	661,414,861	-14.4%

Although gross water consumption increased in thermolectric generation in Portugal from 2004 to 2005, there was a reduction in specific consumption from 0.37 m³/MWh to 0.31 m³/MWh, which represents a 16 percent increase in water use efficiency.

EDP has been implementing a number of measures in the service sector to rationalise the occupation of space and reduce water consumption.

Water consumption in EDP's office buildings in Portugal (m³)



In 2005 water consumption in EDP's administrative departments in Portugal was reduced by 17 percent compared to 2004, which is a savings of 25,476 m³.

In Brazil potable water consumption totalled 70,000 m³, including water consumption in office buildings and the companies' other activities.

2.6. Demand management

Portugal consumes around 50 percent less electricity per capita than the EU average. The trend is for energy consumption to catch up with the European average, though this must happen as efficiently as possible.

In 2005, EDP launched a number of demand management initiatives to raise awareness of more rational use of energy in the different sectors of society:

- **Children:** A national campaign "The Environment belongs to us all - let's use energy well" was launched, in recognition of children's greater awareness of this issue and their ability to get the message over to their families;
- **Construction sector planners:** Aware of the importance of promoting energy efficiency in the design stage of buildings and anticipating stricter laws on the matter, 11 awareness raising campaigns were conducted in partnership with the Society of Engineers and the Society of Architects, to a total of

746 participants, on "Energy efficiency in buildings";

- **Domestic customers:** A mass media information campaign was organised to raise public awareness of rational use electricity.

EDP also participates in the Eurelectric Energy Wisdom Programme (EWP), which began in 2000. This is a voluntary programme that publicises projects in the area of sustainable development.

EDP contributed to the third Global Report for 2003-2004. EDP projects in the areas of renewable energies, fuel switching and new thermal generation capacity led to an actual reduction in emissions of 4.2 Mt CO₂ in the period.

EDP wins Greenlight Award

In 2005, EDP won the Greenlight Award for its efficient lighting projects in 38 of its stores, where it achieved an annual energy reduction of 43 percent. This voluntary European Commission initiative encourages companies to install more efficient lighting systems in their buildings.



The environment belongs to us all – Let's use energy well



In November 2005, EDP launched a school scheme to raise their awareness of the problems of climate change and energy efficiency.

This scheme will involve a total of 44,000 pupils and some 4,000 teachers at primary and middle schools. All schools nationwide will be able to participate in the scheme.

They are given the challenge of developing a project involving not only the school but also community. The prize of EUR 100,000 will be used to fund efficiency measures to be implemented at schools.

The scheme has the sponsorship of the European Commission through its Sustainable Energy Europe 2005-2007 programme, UNESCO, the Directorate-General of Geology and Energy, the Institute of the Environment and the Energy Agency.



An area on the EDP website devoted to energy efficiency and an energy efficiency guide is in its final stages of preparation and will be launched in the first quarter of 2006.

Electricity distribution companies in Brazil are supposed to use at least 0.25 percent of their Net Operating Profits in energy efficiency programmes. These take the form of studies of how to reduce electricity losses in the system or projects to modernise

street lighting. These projects have a direct impact on reducing consumption and, therefore, environmental impacts, as less electricity is needed.

At Bandeirante, current projects have resulted in a saving of 11.4 GWh a year and a reduction in peak demand of some 2.6 MW.

Enersul, with an investment of BRL 1.2 million in energy efficiency programmes received the 2005 National Award for Conservation and Rational Use of Energy, in the Medium-Size Distribution Company category.

Goals for 2006:

- To extend the schools scheme to a total of 300,000 pupils
- To implement a pilot solar-thermal heating project in Portugal
- To expand wind farms by around 1,400 MW by 2008
- To commission the 452 MW Peixe Angical hydroelectric power station

3. ENVIRONMENTAL PROTECTION

- Minimise the environmental impact of all its activities
- Participate in initiatives that contribute to the preservation of the environment
- Extend the use of environmental criteria to the entire value chain

Aware of the environmental aspects of its activities, EDP has always taken a proactive attitude in its approach to environmental issues, identifying, assessing and minimising significant environmental impacts by means of appropriate environmental protection practices.

EDP has voluntarily accepted the Environment as a management goal. In 1994, we published our Environment Policy and in 2004 our Principles of Sustainable Development. We have been implementing mechanisms that consistently assert these principles in our activities, both in Portugal and abroad. Our environmental performance has been described in an annual report since 1997.

Through their degree of commitment and involvement, EDP's employees make an important contribution to the company's ability to achieve its environmental protection goals.







Basic Principles of the EDP Group's Environment Policy

In 1994, the EDP Group's Board of Directors made an Environmental Policy Statement based on the following fundamental principles:

- Consolidating the use of environmental assessment criteria in the company's activities and auditing its performance;
- Examining the importance of the environmental component in all phases of generation, distribution and end use of electricity;
- Promoting rational energy use systems;
- Learning more about how the company's activities interact with the environment;
- Promoting strategies for the preservation of nature and cultural improvement;
- Guaranteeing appropriate environmental information mechanisms;
- Promoting the use of clean technologies and appropriate waste management practices;

The complete versions of EDP's Environmental Policy and Code of Good Practice are available on www.edp.pt.

Objectives for 2005

<p>Labelec ISO 14 001:2004 Environmental Certification</p>		<p>The process was redefined so that it could be extended to the implementation of a quality, environment and safety system</p>
<p>ISO 14 001:2004 Environmental Certification of EDP Produção E&M</p>		<p>The restructuring of EDP Produção led to the cancellation of this goal</p>
<p>ISO 14 001:2004 Environmental Certification of the Ribatejo Thermoelectric Power Station by 2006</p>		<p>Goal extended to an integrated environment and safety management system</p>
<p>ERSE approval of our new Environmental Quality Promotion Plan for the 2005 regulatory period</p>		<p>The plan only lasted for one year, as it was a year of transition with regard to changes in Tariff Regulations</p>
<p>A study of the use of new birdlife protection technologies in the distribution grid</p>		<p>Setting up new lines with experimental technologies for minimising impact on birdlife. These technologies will be approved by the current protocol's monitoring committee.</p>
<p>Diagnosis of potentially contaminated areas at all Bandeirante facilities</p>		<p>The relevant data were inventoried for a possible diagnosis of contamination of the soil or subterranean water</p>



Achieved



Partially Achieved



Not Achieved

3.1. Climate change

The electricity sector is one that contributes significantly to greenhouse gas emissions, which are responsible for climate change. EDP recognises the sector's responsibilities in this phenomenon and the need to fight it by mitigating the environmental impacts of its activity.

In this context, EDP complies with the 14 actions defined by the Coalition for Environmentally Responsible Economies, CERES, allowing investors and shareholders to evaluate the Group's strategy regarding climate change.

The EDP Group is currently implementing a strategy for combating climate change that involves the diversification of its generation portfolio and a commitment to renewable energy sources. One of EDP's goals is to reduce the carbon intensity of Iberian

generation by 41 percent by 2012, compared to 2002, to 360 grams CO₂/kWh produced. By 2012, EDP plans to commission another 5,700 MW capacity, 49 percent of which will be from renewable sources and the other 51 percent in combined cycle gas power stations, which have cleaner technology than those that burn fossil fuels. EDP hopes by then to have around 2,400MW of installed wind capacity, 1,400MW of which in Portugal. This plan involved an investment of between EUR 4.5 billion and 5 billion and represents a 35 percent increase in our generation capacity in the Iberian Peninsula. Achievement of these goals depends on factors beyond EDP's control.

The reporting of the EDP Group's emissions complies with the WBCSD Greenhouse Gas Protocol. Scope 1 and Scope 2 emissions are reported. For Portugal, these emissions represent around 99 percent of emissions from EDP's activity.

Emissions at EDP Group facilities in Portugal and Spain, countries that belong to emissions trading, are certified by inspectors accredited by each country's authorities.

Specific CO₂ emissions at EDP electricity generating plants

gram/kWh	2005	2004	2003
Portugal	590	465	400
Spain	873	913	935

In 2005 emission allowances were allocated to the EDP Group's facilities in Spain (January) and Portugal (September). The Group was allocated a total of 68.9 MtCO₂ for the period spanning 2005 to 2007.

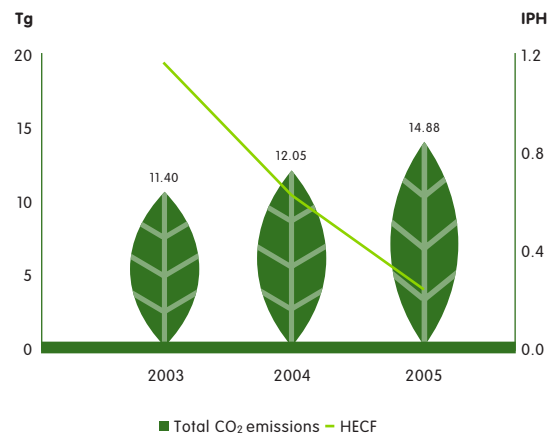
Emissions allowances allocated to the EDP Group

	2005	2006	tCO ₂ e 2007
Portugal			
Carregado	1,088,575	1,088,575	1,088,575
Setúbal	2,505,210	2,505,210	2,505,210
Sines	7,837,380	7,837,380	7,837,380
Barreiro	253,048	253,048	253,048
Tunes	5,000	5,000	5,000
Ribatejo	2,019,570	2,019,570	2,019,570
Mortágua	1,510	1,510	1,510
Soporgem	239,942	239,942	239,942
Energin	199,250	199,250	199,250
Spain			
Aboño	5,542,000	4,976,000	4,338,000
Soto de Ribera	3,404,000	3,057,000	2,666,000
Castejon	898,000	692,000	709,000
Total	23,993,485	22,874,485	21,862,485

The allowances allocated for the EDP Group's facilities in Portugal are 0.2 percent lower than those set forth in the 2004 PNALE.

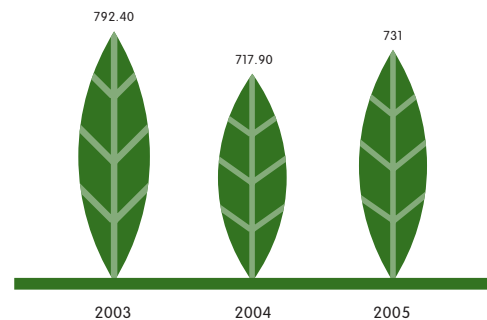
The year 2005 was particularly dry in Portugal (HECF = 0.42), 39 percent lower than in 2004. The lack of rain was reflected by an increase in greenhouse gas emissions, as hydroelectric power stations were unable to meet energy demand.

Total CO₂ emissions in Portugal



The increase in overall emissions contrasts with a reduction in specific emissions (thermoelectric facilities), thanks mainly to a substantial increase in consumption of natural gas, which is used at the new Ribatejo Power Station.

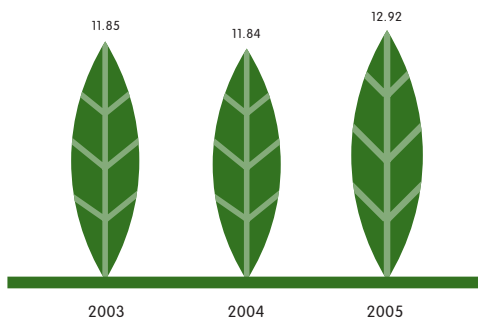
Specific CO₂ emissions in Portugal – thermoelectric facilities (Tg)



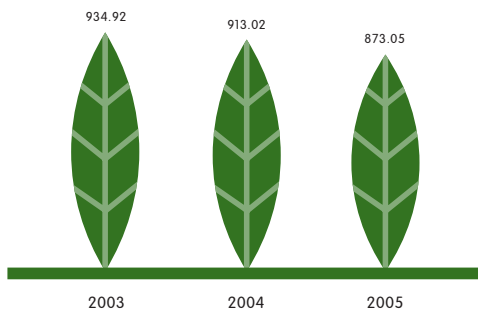
Setúbal Thermoelectric Power Station

In Spain, the coal component in the energy basket is important, as it constitutes some 75 percent of the total installed thermoelectric capacity and plays an important endogenous social role. As a result, specific CO₂ emissions are much higher in Spain.

Total CO₂ emissions in Spain (Tg)



Specific CO₂ emissions in Spain – thermoelectric facilities (g/kWh)



SF₆ emissions were quantified on the basis of SF₆ replaced in the equipment handled. In 2005, a new method for measuring SF₆ was developed and it should be implemented in 2006.

SF ₆ emissions			
	2005	2004	kg 2003
Portugal			
Electricity generation	30	53.4	30.4
Electricity distribution	41	28.4	39.2
Total	71.0	81.7	69.6
Spain			
Electricity generation	4.1	4.1	80.0
Electricity distribution	211.0	210.0	n.d.
Total	215.1	214.1	80.0

n.d. - not available

The EDP Group's fleet of vehicles in Portugal is responsible for the emission of some 13 ktCO₂eq. Minimising the impacts of our vehicles is addressed in specific programmes for replacing the fleet with cleaner technologies.

EDP has a small test fleet of hybrid vehicles and is assessing the possibility of converting part of the group's fleet to this type of technology.

EDP has a balanced generation portfolio, but it is sensitive to variations in hydrological correction. Since the beginning of the carbon market, EDP has also defined its strategy in its participation in Carbon Funds. It therefore participated in the sustainable development of disadvantaged areas, while still fulfilling its obligations in Emissions Trading.

The EDP Group currently has some 5 MtCO₂eq in CDM projects up to 2012.

EDP also participates in the World Bank Community Development Carbon Fund, aimed at participation in and promotion of small projects making a substantial social impact on deprived areas of the world. EDP's participation in Portugal and Spain corresponds to around 450,000 tonnes of emission reduction certificates in the total for the period spanning 2005 to 2012.

EDP has also invested in the Natsource GG CAP Fund, contributing 4.8 million tonnes to the total for the period spanning 2005 to 2012. This fund buys allowances in large projects in operation in 2005-2006 that guarantee emissions credits until 2012. The purchase of credits will be dispersed essentially in Asia and Latin America.

3.2. Management systems

Continuing our introduction of environmental management systems, we began implementation processes at the Fonte da Mesa and Cadafaz wind farms in Portugal. These processes are structured, integrated tools in the organisation's overall management. They enable us to manage and control environmental risks and to develop, implement, review and update the commitments assumed in our Environment Policy.

In our continual search for process efficiency we are currently implementing integrated environmental management (ISO 14001 standards) and safety and accident prevention (OHSAS 18001 standards) systems at Energias do Brasil - Bandeirante and EDP Produção thermoelectric power plants.

In Portugal, the Setúbal Power Station was the first to have its environmental management system renewed and certified by the new version of standard ISO 14 001:2004. The other thermoelectric power stations retained their certificates.

In Spain, Naturcorp Redes, Gas Euskadi Transporte and Naturgás Energía Comercializadora have standard ISO 14 001:2004 certification and Naturgas Energía Servicios is expected to receive certification in March 2006.

Environmental accounting

Anticipating approval of the Accounting Directive on "Environmental Matters" and following the 2001 European Recommendation, the EDP Group developed an Environmental Accounting System (EAS) in 2005. It will enable us to start gathering information of this type automatically in 2006 for the EDP Group companies in Portugal.

In order to promote internal acceptance of the EAS and provide information on its basic concepts,

awareness campaigns were conducted during the year for middle and senior management staff at the different companies in Portugal, Spain and Brazil. In Portugal training sessions on the practical use of the EAS were also held for SAP/R3 users.

In 2006, the project will be complete when specific procedures for standardising processes that have not been organised into a system are distributed to all employees.

3.3. Environmental Licensing

Environmental licensing processes ensure the overall development of measures to minimise and control environmental risks.

In March 2005, we completed the preparation of our Environmental Licence Application (under the PCIP, Integrated Prevention and Control of Pollution law) for the Soporgen co-generation power plant from the Directorate-General of Geology and Energy.

The Sines Power Station received an environmental licence in June 2005.



Sines Thermoelectric Power Station

HC Energía submitted applications for integrated environmental authorisation for its thermoelectric power plants at Soto de Ribera and Aboño in July and August respectively.

In September HC Energía received an integrated environmental licence for the two natural gas groups at the Castejón Power Station. The second will only go into service in 2007.

The operating licence for the coal fly ash and slag landfill in Sines was issued by the Waste Institute in December 2005.

3.4. Environmental Impact Assessment

In the EDP Group, environmental impacts are identified and assessed with a view to prevention, right in the development phase of a project.

Following the Environmental Impact Assessment of the fuel oil ash landfill on the perimeter of the Sines Power Station, the alternative found to closing the two existing deposit cells identified was total removal of waste and export for possible recovery, disposal or deposit in a landfill.

