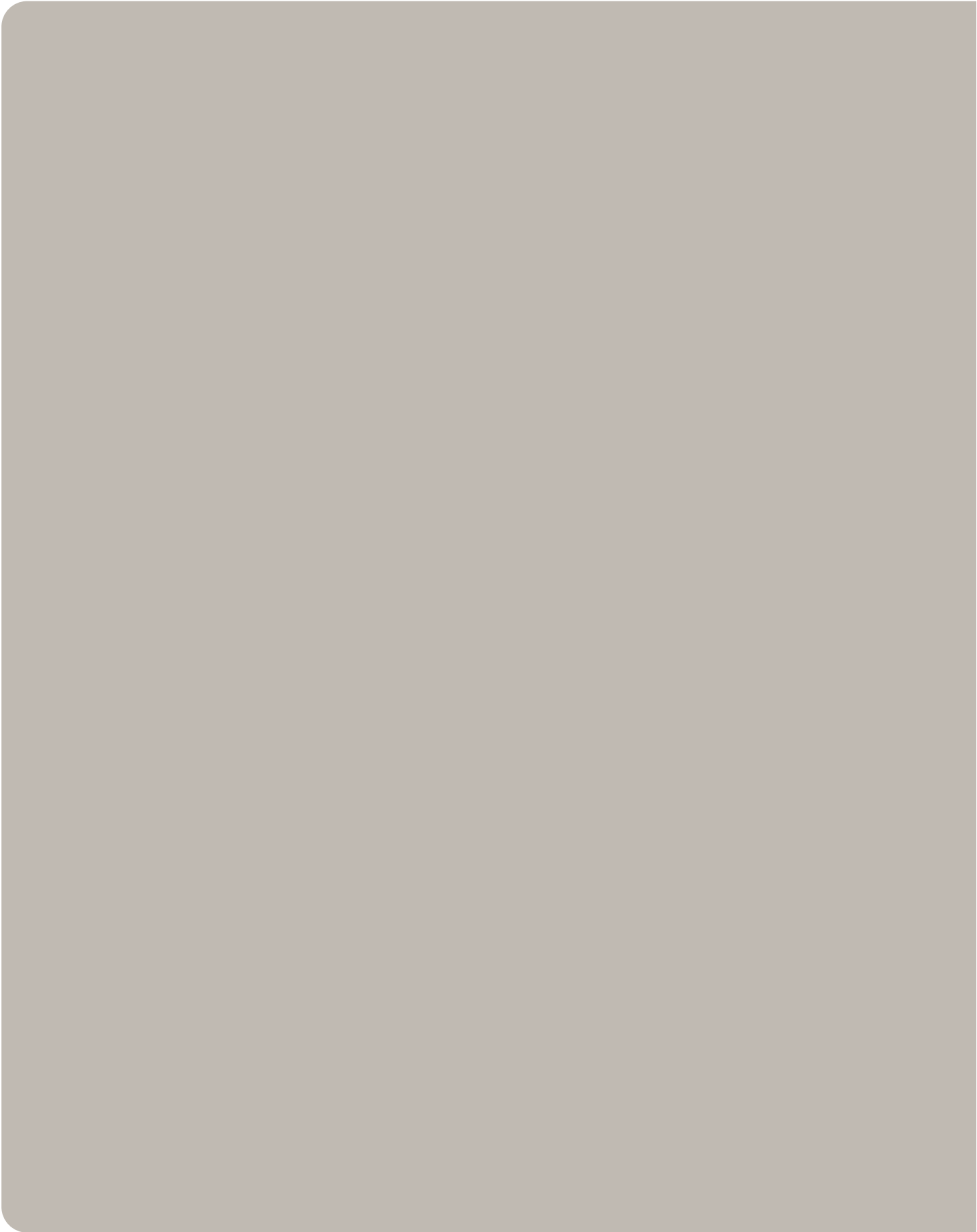




Annual Report
Financial Report

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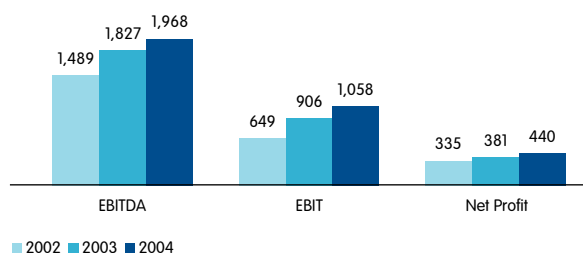
1. CONSOLIDATED EDP GROUP

The EDP Group consolidation perimeter reported a significant change compared with 2003: the consolidation of 100% of HidroCantábrico in terms of the Balance Sheet, whilst 40% continues to be shown in the Income Statement.

