

EDP GROUP

**INTERIM GROUP REPORT
and
CONSOLIDATED ACCOUNTS**

30 June 2003

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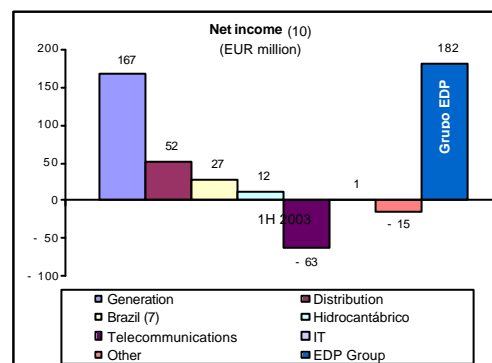
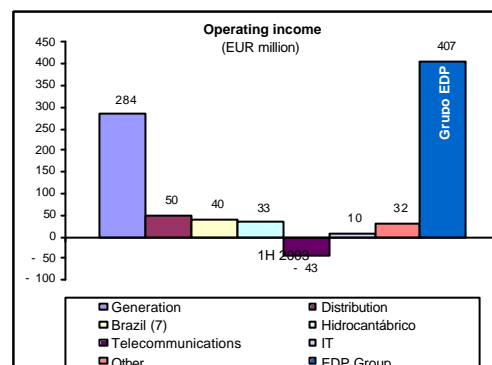
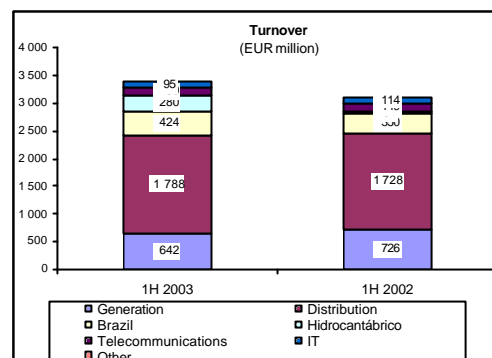
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GENERAL DATA

1 PRINCIPAL OPERATING DATA

1.1 FINANCIAL AND ECONOMIC DATA

FINANCIAL AND ECONOMIC DATA		(EUR: Thousand)		
	1H 2003	1H 2002	Δ%	
EDP Group Consolidated				
Turnover	3 345 691	3 064 024	9.2%	
Operating income	406 838	353 252	15.2%	
Net income	182 044	230 599	-21.1%	
Cash flow before capital expenditure (1)	652 912	623 388	4.7%	
Operating capital expenditure (2)	419 651	561 574	-25.3%	
Net total assets	18 071 351	16 955 579	6.6%	
Shareholders' funds	5 413 058	5 815 003	-6.9%	
Interest-bearing debt	8 003 063	6 506 951	23.0%	
Return on shareholders' funds (3)	3.4%	4.0%	-0.6%	
Capital structure (4)	147.8%	111.9%	35.9%	
Solvency (5)	142.8%	152.2%	-9.4%	
Earnings per share (euros)	0.061	0.077	-21.1%	
Pay-out ratio (6)	80.5%	75.2%	5.3%	
Stock market capitalisation	5 580 000	5 880 000	-5.1%	
Electricity generation (Portugal)				
Turnover	642 489	726 427	-11.6%	
Operating income	284 268	283 092	0.4%	
Net income	166 558	163 672	1.8%	
Operating capital expenditure (9)	86 830	113 666	-23.6%	
Electricity distribution (Portugal)				
Turnover	1 788 295	1 727 691	3.5%	
Operating income	50 129	74 783	-33.0%	
Net income	52 096	70 918	-26.5%	
Operating capital expenditure (9)	141 230	137 804	2.5%	
Electricity and gas in Spain (Hidrocontábrico) (8)				
Turnover	700 336	761 232	-8.0%	
Operating income	83 556	128 797	-35.1%	
Net income	30 380	30 853	-1.5%	
Operating capital expenditure (9)	83 091	78 216	6.2%	
Electricity in Brazil (7)				
Turnover	423 773	607 764	-30.3%	
Operating income	40 232	47 601	-15.5%	
Net income	49 989	-64 439	177.6%	
Operating capital expenditure (9)	66 762	96 861	-31.1%	
Fixed telecommunications (2)				
Turnover	150 010	149 208	0.5%	
Operating income	-43 002	-55 941	23.1%	
Net income	-62 714	-71 286	12.0%	
Operating capital expenditure (9)	18 182	29 000	-37.3%	
Information technologies				
Turnover	95 230	113 800	-16.3%	
Operating income	9 513	12 479	-23.8%	
Net income	1 466	3 306	-55.7%	
Operating capital expenditure (9)	18 127	23 383	-22.5%	



(1) Net income + Amortisation + Depreciation + Provisions

(2) 100% of the operating capital expenditure of the consolidated companies taken into account

(3) Net income / Shareholders' funds

(4) Interest-bearing debt / Shareholders' funds

(5) Assets / Liabilities

(6) Dividends distributed in respect of the previous year / Previous year's net income

(7) Data relating to Bandeirante, Escelsa and Enersul (100%) in 1H2002 and 1H2003 for purposes of analysis and comparison. The figures in the charts refer to the companies' contribution to the EDP Group.

(8) Data relating to Hidrocontábrico (100%) in 1H2002 and 1H2003 for purposes of analysis and comparison.

(9) The figures presented for both periods correspond to 100% of the company's capital expenditure, irrespective of the EDP Group's shareholding in the company in each one of the periods.

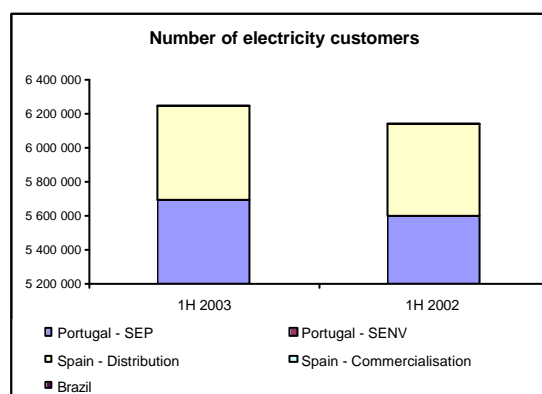
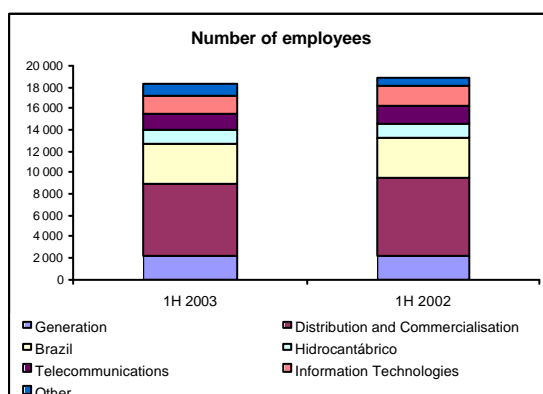
(10) "Other" includes: other EDP Group companies, impact of Oni Way and utilisation of provisions carried in the holding company's accounts.

1.2 OPERATING DATA

OPERATING DATA			
	1H 2003	1H 2002	△%
Number of employees (1)	18 346	18 831	-2.6%
Electricity in Portugal	8 922	9 391	-5.0%
EDP Produção	2 101	2 181	-3.7%
EDP Distribuição	6 808	7 192	-5.3%
EDP Energia	13	18	-27.8%
Brazil (2)	3 762	3 824	-1.6%
Hidrocentrábrico	1 383	1 346	2.7%
Electricity	1 106	1 111	-0.5%
Other	277	235	17.9%
Telecommunications	1 373	1 754	-21.7%
Information technologies	1 757	1 815	-3.2%
Other	1 149	701	63.9%
Electricity business in Portugal			
Maximum installed capacity (MW)	7.655	7.654	0.0%
Hydroelectric capability factor	1.30	0.51	0.79
Sales of electricity energy (GWh)			
Generation	15 147	12 837	18.0%
Distribution	19 490	18 763	3.9%
Number of electricity customers			
SEP	5 688 493	5 599 520	1.6%
SENV	913	35	2508.6%
SEP customers / Electricity Distribution workers	835.6	778.6	7.3%
Distribution sales / Distribution workers (euros)	261.3	238.4	9.6%
Electricity business in Spain (1)			
Electricity sales (GWh)			
Generation	6 446	6 932	-7.0%
Distribution	4 188	4 174	0.3%
Commercialisation	2 168	1 905	13.8%
Number of electricity customers			
Distribution	556 062	542 275	2.5%
Commercialisation	2 614	2 344	11.5%
Electricity business in Brazil (1)			
Electricity sales (GWh)	9 211	10 548	-12.7%
Number of customers	2 880	2 806	2.7%
Telecommunications (1)			
No. of registered CLI's (thousands)			
Portugal	412.4	390.5	5.6%
Spain	136.2	113.3	20.2%
Voice traffic (millions of minutes)			
Portugal	1.078.2	801.8	34.5%
Spain	443.2	356.3	24.4%
Brazil	635.0	445.5	42.5%

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

(2) Includes the total number of employees in 2002 and 2003 for analysis purposes in spite of Escelsa and Enersul only being fully consolidated with effect from October 2002.



3 EDP'S GOVERNING BODIES (THREE-YEAR TERM 2003 – 2005)

General Meeting Committee

José Manuel Galvão Teles (Chairman)

António Campos Pires Caiado (Vice-Chairman)

Supervisory body

Sole supervisors in office: Bernardes, Sismeyro & Associados, SROC, Lda., represented by Carlos Marques Bernardes, Statutory auditor (ROC)

Alternate: Joaquim Patrício da Silva, Statutory auditor (ROC)

Board of Directors

Francisco de la Fuente Sánchez (Chairman)

João Luís Ramalho de Carvalho Talone (Executive Committee - Chairman)

Rui Miguel de Oliveira Horta e Costa (Executive Committee)

Arnaldo Pedro Figueirôa Navarro Machado (Executive Committee)

Jorge Manuel de Oliveira Godinho (Executive Committee)

Pedro Manuel Bastos Mendes Rezende (Executive Committee)

António de Almeida (Audit Committee - Chairman)

José Manuel Trindade Neves Adelino (Audit Committee)

Luís Filipe Rolim de Azevedo Coutinho (Audit Committee)

António José Fernandes de Sousa

José Manuel Gonçalves de Moraes Cabral

Paulo Azevedo Pereira da Silva

Vítor Ângelo Mendes da Costa Martins

Remuneration Committee

Brisa, represented by Vasco Maria Guimarães José de Mello

Parública, represented by João Plácido Pires

Ruy Manuel Corte-Real de Albuquerque

Company Secretary

Alternate: António José Marrachinho Soares

MANAGEMENT REPORT

1 BACKGROUND

1.1 MACROECONOMIC BACKGROUND

2002 permitted a reversal in the economic slowdown observed in the world's leading economies in 2001 - exacerbated by the events of September 11 - and to view the year 2003 with a certain degree of optimism. However, this scenario was influenced by the unfolding of the Middle East situation and the negative direction of the stock markets.

According to the IMF (April 2003), the **world economy** grew by 3% in 2002, thus surpassing its estimates published in September 2002, but was obliged to downgrade its forecasts for economic growth in 2003 by 0.5 percentage points to 3.2%.

As was foreseeable at the end of 2002, the uncertainty surrounding the consequences of the probable military conflict in Iraq triggered a significant rise in the oil price, pushing it past the USD 34 per barrel level. The end of the war and the political changes in this important oil-producing country led to a stabilisation in the price of this raw material to an interval varying between USD 25 and 30 per barrel in the closing stages of the second quarter of 2003.

According to preliminary data, the **North American economy** is estimated to have grown 2.3% in the first half of 2003, about 0.1 percentage points more than that achieved in the same period a year earlier, but below that of the last six months of 2002. Prices have been following an upward trajectory, with the year-on-year CPI (consumer price index) reaching 2.9% in the first quarter of 2003, almost double the rise in prices registered during 2002. Accompanying the tentative economic recovery, unemployment remained stable at around the 6.0% mark.

Growth in the **Euro Area** continues to be modest and below that observed in the United States, influenced by the performance of its principal economies, namely, Germany and France. According to preliminary Eurostat projections, Euro zone growth in the first half of the year was 0.4%, down on the figure for the same period of 2002 and also below that posted in the first quarter of 2003. This delay in economic revival has had natural consequences for unemployment, which in the first six months of 2003 moved close towards the 9.0% mark, and on the confidence of economic agents, with consumer pessimism surpassing the lack of confidence manifested by industry. This state of weak economic dynamism has been responsible for prices increasing marginally above 2.0% (2.3% in the first half of the year), a situation which is not expected to change appreciably during the second half of the year. In the wake of the European currency's sustained appreciation noted in 2002, and notwithstanding the Euro Area's economic situation, the euro's exchange rate remained consistently above the North American currency.

The **Portuguese economy**, which in 2002 had underperformed the European average with the last two quarters even posting negative growth, once again recorded negative growth of -1.2% in the first quarter of 2003, obliging the leading national and international bodies and entities to project minimal or even negative economic growth figures for the end of 2003. The nation's economic performance has been mirrored in

economic agents' confidence and in unemployment which, at the end of June 2003, continued to hover above 6.0% (against 4.5% in the same period of 2002). This state of affairs has, however, had a favourable impact on price stability, with the average change in the HICP (Harmonised Index of Consumer Prices) being situated at 3.8% (against the 3.7% registered at the end of 2002).

In contrast to Portugal, the **Spanish economy** has remained extremely healthy considering the international backdrop, comfortably outperforming the European average. With economic growth rates of about 2.0% in the last couple of quarters, the forecast for the end of 2003 and for 2004 point to the Spanish economy continuing to grow at a higher rate than the Euro zone. Despite its good economic performance, the Spanish economy continues to present one of the Euro zone's highest unemployment rates, which in 2002 exceeded 11.0%, a situation that is not expected to change significantly in 2003. Moreover, prices have risen at a faster rate than in the Euro Area despite showing some signs of deceleration in the first quarter of 2003.

The **Brazilian economy** experienced a few difficulties in 2002 as a consequence of unique circumstances, the effects of which have progressively dissipated. Initially, Brazil was affected by the energy rationing decreed in 2001 and, after the end of rationing, the uncertainty surrounding the presidential elections which had several negative repercussions for the Brazilian economy. These included the *real's* depreciation motivated by the drop in confidence on the part of foreign economic agents. With indications of the new Brazilian government's intention to pursue macroeconomic stability, a more stable environment was possible in 2003, with economic growth expected to be close to 3% in 2003 and could even reach 3.5% in 2004.

1.2 THE EDP GROUP'S ACTIVITY

2003 is being marked by a growth rate in electricity consumption in Portugal which is outstripping that of 2002, with growth of 5.0% being posted in the first quarter of 2003 (consumption in GWh related to emission to the transmission grid), compared with 1.9% in 2002. This phenomenon is partially explained by the fact that the 2003 winter was particularly cold and wet. As a consequence of the last-mentioned, the hydroelectric capability factor was substantially higher than that of the first half of 2002, thereby permitting a reversal in the proportion of hydro-sourced energy relative to thermal energy in the total energy sent out to the grid, with a resulting positive impact on the cost of electricity consumed in mainland Portugal.

The end of 2002 saw the publication of the electric energy tariffs and prices to be applied in 2003 within the ambit of the tariff parameters for the three-year period 2002 – 2004 (published in 2001). The new schedule contemplates a nominal variation in the sales tariffs of electric energy charged to final customers of 2.8% relative to 2002. Despite this increase in nominal terms, the 2003 tariff imposed decreases of 3.8% and 2.9% in the permitted unit income for URD (use of the distribution network) at the HV/MV and LV voltage levels, respectively. Owing to this tariff's importance vis-à-vis the total of EDP Distribuição's permitted revenues, these cuts restrained growth in this company's operating income.

A Portuguese Government Cabinet Resolution was approved in the first half of 2003 which sets out the definition of the political, competitive and regulatory framework for Portugal's energy sector. This Resolution points to the convergence of the electricity and gas businesses in Portugal through the separation of GalpEnergia's gas business, and the ensuing merger with the electricity business under the EDP Group overall control.

Already in the second half of 2003, the ERSE (the energy sector regulator) has decided to accept as a capital investment, to be amortised over a period of 20 years commencing in 2005, EDP Distribuição's restructuring costs associated with the Human Resources Rationalisation Plan for 2003 and 2004. This plan contemplates reducing the workforce (including pre-retirements) with the object of adjusting human resources to the company's present requirements. This plan which until now has been suspended by the impossibility to pass these costs on to final customers via sales tariffs, may be now resumed with the guarantee of the cost being recouped, although subject to a limit of EUR 485.7 euros. However, the ERSE did not deem it appropriate that an identical treatment should be accorded to the costs already incurred up until 2002 under the 1998-2002 Human Resources Rationalisation Plan.

Within the scope of Portugal's electricity sector's liberalisation, access at this moment to the SENV (Non-Binding Electricity System) is open all customers supplied with Very High, High and Medium voltage power, which corresponds to a universe of more than 20,000 customers who collectively represent more than 40% of electricity consumption in continental Portugal. Notwithstanding this possibility, 1,244 customers transferred to the SENV, representing only 7.9% of total electricity consumption. In the first half of 2003, energy sales in the SENV rose by more than 300% when compared with the same period in the previous year, with the EDP Group companies operating in this system managing to attain a market share of 67% in terms of the quantity of power sold. In terms of market share measured by the number of customers, 73% of customers supplied in the SENV continue to be supplied by the EDP Group.

As was the case in Portugal, the rigour of the Spanish winter led to a sharp rise in electricity consumption. The higher rainfall resulted in an increase in hydroelectric generation at the expense of thermal-sourced power generation (given the lower cost of generation using hydro resources) and, as a consequence, a decrease in Pool prices. In view of the preponderance of thermal generation in Hidrocantábrico's installed capacity, this impacted on the company's net generation and, of course, on its market share.

Besides electric energy generation, Hidrocantábrico also operates in the distribution and sale of electricity, as well as being engaged in the gas business. In the case of the latter, the first half of 2003 was marked by Hidrocantábrico's successful bid in the privatisation of the gas company Naturcorp. Following this acquisition, Hidrocantábrico now ranks as the second biggest gas operator on the Spanish market, with a market share of approximately 10% and boasting more than 500 000 customers. Naturcorp's acquisition by Hidrocantábrico is all the more important owing to the fact that it allows the EDP Group to solidify its presence in Spain, as well as boosting its positioning in the convergence between the electricity and gas businesses in Spain, in consonance with the strategy recently defined for the Portuguese energy sector.

The EDP Group's activity in Brazil in the first half of 2003 was indelibly marked by two factors: the change in the real's exchange rate and the full consolidation of Escelsa's and Enersul's activities in the first six months of 2003, as a consequence of the change in the consolidation perimeter in October 2002 (in the first half of 2002 these companies' activities were reflected in the EDP Group's accounts via the item «Net financial items» since both companies were consolidated using the equity method).

At operating level, the performance of the Brazilian companies in the first six months of 2003 in BRL was positive, despite the 13.9% decline in Bandeirante's operating income. However, the BRL's appreciation in the early months of 2003 was insufficient to compensate for the strong depreciation registered in the second

half of 2002 stemming from the uncertainties concerning the outcome of the presidential elections in Brazil. Accordingly, the exchange rate used for the transposition of the Brazilian companies' financial statements covering the first half of 2003 from *reais* to euros for consolidation in the EDP Group's accounts was lower than that used in the same period of 2002, with an impact on the EDP Group's results.

At the end of 2002, EDP, S.A. (the holding company) acquired Escelsa bonds issued in dollars with the goal of mitigating the Brazilian currency's exchange-rate risk vis-à-vis the North American currency, in this fashion seeking to avoid financial losses arising from the translation of Escelsa's debt, as had happened in the first half of 2002. Hence and given that in the first six months of 2003 the *real* appreciated relative to its exchange rate at the end of 2002, the currency gain arising from the translation of Escelsa's debt was cancelled out by the currency loss from the translation of the bonds held by EDP (holding company).

In consolidated terms, the EDP Group presented a net income of EUR 182.0 million, which represents a decrease of 21.1% when compared to the first half of 2002 despite the 15.2% improvement in operating income to EUR 406.8 million. This increase is due to the full contribution of the companies not totally consolidated in the first half of 2002 and to the improved operating income from the fixed telecommunications business, both of which helping to compensate for the 33.0% fall in EDP Distribuição. Net income was, however, affected by the unfavourable evolution in net financial items, penalised by the increase in consolidated borrowings and the trend in the BRL's exchange rate.

The EDP Group's consolidated debt was situated at EUR 8003 million, which represents an increase of 23.0% when compared to the first half of 2002. This higher figure reflects the changes in the consolidation perimeter, as well as the debt contracted for the payment for EnBW's stake in Hidrocantábrico and the purchase by EDP (holding company) of Escelsa's "Senior Notes".

The control of costs - the management objective imposed in 2002 under the Efficiency Programme - led to decreases of 3% and 1% in OSS (Outside Supplies and Services) and in personnel costs, respectively, in the first half of 2003 in relation to the same period of the previous year (excluding the changes to the consolidation perimeter between the two periods). EDP will pursue this policy of cost containment and human resources rationalisation. In this regard, it can now count upon the possibility of seeing this drive being recompensed in electric energy sales tariffs following the ERSE's recent decision.

2 HIGHLIGHTS

2.1 IMPORTANT FACTS IN THE FIRST HALF OF 2003

2.1.1 General

- **EDP floats EUR 150-million bond issue**

26 March 2003 – Bond issue, by private subscription, in the amount of EUR 150 000 000, maturing on 26 March 2013, and a floating interest rate equal to 6-month Euribor plus 0.50% per annum. This issue is destined to refinance EDP's short-term debt.

- **Election of new Board of Directors**

22 May 2003 – The General Meeting elected EDP's new governing bodies. EDP's Board of Directors is now composed of Eng. Francisco de la Fuente Sánchez (Chairman of the Board of Directors), Eng. João Ramalho Talone, Dr. António de Almeida, Prof. Dr. António José Fernandes de Sousa, Eng. Arnaldo Pedro Figueirôa Navarro Machado, Eng. Jorge Manuel Oliveira Godinho, Dr. José Manuel Gonçalves de Morais Cabral, Dr. José Manuel Trindade Neves Adelino, Dr. Luís Filipe Rolim de Azevedo Coutinho, Dr. Paulo Azevedo Pereira da Silva, Eng. Pedro Manuel Bastos Mendes Rezende, Dr. Rui Miguel de Oliveira Horta e Costa and Dr. Vítor Ângelo Mendes da Costa Martins.

- **Constitution of the Executive Committee and the Audit Committee**

22 May 2003 - The Board of Directors, elected on this date at the General Meeting, adopted a resolution delegating powers for the day-to-day management of the company to an Executive Committee with the following composition: Eng. João Ramalho Talone (Chairman of the Executive Committee), Eng. Arnaldo Pedro Figueirôa Navarro Machado, Eng. Jorge Manuel Oliveira Godinho, Eng. Pedro Manuel Bastos Mendes Rezende and Dr. Rui Miguel de Oliveira Horta e Costa.

The Board also resolved to constitute an Audit Committee composed of the following non-executive directors: Dr. António de Almeida (Chairman of the Audit Committee), Dr. José Manuel Trindade Neves Adelino and Dr. Luís Filipe Rolim de Azevedo Coutinho.

- **General Meeting approves payment of a gross dividend of EUR 0.09 per share**

22 May 2003 – Approval at EDP's General Meeting of the proposal tabled by the Board of Directors for the appropriation of net income relating to 2002, including the payment of a gross dividend of 9 cents per share.

2.1.2 Gas sector

- **Hidrocantábrico succeeds in privatisation of Naturcorp**

24 March 2003 – Hidroeléctrica del Cantábrico, S.A. (Hidrocantábrico), in which the EDP Group has a 40% shareholding, acquired a 62% equity interest in the natural-gas distribution company Naturcorp in the Basque company's privatisation.

Through the integration of Gas de Asturias and Naturcorp, Hidrocantábrico has become the second-ranked gas operator in the Spanish market, attaining a total customer universe of more than 500 000 and a share of approximately 10% of the Spanish gas market.

2.1.3 Electricity sector

- **Cabinet resolution relating to the energy sector's restructuring**

3 April 2003 – With the approval of the Cabinet Resolution setting out the political, competitive and regulatory framework for the energy sector, EDP's Board of Directors considered that the said resolution establishes a suitable framework for the Portuguese energy sector.

The general orientations announced publicly are entirely compatible with the strategy delineated by EDP. In these terms, the Strategic Recommendations for the Portuguese Energy Sector will be studied and analysed by the Board of Directors, which reaffirmed its total availability and commitment to actively participate in the proposed restructuring process, paying special attention to the EDP Group's interests in energy sector companies and the objective of adding value for its shareholders.

2.1.4 Internationalisation

- **ANEEL approves average increase of 32.59% in Enersul's tariffs**

8 April 2003 – The National Electric Energy Agency (Agência Nacional de Energia Elétrica - ANEEL) authorised Enersul to raise tariffs to final customers by an average of 32.59 % with effect from 8 April 2003. This increase falls under the "tariff compensation adjustment" envisaged in the company's concession contract.

2.2 IMPORTANT FACTS AFTER THE CLOSING OF THE INTERIM ACCOUNTS

2.2.1 Electricity sector

- **ERSE accepts EDP Distribuição's proposal regarding the Human Resources Rationalisation Plan for 2003 and 2004**

- 11 August 2003 – Following a proposal submitted by EDP Distribuição Energia, S.A., in a communication on 8 August 2003, the energy sector regulator ERSE accepted as a capital investment to be amortised over a period of 20 years commencing in 2005, the costs associated with the Human Resources Rationalisation Plan for 2003 and 2004 to be incurred by the company, up to a maximum amount of EUR 485.7 million. However, it did not deem it appropriate to accord identical treatment for similar costs relating to the Human Resources Rationalisation Plan already executed (1998-2002).

In the light of this decision taken by the ERSE, EDP's Board of Directors informed the market that the possibility of immediately implementing the 2003-2004 Rationalisation Plan, now with the assurance that the attendant cost (up to a maximum of EUR 485.7 million) will be accepted by the ERSE, constitutes a fundamental and priority management tool. It will also enable the company and the Group to mobilise for the dawn of a new modernisation cycle, with the inherent re-designing of

work processes, the fruits of which will undoubtedly be positive for the EDP Group's customers, shareholders and employees.

2.2.2 Internationalisation

- **Reorganisation of EDP's equity participation in CEM – Companhia de Electricidade de Macau**
31 July 2003 - EDP concluded a sale of shares representing 2.06% of the capital of its Macau affiliate CEM – Companhia de Electricidade de Macau, SARL (CEM) to China Power International Holding, a subsidiary of China Power Investment Corporation.

In parallel with this operation, EDP carried out a reorganisation of its affiliates in Macau, involving the dissolution of Sogeste (85% held by EDP Investimentos and 15% by Caixa Geral de Depósitos (CGD) and the owner of 20% of CEM's capital). Following this dissolution, CGD became the direct owner of shares representing 3.02% of CEM's capital, having decided to sell this entire block of shares to EDP.

After the conclusion of the above operations, EDP now owns (via EDP Investimentos) a shareholding corresponding to a minimum of 21.10% or a maximum of 22.13% of CEM's capital.