Projects under environmental impact assessment, EDP Group, 2005

	EIA	AIA	Recape
CGTP			
Sines	Sent	Public survey conducted from 26 October to 30 December	
Lares	Sent	Process began in January 2006	
Aboño	Ongoing		
Alange	Ongoing		
Soto Ribeira		DIA issued in May	
Castejon G2		DIA issued in December	
Desulphurisation C.T. de Sines		DIA issued in May	In final stages
Hydroelectric Development Baixo Sabor			Ongoing
Wind Farm			
Pena Suar			Approved in June
Madrinha			Approved in July
Serra da Alvoaça			Pending approval
Testos		Submitted	
Guerreiros		Submitted	
Cabeço Rainha II	Submitted		

EIA - Environmental Impact Assessment
 AIA - Environmental Impact Evaluation
 Recape - Environmental Conformity Report
 EincA - Environmental Incidence Study
 DIA - Environmental Impact Assessment Resolution

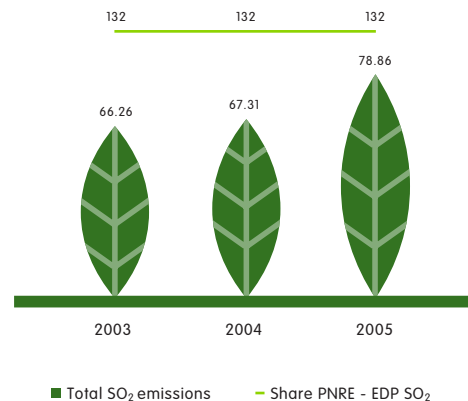
3.5. Atmospheric emissions

During the year, contracts were signed for the supply of desulphurisation systems (limestone-gypsum technology) to be installed at the Sines, Aboño and Soto de Ribera thermoelectric power stations. The work already begun will make it possible to comply with the national SO₂ emission reduction plans.

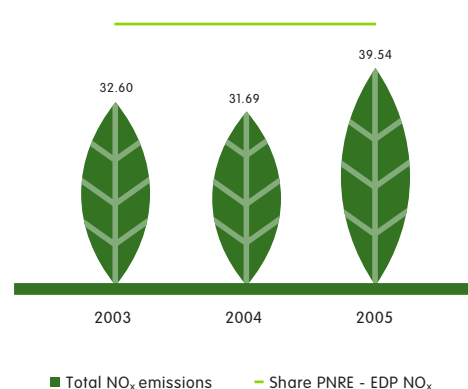
The increase in SO₂, NO_x and Particle emissions in 2005 was a result of the increase in thermoelectric generation due to the lack of rain during the year.

The goal of guaranteeing a minimum of 90 percent availability for environmental control equipment was achieved at the thermoelectric power plants in 2005.

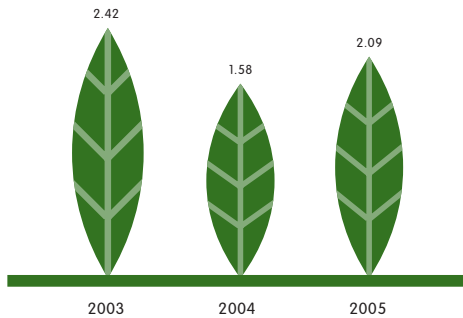
Total SO₂ emissions in Portugal (Gg)



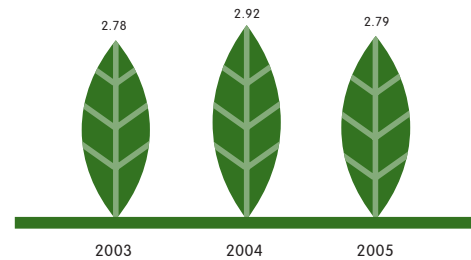
Total NO_x emissions in Portugal (Gg)



Changes in particle emissions in Portugal (Gg)



Total EDP particle emissions in Spain (Gg)



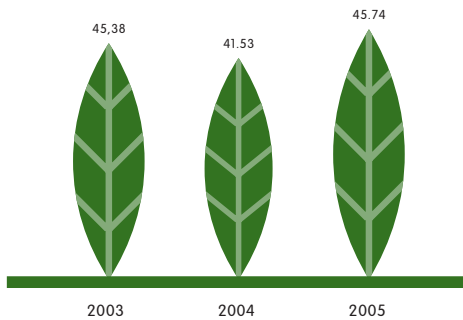
EDP's specific emissions

	g/kWh			
	2005	2004	2003	2002
Portugal				
SO ₂	3.7	4.0	4.6	6.2
NO _x	1.8	1.9	2.3	2.2
Particles	0.10	0.09	0.17	0.16
Spain				
SO ₂	3.3	3.2	3.6	4.1
NO _x	2.4	2.3	2.2	2.4
Particles	0.20	0.23	0.22	0.26

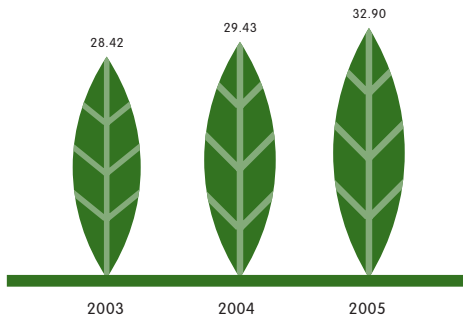
3.6. Waste

The most characteristic waste from thermoelectric generation is fly ash. Coal fly ash has high potential for recovery and has been used for several years as a sub-product in the cement and concrete industry. Fuel oil fly ash is rendered inert and then used to stabilise phosphogypsum deposits.

Total SO₂ emissions in Spain (Gg)



Total NO_x emissions in Spain (Gg)



Main categories of waste eliminated in 2005, Portugal

	2005	2004	Disposal
Waste - Sub-product			
Coal fly ash recovered	354,393	364,623	Recovered in cement industry
Hazardous industrial waste			
Fly ash and fuel oil slag	1,088	722	Inertisation and subsequent use to stabilise phosphogypsum deposits
Used oil	411	508	Energy recovery
Equipment with PCB disposed of	18	0	Incinerated at special facility
Light bulbs	21	19	Recycled at special facility
Non-hazardous industrial waste			
Concrete posts	46,572	44,393	Recovered in metallurgical industry and reused in construction
Unrecovered coal fly ash	4,806	4,908	Deposited at Sines Power Station ash facility
Coal slag	38,904	44,950	Deposited at Sines Power Station ash facility
Biomass ash	3,071	1,869	Recovered as agricultural and forestry fertiliser and organic fertiliser production
Waste metal	4,164	3,555	Recycled
"Total wastes"⁽¹⁾ (including sub-products)"	453,450	465,546	

(1) The total waste indicator has been changed. It is now reported with coal fly ash sub-product

The waste control and management process is being standardised in the EDP Group. We are identifying best practices and procedures for selective collection, packing, temporary storage and despatch to final destination. We plan to apply measures for reducing waste production at source, minimising hazardous waste and recovering waste materials.

In Portugal, we continued our plan to eliminate PCB-contaminated equipment by the end of 2010.

Main categories of waste eliminated in 2005, Spain⁽¹⁾

	2005	2004	Disposal
tonnes			
Hazardous Industrial Waste			
Used oil	55	77	Energetic recovered in HC coal power stations
Equipment with PCB disposed of	55	82	Incinerated at special facility
Light bulbs	2	1	Recycled at special facility
Non-hazardous Industrial Waste			
Fly ash and coal slag recovered	388,492	594,412	Recovered in cement industry
Unrecovered coal fly ash	119,559	n.d.	Temporary deposit
Unrecovered coal slag	122,405	3,440	Temporary deposit
Total waste	630,568	598,012	

(1) In Spain, recovered fly ash and coal slag are classified as waste and not sub-products like in Portugal.

Main categories of waste disposed of in 2005, Brazil

	2005	Disposal
tonnes		
Hazardous Industrial Waste		
Used oil	62	Regenerated
PCB disposed of	53	Incinerated at special facility
Light bulbs	21	Recycled at special facility
Non-hazardous Industrial Waste		
Concrete posts	29	Recovered in metallurgic industry and reused in construction
Metal waste	1,364	Reused or recycled
Total waste	1,529	

Reusing is Recovering

EDP was a pioneer in the reuse of materials used in sponsoring major sports events.

We used the marathon promotion banners (Lisbon and Oporto) to produce bags to replace the traditional cardboard or plastic folders to distribute documentation at press conferences and university job shops, thereby reducing waste.



3.7. Biodiversity

EDP conducts its business on two continents with very different natural characteristics, though both have areas of great natural sensitivity.

In Portugal, 22 percent of the mainland territory has nature protection status, while the figure is 25.2 percent in Spain. Brazil, a country recognised for its exceptional biodiversity, has around 70 percent of the planet's animal and plant species, but only 6.55 percent of its territory holds nature protection status.

EDP has begun an exhaustive appraisal of the infrastructures that it has in nature protection areas in order to define a corporate biodiversity policy, where the goal is to optimise environmental management while promoting further studies into the matter.

EDP has a number of infrastructures in these circumstances in Portugal though most of the land was already being used before it was classified. It takes special care in their management, conducting studies to minimise impacts and assessing the effects of their existence on local ecosystems.

Infrastructure in classified areas, Portugal

		2005	2004	Var. %
Distribution grid (km)				
HV	Overhead	792.5	779.8	2%
	Underground	3.6	3.5	3%
MV	Overhead	7,184.7	8,706.3	(2)
	Underground	574.1	463.1	(2)
Nº of substations		23	n.d.	
Generation				
Construction in protected areas (ha)		630	n.d.	

(1) Including the Natura 2000 Network and National Protected Area Network.
 (2) The figures reported in 2004 for the overhead MV grid are the result of less accurate georeferencing information and so they cannot be compared to those for 2005.
 n.d. - not available

With the enlargement of wind farms, some of these EDP infrastructures have been built in particularly sensitive areas. Nine studies are currently under way to monitor fauna (birdlife, Iberian wolf and bats). Studies already completed have shown that the local ecosystems and the infrastructure constructed are compatible.



Cabeço da Rainha Wind Farm

In Spain there are also a number of hydroelectric power stations in natural parks and, as in Portugal, they blend in perfectly with the landscape.

Flooded area in Spain

2005	Flooded area (ha)
Somiedo Natural Park	
La Malva Hydroelectric Power Station	58.7
La Riera Hydroelectric Power Station	0.59
Miranda Hydroelectric Power Station	0.4
Redes Natural Park	
Tanes Hydroelectric Power Station	201
Total	260.69

In Brasil, there are ongoing reforestation programmes and erosion prevention on the banks of the dams of the hydroelectric power stations. Some 330,000 cuttings of indigenous species were planted in 2005.

In Peixe Angical, there are programmes for monitoring and minimising impacts, including the recovery of deteriorated areas and monitoring of local fauna, including fish, and of plant species.

Where the distribution of electricity is concerned, in Portugal, the agreement for reconciling the grids and birdlife between EDP Distribuição and the Nature Conservation, Quercus and SPEA was extended to allow for the completion of the work currently under way.

In Brazil, the work on new transmission and distribution lines is undertaken in such a way as to minimise interference with biodiversity, avoiding cutting down trees, and giving preference to the use of existing accesses, in addition to other measures.

At Escelsa, 86 kilometres of electricity grid were replaced to avoid having to prune trees and some 4.4 kilometres of cable were replaced in the habitats of the tuft-eared marmoset. The company also has programmes for relocating bird nests, preserving aquatic fauna and replacing vegetation.

3.8. Compliance

Incidents

In terms of distribution incidents, priority went to the prevention and containment of potential spills. A total of three oil holding tanks for power transformers were built.

This was also the case in Brazil, where oil holding tanks were built to prevent oil spillage into the ground and 24 oil/water separators were also constructed for transformers at several facilities. The total for 2004

and 2005 is 94.

A low-impact environmental accident occurred at Bandeirante in 2005, as a result of the explosion of a transformer changeover switch, which caused the spillage of around 600 litres of insulating mineral oil. Thanks to the immediate mobilisation of the maintenance crews, the spill was limited to the station, in accordance with the contingency plan. The oil-contaminated soil and gravel were then removed.

In generation activity, we continued to carry out the environmental accident drills included in facilities' internal emergency plans.

Complaints

In distribution, 139 environmental complaints were received, 130 of which were dealt with in an average of 10 days.

Administrative offences

In Portugal, in generation, the three suits brought in 2004 were contested. In two of them, the courts have already found in favour of the company. A decision is still being awaited for the other case.

In 2005, in distribution in Portugal, the company was charged with five environmental offences. After contestation, the court found in favour of EDP in one of them. The other four are awaiting an administrative decision. Two 2002 cases and four 2004 cases are still pending due to lack of an administrative decision.

In Spain HC Energía incurred 11 environmental penalties, seven of which for occupying public water areas.

In Brazil, there was a new administrative environmental case against Escelsa. The decision in one of the cases went against the company, while five cases are still pending, two of which involve criminal charges.

Goals for 2006

- Setting our strategy for participating in CDM/JI projects
- Neutralising our vehicles' emissions in Portugal
- Environmental Certification of the Ribatejo Thermoelectric Power Station
- Implementing the Integrated Environment and Safety Management System at all thermoelectric power stations in Portugal
- Implementing an integrated Quality, Environment and Safety System at Labelec
- Obtaining certification of environmental management systems at hydroelectric generation plants in Portugal
- Publishing the Environment Policy at Energias do Brasil

4. INTEGRITY

- Ensure the observance of ethical standards in the conduction of business
- Respect human rights in its sphere of influence
- Elaborate specific codes of conduct

The way in which companies manage their business in an increasingly globalised world where inequality between societies is growing, is being regarded increasingly more as a relevant factor.

EDP has always operated within a framework of ethical values that are explicit or implicit in its corporate agenda, in its professional relations, in its obligations to its shareholders, in the Vision, Mission statement and Values defined by the Board of Directors and in its published Principles of Sustainable Development.

The application of a company's principles is reflected in its employees' everyday actions following generally accepted ethical practices though, for reasons of proper transparency and impartiality, increasingly more companies prefer to describe them in detail.

In short, the ethics of any decision can be assessed from three points of view:

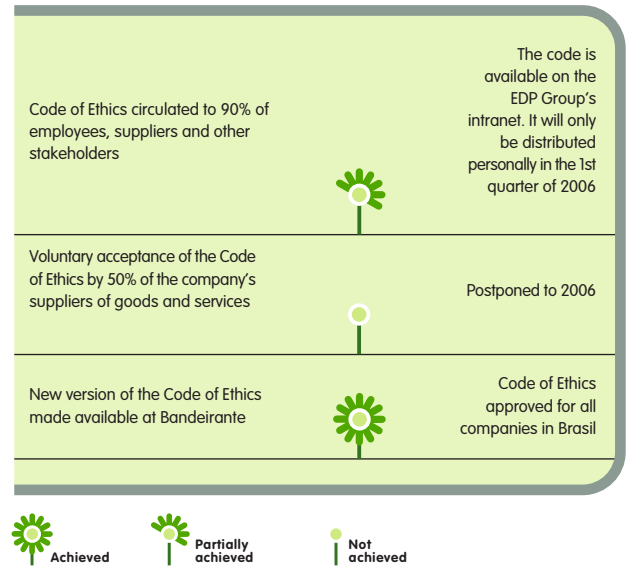
Transparency: "Would I like people to know that I did this?"

Effects: "Who is affected by this action?"

Rightness: "Will my action be considered right by those affected?"

In view of the distinctive characteristics of the markets in which EDP operates, the Group's actions and good business practices must be consistent everywhere in the world.

Objectives for 2005



4.1. The EDP Group Code of Ethics

Ethics is one of the values that EDP accepts and promotes and is part of the Group's Principles de Sustainable Development.

In 2005, EDP approved its Code of Ethics and distributed to all its employees (full version of the code on <http://www.edp.pt>).

Following approval of the Code of Ethics, there was a need to set up Specialised Board of Directors Committee. In 2006, this committee will:

- Help define the EDP Group's policy regarding its code of conduct, good practices and highest standards of ethics;
- Establish guidelines regulating the Code of Ethics;
- Ensure compliance with the Code of Ethics in all the Group's companies.

An Ethics Committee was therefore set up, with the following members:

- Chairman of the EDP Board of Directors - Francisco de la Fuente Sánchez;

- Chairman of the Auditing Committee – Prof. José Manuel Trindade Neves Adelino;
- Non-executive Director - José Alfredo Parreira Holterman Roquette.

Enersul receives integrity award for second year running

For the second year running, ENERSUL has received an award that recognises its integrity in professional and human relations with its employees and evaluates its environment, human resource, health, occupational safety and education policies and the social responsibility activities it promotes.

The Award for Quality of Work in the Industry's Social Service (SESI) was awarded by the Federação das Indústrias of Mato Grosso do Sul.

Energias do Brasil distributed its specific Code of Ethics as part of the corporate Code of Ethics in 2005.

EDP reports its activities as set forth in the Sarbannes-Oxley Act, which obliges all companies to certify their annual reports and publish the results of their financial audit. This practice promotes a corporate culture based on transparent, reliable, accurate financial information.

There is more detailed information on page 141 of the Institutional Report.

