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Investors & Analysts' Briefing

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EDP INCREASES STAKE IN HIDROCANTÁBRICO TO 95.7% BY ACQUIRING AN ADDITIONAL 56.2% STAKE FROM ENBW, CAJASTUR AND CÁSER

Under the terms and for the purposes of article 248 of the Securities Code, EDP - Electricidade de Portugal, S.A. ("EDP"), hereby communicates to the market and to the public in general the following:

EDP has today entered into a set of agreements with Energie Baden-Württemberg AG ("EnBW"), Caja de Ahorros de Asturias ("Cajastur") and Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Cáser") that will lead to the acquisition of an additional 56.2% stake in Hidroeléctrica del Cantábrico, S.A. ("Hidrocantábrico"), and permit EDP to increase its current stake from 39.5% to 95.7% of Hidrocantábrico's share capital. The total consideration to be paid by EDP within this transaction will be €1,195 million.

Simultaneously, Cajastur will receive shares equivalent to approximately 5.4%-5.8% of EDP share capital to become one of the largest shareholders of EDP, strengthening the strategic partnership between both companies.

This transaction will be financed through a share capital increase by means of a rights issue in the amount of €1,200 million, through the issue of new shares to EDP shareholders. EDP has ensured that a group of financial institutions undertake to subscribe all the shares that are not subscribed for by the shareholders of the company.

The execution of the rights issue is subject to the approval by the Portuguese Government of a privatisation Decree-Law of EDP, and the registration of the subscription public offer with the *Comissão do Mercado de Valores Mobiliários*. The launching of the offer is expected to occur in October.

The agreements reached with the remaining shareholders of Hidrocantábrico provide for the acquisition of the entire stake held by EnBW in Hidrocantábrico (34.6%) for a consideration of €649 million to be paid in cash, the acquisition of a 17.5% stake held by Cajastur for a consideration of €453 million to be paid with EDP shares and the acquisition of a 4.1% stake held by Cáser for a consideration of €93 million to be paid in cash.

The completion of the transaction will result in the termination of the shareholders agreement of Hidrocantábrico currently in force, allowing for a higher degree of integration of EDP's and Hidrocantábrico's activities.

Within the scope of this new strategic partnership, aimed at the optimisation of the combined operation of EDP and Hidrocantábrico in the Iberian market, Cajastur and Cáser will keep a 3.1% stake in Hidrocantábrico, as well as certain veto rights, particularly in relation with matters concerning regional interests, which will preserve Hidrocantábrico's links with the region of Asturias. In addition, Cajastur will have the right, for a long period of time, to sell out of Hidrocantábrico's share capital through a put option on EDP. The price of this put option is indexed to the value of EDP shares, ensuring the interests of EDP and Cajastur are unequivocally aligned.

The number of EDP shares to be delivered to Cajastur will be determined based on the volume weighted average price of EDP's shares during the six months prior to

July 28, 2004 (€2.29 per share), adjusted for the technical dilution effect of the capital increase.

The Board of Directors of EDP requested the Chairman of the General Shareholders Meeting to call a general shareholders meeting for October 7, 2004, in order to obtain the approval of the amendment to the articles of association of the company to delegate to the Board of Directors the ability to execute the share capital increase once the new phase of the company's privatisation is approved. The rights issue will ensure certainty of funds to finance the transaction, preserving the Group's balance sheet strength and sustaining profitability per share in the future. EDP has ensured that a group of financial institutions composed by Caixa Geral de Depósitos, Goldman Sachs, Millennium bcp, Morgan Stanley and UBS undertake to subscribe the shares that are not subscribed for by the shareholders of the company.

Completion of the acquisition by EDP of the shares held by Hidrocantábrico's remaining shareholders is subject to certain conditions precedent including the approval of the transaction at the General Shareholders Meeting of EDP, the approval by the EU Commission with respect to its compliance with EU anti-trust rules and the non-opposition by the Spanish authorities.

The strengthening of the partnership through the acquisition of Hidrocantábrico will enable both companies to maximise management flexibility and optimise business integration at the Iberian level. This is a key factor for EDP to successfully implement its business strategy and for the positioning of the Group as a top tier energy player in the Iberian market.

This will be achieved through the optimization of the energy generation assets portfolio, based on dispatch centralization and coordinated expansion of generation capacity, the definition and execution of a joint retail strategy for Portugal and Spain and integrated management of the gas assets portfolio.

EDP believes the completion of this transaction will enable it to implement a series of measures to achieve significant synergies between the companies, including cash savings from implementing coordinated strategies for energy generation and commercialisation, joint management of energy trading in the market, and the coordination of gas and other fossil-fuel sourcing activities. In total, these synergies are expected to amount approximately to €30 million per annum, which will be fully achieved by 2007.

The agreement reached with Cajastur will also allow Hidrocantábrico to focus on its core-business. A divestment of its cable TV assets is expected once the transaction has been executed. Such divestment is expected to generate a substantial capital gain.

Therefore, taking into account the expected synergies and divestments, this transaction is expected to be approximately neutral on EDP's earnings per share from 2005 onwards, assuming IAS accounting principles.

Morgan Stanley is acting as sole financial advisor to EDP in this transaction.

EDP – ELECTRICIDADE DE PORTUGAL, S.A.



Some of the information contained in this document contains forward-looking statements. Any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and EDP's actual results may differ materially from those in the forward-looking statements as a result of various factors. EDP undertakes no obligation to publicly update or revise any forward-looking statements.

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A registration statement relating to the securities referred to herein has been filed with the U.S. Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any U.S. State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

The offering will be made only by means of a prospectus included in the registration statement. A written prospectus, when it becomes available, may be obtained from Mr Pedro Pires João, Director of Investor Relations at EDP, Praça de Marquês de Pombal 12, 1250-162 Lisbon.

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