3 ECONOMIC AND FINANCIAL REVIEW OF THE EDP GROUP

3.1 CONSOLIDATION PERIMETER

2002 was characterised by significant changes in the EDP Group's organisational structure, some of which occurred in the second half of the year with a natural impact on the perimeter of the Group's consolidated accounts. Hence and despite having already been referred to in the 2002 Group Annual Report, it is worth highlighting again the main changes that need to be taken into account in the comparative analysis with the first half of last year:

- **Consolidation of Hidrocantábrico**

In the wake of the assumption of the operational and management control of Hidrocantábrico after a joint agreement concluded between EDP and the other shareholders (EnBW, CajAstur and Cáser), Hidrocantábrico's accounts began to be consolidated in the Group's financial statements using the proportional consolidation method (40%) as from 1 June 2002. Consequently, Hidrocantábrico's contributions to the EDP Group's net income in the first six months of 2002 and 2003 are not comparable;

- **Consolidation of Escelsa / Enersul**

In October 2002, EDP started to fully consolidate Escelsa's financial statements following its assumption of operating control and the appointment of EDP representatives to the company's governing bodies. Since Escelsa is the majority shareholder in Enersul, the latter also began to be included in the EDP Group's consolidation perimeter using the purchase method with effect from the same date. Up until September 2002, the activities of Escelsa and Enersul were reflected in the EDP Group's Net Financial Items on the grounds that both companies were consolidated using the equity method;

- **Closure of ONI Way**

In December 2002, ONI decided to discontinue its involvement in the mobile telecommunications business following the proposal made by the three mobile operators to acquire the assets and the shares representing ONI Way's share capital. This company's impact on the EDP Group's financial statements for the first six months of 2003 is attributable to the costs relating to the closing down process, which has not yet been concluded.

There were no noteworthy alterations to the EDP Group's consolidation perimeter in the first half of 2003.

3.2 EDP GROUP

3.2.1 Consolidated balance sheet and income statement

Consolidated balance sheet		
	EUR thousand	
	1H 2003	2002
Assets	18 071.4	18 125.2
Intangible and tangible fixed assets (net)	13 046.4	13 047.4
Financial investment (net)	1 771.0	1 896.0
Medium/long-term receivables	263.4	260.6
Current assets (net)	1 745.8	1 802.1
Accruals and deferrals	1 244.8	1 119.1
Shareholders' funds + Liabilities	18 071.4	18 125.2
Provisions for risks and contingencies	762.6	806.3
Hydraulicity Correction	383.0	324.1
Medium/long term liabilities	8 003.1	7 994.1
Other liabilities	1 272.8	1 368.8
Accruals and deferrals	2 179.8	2 072.5
Shareholders' funds	5 413.1	5 494.2
Minority shareholders' interests	57.0	65.2

Consolidated income statement			
	EUR thousand		
	1H 2003	1H 2002	△ %
Operating revenues	3 474.0	3 182.4	9.2%
Sales and services provided	3 345.7	3 064.0	9.2%
Own work capitalised	116.7	106.0	10.1%
Other operating revenue	11.6	12.4	-6.1%
Operating costs	3 067.2	2 829.1	8.4%
Cost of goods sold and consumed	1 843.3	1 738.4	6.0%
Outside supplies and services	310.2	296.8	4.5%
Personnel costs	345.3	316.8	9.0%
Depreciation and amortisation	470.9	392.8	19.9%
Concession and generating-centre rentals	87.9	78.2	12.4%
Other operating costs	9.6	6.1	56.8%
Operating income (EBIT)	406.8	353.3	15.2%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	877.7	746.1	17.6%
Financial income	195.1	177.0	10.2%
Financial costs	377.6	296.7	27.3%
Net financial items	- 182.5	- 119.7	-52.5%
Extraordinary income	93.9	84.7	10.8%
Extraordinary costs	34.5	36.5	-5.5%
Net extraordinary items	59.4	48.2	23.2%
Income before taxation	283.7	281.8	0.7%
Corporate income tax	110.7	85.3	29.8%
Minority shareholders' interests	- 9.0	- 34.1	73.6%
Net income	182.0	230.6	-21.1%

The EDP Group's results increased significantly at operating level in the first half of 2003. EBITDA climbed by 18% (EUR 131.7 million) while EBIT grew by 15% (EUR 53.6 million). The most important factor behind the higher EBITDA was the change to the Group's consolidation perimeter. Hidrocantábrico contributed with EUR 49.6 million, while Escelsa and Enersul contributed with EUR 30.6 million and EUR 20.5 million, respectively. Excluding this effect, the Group's EBITDA rose by 4% (EUR 31.0 million).

Income before taxation was situated at EUR 283.7 million, with finance charges increasing by EUR 62.9 million when compared with the first half of 2002. The change in the consolidation perimeter also had an impact on net interest expense of EUR 28.1 million and on the higher amortisation of goodwill of EUR 24.6 million. This higher interest bill is due to the increase in the holding company's debt following the acquisition of the 40% stake in Hidrocantábrico, and to the first-time consolidation of Electra (Cape Verde associated company in which EDP has a 30.6% equity interest), which led to the inclusion of the losses accumulated since 2000 in the amount of EUR 7.2 million.

Despite the EDP Group's good operating performance, net income fell from EUR 230.6 million in the first half of 2002 to EUR 182.0 million in the period just ended.

The effective tax rate rose from 30% to 39% (EUR 25.3 million) in absolute terms when compared with the same period last year. The taxable base had a negative impact due to the higher goodwill and the change in the consolidation method applied to the accounts of Escelsa and Enersul. However, the most significant impact is attributable to the corrections made to prior-year tax estimates: i) EUR 22.7 million less tax in the first half of 2002 relating to an overprovision for taxation in the previous year; ii) EUR 77 million more taxation in the first half of 2003 relating to an underprovision for taxation in 2002. Minority shareholders' interests decreased by EUR 25.1 million, due to the lesser impact of ONI's losses and a positive contribution from the Brazilian subsidiaries after their full consolidation.

3.2.2 Operating income

The EDP Group's operating income registered an improvement of 15% (EUR 53.6 million), thanks to the contribution emanating from the new subsidiaries. However, consolidated operating income was penalised due to the increase in EDP Distribuição's amortisation costs, of which EUR 6.9 million represents the impact of the depreciation charge on the new IT systems. EDP Distribuição increased its provisioning by some EUR 14 million, of which EUR 7.2 million is due to the higher doubtful debt provisions (a reflection of the unfavourable economic climate), while EUR 7.3 million refers to interest charged for delays on the part of municipalities in the payment of electricity bills.

Operating income by business area					
	EUR thousand				
	1H 2003		1H 2002		△%
EDP Produção	284 268	69.9%	283 092	80.1%	0.4%
EDP Distribuição	50 129	12.3%	74 783	21.2%	-33.0%
EDP Energia	29 723	7.3%	- 6 071	-1.7%	589.6%
40% Hidrocantábrico (1)	33 422	8.2%	6 560	1.9%	409.5%
Bandeirante	13 841	3.4%	27 313	7.7%	-49.3%
Escelsa (2)	15 689	3.9%	-	-	-
Enersul (2)	10 702	2.6%	-	-	-
Telecommunications	- 43 002	-10.6%	- 55 941	-15.8%	23.1%
Information technologies	9 513	2.3%	12 479	3.5%	-23.8%
Other	2 553	0.6%	11 037	3.1%	-76.9%
Operating income	406 838	100.0%	353 252	100.0%	15.2%

(1) In 1H 2002, corresponds to 40% of Hidrocantábrico's June operating income.

(2) in 1H 2002, Escelsa and Enersul were consolidated using the equity method.

As an important management objective, cost control meant that it was possible to reduce outside supplies and services (excluding the changes arising from the new consolidation perimeter) by 3% and personnel costs by 1% in the first half of 2003. EDP will pursue this policy of cost containment and personnel cutbacks now that the energy sector regulator has approved the recognition of the restructuring costs projected for 2003 and 2004 in tariffs. A total of EUR 485.7 million may be reflected directly in these restructurings and passed on to tariffs until 2025. This accord will allow the company to modernise, at the same time making it more flexible and competitive.

3.2.3 Net financial items

Net financial items			
	EUR thousand		
	1H 2003	1H 2002	△%
Interest paid/received	- 155 769	- 118 502	-31.4%
Gains/losses in Group and associated companies	7 191	- 16 443	143.7%
Net foreign exchange differences	2 459	23 634	-89.6%
Investment income	31 481	25 700	22.5%
Amortisation of goodwill - Hidrocantábrico	- 2 898	- 483	-500.0%
Amortisation of goodwill/concession right - Bandeirante	- 4 217	- 6 420	34.3%
Amortisation of goodwill/concession right - Iven	- 18 760	- 9 207	-103.8%
Amortisation of goodwill - Optep	0	- 2 127	100.0%
Amortisation of goodwill - Comunitel	- 4 265	- 5 178	17.6%
Amortisation of goodwill - Ace Holding S.G.P.S.	- 396	- 733	46.0%
Amortisation of goodwill - Affinis	- 318	-	-
Other	- 37 040	- 9 919	-273.4%
Net interest and financial expense	- 182 532	- 119 678	-52.5%

The Group's net financial items deteriorated by EUR 62.9 million (52.5%) relative to the first half of 2002, once again due to the changes to the consolidation perimeter, namely, the end of Escelsa's and Enersul's

consolidation using the equity method. Hidrocantábrico, which gave rise to an alteration in the consolidation perimeter in the first half of 2002 (in June), by beginning to be proportionally consolidated (40%), was equity accounted in the first five months of 2002, thus having an impact on this period's net financial items.

Besides the changes to the consolidation perimeter, the following is also worth highlighting:

- **Interest**

Escelsa has a bond issue denominated in North American currency totalling USD 431 million, of which EDP (holding company) holds approximately 83%. Hence, in the first half of 2003 EDP fully consolidated EUR 18.4 million of Escelsa's net interest, which was received by EDP, the reason for which this was annulled against a similar amount of interest paid by Escelsa. The variation in net interest is also due to the full consolidation of Enersul (+ EUR 7.0 million), the 40% proportional consolidation of Hidrocantábrico (+ EUR 16.2 million) and EDP, S.A.'s higher debt, which were compensated by the decline in benchmark rates;

The active management of interest-rate risk attaching to EDP's borrowings, with the object of reducing financing costs, has been effective in recent times, as evidenced by the gains on derivatives;

- **Consolidation of companies using the equity method**

This year EDP equity-accounted EUR 7.2 million of Electra's accumulated losses (from 2000 to 2002), the Cape Verde distribution company in which the EDP Group has a 30.6% holding. Until the first half of 2003, the financial investment in Electra was valued in EDP's accounts at cost;

Gains/losses in Group and associated companies		
		EUR thousand
	Capital held	1H 2003
REN	30.0%	10 871
SPE (CEM)	21.8%	2 522
Electra	30.6%	- 7 237
Other	-	1 035
Total		7 191

- **Income from investments**

Although in the first half of 2003, EDP received EUR 4.7 million less in BCP dividends than in the first half of 2002, it received EUR 12.0 million more in dividends from Iberdrola this year;

- **Amortisation of goodwill**

In the first half of 2003, EDP started to amortise the goodwill resulting from the takeover bid for IVEN (November 2001). The variation also reflects the amortisation of goodwill relating to Hidrocantábrico in the first half of 2003;

- **Currency differences**

Since Escelsa is the issuer of dollar bonds, the company's net financial items are influenced by currency differences resulting from the *Real's* volatility. During the first half of 2002, EDP (holding company) acquired assets worth USD 102.5 million with the sole object of hedging its share in the dollar-denominated debt of the Brazilian subsidiaries and thus cushions the effects of this exposure. During the second half of 2002, EDP increased to approximately 83% its stake in Escelsa's dollar-denominated bond issue, which is recorded in the holding company's (EDP, S.A.) accounts. In the first half of 2003, EDP fully consolidated Escelsa, while the currency gains booked locally due to the *Real's* appreciation against the Dollar were compensated by the currency losses recorded by EDP on its assets (Escelsa "Senior Notes").

3.2.4 Interest-bearing debt

At the end of June 2003, the EDP Group's interest-bearing debt totalled EUR 8 003.1 million. Compared with the first half of 2002, EDP, S.A.'s interest-bearing debt was EUR 881 million higher. This figure includes the EUR 783 million paid to EnBW for the acquisition of the 40% stake in Hidrocantábrico and the purchase of USD 357.4 million-worth of Escelsa Bonds for USD 268.7 million. The full consolidation of Escelsa and Enersul contributed a net increase of EUR 329.3 million to EDP's consolidated borrowings (net of 83% of Escelsa's "Senior Notes" held by EDP, S.A.).

Interest-bearing debt		
<i>EDP Group</i>		
	EUR thousand	
	1H 2003	2002
Long / medium-term debt	6 214 214	6 107 042
Non-convertible bond loans	3 488 640	3 392 111
Debts to credit institutions	2 709 513	2 697 721
Other loans	16 061	17 210
Short-term debt	1 788 849	1 887 034
Non-convertible bond loans	61 781	12 261
Debts to credit institutions	1 727 068	1 874 773
Total EDP Group	8 003 063	7 994 076

In the first six months of 2003, ONI and the Brazilian subsidiaries represented 16% (EUR 1 306.4 million) of the EDP Group's consolidated debt. However, if the portion relating to minority shareholders is excluded, the portion of these companies' debt corresponding to EDP decreased to EUR 828.2 million. In Brazil, it is worth noting that the electricity companies are financing state debt via special loans contracted from the BNDES (Banco Nacional de Desenvolvimento Económico e Social) to compensate for rationing losses and the costs of "Portion A" ("Parcela A"). The increase of EUR 81.2 million in the Brazilian subsidiaries' debt since the end of 2002 is strongly influenced by the *Real's* 13% appreciation against the Euro in the period.

3.2.5 Net extraordinary items

Net extraordinary items			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Fixed asset gains/(losses)	6 414	15 457	-58.5%
Decrease in provisions, depreciation and amortisation	23 280	12 879	80.8%
Prior-year adjustments (net)	- 2 408	- 5 046	52.3%
Set-off of depreciation and amortisation	39 069	37 362	4.6%
Bad debts written off	- 288	- 679	57.5%
Inventory gains/(losses)	- 537	- 1 008	46.7%
Other gains/(losses)	- 6 150	- 10 756	42.8%
Net extraordinary income and gains	59 380	48 209	23.2%

The EDP Group's net extraordinary income and gains amounted to EUR 59.4 million, a large portion of which resulting from the recurring amortisation of EDP Distribution's investment subsidies.

Fixed asset gains in the first half of 2003 were essentially attributable to the sale of ONI Way's assets as part of its closing down process, given that the assets whose disposal gave rise to capital gains had not been taken into consideration in the provision set aside at the end of 2002 for discontinued operations. The fixed asset gains in the first half of 2002 were mostly realised on the disposal of office buildings to the EDP Pension Fund.

The 2003 interim accounts reflect the reduction of a provision that had been created to mitigate a possible loss in the market value of dollar-denominated assets owned by Escelsa (NBCE's).

3.2.6 Capital expenditure

Operating capital expenditure totalled EUR 419.7 million in the first six months of 2003. If ONI Way's capital expenditure in the first half of 2002 (EUR 66.0 million) and EDP Distribuição's investment in 2002 and 2003 in IT systems (transfer of ownership from another EDP Group company and therefore with no impact on consolidated cash flow) are excluded, operating capital expenditure fell by 10.0%.

Operating capital expenditure			
	EUR thousand		△%
	1H 2003	1H 2002	
EDP Produção	86 830	113 666	-23.6%
Binding generation	26 745	20 238	32.2%
Non-binding generation	48 586	86 223	-43.7%
Special regime generation	7 755	6 403	21.1%
Unspecified capital expenditure	3 744	802	366.8%
EDP Distribuição	141 230	137 804	2.5%
High / medium voltage	46 999	30 706	53.1%
Low voltage	59 069	55 963	5.6%
Public illumination	8 279	4 228	95.8%
IT systems (1)	8 110	38 445	-78.9%
Other	18 773	8 462	121.8%
EDP Energia	1 748	4 410	-60.4%
Electricity - Portugal	229 808	255 880	-10.2%
Generation	37 068	57 175	-35.2%
Distribution (2)	29 608	39 519	-25.1%
EDP-Brasil	86	167	-48.7%
Electricity - Brazil	66 762	96 861	-31.1%
Hidrocantábrico (3)	83 091	78 216	6.2%
Telecommunications	18 182	95 000	-80.9%
Information technologies	18 127	23 383	-22.5%
Other	3 681	12 234	-69.9%
Total operating capital expenditure	419 651	561 574	-25.3%

NOTE: In the EDP Group's business, it should be noted that the figures do not correspond either to the consolidation or to the cash outflow concept because total operating capital expenditure is presented for each company, irrespective of the EDP Group's shareholding in each company and the changes in internal ownership within the Group.

- (1) IT systems transferred from the Edinfor Group to EDP Distribuição, thereby having no impact on the the EDP Group's cash outflow.
- (2) 2002 and 2003 figures include the total capital expenditure of Escelsa and Enersul. It must be noted that, up till October 2002 these companies were consolidated using the equity method, and fully consolidated thereafter.
- (3) Hidrocantábrico began to be consolidated in the EDP Group's accounts on 01 June 2002.

EDP Produção outlaid more than EUR 38.5 million on TER's new combined-cycle natural-gas power station and EUR 14.7 million on the expansion of the Venda Nova hydroelectric power station. EDP Produção also invested EUR 6.5 million (via Enernova) in the installation of a further 18 MW capacity at the Serra do Barroso (12 MW - 6 turbines) and Cabeço da Rainha (6 MW – 3 turbines) wind farms. The major part of this additional capacity (90%) became available during the first half of 2003, although it has not yet entered into operation. The company has projected capital expenditure up until 2008 of some EUR 400 million earmarked for adding a further 550 MW to wind-powered generating capacity.

The bulk of EDP Distribuição's recurring capital expenditure was incurred with the distribution network's expansion and improvement.

Roughly EUR 33.2 million corresponds to the 40% contribution of Hidrocantábrico's capital expenditure to the EDP Group's total. Capital expenditure incurred by Hidrocantábrico in the first six months of 2003 was primarily directed at two wind farms with installed capacity of 64 MW and 34 MW, whose operational start-ups are scheduled to occur in August and October respectively.

ONI invested EUR 18.2 million in the first half of 2003, corresponding to 4% of the EDP Group's total capital expenditure. Around 61% of ONI's capital investment was absorbed by fixed-line operations in Spain.

Operating capital expenditure <i>Brazil</i>								
	BRL thousand				EUR thousand			
	1H 2003		1H 2002		1H 2003		1H 2002	
	Total capex	Loans EDP	Total capex	Loans EDP	Total capex	Loans EDP	Total capex	Loans EDP
Generation	121 880	91 556	161 004	79 406	37 068	27 845	57 175	28 198
AHE Peixe Angical	12 690	36 347	67 753	56 379	3 859	11 054	24 060	20 021
UTE Fafen	90 154	47 738	35 264	5 263	27 419	14 519	12 523	1 869
UHE Lajeado	17 406	1 368	52 503	644	5 294	416	18 645	229
Enertrade	10	0	190	9 834	3	0	67	3 492
Studies and projects	1 620	6 103	5 294	7 286	493	1 856	1 880	2 587
Distribution	97 351	0	111 285	0	29 608	-	39 519	0
Bandeirante	57 209	-	34 305	-	17 400	-	12 182	-
Escelsa (1)	23 349	-	24 571	-	7 101	-	8 726	-
Energul (1)	16 793	-	52 409	-	5 107	-	18 611	-
EDP Brasil, S.A.	282	0	469	33 133	86	0	167	11 766
Total operating capital expenditure	219 513	91 556	272 758	112 539	66 762	27 845	96 861	39 964

(1) Escelsa and Energul consolidated up until September 2002 using the equity method and as from October using the purchase method. For comparison purposes, the above figures correspond to 100% of these companies' capital expenditure in 2002 and 2003.

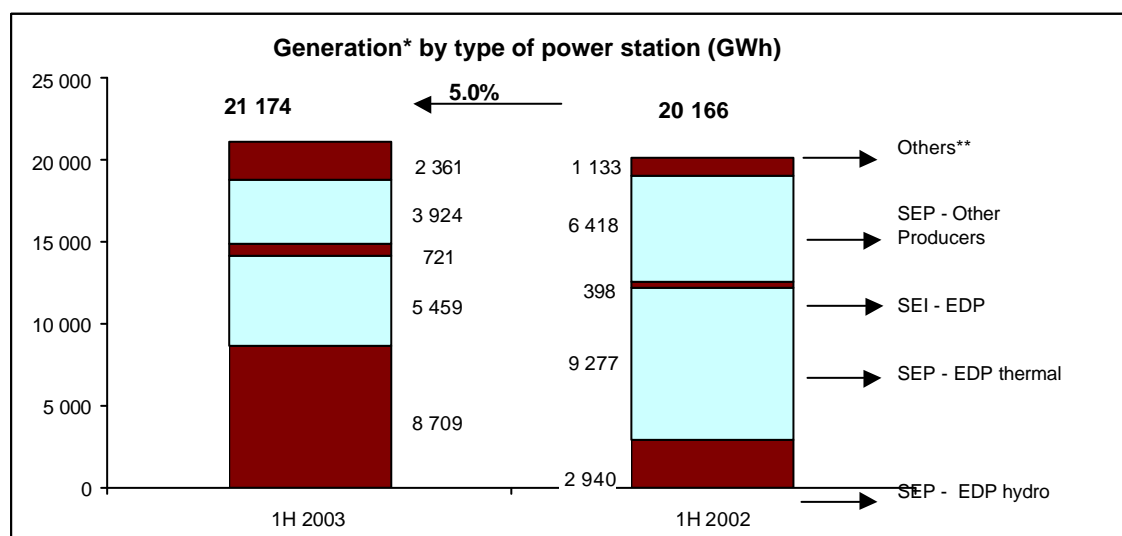
In the Brazilian generating companies, EDP Brasil's loans were essentially earmarked for increasing installed capacity at the Fafen thermoelectric power station (boosting the power station's capacity from 54 MW to 133 MW) and the completion of the Lajeado hydroelectric power station. The remainder of capital expenditure was of a recurring nature and related to maintenance and conservation.

The Brazilian distribution companies' capital expenditure is primarily directed at modernising and automating the distribution network with the ultimate goal of reducing maintenance costs and the size of the workforce.

3.3 EDP PRODUÇÃO

Energy Balance (GWh)				
Generation				
		1H 2003	1H 2002	Δ%
HYDROELECTRIC CAPABILITY FACTOR		1.30	0.51	0.79
(Hydraulicity coefficient)				
EDP power stations				
Hydroelectric emission	(SEP)	8 709	2 940	196.2%
Thermoelectric emission	(SEP)	5 459	9 277	-41.2%
Hydroelectric emission	(SENV)	429	250	71.5%
Thermoelectric emission	(SENV)	0	0	-
Mini-hydro plants' emission	(PRE)	128	1	10455.2%
Wind farm emission	(PRE)	57	55	3.3%
Biomass emission	(PRE)	19	20	-0.9%
Cogeneration emission	(PRE)	346	294	17.7%
EDP net generation		15 147	12 837	18.0%
Direct sales to industrial customers *		- 257	- 222	-15.8%
Emission to the network (EDP)		14 890	12 615	18.0%
Other SEP producers	(SEP)	3 924	6 418	-38.9%
Auto-producers	(SEI)	1 630	1 195	36.5%
Import / (Export) balance		940	257	265.2%
Hydroelectric pumping		- 210	- 319	34.2%
Emission-related consumption		21 174	20 166	5.0%
Synchronous compensation		- 20	- 20	2.3%
Own consumption - generation		- 2	- 2	4.5%
Own consumption - transmission grid		- 5	- 5	-1.9%
Losses		- 398	- 313	-27.0%
Energy delivered to Distribution		20 749	19 826	4.7%

* associated with cogeneration installations.



* Electricity generation net of hydro plant pumping, corresponding to "Emission-related emission".

** Others = Auto-producers + Import / Export balance - Pumping

EDP's net generation reached 15 147 GWh in the period under review, including around 61% of hydroelectric generation against 25% in the first half of 2002.

The 18.0% increase in EDP's net generation is explained simultaneously by the heavy rainfall registered at the beginning of the year (hydroelectric capability factor of 1.30 in the first half of 2003 compared with just 0.51 in the same period of 2002) and by the 5.0% rise in emission-related consumption associated with the severe winter.

Given that EDP owns almost all the installed hydroelectric capacity in Portugal, its contribution to emission-related consumption climbed from 63% in the first half of 2002 to 70% in the corresponding period of 2003.

Income Statement			
<i>EDP Produção</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Operating revenues	662 634	744 612	-11.0%
Electricity sales	626 512	712 260	-12.0%
Other sales	9 603	6 547	46.7%
Services provided	6 374	7 620	-16.4%
Own work capitalised	17 462	15 052	16.0%
Other operating revenue and gains	2 683	3 133	-14.4%
Operating costs	378 366	461 520	-18.0%
Electricity	30 372	6 735	351.0%
Fuel for electricity generation	131 018	239 681	-45.3%
Sundry materials and goods for resale	1 980	2 354	-15.9%
Outside supplies and services - non-Group	20 079	22 509	-10.8%
Outside supplies and services - Group	8 520	4 982	71.0%
Personnel costs	60 638	60 937	-0.5%
Depreciation and amortisation	118 140	113 183	4.4%
Provisions	4 916	8 561	-42.6%
Concession rentals	1 883	1 825	3.2%
Other operating costs and losses	820	753	8.9%
Operating income	284 268	283 092	0.4%
EBITDA (Oper. Inc. + Amort/Deprec.+ Provisions)	407 324	404 836	0.6%
Net financial items	- 41 958	- 42 452	1.2%
Net extraordinary items	6 946	5 456	27.3%
Taxes and minority shareholders' interests	- 82 698	- 82 424	-0.3%
Net income	166 558	163 672	1.8%

NOTE: Sub-consolidation not audited.

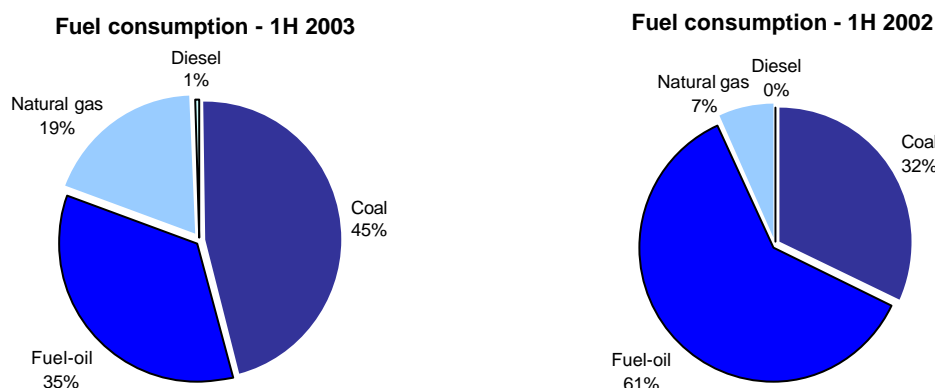
The fixed portion of the PPA (Power Purchase Agreements) rose by 2.3% given that availability coefficients were higher at CPPE's hydroelectric and thermoelectric power stations and because the fixed portion was adjusted to the Consumer Price Index, as envisaged in the PPA.

The variable portion of the PPA fell by 52.3% in the first half of 2003 as a result of the lower recourse to CPPE's thermoelectric power plants (due to the heavy rainfalls). Once again, CPPE managed to purchase coal and fuel-oil at prices below those implicit in the variable portion of the PPA (EUR 111.1 million vs. EUR 115.0 million). The increase in the cost of natural gas in the first half of 2003 is artificial owing to the fact that

only 5 month's costs were recorded in the first half of 2002 (EUR 3.0 million relating to June 2002 consumption was only booked in the third quarter of the year).

Fuel consumption <i>EDP Produção</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Coal	59 667	77 070	-22.6%
Fuel-oil	44 964	146 653	-69.3%
Natural gas	24 693	15 692	57.4%
Diesel	669	266	151.5%
Forest waste	1 025	0	-
Total Fuel	131 018	239 681	-45.3%

NOTE: Sub-consolidation not audited.



Despite the lower sales level, the gross profit on EDP Produção's electricity increased by 8.8% from the first half of 2002 to the same period of 2003. This fact can be ascribed to the recurring high availability of CPPE's power stations and the above-mentioned gains derived from the efficiency in fuel purchasing.