4.2. Membership of organisations

In 2004, EDP joined Global Compact, an initiative sponsored by Koffi Annan, Secretary-General of the United Nations. As a member, EDP can now model its activities on a set of universally accepted principles, making it easier to define its own sustainability and draw up specific codes of conduct.

EDP has also been using Global Reporting Initiative guidelines to draw up the Group's Sustainability Report since 2001 and has been a GRI Organizational Stakeholder since 2004.

Abiding by the standards for preparing its Sustainability Report greatly increases transparency and means that EDP's economic, environmental and social performance can easily be compared to that of its counterparts. EDP believes that joining this initiative

is essential to its corporate practices and that there are clear advantages in sharing information with the different stakeholders.

For more information on the GRI guidelines go to: <http://www.globalreporting.org>

At the end of 2005, EDP was one of the founding members of the World Safety Declaration (WSD).

The WSD is the result of a coalition of companies and entities from different countries that attended the 17th World Congress on Safety and Health at Work. The Declaration they signed assumes a "global industry commitment to workplace safety".

As a member of the WSD, EDP undertakes:

- To meet periodically to share its experience of good practices;
- To promote this initiative;
- To report its initiatives and progress achieved at the 18th World Congress on Safety and Health at Work in 2008.

The first progress report will be published in 2008.

Goal for 2006

- Personal distribution of the Code of Ethics in Portugal, Brazil and Spain.

5. DIALOGUE WITH STAKEHOLDERS

- Ensure an open, transparent and trustful relationship with the different stakeholder groups
- Establish stakeholder communication channels and integrate their concerns
- Report performance in a credible, objective way in its economical, environmental and social dimensions

EDP is aware of the importance of its stakeholders' perceived trust to its long-term success.

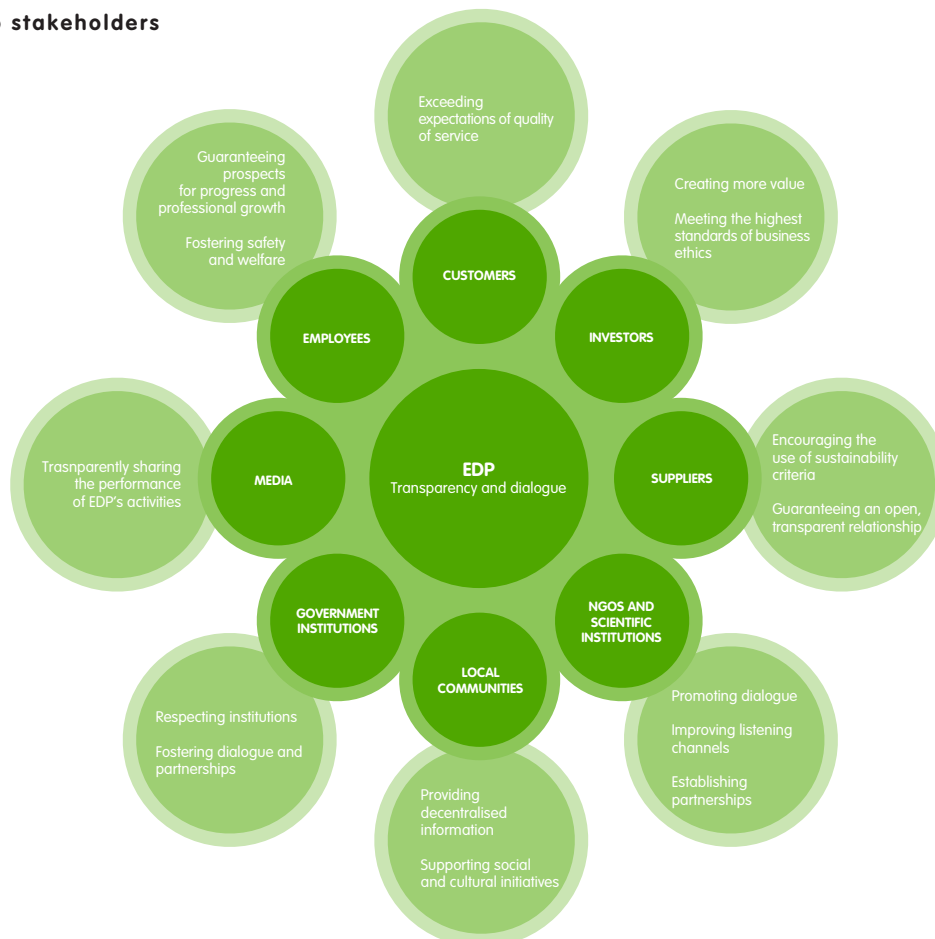
Along with the Group's annual results, another of EDP's main challenges is to meet each of its stakeholders' expectations in a timely fashion, thereby ensuring a close relationship with them.

Objectives for 2005

Creation of an EDP portal		Under way, going online in 2006
More frequent customer satisfaction surveys		Only half-yearly in 2006
More frequent employee satisfaction surveys		Half-yearly in 2004 was extraordinary. It will be annual again from now on
Audit of suppliers with environmental impact		Vehicle maintenance shops were audited
Implementation of an Environment and Sustainability Communication Plan		Under way, extended sustainability training expected to begin in 2006



Commitment to stakeholders



5.1. Customers

Customers and efficiency are two of the values underlying the EDP Group's activities. Efficiency is particularly critical for customers, when it comes to identifying and implementing innovative, high-quality solutions.

Finding out and monitoring changes in customers' perceptions of EDP's performance has proved essential in appraising and adjusting processes, providing and advising on new products and services and introducing innovative operations.

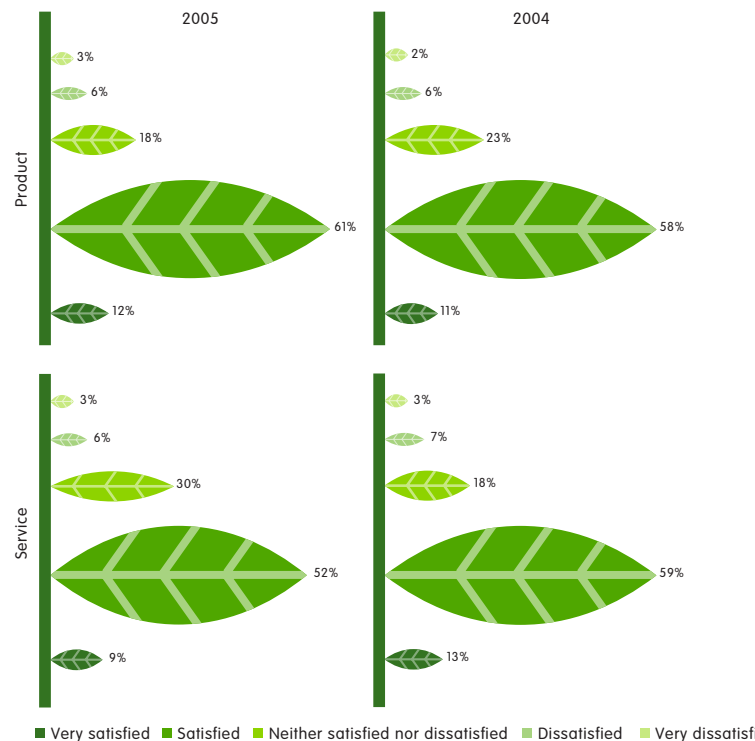
In 2005, EDP continued to conduct satisfaction surveys, monitoring changes in the main indicators, including Customer Satisfaction with Products and Services.

With the start of the Quality Management System in Spain and Brazil, in 2006 it will now be possible to obtain comparative indicators for all the countries in which EDP operates.

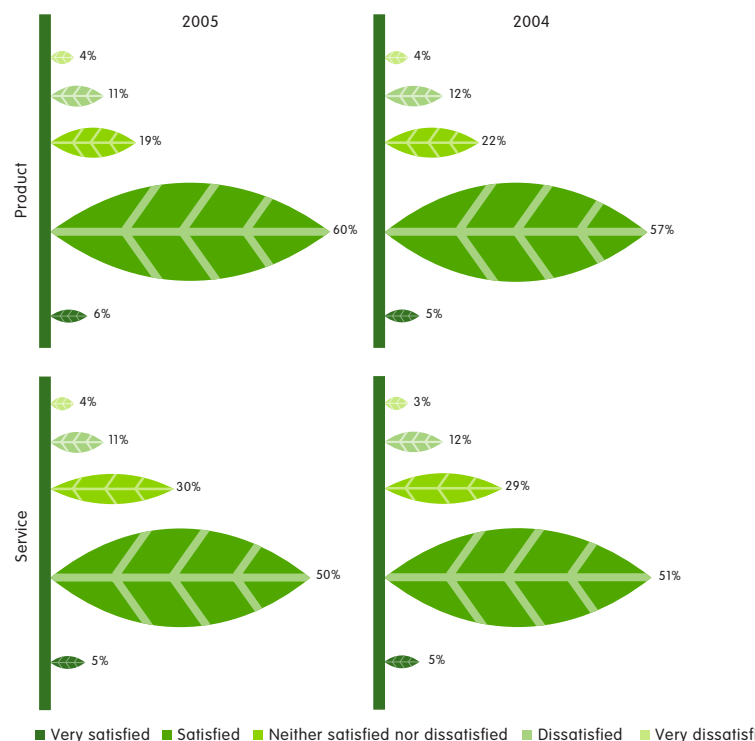
On the basis of the results in Portugal, processes and procedures were revised, in particular those related to Front-Office – Contact Centre, Stores and Complaint Management. An improvement in these indicators is expected in 2006.

For our industrial customers, we reorganised the website of EDP Comercial, which supplies electricity to non-binding customers in Portugal, developing it to provide the best solutions. If the best solution is to transfer from the public to the market system, the EDP Group guarantees rapid transition and a set of solutions that create value for customers, such as improving energy efficiency.

Levels of satisfaction in Portugal Residential Customers



Corporate Customers





Energy Efficiency Campaign

In June 2005, EDP launched an information campaign for all its residential customers in Portugal.

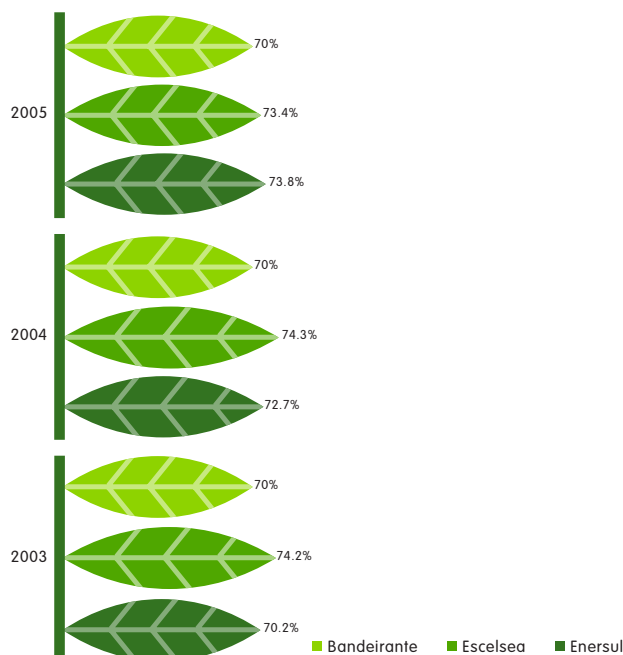
The idea behind the campaign was to raise public awareness of the benefits of saving

electricity and break down the psychological barrier of the idea of "saving", showing that it does not necessarily mean sacrificing any comfort.

In Brazil, quality of service and distributor customer satisfaction are measured in annual surveys conducted by the National Electricity Agency (Aneel), Brazilian Association of Electricity Distributors (Abradee) and the companies themselves.

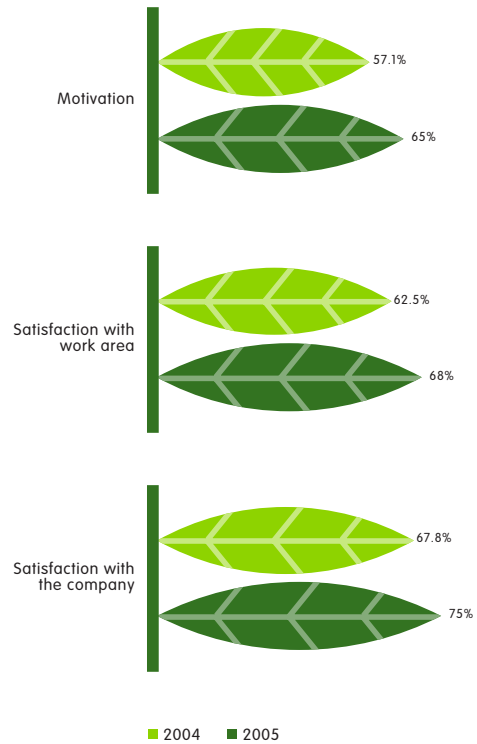
In 2005, the association recognised Enersul as the Best Electricity Distributor in the Northern and West Central Regions.

Customer satisfaction, Brazil



5.2. Employees

IN 2005 we continued to conduct employee satisfaction surveys in Portugal and there was a substantial 34 percent increase in the response rate.



In 2005, it was also possible to extend the quality system to the rest of the Group. This will provide standardised indicators for all companies and therefore give realistic support when setting quantified improvement goals.

The company's relationship with its employees is also based on constant reassessment of the means of communication used. This year, particular effort was made towards sharing information between companies in the different countries (Portugal, Spain and Brazil), allowing them to learn more about each others' best practices.



Third EDP Meeting

5.3. Shareholders

The EDP corporate structure includes an Investor Relations Office which maintains appropriate institutional and informative contact with shareholders, financial analysts and potential investors in EDP.

This office is responsible for ensuring that the company's communications do not discriminate against the different entities involved in the financial market and that the information is clear and objective.

The Company's communication policy abides by CMVM recommendations and best practices in company governance of the market in this regard. This ensures that EDP's management is transparent and that the information it provides is credible so as to foster and strengthen the trust of shareholders, strategic partners, employees, customers, creditors and the general public.

Information Channels	Personally ¹	www.edp.pt	E-mail	GRI phone line ⁵	By post ²	www.cmvm.pt	Media
Required by law or regulations³							
Convening of General Meeting	•	•	•	•	•	•	•
Proposals by Board of Directors	•	•	-	-	-	-	-
Charges to Articles of	•	•	-	-	-	-	-
Other proposals	•	•	-	-	-	-	-
Annual Report for the 2003-04 financial year ⁴	•	•	•	-	•	•	•
Managerial and supervisory							
Positions held in other companies by members of the governing bodies	•	•	-	•	-	-	-
Name, qualifications and professional experience of the two new members proposed for the Board of Directors							
	•	•	-	•	-	-	-
Additionally made available by EDP							
Forms for voting by proxy	•	•	•	•	•	-	-
voting sheets for postal votes	•	•	•	•	•	-	-
forms for voting by e-mail	•	-	•	•	•	-	-
Clarifications	•	•	•	•	•	-	-
EDP statutes and regulations	•	•	•	•	•	•	-
Results of votes on proposals	•	•	-	•	•	•	-

(1) At the EDP main office.
 (2) Additionally, on EDP's initiative. Information from the Chairman of the BD relative to participation in the General Meeting of Shareholders. Communiqués by the Chairman of the EC divulging information about the economic and financial activity and indicators at the year's end. Communiqués are released whenever events important to the year's end. Communiqués are released whenever events important to the company occur, e.g. an increase in capital.
 (3) Companies Code (Article 289) and CMVM Regulation no. 7/2001.
 (4) Management report, individual and consolidated accounts and opinion of the Statutory Auditor.
 (5) Investors Relations phone line: +351210012834

5.4. Suppliers

In 2004, the Group began concentrating its negotiation and purchasing activities and in 2005 the platform was extended to the Iberian market. The process has made it possible to harmonise procedures and requirements imposed on EDP suppliers, which facilitates dialogue and shows greater transparency in negotiation processes.

This year a registration and qualification system for suppliers has been implemented in the EDP website on the dedicated suppliers' channel, inviting them register. As a result of this process, entities who register must inform EDP about environmental aspects, i.e. whether they have environmental certification. This information is later used by the company.

It is important to point out that any supplier registering with the system must accept the EDP Group Code of Ethics.

5.5. Government scientific institutions and local communities

The EDP Group has been coherently abiding by its values and principles of social responsibility, an important position in the articulation between the community, universities and the corporate world.

Cooperation with scientific institutions and corporate associations, bringing companies closer to academia, is one of EDP's commitments and it participates in a vast number of national and international initiatives.

The following agreements were signed in 2005.

- Collaboration with the Faculty of Economics at Universidade Nova de Lisboa (FEUNL)- EDP was admitted as a member of ÉGIDE, an association that helps strengthen the scientific capacity of the FEUNL. EDP sponsors students taking its MBA programme by giving two annual study grants to Brazilian and/or Chinese students. This agreement also provides for work placements at EDP Group companies.
- Collaboration with Universidade Católica Portuguesa (UCP) - EDP, was made a member of the Board of Trustees. EDP undertakes to make a fixed annual monetary contribution for three years to the UCP. The contribution goes to a foundation set up to create a permanent support fund for its activities.