Balance Sheet		EDP Group	
Millions of Euros	2004	2003	Var. %
Tangible fixed assets	13,559.3	11,651.6	16.4%
Intangible fixed assets	968.7	950.2	1.9%
Goodwill	1,989.8	899.5	121.2%
Investments	1,615.3	1,582.8	2.1%
Deferred taxes	589.1	609.3	-3.3%
Customers	95.1	85.8	10.9%
Debtors and other sundry assets	850.3	350.0	142.9%
Total Non Current Assets	19,667.6	16,129.3	21.9%
Inventories	168.6	159.2	5.9%
Customers	1,202.3	1,022.9	17.5%
Debtors and other sundry assets	631.8	429.4	47.1%
Accrued Income and deferred costs	641.0	622.4	3.0%
Trading securities	81.9	144.0	-43.1%
Cash and bank deposits	196.1	143.5	36.6%
Total Current Assets	2,921.7	2,521.4	15.9%
Total Assets	22,589.3	18,650.7	21.1%
Share capital	3,656.5	3,000.0	21.9%
Treasury stock	-31.7	-49.0	35.4%
Share premiums	473.0	-	-
Reserves and retained earnings	1,863.7	1,965.9	-5.2%
Consolidated net profit	440.2	381.1	15.5%
Total shareholders' equity	6,401.7	5,298.0	20.8%
Minority interest	801.0	236.5	238.7%
Hydrological correction account	364.2	387.5	-6.0%
Loans	6,741.0	5,913.6	14.0%
Provisions	1,257.7	819.6	53.5%
Deferred taxes	545.9	616.1	-11.4%
Creditors and other liabilities	588.1	542.9	8.3%
Total Non Current Liabilities	9,132.7	7,892.2	15.7%
Loans	1,857.8	1,579.1	17.6%
Creditors and other liabilities	1,599.5	1,239.0	29.1%
Accrued costs and deferred income	2,432.4	2,018.4	20.5%
Total Current Liabilities	5,889.6	4,636.5	21.8%
Total Liabilities	15,022.4	12,728.7	18.0%
Total Liabilities and Equity	22,589.3	18,650.7	21.1%

Consolidated Profit and Loss Account		EDP Group	
Millions of Euros	2004	2003	Var. %
Turnover Volume	7,221.7	6,977.5	3.5%
Electricity Sales	6,474.2	6,296.1	2.8%
Other Sales	225.1	160.3	40.4%
Services rendered	522.4	521.2	0.2%
Cost of Sales	4,017.3	3,921.0	2.5%
Electricity	3,303.1	3,360.3	-1.7%
Fuel	546.0	398.0	37.2%
Sundry Materials and Goods	168.1	162.7	3.3%
Gross Margin	3,204.4	3,056.5	4.8%
Operating Costs	1,292.1	1,279.2	1.0%
Supplies and services	649.5	632.5	2.7%
Personnel Costs	642.6	646.6	-0.6%
Other income / (expenses)	55.7	49.7	12.1%
Own work capitalized	258.8	235.6	9.8%
Concession profit	-190.2	-175.6	-8.3%
Other	-12.8	-10.3	-25.1%
EBITDA	1,968.0	1,827.0	7.7%
EBITDA / Turnover Volume (%)	27.3%	26.2%	1.1 p.p.
Amortization	875.1	845.6	3.5%
Amortization Compensation	-79.6	-	-
Provisions	114.1	75.7	50.7%
EBIT	1,058.4	905.7	16.9%
Income	-335.3	-359.0	6.6%
Extraordinary Profit	-164.7	-14.4	-1,040.6%
Taxes and Minority Interest	118.3	151.2	-21.7%
Net Profit	440.2	381.1	15.5%

EDP Group
(Millions of euros)



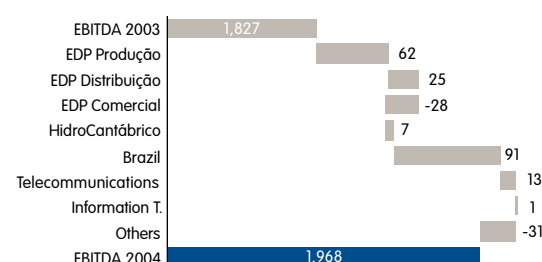
The EDP Group recorded a clear increase at the operating level in 2004. The **EBITDA** rose by 7.7%, to 1,968.0 million Euros, whilst the **EBIT** rose by 16.9%, to 1,058.4 million Euros.

The increase in the consolidated EBITDA was due:

- To the additional 800 MW installed capacity in the natural gas combined cycle power stations, after the entry into operation of the two Ribatejo Thermoelectric Power Station generators, which contributed 3.2 TWh more to the generation of electricity and to the savings resulting from the efficient fuel purchase policy which added 13.7 million Euros compared to 2003;
- To the success of the Human Resources Restructuring Programme: the objective for 2006 of a reduction of 1,350 workers as part of the EDP Distribuição programme was almost reached in 2004. Personnel costs fell by 8% in the domestic core business;
- To the exposure of EDP to high growth electricity markets: 6.1% in Portugal, 4.0% in Spain and 4.5% in areas of EDP concession in Brazil;
- To the additional 214 MW of wind farm capacity in Iberia, which contributed 25 million Euros of gross margin in wind farm energy (16 million Euros taking HidroCantábrico as 40%);
- To the tariff increase in Brazil, and the increase of 4.5% in consumption in the EDP Brasil concession areas;
- To the contribution by NaturCorp to the 2004 profit, following the purchase by HidroCantábrico of a share of 56.8% in July 2003;
- To the increase in the EBITDA of ONI of 13.2 million Euros, as a result of the good performance of voice services in Spain and of a reduction in costs in Portugal.