Outside supplies and services - non-Group <i>EDP Produção</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Insurance premiums	4 347	7 762	-44.0%
Maintenance and repairs	6 402	7 640	-16.2%
Vigilance and security	1 086	1 210	-10.2%
Specialised work	2 476	1 510	64.0%
Other	5 768	4 387	31.5%
Total OSS's - non-Group	20 079	22 509	-10.8%

NOTE: Sub-consolidation not audited

OSS's provided by non-EDP Group entities fell by 10.8%. In the meantime, the figures for the first six months of 2002 include the insurance charge for the greater part of the 2002 financial year, whereas the 2003 interim accounts reflect only the charge for 6 months. Correcting for this situation, OSS's in the first half of

2003 fell by 7.8% when compared with the corresponding period of 2002, thanks to the stringent control of operating and maintenance costs.

Personnel costs			
<i>EDP Produção</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Personnel costs	60 638	60 937	-0.5%
Pension premiums	5 950	5 508	8.0%
Correction for early retirements	6 589	6 594	-0.1%
Social benefits for early retirements	659	659	0.0%
Medical costs with former employees	1 528	1 325	15.3%
Corrected personnel costs	45 912	46 851	-2.0%

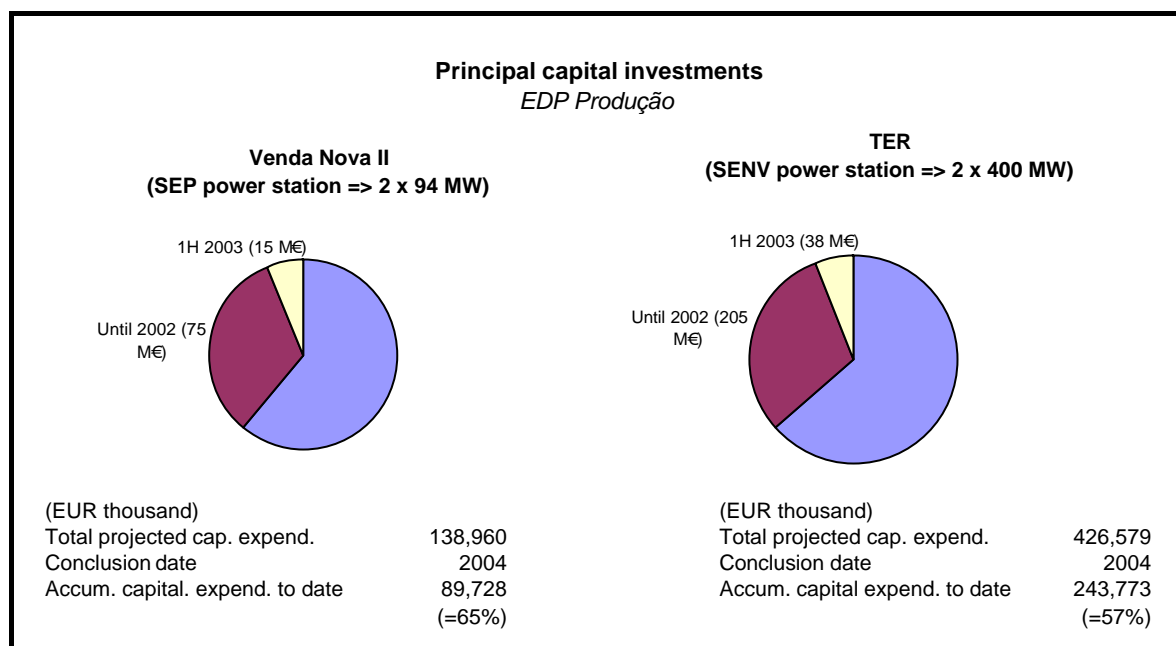
NOTE: Sub-consolidation not audited.

Personnel costs were stable at EUR 61 million. When adjusted for all the costs associated with pre-retirements, pension premiums and other costs relating to non-current staff, personnel costs decreased by 2.0%. The net reduction of 80 in EDP Produção's staff complement between the first halves of 2002 and 2003 is largely due to the transfer of employees to EDP Valor in the final quarter of 2002.

Operating capital expenditure			
<i>EDP Produção</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Binding generation	26 745	20 238	32.2%
Non-binding generation	48 586	86 223	-43.7%
Special-regime generation (1)	7 755	6 403	21.1%
Engineering and O&M	3 744	802	366.8%
Total operating cap. Expenditure	86 830	113 666	-23.6%
Recurrent	10 247	9 458	8.3%
Non-recurrent	76 583	104 208	-26.5%

NOTE: Sub-consolidation not audited

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

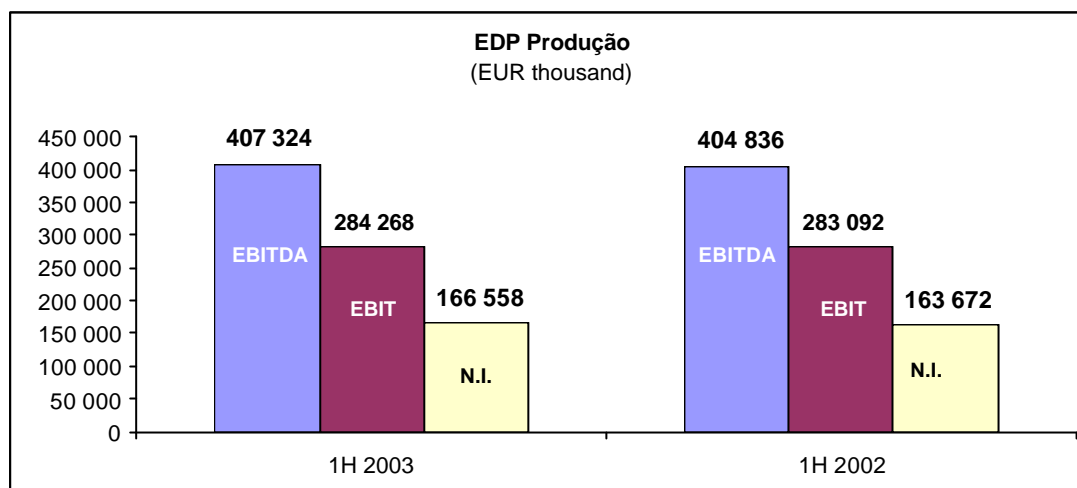


EDP Produção outlaid more than EUR 38.5 million on TER's combined-cycle natural-gas power station and EUR 14.7 million on expansion work at the Venda Nova power station, projects these which are scheduled to enter service in 2004.

In addition, EDP Produção invested EUR 6.5 million on raising capacity at the wind farms: Serra do Barroso (12 MW) and Cabeço da Rainha (6 MW).

General indicators <i>EDP Produção</i>			
	1H 2003	1H 2002	△%
Market share (net generation)	72%	64%	7.9%
Gross profit margin (electricity)	74.2%	65.4%	8.8%
Number of employees	2 101	2 181	-3.7%
Operating capital expenditure (EUR thousand)	86 830	113 666	-23.6%

NOTE: Sub-consolidation not audited



NOTE: Sub-consolidation not audited

3.4 EDP DISTRIBUIÇÃO

Energy balance (GWh)			
<i>EDP Distribuição</i>			
	1H 2003	1H 2002	Δ%
Energy delivered to the distribution network	20 749	19 826	4.7%
Distribution's own consumption	- 34	- 26	-34.4%
Distribution losses	- 1 225	- 1 037	-18.2%
Electric Energy Sales	19 490	18 763	3.9%
Electric energy sales - SEP (Binding System)	17 960	18 433	-2.6%
VHV (Very high voltage)	555	405	37.0%
HV (High voltage)	1 718	1 736	-1.0%
MV (Medium voltage)	4 662	5 678	-17.9%
SLV (Special low voltage)	1 492	1 419	5.1%
NLV (Normal low voltage)	8 928	8 651	3.2%
PI (Public illumination)	605	544	11.3%
Electric energy sales - SENV (Non-Binding System)	1 530	330	363.0%
EDP Group customers	1 018	233	337.1%
VHV (Very high voltage)	0	0	-
HV (High voltage)	29	39	-23.5%
MV (Medium voltage)	989	194	408.5%
Non - EDP Group	512	97	424.8%
VHV (Very high voltage)	0	0	-
HV (High voltage)	35	48	-27.8%
MV (Medium voltage)	477	49	874.3%

The total energy distributed in the first half of 2003 was 19 490 GWh (excluding own consumption and sales to EDP Group companies), which represents an annual growth of 3.9% in energy consumption in Portugal, with the SEP (Binding Electricity System) representing 92.1% of the total energy distributed in Portugal in the first half of 2003.

Energy sales in the SEP were influenced by the more inclement winter and by the passage of some HV and MV binding-system customers to the SENV (Non-Binding Electricity System). The SLV and NLV segments presented growth rates of 5.1% and 3.2%, respectively. In the first half of 2003, EDP Distribuição won over two new VHV customers, which gave rise to an increase of 37.0% in this segment's energy sales.

Number of customers and electric energy sales						
<i>EDP Distribuição</i>						
	Number of customers			Electric energy sales (GWh)		
	1H 2003	1H 2002	Δ%	1H 2003	1H 2002	Δ%
Total SEP	5 688 493	5 599 520	1.6%	17 960	18 433	-2.6%
VHV	13	11	18.2%	555	405	37.0%
HV	102	97	5.2%	1 718	1 736	-1.0%
MV	19 307	20 084	-3.9%	4 662	5 678	-17.9%
SLV	27 582	26 967	2.3%	1 492	1 419	5.1%
NLV	5 599 799	5 511 812	1.6%	8 928	8 651	3.2%
Public illumination	41 690	40 549	2.8%	605	544	11.3%
Total SENV	1 244	48	2491.7%	1 530	330	363.0%
EDP Group	913	35	2508.6%	1 018	233	337.1%
Other	331	13	2446.2%	512	97	424.8%
Total	5 689 737	5 599 568	1.6%	19 490	18 763	3.9%

In terms of existing regulations, VHV, HV and MV consumers are eligible to transfer to the SENV (Non-Binding Electricity System), while the electricity market must be liberalised for all voltage levels by the end of the June 2004. At the end of June 2003, the number of eligible customers totalled 20 666, of whom 1244 chose to be supplied by the SENV. The EDP Group managed to secure the patronage of 913 of these customers through its companies operating in the non-binding system, while the electric energy consumed by customers outside the EDP Group allows EDP Distribuição the same billing of revenue for network use and commercialisation.

Energy sales - Domestic market			
<i>EDP Distribuição</i>			
	EUR thousand		△%
	1H 2003	1H 2002	
Electricity sales - Group	15 782	1 259	1153.6%
Electricity sales - non-Group - SEP	1 749 811	1 713 245	2.1%
Billing	1 734 856	1 726 272	0.5%
VHV (Very high voltage)	24 401	17 208	41.8%
HV (High voltage)	82 329	80 180	2.7%
MV (Medium voltage)	336 821	404 396	-16.7%
SLV (Special low voltage)	142 541	137 844	3.4%
LV (Low voltage)	1 113 274	1 059 103	5.1%
Public illumination	49 164	43 308	13.5%
Interruptibility discounts	- 12 896	- 12 612	-2.3%
Tariff correction discounts	- 778	- 3 155	75.3%
Tariff adjustments	14 955	- 13 027	214.8%
Tariff adjustment 2002	17 879	- 23 270	176.8%
Tariff adjustment 2003	5 541	-	-
Tariff adjustment reversal 2000	-	10 243	-100.0%
Tariff adjustment reversal 2001	- 3 354	-	-
Tariff adjustment reversal 2002	- 5 111	-	-
Electricity sales - non-Group - SENV (1)	13 248	3 329	-
Electricity sales - Total revenue	1 778 841	1 717 833	3.6%
Electricity purchases (cost of sales)	1 182 214	1 141 615	3.6%
Gross profit on electricity sales - non-Group	596 627	576 218	3.5%
Gross margin on electricity sales - non-Group	33.5%	33.5%	0.0%
Gross profit (€/MWh)	30.61	30.71	-0.3%

NOTE: Permitted revenues for 1H2003 and 1H2002 calculated on the basis of the estimated energy balance

(1) In 1H2002, this revenue was accounted for as services provided. For analysis purposes, the figures presented in 1H2002 include the amount recorded as services provided (EUR 3.3 million)

At the end of June 2003, EDP Distribuição's electricity revenue totalled EUR 1778.8 million, representing growth of 3.6% in relation to the first half of 2002.

In terms of the regulations prescribed by the ERSE for distribution activity in Portugal, the differences between the ERSE's projections for a specific year with respect to EDP Distribuição's electricity purchases in KWh and the unit cost incurred by the company based on actual consumption, give rise to an adjustment to be reflected in tariffs a year later. In addition, for the regulation period 2002 - 2004 and in order to ensure a more efficient pass through in the sales tariff to final customers for variations in fuel costs (variable component of energy purchase costs), the ERSE has created a quarterly adjustment mechanism. Accordingly, the differences which occurred between estimated and actual fuel costs are calculated on a quarterly basis and subsequently invoiced by REN to EDP Distribuição with a time lag of 6 months, and then passed through in sales tariffs to final customers with a delay of 6 months for the HV/MV segment and a year later for the LV segments.

The tariff adjustment recognised in the first half of 2003 was, therefore, EUR 15.0 million, EUR 3.4 million relating to the restoration of the positive tariff adjustment recorded in the first half of 2001; EUR 5.1 million

relating to the restoration of the 2002 positive tariff adjustment resulting from the quarterly adjustment mechanism described above; EUR 5.5 million relating to the tariff increase if the first half of 2003, given that actual consumption for the period fell short of the ERSE's estimate made at the time when it fixed the tariffs for 2003, not allowing the recoupment of the fixed component of energy purchase costs; and EUR 17.9 million relating to the extraordinary adjustment made to the 2002 tariff variance following a correction made to the quantities of energy distributed last year (36 905 GWh instead of 36 715 GWh).

Insofar as EDP Distribuição is concerned, the costs of energy purchases are the object of a full pass-through to final tariffs. Consequently, the 3.5% increase in the gross margin in electricity reflects an increase of 14.4% in permitted revenues for commercialisation of the networks; a 21.3% increase in permitted revenue for commercialisation in the SEP; and decreases of 3.8% and 2.9% in the unit revenue for use of the distribution network between 2002 and 2003 (in accordance with the formula 'CPI - X') in the HV/MV and LV segments, respectively; and an estimated increase of 1.2% in electricity consumption (the permitted revenues for the first halves of 2003 and 2002 were calculated on the basis of an estimated energy balance).

Income statement			
<i>EDP Distribuição</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Operating revenues	1 883 583	1 802 053	4.5%
Electricity sales - non-Group	1 763 058	1 713 245	2.9%
Electricity sales - Group	15 782	1 259	1153.6%
Services provided	8 622	12 492	-31.0%
Other sales	832	695	19.6%
Own work capitalised	88 105	67 896	29.8%
Other operating revenue and gains	7 184	6 466	11.1%
Operating costs	1 833 454	1 727 270	6.1%
Electricity	1 182 214	1 141 615	3.6%
Sundry materials and goods for resale	51 342	30 997	65.6%
Outside supplies and services - non-Group	52 690	59 127	-10.9%
Outside supplies and services - Group	42 763	29 967	42.7%
Personnel costs	202 525	196 052	3.3%
Depreciation and amortisation	173 060	164 067	5.5%
Provisions	41 954	27 926	50.2%
Concession rentals	85 535	76 355	12.0%
Other operating costs and losses	1 371	1 164	17.8%
Operating income	50 129	74 783	-33.0%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	265 143	266 776	-0.6%
Net financial items	- 17 270	- 14 588	-18.4%
Net extraordinary items	44 896	54 827	-18.1%
Taxes and minority shareholders' interests	25 659	44 104	-41.8%
Net income	52 096	70 918	-26.5%

Notwithstanding the 3.5% rise in the gross margin (in value) generated by EDP Distribuição, EBITDA fell by 0.6% when compared with the first six months of 2002, essentially due to the 42.7% increase in outside supplies and services provided by Group companies, with a large portion of this rise being explained by an invoice of EUR 10.3 million for services provided by EDP Valor. Concession rentals were 12.0% higher,

reflecting the increase of 0.25 percentage points in the average rate paid to the municipalities (7.25% for 2003, to be applied to the previous year's revenue from low-voltage electricity sales).

Operating income fell by 33.0% in the period, having been negatively affected by the creation of a provision of EUR 7.3 million in respect of arrear interest on the debts owed by municipalities, by an increase of EUR 7.2 million in provisions for doubtful debts, and by the 5.5% higher charge for amortisation and depreciation, the latter due to the transfer from Edinfor to EDP Distribuição of an IT system costing EUR 80.5 million, to be depreciated over a period of 6 years and which previously was recorded under the caption "Capital expenditure in progress". It should be noted that part of the cost of materials was capitalised as a company asset (the impact of which is cancelled out in the income statement through the caption "Own work capitalised") and subsequently depreciated.

Outside supplies and services - non-Group			
<i>EDP Distribuição</i>			
	EUR thousand		△%
	1H 2003	1H 2002	
Maintenance and repairs	14 020	21 821	-35.8%
Specialised work	16 952	14 758	14.9%
Communications	8 187	7 925	3.3%
Insurance premiums	2 732	4 053	-32.6%
Other	10 799	10 570	2.2%
Total OSS's - non-Group	52 690	59 127	-10.9%

The 10.9% decrease in OSS's provided by non-EDP Group entities stems principally from a reduction of 35.8% in maintenance and conservation expenses. This saving is due on the one hand to the renegotiation of certain contracts whereby payments ceased to be made by means of fixed retainers and, on the other, the greater utilisation of in-house resources. Besides this variation in maintenance and repair costs, OSS's declined in 2003 owing to the fact that the accounts at the end June 2002 included an estimate for insurance costs that turned out to be excessive. Specialised work climbed 14.9% relative to the first half of 2002. Part of this variation is explained by the increase in power-supply disconnection costs as a consequence of the increase in doubtful debts. In addition to this factor, the introduction in 2002 of a new accounting and management-information system based on the SAP platform meant that some of these disconnections spilled over to the second half of 2002, thus making the comparison between the same period less favourable.

Personnel costs <i>EDP Distribuição</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Personnel costs	202 525	196 052	3.3%
Pension premiums	28 048	21 218	32.2%
Correction for early retirements	38 200	38 844	-1.7%
Social benefits for early retirements	5 642	6 150	-8.3%
Medical costs with former employees	6 720	6 513	3.2%
Corrected personnel costs	123 915	123 327	0.5%

Personnel costs totalled EUR 202,5 million at the end of June 2003, 3.3% higher than in the first six months of 2002. When adjusted for early retirement charges, pension premiums and other costs relating to non-current employees, personnel costs rose by only 0.5%, reflecting the reduction of 384 employees and the average salary increase of 2.7% for 2003. The decrease in the number of permanent staff is significant, with EDP Distribuição reducing its workforce by 122 persons already in the third quarter of 2003.

On 8 August 2003, the ERSE approved a pass-through to sales tariffs for final customers of the restructuring costs to be borne by EDP Distribuição and associated with the "Human Resources Rationalisation Programme" for 2003 and 2004. Consequently, EDP Distribuição can now embark on its staff retrenchment programme (including pre-retired staff) for the years 2003 and 2004 (suspended until now) with the assurance that the associated costs (up to a limit of EUR 485.7 million) will be recouped via sales tariffs.

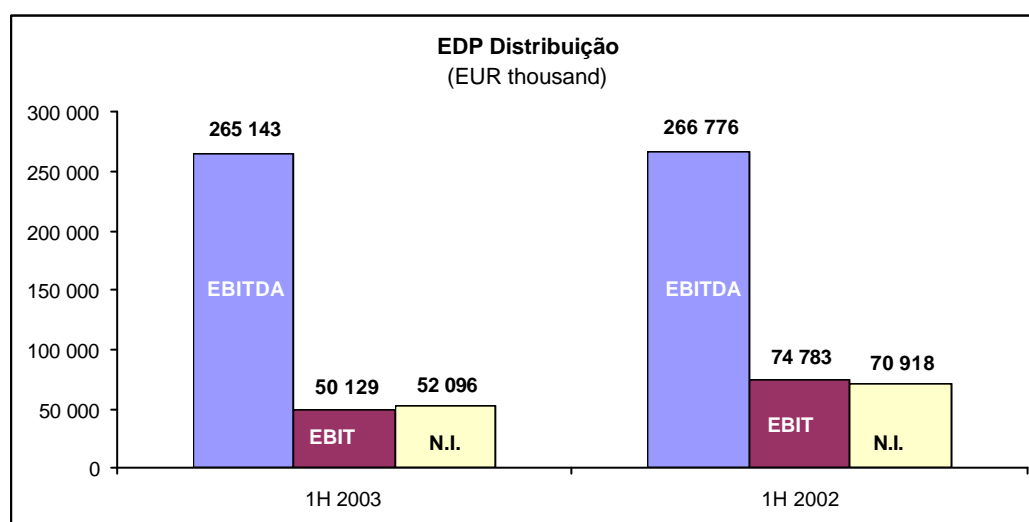
Operating capital expenditure <i>EDP Distribuição</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
High voltage	19 383	11 861	63.4%
Medium voltage	27 616	18 845	46.5%
Low voltage	59 069	55 963	5.6%
Public illumination	8 279	4 228	95.8%
IT systems	8 110	38 445	-78.9%
Other	18 773	8 462	121.8%
Total operating capital expenditure	141 230	137 804	2.5%
Contributions in cash (1)	28 485	29 119	-2.2%
Recurrent	122 979	96 477	27.5%
Non-recurrent	18 251	41 327	-55.8%

(1) Contributions made by customers towards the investment made by EDP Distribuição.
This amount must be deducted from capital expenditure when assessing the cash-(out) flow.

Operating capital expenditure in the first six months of 2002 and 2003 include, respectively, EUR 38.4 million and EUR 8.1 million related to the transfer of IT systems previously belonging to another EDP Group company. Excluding this amount (which did not contribute to the Group's cash-(out) flow), EDP Distribuição's operating capital expenditure rose by 34.0% in the period under review. This increase is explained by the investment in extending and reinforcing the distribution network for the purpose of enhancing the quality of

service. Operating capital investment carried out by EDP Distribuição in the first half of 2003 was co-financed to the extent of EUR 28.5 million by customers, thereby attenuating the company's cash outflow.

General indicators			
EDP Distribuição			
	1H 2003	1H 2002	Δ%
Gross profit margin (electricity)	33.5%	33.5%	0.0%
Number of employees	6 808	7 192	-5.3%
Operating capital expenditure EUR thousand	141 230	137 804	2.5%



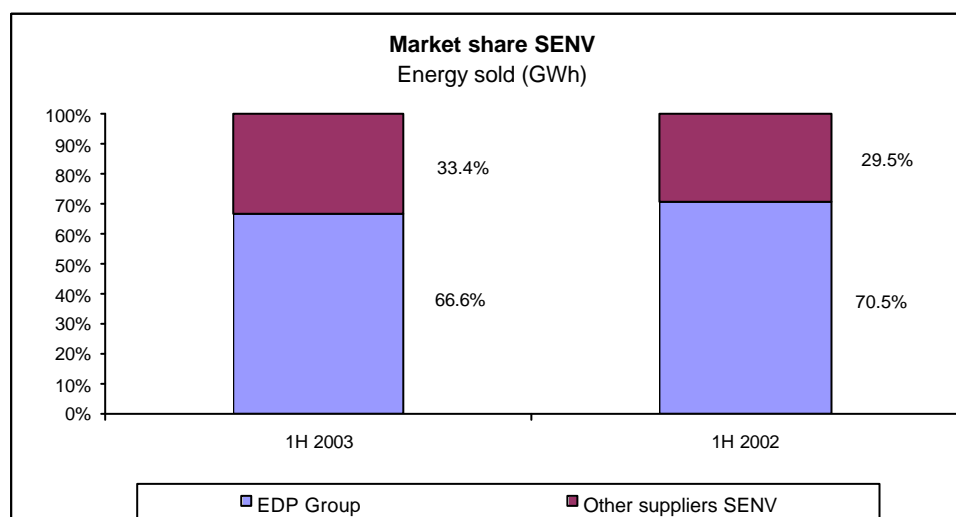
3.5 EDP ENERGIA

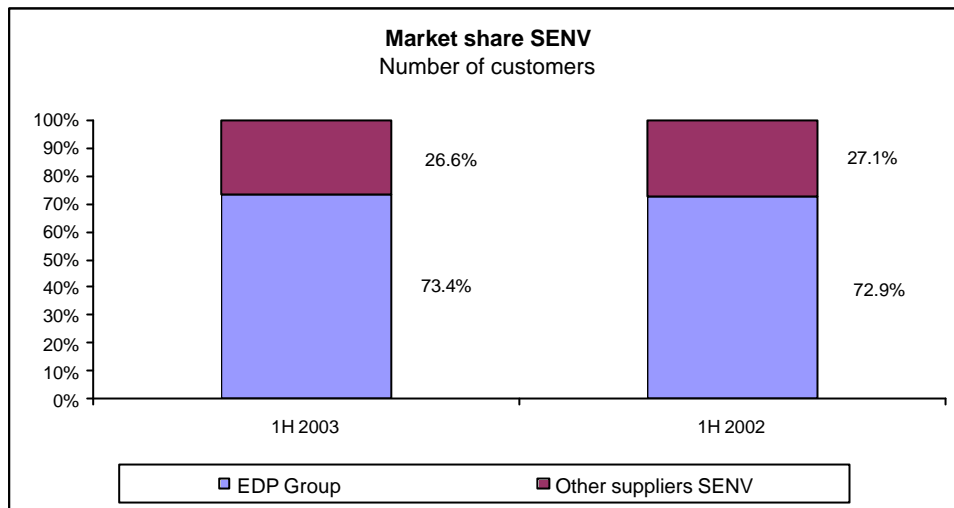
EDP Energia, the EDP Group company geared to operating in the liberalised electricity market (SENV), is engaged in activities covering electric energy generation, supply and sales. In electric energy generation, EDP Energia uses 5 small-scale hydroelectric power stations, with generating capacities of between 0.2 and 80.7 MW, with a total maximum capacity of 85.1 MW. Commercialisation activity is guaranteed not only by own production, but also by electricity purchases from other EDP Group power stations operating in the SENV (HDN and Hidrocenel, integrated in EDP Produção) and from the Spanish Pool.

Sales (GWh) <i>EDP Energia</i>			
	<u>1H 2003</u>	<u>1H 2002</u>	<u>Δ %</u>
Electricity generation (SENV + PRE)	185	63	195.6%
Electricity commercialisation (SENV)	1 018	233	337.0%
VHV (Very high voltage)	0	0	-
HV (High voltage)	29	39	-23.5%
MV (Medium voltage)	989	194	408.5%

As regards electric energy generation in the first half of 2003, EDP Energia's power stations produced 185.2 GWh, appreciably more than that registered in the corresponding period of the previous year and in line with the trend for the rest of national hydroelectric generation, which in the previous year was affected by the poor hydraulicity. In the sales area, EDP Energia's expansion was evident, benefiting from the extension of the criteria for gaining access to the Non-Binding Electricity System. In 2003, the EDP Group maintains a dominant presence relative to its competitors, in terms of both power sold and the number of customers.

Market share <i>EDP Energia</i>					
	<u>1H 2003</u>		<u>1H 2002</u>		<u>Δ %</u>
Sales GWh - SENV	1 530	100.0%	330	100.0%	363.0%
EDP Group	1 018	66.6%	233	70.5%	337.1%
Other suppliers SENV	512	33.4%	97	29.5%	424.8%
Number of customers - SENV	1 244	100.0%	48	100.0%	2491.7%
EDP Group	913	73.4%	35	72.9%	2508.6%
Other suppliers SENV	331	26.6%	13	27.1%	2446.2%





Out of a universe of eligible customers of more than 20 000 at the end of June 2003, Non-Binding Customer status (Portuguese initials CNV) was attributed to more than 2 100, of whom 1 244 had effectively transferred to the SENV and representing consumption of 1530 GWh. This consumption corresponds already to 7.9% of the total energy consumed in continental Portugal in the first half of the year, which translates itself into an increase of 6.1 percentage points relative to the first six months of 2002.