Collaboration and Partnerships

- COTEC Portugal - Corporate Association for Innovation
- ADISEGI - Association for the Development of the School of Statistics and Information Management
- INDEG / ISCTE - Institute for the Development of Corporate Management at ISCTE
- MIT-CEEPR, Center for Energy and Environmental Policy Research
- AESE - Association of Advanced Research into Companies, School of Management and Business

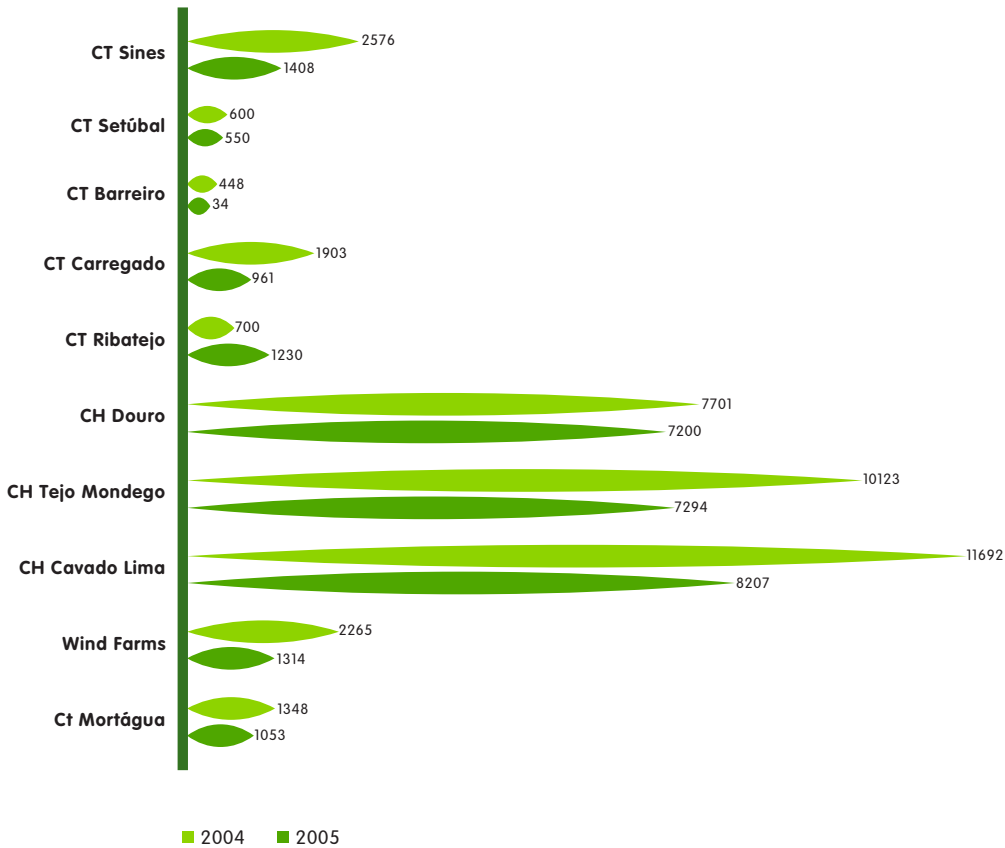
5.6. Local communities

The proximity of local communities to generating centres in Portugal is promoted through a close relationship with the regional media and policies of opening plants to the community. There were 26,884 visits in 2005.



Visit to a thermoelectric power station

Number of visits to generating plants, Portugal



EDP is committed to reinforcing this proximity policy by breaking down, at the local level, information that today is only available in the Annual Sustainability Section. EDP is currently reviewing the contents of its site and one of the improvements under way is the provision of local information.

Goals for 2006

- Children’s communication plan
- Corporate benchmarking of quality indicators for customers and employees
- Improving local information on EDP’s corporate website
- Personalised circulation of the EDP Group’s Principles of Sustainable Development in Brazil

6. HUMAN CAPITAL MANAGEMENT

- Reinforce management systems to ensure health, safety and well-being of workers
- Promote the development of individual skills and reward excellence and merit
- Reject abusive and discriminatory practices

A company's human resources are the pillar of the whole organisation. EDP considers their commitment and motivation to be its main competitive advantage.

Today's challenges in this area are threefold:

- Rejuvenating management staff - the average age of employees at EDP's companies is high;
- Management of expectations - in an increasingly open, competitive market, managing expectations is essential for keeping the most talented employees;
- Training - in a constantly changing world where technological developments are happening ever faster, development of skills and ongoing training are essential to any business's success.

Objectives for 2005

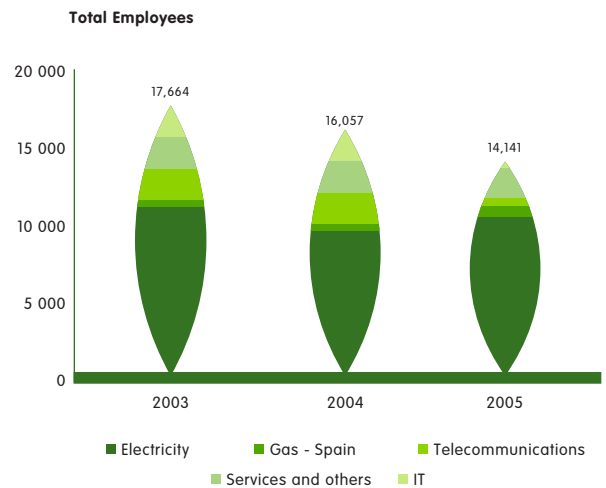
Improving performance evaluation processes in Portugal		A2D Evaluation System introduced in Portugal
New protection and well-being initiatives: nutrition advice and anti-stress measures		Anti-stress initiative expected to begin in 2006
Implementing Emergency Plans in all buildings over two storeys		Not achieved



6.1. Employment

Today EDP has 14,141 employees in Portugal, Spain and Brazil, most of them in the electricity sector (84 percent).

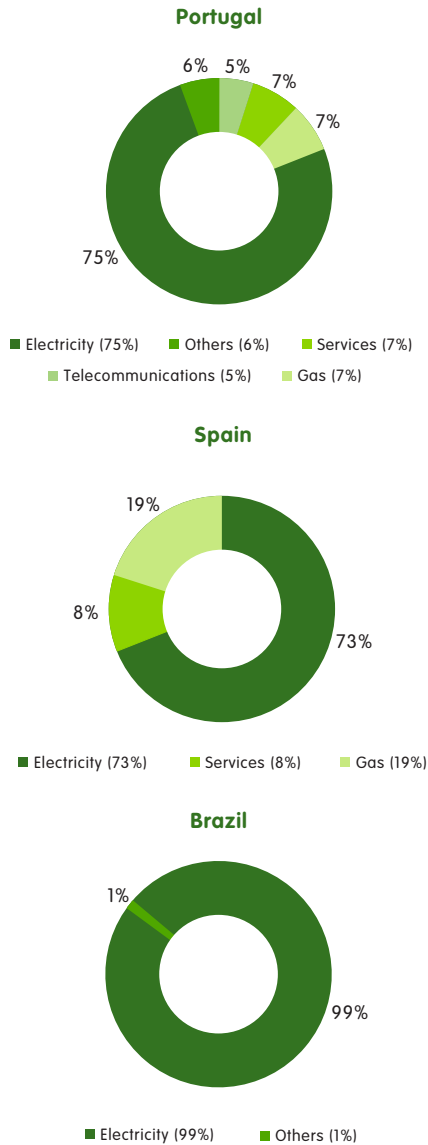
N° of employees per EDP Group business area⁽¹⁾



(1) Not including corporate bodies. Including gas in Portugal

There was reduction in the number of employees compared to 2004, mainly as a result of the sale of Edfinfor and ONI Espanha.

Employees per Country



project "Preparing tomorrow's EDP" was implemented. It will recruit 200 young people and prepare them for the new, competitive environment in an ongoing effort to rejuvenate EDP's employees.

There were 22,350 spontaneous applications for the "Preparing tomorrow's EDP" project this year, far exceeding expectations.

Employment in the EDP Group

	2005	2004	2003
Portugal			
Fixed-term contract	2%	3%	2%
Part-time employment	(1)	(1)	(1)
Turnover	0.03%	0.08%	0.05%
Absentee rate	4.52%	5.52%	7.02%
Spain			
Fixed-term contract	3%	3%	n.d.
Part-time employment	0.2%	0.2%	n.d.
Turnover	0.07%	n.d.	n.d.
Absentee rate	3.86%	n.d.	n.d.
Brazil			
Fixed-term contract	n.d.	n.d.	n.d.
Part-time employment	(1)	(1)	(1)
Turnover	0.06%	8.9%	n.d.
Absentee rate	0.05%	3.3%	n.d.

Characterisation of staff

The average age at EDP is high (45) and 80 percent of the total number of employees are male. In top management positions this figure goes up to 88 percent⁽¹⁾. New admissions are still predominantly male, representing 68 percent of a total of 74. There is, however, a slight trend towards greater balance in the long run.

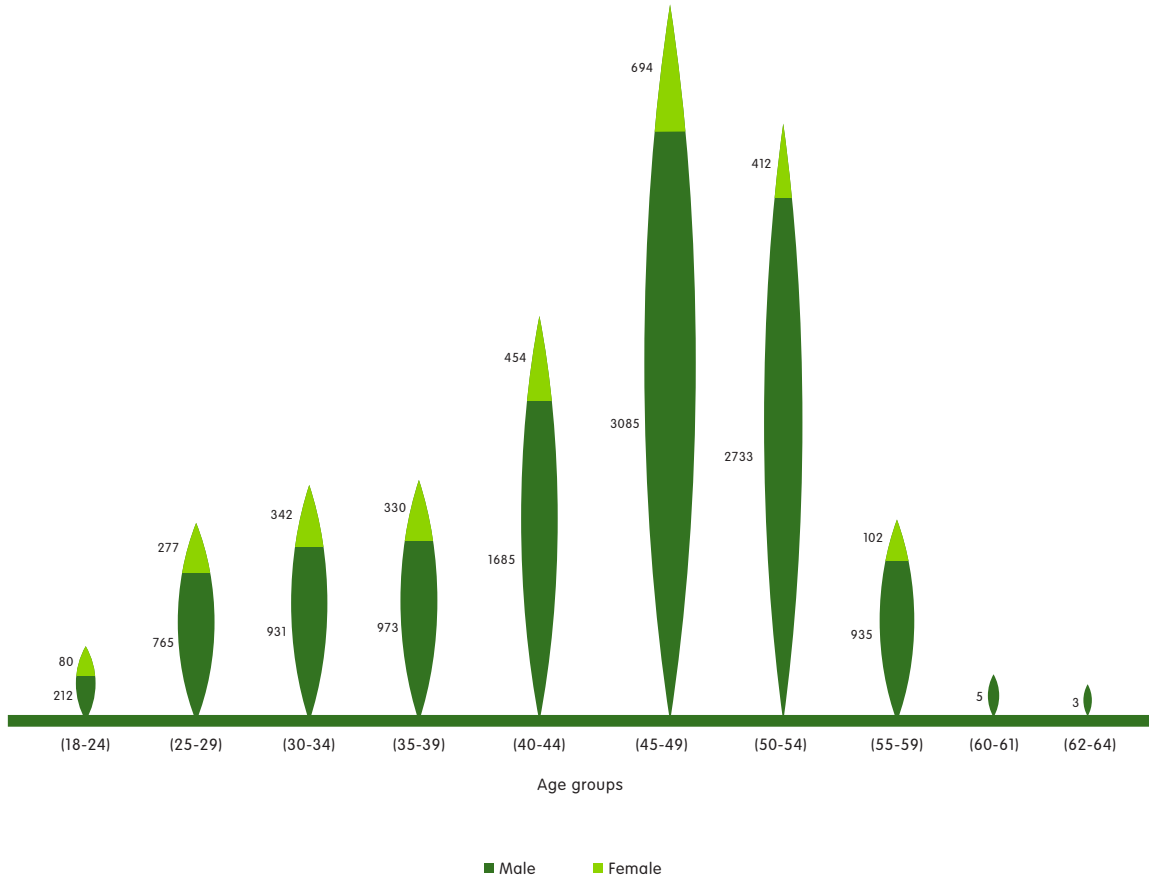
The Restructuring Plan begun in 2003 was completed and another 150 employees left by mutual agreement.

In addition, we continued our socio-professional re-orientation programme for a total of 331 employees. There were also employees who opted for the Active Retirement Programme and decided to pursue new, more occupational life projects, such as volunteer and training work.

In compensation for this Plan, 74 new employees were admitted (another 39 fixed-term contracts), and the

⁽¹⁾ This figure is not comparable to the one published in 2004, as all directors and deputy directors are now included.

Age structure of the EDP Group's employees



Labour relations

EDP employees' active participation in the company's management is guaranteed by meetings every two months between the Workers' Committee and the Chairman of the Executive Committee. Current management matters and planned policies are discussed at these meetings. Employees are also given facilities and time within working hours to holding workers' meetings. In Portugal, 74 percent of EDP's employees are union members. This figure rose against 2004 (66 percent) due to a reduction in the workforce from 2004 to 2005, with the sale of Edinfor.

Labour relations in the EDP Group

	2005	2004
Portugal		
Union members (%)	74%	66%
Nº of hours of strikes	341	1055
Nº of student workers	105	106
Nº of internships	40	73
Spain		
Union members (%)	26%	n.d.
Nº of hours of strikes	0	n.d.
Nº of student workers	n.d.	n.d.
Nº of internships	0%	n.d.
Brazil		
Union members (%)	62%	n.d.
Nº of hours of strikes	0	n.d.
Nº of student workers	n.d.	n.d.
Nº of internships	234	n.d.

Arranging for work placements is one of the ways of implementing our rejuvenation policy. In an effort to further increase transparency, in 2005 EDP adopted a set of work placement management rules in order to optimise selection from the Group's application database.

6.2. Human capital

In 2005 a new performance evaluation model was introduced for all EDP employees. It fosters teamwork and encourages employees to achieve their goals and expected results. This model was complemented by a management appraisal project, which assesses and nurtures EDP managers' skills. In 2005, it was applied to 216 supervisors.

Also as part of the company's human capital management policy a corporate Management Development Office was set up to foster employees' professional development and ongoing adaptation to the company's needs.

In the course of 2005 a new career management model was developed for senior staff, in which liens of progression are not mutually dependent – Y Careers. We hope that this new model will help optimise individual development, thereby providing important support in the management of talent and of mobility.

6.3. Training

Ongoing vocational training is an essential tool if the EDP Group is to achieve the levels of excellence in performance to which it aspires.

In view of its importance, in late 2004 EDP set up a training board, presided over by the Chairman of the EDP Group Executive Committee. It establishes strategic objectives and approves the plan and budget.

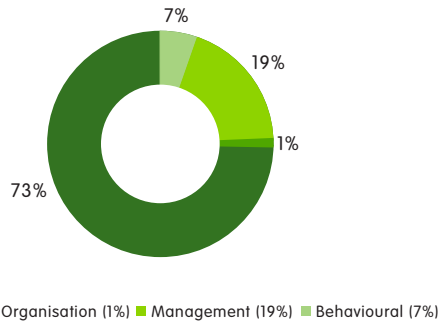
The EDP Group's Training Policy, which was approved in 2005, summarises the guiding principles for training activities.

Fundamental Principles of the EDP Group's Training Policy

- Individual development - the participation and commitment of all in acquiring individual skills, making the most of the available opportunities and resources;
- The organisation's responsibility - pro-active responsibility of everyone in the organisation of work to ensure access to the right training for acquiring skills;
- Alignment with the business - available training plans and processes must be suited to the Group's needs;
- Management of knowledge - maximising the organisation's human wealth;
- Sharing with society - encouraging cooperation with the communities to which EDP belongs with a view to sharing resources, improving knowledge and encouraging innovation.

This year, training totalled 168,686 hours involving 11,368 participants in Portugal and 40,630 hours and 4,263 participants in Spain. These figures cover all classroom training and distance learning, including courses, seminars, congresses and conferences.

Training by area in Portugal

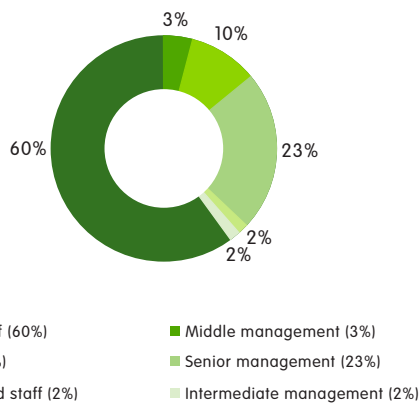


Of the training areas considered, the following are particularly important, due to their characteristics:

Important training in Portugal

2005	Field	Hours	Nº Trainees	Nº Participants
Management Tools	Management	13,124	99	2,199
Environment and Quality	Organisation	1,573	16	128
Information Technology	Technical	23,878	135	1,526
Foreign Languages	Technical	6,265	31	314
Safety and Accident Prevention	Technical	40,539	109	3,317

Training time by professional category, Portugal



6.4. Health and wellness

The company has been making continuous efforts to promote its employees' health and wellness. Our commitment to prevention and medical and social benefits helps to increase the Group's productivity and reduce the absentee rate. This year the absentee rate

was 4.52 percent, one percentage point lower than in 2004.