EBITDA by Company				EDP Group	
Millions of Euros	2004		2003		Var. %
EDP Produção	875.7	44.5%	813.2	44.5%	0.0 p.p.
Renewables	18.8	1.0%	7.5	0.4%	0.5 p.p.
EDP Distribuição	548.4	27.9%	523.2	28.6%	-0.8 p.p.
EDP Comercial	-1.4	-0.1%	27.0	1.5%	-
HidroCantábrico	150.3	7.6%	143.4	7.8%	-0.2 p.p.
Brazil	278.3	14.1%	186.8	10.2%	3.9 p.p.
Telecommunications	22.1	1.1%	8.9	0.5%	0.6 p.p.
Information Technologies	35.5	1.8%	34.1	1.9%	-0.1 p.p.
Other	41.0	2.1%	83.0	4.5%	-2.5 p.p.
EBITDA	1,968.0	100.0%	1,827.0	100.0%	-

Growth of the EBITDA of the EDP Group
(Millions of euros)



The **EBIT** benefited from a change in compensation accounting regarding the amortization of subsidised assets (79.6 million Euros) but was affected by the increase in provisions due to provisional retroactive changes in tariffs granted to Bandeirante.

The **financial profit** recorded an improvement of 6.6%, influenced by:

- An increase of 7.8 million Euros in Group Companies and associates, as the 2003 profit was affected by the accounting of the accumulated losses of Electra (8.8 million Euros). Investment in that company was totally provisioned at the end of 2003. The reduction in the REN was compensated by the increase in Turbogás and EEGSA;
- Reduction in Profit from investments in capital following the sale of the holding of 3% in Iberdrola in the second half of 2003 (16.8 million Euros of dividends in 2003) mitigated by the fact that Galp (holding of 14.268%) had more than doubled the distribution of dividends in 2004, to 13.3 million Euros

(from 6.2 million Euros in 2003) and by an increase of 2.3 million Euros of dividends of Millennium BCP (holding of 4.36%) to 12.8 million Euros following the distribution of an ordinary dividend of 0.06 Euros gross per share (April 2004) and an additional dividend of 0.03 Euros gross per share (November 2004);

- Increase in Amortization of Goodwill (3.4%) reflects the purchase of NaturCorp in the third quarter of 2003;
- Fall of 8.4% in net Interest following the reduction of the average level of debt in 2004 compared with 2003 and the increase in the burden of cheaper short-term debt to the detriment of the medium-/long-term debt, taking advantage of the low rates of interest of reference;
- Increase in exchange earnings, as a result of a valuation of 9% of the Real against the Dollar in 2004 (17% in the second half of 2004), affecting the debt expressed in Dollars of the Brazilian subsidiaries.
- Lower level of interest on the assets to be recovered related to the 2001/2002 Brazilian quota system programme (Selic on quota system and "Tranche A") following the recovery of assets by the tariff and a fall in the Selic interest rate (average 23% in 2003 versus average 16% in 2004).

Financial Profit	EDP Group		
Thousands of Euros	2004	2003	Var. %
Investments	-24,056	-22,526	-6.8%
Gains/Losses Group Companies and Associates	40,990	33,155	23.6%
Profit from Investments in Capital	30,478	36,740	-17.0%
Goodwill Amortization	-95,524	-92,421	-3.4%
Financing	-311,197	-336,494	7.5%
Interest Obtained / Paid ⁽¹⁾	-324,482	-354,204	8.4%
Net Exchange Differences	12,392	-10,714	-
Selic and Tranche A	27,381	50,265	-45.5%
Others	-26,488	-21,841	-21.3%
Financial Profit	-335,252	-359,020	6.6%

⁽¹⁾ Does not include late payment penalties and payments for hydrological correction.

In 2004, the **extraordinary profit** is explained by:

- The Losses on Investments in 2004 include the reduction of assets (11.0 million Euros) by the decommissioning of the Tapada do Outeiro power station, following the end of the CAE, a loss of 7.6 million Reals (2.1 million Euros) in the sale of Fafen in Brazil and a loss of 3.0 million Euros from impairment of the goodwill of Edinfor and ACE. These impairments were recorded following the assessment that preceded the agreement for the transfer of 60% of Edinfor to LogicaCMG for 81 million Euros. The effective sale of Edinfor will be accounted in 2005, and it is not expected that EDP will record a significant accounting result with this transaction. These losses were mitigated by the capital gain of 10 million Euros in the sale of Retecal by HidroCantábrico at the end of 2004;
- The heading Increase/(Reduction) of Amortization and Provisions in 2004 includes 47.5 million Euros of extraordinary Provisions, principally influenced by a provision of 40 million Euros for other debtors and other sundry assets;
- The Corrections of previous financial periods in 2004 include 99 million Euros from the rectification made by ANEEL upon the tariff revision of August 2001 of Escelsa and 6.2 million Euros on account of the rectification made by ANEEL upon Bandeirante's October 2003 tariff revision (which in the first nine months of 2004 had been included in extraordinary provisions);
- The Subsidies for investment are now accounted, almost totally, as an operating heading;
- The Losses in Inventories reflect the downward revaluation of the coal stocks of EDP Produção (5.6 million Euros); and
- The heading of Other Gains/(Losses) in 2004 includes a cost of 25.1 million Euros for the compensation paid to early retirees for acceptance of anticipation of the legal pension age (flexible retirement).