Of the 1244 customers in the SENV, 913 maintained their connection with the EDP Group through EDP Energia, corresponding to around 73% of the SENV's total customers and 2/3 of the energy sold in this market. In both cases, the trend when compared with the preceding year was positive, attesting to the EDP Group's commercial success in the liberalised electricity market.

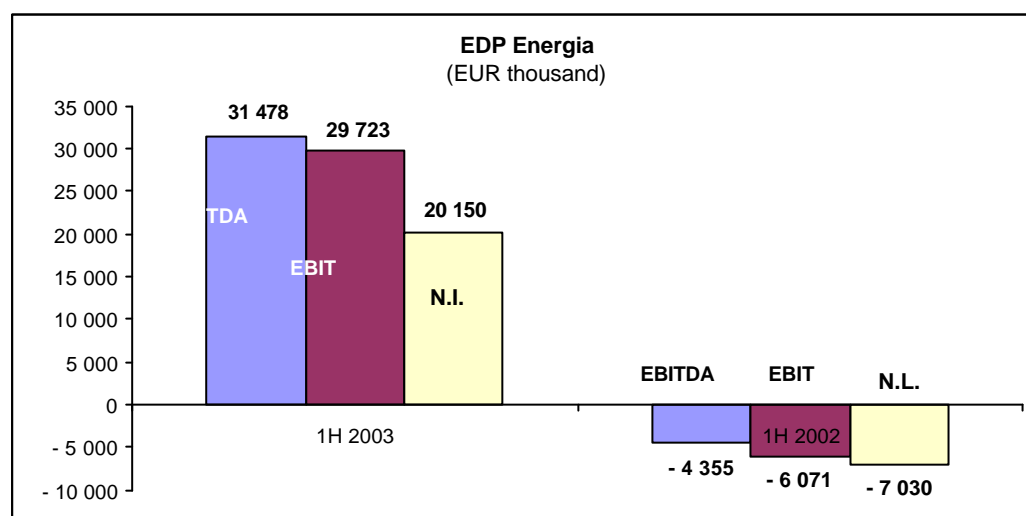
Income statement			
<i>EDP Energia</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Operating revenue	60 528	16 387	269.4%
Electricity sales - non-Group	14 593	11 840	23.3%
Electricity sales - Group	18 317	3 673	398.6%
Services provided	27 075	236	11363.4%
Own work capitalised	540	635	-14.9%
Other operating revenue and gains	3	3	-9.3%
Operating costs	30 805	22 458	37.2%
Electricity	20 401	17 704	15.2%
Sundry materials and goods for resale	0	0	-
Outside supplies and services - non-Group	875	474	84.3%
Outside supplies and services - Group	4 777	1 906	150.6%
Personnel costs	516	648	-20.4%
Depreciation and amortisation	1 727	1 675	3.1%
Provisions	28	41	-31.7%
Concession rentals	8	8	4.7%
Other operating costs and losses	2 473	2	162644.0%
Operating income	29 723	- 6 071	589.6%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	31 478	- 4 355	822.8%
Net financial items	102	- 666	115.3%
Net extraordinary items	- 164	- 393	58.2%
Taxes and minority shareholders' interests	9 511	- 100	9577.8%
Net income	20 150	- 7 030	386.6%

The higher gross profit on sales in the first half of 2003 vis-à-vis the same period last year reflects the lower cost of electricity purchases as a consequence of the substantially more favourable hydrological conditions observed in Portugal and Spain in 2003, with Pool prices in the latter declining considerably.

With the commencement of HidrOeM's activity, an EDP Produção group company formed to carry out the management of the hydroelectric plant and equipment belonging to the EDP Group companies operating in the SEI (Independent Electricity System), the management of EDP Energia's plants is now reflected in its financial statements via the Group's OSS's. The trend in these OSS's was also influenced by the creation of EDP Serviner, a company 100%-owned by the EDP Group which provides services to EDP Energia that were previously undertaken by the company itself. This transfer of services to these two companies also entailed the passage of employees of EDP Energia, with an obvious impact on personnel costs.

Despite the expansion in EDP Energia's activity, operating capital expenditure decreased appreciably as a consequence of the reorganisation of activities linked to the liberalised market within the EDP Group, with certain capital investments hitherto assumed by EDP Energia becoming the responsibility of other Group companies.

General indicators			
<i>EDP Energia</i>			
	1H 2003	1H 2002	Δ%
Gross profit margin (electricity)	38.0%	-14.1%	52.1%
Number of employees	13	18	-27.8%
Operating capital expenditure EUR thousand	1 748	4 410	-60.4%



3.6 HIDROCANTÁBRICO (SPAIN)

The EDP Group started to consolidate Hidrocantábrico's accounts using the proportional method in June 2002. In the period January to May 2002, the company was consolidated in the EDP Group using the equity method.

However, for analysis purposes, Hidrocantábrico's financial statements and other relevant data are presented on a 100% basis for both the first half of 2002 and the first half of 2003.

Energy balance (GWh)			
<i>Spanish market</i>			
	1H 2003	1H 2002	Δ%
Normal generation	89 495	85 478	4.7%
Special regime generation	20 184	16 981	18.9%
Imports	4 261	4 531	-6.0%
Total demand	113 940	106 990	6.5%
Regulated distribution	79 082	74 959	5.5%
Commercialisation	31 343	30 548	2.6%
Exports	3 515	1 483	137.0%

Demand for electricity on the Spanish market in the first six months of 2003 expanded by 6.5% (or by 4.7% if exports are excluded) when compared with the same period last year. This growth is explained by the inclement winter in the first months of 2003, causing the Spanish market to register record consumption levels.

Sales (GWh)			
<i>Hidrocantábrico (100%)</i>			
	1H 2003	1H 2002	Δ%
Hydroelectric generation	536	385	39.2%
Thermoelectric generation	4 839	6 019	-19.6%
Nuclear generation	578	528	9.5%
Combined-cycle generation	493	0	-
Electricity generation	6 446	6 932	-7.0%
High voltage	2 677	2 750	-2.7%
Medium voltage	434	406	6.9%
Low voltage	1 077	1 018	5.8%
Electricity distribution	4 188	4 174	0.3%
Gas distribution	1 080	914	18.2%
Asturias	534	377	41.6%
Rest of Spain	1 634	1 528	6.9%
Electricity commercialisation	2 168	1 905	13.8%
Asturias	179	63	184.1%
Rest of Spain	1 314	559	135.1%
Gas commercialisation	1 493	622	140.0%

In this period, the extreme rainfall conditions resulted in an increase in the weight of hydroelectric-sourced emission. This state of affairs meant that prices on the Spanish pool fell sharply when compared with the first half of 2002, which in turn resulted in a drop in Hidrocantábrico's average selling price to EUR 32.33/MWh. However, in the second quarter of 2003 pool prices rose above those ruling in the first quarter as a consequence of the lower hydroelectric emission in this period.

	1H 2003	1H 2002	Δ%
Hidrocantábrico's performance in the Pool			
Hidrocantábrico's average selling price (€/ MWh) (1)	32.33	47.83	-32.4%
Average selling price in the Pool (€/ MWh) (1)	34.07	51.66	-34.0%
Hidrocantábrico's market share	7.1%	8.0%	-0.9%
Fuel costs at Hidrocantábrico			
Average fuel cost (€/ MWh)	15.32	16.74	-8.5%

(1) Includes wholesale market, support services and capacity payments

Because of the heavy weight of thermal generation at Hidrocantábrico, the first half of 2003 saw a drop of 7.0% in the company's production and a decrease in market share of 0.9 percentage points to 7.1%. However, in the second quarter of 2003, Hidrocantábrico registered a market share of 7.5% as a result of the higher thermoelectric emission in the Spanish electricity system.

The average cost of fuel paid by Hidrocantábrico decreased by 8.5%, due primarily to the annual drop of 17% in the unit cost of coal.

Number of customers			
<i>Hidrocantábrico (100%)</i>			
	1H 2003	1H 2002	Δ%
Electricity distribution	556 062	542 275	2.5%
High voltage	20	19	5.3%
Medium voltage	687	624	10.1%
Low voltage	555 355	541 632	2.5%
Electricity commercialisation	2 614	2 344	11.5%
Asturias	872	470	85.5%
Rest of Spain	1 742	1 874	-7.0%
Total electricity customers	558 676	544 619	2.6%
Gas distribution	162 007	140 443	15.4%
Gas commercialisation	108	78	38.5%
Asturias	27	6	350.0%
Rest of Spain	81	72	12.5%
Total gas customers	162 115	140 521	15.4%

Revenues - Distribution			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		Δ%
	1H 2003	1H 2002	
Electricity distribution			
Transmission tariff (Permitted revenue)	3 087	1 667	85.2%
Distribution tariff (Permitted revenue)	45 323	44 809	1.1%
Commercialisation tariff (Permitted revenue)	3 831	3 621	5.8%
Permitted revenue	52 241	50 097	4.3%
Gas distribution			
Transmission tariff (Permitted revenue)	1 302	0	-
Distribution tariff (Permitted revenue)	15 768	9 992	57.8%
Commercialisation tariff (Permitted revenue)	1 709	1 193	43.3%
Permitted revenue	18 779	11 185	67.9%
Total permitted distribution revenue	71 020	61 282	15.9%

Of the 4,188 GWh of electricity distributed in the first half of 2003, 64% was distributed in the High Voltage segment. In terms of regulations in force for the Spanish electricity sector, Hidrocantábrico's permitted revenue from electricity distribution activity in the first half of 2003 amounted to EUR 52.2 million.

The total gas distributed via Hidrocantábrico's network increased by 18.2% relative to the same period last year due to the incorporation of Gas Figueres in the second half of 2002 (distributed 69 GWh in the first of 2003) and the low temperatures recorded at the beginning of 2003. As concerns permitted revenues, these are not directly comparable with the first half of 2002 owing to the new regulation in force since the end of February 2002.

Hidrocantábrico sales - Commercialisation			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		△%
	1H 2003	1H 2002	
Electricity commercialisation	120 319	100 990	19.1%
Asturias	30 044	25 564	17.5%
Rest of Spain	90 275	75 426	19.7%
Gas commercialisation	22 961	8 927	157.2%
Asturias	2 796	885	215.9%
Rest of Spain	20 165	8 042	150.7%
Total commercialisation	143 280	109 917	30.4%

In the first quarter of 2003, electricity commercialisation benefited from market liberalisation covering all types of customers and from the high growth in demand registered in the Spanish electricity market. In this activity, the company was able to attain an average selling price of EUR 55.5/MWh in the first half of 2003 against EUR 53.0/MWh in the first six months of 2002. In the period under view, Hidrocantábrico attained a share of 6.5% in the liberalised market.

Gas sales benefited from the increasing liberalisation of the Spanish gas market, which since January 2003 has been open to all types of customers. There has been a steep increase in relation to the first half of 2002 when the commercialisation of gas was still in its start-up phase.

Turnover by activity			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		△%
	1H 2003	1H 2002	
Electricity generation	235 769	330 745	-28.7%
Electricity distribution	197 491	265 973	-25.7%
Commercialisation	178 713	113 045	58.1%
Gas distribution	32 321	32 117	0.6%
Special regime	17 151	24 984	-31.4%
Holding company and other	38 891	- 5 632	790.5%
Total	700 336	761 232	-8.0%

Hidrocantábrico's electricity-generation business area was affected by the decline in the company's net generation and the descent in Pool prices. However, the lower average selling prices obtained in generating activity were partially compensated by the lower cost of energy purchases (Pool prices) in selling activity. It should be pointed out that in the first quarter of 2003 Hidrocantábrico booked a positive EUR 11.7 million of TCC (Transition to Competition Costs) against a negative EUR 16.2 million in the first half of 2002. Sales from generating activity also include the recovery, through tariffs, of the Spanish system's tariff deficit for the years 2000, 2001 and 2002 (EUR 4.6 million in the first half of 2003). The increase in operating costs is due to the general review of the Aboño I (EUR 1.2 million), to the start-up of operations at the natural-gas combined-cycle Castejón power station in October 2002, and also to the capitalisation of costs during the first half of 2003 (EUR 3.0 million in the first half of 2002 against EUR 0.2 million in the first half of 2003).

The regulation in force governing the Spanish electricity distribution sector bestows a stable character on the EBITDA from this activity, associating the decrease in turnover to the decrease in costs.

In Special Regime activity, the results of the first six months of 2003 are not directly comparable with those of the first half of 2002. However in terms of energy produced, Hidrocantábrico's special-regime producers presented a net generation of 94 GWh in the first half of 2003, up 27% in relation to the same period last year. The commencement of operations at two wind farms in 2003 with a combined capacity of 100 MW (65 MW in August and 34 MW in October) will benefit this activity's EBITDA in the second half of 2003 and boost its net generation.

Income statement			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		
	1H 2003	1H 2002	△ %
Operating revenue	711 995	778 299	-8.5%
Turnover	700 336	761 232	-8.0%
Own work capitalised	5 340	13 841	-61.4%
Other operating revenue and gains	6 319	3 226	95.9%
Operating costs	628 439	649 502	-3.2%
Cost of goods sold and materials consumed	469 787	506 779	-7.3%
Outside supplies and services	36 375	28 769	26.4%
Personnel costs	42 024	39 822	5.5%
Depreciation and amortisation	69 669	61 940	12.5%
Provisions	1 489	5 500	-72.9%
Other operating costs and losses	9 095	6 692	35.9%
Operating income	83 556	128 797	-35.1%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	154 714	196 237	-21.2%
Net financial items	- 72 461	- 56 504	-28.2%
Net extraordinary items	5 842	- 21 512	127.2%
Taxes and minority shareholders' interests	- 13 443	19 928	-167.5%
Net income	30 380	30 853	-1.5%

In the first half of 2003, Hidrocantábrico's consolidated EBITDA was chiefly affected by the decrease in revenue from generating activity due to the high level of rainfall and the drop in Pool prices during the period; the increase in outside supplies and services, due mainly to the start of operations at the Castejón natural-gas combined-cycle power station in October 2002 and the general review of the Aboño I in the first quarter of 2003; and by the lower capitalisation of operating costs after the completion of the Castejón natural-gas combined-cycle power station.

Amortisation and depreciation for the period presented an increase of 12.5% in the first half of 2003, due mainly to the depreciation of the Castejón natural-gas combined-cycle power station since October 2002 (the capital investment of EUR 180 million in Castejón is being depreciated over a period of 25 years).

Net financial items			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Interest received / paid	- 43 121	- 27 933	-54.4%
Gains / Losses in group and associated companies	2 283	1 482	54.0%
Goodwill Amortisation	- 30 926	- 30 760	-0.5%
Other gains / losses	- 697	707	-198.6%
Net interest and financial expense	- 72 461	- 56 504	-28.2%

Hidrocantábrico's net interest and financial expense climbed by 28.2% in the period under review, owing to the fact that the interest expense is not directly comparable with the first half of 2002 in view of the fact that Adygesinval's bank loan (EUR 1,080 million) raised for the purpose of acquiring Hidrocantábrico, was contracted in July 2002.

The goodwill resulting from the merger between Hidrocantábrico and Adygesinval was adjusted to the valuation of Gas de Asturias, the value of which rose by EUR 195.6 million. Consequently, post-revaluation goodwill declined from EUR 1,222 million to EUR 930 million.

Net extraordinary items include the capital gain realised on the sale of a 7% shareholding in REE (EUR 1.0 million). This operation generated a cash inflow of EUR 103 million for Hidrocantábrico.

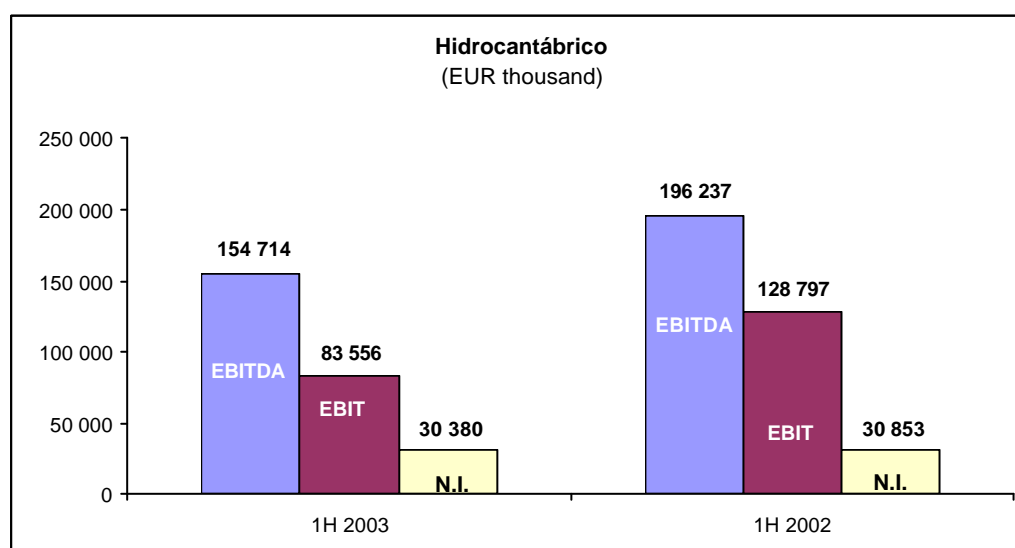
Net extraordinary income and gains in the second quarter of 2003 were less than in the first quarter due to the fact that a tax benefit (EUR 25 million) relating to the investment in the Castejón natural-gas combined-cycle power station was booked in the first quarter of 2003, and to the fact in that quarter higher extraordinary income was recorded due mainly to capital gains on the sale of fixed assets and by the definitive settlement of 2000 permitted revenues from electricity distribution activity.

Operating capital expenditure			
<i>Hidrocantábrico (100%)</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Generation	8 158	40 360	-79.8%
Electricity distribution	20 248	24 449	-17.2%
Commercialisation	4 642	1 322	251.1%
Gas distribution	8 733	10 468	-16.6%
Special regime	32 588	1 175	2673.4%
Other	8 722	442	1873.3%
Operating capital expenditure	83 091	78 216	6.2%
Recurrent	39 271	32 903	19.4%
Non-recurrent	43 820	45 313	-3.3%

Despite the substantial decrease in operating capital expenditure on electricity generation with the completion of the Castejón natural-gas combined-cycle power station in September 2002, Hidrocantábrico's total capital expenditure rose by 6.2% in the first half of 2003. This growth is principally explained by the construction of wind farms delineated in Hidrocantábrico's strategic plan, namely, the construction of 65 MW

of capacity at the del Cantábrico wind farms and 34 MW of capacity at the Arlanzón (Burgos) wind farms. Turning to the electricity distribution business, EUR 5.2 million was spent on expanding the distribution network outside of the Astúrias Principality. In commercialisation activity, the higher capital investment corresponds to the implementation of a customer management system (EUR 4.4 million).

General indicators			
<i>Hidrocantábrico (100%)</i>			
	1H 2003	1H 2002	Δ%
Market share in generation	7.2%	8.1%	-0.9%
Gross profit margin (electricity)	32.9%	33.4%	-0.5%
Number of employees	1 383	1 346	2.7%
Generation	472	477	-1.0%
Electricity distribution	395	385	2.6%
Commercialisation	109	98	11.2%
Gas distribution	65	58	12.1%
Special regime	130	151	-13.9%
Holding company and others	212	177	19.8%
Operating capital expenditure (EUR thousand)	83 091	78 216	6.2%



3.7 BRAZIL

3.7.1 Bandeirante

The “Contratos Iniciais” (“Initial Contracts” - take-or-pay contracts between the distribution companies and the generators) will terminate gradually between 2003 and 2006. In 2003, these contracts decreased by 25%, which gave rise to a drop of 19.3% in the total energy contracted by Bandeirante in the first half of 2003. This drop had a positive impact on the company’s earnings bearing in mind the fact that in 2002 the surplus energy of the “initial contracts” was sold on the MAE (Wholesale Energy Market) at reduced prices.

Since January 2003 Eletrobrás has been responsible for the losses on the Itaipú contract, that is, the difference between each distribution company's share of energy in Itaipú's emission and the actual energy available to the distributors. The remaining amount under the caption "losses on contracts" is mainly related to Itaipú's transmission network's losses, for which the distribution companies are responsible.

Energy sales (GWh)			
<i>Bandeirante</i>			
	1H 2003	1H 2002	Δ%
Energy contracted	5 463	6 771	-19.3%
Energy purchases on MAE (wholesale energy market)	139	0	-
Total Energy Purchases	5 602	6 771	-17.3%
Contract losses	- 61	- 474	87.1%
Transmission losses	- 160	- 154	-3.9%
Energy entered into Distribution	5 381	6 143	-12.4%
Distribution losses	- 550	- 468	-17.5%
Total Energy sales	4 831	5 675	-14.9%
Energy Sales to MAE (Wholesale Energy Market)	24	664	-96.39%
Energy Sales to final customers	4 807	5 011	-4.1%
Residential	1 078	1 053	2.5%
Industrial	2 623	2 952	-11.2%
Commercial	605	563	7.5%
Other	501	443	13.0%

Electricity sales to final customers in the first half of 2003 reached 4,807 GWh, which represents an annual fall of 4.1%, reflecting the passage of some industrial customers to the liberalised market. These industrial customers consumed 490 GWh in the first half of 2003. However, these consumers continue to pay the tariff for network use, the amount of which is recorded in the item "other revenues and taxes". Excluding these industrial customers, electricity sales rose 6.1%, thus reflecting a stable recovery in consumption after the power rationing programme.

Gross profit margin			
<i>Bandeirante</i>			
	BRL thousand		
	1H 2003	1H 2002	Δ%
Total energy sales	891 813	766 402	16.4%
Energy sales to MAE	5 841	58 729	-90.1%
Energy sales to final customers	885 972	707 673	25.2%
Residential	298 108	200 969	48.3%
Industrial	365 876	332 201	10.1%
Commercial	142 444	112 640	26.5%
Other	79 544	61 863	28.6%
Other direct revenues / (costs)	- 92 368	- 9 967	-826.7%
Other revenues and taxes	- 43 711	26 839	-262.9%
Regulatory tariff adjustment	- 48 657	- 36 806	-32.2%
Total operating revenues	799 445	756 435	5.7%
Energy acquisition	480 201	442 374	8.6%
Other direct costs	127 705	139 287	-8.3%
Total direct costs	607 906	581 661	4.5%
Gross profit margin (amount)	191 539	174 774	9.6%
Gross profit margin (%)	24.0%	23.1%	0.9%

Revenue from electricity sales to final customers totalled BRL 886.0 million, which represents an increase of 25.2%. This performance is explained by the tariff adjustment of 19.09% effected in October 2002; by the increased share of energy sold to residential and commercial customers; and by the change to the criteria applied to low-income customers (the latter since June 2002) billed for their consumption as is the case with the remainder of the customer base. The average tariff charged to the final customer rose from BRL 141.2/MWh in the first half of 2002 to BRL 184.3/MWh in the first half of 2003 (net of value added tax).

Despite the 25% fall in the "initial contracts", energy acquisition costs increased by 8.6% due to the rise in the cost (indexed to the dollar) of the energy supplied by Itaipú, as well as the annual tariff adjustment of the "initial contracts" (both costs are recouped via the tariff charged to the final customer). The item "other direct costs" decreased 8.3%, explained by a non-recurring cost recorded in the first half of 2002 (BRL 12.5 million which was passed through to the generators, the amount of which was also recorded in the item "other revenues and taxes").

Income statement						
<i>Bandeirante</i>						
	BRL thousand			EUR thousand		
	1H 2003	1H 2002	△%	1H 2003	1H 2002	△%
Operating revenues and gains	800 283	757 589	5.6%	226 804	345 969	-34.4%
Operating costs and losses	753 908	703 714	7.1%	212 963	318 656	-33.2%
Electricity	607 906	581 661	4.5%	171 736	265 179	-35.2%
Sundry materials and goods for resale	3 596	4 019	-10.5%	1 012	1 851	-45.4%
Outside supplies and services	39 123	37 048	5.6%	11 111	14 626	-24.0%
Personnel costs	41 883	40 133	4.4%	11 872	18 112	-34.5%
Depreciation and amortisation	56 455	35 650	58.4%	15 969	16 118	-0.9%
Provisions	7 944	4 084	-	2 104	1 883	11.7%
Other operating costs and losses	- 2 999	1 119	-368.0%	- 841	887	-194.8%
Operating income	46 375	53 875	-13.9%	13 841	27 313	-49.3%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisor)	110 774	93 609	18.3%	31 914	45 314	-29.6%
Net financial items	- 54 665	- 20 801	-	- 14 863	- 10 960	-
Net extraordinary items	- 6 088	- 13 201	53.9%	- 1 708	- 8 015	78.7%
Taxes and minority shareholders' interests	- 6 279	11 198	-	- 1 401	4 441	-
Net income (96,5%)	- 8 099	8 675	-	- 1 329	3 897	-

Bandeirante's EBITDA improved by 18.3% when compared with the first half of 2002, reflecting the good performance in terms of the gross margin, as well as the 7% fall in operating costs. Turning to Outside Supplies and Services (OSS), the increase is attributable to the inflationary pressure of the last 12 months (the Price Index IGP-M reached 28.24% in June 2003). It is worth noting that since the beginning of 2003, the caption "Other operating costs" includes the tax credit of the PIS tax (BRL 11.9 million in the first six months of 2003).

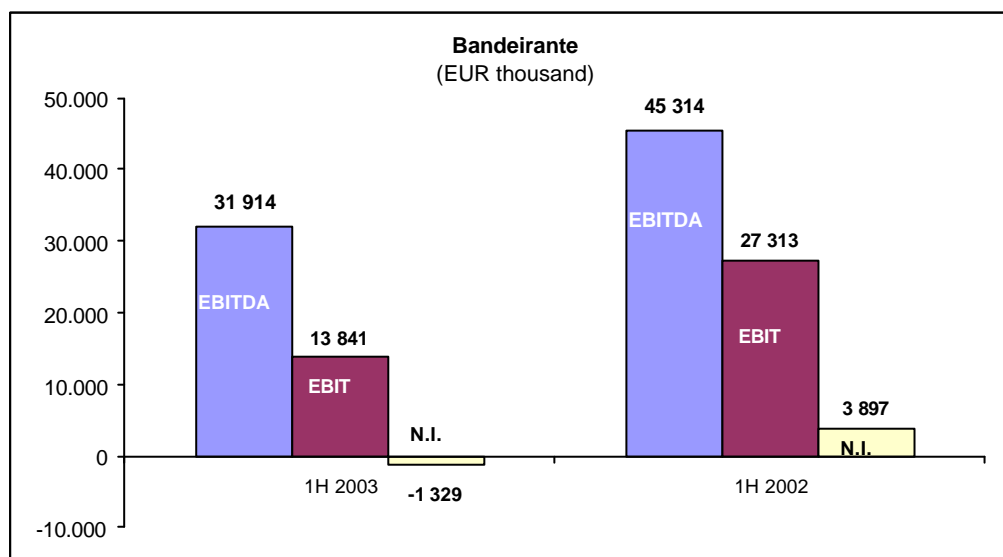
Interest-bearing debt			
<i>Bandeirante</i>			
	BRL thousand		
	1H 2003	2002	△%
Local currency	763 193	813 538	-6.2%
EDP Brasil, S.A.	300 094	382 191	-21.5%
BNDES (National Economic and Social Development Bank)	252 559	271 973	-7.1%
Others	210 540	159 374	32.1%
Foreign currency	44 612	51 900	-14.0%
Dollar denominated Debt	44 612	51 900	-14.0%
Total interest-bearing debt (1)	807 805	865 438	-6.7%
Asset to Recover: Rationing losses and "Parcela A"	315 762	322 361	-2.0%

(1) 2002 interest-bearing debt includes interest of BRL 5.4 million; in 1H 2003 interest is included in Accruals and Deferrals.