EDP Flex, a new social and medical benefit package for new management staff was introduced in 2005. In a survey assessing satisfaction with the plan, 75 percent of the employees covered said that they were satisfied mainly with their benefits.

Continuing the promotion of health at EDP launched in 2004, the anti-smoking campaign and nutrition clinic were particularly successful. An anti-stress campaign will be added to these initiatives in 2006.

6.5. Safety and accident prevention

In view of the importance of safety and accident prevention in the company, a Strategic Safety and Accident Prevention Board was set up to assist the Executive Committee in managing safety at EDP, helping to optimise processes and improve results.

In 2005, there were a number of occupational accident prevention campaigns, including service providers, the protection of property and facilities and minimising third party risks arising from the companies' normal activities.

We continued consolidation of our occupational health, safety and hygiene management system (SHST) with reference to standard OHSAS 18001:1999 and the specifications of the International Labour Organisation, ILO-OSH 2001.

With regard to the management and coordination of works safety, we intervened with service providers to improve safety conditions in their work.

“Don’t run risks”

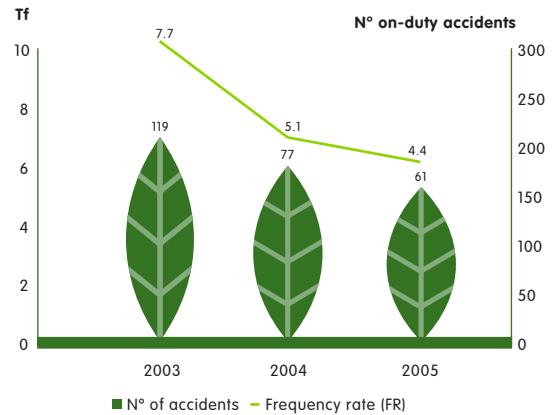
An awareness campaign for outside entities was conducted to reduce the number of on-duty accidents indirectly related to our activity. We sent out 30,000 “Don’t run risks” kits with information leaflets for distribution to their employees, posters for works sites and notepads with reminders of safety rules.



We continued our efforts to implement a “Qualification Certificate” and “Safety Passport”, accident prevention instruments that we hope will make a valuable contribution to occupational safety by making service providers aware of the risks and how to control them.

The number of on-duty accidents involving EDP employees in Portugal went down substantially and, as a result, so did the frequency rate, returning to the trend of previous years.

On-duty Accidents and Frequency Rate in Portugal



If the universe is extended to the whole EDP Group, the frequency rate goes down to 4.1 accidents by hours worked.

If we add industrial service-providers’ accidents to the frequency rate (in Portugal), the figure goes up to 4.7.

The severity rate at EDP in Portugal was 300 calendar days lost per million hours worked. In the international universe, the severity rate was 223.

There were no fatal occupational accidents among EDP employees. However, in spite of training, awareness campaigns and monitoring of service providers, there were unfortunately nine fatalities at EDP Group service providers.

In order to reverse this trend, the Strategic Safety and Accident Prevention Board decided to increase accident prevention activities in the management of service providers in 2006.

EDP's recognition of good practices

- **Preventing Accidents, Living Better at Work Award:** Honourable mention for the CPPE Safety and Accident Prevention System and the certification process of generating plants.
- **Good Practices Award 2005 - "Stop that Noise"** promoted by the European Agency for Safety and Health at Work [2005], with an honourable mention for "Implementation and Control of Noise Reduction Measures", on the noise control programme at the Setúbal Power Station.
- **Investigation of accidents at EDP:** Selected by the European Agency for a meeting to promote good practices for new European Union members

Goals for 2006

- To extend health promotion to anti-stress support
- To implement internal employee mobility system (GIM)
- To hire 200 new, young managers
- To raise sustainability awareness throughout the EDP Group

7. PROMOTION OF ACCESS TO ELECTRIC ENERGY

- Promote reliable, generalised access to electric energy
- Adopt a transparent, socially fair price policy
- Develop means of electricity generation with appropriate quality at minimum cost

As electricity is essential to economic development and improving people's quality of life, electricity companies are obliged to meet the requirements of a public service, protecting consumers and ensuring safe supplies, on one hand, and helping to create a fairer society and a cleaner environment on the other.

The company's activities have therefore been guided by guaranteed supplies with quality and continuity of service and protection of prices for low-income customers.

Objectives for 2005

Electrifying 7,978 new customers under the "Electricity for All" programme at Enersul		The programme will continue in 2006
Electrifying 6,217 rural properties by 2006 under the "Electricity for All" programme at Bandeirante		The programme will continue in 2006



7.1. Public service obligations

In the Public Service Electricity System (SEP) generation, transmission and distribution are a public service, which is associated with the obligation for supplying electricity with appropriate standards of quality of service, as set forth in the Service Quality Regulations (RQS) approved by ERSE and the principle of territorial uniformity of tariffs.

Today there are new elements in the SEN structure, including the following: the regulated seller, which is obliged to supply electricity to customers requesting it under the SEP and is subject to regulated prices and the seller of last resort, which

is obliged to supply electricity to all customers. EDP Distribuição is currently responsible for both these functions.

7.2. Promoting access to electricity

Under the AGRIS Programme⁽²⁾, EDP has made an effort in Portugal to provide access to electricity for agricultural holdings and small agro-industry units, helping rural populations to improve their income and quality of life.

In 2005, 71 percent of the rural electrification projects in the agricultural regions of Trás-os-Montes, Beira-Interior and Alentejo were completed and around 1 percent in the greater Lisbon and Oporto areas.

In Brazil, the rural electrification programme "Electricity for All" was implemented as part of the plan for universal access to electricity services, which provides for connection to the distribution grid of low-voltage customers up to 50 kW. Under this programme, the goal of companies in Brazil is to connect 10 million rural customers to the low-voltage distribution grid by 2008. In 2005, EDP connected another 8,538 rural customers to the distribution grid in Brazil.

Under the same programme, Escelsa set up three pioneering projects for municipalities with a Human Development Index below the Brazilian average. Three communities were involved, benefiting 67 homes.

7.3. Customers with special needs

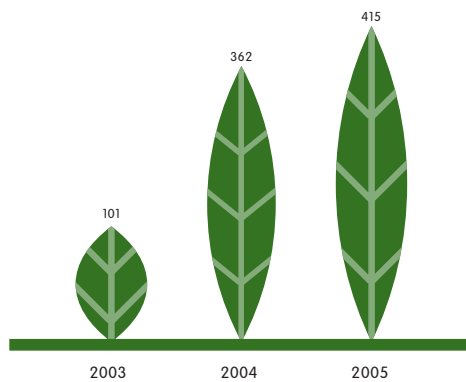
According to Directive 2003/54/EC of the European Parliament and of the Council, Member States must take appropriate measures to protect vulnerable customers, including those helping to prevent power cuts.

In Portugal, the EDP Group guarantees 415 customers the use of its services under the best conditions and with highest quality. This figure represents a 15 percent increase on 2004. Some 168 of these customers depend on equipment supplied by the electricity grid.

⁽²⁾ Regional programme entitled Agriculture and Rural Development Measure, approved under the Third Community Support Framework

Timely notification of power cuts, the supply of special leaflets and the creation of conditions for access to EDP stores are some of the initiatives being taken into account by EDP Distribuição to protect customers with special needs. Electricity bills are sent to the Portuguese Association of the Blind for translation into Braille every month.

Customers with special needs in Portugal



7.4. Social prices

In 2005, the EDP Group in Portugal had around 4,000 customers benefiting from social prices. The distributing companies in Brazil supply electricity to 497,058 customers at social prices.

Social price customers in Portugal



7.5. Quality of service

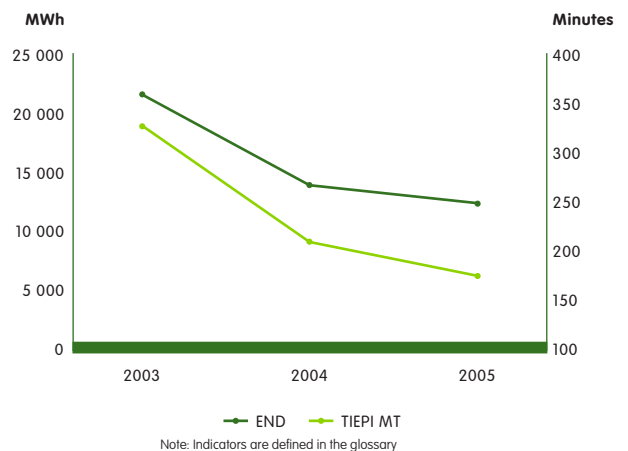
In 2005, the EDP Group made substantial efforts to improve the quality of technical and commercial service.

Technical service

In 2005 technical quality of service in Portugal, measured by the TIEPI (Average Annual Outage Time) indicator was significantly better than in previous years, going down from 215 minutes in 2004 to 175 minutes (-19 percent). Reductions in outage time due to weather conditions, unexpected incidents, force majeure and unknown causes contributed considerably to this improvement.

The other general indicators of quality of service in the distribution company's medium- and high-voltage grids were similar to the TIEPI.

Technical quality of service indicators in the distribution grid, Portugal



The system average interruption frequency index (SAIFI) indicator went down in relation to 2004 in medium and low voltage by 30.4 and 24.7 percent respectively, while the system average interruption duration index (SAIDI) fell in medium and low voltage by 21 and 17.9 percent respectively compared to 2004.

This improvement was also noticed by customers according to the results of customer satisfaction surveys conducted in 2005 (see page 45 of this report).



New HV/MV substation in Amadora

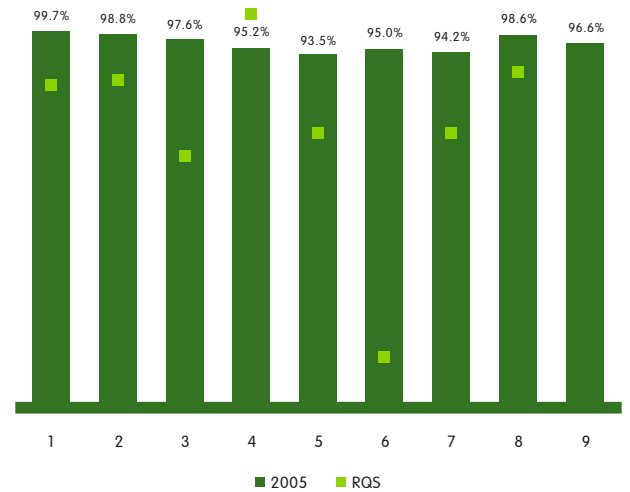
In Spain, the electricity supplier quality indicator was excellent, as the outage time of installed capacity was 1.16 hours in Asturias, 0.02 hours in Madrid, 0.23 hours in Valencia and 1.66 hours in Alicante.

The quality indicators in Brazil were within the maximum limits allowed by the electricity service regulator, though there were no significant improvements on 2004.

Commercial service

The EDP Group’s activities in Portugal have been oriented towards constant improvement in the quality of the service provided to customers. In this context in 2005, there was an increase in the quality of service provided, expressed in our compliance with the general quality of commercial service indicators of the Service Quality Regulations (RQS).

General quality of commercial service indicators in Portugal



- (1) Budgets for low-voltage lines and reaches (up to 20 working days);
- (2) Execution of low-voltage lines and reaches (up to 20 working days);
- (3) Connections to the low-voltage grid (up to 2 working days);
- (4) Ceading of meters (at least one reading a year for low-voltage customers);
- (5) Attention at customer service centres (up to 20 minutes’ wait)
- (6) Centralised telephone service (up to 60 seconds’ wait);
- (7) Written enquiries (answer in up to 15 working days);
- (8) Complaints answered (answer in up to 15 working days);
- (9) Percentage of customers with service restored in up to four hours (following accidental outages)



EDP Store

Goals for 2006

- Create access conditions in all EDP Portuguese stores to all clients with reduced mobility
- To continue, in Brazil, the “Electricity for all” Program conneting around 29,300 new clients by 2006

8. SUPPORT TO SOCIAL DEVELOPMENT

- Support social and cultural promotion initiatives, based on transparent assessment of importance to the community
- Promote technology transfer to developing countries

EDP's well-known sponsorship of cultural and social initiatives has resulted in a growing number of requests sent to the company. This has made it necessary to establish criteria and rules to help in decision-making.

Our Patronage and Sponsorship Policy was issued in 2005. It is based on three strategic objectives:

- Favouring the Group's integration with its surroundings, improving the communities' quality of life;
- Sponsoring initiatives that help reinforce each dimension of sustainable development;
- Contributing to the Group's recognition and prestige and to the prominence and reputation of its brand.

Objectives for 2005

To publish an EDP Group patronage and sponsorship policy		Approved in June 2005
To continue to give the EDP Arte Award		Biannual award to be given in 2006
To maintain the EDP Solidária initiative		Amount increased to EUR 340,000
To double support for social initiatives in the 2005 budget		Increased eightfold to EUR 559,000



Achieved



Partially achieved



Not achieved

Eligibility criteria for patronage and sponsorship

Priority will be given to projects that fit in with our strategic objectives, considering:

- Their compliance with the EDP Group's Code of Ethics and Principles of Sustainable Development;
- The credibility of the organisations and their contribution to at least one of the aspects of sustainable development;
- The project's value and importance to the community;
- Economic, institutional or social relations with the EDP Group.

8.1. EDP Foundation

The EDP Foundation's patronage is increasingly important in a context in which organisations should be evermore sensitive to the urgency of active participation in the society to which they belong.

The EDP Foundation, which was set up in 2004, abides by the following overall objectives:

- Sponsoring and promoting initiatives that help to reinforce the three dimensions of sustainable development: environmental, economic and social;
- Fostering scientific and technological learning in the area of energies, while preserving historical heritage;
- Promoting access to the arts and culture;
- Favouring the insertion of the EDP Group into its environment, contributing to the company's recognition and prestige and to the prominence and reputation of its brand.

Another of the Foundation's goals is to set up a "scientific and cultural campus" at the Tejo Power Station, Electricity Museum and surrounding buildings.

President of Portugal visits Electricity Museum

The remodelling work at the Electricity Museum was completed in late 2005 and it received a visit from the President of Portugal. It is scheduled to reopen in the



É um novo museu - magnífico - nesta Central que é "nova", já que soube dar novos usos e habitar a construção em si. Parabéns à Fundação EDP pela grande e excelente trabalho realizado, que agora vai ficar ao serviço de todas as gerações. Boa sorte!
Gratas saudações
Jorge Sampaio
Janeiro 2006

first quarter of 2006.

"It's a new museum - magnificent - at this Power Station that can call ours, as we have lived with it for so much of our lives. Congratulations to the EDP Foundation for its excellent work, which will now be placed at the service of all generations. Thank you. All the best!"

Jorge Sampaio, January 2006

As part of its policy of acquiring a contemporary art collection, the EDP Foundation has been following the example of some of the most important national and international companies, which set aside a part of

their budget for this celebrated market.

The EDP Plastic Arts Awards (Grande Prémio EDP and Prémio EDP Novos Artistas) and other decentralised exhibitive initiatives from the north to the south of the country are also some of the most interesting national corporate culture initiatives and give a new dimension to the company's image in society, extending its field of social intervention and placing it in the vanguard of knowledge.

The first case includes the following activities:

- Retrospective exhibition of Mário Cesariny at the Cupertino de Miranda Foundation in Vila Nova de Famalicão;
- "2000-2004 - Prémios EDP Novos Artistas", Palácio da Galeria in Tavira;
- "Prémio EDP Novos Artistas 2005", Pavilhão Centro de Portugal in Coimbra.

8.2. HidroCantábrico Foundation

The HidroCantábrico Foundation provides sponsorships in the field of education, environment, sport and culture, naturally focusing on the regions in which it operates.

In 2005 the Foundation sponsored the installation of a new lighting system for Covadonga Basilica and Santa Cueva in Asturias, at a cost of EUR 240,000. The installation of 183 floodlights totalling 20 kW made it possible to enhance the beauty of such a symbolic place.

The Foundation also promoted a new work placement programme in 2005, for students at Universidade de Oviedo. As a result, one hundred or so students were able to do their final assignments or post-graduate studies in different departments of HC Energía. This agreement enabled the students to find out more about the company while HC Energía had the opportunity to identify and recruit new talent.

8.3. Community support initiatives

In accordance with its policy, EDP’s patronage and sponsorship should preferably go to the fields of science, education, sport, institutional support, environment, cultural promotion, health and social solidarity.

The systematisation of the sponsorship process at the EDP Group will only be completed in 2006.