Extraordinary Profit	EDP Group		
Thousands of Euros	2004	2003	Var. %
Gains / Losses in Investments	-49,910	29,297	-
Increase/Reduction in Provisions and Amortization	-51,157	-56,737	9.8%
Corrections Relating to Previous Financial Years (Net)	-23,958	-31,607	24.2%
Hydraulicity Correction (Net)	-	19,350	-
Subsidies for Investment	4,371	76,584	-94.3%
Irrecoverable Debts	-13,142	-15,086	12.9%
Gains / Losses in Inventories	-8,100	-1,189	-581.3%
Other Gains / Losses	-22,835	-35,055	34.9%
Extraordinary Profit	-164,732	-14,443	-1040.6%

In spite of the negative impact of the extraordinary profit, the **Net Profit** rose by 15.5% in 2004, to 440.2 million Euros. The areas that most contributed to this increase were the business of generation and Brazil.

The **Operating Investment** of the EDP Group rose to 1,247.4 million Euros in 2004, which represents an annual increase of 23.7%, resulting from the investments made in the distribution network, in the special regime generation in HidroCantábrico and in the construction of the Peixe Angical hydroelectric power station in Brazil.

Operating Investment	EDP Group		
Thousands of Euros	2004	2003	Var. %
Electricity Portugal	577,506	625,775	2.0%
EDP Produção	206,634	236,083	-12.5%
Renewables	54,366	39,720	36.9%
EDP Distribuição ⁽¹⁾	309,981	283,904	9.2%
EDP Comercial	6,524	6,354	2.7%
Electricity Brasil	289,088	140,275	106.1%
Generation	199,425	69,067	188.7%
Distribution	89,159	70,064	27.3%
Others	505	1,144	-55.9%
HidroCantábrico	307,329	192,504	59.6%
Electricity Generation	33,113	21,234	55.9%
Electricity Distribution	38,745	46,971	-17.5%
Supply	1,769	5,246	-66.3%
Gas Distribution	56,634	30,013	88.7%
Special Regime	167,994	78,267	114.6%
Others	9,074	10,773	-15.8%
Fixed telecommunications	33,498	46,182	-27.5%
Information technologies	20,424	55,464	-63.2%
Others	19,560	7,752	152.3%
Operating Investment	1,247,405	1,008,238	23.7%

Note: The total operating investment is shown for each company, independently of the EDP Group holding in the company and changes in internal ownership in the Group.

⁽¹⁾ Net of financial and cash contributions.

EDP Produção's operating investment fell by 1.5% during the period, due to the closeness of completion of the Venda Nova II power station and the first two Ribatejo Power Station generators (2x400 MW). The second Ribatejo Power Station generator started operation on 1 November 2004. EDP is expecting to build a third 400 MW generator in the Ribatejo Power station, with the additional investment reaching 197 million Euros by 2006, when this generator will begin to operate.

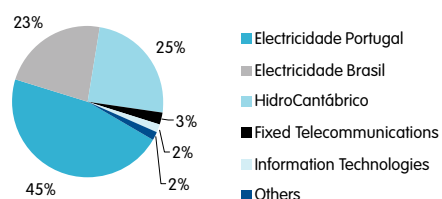
Enernova has essentially invested in the construction of new wind farms. In 2004 Enernova invested in five new wind farms with a total installed capacity of 72 MW (Fonte da Quelha, Alto Talefe, Padrela/Soutelo, Vila Nova I and Serra do Açor). Enernova has also started to increase the power of the Vila Nova I wind farm, to 6 MW additional installed capacity, which is expected to start operation in the first half year of 2005.

EDP Distribuição's investment is centred on the distribution network with a view to improving the quality of the service. Investment in the distribution network, which represented 89% of EDP Distribuição's operating investment, rose by 19.6% during the period and was reflected in a reduction of 37% of power cut time, equivalent to from 341 minutes in 2003 to 215 minutes in 2004.

HidroCantábrico's investment rose by 59.6% during the period, due to investment of 96.4 million Euros made in the Albacete wind farm (124 MW), which started operating at the beginning of November.

In Brazil, operating investment more than doubled. This development is associated with the Peixe Angical hydroelectric power station (450 MW), investment in which totalled 700 million Reals in 2004 (193.7 million Euros). It should be mentioned that this value corresponds to 100% of the project, in which EDP has a holding of 60%. This project is also being financed by BNDES through a loan of 670 million Reals. During 2004, contributions of capital from EDP for this project totalled 70 million Reals. It is expected that the Peixe Angical power station will start operating in 2006.

Apportionment of EDP Group Operating Investment



Investment in 2004 totalled 149.4 million Euros, influenced essentially by the purchases of Portgás and Setgás.

Variation of Cash and Equivalents was 70.1 million Euros in 2004. Investment flow (-2,271.7 million Euros) was more than compensated by the operating flows (1,664.0 million Euros) and the financing (677.8 million Euros).