Net interest and financial expense was adversely affected by the contracts indexed to the IGP-M price index. However, the 0.35% drop in the IGP-M index in the second quarter of 2003 explains the improvement in net

financial items on a quarterly basis (BRL 44.0 million net loss in the first quarter of 2003 versus BRL 10.7 million net loss in the second quarter). As a result of the improved performance in the second quarter in terms of EBITDA and net financial items, Bandeirante posted a net income of BRL 17.7 million in this period.

General indicators			
<i>Bandeirante</i>			
	1H 2003	1H 2002	Δ%
Gross profit margin	24.0%	23.1%	0.9%
Number of employees	1 360	1 410	-3.5%
Operating capital expenditure			
Recurrent	32 962	31 849	3.5%
Non-recurrent	24 247	2 456	887.3%
Total (BRL thousand)	57 209	34 305	66.8%
(EUR thousand)	17 400	12 182	42.8%



3.7.2 Escelsa

Escelsa benefited from the 25% decrease in the “initial contracts”, which was responsible for a 14.8% fall in the total energy contracted. The alterations to the contract with Itaipú also had a positive impact on the company.

Energy sales (GWh)			
<i>Escelsa</i>			
	<u>1H 2003</u>	<u>1H 2002</u>	<u>Δ%</u>
Energy contracted	2 953	3 467	-14.8%
Own generation	600	586	2.4%
Energy purchases from the MAE	71	0	-
Energy acquisition	3 624	4 053	-10.6%
Losses on Itaipú contract	- 69	- 187	63.1%
Transmission losses	- 102	- 99	-3.0%
Energy entered into Distribution	3 453	3 767	-8.3%
Distribution losses	- 481	- 398	-20.9%
Energy sales	2 972	3 369	-11.8%
Sales to the MAE (Wholesale Energy Market)	15	310	-95.2%
Energy commercialisation	2 957	3 059	-3.3%
Residential	636	574	10.8%
Industrial	1 335	1 534	-13.0%
Commercial	394	422	-6.6%
Other	592	529	11.9%

Energy sales to final customers presented a year-on-year decrease of 3.3% to 2 957 GWh caused by the passage of some industrial customers to the liberalised market. These industrial consumers presented a consumption of 360 GWh in the first half of 2003. However, these consumers continue to pay a tariff for use of the network which is recorded under the caption "other revenue and taxes". Excluding the industrial segment, energy sales increased by 6.4%, which reflects a stable recovery in consumption levels following the end of the power rationing programme.

Gross profit margin			
<i>Escelsa</i>			
	BRL thousand		
	<u>1H 2003</u>	<u>1H 2002</u>	<u>Δ%</u>
Total energy sales	469 102	411 526	14.0%
Energy sales to the MAE	- 106	19 015	-100.6%
Energy sales to final customers	469 208	392 511	19.5%
Residential	161 902	123 986	30.6%
Industrial	144 320	142 127	1.5%
Commercial	85 610	72 792	17.6%
Other	77 376	53 606	44.3%
Other direct revenue / (costs)	- 26 247	- 40 182	34.7%
Other revenue and taxes	- 4 195	- 17 712	76.3%
Regulatory tariff reposition	- 22 052	- 22 470	1.9%
Total operating revenue	442 855	371 344	19.3%
Energy acquisition	204 002	194 172	5.1%
Other direct costs	61 919	56 855	8.9%
Total direct costs	265 921	251 027	5.9%
Gross profit margin (amount)	176 934	120 317	47.1%
Gross profit margin (%)	40.0%	32.4%	7.6%

Electricity sales revenue totalled BRL 469.2 million, which represents an increase of 19.5%. This increase is to a large extent explained by the 15.97% tariff adjustment made in August 2002 and by the greater weight of energy sold to residential and commercial customers. The average tariff to the final customer rose from BRL 128.3/MWh in the first half of 2002 to BRL 158.7/MWh in the first half of 2003 (net of value added tax).

Despite the 25% drop in the "initial contracts", direct operating costs increased by 5.9%, due to the higher cost (indexed to the dollar) of the energy supplied by Itaipú, the annual tariff adjustment of the "initial contracts" and the increase in the energy transmission tariff.

ANEEL approved an average increase of 17.3% in Escelsa's tariffs on 6 August this year:

- a) 8.96% corresponds to the direct recognition of non-controllable costs in the tariff charged to final customers;
- b) 7.80% corresponds to the compensation for controllable costs corrected for the IGP-M price index (25.24% less 1.89% of Factor X); and
- c) 0.54% corresponds to the compensation for the costs incurred during the rationing period.

Income statement						
<i>Escelsa</i>						
	BRL thousand			EUR thousand		
	1H 2003	1H 2002	Δ%	1H 2003	1H 2002	Δ%
Operating revenues and gains	442.855	371.344	19.3%	124 746	172 740	-27.8%
Operating costs and losses	384.255	346.368	10.9%	109 057	158 402	-31.2%
Total direct costs	265.921	251.027	5.9%	75 208	114 007	-34.0%
Sundry materials and goods for resale	3.602	3.210	12.2%	1 016	1 450	-30.0%
Outside supplies and services	27.311	23.117	18.1%	7 772	10 387	-25.2%
Personnel costs	33.244	29.622	12.2%	9 429	13 384	-29.6%
Depreciation and amortisation	29.332	28.343	3.5%	8 300	12 821	-35.3%
Provisions	22.148	7.887	180.8%	6 573	4 937	33.1%
Other operating costs and losses (net)	2.697	3.162	-14.7%	759	1 416	-46.4%
Operating income	58.600	24.976	134.6%	15 689	14 338	9.4%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	110.080	61.206	79.9%	30 562	32 096	-4.8%
Net financial items	154.526	-273.538	156.5%	48 094	- 105 696	145.5%
Net extraordinary items	73.316	-3.056	-	21 095	- 1 459	-
Taxes	103.414	-73.429	240.8%	30 603	- 28 566	207.1%
Net income	183.028	-178.189	202.7%	54 275	- 64 251	184.5%

NOTE: Escelsa data are presented for analysis purposes. Escelsa was consolidated using the equity method in 2001 and up till September 2002, and using the full consolidation method from October to December.

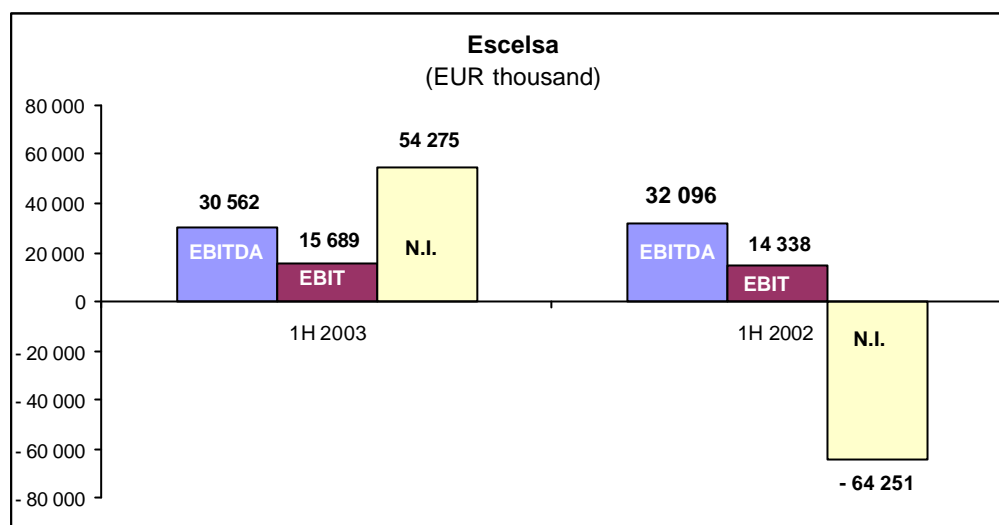
Despite the 10.9% period-on-period increase in operating costs, Escelsa's EBITDA margin climbed from 16.5% to 24.9%, due primarily to the annual tariff adjustment made in August 2002 and an improved contractual regime with generators. Besides inflationary pressure, the 18.1% rise in OSS's is explained by energy-saving programmes and software licences. Personnel costs were 12.2% higher owing to the lower level of cost capitalisation in the period, as well as the annual salary review. Provisions increased by BRL 14.2 million with the creation of a general provision for tax contingencies.

Interest-bearing debt			
<i>Escelsa</i>			
	BRL thousand		
	1H 2003	2002	△%
Local currency	312 197	366 402	-14.8%
BNDES (National Economic and Social Development Bank)	273 462	333 050	-
Other	38 735	33 352	16.1%
Foreign currency - denominated in dollars	1 332 631	1 592 495	-16.3%
"Senior Notes"	1 237 711	1 592 495	-22.3%
Other	94 920	52 830	79.7%
Total interest-bearing debt	1 644 828	1 958 897	-16.0%
Included in assets: Rationing losses and "Portion A"	181 921	177 495	2.5%
Hedging in EDP Holding: Asset denominated in dollars	239 822	296 324	-19.1%

Net interest and financial expense was positively influenced by favourable currency differences in the amount of BRL 223.3 million as a result of the effect of the real's appreciation against the dollar on dollar-denominated debt. Due to the appreciation in the market value of dollar-denominated assets, it was possible for Escelsa to reverse a provision of BRL 75.1 million which was originally created to provide for the diminution in this asset's market value.

General indicators			
<i>Escelsa</i>			
	1H 2003	1H 2002	△%
	Gross profit margin	40.0%	32.4%
Number of employees	1 345	1 386	-3.0%
Operating capital expenditure (1)			
BRL thousand	23 349	24 571	-5.0%
EUR thousand	7 101	8 726	-18.6%

(1) Escelsa was consolidated using the equity method up until September 2002 and the full consolidation method since then. The figures represent 100% of the company activity for comparison purposes.



3.7.3 Enersul

In the first half of 2003, and as was the case with the other Brazilian distribution companies, Enersul benefited with the 25% decrease in the “initial contracts”, thereby permitting a 10.5% drop in total energy contracted. The alterations to the contract with Itaipú also had a positive impact on the company.

Energy sales (GWh)			
<i>Enersul</i>			
	1H 2003	1H 2002	△%
Energy contracted	1 480	1 654	-10.5%
Own generation	202	188	7.9%
Energy purchases from the MAE	34	0	-
Energy acquisition	1 716	1 842	-6.8%
Losses on contracts	- 18	- 57	68.8%
Transmission losses	- 44	- 45	1.1%
Energy entered into Distribution	1 654	1 740	-4.9%
Distribution losses	- 246	- 236	-4.0%
Energy sales	1 408	1 504	-6.3%
Sales to the MAE (Wholesale Energy Market)	7	152	-95.2%
Energy commercialisation	1 401	1 352	3.6%
Residential	448	428	4.7%
Industrial	319	324	-1.6%
Commercial	278	264	5.3%
Other	356	336	5.9%

Energy sales to final customers presented period-on-period growth of 3,6%, benefiting from the higher consumption in the residential and commercial segments. The industrial segment presented a decline of 1.6% due to the passage of some consumers to the liberalised market.

Gross profit margin			
<i>Enersul</i>			
	BRL thousand		
	1H 2003	1H 2002	△%
Total energy sales	278 958	211 175	32.1%
Energy sales to the MAE	- 2 652	- 20 252	86.9%
Energy sales to final customers	281 610	231 427	21.7%
Residential	107 356	85 321	25.8%
Industrial	46 769	37 440	24.9%
Commercial	63 528	50 399	26.1%
Other	63 957	58 267	9.8%
Other direct revenue / (costs)	- 25 813	- 20 335	-26.9%
Other revenue and taxes	- 12 861	- 10 075	-27.7%
Regulatory tariff reposition	- 12 952	- 10 260	-26.2%
Total operating revenue	253 145	190 839	32.6%
Energy acquisition	97 507	82 001	18.9%
Other direct costs	34 756	30 060	15.6%
Total direct costs	132 263	112 061	18.0%
Gross margin profit (amount)	120 882	78 778	53.4%
Gross margin profit (%)	47.8%	41.3%	6.5%

Revenue from electricity sales to final customers presented growth of 21.7%, due principally to Enersul's tariff review on 8 April 2003. In this tariff review, ANEEL approved an average increase of 32.59% in Enersul's tariffs, plus an additional 9.67% to be recouped in the following 4 years which the company has already accounted for as an accrual to the first half-year's sales. In a quarterly comparison, the average tariff charged to final customers presented an increase from BRL 169.3/MWh in the first quarter of 2003 to BRL 233.3/MWh in the following quarter (net of value added tax).

Notwithstanding the 25% decrease in the "initial contracts", direct activity costs grew by 18.0% due to the higher cost (indexed to the dollar) of the energy supplied by Itaipú, the annual tariff adjustment of the "initial contracts" and the increase in the energy transmission tariff.

In the first half of 2003, the gross profit increased by more than 50% when compared with the same period last year, benefiting from Enersul's first tariff review which now allows for a more appropriate return on the investments made by the company.

Income statement						
<i>Enersul</i>						
	BRL thousand			EUR thousand		
	1H 2003	1H 2002	△%	1H 2003	1H 2002	△%
Operating revenues and gains	253 145	190 839	32.6%	72 222	89 055	-18.9%
Operating costs and losses	216 509	184 330	17.5%	61 520	83 104	-26.0%
Electricity	132 263	112 061	18.0%	37 636	50 678	-25.7%
Sundry materials and goods for resale	3 916	4 375	-10.5%	1 105	1 969	-43.9%
Outside supplies and services	19 417	14 731	31.8%	5 544	6 610	-16.1%
Personnel costs	25 176	23 427	7.5%	7 135	10 534	-32.3%
Depreciation and amortisation	27 633	25 345	9.0%	7 802	11 412	-31.6%
Provisions	7 031	3 030	132.0%	1 999	1 277	56.6%
Other operating costs and losses (net)	1 073	1 361	-21.2%	299	624	-52.1%
Operating income	36 636	6 509	462.9%	10 702	5 951	79.8%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	71 300	34 884	104.4%	20 503	18 640	10.0%
Net financial items	- 12 563	- 27 151	53.7%	- 3 096	- 11 302	72.6%
Net extraordinary items	- 22 918	- 1 735	-1220.9%	- 6 891	- 801	-760.8%
Taxes	11 886	- 7 249	264.0%	3 624	- 1 927	288.1%
Net income	- 10 731	- 15 128	29.1%	- 2 909	- 4 225	31.2%

NOTE: Enersul data are presented for analysis purposes. Enersul was consolidated using the equity method in 2001 and up till September 2002, and using the full consolidation method from October to December.

Notwithstanding the 17.5% increase in operating costs when compared with the first half of 2002, Enersul's EBITDA margin improved from 18.3% to 28.2%, chiefly as a result of the tariff review carried out in April 2003 and the better contractual arrangement with generators. Besides inflationary pressure, the 31.8% rise in OSS's is explained by the higher costs associated with services provided to customers and an increase in software licences. Personnel costs rose by 7.5% owing to the lower capitalisation of costs in the period which, in turn, is explained by the reduction in operating capital expenditure.

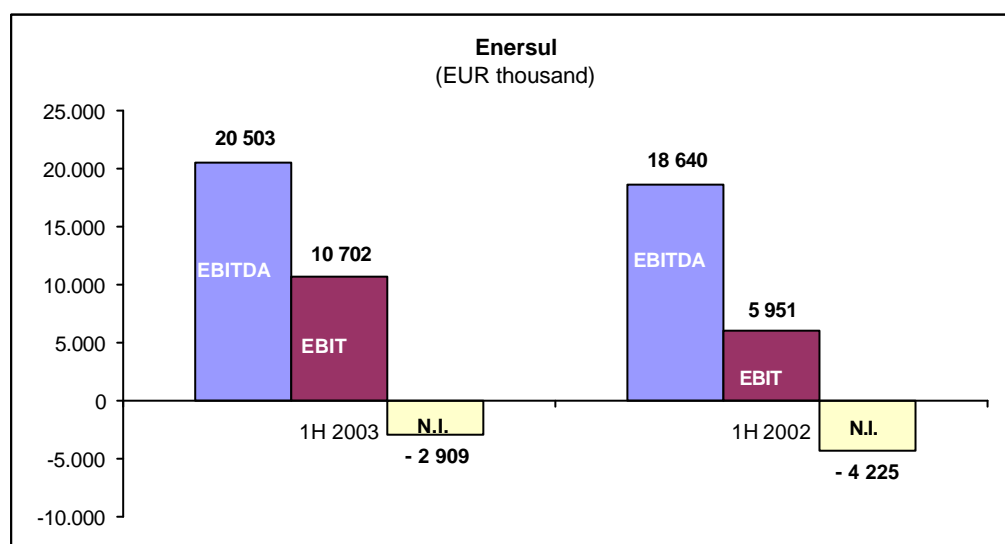
Interest-bearing debt			
<i>Enersul</i>			
	BRL thousand		
	1H 2003	2002	△%
Local currency	434 643	377 780	15.1%
Magistra (Group)	123 900	65 951	87.9%
BNDES (National Economic and Social Development Bank)	166 448	157 696	-
Other	144 295	154 133	-6.4%
Foreign currency - denominated in dollars	153 518	199 375	-23.0%
Total interest-bearing debt	588 161	577 155	1.9%
Included in assets: Rationing losses and "Portion A"	120 787	114 328	5.6%
Hedging in EDP Holding: Asset denominated in dollars	5 738	5 956	-3.7%

Enersul's net interest and financial expense benefited from positive currency differences of BRL 16.6 million resulting from the effect of the real's appreciation against the dollar on dollar-denominated debt. In the second quarter of 2003, the company decided to adjust by BRL 19.8 million the provision relating to the disinvestment of the gas turbine at the Campo Grande thermoelectric power station. It should be pointed out

that the higher effective tax charge in the period is mainly explained by the fact that the extraordinary provision, as well as certain operating provisions, are not deductible for tax purposes.

General indicators			
<i>Enersul</i>			
	1H 2003	1H 2002	Δ %
Gross profit margin	47.8%	41.3%	6.5%
Number of employees	935	949	-1.5%
Operating capital expenditure (1)			
BRL thousand	16 793	52 409	-68.0%
EUR thousand	5 107	18 611	-72.6%

(1) Enersul was consolidated using the equity method up until September 2002 and the full consolidation method since then. The figures represent 100% of the company activity for comparison purposes.



3.8 TELECOMMUNICATIONS

The ONI Group's turnover rose slightly (0.5%), essentially in the voice services segment (5.2%) in which the traffic handled reached 1 078.2 million minutes, posting growth of 34.5%. A great part of this growth was achieved in the Operators segment, where the price charged per minute is lower, thus generating higher margins. The number of registered CLI's increased 8.9% to 548.6 thousand.

Gross profit margin			
<i>Telecommunications</i>			
	EUR thousand		
	1H 2003	1H 2002	Δ%
Sales and services provided	150 010	149 208	0.5%
Services provided - telecommunications	142 640	138 017	3.3%
Voice telecommunications services	88 925	84 530	5.2%
Data telecommunications services	31 295	32 490	-3.7%
Other telecommunications revenues	22 420	20 997	6.8%
Equipment sales revenues	7 370	11 191	-34.1%
Direct activity costs	78 494	81 066	-3.2%
Cost of telecommunications services	75 342	73 924	1.9%
Cost of equipment sales	3 152	7 142	-55.9%
Gross profit margin	71 516	68 142	5.0%
Margin on telecommunications services	67 298	64 093	5.0%
Margin on equipment sales	4 218	4 049	4.2%

Operating indicators							
<i>Telecommunications</i>							
	1H 2003			1H 2002			Δ%
	Portugal	Spain	Total	Portugal	Spain	Total	Total
Voice traffic (million minutes)	443.2	635.0	1 078.2	356.3	445.5	801.8	34.5%
Business	202.3	276.0	478.3	161.0	271.8	432.8	10.5%
Residential	124.4	-	124.4	154.4	-	154.4	-19.5%
Operators	116.5	359.0	475.5	40.9	173.7	214.6	121.6%
No. of registered CLI's (thousands)	412.4	136.2	548.6	390.5	113.3	503.8	8.9%
Business	41.8	136.2	178.0	37.2	113.3	150.5	18.2%
Residential	370.6	-	370.6	353.3	-	353.3	4.9%
Data traffic							
Internet (million minutes)	344.0	16.2	360.2	361.0	24.2	385.2	-6.5%
Business	26.9	16.2	43.1	27.2	24.2	51.4	-16.2%
Residential	317.1	-	317.1	333.8	-	333.8	-5.0%

Revenue originating from data services totalled EUR 31.3 million in the first half of 2003, accounting for 21.9% of revenue from telecommunications services. Despite the 38.5% rise in the number of registered Internet accounts, ISP traffic fell by 6.5% as a result of ONI having encouraged the transfer of customers from dial-up access to xDSL access.

Income statement				
<i>Telecommunications : Portugal and Spain</i>				
	1H 2003		1H 2002	
	ONI Portugal	ONI Spain	ONI Portugal	ONI Spain
Operating revenue and gains	83 482	67 708	84 876	67 780
Revenue from telecommunications services	81 707	60 934	75 049	62 968
Voice telecommunications services	38 261	50 665	35 409	49 121
Data telecommunications services	25 690	5 605	24 413	8 076
Other telecommunications revenues	17 756	4 664	15 227	5 771
Equipment sales revenues	643	6 727	6 574	4 617
Other operating revenues	1 132	47	3 253	195
Operating costs and losses	113 341	80 852	130 336	78 261
Direct activity costs	37 333	41 161	41 462	39 604
Cost of telecommunications services	36 773	38 569	35 160	38 764
Cost of equipment sales	560	2 592	6 302	840
Outside supplies and services - non-Group	30 105	16 134	36 333	18 395
Outside supplies and services - Group	327	0	3 355	0
Personnel costs	19 336	11 316	23 140	12 447
Depreciation and amortisation	23 315	10 670	22 349	6 908
Provisions	1 924	1 434	1 951	741
Other operating costs	1 001	137	1 746	166
Operating income	- 29 859	- 13 144	- 45 460	- 10 481
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	- 4 620	- 1 040	- 21 160	- 2 832

ONI Portugal's operating revenues fell by 1.6% to EUR 83.5 million in the first half of 2003. This situation is due to the 8.9% increase in revenues from telecommunications services, which was partially offset by the significant decline in revenues from equipment sales which in the first half of 2002 benefited from an important contract for the supply of equipment.

In the first half of 2003, ONI Spain generated revenues from telecommunications services totalling EUR 60.9 million, of which 83.1% refers to revenues from voice services.

Data services at ONI Spain, which totalled EUR 5.6 million (9% of ONI Spain's revenues from telecommunications services) decreased by around 30% relative to the first half of 2002, reflecting a reduction of 16.2% in ISP traffic to 16.2 million minutes and a drop in revenues from the rental of capacity (52% less than that earned in the first half of 2002), as a consequence of the closure and lower level of activity of certain customers in the Operators' segment.

Income statement			
<i>Fixed telecommunications</i>			
	EUR thousand		
	1H 2003	1H 2002	△%
Operating revenues and gains	151 189	152 656	-1.0%
Services provided - telecommunications	142 640	138 017	3.3%
Equipment sales revenue	7 370	11 191	-34.1%
Own work capitalised	6	173	-96.3%
Other operating revenues	1 173	3 274	-64.2%
Operating costs and losses	194 191	208 597	-6.9%
Direct activity costs	78 494	81 066	-3.2%
Outside supplies and services - non-Group	46 239	54 728	-15.5%
Outside supplies and services - Group	327	3 355	-90.3%
Personnel costs	30 652	35 587	-13.9%
Depreciation and amortisation	33 986	29 257	16.2%
Provisions	3 357	2 692	24.7%
Other operating costs	1 137	1 912	-40.5%
Operating income	- 43 002	- 55 941	23.1%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	- 5 660	- 23 992	76.4%
Net financial items	- 24 536	- 20 196	-21.5%
Net extraordinary items	- 4 711	- 3 097	-52.1%
Taxes and minority shareholders' interests	- 9 535	- 7 948	-20.0%
Net income (100%)	- 62 714	- 71 286	12.0%

Outside Suppliers and Services fell 19.8% to EUR 46.6 million in the first half of 2003. Great part of this decrease was originated at ONI Portugal. The largest savings were achieved in the areas of advertising expenses and specialised work (namely, IT and O&M).

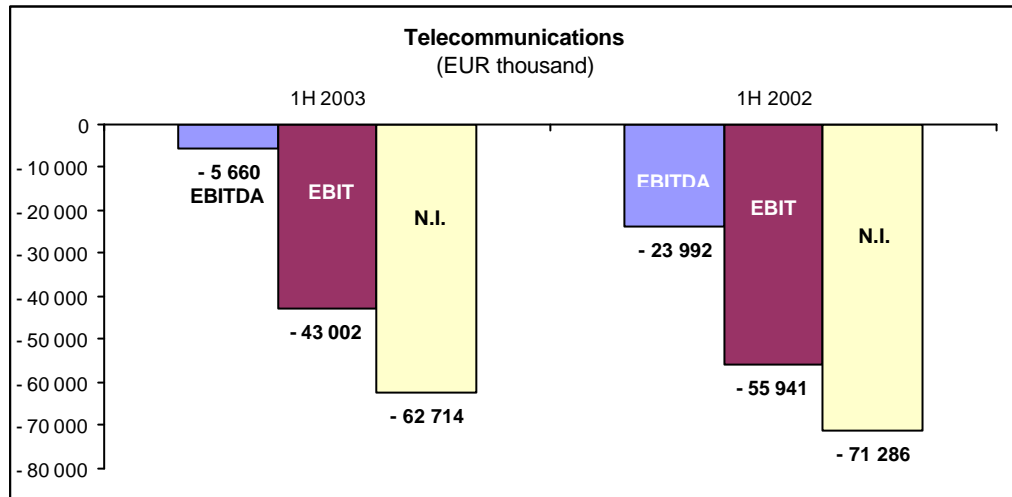
In the first half of 2003, the ONI Group reduced its workforce by 36 employees, resulting in a saving in personnel costs of 13.9%.

General indicators			
<i>Telecommunications</i>			
	1H 2003	1H 2002	△%
Number of employees ONI	1 373	1 754	-21.7%
Portugal	627	1 102	-43.1%
Fixed	616	762	-19.2%
Mobile	11	340	-96.8%
Spain	746	652	14.4%
Operating capital expenditure (EUR thousand)	18 182	95 000	-80.9%
Portugal	7 133	83 900	-91.5%
Fixed	7 133	17 900	-60.2%
Mobile	0	66 000	-100.0%
Spain	11 049	11 100	-0.5%

Operating capital expenditure totalled EUR 18.2 million, which represents a decrease of 37.3% (excluding ONI Way's contribution in the first half of 2002). ONI Portugal's capital expenditure decreased owing to the

fact that the expansion of the fixed telecommunications network and direct-access infrastructures was realised in 2002. ONI Spain's recurring capital expenditure includes EUR 4.1 million relating to the purchase of access equipment.

During the first half of 2003, the ONI Group acquired an additional interest of 22.2% in ONI Way via the purchase of the shareholdings held by Telenor (20.0%), Efacec (1.0%) and Media Capital (1.2%) for a total of EUR 11.5 million.



3.9 INFORMATION TECHNOLOGIES

The Edinfor Group's operating revenues totalled EUR 100.4 million, which represents a decrease of 19.5% when compared with the first half of 2002, due essentially to the slowdown in economic activity in Portugal and the transfer to EDP Distribuição of fixed assets linked to the development of an IT system, which translated itself into a reduction in the services invoiced by Edinfor to EDP Distribuição.