EDP has been increasing its sponsorship of sports. Marathons and the Volta a Portugal cycling tour are key events in the national sports scenario sponsored by EDP.

Running for a Cause

Fostering and encouraging the participation of its employees and their families in sports and particularly the March 25 de April Bridge Marathon and the September Vasco da Gama Bridge Marathon, for each employee who runs, EDP donates a sum to the Associação “Narizes Vermelhos” (Red Nose Association), the Clown Doctors, who work every day with hospitalised children. The amount donated totalled EUR 12,000 in 2005.

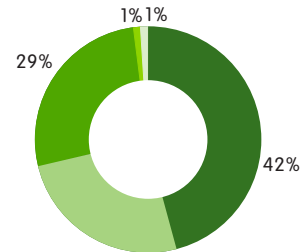


In 2005, 66.5 percent of EDP’s patronage in Portugal, excluding EDP Foundation donations, went towards social activities, while the other 33.5 percent was for cultural, environmental, scientific, sporting and educational activities.

This year, the EDP Solidária Award, which funds projects in the areas of health and solidarity for non-profit-making social solidarity institutions, totalled EUR 350,000 and covered a maximum of four projects.

In Spain the promotion of historical heritage increased from 2 percent to 29 percent in 2005, due essentially to the installation of new lighting systems.

Donations in Spain

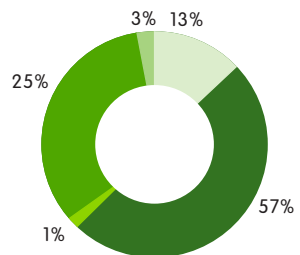


■ Sport and culture (42%) ■ Historical heritage (29%) ■ Others (1%) ■ Social (1%)

In Brazil, activities focused on a investment in promoting and supporting education and culture. The Bandeirante Comunidade Educação Programme continued and, in 2005, 112 employees were encouraged to volunteer for activities such as handing out school kits, the oral hygiene campaign and setting up libraries. Bandeirante won the Alto Tietê Corporate Responsibility Award for its support of this kind of initiative.

EDP also sponsored several cultural projects contributing to the dissemination of the arts not only in cities in its distributors’ concession areas but also in other parts of Brazil, including the 29th edition of the biannual Panorama da Arte Brasileira exhibition.

Social investment in Brazil



■ Culture (57%) ■ Social (25%) ■ Science (1%) ■ Environment (3%) ■ Others (13%)

8.4. Support of developing countries

EDP has played a permanent role in the promotion of services to other countries. Since the late 1970s it has been involved in vast cooperation activities with the electricity sectors of Portuguese-speaking African countries, where the goal of transferring technology and know-how has been a constant in almost all its projects.

In 2005, EDP worked mainly with Angola, where it undertook important projects to pass on know-how in the following areas:

- Training of monitors, specialised courses and training of managers in the electricity sector;
- Technical assistance in the regional planning of generation plants for the SADC Technical Unit;
- Consultancy services for the Planning, Study and Statistics Office at the Ministry of Energy and Water;
- Design and implementation of structural safety systems at three hydroelectric plants;
- In Mozambique and Cape Verde, there were internships and vocational training in the area of distribution grids.

Goals for 2006

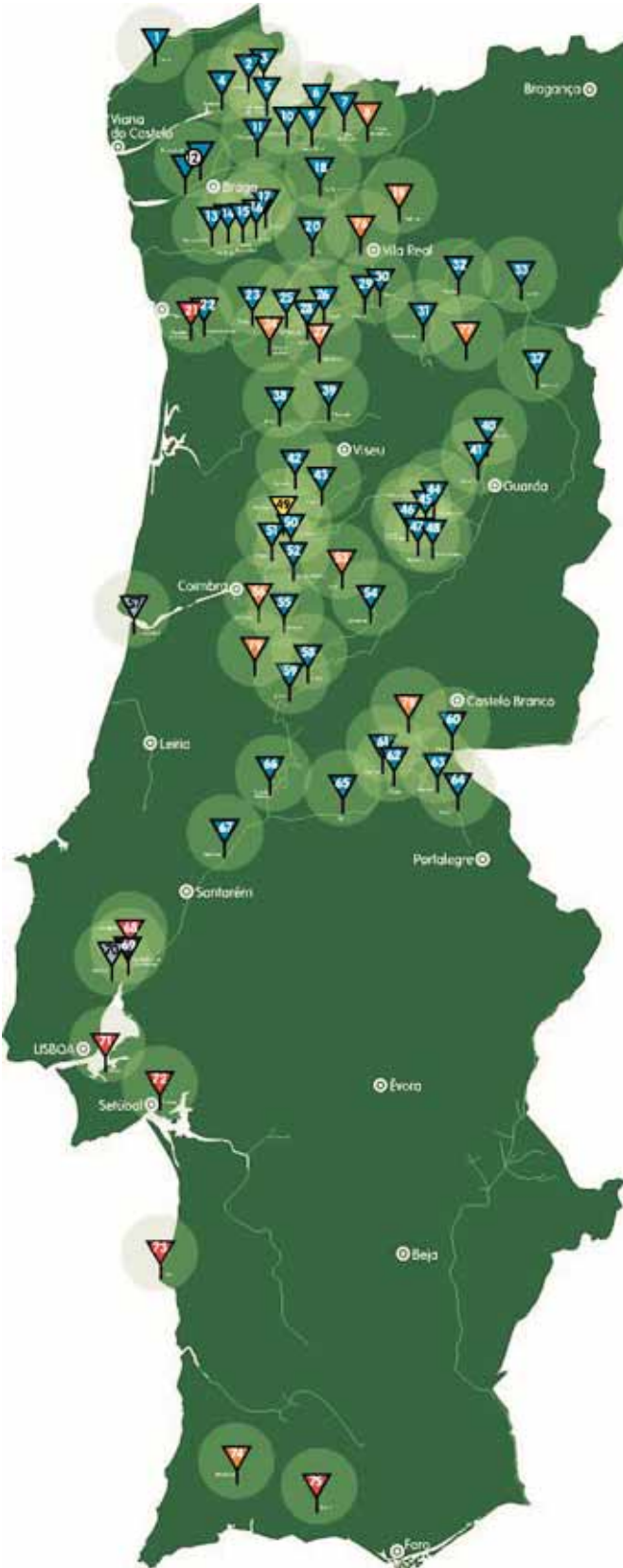
- Opening to the public of the Electricity Museum
- Presentation of the EDP Arte Award
- Presentation of the EDP Electricidade e Ambiente 2005 Award
- Development of a meter-reading incentive project (Projecto Ler) in the concession areas of the Brazilian distribution companies

Lights, camera, action!







Last November, **Escelsa** sponsored the **12th Vitória Cine Vídeo** film festival which provided a programme of short-, medium- and full-length feature films in the capital of Espírito Santo in Brazil. In addition to the competition showings in specific rooms, a travelling cinema visited the poorer neighbourhoods and there were open-air film sessions at the Curva da Jurema beach and workshops and lectures, followed by debates. The event brought some of the big names from national cinema and TV to the city and provided a stimulus for new productions.



Facility files	65
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- | | | |
|-------------------------|--------------------|--------------------------------|
| 1. France | 26. Freijil | 51. Raiva |
| 2. Lindoso | 27. Alto Talefe | 52. Rei de Moinhos |
| 3. Alto Lindoso | 28. Aregos | 53. Açor |
| 4. Touvedo | 29. Varosa | 54. Santa Luzia |
| 5. Vilarinho das Furnas | 30. Régua | 55. Ermida |
| 6. Paradelá | 31. Vilar-Tabuaço | 56. Vila Nova |
| 7. Alto Rabagão | 32. Valeira | 57. Soporgem |
| 8. Serra do Barroso | 33. Pocinho | 58. Cabril |
| 9. Venda Nova I e II | 34. Bemposta | 59. Bouça |
| 10. Salamonde | 35. Picote | 60. Velada |
| 11. Caniçada | 36. Miranda | 61. Pracana |
| 12. Penide I e II | 37. Riba-coa | 62. Fratel |
| 13. Caniços | 38. Drizes | 63. Bruceira |
| 14. Sra. do Porto | 39. Ribafeita | 64. Póvoa |
| 15. Ponte Esperança | 40. Pateiro | 65. Belver |
| 16. Ermal | 41. Caldeirão | 66. Castelo de Bode |
| 17. Guilhofrei | 42. Figueiral | 67. Caldeirão |
| 18. Cefra | 43. Pisões | 68. Carregado |
| 19. Padrela | 44. Sabugueiro I | 69. Termoelectrica do Ribatejo |
| 20. Olo | 45. Sabugueiro II | 70. Energin |
| 21. Tapada do Outeiro | 46. Lagoa Comprida | 71. Barreiro |
| 22. Crestuma-Lever | 47. Desterro | 72. Setúbal |
| 23. Torrão | 48. Ponte Jugais | 73. Sines |
| 24. Forte da Quelha | 49. Mortágua | 74. Madrinha |
| 25. Carrapatelo | 50. Agueira | 75. Tunes |
| | | 76. Pena Suar |
| | | 77. Fonte da Mesa |
| | | 78. Cabeço da Rainha |
| | | 79. Cadafaz |

-  Hidroelectric
-  Thermoelectric
-  Wind Farms
-  Biomass Power Station
-  Co-generation and natural gas power stations
-  Natural gas combined cycle power stations

THERMOELECTRIC POWER PLANTS IN PORTUGAL

CHARACTERISTICS

	Carregado	Setúbal	Sines	Barreiro	Tunes	Ribatejo	Mortágua
Type of power plant	Steam turbine	Steam turbine	Steam turbine	Steam turbine	Gas turbine	Combined Cycle	Steam turbine
Maximum power (MW)	710	946	1,192	56	197	1,176	9
Gas treatment	Electrostatic precipitators	Electrostatic precipitators	Electrostatic precipitators	None	None	None	Electrostatic precipitators
Combustion modifications	Dual burning of fuel oil and natural gas in Groups 5 and 6	None	Low NO _x burners in all Groups	None	None	None	None
Cooling system	Open circuit	Open circuit	Open circuit	Open circuit	Atmospheric cooling	Closed circuit	Closed circuit
Wastewater treatment	Physico-chemical: coagulation/flocculation/decantation	Physico-chemical: coagulation/flocculation/decantation	Physico-chemical: coagulation/flocculation/decantation	Physico-chemical: neutralisation/decantation	None	Physico-chemical: separation of oil, neutralisation of chemical effluent and treatment of domestic residuals waters	Physico-chemical: separation of oils and treatment of wastewater
Environmental Management System	ISO 14 001 Dec. 2000	ISO 14 001:2004 Nov. 2005	ISO 14 001 Sept. 2001	ISO 14 001 Nov. 2000	None	ISO 14 001 (being implemented)	None

OPERATING DATA

	Carregado	Setúbal	Sines	Barreiro	Tunes	Ribatejo	Mortágua
Gross electricity generation (MWh)	1,250,495	3,815,605	10,186,538	249,214	17,756	5,199,659	56,857
Net electricity generation (MWh)	1,161,575	3,555,758	9,590,175	220,024	17,525	5,088,061	51,389
Steam generation (TJ)	n.a.	n.d.	n.a.	1,640	n.a.	n.a.	n.a.
Fuel consumption							
Fuel oil (t)	267,316	850,668	4,028	108,373	n.a.	n.a.	n.a.
Diesel (t)	n.a.	n.a.	n.a.	n.a.	6,592	n.a.	n.a.
Coal (t)	n.a.	n.a.	3,557,685	n.a.	n.a.	n.a.	n.a.
Natural gas (Nm ³ x10 ³)	33,359	n.a.	n.a.	n.a.	n.a.	689,335	800
Forest waste (t)(3)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	91,882
Water consumption (m ³)(4)	679,350	686,963	1,472,919	636,078	n.a.	304,702	315,448
Colling water (m ³)	316,968,902	571,302,000	1,193,122,800	47,701,573	n.a.	5,444,702	292,966

ENVIRONMENTAL DATA

ATMOSPHERIC EMISSIONS (3)

	Carregado	Setúbal	Sines	Barreiro	Tunes⁽⁴⁾	Ribatejo	Mortágua
SO ₂ (kt)	4.59	15.00	57.53	1.69	0.03	n.a.	0.03
NO _x (kt)	3.42	12.14	22.31	0.62	0.02	0.62	0.15
CO ₂ (t)	936,365	2,730,062	8,596,172	347,958	17,619	1,825,360	1,729
Particles (kt)	0.21	0.30	1.42	0.14	n.a.	0.04	0.02

WASTEWATER

Annual average concentration

	Carregado	Setúbal	Sines	Barreiro	Tunes	Ribatejo	Mortágua
CBO5 (mg/l)	2.1	3.5	1.6	2.5	n.a.	3.9	0.3
COO (mg/l)	16.7	22.6	20.8	8.0	22.6	20.9	15.3
Suspended solids (mg/l)	13.2	10.2	10.2	5.4	2.4	n.a.	0.7
Nitrates (mg/l)	n.a.	n.a.	n.a.	13.790	n.a.	n.a.	n.a.
Phosphates (mg/l)	0.160	0.512	1.206	1.118	n.a.	0.817	n.a.
Iron (mg/l)	0.134	0.258	0.044	0.219	n.a.	n.a.	n.a.
Copper (mg/l)	n.a.	n.a.	0.006	0.007	n.a.	n.a.	n.a.
Zinc (mg/l)	n.a.	0.071	0.029	0.060	n.a.	n.a.	n.a.
Nickel (mg/l)	n.a.	0.190	0.005	0.054	n.a.	n.a.	n.a.
Vanadium (mg/l)	0.139	0.963	0.015	0.082	n.a.	n.a.	n.a.
Chromium (mg/l)	n.a.	n.a.	0.004	0.004	n.a.	n.a.	n.a.
Oils and fats (mg/l)	0.180	0.654	0.124	0.209	0.585	0.345	0.050
Hydrocarbons (mg/l)	0.134	0.462	0.197	0.153	0.110	0.254	< 0.050
Volume of effluent treated (m ³)	3,039,307	171,769	913,490	151,406	n.d.	3,168,023	4,436
% of effluent sent to municipal collector	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

MAIN CATEGORIES OF WASTE DISPOSED OF

	Carregado	Setúbal	Sines	Barreiro	Tunes	Ribatejo	Mortágua
Unrecovered coal fly ash (t)	n.a.	n.a.	4,806	n.a.	n.a.	n.a.	n.a.
Coal slag (t)	n.a.	n.a.	38,904	n.a.	n.a.	n.a.	n.a.
Fuel oil fly ash and slag (t)	398	691	n.a.	n.a.	n.a.	n.a.	n.a.
Biomass ash (t)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3,071
Used oils (t)	28	23	95	1	23.39	0.4	0
Metal waste (t)	71	46	314	28	0	0	15
Equipment with PCB disposed of (t)	0	0	0	0	0	0	0

WASTE - SUB-PRODUCTS SOLD

	Carregado	Setúbal	Sines	Barreiro	Tunes	Ribatejo	Mortágua
Coal fly ash recovered (t)	n.a.	n.a.	354,393	n.a.	n.a.	n.a.	n.a.

n.a. - Not applicable

n.d. - Not available

(1) Includes forest waste, pine and eucalyptus bark and other types of biomass.

(2) Total water consumed at the facility.

(3) Total SO₂ emissions calculated on the basis of the characteristics of the fuel; NO_x and particle emissions calculated on the basis of the monitoring data; CO₂ emissions calculated on the basis of the greenhouse gas emission allowance method at each facility.

(4) Theoretic emissions.

GAS CO-GENERATION POWER PLANTS IN PORTUGAL

CHARACTERISTICS

	Soporgen	Energin
Type of power station	Co-generation	Co-generation
Maximum power (MW)	67	43.7
Gas treatment	n.a.	n.a.
Wastewater treatment	(1)	Separation oils/waters
Environmental Management System	None	None

OPERATING DATA

	Soporgen	Energin
Gross electricity generation (MWh)(2)	417,399	268,773
Net electricity generation (MWh)(2)	407,945	262,949
Steam generation (TJ)	1,607	2,292
Natural gas consumption (Nm ³ x10 ³)	107,479	89,439
Water consumption (m ³)	n.d.	772,201
Cooling water (m ³)	n.d.	93,648

ENVIRONMENTAL DATA

ATMOSPHERIC DATA (3)

	Soporgen	Energin
SO ₂ (kt)	n.a.	n.a.
NO _x (kt)	0.21	0.06
CO ₂ (kt)	232,418	193,404
Particles (kt)	0	0

WASTEWATER

Annual average concentration

	Soporgen	Energin
Oils and fats (mg/l)	(4)	0.30
Hydrocarbons (mg/l)	(4)	0.19
Wastewater steam	(4)	n.d.
% of effluent sent to municipal collector	(4)	n.a.