Cash Flows		EDP Group	
Millions of Euros	2004	2003	Var. %
Clients	7,225.9	6,871.3	5.2%
Suppliers	-4,492.8	-4,255.3	-5.6%
Personnel	-723.7	-707.2	-2.3%
Granted profit	-187.8	-171.7	-9.3%
Profit tax	-229.3	-146.0	-57.0%
Other operating variations	124.5	149.0	-16.4%
Extraordinary headings	-52.8	33.6	-
Operating Flows	1,664.0	1,773.6	-6.2%
Sale of investments	60.9	456.8	-86.7%
Tangible and intangible fixed assets	43.5	33.6	29.4%
Investment grants	88.0	74.1	18.9%
Interest and similar income	20.3	13.3	52.9%
Dividends	30.5	36.7	-16.9%
Purchase of investments	-1,350.1	-140.8	-858.7%
Purchase of fixed assets	-1,164.8	-1,002.7	-16.2%
Investment Flow	-2,271.7	-529.1	-329.3%
Receipts / Payments of Loans obtained	187.8	-388.8	-
Increases in capital and share premiums	1,158.6	-	-
Interest and similar costs	-397.2	-456.1	12.9%
Dividends	-288.7	-268.3	-7.6%
Purchase of Treasury stocks	17.4	-5.5	-
Financing Flows	677.8	-1,118.6	-
Cash and Equivalents Variation	70.1	125.8	-44.3%

Group EDP Cash flows

Thousands of millions of Euros



At the end of 2004, the **Group Consolidated Debt** was 8,598.8 million Euros. The increase of 14.8% compared to the previous year is essentially the result of the consolidation of 100% of the HidroCantábrico debt, following the purchase made in 2004, which represents an increase of 972,6 million Euros corresponding to 60% of that company's debt.

Capital debt		EDP Group	
Thousands of Euros	2004	2003	Var. %
EDP, S.A. and EDP Finance BV	5,553,008	5,356,222	3.7%
HidroCantábrico	1,621,083	786,160	106.2%
Brazil	706,254	547,279	29.0%
Telecommunications	622,538	685,425	-9.2%
Others	95,961	117,623	-18.4%
Capital debt	8,598,844	7,492,709	14.8%

During the year under analysis EDP maintained and strengthened its policy of centralising the contracting of the capital debt and the Group's liquidity with EDP, S.A., and EDP Finance BV, with the exception of ONI and the Brazilian partners.

In this context, after the increase in EDP's shareholding in HidroCantábrico, EDP, S.A., and EDP Finance BV took out a loan, as a "club deal", for 1,350 million Euros to replace the medium- and long-term bank debt with that company. This operation, contracted for a period of two years, allowed a significant reduction of consolidated finance costs, given the differential in the spread associated with EDP's and HidroCantábrico's ratings, and was an important step in establishing synergies between the two companies.

At the end of 2004, EDP, S.A., and EDP Finance BV had contracted 64.6% of the Group's capital debt. At the end of February, when the replacement of the HidroCantábrico bank debt by intra-group debt will be complete, it is estimated that 78% of the debt will be with EDP, S.A., and EDP Finance BV.

The financing operations entered into by Bandeirante and Enerpeixe are significant in connection with the Group's Brazilian partners. In the first quarter of the year, Bandeirante has contracted finance of 100 million American Dollars with the IBD - Inter-American Development Bank and a consortium of commercial banks, in order to cover its investment programme. The financing comprises two tranches, one contracted directly with the IBD, for 38.9 million Dollars for a period of eight years, with a grace period of two years, and the

second contracted with a syndicate of commercial banks for 62 million Dollars, for a period of five years and a grace period of two years.

Following the decision to restart the construction of the Peixe Angical Hydroelectric Power Station, Enerpeixe contracted, in June, finance of 670 million Reals, from the BNDES - Banco Nacional de Desenvolvimento Econômico e Social, 50% having been contracted directly with this body and the rest through a "repasse" with a syndicate of local commercial banks. Of the total contracted 67 million Reals will be reimbursed in February 2008 and the remaining 603 million Reals will be repaid over nine years from February 2008.

In terms of maturity, the EDP Group consolidated debt comprises 22% short-term and 78% medium- and long-term.

Capital debt		EDP Group	
Thousands of Euros	2004	2003	Var. %
Debt - Medium- and Long-Term	6,741,014	5,913,579	14.0%
Loans by Bonds and Shareholding Securities	3,505,428	3,524,332	-0.5%
Debts to Credit Institutions	3,135,586	2,289,247	37.0%
Other Loans Obtained	100,000	100,000	0.0%
Debt - Short-Term	1,857,830	1,579,130	17.6%
Loans by Non-Convertible Bonds	12,689	55,721	-77.2%
Debts to Credit Institutions	1,268,741	1,353,409	-6.3%
Other Loans Obtained	576,400	170,000	239.1%
Capital debt	8,598,844	7,492,709	14.8%

During 2004, the policy was continued of extending the average maturity of the EDP, S.A. debt portfolio, a bilateral Loan with the IEB having been contracted to finance the building of the Ribatejo Thermoelectric Power Station (Ribatejo Power Station), for 200 million Euros, for a period of 15 years and a grace period of two years.

Regarding short-term financing and in its cash flow management, EDP, S.A., favoured recourse to issues of "Euro Commercial Paper", an instrument that provides it with access to an enlarged investor base, at very competitive costs, ensuring the necessary flexibility for an efficient cash flow management.

In view of the favourable conditions of the international banking market and having as objective enlarging the maturity profile of its cash support lines, EDP contracted a revolving credit facility for the amount of 1,300 million Euros for a five-year period. This operation aimed at replacing the lines of credit of 600 million Euros (maturity in August 2004) and 700 million Euros (maturity March 2006), allowing financial costs to be reduced. The new line of credit, which was not used during 2004, is to be used as backup to the Euro Commercial Paper programme and to cover general financing needs.

At the end of 2004 EDP, S.A., held 1,497 million Euros of lines of credit contracted and 350 million Euros of commercial paper with a firm commitment, which ensure liquidity and flexibility to the Group in its financial management.