Income statement			
<i>Information technologies</i>			
	EUR thousand		
	<u>1H 2003</u>	<u>1H 2002</u>	<u>Δ%</u>
Operating revenues and gains	100 415	124 788	-19.5%
Sales	13 071	25 422	-48.6%
Services provided - Group	45 322	64 112	-29.3%
Services provided - non-Group	36 837	24 266	51.8%
Own work capitalised	3 610	10 116	-64.3%
Other operating revenues and gains	1 575	872	80.6%
Operating costs and losses	90 902	112 309	-19.1%
Sundry materials and goods for resale	10 870	15 326	-29.1%
Outside supplies and services - Group	5 463	12 646	-56.8%
Outside supplies and services - non-Group	29 222	35 660	-18.1%
Personnel costs	33 448	39 243	-14.8%
Depreciation and amortisation	11 260	8 862	27.1%
Provisions	364	151	141.1%
Other operating costs and losses	275	421	-34.6%
Operating income	9 513	12 479	-23.8%
EBITDA (Oper. Inc. + Amort/Deprec. + Provisions)	21 137	21 492	-1.7%
Net financial items	- 5 349	- 6 004	10.9%
Net extraordinary items	- 528	- 115	-358.9%
Taxes and minority shareholders' interests	2 170	3 054	-28.9%
Net income	1 466	3 306	-55.7%

NOTE: Sub-consolidation not audited

In the first half of 2003, about 44% of revenues was derived from sales and services rendered outside the EDP Group.

The decrease in outside supplies and services is the result of the deceleration in economic activity and the above-mentioned transfer of assets to EDP Distribuição.

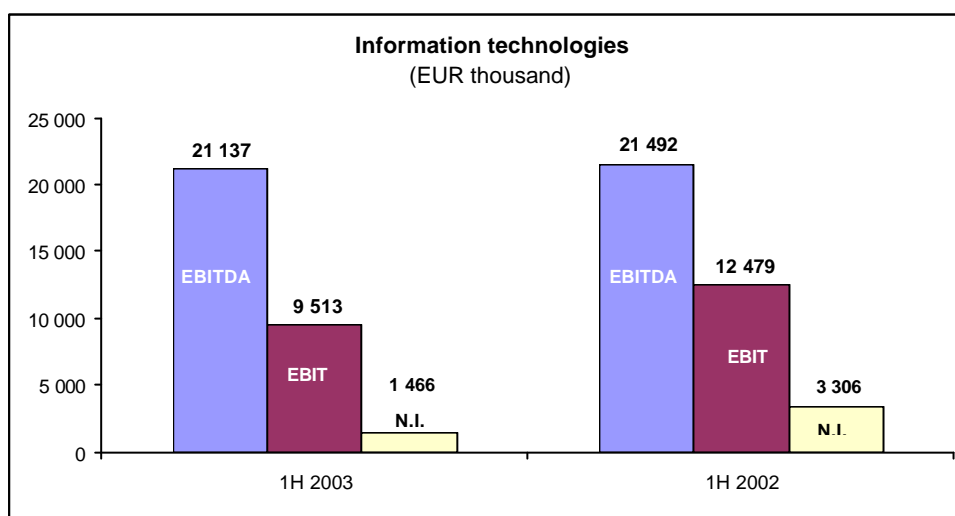
Personnel costs fell by 14.8% as a consequence of the reduction of 58 employees, successful salary renegotiations and the restructuring process which is currently under way, and in terms of which additional cost savings are anticipated by the end of the year.

Notwithstanding the decline in Edinfor's operating revenues, the company's good operating performance was responsible for an improvement in the EBITDA margin of 3.3 percentage points to 21% in the first half of 2003.

The 27.1% rise in amortisation and depreciation, essentially attributable to the depreciation of assets associated with an IT/Communications project, which only now has entered into service, was reflected in a 23.8% decrease in EBIT for the first six months of 2003.

The economic deceleration will continue to have an adverse effect on the company's activity in the second half of the year.

General indicators			
<i>Information technologies</i>			
	1H 2003	1H 2002	△%
Number of employees	1 757	1 815	-3.2%
Edinfor Group	769	722	6.5%
ACE Group	988	1 093	-9.6%
Operating capital expenditure			
EUR thousand	18 127	23 383	-22.5%



NOTE: Sub-consolidation not audited

4 CORPORATE GOVERNANCE

The EDP Group began to include a separate report on Corporate Governance in its Annual Management Report, as required in terms of the Regulation 7/2001/CMVM (Portuguese Securities Market Commission's).

The Annual Corporate Governance Report prepared by EDP includes chapters covering:

- a) General information – organisation charts, dividend policy, share price behaviour, etc.;
- b) Forms of participation or shareholder representation and the exercise of voting rights;
- c) Corporate rules;
- d) Control of business risk;
- e) Management body.

In essence, the information disclosed by the EDP Group in its 2002 Annual Report still remains valid, although certain aspects need to be updated: the governing bodies, including a profile of the Board of Directors, the trend in the share price and the treasury stock portfolio, which are now presented below.

4.1 CORPORATE GOVERNANCE, DETAILS OF THE MANAGEMENT BODY AND ORGANIC STRUCTURE

4.1.1 Corporate governance structure

EDP's management and supervisory bodies are the Board of Directors and the Sole Supervisor, the last-mentioned who, under the law, must be Portuguese statutory auditor.

In terms of the Company's Statutes, there is a Remuneration Committee appointed by the General Meeting for the purpose of fixing the remuneration of the directors, as well as that of the other governing bodies.

The Company's Statutes also make provision for an Environment Board whose mandate is to advise the Board of Directors, namely, by issuing opinions on those EDP Group's capital projects having the an important environmental impact.

The present Board of Directors, elected at the General Meeting held on May 2003, constituted from amongst its members an Executive Committee, charged with responsibility for the Company's day-to-day management, and an Audit Committee, whose functions are directed at reinforcing internal control practices and aspects relating to the external auditors.

4.1.2 Characterisation of the management body

BOARD OF DIRECTORS		
Chairman	Eng. Francisco de la Fuente Sánchez	
Executive Committee	Eng. João Luís Ramalho de Carvalho Talone Dr. Rui Miguel de Oliveira Horta e Costa Eng. Arnaldo Pedro Figueirôa Navarro Machado Eng. Jorge Manuel Oliveira Godinho Eng. Pedro Manuel Bastos Mendes Rezende	CEO
Audit Committee	Dr. António de Almeida Prof. José Manuel Trindade Neves Adelino Prof. Luís Filipe Rolim de Azevedo Coutinho	Chief
	Prof. António José Fernandes de Sousa Dr. José Manuel Gonçalves de Morais Cabral Dr. Paulo Azevedo Pereira da Silva Dr. Vítor Ângelo Mendes da Costa Martins	

EDP's Board of Directors, which includes independent personalities, is currently composed of thirteen directors, elected by a majority of the votes cast at the Shareholders General Meeting. The mandate of directors is three years, with no restrictions on re-election. EDP's Board of Directors is responsible for managing the Company's activity, and in terms of the Company's Statutes its duties include:

- Setting the company's and the Group's management objectives and policies;
- Preparing the annual operating and financial plans;
- Managing the company's business and performing all the acts and operations relating to the company's objects clause which are not attributed to another governing body;
- Representing the company in and out of court, as plaintiff and defendant, and it can discontinue, compromise and confess in any legal proceedings, as well as entering in to arbitration agreements;
- The acquisition, sale or any other form of disposing of or encumbering real-estate rights or goods;
- The formation of companies and subscribing for, acquiring, encumbering and disposing of equity holdings;
- Deciding on the issuance of bonds and other negotiable securities in terms of the Law and the Company's Statutes;
- Establishing the company's technical and administrative organisation and the rules for internal functioning, namely, as concerns personnel and their remuneration;
- Appointing authorised signatories with the powers it deems necessary, including those of sub-delegation;

- Appointing the company secretary and respective alternate;
- Exercising all the other powers and duties attributed to it by Law or by the General Meeting.

As a rule, the Board of Directors meets every month in the presence of all its members. No resolutions may be passed without the presence of the majority of its members, while the representation of more than one director at each meeting is not permitted. All the Directors have the same voting rights, with the Chairman having the casting vote. The Board of Directors' functioning is regulated by an internal regulation.

4.1.3 Effective control of the Company's life

Pursuant to Board of Directors' resolutions, and in harmony with the provisions of the forementioned internal regulations and the statutes, the company's day-to-day management is entrusted to an Executive Committee composed of five members. The Executive Committee meets as a rule every week with the presence of all the Directors. The Executive Committee's functioning is laid down in the respective regulations approved by the Board of Directors, which also appointed the Executive Committee's Chairman and fixed the information and monitoring rules for its activities by the Board.

The Executive Committee's duties are fixed by the Board of Directors in the delegation of powers for the company's day-to-day management, comprising essentially the routine conduct of EDP and the EDP Group companies' businesses, the coordination of the activity of the majority-owned companies and the management of the participating interests owned by it, supporting the Board in formulating the EDP Group's policies in the various areas in which it is involved. However, the delegation of powers does not include:

- The cooption of Directors;
- Requesting the convening of general meetings;
- Approval of the annual report and accounts to be submitted to the General Meeting;
- Approval of the annual and pluri-annual operating plans and budgets, and the periodic monitoring of their execution;
- Approval of the quarterly and half-year accounts;
- Changing EDP's head office, in accordance with the requirements of the Company's Statutes;
- Mergers, demergers, transformation and disposal of EDP Group companies;
- Provision of deposits and personal or real guarantees by the company.

The Executive Committee must also submit to the Board of Directors' consideration the resolutions which, due to their importance, it considers justify this body's confirmation.

However, notwithstanding this delegation of powers, the Board of Directors remains responsible for the global management of the Company's activity.

4.1.4 Organic structure

EDP has its activities organised in a business group format, as portrayed in the organisation chart included in the Management Report. To this end, it possesses a central structure for supporting decision-making processes, with transversal powers and which functions alongside EDP, in its role as the EDP Group's holding company, in accordance with the organisation, functions and responsibilities defined by the Board of Directors.

This central support structure is composed of a number of general managers, assistants and advisers to the Board of Directors and by a series of Offices, in accordance with the following organisation chart:

EDP Group holding company	
EDP Foundation - Eng. Francisco de la Fuente Sánchez	
SUPPORT STRUCTURE FOR THE BOARD OF DIRECTORS	
Chief of Staff - Cabinet of CEO Eng. Stephan Godinho Lopes Morais	Advisors to the Board of Directors Eng. João Alexandre do Nascimento Baptista Eng. Emílio José Pereira Rosa Eng. Rui Matos Oliveira Sérgio
General Managers Eng. António Manuel Barreto Pita de Abreu Eng. Jorge Manuel Ribeirinho Soares Machado Eng. Joaquim Armando Ferreira Silva Filipe Eng. Vasco Manuel de Castro Coucello Dr. António Manuel Vaz Pacheco de Castro Eng. António Martins da Costa Dr. João Manuel Manso Neto	Assistants to the Board of Directors Eng. Lívio Honório Dra. Maria do Pilar Gouveia Bobone Dr. António José Marrachinho Soares Eng. Hermínio Cravo Rodrigues Moreira Eng. José Eduardo do Amaral Netto e Aguiar Dr. Carlos Manuel de Almeida Carvalho
HOLDING COMPANY'S OFFICES AND DEPARTMENTS	
SG General Secretariat	-----
CPG Gas Project Coordinator	Dr. José Manuel Ferrari Bigares Careto
CRO Chief Risk Officer	Eng. António Maria Ramos da Silva Vidigal
GAB Environment Office	Eng. António Manuel Neves de Carvalho
GAI Internal Audit Office	Eng. Vítor Manuel Silva Leitão
GAN Business Analysis Office	Dr. Bernardo Sá Braamcamp Sobral Sottomayor
GCI Communication and Image Office	Dr. Horácio Manuel Piriquito Casimiro
GCO Consolidation, Control and Budget Management Office	Eng. Manuel Antunes Rodrigues da Costa
GFN Financial Management Office	Dra. Maqda Abdool Maqid Vakil
GIB Iberian Liaison Office	Dr. António Manuel Vaz Pacheco de Castro
GJR Legal Affairs Office	Dr. António Pedro Balançuela Alfaia de Carvalho
GLB Brazilian Liaison Office	Eng. António Fernando Melo Martins da Costa
GRH Human Resources Office	Eng. Euqénio André da Purificação Carvalho
GRI Investor Relations Office	Dr. Pedro Manuel Carreto Pires João
GRT Regulation and Tariffs Office	Enga. Maria Joana Mano Pinto Simões
GSI IT Systems Office	Eng. José Avelino Abreu Aguiar

4.2 SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2003

EDP is listed on the Euronext Lisbon market and on the New York Stock Exchange. Moreover, EDP's shares form the asset base for futures contracts traded on the Euronext Lisbon market.

In the first half of 2003, 810 million EDP shares were traded, corresponding to a daily average of 6.5 million shares, thus making EDP one of the most liquid shares on the national market. At the present time, EDP

represents roughly 16% of the PSI20, the Portuguese stock market's principal index, while at the same time constituting a reference stock in any European index of electricity utilities.

The world's principal stock market indices staged a minor rally during the first half of 2003. Although positive, the trend in the capital market was adversely influenced in the first two months of the year by the expectations of a prolonged conflict in Iraq. However, since March the prospects of a rapid resolution to the Iraq conflict and hopes for an economic upturn fuelled a recovery of the losses recorded at the beginning of the year.

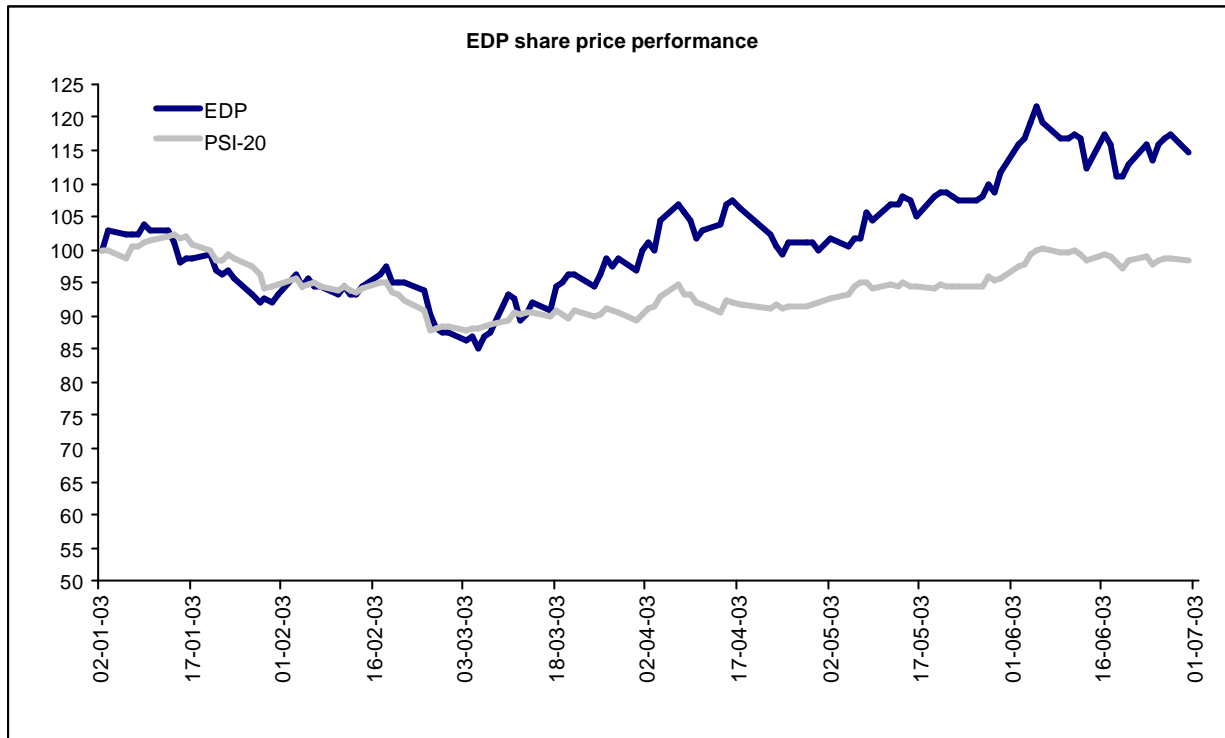
As concerns the performance of EDP shares in the period under review, the share sank to its historical low of EUR 1.38 on 5 March in the wake of the market sentiment above mentioned. However, the EDP share price appreciated 17% in the first six months of the year due, on the one hand, to expectations of a revival in the world's major markets and, on the other, to a number of factors favourable to the EDP Group's normal business activity, which together created a climate of confidence that had a positive influence on the share price. It is also worth noting that EDP shares outperformed the PSI20 index by 17%.

In the first place, in March EDP (via Hidrocantábrico) is successful in the operation launched by the Basque Government (Ente Vasco de Energía) for the privatisation of Naturcorp, thereby acquiring 62% of Spain's second largest gas distribution and transmission company. Through this acquisition, the Group reinforces its position in the Iberian energy market and positions itself correctly in the convergence between the gas and electricity businesses.

Secondly, in April the Portuguese Government publicly announced the proposed integration into EDP of the gas and electricity distribution activities within the ambit of the national energy sector's restructuring. With this restructuring, EDP has the opportunity to become a key company in the Iberian Peninsula's electricity and gas sector.

Thirdly, the greater clarification as regards the electricity sector's liberalisation and the creation of the Iberian Electricity Market (Mercado Ibérico de Energía Eléctrica - MIBEL) should have affected investors' expectations in a positive manner, namely, through the assurance that the financial equilibrium inherent in the existing Power Purchase Agreements (PPA) will be maintained after their eventual resolution.

Finally, the expectations that the company will be allowed to reflect in its tariffs the charges associated with the Human Resources Rationalisation Plan (Plano de Racionalização de Recursos Humanos - PRRH), through the regulator's (ERSE) definition of the tariff-compensation mechanisms applicable to the restructuring costs. Already in the final half of the year, the ERSE has decided to accept that the charges associated with the PRRH 2003-2004 will be recorded as a capital investment to be amortised over 20 years.



4.3 TREASURY STOCK

In conformity with the general regime governing the acquisition and disposal by companies of treasury stock, the company was authorised by the General Meeting to acquire its own shares up to a limit of 10% of share capital.

During the course of the first half of 2003, EDP increased its portfolio of treasury stock by 2 229 030 shares so that at 30 June 2003, the number of own shares on hand was 19 657 956. The treasury stock on hand is earmarked to support the stock options programme for the EDP Group's management and senior staff.

4.4 INVESTOR RELATIONS OFFICE

The EDP Group has adopted as its communication policy the practice of informing shareholders and the market in general to the highest standards of the markets on which EDP shares are listed, with the object of promoting and strengthening the confidence of shareholders, employees, customers, strategic partners, creditors and the general public.

Through EDP's site on the internet (www.edp.pt), a comprehensive range of information about the company is made available, namely, announcements of important facts, the EDP share price trends, the Group's shareholder structure and other information of potential interest concerning the EDP Group. EDP's page on the internet also allows those interested to consult or request the dispatch of annual reports and accounts for any financial year since 1997.

EDP has an Investor Relations Office (Portuguese initials GRI) whose primary function is to act as a spokesperson between the EDP Group's management, shareholders and the financial markets in general. Within the scope of its normal activity, the GRI is responsible for all the information made available by the

EDP Group referring to the publication of the periodic financial statements, as well as that relating to any important facts as and when they occur.

The Investor Relations Office maintains a constant flow of information with institutional investors and financial analysts, placing at their disposal all the required information so as to facilitate these institutions' compliance with their responsibility and diligence duties.

The Investor Relations Office – **GRI** – is situated at EDP's head office at Praça Marquês de Pombal, 12, 5º, 1250-160 Lisbon, and can also be contacted by telephone +351 21 001 2834, telefax +351 21 001 2899 or via the electronic address **ir@edp.pt**.

The EDP executive responsible for relations with the market is the Director, Dr. Rui Miguel de Oliveira Horta e Costa.

5 OUTLOOK

The EDP Group will pursue the consolidation of its presence and operations in the Iberian Peninsula's energy sector, reinforcing on the other hand the strategy aimed at focusing on and the self-sustainability of the Brazilian and Telecommunications businesses.

With regard to the evolution of the Iberian Electricity Market, the realisation of which will take place in a phased manner with conclusion scheduled to take place in 2006, EDP will continue with its internal preparatory work while monitoring the studies and measures required for its implementation. In this context, the definition of the regime for the liberalisation of generation activity assumes particular importance, namely the process which involves the opening of the Power Purchase Agreements concluded between the owners of the Binding Generating Centres and the concessionaire of the National transmission Grid, with a view to finding a solution which preserves the value of the aforesaid contracts.

Preparation for the opening up of the national electricity market to the more than 5.6 million customers supplied in low voltage projected for 2004, and the further liberalisation of the VHV, HV and MV market, will pose additional challenges for the EDP Group, which is intent on maintaining a leading place in the liberalised sector. In this context, EDP will strengthen its role in the Commercialisation and Trading area, endowing these with the appropriate tools to operate in the wholesale market and the corresponding risk management at the same time at the MIBEL's functioning assumes form and expression.

In parallel, work is scheduled to be carried out on the reorganisation of the Portuguese Energy Sector in the wake of the new framework advocated by the government with the object of integrating electricity and natural gas that will naturally have a major impact on the Group's activity.

In Spain, EDP's participation in the energy market will consolidate itself through Hidrocantábrico, with business operations in the electricity and gas markets, so boosting the convergence between the two businesses in the Iberian Peninsula.

In Brazil, the Group will implement management rationalisation measures at the electricity distribution companies, promoting synergies, in particular through the corporate restructuring subordinating the Group's activities in Brazil to the common strategic command of the sub-holding company EDP Brasil, and through reduction of exposure in the generating business in Brazil in order to consolidate assets in distribution, giving priority to the exchange assets.

In the telecommunications business, ONI will continue to concentrate on the fixed network business in Portugal and Spain, reinforcing its position as the first alternative to the incumbent operator. In this regard, it is to be hoped that, in fact, there will be a market liberalisation.

Common denominators on all fronts are the implementation of cost containment and rationalisation measures already identified throughout the entire EDP Group and the motivation of human resources, both fundamental factors for EDP's adaptation to a new environment of market liberalisation and the creation of an image of a modern brand.

As a priority objective, the EDP Group should continue the good performance in the operating and free cash-flow generating areas.

BOARD OF DIRECTORS

Francisco de la Fuente Sánchez (Chairman)

João Luís Ramalho de Carvalho Talone

António de Almeida

António José Fernandes de Sousa

Arnaldo Pedro Figueirôa Navarro Machado

Jorge Manuel de Oliveira Godinho

José Manuel Gonçalves de Morais Cabral

José Manuel Trindade Neves Adelino

Luís Filipe Rolim de Azevedo Coutinho

Paulo Azevedo Pereira da Silva

Pedro Manuel Bastos Mendes Rezende

Rui Miguel de Oliveira Horta e Costa

Vítor Ângelo Mendes da Costa Martins

Lisbon, 26 August 2003

INTERIM GROUP FINANCIAL STATEMENTS

1 CONSOLIDATED BALANCE SHEET AT 30 JUNE 2003

ASSETS	Jun-03			2002	SHAREHOLDERS' FUNDS AND LIABILITIES	Jun-03		2002
	Gross	Amort/deprec/prov.	Net	Net		Jun-03	2002	
Fixed assets:					Shareholders' funds:			
Intangible:					Share capital	3,000,000,000.00		3,000,000,000.00
Start-up costs	94,893,119.45	60,391,085.01	34,512,004.44	42,595,154.58	Treasury stock - nominal value	-18,657,856.00		-17,428,926.00
Research and development costs	152,843,032.71	44,397,289.45	108,799,733.26	104,332,344.23	Treasury stock - premiums and discounts	-25,706,605.50		-25,094,533.34
Industrial property and other rights	1,912,324,889.17	226,430,916.04	1,685,993,973.13	1,692,372,902.88	Adjustments to equity interests in substat and assoc. com	22,224,900.81		22,120,941.30
Capital expenditure in progress	7,893,883.89		7,893,883.89	13,229,488.81	Currency adjustments	-424,130,970.12		-379,461,022.49
	2,167,354,844.02	330,999,311.30	1,836,355,532.72	1,843,119,810.50	Revaluation reserves	1,172,728,640.95		1,172,728,640.95
					Reserves:			
Tangible:					Legal	260,488,232.00		243,727,440.75
Fixed assets (DL 344-B/02)	259,915,573.81	245,130,882.94	14,794,690.87	16,950,446.76	Other	76,732,989.46		18,732,989.46
Land and natural resources	111,914,280.73		111,914,280.73	122,269,733.36	Net asset adjustments	-192,723,883.95		-268,974,551.00
Buildings and other facilities	315,174,896.70	134,226,373.87	180,948,522.83	193,429,305.85	Retained earnings - parent company	1,540,628,344.11		1,208,461,023.74
Basic equipment	23,125,363,233.07	13,460,463,686.48	9,664,899,546.59	9,635,594,429.83	Retained earnings - consolidated subsidiaries	261,779,511.89		125,131,296.49
Vehicles, transport equipment	69,508,915.66	46,746,586.61	22,762,329.05	27,279,436.18	Subtotal	5,231,014,176.49		5,168,966,255.90
Lease tools	80,797,583.63	5,335,584.26	75,461,999.37	71,478,591.54	Consolidated net income for the period	162,043,966.06		335,215,826.44
Administrative equipment	314,705,710.24	169,370,280.11	145,335,430.13	145,022,115.01	TOTAL SHAREHOLDERS' FUNDS	5,413,058,173.35		5,494,182,082.34
Returnable containers	1,689.55	1,689.55	0.00	0.00	Minority shareholders' interests	66,960,162.55		65,199,164.85
Other fixed assets	16,479,673.06	5,304,667.38	11,174,005.68	12,691,549.68	Liabilities:			
Capital expenditure in progress	971,334,666.06		971,334,666.06	1,010,734,574.13	Provisions for risks and contingencies:			
Advances payments for capital items	4,772,781.76		4,772,781.76	4,798,147.67	Other	762,567,090.71		806,291,677.80
Multi-purpose projects (part not assigned)	24,700,669.30		24,700,669.30	24,729,492.72		762,567,090.71		806,291,677.80
Hydroelectric generation	18,196,669.24		18,196,669.24	18,196,669.24	Hydrality Connection	360,057,352.73		324,111,205.85
Works under construction	6,800,380.06		6,800,380.06	6,542,834.48	Medium and long-term payables:			
	35,295,428,567.38	14,095,682,779.30	21,200,745,788.08	21,304,237,291.82	Good loans - non-convertible	3,488,639,156.66		3,392,111,270.43
					Bank loans	2,766,513,352.81		2,897,720,636.38
Financial investments:					Other loans	16,660,371.00		17,210,004.36
Equity interests in Group companies	68,639,282.29	9,277,809.02	59,361,473.27	193,367,126.42	Other creditors	96,765,973.55		90,390,147.87
Equity interests in associated companies	591,431,248.00	38,379,862.01	553,051,385.99	540,415,130.81	State participation in multi-purpose projects	16,739,517.90		19,739,517.90
Securities and other investments	1,495,891,314.52	297,396,589.98	1,198,494,724.54	1,162,193,322.80	Adjustment account (Regime DL344-B/02)	14,794,650.65		16,950,446.77
Capital expenditure in progress	2,584.15		2,584.15	2,584.15		6,347,583,561.96		6,233,822,022.81
	2,106,353,429.56	335,354,381.01	1,770,999,048.55	1,895,994,153.56	Short-term payables:			
Current assets:					Good loans - non-convertible	61,761,218.12		12,261,284.32
Inventories:					Bank loans	1,727,068,175.04		1,874,772,409.76
Raw and consumable materials	111,544,039.97		111,544,039.97	130,031,670.96	Advance payments on sales account	157,111.65		298,732.36
Goods and work in progress	7,430,562.85		7,430,562.85	5,449,017.07	Trade creditors	606,693,148.61		762,573,380.40
Goods for resale	13,139,570.31	0.00	13,139,570.31	8,963,277.54	Suppliers - pending invoices	67,578,665.05		24,791,970.50
Advances payments to suppliers	2,390,234.43		2,390,234.43	5,954,063.62	Other shareholders	20,335,006.43		10,449,077.23
	134,864,147.56	0.00	134,864,147.56	150,305,029.28	Customer advances	399,979.69		611,842.36
Medium and long-term receivables:					Suppliers - fixed assets	117,674,154.95		230,382,523.10
Local authorities - debt at 31/12/03	183,797,839.21	104,495,582.13	79,302,257.08	84,021,233.36	State and other public entities	67,003,924.62		49,752,218.75
Shareholder and investee companies	14,957,212.32		14,957,212.32	19,744,395.53	Other creditors	238,460,686.95		163,233,460.27
Other debtors	182,802,689.13	12,807,534.25	169,995,154.88	157,819,332.45		2,926,361,474.11		3,129,032,897.85
	380,797,740.66	117,403,116.38	263,394,624.28	280,593,501.34	Accruals and deferrals:			
Short-term receivables:					Accrued costs	386,487,646.75		294,498,679.47
Trade debtors	927,540,139.80	0.00	927,540,139.80	995,970,496.68	Deferred income	1,512,142,706.19		1,433,939,796.23
Debtors - notes receivable	10,762.70		10,762.70	13,734.12	Deferred taxation	276,182,858.03		344,122,333.51
Debtors - doubtful recovery	186,855,369.66	170,390,497.05	15,474,862.61	6,547,651.41		3,175,625,710.97		2,972,560,699.31
Shareholder and investee companies	0.00		0.00	0.00	TOTAL LIABILITIES	12,601,302,680.05		12,565,933,533.72
Suppliers - advance payments	798,461.12		798,461.12	3,299,096.12				
State and other public entities	80,128,674.22		80,128,674.22	120,419,334.15				
Other debtors	468,996,069.20	25,574,687.53	443,421,381.67	449,043,129.10				
Share capital subscribers	499,320.97		499,320.97	451,125.00				
	1,663,889,884.66	195,955,084.58	1,467,934,800.08	1,437,943,526.56				
Trading securities:								
Other short-term investments	109,475,384.45	0.00	109,475,384.45	175,259,219.64				
	109,475,384.45	0.00	109,475,384.45	175,259,219.64				
Bank deposits and cash:								
Bank deposits	31,548,111.42		31,548,111.42	37,287,707.07				
Cash	1,396,399.05		1,396,399.05	1,426,792.90				
	33,334,467.47		33,334,467.47	38,714,499.97				
Accruals and deferrals:								
Accrued income	328,847,332.37		328,847,332.37	343,599,063.33				
Deferred costs	290,430,340.94		290,430,340.94	229,904,667.52				
Deferred taxation	667,709,554.26		667,709,554.26	545,379,497.52				
	1,244,787,227.57		1,244,787,227.57	1,119,143,438.38				
Total amortisation and depreciation		14,454,710,874.59						
Total provisions		909,393,697.96						
TOTAL ASSETS	33,136,845,688.55	15,094,894,572.57	18,071,351,025.98	18,125,189,790.91	TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	18,071,351,025.98		18,125,189,790.91