MAIN CATEGORIES OF WASTE DISPOSED OF

	Soporgen	Energin
Used oils (t)	(5)	0.11
Metal waste (t)	(5)	0.0
Equipment with PCB eliminated (t)	(5)	0.0

n.a. - Not applicable
n.d. - Not available

(1) Effluents goes to the SOPORCEL treatment station.

(2) Includes supply of electricity to industrial customers and EDP grid.

(3) NO_x emissions calculated on the basis of half-yearly monitoring data; CO₂ emissions calculated on the basis of the greenhouse gas allowance method at each facility.

(4) Effluent from SOPORGEN treated at SOPORCEL ETAR.

(5) SOPORGEN's waste is declared and managed by SOPORCEL.

HYDROELECTRIC POWER PLANTS IN PORTUGAL

CHARACTERISTICS OF FACILITIES

		Flooded area (ha)	Usable capacity of reservoir (hm ³)	Maximum power (MW)	Environmental management system
Cávado-Lima	Alto Lindoso		347.9	630	Implemented
	Touvedo	1,050	4.5	22	Implemented
	Alto Rabagão	2,212	550.7	68	Implemented
	Vila Nova/Venda Nova	391	92.1	90	Implemented
	Vila Nova/Paradela	380	158.2	54	Implemented
	Frades	n.d.	n.d.	191.6	n.d.
	Salamonde	237	55.0	42	Implemented
	Vilarinho das Furnas	344	69.7	125	Implemented
	Cançada	579	144.4	62	Implemented
	Lindoso	-	0.2	44.1	None
	Érmal	-	21.12	11.2	Implemented
	France	5	0.1	7.0	Under preparation
	Penide I e II	69	0.5	4.9	Implemented
	Guilhofrei	163	20.4	4.0	Implemented
	Canços (ETE)	-	-	0.9	None
	Labruja	-	-	0.9	Under preparation
	Cefra	0.5	0.1	1.1	Implemented
Ponte da Esperança	-	21.1	2.8	Implemented	
Senhora do Porto	23	1.1	8.8	Implemented	
Douro	Miranda	122	6.4	369	Implemented
	Picote	244	13.4	195	Implemented
	Bemposta	405	20.0	240	Implemented
	Pocinho	829	12.0	186	Implemented
	Valeira	795	13.0	240	Implemented
	Vilar-Tabuaço	670	95.5	58	Implemented
	Rêgua	850	12.0	180	Implemented
	Carrapatelo	952	15.6	201	Implemented
	Torrão	650	77.9	140	Implemented
	Crestuma-Lever	1,298	22.1	117	Implemented
	Varosa (Chocalho)	69.6	12.9	25.0	Under preparation
	Freigil	3.3	0.1	4.6	Under preparation
Aregos	-	-	3.1	Under preparation	
Tejo-Mondego	Caldeirão	66	3.5	40	Implemented
	Agueira	1,930	216.0	336	Implemented
	Raiva	230	12.0	24	Implemented
	Cabril	1,965	615.0	108	Implemented
	Bouçã	500	7.9	44	Implemented
	Castelo do Bode	3,480	902.5	159	Implemented
	Pracana	550	95.6	41	Implemented
	Fratel	750	21.0	132	Implemented
	Lagoa Comprida	-	-	0.6	Under preparation
	Sabugueiro I	240	15	12.8	Implemented
	Sabugueiro II	64.6	5.1	10.0	Implemented
	Desferro	1.6	-	13.2	Implemented
	Ponte de Jugais	-	-	20.3	Implemented
	Vila Cova	-	-	23.4	Implemented
	Santa Luzia	246	50.5	24.4	None
	Riba-Côa	5.6	-	0.1	None
	Pateiro	0.3	-	0.3	None
	Pisões	-	-	0.1	None
	Ermiada	-	-	0.4	None
	Drizes	3	0.2	0.2	None
	Rei de Moinhos	2.5	-	0.8	None
	Figueiral	0.5	-	0.2	None
	Ribafeita	2	0.1	0.9	None
	Belver	28.6	7.5	80.7	None
	Póvoa	23.6	19.7	0.7	None
	Bruceira	11	4.1	1.6	None
	Velada	1	0.4	1.9	None

OPERATING DATA

	Cávado-Lima	Douro	Tejo-Mondego
Net electricity generation (MWh)	1,012,489	2,740,642	780,673

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

	Cávado-Lima	Douro	Tejo-Mondego
Used oils (t)	13.76	28.81	36.57
Metal waste (t)	36.92	32.92	54.31
Equipment with PCB eliminated (t)	0.00	0.00	0.00

n.d. - Not available

WIND FARMS IN PORTUGAL

CHARACTERISTICS OF FACILITIES

Wind farm	Location	Implementation area (ha)	N° of wind turbines	Maximum power (MW)
Fonte da Mesa	Serra Meadas (Lamego/Resende)	305	17	10.2
Pena Suar	Serra Marão (Amarante/Vila Real)	205	23	16
Cabeço da Rainha	Serra Alvelos (Oleiros/Sertão)	80	20	16.2
Cadafaz	Serra Lousã (Góis)	60	17	10.2
Serra do Barroso	Serra Barroso (Boticas)	300	9	18
Vilanova	Vila Nova (Miranda do Corvo)	60	13	26
Padrela	Serra da Padrela (Vila Pouca de Aguiar)	30	5	7.5
Fonte da Quelha	Serra do Montemuro (Cinfães)	90	9	13.5
Alto Talefe	Serra do Montemuro (Cinfães)	120	9	13.5
Açor	Serra do Açor (Arganil)	90	10	20

OPERATING DATA

	Fonte da Mesa	Pena Suar	Cabeço da Rainha	Cadafaz	Serra do Barroso	Vilanova	Padrela	Fonte da Quelha	Alto Talefe	Açor
Gross electricity generation (MWh)	24,421	28,573	48,073	29,200	46,375	59,677	17,475	29,894	32,234	41,281
Net electricity generation (MWh)	23,921	27,821	45,196	28,532	45,252	59,346	17,008	29,095	31,468	40,517

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

	Fonte da Mesa	Pena Suar	Cabeço da Rainha	Cadafaz	Serra do Barroso	Vilanova	Padrela	Fonte da Quelha	Alto Talefe	Açor
Used oils (t)	0.3	0.0	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.1
Metal waste (t)	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

DISTRIBUTION GRID IN PORTUGAL

CHARACTERISTICS

Substations

N°	382
Installed capacity (MVA)	14,467
N° of transformers	672

Transforming stations

N°	56,720
Installed capacity (MVA)	16,279

Overheads lines

HV (km)	7,632
MV (km)	55,240
LV (km)	100,380

Underground cables

HV (km)	420
MV (km)	13,045
LV (km)	28,610

Meters

HV and MV	25,493
ELV and LV	6,115,893

OPERATING DATA

ELECTRICITY BALANCE (GWh)

Electricity delivered to distribution network	47,268
Own consumption	25
Losses	3,437
% Losses (I)	8.1

Total sales of electricity

Sales to EDP customers

VHV	1,302,061
HV	5,246,695
MV	10,579,050
ELV	3,037,562
LVX	19,013,461
PL	1,299,423

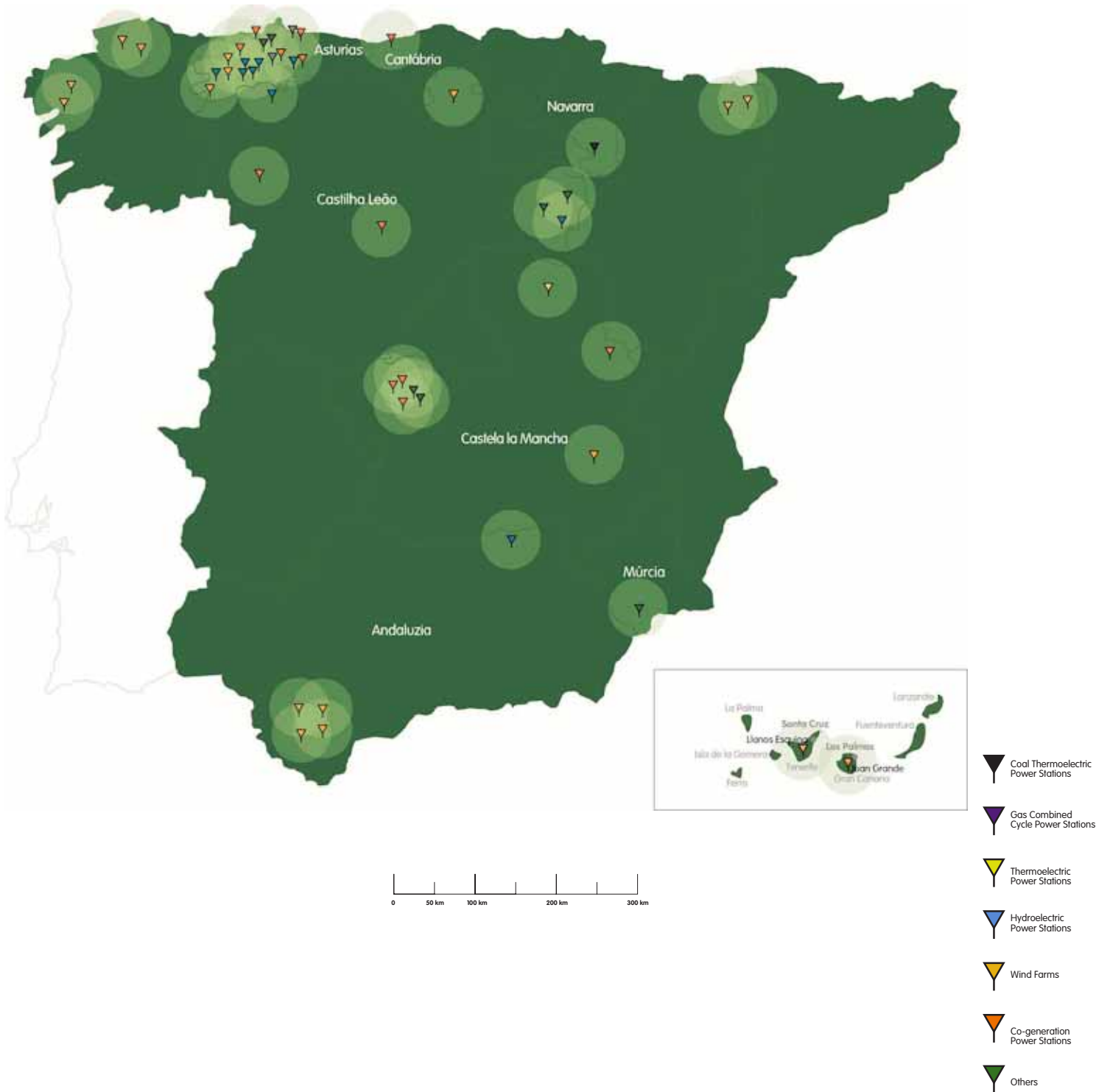
(I) Excludes losses in very high voltage (VHV) grid.

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

Used oils (t)	159.1
Metal waste (t)	3,565.4
Street light bulbs (t)	16.8
Concrete posts (t)	45,359.6
Equipment with PCB eliminated (t)	18.4





THERMOELECTRIC POWER PLANTS IN SPAIN

CHARACTERISTICS

	Aboño	Soto de Ribeira	Castejón
Type of power plant	Gas turbine	Gas turbine	Combined cycle
Maximum power (MW)	916.2	671.6	392.6
Gas treatment	Electrostatic precipitators	Electrostatic precipitators	n.a.
Changes in combustion	Low NOx burners	None	Low NOx burners
Wastewater treatment	Não tem	Physico-chemical: coagulation/flocculation/ decantation/neutralisation	Physico-chemical: water/oil separator and neutralisation system
Environmental management system	Being implemented	Being implemented	ISO 14001:2004

OPERATING DATA

	Aboño	Soto de Ribeira	Castejón
Gross electricity generation (MWh)	7,221,172	4,587,393	2,144,555
Net electricity generation (MWh)	6,819,330	4,344,897	2,108,491
Fuel consumption			
Fuel oil (t)	234	6,768	n.a.
Diesel (t)	434	898	n.a.
Coal (t)	2,186,744	1,915,408	n.a.
Natural gas (Nm ³ x 10 ³)	n.a.	n.a.	362,804
Blast furnace gas (Nm ³ x 10 ³)	3,064,644	n.a.	n.a.
Coke gas (Nm ³ x 10 ³)	131,700	n.a.	n.a.
Raw water consumption (m ³)	n.a.	259,198	91,266
Potable water consumption (m ³)	641,670	5,932	584
Cooling water (m ³)	505,842,372	57,852,107	2,333,138

ENVIRONMENTAL DATA

ATMOSPHERIC EMISSIONS

	Aboño	Soto de Ribeira	Castejón
SO ₂ (kt)	24.73	21.01	0.00
NO _x (kt)	19.97	12.69	0.23
CO ₂ (kt)	7,949	4,198	771
Particles (kt)	2.09	0.71	0.00

WASTEWATER

Annual average concentration

	Aboño	Soto de Ribeira - Efluentes líquidos	Castejón
CBO5 (mg/l)	n.d.	<4.23	<9.00
COD (mg/l)	n.d.	<15.25	<41.00
Suspend solids (mg/l)	n.d.	5.18	34.25
Nitrates (mg/l)	n.d.	1.02	26.32
Phosphates (mg/l)	n.d.	<0.20	<0.60
Iron (mg/l)	n.d.	<0.10	0.58
Copper (mg/l)	n.d.	<0.08	<0.06
Zinc (mg/l)	n.d.	<0.02	<0.078
Nickel (mg/l)	n.d.	<0.14	<0.095
Vanadium (mg/l)	n.d.	n.a.	n.a.
Chromium (mg/l)	n.d.	<0.16	<0.053
Oils and fats (mg/l)	n.d.	<4.55	<5.165
Hydrocarbons (mg/l)	n.d.	n.d.	n.d.
Volume of effluent treated (m ³)	n.d.	698,468	69,581
% of effluent sent to municipal collector	n.a.	n.a.	0.54%

MAIN CATEGORIES OF WASTE DISPOSED OF

	Aboño	Soto de Ribeira	Castejón
Coal fly ash recovered (t)	175,311.6	213,180.0	n.a.
Coal fly ash and slag (t)	105,284.2	136,680.0	n.a.
Used oils (t)	8.3	9.0	1.8
Equipment with PCB eliminated (t)	0	0	0

n.a. - Not applicable

n.d. - Not available

HYDROELECTRIC POWER PLANTS IN SPAIN

CHARACTERISTICS OF FACILITIES AND OPERATING DATA

Facility	Water course	Operating since	Nº of groups	Maximum power (MW)	Net generation (MWh)
La Malva	Somiedo	1917(2) e 1924(2)	4	9.1	37,598
Riera	Somiedo	1946(2) e 1956(1)	3	7.8	30,067
Miranda	Pigüeha	1962	4	64.8	196,030
Proaza	Trubia	1968	2	48.0	83,630
Priañes	Nora	1952(2) e 1967(1)	3	18.5	65,939
Tanes	Nalón	1978	2	245 (pumping)	204,399
Salime HC	Navia	1954	4	79.0	91,967
La Barca	Narcea	1967(2) e 1974(1)	3	56.1	90,800
Florida	Narcea	1952(2) e 1960(1)	3	7.6	29,691
Caño	Sella	1928	2	1.0	4,082
Laviana	Nalón	1905	3	1.1	4,209
San Isidro	San Isidro	1960	2	3.1	8,768

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

Facility	Used oils (t)	Equipment with PCB eliminated (t)
La Malva	0.00	0.0
Riera	0.00	0.0
Miranda	0.18	0.0
Proaza	0.00	0.0
Priañes	1.44	0.0
Tanes	1.44	0.0
Salime HC	0.00	0.0
La Barca	0.00	0.0
Florida	0.00	0.0

DISTRIBUTION GRID IN SPAIN

CHARACTERISTICS OF GRID

Substations

Nº	44
Installed capacity (MVA)	5,616
Nº of transformers	95

Transforming stations

Nº	5,729
Installed capacity (MVA)	1,603

Overhead lines

HV (km)	1,437
MV (km)	4,468
LV (km)	11,380

Underground cables

HV (km)	10
MV (km)	977
LV (km)	1,739

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

Used oils (t)	32.90
Equipment with PCB eliminated (t)	55.18



Energias do Brasil

HYDROELECTRIC POWER PLANTS IN BRAZIL

CHARACTERISTICS OF FACILITIES AND OPERATING DATA

		Water course	Flooded area (ha)	Usable capacity of reservoir (hm3)	Maximum power (MW)	Net generation (MWh)
EDP Lajeado	Peixe Angical	Tocantins	29,400	140	452	(in construction)
Enersul	Coxim	Salto	-	-	-	2,447
	Mimoso	Pardo	1,520	70	30	192,433
	São João I	São João	-	-	1	1,484
	São João II	São João	-	-	1	2,762
	Paraíso	Paraíso	121	6	22	89,785
	Viçosa	Castelo	3.54	0.03	4.50	22,757
	Alegre	Ribeirão Alegre	0.09	0.00	2.06	10,857
	Fruteiras	Fruteiras	0.21	0.00	8.74	43,510
	Jucu	Jucu	1.59	0.01	4.84	25,445
Rio Bonito	Sta. Maria da Vitória	200.21	13.58	16.80	82,539	
Energest	Suiça	Sta. Maria da Vitória	9.81	0.43	30.06	203,222
	Mascarenhas	Doce	419.4	18.7	131.0	787,342
Costa Rica Energia	Costa Rica	Sucuriú	31	-	17	76,487

DISTRIBUTION GRID IN BRAZIL

CHARACTERISTICS

Substations

N°	202
Installed capacity (MVA)	7,449
N° of transformers	383

Transforming stations

N°	125,787
Installed capacity (MVA)	5,158

Overhead lines

HV (km)	7,192
MV (km)	86,622
LV (km)	31,097

Underground cables (km)

HV (km)	6
MV (km)	59
LV (km)	0

OPERATING DATA

ELECTRICITY BALANCE (GWh)

Electricity delivered to distribution network	26,536
Own consumption	n.d.
Losses	3,475
Electricity distributed	23,061
% Losses	13.0%

Total sales of electricity

16,187

Sale of electricity

Domestic	1,302,061
Industrial	5,246,695
Commercial	10,579,050
Others	3,037,562

ENVIRONMENTAL DATA

MAIN CATEGORIES OF WASTE DISPOSED OF

Used oils (t)	62.1
Metal waste (t)	1,364.4
Street light bulbs (t)	9.4
Concrete posts (t)	2,852
Equipment with PCB eliminated (t)	52.7



EDP Solidária Award

The EDP Solidária Award supports charity and health care projects undertaken by non-profit-making social solidarity institutions. This year the award totalled €350,000 and covered a maximum of four projects.