At the end of 2004, the average rate of debt interest of EDP, S.A., and EDP Finance BV was 3.58% p.a., with 26% of the medium/long term debt at a fixed rate. On the consolidated level, the fixed rate debt represented 22% of the medium-/long-term debt total.

As regards currency, the EDP group debt is mostly expressed in Euros (91%) with the exception of the debt contracted by the Brazilian companies, the financing of which is expressed in Reals (around 7%) and American Dollars (around 1%).

As regards the medium and long-term ratings of EDP, SA., and EDP Finance BV and following the announcement of the operation of the purchase of HidroCantábrico made in July, Moody's reaffirmed the A3 rating as Stable Outlook and S&P placed EDP on credit watch. The resolution of credit watch by this agency is dependent, among other aspects, on the completion of its analysis on the operating and financing profile of the Group after the purchase, on the impact of the last regulatory revision of distribution, as well as on the result of the negotiations relating to the mechanism of substitution of the CAE's and respective compensation. In 2003, S&P had allocated a rating of A with negative outlook to EDP.

Rating		EDP, S.A. and EDP Finance BV	
Date	S&P	Date	Moody's
30-07-2004	A / Negative / CW(-)	29-07-2004	A3 / Stable
28-08-2003	A / Negative	19-08-2003	A3 / Stable
30-05-2002	A+ / Negative	12-06-2002	A2 / Stable
21-05-2001	AA- / Negative	01-10-2001	Aa3 / Negative

Also following the announcement of the operation of purchase HidroCantábrico had its rating upgraded to Baa1/BBB+ by Moody's and Fitch, respectively.

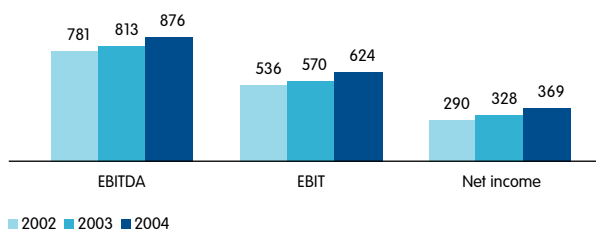
Of the Brazilian partners in the Group, Bandeirante maintained the notation of A3.br by Moody's and Escelsa had its rating confirmed by S&P, counting with notations of B2.br/B+ (both on the Brazilian scale) allocated by Moody's and S&P, respectively.

2. EDP PRODUÇÃO

The EDP Produção Net Profit was around 369.4 million Euros, 12.5% above the value recorded in 2003 (328.5 million Euros).

Profit and Loss Account		EDP Produção	
Thousands of Euros	2004	2003	Var. %
Volume of Trade	1,520,732	1,342,097	13.3%
Electricity Sales	1,482,309	1,325,229	11.9%
Other Sales	37	1	-
Services Rendered	38,386	16,867	127.6%
Cost of Sales	472,520	379,100	24.6%
Electricity	51,417	65,344	-21.3%
Fuel	417,116	310,303	34.4%
Sundry Goods and Materials	3,987	3,453	15.5%
Gross Margin	1,048,212	962,997	8.8%
Operating Costs	201,376	187,235	7.6%
Supplies and services - Third Parties	56,898	49,503	14.9%
Supplies and services - Group	26,843	18,414	45.8%
Staff Costs	117,635	119,318	-1.4%
Other income / (costs)	28,850	37,455	-23.0%
Own Work Capitalized	29,113	37,291	-21.9%
Concession Profit	-3,567	-3,613	1.3%
Others	3,304	3,778	-12.5%
EBITDA	875,687	813,218	7.7%
EBITDA / Turnover Volume (%)	57.6%	60.6%	-3.0 p.p.
Amortization	244,965	230,515	6.3%
Compensation for Amortization	-4,994	-	-
Provisions	11,744	12,682	-7.4%
EBIT	623,972	570,021	9.5%
Financial Profit	-95,456	-74,838	-27.6%
Extraordinary Profit	-17,753	-3,471	-411.5%
Taxes and Minority Interest	141,353	163,224	-13.4%
Net Profit	369,410	328,488	12.5%

EDP Produção
(Millions of euros)



The EDP Produção EBITDA rose from 813.2 million Euros in 2003 to 875.7 million Euros in 2004, essentially reflecting:

- Transfer of energy management ("trading") to EDP Produção;

- Efficient purchase of fuel; and

- Start of operation of two Ribatejo Power Station generators.

Gross Margin		EDP Produção	
Thousands of Euros	2004	2003	Var. %
SEP			
CAE - Fixed Tranche	892,013	892.682	-0.1%
CAE - Variable Tranche	301,224	283.588	6.2%
Steam (Barrier) and Ash	6,098	6.076	0.4%
(-) Coal	179,062	130.531	37.2%
(-) Fuel oil	86,336	117.716	-26.7%
(-) Natural Gas	11,883	22.917	-48.1%
(-) Diesel	586	2.744	-78.6%
(-) Self-supply of electricity	2,711	3.108	-12.8%
Gross Margin CAE	918,757	905.331	1.5%
SENV			
Electricity sales	217,524	75.288	188.9%
(-) Direct Costs	149,146	59.096	152.4%
Gross Margin SENV	68,378	16.192	322.3%
PRE			
Cogeneration	54,643	53.724	1.7%
Small scale hydroelectric plant	10,807	13.871	-22.1%
(-) Natural Gas (cogeneration)	36,909	36.395	1.4%
(-) Purchases of electricity	1,901	3.140	-39.5%
Gross Margin PRE	26,641	28.060	-5.1%

The Gross Margin in SEP rose by 1.5% in 2004 to 918.8 million Euros. Since the Gross Margin of the SEP power stations is not affected by the generation of energy, due to the stable profile of the return obtained through the Fixed Tranche of the CAE's, the improvement results from costs of the fuel consumed in these power stations being less than the reference tariffs implicit in the Variable Tranche of the CAE's (277.9 million Euros as against 301.2 million Euros), a saving that reached 13.7 million extra Euros in 2004.