2 CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED AT 30 JUNE 2003

Unit: EUR						
EXPENSES	Jun-03		Dec-02		Jun-02	
	Cost of inventories sold and consumed:					
Electricity	1,598,222,238.30		3,005,526,055.68		1,428,669,287.94	
Fuel for power generation	129,322,286.69		465,527,057.89		239,681,016.22	
Sundry materials	103,662,673.27		136,028,321.28		47,213,808.99	
Goods for resale	12,033,352.09	1,843,240,550.35	83,597,286.98	3,690,678,721.83	22,846,897.06	1,738,411,010.21
Outside supplies and services		310,239,316.59		675,069,958.91		296,745,854.35
Personnel costs:						
Salaries and other remuneration	220,632,178.19		427,618,996.07		208,829,319.19	
Company contributions:						
Complementary pensions	0.00		0.00		0.00	
Current pension contributions	36,783,271.12		44,339,970.29		29,174,000.00	
Social security contributions	52,864,709.86		105,585,984.09		52,309,556.44	
Social welfare costs	6,473,518.60		5,643,811.77		3,601,100.12	
Other	28,519,620.91	345,273,298.68	41,583,484.31	624,772,246.53	22,923,872.20	316,837,847.95
Depreciation and amortisation	408,344,605.76		739,540,617.58		343,883,781.72	
Provisions	62,522,982.34	470,867,588.10	100,645,394.94	840,186,012.52	48,905,654.27	392,789,435.99
Indirect taxes	4,275,888.29		13,823,786.06		5,028,998.83	
Direct taxes	189,341.29		2,810,716.56		205,189.49	
Other operating costs and losses	5,143,005.55		8,301,596.90		892,221.18	
Concession and generating centre rentals	87,948,345.45		158,176,301.80		78,248,368.33	
Hydraulicity Correction - diff. year - charge	0.00	97,556,580.58	0.00	183,112,401.32	0.00	84,374,777.83
A - Operating costs and losses		3,067,177,334.30		6,013,819,341.11		2,829,158,926.33
Financial costs and losses:						
Losses in group and associated companies	10,282,982.61		115,183,865.75		31,986,667.21	
Interest	245,451,015.21		488,916,263.75		209,443,355.70	
Provision for diminution in value of investments	5,355.17		107,318.56		58,050.61	
Unfavourable foreign-exchange differences	5,799,223.09		22,846,399.45		4,271,601.89	
Other	116,104,250.16	377,642,826.24	149,141,876.29	776,195,723.80	50,905,350.05	296,665,025.46
C - Costs and losses from ordinary activities		3,444,820,160.54		6,790,015,064.91		3,125,823,951.79
Extraordinary costs and losses						
Bad debts	288,214.80		9,084,126.68		678,320.42	
Inventory losses	616,493.74		2,278,697.61		1,009,913.60	
Fixed asset losses	16,322,635.00		41,331,713.40		6,554,052.56	
Increase in depreciation and amortisation	0.00		299,231,756.28		0.00	
Prior-year charges	5,046,578.39		13,934,530.37		8,160,264.23	
Hydraulicity Correction - additional charge	0.00		0.00		0.00	
Other	12,219,737.79	34,493,659.72	77,033,520.95	442,894,345.29	20,104,266.20	36,506,817.01
E - Costs and losses for the year		3,479,313,820.26		7,232,909,410.20		3,162,330,768.80
Corporate income tax						
Income tax for the period	141,834,713.45		171,167,862.75		118,895,778.25	
Income tax for the period - deferred	-31,195,300.43	110,639,413.02	571,459.51	171,739,322.26	-33,612,372.47	85,283,405.78
G - Total costs		3,589,953,233.28		7,404,648,732.46		3,247,614,174.58
Minority shareholders' interests		-8,997,198.16		-220,033,767.72		-34,099,610.00
Consolidated net income for the period		182,043,996.86		335,215,826.44		230,598,735.08
TOTAL		3,763,000,031.98		7,519,830,791.18		3,444,113,299.66
Operating income (B) - (A)		406,838,290.76		648,703,588.06		353,251,841.63
Net interest and financial expense ((D) - (B)) - ((C) - (A))		-182,531,707.57		-222,843,423.10		-119,678,397.96
Net operating income (D) - (C)		224,306,583.19		425,860,164.96		233,573,443.67

Unit: EUR						
INCOME	Jun-03		Dec-02		Jun-02	
	Sales:					
Electric power	3.115.610.896.83		5.876.158.458.26		2.818.644.944.75	
Other	30.903.941.57		111.981.793.30		41.614.936.23	
Services provided	199.176.357.06	3.345.691.195.46	398.418.183.40	6.386.558.434.96	203.764.412.97	3.064.024.293.95
Variation in production:						
Goods and work in progress:						
Closing inventories	7.172.855.33		5.569.215.55		8.151.435.66	
Opening inventories	4.998.344.62	2.174.510.71	1.987.771.20	3.581.444.35	1.987.771.20	6.163.664.46
Own work capitalised		116.660.319.07		241.769.257.27		105.990.520.21
Supplementary income	2.032.629.20		8.066.938.77		3.480.778.19	
Operating subsidies	109.860.16		453.433.17		59.260.11	
Other operating income and gains	7.347.110.46		22.093.420.65		2.692.251.04	
Hydraulicity Correction - diff.year - income	0.00	9.489.599.82	0.00	30.613.792.59	0.00	6.232.289.34
B - Operating income and gains		3.474.015.625.06		6.662.522.929.17		3.182.410.767.96
Financial income and gains:						
Gains in group and associated companies	17.474.120.02		36.449.846.48		15.543.574.80	
Investment income	31.480.717.03		40.041.770.53		25.699.787.80	
Income from trading and other securities	10.067.393.35		23.682.239.55		982.070.26	
Other interest and similar income	127.830.007.85		362.918.182.49		106.855.686.29	
Favourable foreign-exchange differences	8.258.880.42	195.111.118.67	90.260.261.65	553.352.300.70	27.905.508.35	176.986.627.50
D - Income and gains from ordinary activities		3.669.126.743.73		7.215.875.229.87		3.359.397.395.46
Extraordinary income and gains:						
Fixed asset gains	22.736.645.13		53.264.297.20		22.011.025.44	
Decreases in deprec., amortis. and provisions	23.280.347.78		76.371.070.41		12.879.298.22	
Prior-year income adjustments	2.638.888.21		9.691.927.80		3.113.775.48	
Hydraulicity Correction - income adjustment	0.00		0.00		0.00	
Other interest and similar income	45.217.407.13	93.873.288.25	164.628.265.90	303.955.561.31	46.711.805.06	84.715.904.20
F - TOTAL INCOME		3.763.000.031.98		7.519.830.791.18		3.444.113.299.66
Net extraordinary income ((F)-(D))-((E)-(C))		59.379.628.53		-138.938.783.98		48.209.087.19
Income before taxation (F)-(E)		283.686.211.72		286.921.380.98		281.782.530.86
Consolidated net income for the period (F)-(G)		182.043.996.86		335.215.826.44		230.598.735.08

3 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

0 ACTIVITIES, ORGANISATION AND REGULATION

Activities and business – The Group's most important activities and business operations during the period under review were identical to those carried out during the past year.

The Group's organisation – Except for matters relating to corporate governance (disclosed separately in this report), the most salient aspects of the Group's organisation remained identical to the one in existence at the end of the preceding financial year.

Regulation – During the past six months, there were no important changes to the regulation of any of the Group's businesses.

I COMPANIES INCLUDED IN THE CONSOLIDATION (NOTES 1 TO 7)

The subsidiary and associated companies included in the preparation of the accompanying financial statements were the same as those included in the financial statements at 31 December 2002, with no significant alterations occurring in the group of companies included in the consolidation perimeter.

II TRUE AND FAIR VIEW (NOTES 8 AND 9)

As is the case with the annual financial statements, there is nothing to comment in this domain.

III CONSOLIDATION PROCEDURES (NOTES 10 TO 20)

The consolidation procedures and criteria adopted did not suffer any change in relation to those applied in the preparation of the annual financial statements.

IV COMMITMENTS (NOTES 21 AND 22)

21 i) Contractual commitments for the acquisition of fixed assets

Contractual commitments for the acquisition of fixed assets at balance sheet date amounted to EUR 34 million.

21 ii) Employee benefits

The Group maintained the same employee benefits as those in force at 31 December 2002. These include: (i) a defined benefit plan covering supplementary pensions and early retirements for the Group companies resulting from EDP's demerger in 1994 and Bandeirante, as regards the two plans managed by the

Fundação CESP, (ii) defined contribution plan covering supplementary pensions and early retirements for Hidrocantábrico, Bandeirante and Escelsa, and (iii) defined benefit plan covering medical care for the Group companies resulting from EDP's demerger which took place in 1994

In calculating the obligations for services rendered relating to employee welfare benefits, there were no changes to the assumptions used at the end of the previous financial year.

i) Retirement benefits

The components of consolidated net cost recognised in the six months ended 30 June and associated with these plans are as follows:

	Thousands of Euros	
Retirement benefit cost for the period	2003	2002
Service cost	6 147	6 623
Interest cost	39 425	44 475
Expected return on fund assets	-22 143	-28 036
Employees' contributions	-	-361
Amortisation of transitional obligation	2 913	2 913
Amortisation of actuarial differences	9 948	5 610
Net cost for the period	36 290	31 224

The consolidated obligations for past services associated with the EDP Group's pension plans evolved in the following manner:

	Thousands of Euros	
Trend in retirement benefit obligations	2003	2002
Obligations at the beginning of the period	1 448 733	1 433 183
Cost of current services	6 147	13 220
Interest cost	39 424	88 826
Benefits paid	-80 017	-144 277
Actuarial losses	-	96 242
Currency variation	7 048	-38 461
Obligations at the end of the period	1 421 335	1 448 733

As referred to previously, only a portion of Pension Plan Obligations is being funded by way of the Pension Fund, with the balance being recognised in accordance with applicable standards, namely, by means of a provision, as follows:

	Thousands of Euros	
PROVISION FOR RETIREMENT BENEFITS	2003	2002
Obligations at the end of the period	1 421 335	1 448 733
Value of fund assets at the end of the period	-743 760	-749 945
Obligations not covered by the Funds at the end of the period	677 575	698 788
Deferred transitional obligation	-53 591	-56 504
Deferred actuarial losses	-420 793	-430 741
Provision at the end of the period	203 191	211 543

ii) Medical care

The components of consolidated net cost associated with this plan and recognised in the period are the following:

	Thousands of Euros	
Medical care costs for the period	2003	2002
Service cost	2 971	3 270
Interest cost	14 525	15 048
Amortisation of deferred transitional obligation	2 511	2 436
Net cost for the period	20 007	20 754

The following table shows the changes which occurred during the period in medical-care obligations

	Thousands of Euros	
Trend in medical care obligations	2003	2002
Obligations at the beginning of the period	496 200	474 371
Cost of current services	2 971	6 540
Interest cost	14 524	30 095
Benefits paid	-12 049	-22 735
Actuarial losses	-	7 929
Obligations at the end of the period	501 646	496 200

As referred to previously, Obligations under the Medical Care Plan are recognised in the Group's accounts by means of a provision, as follows:

	Thousands of Euros	
PROVISION FOR MEDICAL CARE	2003	2002
Obligations at the end of the period	501 646	496 200
Deferred transitional obligations	-44 814	-47 250
Deferred actuarial losses	-52 163	-52 237
Provision at the end of the period	404 669	396 713

22 Contingent liabilities

In addition to the disclosure in the previous note, the Group has contingent liabilities in respect of guarantees given in the amount of EUR 361 million.

V ACCOUNTING POLICIES AND CRITERIA (NOTES 23 AND 24)

The accounting principles and criteria used at 31 December 2002 were also applied in the preparation of these consolidated financial statements

The foreign exchange rates used in the conversion of balances or financial statements denominated in foreign currency were those published by the European Central Bank at 30 June 2003.

VI INFORMATION RELATING TO SPECIFIC CAPTIONS (NOTES 25 TO 48)

27 Fixed assets

The most significant movements which occurred in the Group's fixed assets were as follows:

Fixed assets, at cost or revaluation

Items	Opening balance	Currency adjustment	Revaluation/ adjustment	Increases	Disposals	Transfers and scrapped	Closing balance
INTANGIBLE ASSETS							
Start-up costs	93.056.396.13	1.316.773.64		808.999.84	74.087.629.41	73.898.579.25	94.993.119.45
Research and development costs	140.433.845.02			4.010.464.75	5.389.090.61	13.787.813.55	152.843.032.71
Industrial property and other rights	1.880.560.730.46	7.603.791.86		1.271.020.19	1.967.465.69	24.856.811.35	1.912.324.888.17
Capital expenditure in progress	13.229.498.81			3.193.814.52		(9.329.509.64)	7.093.803.69
Total (1)	2.127.280.470.42	8.920.565.50		9.284.299.30	81.444.185.71	103.213.694.51	2.167.254.844.02
TANGIBLE ASSETS							
Fixed assets DL 344-B/82	259.915.573.61						259.915.573.61
Subtotal (2.1)	259.915.573.61						259.915.573.61
Land and natural resources	122.259.733.36	3.058.541.02		12.469.95	49.415.32	(13.367.048.29)	111.914.280.72
Buildings and other facilities	336.746.374.80	10.528.990.50		477.842.30	291.523.11	(32.286.747.79)	315.174.936.70
Basic equipment	22.493.018.987.25	142.672.071.67		54.269.104.32	12.524.595.43	466.114.313.50	23.143.549.881.31
Specific technical equipment	22.075.382.807.08	142.221.775.66		37.239.130.96	852.32	438.940.120.12	22.693.782.981.50
Electricity generation	10.426.733.656.58	11.033.928.92				584.474.10	10.438.352.059.60
Hydroelectric generation	6.918.760.670.27	11.033.928.92				28.312.383.58	6.958.106.982.77
Thermoelectric generation	3.413.136.596.36					6.126.505.88	3.419.263.102.24
Renewable energy generation	76.649.731.71					(33.854.415.36)	42.795.316.35
Multi-purpose projects (part not assigned)	18.186.658.24						18.186.658.24
Electricity distribution	11.648.649.150.50	131.187.846.74		37.239.130.96	852.32	438.355.646.02	12.255.430.921.90
Other basic equipment	417.636.180.17	450.296.01		17.029.973.36	12.523.743.11	27.174.193.38	449.766.899.81
Vehicles, transport equipment	73.900.403.01	1.350.531.30		1.000.675.34	3.440.460.65	(3.302.233.32)	69.508.915.68
Loose tools	76.922.099.59			3.889.140.04	18.980.00	(4.296.00)	80.787.963.63
Administrative equipment	248.633.624.39	2.641.250.59		3.352.229.18	1.472.271.62	61.633.877.70	314.788.710.24
Returnable containers	1.659.55					(0.01)	1.659.55
Other tangible assets	17.485.250.48	137.616.16		10.223.68		(1.154.417.26)	16.478.673.06
Subtotal (2.2)	23.368.968.132.43	160.389.001.24		63.011.684.81	17.797.246.13	477.633.448.53	24.052.205.020.89
Capital expenditure in progress	1.010.734.574.12	15.846.096.66		278.295.350.04		(332.941.064.76)	971.934.956.06
Multi-purpose projects (part not assigned)	6.542.834.48			57.465.58		0.00	6.600.300.06
Advance payments for capital items	4.788.147.68			28.912.440.90		(28.927.886.82)	4.772.701.76
Subtotal (2.3)	1.022.065.556.28	15.846.096.66		307.265.256.52		(361.868.951.58)	983.307.957.88
Total (2)	24.650.949.262.32	176.235.097.90		370.276.941.33	17.797.246.13	115.764.496.95	25.295.428.552.38
FINANCIAL INVESTMENTS							
Equity interests	2.120.392.308.36		(7.191.137.41)	85.234.377.20	596.183.13	(193.288.491.96)	2.004.550.873.06
Investment properties	535.514.81			557.177.62		0.00	1.092.692.43
Other financial investments	91.602.936.41	(33.639.952.32)	(14.434.453.12)	46.162.489.55		11.016.259.40)	100.707.279.92
Capital expenditure in progress	2.584.15						2.584.15
Total (3)	2.212.533.343.73	(33.639.952.32)	(21.625.590.53)	131.954.044.37	596.183.13	(182.272.232.56)	2.106.353.429.56
Grand Total (1) + (2) + (3)	28.990.763.076.47	151.515.711.08	(21.625.590.53)	511.515.285.00	99.837.614.97	36.705.958.90	29.569.036.825.96

Amortisation, depreciation and provisions

ITEMS	Opening balance	Currency adjustment	Revaluation	Additions	Adjustments and transfers	Closing balance
INTANGIBLE ASSETS						
Start-up costs	50.471.230,93	766.600,99		7.679.757,09	1.163.506,00	60.081.095,01
Research and development costs	35.501.600,79			7.644.563,54	941.135,12	44.087.299,45
Industrial property and other rights	198.187.827,58	332.797,75		50.235.921,04	(22.325.629,53)	226.430.916,84
Total (1)	284.160.659,30	1.099.398,74		65.560.241,67	(20.220.988,41)	330.599.311,30
TANGIBLE ASSETS						
Fixed assets DL 344-B/82	243.265.126,85			1.865.756,09		245.130.882,94
Subtotal (2.1)	243.265.126,85			1.865.756,09		245.130.882,94
Fixed assets owned by EDP Group						
Buildings and other facilities	143.317.068,95	4.031.353,25		2.859.474,00	(15.981.522,23)	134.226.373,97
Basic equipment	12.839.247.899,08	56.493.141,34		361.692.000,21	203.030.655,85	13.460.463.696,48
Specific technical equipment	12.679.917.811,35	56.249.233,90		333.744.209,33	207.090.567,66	13.277.001.822,24
Electricity generation	6.335.036.453,73	1.359.637,30		115.772.807,11	(11.903.239,93)	6.440.265.658,21
Hydroelectric generation	4.050.736.177,44	1.055.595,46		63.173.575,50	(9.241.439,47)	4.105.723.908,93
Thermoelectric generation	2.278.212.899,96	304.041,84		50.824.048,31	(2.661.800,46)	2.326.679.189,65
Renewable energy generation	6.087.376,33			1.775.183,30		7.862.559,63
Electricity distribution	6.344.881.357,62	54.889.596,60		217.971.402,22	218.993.807,59	6.836.736.164,03
Other basic equipment	159.330.087,73	243.907,44		27.947.790,88	(4.059.911,81)	183.461.874,24
Vehicles, transport equipment	46.621.966,83	1.177.726,65		4.325.149,45	(5.378.336,32)	46.746.506,61
Loose tools	5.443.128,05			201.394,30	(605.928,09)	5.038.594,26
Administrative equipment	164.011.509,38	1.283.754,74		19.526.657,17	4.248.286,82	189.070.208,11
Returnable containers	1.659,55					1.659,55
Other tangible assets	4.803.701,80	92.736,19		996.295,80	(887.876,41)	5.004.857,38
Subtotal (2.2)	13.203.446.933,64	63.078.712,17		389.600.970,93	184.425.279,62	13.840.551.896,36
Total (2)	13.446.712.060,49	63.078.712,17		391.466.727,02	184.425.279,62	14.085.682.779,30
FINANCIAL INVESTMENTS						
Equity interests	316.205.622,94			18.673.037,00	126.719,09	335.005.379,03
Investment properties	343.566,81			5.355,17		348.921,98
Total (3)	316.549.189,75			18.678.392,17	126.719,09	335.354.301,01
Grand Total (1) + (2) + (3)	14.047.421.909,54	64.178.110,91		475.705.360,86	164.331.010,30	14.751.636.391,61

The above figures also include in the period under review the amounts relating to the subsidiaries integrated during 2002, of which the most important were Hidrocantábrico, Escelsa and Enersul.

33 Medium and long-term payables and receivables

Creditors

	2003		
	1 to 5 years	more than 5 years	Total
Bond loans	269 433 741,32	3 219 206 014,34	3 488 639 755,66
Bank loans	2 601 867 560,18	107 645 792,69	2 709 513 352,87
Other loans	16 060 371,00		16 060 371,00
Other creditors	98 765 873,55		98 765 873,55
State participation in multi-purpose projects		19 739 517,80	19 739 517,80
Adjustment account (DL 344-B/82)	14 784 690,68		14 784 690,68
	3 000 912 236,73	3 346 591 324,83	6 347 503 561,56

	2002		
	1 to 5 years	more 5 years	Total
Bond loans	232 265 754,94	3 159 845 515,49	3 392 111 270,43
Bank loans	2 527 052 286,62	170 668 349,76	2 697 720 636,38
Other loans	17 210 004,36		17 210 004,36
Other creditors	90 390 147,07		90 390 147,07
State participation in multi-purpose projects		19 739 517,80	19 739 517,80
Adjustment account (DL 344-B/82)	16 650 446,77		16 650 446,77
	2 883 568 639,76	3 350 253 383,05	6 233 822 022,81

Debtors

	2003		
	1 to 5 years	more than 5 years	Total
Debtors – local authorities – debt at 31.12.88	25 517 778,66	158 280 060,55	183 797 839,21
Prov. local authorities – debt at 31.12.88		(104 495 582,13)	(104 495 582,13)
Shareholder and affiliated companies		14 957 212,32	14 957 212,32
Other related companies	27 371 654,50		27 371 654,50
Fixed assets in process of integration – debt set-off	19 246 239,07		19 246 239,07
Prov. for fixed assets in process of integration – debt set-off	(12 907 534,25)		(12 907 534,25)
Recomposition of tariffs in Brazil	76 096 411,19		76 096 411,19
Binding guarantees and deposits	37 963 807,79		37 963 807,79
Sundry debtors	21 324 576,58		21 324 576,58
	194 612 933,54	68 741 690,74	263 354 624,28

	2002		
	1 to 5 years	more than 5 years	Total
Debtors – local authorities – debt at 31.12.88	25 517 778,66	159 825 402,23	185 343 180,89
Prov. local authorities – debt at 31.12.88		(101 321 947,53)	(101 321 947,53)
Shareholder and affiliated companies	0	18 744 335,53	18 744 335,53
Other related companies	17 594 019,40		17 594 019,40
Fixed assets in process of integration – debt set-off	19 246 239,07		19 246 239,07
Prov. for fixed assets in process of integration – debt set-off	(12 421 025,70)		(12 421 025,70)
Recomposition of tariffs in Brazil	71 290 140,09		71 290 140,09
Binding guarantees and deposits	29 771 012,93		29 771 012,93
Sundry debtors	32 337 946,66		32 337 946,66
	183 336 111,11	77 247 790,23	260 583 901,34

36. Sales and services provided

Breakdown of revenues by activities and by markets (domestic and external):

Sales

Electric energy

	2003		2002	
- Domestic market				
To National Transmission Grid	554.913.218,39		671.469.751,74	
To final customers				
➤ Very-high voltage	24.401.598,22		17.208.016,68	
➤ High voltage	83.802.471,01		83.063.069,25	
➤ Medium voltage	404.394.708,24		412.390.533,13	
➤ Low voltage (>39,6 KVA)	144.590.999,29		137.849.485,92	
➤ Low voltage	1.109.822.762,60		1.064.585.881,87	
➤ Public illumination	49.164.080,61		43.307.835,65	
Interruptibility discounts	(12.896.035,88)		(12.611.728,42)	
Tariff correction discounts	(778.390,97)		(3.154.623,70)	
Tariff correction	14 954 547,14	2.372.369.958,65	(13 027 073,20)	2.401.081.148,92
- External market				
Electricity exports			2.790.176,39	
To final customers	<u>743.240.938,18</u>	<u>743.240.938,18</u>	<u>414.773.619,44</u>	<u>417.563.795,83</u>
		3.115.610.896,83		2.818.644.944,75

Other sales

	2003		2002	
- Domestic market				
Steam	7.345.600,72		4.278.449,33	
Ash	2.255.828,94		2.268.023,19	
IT products	9.208.025,98		16.415.130,59	
Telecommunications	642.609,62		6.572.891,60	
Sundry materials	6.775.100,43	26.227.165,69	7.463.411,99	36.997.906,70
- External market				
Telecommunications		<u>4.676.775,88</u>		<u>4.617.029,53</u>
		30.903.941,57		41.614.936,23

Services provided

	2003		2002	
- Domestic market				
Electricity	26.284.442,56		6.660.835,96	
Engineering	3.485.261,86		3.784.319,28	
Laboratories	1.689.967,91		1.831.015,04	
Training	662.083,72		801.196,42	
Medical aid	1.260.357,13		1.399.756,43	
IT	14.519.296,02		49.258.106,62	
Consultancy	1.251.289,81		1.779.985,96	
Telecommunications	81.706.530,94		69.948.102,35	
Other	302.000,47	131.161.230,42	4.282.339,34	139.745.657,40
- External market				
IT	7.079.975,16		833.033,61	
Telecommunications	<u>60.935.151,48</u>	<u>68.015.126,64</u>	<u>63.185.721,96</u>	<u>64.018.755,57</u>
		199.176.357,06		203.764.412,97
		<u>3.345.691.195,46</u>		<u>3.064.024.293,95</u>

38. Corporate income tax

EDP Group companies are taxed, whenever permitted, on a consolidated (group relief) basis in accordance with the tax laws of the respective countries.

In terms of existing legislation, tax returns are subject to review and correction by the tax authorities in subsequent periods. In Portugal, this period is four years, so that the last year that can be considered as being definitively assessed by the tax administration is 1998.