Pirouettes blessed in Pantanal

The fifth **Mostra Corumbá – Ecological Dance Sanctuary** was sponsored by **Enersul**. It took place between 6 - 12 October in the heart of the Mato Grosso do Sul Pantanal, bringing together, on an open-air stage, various Brazilian and international dance companies who helped popularise dance.



Glossary and Acronyms	82
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GLOSSARY AND ACRONYMS

Ash - Solid waste from burning fuel originating from mineral impurities contained in it. It may also contain unburned fuel. Fine-grained fly ash is blown out by the combustion gases. Coarse-grained slag accumulates at the bottom of the combustion chamber.

BCSD Portugal - Business Council for Sustainable Development – a non-profit-making business association set up to transpose to Portugal the WBCSD guidelines for publicising its principles of sustainable development.

Carbon intensity – Amount of CO₂ emitted per unit of energy produced.

CDM - Clean Development Mechanism established by the Kyoto Protocol allowing Annex I countries to finance CO₂eq. emissions reduction projects in non-Annex I countries in return for tradable emissions reduction certificates in the same proportion.

CERES - A coalition of investors and environmental, labour and public interest groups working towards global corporate environmental stewardship.

CO₂ – Carbon Dioxide - A colourless, odourless gas making up part of the air. In addition to natural sources, sources of human origin include the burning of fossil fuels, different industrial processes and changes in soil use. Although it does not affect human health directly, it is a greenhouse gas that contributes to the potential for global warming.

Co-generation Power Station - Power station where the steam produced is turbinised to generate electricity and then used for heating in industrial activities.

Combined Cycle - Electricity generation facility consisting of a gas turbine whose exhaust gases feed a heat recovery unit that generates steam to operate a second turbine.

DGGE – Directorate-General of Geology and Energy.

EIA – Environmental Impact Assessment.

ÉGIDE - Economics and Management – A public non-profit-making association for research and the development of education.

Emissions Trading – The European emission allowance trading scheme began in January 2005 and is the largest multi-country and multi-sector emissions trading scheme. It is supported by Directive 2003/87/EC, which came into force on 25 October 2003.

Environmental Impact Study (EIA) - All the technical documents and studies drawn up by the promoter of a project. It includes, among other information, the identification and assessment of probable positive and negative impacts that the project may have on the environment and any measures to prevent, minimise or compensate for expected negative impacts.

Environmental Management System (SGA) - It is part of a global management system and includes the organisational structure, planning of activities, responsibilities, practices, procedures, processes and resources needed to develop, implement, review and maintain an environmental policy.

EPRI - Economic Policy Research Institute

ERCs - Emissions Reduction Certificates

ERSE – Energy Services Regulator

FCUL – Lisbon University Science Faculty

GGs - Greenhouse Gases: In addition to steam and carbon dioxide (CO₂), they include methane (CH₄), nitrous oxide (N₂O) and halogenated compounds such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

GHG Protocol - Greenhouse Gas Protocol Initiative – A business partnership between several entities to develop accepted international standards for monitoring and reporting GG emissions and promote their global acceptance.

Global Compact (GC) – An initiative sponsored by the Secretary-General of the United Nations, Koffi Annan, to promote human rights, employment and the environment.

GRI - Global Reporting Initiative – An independent global institution that develops worldwide reporting guidelines that help companies in drawing up reports on their economic, environmental and social performance.

HV - High Voltage (voltage between phases with an effective value of between 45 kV and 110 kV).

ICN - Nature Conservation Institute

IEA - International Energy Agency

ISO 14 000 Standards - A set of international standards issued by the International Organization for Standardization for environmental management systems.

JI - Joint Implementation - A mechanism established by the Kyoto Protocol allowing an Annex I country to fund projects in another Annex I country in exchange for tradable CO₂e.q. emission reduction units.

LV – Low Voltage – Voltage between phases with an effective value of 1 kV or less.

MV - Medium Voltage – A voltage between phases with an effective value of between 1 kV and 45 kV.

NGOs – Non-governmental Organisations

NOx – Nitrogen Oxides - Gases consisting of one nitrogen atom and a variable number of oxygen atoms. They are air pollutants formed by nitrogen oxidation at high temperatures and one of the causes of photochemical smog and acid rain

Occupational accident– An accident occurring at the workplace during working hours resulting directly or indirectly in physical injury, functional impairment or disease which results in death or a reduction in the ability to work or earn. Occupational accidents include on-duty accidents and those occurring on the way to or from work.

OHSAS 18 001 Standards – Standards belonging to the Occupational Health and Safety Assessment Series for the certification of occupational health and safety management systems.

Particles - An air pollutant consisting of fine material suspended in the air

PCBs - Polychlorobiphenyls - A group of enduring, toxic, synthetic chemical compounds. Until their manufacture was banned in the late 1970s, they were widely used as insulating fluid in the electricity industry worldwide.

PCIP - Integrated Pollution Prevention and Control

PNAC - National Plan for Climate Change

PNALE - National Plan for the Allocation of Emission Allowances

PNRE - National Plan for the Reduction of Emissions

PPAs – Exclusive relationships between generators and concessionaires of the National Transmission Grid are established through long-term power purchase agreements (PPAs).

PRE - Special regime generation, consisting of mini-hydroelectric generation (up to 10 MW), renewable energies and waste, co-generation and low-voltage generation.

Qualification certificate - A written document issued by an employer attesting to qualification to work at electricity facilities

RECs - Renewable Energy Certificates

RQS - Service Quality Regulations establishing the minimum standards of technical and commercial quality for the service provided by companies in the Public Service Electricity System (SEP).

Safety passport – A certificate of minimum safety skills issued to employees passing a training course and showing that they have learned to deal with the most common risks in a working environment and appropriate prevention and protection measures.

SAIDI - System Average Interruption Duration Index– A technical service quality indicator, the quotient of the sum of the durations of outages at delivery points over a certain period by the total number of delivery points over the same period.

SAIFI - System Average Interruption Frequency Index– A technical service quality indicator, the quotient of the total number of interruptions at delivery points, over a certain period by the total number of delivery points over the same period.

SEI - Independent Electricity System consisting of the SENV and special regime generation.

SEN - National Electricity System consisting of the SEP and SEI.

SENV - Non-binding Electricity System consisting of non-binding producers, non-binding distributors and non-binding customers.

SEP - Public Service Electricity System consisting of binding producers, the national transmission network concessionaire, binding distributors and SEP customers.

SF₆ - **Sulphur Hexafluoride** – A greenhouse gas with a potential for global warming of 23,900.

SO₂ - **Sulphur Dioxide** – An atmospheric pollutant emitted by natural and human processes, the burning of fossil fuels and a number of industrial processes. It is one of the substances responsible for acid rain.

Social tariff in Portugal – A tariff for consumption at permanent residences, even if someone runs a small business there, with a contracted power of up to 2.3 kVA for an annual consumption of no more than 400 kWh, as per the price regulations established by the Energy Services Regulator.

Social tariff in Brasil – For customers meeting the requirements in the Federal Government “Baixa Renda” (Low Rent) Programme, i.e. average monthly consumption of less than 80 kWh in the last 12 months or monthly consumption of more than 80 kWh and less than 220 kWh, provided that the customer declares a household income per capita of less than half the minimum wage.

SPEA - Portuguese Bird Society

Stakeholder - Any agent who directly or indirectly influences or is influenced by the company.

TIEPI - Annual average outage time (in minutes)– this is a technical indicator of quality of service. It is the quotient between the sum of the product of the installed capacity at public and private service transforming stations by outage time of these stations and the sum of the installed capacities of all the public and private service transforming stations in the distribution grid.

UE - Undistributed Energy - A technical indicator of quality of service, representing the estimated amount

of undistributed energy at the delivery points of binding distributors due to outages over a certain period of time (normally one calendar year).

UIE - Union Internationale pour Applications de l'électricité – International Union for Electricity Applications

UNESCO - United Nations Educational, Scientific and Cultural Organization

DEFINITION OF INDICATORS AND CRITERIA ADOPTED

Absentee rate - Ratio between the total hours missed and the total (theoretic) hours worked according to the employment audit.

Amount of training – Total annual hours of training calculated on the basis of the sum of products for each course, of the number of hours by the number of participants, including all classroom or distance learning in courses, seminars, congresses and conferences.

Annual total primary energy consumption - Annual total amount of fossil fuels and biomass used at all the company's thermal generation facilities, calculated on the basis of the average net calorific value (NCV) weighted on the basis of volume used for each type of fuel. At co-generation power stations, the NCV is an annual average of daily consumption.

Biomass - Non-fossil organic material of biological origin partially useable as a source of energy. The biomass used at the Mortágua power stations includes forest waste and pine and eucalyptus bark.

Electricity consumption by generating plants – Amount of electricity used by all the company's electricity generating facilities for their normal operation, including all departments involved in generation (consumption by auxiliary, synchronous compensation and pumping services) and those not involved.

Electricity consumption in administrative buildings - Total annual consumption of electricity used in EDP company administrative buildings, excluding buildings inside substations or generating plants.

Emissions into estuary waters – Total emissions of treated effluent into rivers and estuaries, excluding cooling water.

Emissions into the sea - Total emissions of treated effluent into the sea, excluding cooling water.

Frequency index (FI) - Number of accidents with sick leave per million hours worked.

Fuel consumption - Annual total amount of fossil fuels (and biomass) burnt in electricity generation at all company facilities.

Fuel consumption by vehicles – Annual consumption of fuel by all vehicles owned by the company, excluding personal vehicles.

Gross electricity generation - Total electricity measured on leaving all the main generators at the power stations, therefore including energy absorbed by the power stations' auxiliary services and losses from main transformers.

Hazardous waste - Annual sum disposed of in terms of hazardous waste that is dangerous to health or the environment, defined in accordance with the European Waste List approved by Ministerial Order 209/2004 of 3 March, excluding waste resulting from service activities.

Hydroelectric energy capability factor (HECF) - An indicator for quantifying deviations from the total amount of hydroelectric energy produced in a certain period in relation to that which would be produced in average hydrological circumstances.

Net electricity generation - Total electricity transmitted to the grid from gross generation after subtracting consumption used in its generation by the power station's auxiliary services and at the main transformers.

Non-hazardous waste - Annual sum of quantities of non-hazardous waste disposed of, defined in accordance with the European Waste List approved by Ministerial Order 209/2004 of 3 March, excluding waste resulting from service activities.

On-duty accident - Any occupational accident occurring while working for the company (at the workplace or during working hours) resulting in sick leave or death.

Recovered waste (percentage) - Ratio between the total waste recovered and the total waste disposed of, excluding waste resulting from service activities.

Severity index – Number of days lost per million hours worked, excluding permanent disability or 6,000 days per fatal accident.

Specific atmospheric emissions - The ratio between total atmospheric emissions and total gross thermal generation of all EDP's thermoelectric power stations.

Steam generation - All steam produced at EDP co-generation power stations and sold to industrial customers.

Total atmospheric emissions - Emissions resulting from the operations of the main and auxiliary groups. CO₂ is calculated on the basis of greenhouse gas emission certificates. The calculation for other fuels is based on standard emission factors and the NCV (Net Calorific Value). In conventional thermal generation, NO_x and particles are calculated on the basis of continuous monitoring data and fuel consumption. SO₂ is calculated on the basis of the fuel's sulphur content. In co-generation and biomass, all emissions, with the exception of CO₂, are calculated on the basis of half-yearly campaigns and the number of hours of operation.

Total sub-product sold - Total product resulting from the operation of the thermal power stations that is not disposed of as waste but sold as raw material for other industrial activities.

Trained employees - The ratio between the number of employees on the payroll who have received training, regardless of the number of courses attended, and the total number of company employees.

Turnover - Ratio between average number of employees admitted to and leaving the company and the total number of employees.

Use of cooling water - Volume of water collected annually for use in the primary circuit cooling system of the company's thermoelectric power stations.

Waste disposal - Annual total amount of waste disposed of or recovered by a licensed operator at all EDP industrial facilities, including by-products sold but not including waste generated by service activities.

Water consumption in administrative buildings - Annual total amount of water used in EDP company administrative buildings, excluding buildings inside substations or generating plants.

**EDP Lisbon Half
Marathon**

EDP has been increasing its involvement in sport, and the EDP Lisbon Half Marathon is one of its most important and famous events on the national sporting scene.



Prince of Asturias Prize

The famous Portuguese neurologist António Damásio received the Prince of Asturias Prize for Scientific and Technical Research for his work on the basic neuroscience of the mind and behaviour and research into illnesses such as Parkinson's Disease and Alzheimer's. The **Hidrocantábrico Foundation** has collaborated for many years with the Prince of Asturias Foundation, which is celebrating its 25th anniversary this year. The prize was presented to António Damásio by Prince Felipe himself.



Certification document

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Assurance Report

Introduction

1. We have been engaged by the EDP Group (“EDP”) to provide assurance on quantitative data related to the indicators mentioned in the Scope of the present report. Our work covers operations held in Portugal and Spain detailed in the 2005 Sustainability Report for the year ended 31 December, 2005. The Board of Directors of EDP is responsible for the preparation of the Sustainability Report. The purpose of our work was to perform an independent review, with a limited level of assurance, of the 2005 indicators.

Our work was restricted to process review procedures and underlying systems as described further in paragraph 3.

Scope

2. The scope of our work included the financial, economic, operating, environmental and social data of EDP in Portugal and Spain for the year ended 31 December, 2005, for the companies referred, by the Board of Directors, in chapter “This Report”, of the 2005 Sustainability Report. Data from EDP Gás, SGPS; social indicators in Spain and data from Telecommunications and Information Technology business (except Employment and Labour Relations indicators) were not included in the scope of our work.

We conducted our engagement in accordance with the *International Standard on Assurance Engagements 3000 (ISAE 3000)*, for non-financial information assurance processes. This standard defines limited level of assurance reviews, with a moderate level of assurance, thus our verification work did not have the purpose of expressing an audit opinion.

Procedures and Criteria

3. There are no generally accepted standards for reporting sustainability performance. EDP applies its own internal performance reporting criteria, approved by the Board of Directors and detailed in chapter “Indicators Definition and Criteria Adopted” of 2005 Sustainability Report.

Our work comprised the following procedures:

- Conduct interviews with responsables for data reporting in order to have an understanding of the processes used to generate, aggregate, validate and consolidate data;
- Review procedures based on testing data samples, in order to obtain evidence supported on processes and underlying information systems;
- Visit five representative facilities of EDP’s activity and geographic dispersion and conduct on site review of data quality and data generation processes;
- Review procedures on data concerning greenhouse gas allowances verified by independent auditors accredited under the EU ETS (European Trading Scheme);



- Compare the financial and economic data with the audited financial statements of EDP for the year ended 31 December, 2005.

Conclusion

4. Based on our work described in this report, which was performed in order to obtain a moderate level of assurance, nothing has come to our attention that causes us to believe that the data of financial, economic, operating, environmental and social indicators, presented on page 20 of the 2005 Sustainability Report, referred to Portugal and Spain, in all material respects, is not fairly stated.
5. Without qualifying our opinion expressed above, we draw your attention to the fact that the indicators presented on page 20 of the 2005 Sustainability Report, for the year ended 31 December 2004, were reviewed by another Audit Firm.

Lisbon, 14 March, 2006



KPMG