The Gross Margin in the SENV more than quadrupled due to the start up of two generators in the Ribatejo Power Station and importations from Spain, at pool tariffs less than those of the previous year.

The Gross Margin of the PREs fell, as a result of a reduction of 28.2% in the generation from the hydroelectric power stations of less than 10 MW, due to lower rainfall in 2004.

EDP Produção

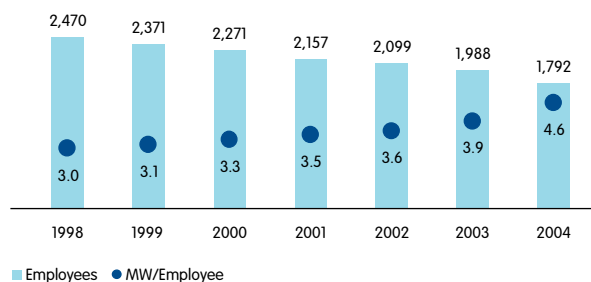
Supplies and services - Third Parties		EDP Produção	
Thousands of Euros	2004	2003	Var. %
Conservation and Repair	22,288	21,070	5.8%
Rents and Hire Charges	2,682	2,379	12.8%
Security and Surveillance	2,772	2,568	7.9%
Insurance	9,093	8,776	3.6%
Others	20,063	14,710	36.4%
Supplies and services - Third Parties	56,898	49,503	14.9%

The Supplies and services of Third Parties in the Group rose due, on the one hand, to higher maintenance costs as a result of the start-up of the Ribatejo Power Station, and, on the other hand, to higher costs in the telecommunications systems associated with the remote control of the electricity generators. For installed MW, maintenance rose by less than 1% compared with the 2003 level.

Supplies and services – Group		EDP Produção	
Thousands of Euros	2004	2003	Var. %
Specialised Jobs	19,478	10,667	82.6%
Rents and hire charges	3,124	3,409	-8.3%
Electricity	1,537	1,247	23.3%
Conservation and Repair	1,690	1,554	8.8%
Others	1,013	1,538	-34.2%
Supplies and services - Group	26,843	18,414	45.8%

Supplies and services rendered by Group companies rose by 45.8% principally due to an increase in the billing of EDP Valor (the EDP Group shared services unit) and the larger management fees billed by EDP, S.A.

Personnel Costs		EDP Produção	
Thousands of Euros	2004	2003	Var. %
Personnel Costs	117,635	119,318	-1.4%
Early Retirements	13,211	13,146	0.5%
Social charges of Early Retirees	1,321	1,315	0.5%
Medical Services for non working employees	3,335	3,167	5.3%
Adjusted Personnel Costs	99,768	101,691	-1.9%
Number of Employees	1,792	1,988	-9.9%

Employees and Operating Efficiency - EDP Produção

The Human Resources Restructuring Programme started in 2003 continued to be implemented in 2004. The number of EDP Produção employees fell by 9.9% (196 employees) in 2004, having benefited from 62 flexible retirements (six workers and 56 early retirements), 12 terminations by mutual agreement, 161 early retirements and one retirement.

The Flexible Retirement Programme, a component of the Human Resources Restructuring Plan, envisaged a reduction in the number of early retirees (56) in 2004 (92 in 2003), who accepted being partially paid by the Portuguese social security system. This measure allowed:

- A reduction of 3.8 million Euros in Personnel Costs in 2004 (2.7 million Euros for the reduction in 2003 and 1.1 million Euros for the reduction in 2004) and an expected saving of 7.7 million Euros in the next five years (the salaries of early retirees are accounted in the Personnel Costs under the heading "Early Retirements");
- The reduction of pension liabilities, the value of which includes the accumulated salaries of the early retirees up to retirement age. On average, for each early retiree who chooses the flexible retirement plan, the pension liabilities of this employee (either the retirement pension supplement or the salaries accumulated up to retirement age) fall to 30% of the initial annual value.

Note also for the accounting in 2004 of 82 million Euros of amortization and 5.0 million Euros of compensation of amortization relating to the Protocol that the EDP signed with INAG regarding Multiple Purpose Uses.

Operating Investment	EDP Produção		
Thousands of Euros	2004	2003	Var. %
Binding Generation	49,659	66,709	-25.6%
Non-binding Generation	128,733	143,708	-10.4%
Other Investments	14,734	11,058	33.2%
Financial Charges	13,509	14,608	-7.5%
Operating Investment	206,634	236,083	-12.5%
Recurring	25,807	34,718	-25.7%
Non-recurring	180,828	201,365	-10.2%

EDP Produção's Operating Investment in 2004, in total cost, rose to 206.6 million Euros, 12.5% less than in 2003. In Binding Generation the decrease was essentially due to a lower investment in Venda Nova II (24 million Euros in 2004 against 34 million Euros in 2003), whilst in Non-Binding Generation the investment was completed in the second 400 MW generator of the Ribatejo Power Station, which entered into operation in November 2004.