The tax charge recorded in the period essentially corresponds to:

	Thousands of Euros	
	Tax base	Income tax
Profit before taxation	283 686	
Permanent differences		
Amortisation of goodwill	48 682	
Non-deductible tax losses	23 565	
Equity-accounted earnings of associates	(14 428)	
Exempt income	(48 955)	
Other	19 470	
	312 020	
Normal tax charge		102 967
Correction to 2002 tax provision		7 672
		110 639

42. Effects of tangible fixed asset revaluations

The following table presents a comparison between the book value of fixed assets and their respective historical cost:

	Historical cost	Increases arising from revaluations	Revalued book values
Gross fixed assets	13 858 107 246,67	10 454 013 347,83	24 312 120 594,50
Depreciation	4 670 771 664,22	9 414 911 115,08	14 085 682 779,30
Net fixed assets	9 187 335 582,45	1 039 102 232,75	10 226 437 815,20

44. Net financial items (expense)

	2003	2002		2003	2002
Costs and losses			Income and gains		
Interest paid	251.398.498,18	214.983.671,94	Interest received	95.629.379,97	96.481.976,02
Losses in group and associated companies	10.282.982,61	31.986.667,21	Gains in group and associated companies	17.474.120,02	15.543.574,80
Depreciation of investment properties	5.355,17	58.050,61	Income from investments	31.480.717,03	25.699.787,80
Unfavourable foreign-exchange differences	5.799.223,09	4.271.601,89	Favourable foreign-exchange differences	8.258.880,42	27.905.508,35
Losses on disposal of financial investments	17.821,51	688,75	Prompt settlement discounts	1.042.512,78	571.099,08
Other financial costs and losses	110.138.945,68	45.364.345,06	Gains on the disposal of treasury assets	750,00	96.031,86
			Other financial income and gains	41.224.758,45	10.688.649,59
Net interest and financial expense	(182.531.707,57)	(119.678.397,96)		195.111.118,67	176.986.627,50

Interest payable includes, inter alia, the following amounts:

	<u>2003</u>	<u>2002</u>
Interest on bank loans	109 097 540,56	55 915 870,94
Interest on derivatives	54 529 450,98	74 890 766,22
Interest on the Hydraulicity Correction (*)	5 947 482,97	5 540 316,24
Interest on bond loans	77 605 747,31	67 891 258,56

(*) In the income statement, included in the caption "Other financial costs and losses".

Other financial costs and losses include, inter alia, the following amounts:

	<u>2003</u>	<u>2002</u>
Bond-issue charges	547 027,48	707 054,10
Loan commissions	5 650 668,45	1 194 795,21
Other banking services	33 351 964,80	14 127 601,50
Amortisation of concession rights	48 682 362,93	25 916 194,90

Interest received includes, inter alia, the following amounts:

	<u>2003</u>	<u>2002</u>
Interest on derivatives	80 183 429,06	86 992 445,42
Interest charged to customers for late payment	8 017 419,59	7 087 309,93

Other financial income and gains include, inter alia, the following amount:

	<u>2003</u>	<u>2002</u>
Revision of tariff correction receivable	19 604 723,55	8 010 639,86

45. Net extraordinary items (income)

	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Cost and losses			Income and gains		
Donations	522.959,91	913.101,14	Taxation recovered	219.835,06	3.240,29
Bad debts	288.214,80	678.320,42	Bad debts recovered	232.173,88	48.235,62
Inventory losses	616.493,74	1.009.913,60	Inventory gains	79.744,35	1.521,46
Fixed assets losses	16.322.635,00	6.554.052,56	Fixed asset gains	22.736.645,13	22.011.025,44
Fines and penalties	49.753,99	44.069,70	Contractual penalty awards	13.259,27	31.272,29
Prior-year adjustments	5.046.578,39	8.160.264,23	Decreases in amortisation depreciation and provisions	23.280.347,78	12.879.298,22
Other extraordinary costs and losses	11.647.023,89	19.147.095,36	Prior-year adjustments	2.638.888,21	3.113.775,48
			Other extraordinary income and gains	44.672.394,57	46.627.535,40
Net extraordinary income and gains	59.379.628,53	48.209.087,19			
	<u>93.873.288,25</u>	<u>84.715.904,20</u>		<u>93.873.288,25</u>	<u>84.715.904,20</u>

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

	<u>2003</u>	<u>2002</u>
Set-off of depreciation charge on subsidised fixed assets	37 193 890,27	35 220 227,00
Set-off of depreciation charge on concession-held fixed assets	1 874 822,49	2 141 947,69

46. Movement on provisions

	Opening balance	Currency adjustment	Increases	Decreases	Closing balance
For intangible assets (ONIWAY)	1.990.507.69			1.990.507.69	
For capital expenditure in progress (ONIWAY)	278.944.492.31			108.195.061.80	170.749.430.51
For doubtful debts	278.507.512.02	1.384.550.80	37.100.607.18	3.934.489.04	313.058.180.96
Trade debtors	240.961.266.43	503.968.85	30.122.192.02	3.006.011.04	268.581.416.26
Other receivables	37.546.245.59	880.581.95	6.978.415.16	928.478.00	44.476.764.70
For risks and contingencies	806.281.677.80	12.514.004.68	25.422.375.16	81.650.966.93	762.567.090.71
Retirement benefits	651.719.255.45	3.415.433.73	20.006.244.67	67.280.652.07	607.860.281.78
Current lawsuits	4.424.896.67		3.982.594.44	3.984.340.24	4.423.150.87
Other	150.137.525.68	9.098.570.95	1.433.536.05	10.385.974.62	150.283.658.06
Financial investments	9.151.209.93		126.719.09		9.277.929.02
	1.374.875.399.75	13.898.555.48	62.649.701.43	195.771.025.46	1.255.652.631.20

NOTE: The decrease in the provision for employees' benefits was effected by way of the direct method in the captions «Outside supplies and services» and «Personnel costs».

VII MISCELLANEOUS INFORMATION (NOTES 49 AND 50)

Short-term receivables

Comprise:

	<u>2003</u>	<u>2002</u>
Trade debtors		
National		
State and official bodies	29 377 207,98	29 352 768,15
Local authorities	27 548 205,29	32 651 649,50
Business sector and individuals	853 495 206,81	772 715 418,86
Foreign	17 119 518,82	21 250 620,17
	<u>927 540 138,90</u>	<u>855 970 456,68</u>
Trade debtors - notes receivable		
Business sector and individuals	10 762,70	13 734,12
	<u>10 762,70</u>	<u>13 734,12</u>
Debtors – doubtful recovery		
National		
Local authorities	50 781 460,24	49 517 883,93
Business sector and individuals	133 813 547,51	108 391 572,95
Foreign	1 460 360,93	1 601 505,16
	<u>186 055 368,68</u>	<u>159 510 962,04</u>
Provision	<u>(170 080 407,05)</u>	<u>(150 863 310,63)</u>
	<u>15 974 961,63</u>	<u>8 647 651,41</u>

Other short-term debtors

Comprise:

	2003	2002
Debtors for other goods and services	176 040 478,64	163 041 218,95
Recomposition of tariffs in Brazil	62 057 481,76	51 061 961,21
Binding guarantees and deposits	9 634 608,83	3 878 057,64
Amounts owed by staff	31 683 939,30	7 907 618,94
Amounts owed by State and Concessionaries	15 889 779,15	9 523 092,21
For sales in progress	84 849 148, 42	70 000 000,00
Sundry (net of provisions)	63 266 874,66	143 631 180,15
	<u>443 422 310,76</u>	<u>449 043 129,10</u>

Other short-term creditors

	2003	2002
Supply of other goods and services	27 479 608,35	19 991 974,43
Concession rentals	16 531 939,66	6 476 726,34
Amounts owed to staff	41 695 159,01	7 570 987,05
Creditors for subscribed capital	26 235 589,35	2 281 451,12
For interest and financial debts	33 620 437,95	29 540 186,35
Creditors for amounts collected	20 380 834,81	28 529 067,76
Sundry	73 043 470,93	68 357 700,19
Guarantees and deposits received	473 656,89	485 367,03
	<u>239 460 696,95</u>	<u>163 233 460,27</u>

Accrued income and deferred costs (asset)

Accrued income

	2003	2002
For sales and services	95 906 513,51	156 223 758,70
On Hydraulicity Correction	0	16 112 959,62
Interest owing	176 154 194,80	137 574 921,57
Other financial gains	11 312 123,35	0
Other	43 274 500,71	33 647 443,44
	<u>326 647 332,37</u>	<u>343 559 083,33</u>

Deferred costs

	2003	2002
Finance mounting	32 946 974,24	35 628 308,54
Concession charges	11 751 286,47	11 886 304,74
Compensation for fuel costs	122 429 136,26	78 884 428,88
Third party maintenance and other services	3 785 779,09	6 511 737,04
Transitional retirement benefit obligation	53 590 785,22	62 329 785,22
Other	25 926 377,66	34 364 293,10
	<u>250 430 340,94</u>	<u>229 604 857,52</u>

Accrued costs and deferred income (liability)

Accrued costs

	2003	2002
Loan interest payable	211 128 238,48	169 370 574,34
Holiday pay and related subsidy	91 546 736,41	60 031 660,15
Other accrued costs	86 822 671,86	65 096 344,98
	<u>389 497 646,75</u>	<u>294 498 579,47</u>

Deferred income

	2003	2002
Investment subsidies	1 360 407 824,60	1 339 085 135,82
Unrealised gains on disposals	70 071 523,79	70 071 523,79
Other deferred income	81 663 357,80	24 783 096,62
	<u>1 512 142 706,19</u>	<u>1 433 939 756,23</u>

Investment subsidies represent the accumulated net balance of the amounts received after deducting the annual amortisation charge.

Subsidies received during the period amounted to EUR 43 207 723,80, of which EUR 198 586,59 represent grants under EU community funds.

State and other public entities

Comprise:

Amounts receivable (asset)

	2003	2002
Value Added Tax	58 854 174,15	102 656 631,64
Other taxes	21 274 700,07	17 762 702,51
	<u>80 128 874,22</u>	<u>120 419 334,15</u>

Amounts payable (liability)

	2003	2002
Corporate income tax (IRC)	27 160 409,43	17 496 196,86
Value Added Tax	9 205 941,56	18 665 293,52
Social Security	11 689 198,04	10 541 670,49
Other taxes and levies	38 948 375,59	3 049 057,88
	<u>87 003 924,62</u>	<u>49 752 218,75</u>

Inventories

Comprise:

	<u>2003</u>	<u>2002</u>
Fuel for thermal generation		
In storage		
Coal	26 308 358,35	41 219 455,40
Fuel	26 151 901,61	50 428 631,03
Diesel	1 714 627,35	2 199 761,72
In transit	4 547 334,01	10 843 208,35
Sundry materials	75 941 926,24	45 613 972,89
	<u>134 664 147,56</u>	<u>150 305 029,39</u>

Hydraulicity Correction

The following movements took place under this caption:

Opening balance	324 111 265,95
Difference	52 998 603,81
Finance charges	5 947 482,97
Closing balance	<u>383 057 352,73</u>

Bond loans

The bond loans are issued in euros and bear interest at different rates. The other main features are:

	22nd issue	23rd issue
Face value:	EUR 25 087 985,89	EUR 10 331 743,77
Interest rate:		
31 December 2002	2,9375%	2,8125%
30 June 2003	2,1875%	2,0000%
Interest payment date:	2 June	20 June
2 December	20 December	
Redemption:	4 annual instalments Commencing on 2.06.2003	4 annual instalments Commencing on 20.12.2008
	24th issue	25th issue
Face value:	EUR 6 524 637,64	EUR 299 278 738,33
Interest rate:		
31 December 2002	3,68750%	3,1970%
30 June 2003	3,00000%	2,4900%
Interest payment date:	5 January	23 May
5 July	23 November	
Redemption:	4 annual instalments Commencing on 5.01.2002	6 half-yearly instalments Commencing on 23.05.2006

26th issue

Face value:	EUR 150 000 000,00
Interest rate:	2,9710%
30 June 2003	
Interest payment date:	26 March
26 September	
Redemption:	One single payment on 26.03.2013

Other conditions: The 22nd issue can be redeemed before maturity date, totally or partially, at the option of the bondholders. The 23rd issue can be redeemed before maturity date, totally or partially, on 20 Dec. 2006, at the option of the Group or the bondholders. The 25th issue can be redeemed before maturity date on 23 Nov. 2003 at EDP's option.

Issues under the EMTN Programme

	1st Issue (EDP, SA)	2 nd Issue (EDP, SA)
Amount:	EUR 1 000 000 000	EUR 1 000 000 000
Fixed interest rate:	6,400%	5,875%
Interest payment date:	29 October	28 March
Redemption:	29 October 2009	28 March 2011

	3rd Issue (EDP Finance BV)	4th Issue (EDP Finance BV)
Amount:	GBP 200 000 000	EUR 500 000 000
Fixed interest rate:	6,625%	5%
Interest payment date:	9 August	20 March
Redemption:	9 August 2017	20 March 2008

Bank loans

Short, medium and long-term bank loans had the following profile according to currency, after recognition of the effects of the currency swap contracts:

	2003		2002	
	In loan currency	EUR	In loan currency	EUR
EUR	3 507 406 761,70	3 507 406 761,70	4 036 773 275,20	4 036 773 275,20
BRL	2 269 635 899,07	690 278 558,11	1 854 914 446,54	499 707 555,64
USD	237 255 545,95	254 956 579,10	55 913 983,51	53 222 218,66
		<u>4 452 641 898,91</u>		<u>4 589 703 049,50</u>

BRL variable interest rates are indexed to the SELIC rate. The debt in EUROS is indexed to the EURIBOR three or six-month rates.

The Group has, via the holding company (EDP, S.A.), medium-term loan facilities totalling EUR 137 169 421,68, with conditions to be negotiated at the time of utilisation based on EURIBOR rates ruling in the agreed utilisation period.

The Group also has through the holding company two credit facilities of EUR 600 000 000,00 and EUR 750 000 000,00, respectively, indexed to EURIBOR which at 30/06/2003 were fully available.

The swap contracts in existence at the balance sheet were as follows:

	2003		2002	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps:				
EUR	3 117 286 705,60	3 510 668 705,60	3 129 747 558,39	3 545 584 558,39
GBP	200 000 000,00		200 000 000,00	
JPY	8 000 000 000,00		8 000 000 000,00	

Movements on shareholders' funds

Items	Opening balance	Dividend distribution	Employees' profit sharing	Transfer to reserves	Other	Net income
Share capital	3 000 000 000.00					
Treasury stock (NV)	(17 428 926.00)				(2 229 030.00)	
Treasury stock (PD)	(26 064 533.34)				357 927.84	
Adjustments to equity interests in subsidiary and assoc. companies	22 120 541.30				104 359.57	
Currency adjustments	(379 467 762.48)				(44 663 207.64)	
Revaluation reserves	1 172 728 640.98					
Reserves:						
Legal reserves	243 727 440.75			16 760 791.33		
Reserves - DL 46031 and DL 46017	65 902 490.70					
Free reserves	12 830 494.76					
Net asset adjustments	(268 974 551.00)				76 250 667.04	
Retained earnings - parent company	1 208 461 023.74			432 377 320.43		
Retained earnings - consolidation of subsidiaries	125 131 396.49			(406 910 907.98)		
Net income for the period	335 215 826.44	(270 000 000.00)	(22 988 622.66)	(42 227 203.78)		182 043 996.86
TOTAL	5 494 182 082.34	(270 000 000.00)	(22 988 622.66)	0.00	29 820 716.81	182 043 996.86

Own work capitalised

Breakdown of the figure shown in the income statement:

	2003	2002
Consumption of materials	46 085 223,49	28 949 668,28
Internal charges	42 395 496,67	55 611 332,64
Financial charges	16 360 330,11	6 800 619,14
Other own work for the company	11 819 268,80	14 628 900,15
	<u>116 660 319,07</u>	<u>105 990 520,21</u>

Registered Accountant no. 5260

CONSOLIDATION, CONTROL AND
BUDGET MANAGEMENT OFFICE
MANAGER

BOARD OF DIRECTORS

4 CONSOLIDATED CASH FLOW STATEMENT

	Jun-03	
Operating activities:		
Received from customers	3.270.124.618.14	
Payments to suppliers	-2.171.203.392.79	
Payments to personnel	-391.510.886.74	
Concession rental payments	<u>-87.948.345.45</u>	
Cash flow generated by operations	619.461.993.16	
Payment of corporate income tax	-93.031.156.97	
Other receipts relating to operating activities	351.674.619.73	
Other payments relating to operating activities	<u>-76.263.959.43</u>	
Cash flow before extraordinary items	801.841.496.49	
Receipts relating to operating activities	8.716.904.63	
Payments relating to extraordinary items	<u>-19.184.022.38</u>	
Net cash flow generated by operations (1)		<u>791.374.378.74</u>
Investing activities:		
Receipts arising from:		
Financial investments	20.677.278.68	
Tangible fixed assets	122.916.493.69	
Intangible assets		
Investment subsidies	28.073.775.37	
Interest and similar income	880.797.39	
Dividends	31.480.717.03	
Change in perimeter	<u>0.00</u>	204.029.062.16
Payments relating to:		
Financial investments	52.206.723.23	
Tangible fixed assets	412.759.872.93	
Intangible fixed assets	9.284.935.15	
Change in perimeter	<u>0.00</u>	474.251.531.31
Net cash utilised in investing activities (2)		<u>-270.222.469.15</u>
Financing activities:		
Receipts arising from:		
Loans raised	<u>7.283.216.652.88</u>	7.283.216.652.88
Payments relating to:		
Loans	7.379.472.944.26	
Interest and similar costs	154.895.992.64	
Dividends	258.894.479.67	
Acquisition of treasury stock	<u>1.871.102.16</u>	7.795.134.518.73
Net cash utilised in financing activities (3)		<u>-511.917.865.85</u>
Change in cash and cash equivalents (4)= (1)+(2)+(3)		9.234.043.74
Effect of foreign-exchange differences		65.732.382.74
Cash and cash equivalents at beginning of the period		-407.257.853.35
Cash and cash equivalents at the end of the period		<u>-463.756.192.35</u>

DETAILS OF CASH AND CASH EQUIVALENTS	Jun-03	2002
Cash	1.386.356.05	1.426.792.90
Sight deposits and cash equivalents	-550.369.736.07	-501.117.144.34
Bank overdrafts	-583.641.702.92	-593.802.671.40
Other treasury assets	33.271.966.85	92.685.527.06
Other liquid assets	<u>85.227.187.67</u>	<u>92.432.498.09</u>
Bank deposits and cash as per balance sheet	<u>-463.756.192.35</u>	<u>-407.257.853.35</u>

LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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& Associados, SROC, Lda.**
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Portugal
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Limited Review Report prepared by the Auditor Registered with the CMVM on the Interim Consolidated Financial Information

Introduction

1 Pursuant to article 246 of the Securities Code (SC), we submit herewith our limited-review report on the consolidated information covering the six months ended 30 June 2003 of **EDP - Electricidade de Portugal, S.A.**, and included in: the Management Report, the consolidated Balance Sheet (which reflects a balance sheet total of EUR 18,071,351,026, total minority shareholders' interests of EUR 56,990,163 and total shareholders' funds of EUR 5,413,058,173, including net income of EUR 182,043,997), the consolidated Income Statement and the Cash Flow Statement for the six months then ended, as well as in the respective Notes thereto.

2 The figures appearing in the financial statements, as well as the additional financial information, are those extracted from the accounting records (subsequently adjusted by the amounts, still not recorded in the books of account, that were the object of our work).

Responsibilities

3 The Board of Directors is responsible for: (a) the preparation of consolidated financial information which presents a true and fair view of the financial position of the group of companies included in the consolidation and the consolidated results of their operations; (b) the historical financial information prepared in accordance with generally accepted accounting principles and which should be complete, accurate, current, clear, objective and lawful, as required by the SC; (c) the adoption of appropriate accounting policies and criteria; (d) the maintenance of a proper internal control system, and (d) the disclosure of any important fact that has influenced its activity, financial position or results.

4 Our responsibility is to examine the financial information contained in the forementioned documents, namely, with regard to compliance with the principles of sufficiency, accuracy, current context, clarity, objectivity and lawfulness, as required by the SC, for the purpose of issuing a professional and independent report, based on our work.

EDP – Electricidade de Portugal, S.A.

Scope

5 Our work had as its objective obtaining a moderate level of assurance that the above-mentioned information does not contain material misstatements. Our work was conducted in accordance with the Technical Auditing Standards and Recommendations issued by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors) and was planned in accordance with this objective and consisted: (a) principally of enquiries and analytical procedures designed to review: (i) the reliability of the assertions contained in the financial information; (ii) the appropriateness of the accounting policies adopted, taking into consideration the circumstances, and their consistent application; (iii) the application, or not, of the going concern principle; (iv) the presentation of the financial information; and (v) whether the consolidated financial information is complete, accurate, current, clear, objective and lawful.

6 Our work also covered verification that the financial information appearing in the Management Report is in agreement with the other documents referred to previously.

7 We believe that our limited review provides an acceptable basis for expressing the following opinion on the interim information.

Opinion

8. On the basis of our work, which was carried out with the object of obtaining a moderate level of assurance, nothing came to our attention that would lead us to conclude that the consolidated financial information for the six months ended 30 June 2003 contains material misstatements that affect their compliance with generally accepted accounting principles in Portugal, or that is not complete, accurate, current, clear, objective and lawful.

Lisbon, 25 September 2003

Bernardes, Sismeiro & Associados, Statutory Auditors (S.R.O.C.),
represented by:

Carlos Marques Bernardes, Statutory auditor (R.O.C.)
(Registered at the Securities Market Commission with the no. 219)

ANNEXES

1 EDP'S SHAREHOLDER STRUCTURE

1.1 QUALIFIED SHARE INTERESTS

Pursuant to the provisions of article 7(1)(d) of the CMVM's Regulation no. 11/2000 (as amended by Regulation no. 24/2000 and Regulation no. 13/2002), the following information is provided regarding the qualified share interests in EDP – Electricidade de Portugal, S.A.'s share capital at 30 June 2003:

EDP'S SHAREHOLDER STRUCTURE			
Qualified share interests and voting rights			
Shareholder	No. shares	Capital %	Vote %
Direcção Geral do Tesouro (State)	568 853 506	18.96%	19.09%
Parpública - Participações Públicas (SGPS), S.A.	214 220 570	7.14%	7.19%
Caixa Geral de Depósitos	145 421 928	4.85%	4.88%
Banco Comercial Português	151 635 713	5.05%	5.00%
Iberdrola	149 966 455	5.00%	5.00%
BRISA	60 002 297	2.00%	2.01%
EDP (treasury stock)	19 657 956	0.66%	-
Other private shareholders	1 690 241 575	56.34%	56.81%
Total	3 000 000 000	100.00%	

NOTE: In terms of Art. 12(3) of EDP's Statutes, no private shareholder can cast votes which exceed 5% of the total votes corresponding to the share capital

1.2 IMPUTATION OF VOTING RIGHTS

In terms of article 20(1) of the Securities Code:

- Qualified share interests notified by the shareholder Caixa Geral de Depósitos:

Shareholder	No. shares	Capital %	Vote %
Caixa Geral de Depósitos	145 421 928	4.85%	4.88%
Fidelidade - Mundial	1 415 877	0.05%	0.05%
Total	146 837 805	4.89%	4.93%

- Qualified share interests notified by the shareholder Banco Comercial Português:

Shareholder	No. shares	Capital %	Vote %
Banco Comercial Português	151 635 713	5.05%	5.00%
BCP's Management and Supervisory bodies	7 016	0.00%	0.00%
Management and Supervisory bodies of the companies dominated by BCP	138 893	0.00%	0.00%
Fundação BCP	700 000	0.02%	0.02%
Total	152 481 622	5.08%	5.00%

NOTE: In terms of Art. 12(3) of EDP's Statutes, no private shareholder can cast votes which exceed 5% of the total votes corresponding to the share capital

- Qualified share interests notified by the shareholder BRISA Participações:

Shareholder	No. shares	Capital %	Vote %
BRISA Participações, S.G.P.S.	60 002 297	2.00%	2.01%
Members of BRISA's Board of Directors	6 560	0.00%	0.00%
Total	60 008 857	2.00%	2.01%

2 SHARES HELD BY MEMBERS OF EDP'S GOVERNING BODIES

EDP shares held by members of the EDP's governing bodies			
[CMVM Regulation no. 11/2000, Art. 7(1)(b)]			
	Shares		Balance
	Acquisition	Alienation	(No. shares)
			30-Jun-03
General Meeting Committee			
José Manuel Archer Galvão Teles			3 506
António Campos Pires Caiado			5 872
Board of Directors			
Francisco de la Fuente Sánchez			10 373
João Luís Ramalho de Carvalho Talone			1 905
António de Almeida			4 265
António José Fernandes de Sousa			1 865
Arnaldo Pedro Figueirôa Navarro Machado			9 680
Jorge Manuel de Oliveira Godinho			30 393
José Manuel Gonçalves de Morais Cabral			715
José Manuel Trindade Neves Adelino			896
Paulo Azevedo Pereira da Silva			5 986
Rui Miguel de Oliveira Horta e Costa			3 762
Vitor Ângelo Mendes da Costa Martins			767
Company Secretary			
António José Marrachinho Soares (Alternate)			6 574
Remuneration Committee			
BRISA			60 002 297
PARPÚBLICA			214 220 570
Ruy Manuel Corte-Real de Albuquerque			4 561

3 ENERGY BALANCE

	1H 2003	1H 2002	△%
HYDROELECTRIC CAPABILITY FACTOR	1.30	0.51	79.0%
(Hydraulicity coefficient)			
ENERGY BALANCE (GWh)			
Hydroelectric power stations	8.709	2.940	196.2%
Thermoelectric power stations	5.459	9.277	-41.2%
SEP power stations	14.168	12.217	16.0%
Hydroelectric power stations	429	250	71.5%
SENV power stations	429	250	71.5%
Mini-hydro plants	128	1	10455.2%
Wind farms	57	55	3.3%
Biomass power stations	19	20	-0.9%
Cogeneration power plants	89	72	23.7%
Special regime producers	293	148	97.5%
EDP generation (net of own consumption)	14.890	12.615	18.0%
Pego	1.812	2.501	-27.6%
Tapada do Outeiro	2.112	3.917	-46.1%
Other SEP producers (balance)	3.924	6.418	-38.9%
Auto-producers and other deliveries (balance)	1.630	1.195	36.5%
Import / Export (balance)	940	257	265.2%
Hydroelectric pumping	-210	-319	34.2%
Emission to the SEP's network (Emission-related consumption)	21.174	20.166	5.0%
Synchronous compensation	-20	-20	2.3%
Own consumption - generation	-2	-2	4.5%
Own consumption - transmission grid	-5	-5	-1.9%
Transmission grid losses	-398	-313	-27.0%
% of transmission grid losses	1.9%	1.6%	0.3%
Energy delivered in distribution	20.749	19.826	4.7%
Own consumption - Distribution	-34	-26	-34.4%
Distribution losses	-1.225	-1.037	-18.2%
% of distribution losses (SEP + SENV) (**)	5.9%	5.2%	0.7%
Electric energy sales	19.490	18.763	3.9%
Energy sales - SEP	17.960	18.433	-2.6%
VHV	555	405	37.0%
HV	1.718	1.736	-1.0%
MV	4.662	5.678	-17.9%
SLV	1.492	1.419	5.1%
NLV	8.928	8.651	3.2%
PI	605	544	11.3%
Energy sales - SENV	1.530	330	363.0%
EDP Group (*)	1.018	233	337.1%
VHV	-	-	-
HV	29	39	-23.5%
MV	989	194	408.5%
Use of the network (outside EDP)	512	97	424.8%
VHV	-	-	-
HV	35	48	-27.8%
MV	477	49	874.3%

(*) Includes EDP Energia, HDN, Hidrocenel and Hidrocantábrico customers.

(**) Losses calculated in relation to the energy entered into EDP Distribuição's network.