Renewables**3. RENEWABLES**

Generation from renewable energies (wind and biomass), developed by Enernova and EDP Bioeléctrica, reached a Net Profit of 6.6 million Euros in 2004, 320.9% more than in 2003.

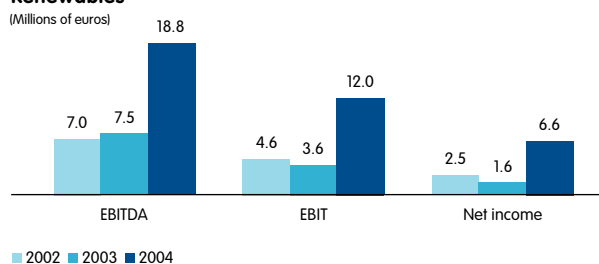
The EBIT was also affected by the variation in amortization, which result from the increase in installed capacity.

Operating investment rose by 14.6 million Euros in 2004, principally due to the construction of new wind farms.

Profit and Loss Account		Renewables	
Thousands of Euros	2004	2003	Var. %
Turnover volume	23,702	13,370	77.3%
Electricity sales	23,702	13,370	77.3%
Cost of Sales	2,418	2,043	18.4%
Fuel	2,418	2,043	18.4%
Gross Margin	21,284	11,327	87.9%
Operational Costs	4,360	4,279	1.9%
Supplies and services - Third Parties	921	643	43.2%
Supplies and services - Group	2,453	2,615	-6.2%
Personnel Costs	986	1,021	-3.4%
Other income / (costs)	1,904	492	286.8%
Own Work Capitalized	2,035	941	116.2%
Concession Income	-517	-281	-83.9%
Others	385	168	-
EBITDA	18,827	7,540	149.7%
EBITDA / Turnover volume (%)	79.4%	56.4%	23.0 p.p.
Amortization	6,966	3,836	81.6%
Compensation for Amortization	-185	-	-
Provisions	42	60	-29.0%
EBIT	12,004	3,645	229.4%
Financial Profit	-2,567	-1,418	-81.1%
Extraordinary Profit	-479	82	-
Taxes and Minority Interest	2,357	741	218.1%
Net Profit	6,601	1,568	320.9%

Renewables

(Millions of euros)



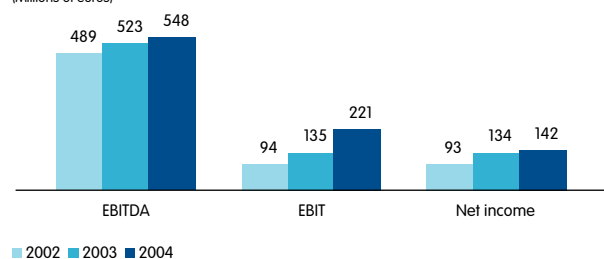
The EBITDA of Enernova and of EDP Bioeléctrica rose from 7.5 million Euros in 2003 to 18.8 million Euros in 2004 (+149.7%), essentially reflecting the increase in installed capacity (71.5 MW) in wind energy, and a reduction in operational costs/produced MWh.

4. EDP DISTRIBUIÇÃO

EDP Distribuição net profit was 142.0 million Euros in 2004, 5.7% more than 2003.

Profit and Loss Account		EDP Distribuição	
Thousands of Euros	2004	2003	Var. %
Turnover volume	3,544,730	3,573,054	-0.8%
Electricity sales	3,518,074	3,546,376	-0.8%
Other Sales	2,734	1,946	40.5%
Services Rendered	23,923	24,732	-3.3%
Cost of Sales	2,448,349	2,475,302	-1.1%
Electricity	2,324,118	2,363,966	-1.7%
Sundry Goods and Materials	124,230	111,336	11.6%
Gross Margin	1,096,381	1,097,752	-0.1%
Operational Costs	571,482	600,079	-4.8%
Supplies and services - Third Parties	114,906	115,599	-0.6%
Supplies and services - Group	101,457	90,700	11.9%
Personnel Costs	355,120	393,780	-9.8%
Other income / (costs)	23,496	25,485	-7.8%
Own Work Capitalized	196,383	183,807	6.8%
Concession Profit	-186,095	-171,732	-8.4%
Others	13,208	13,410	-1.5%
EBITDA	548,395	523,158	4.8%
EBITDA / Turnover volume (%)	15.5%	14.6%	0.8 p.p.
Amortization	352,380	345,461	2.0%
Compensation for Amortization	-72,402	-	-
Provisions	47,584	42,689	11.5%
EBIT	220,833	135,008	63.6%
Financial Profit	-34,539	-37,153	7.0%
Extraordinary Profit	2,776	79,178	-96.5%
Taxes and Minority Interest	47,038	42,667	10.2%
Net Profit	142,032	134,366	5.7%

EDP Distribuição
(Millions of euros)



The EDP Distribuição Regulated Income is the sum of the permitted income for the Company's activities - use of distribution networks, network supply and supply in the SEP - and the costs of generation, global use of the system and transmission, also regulated by the ERSE and

completely reflected in the tariff to the final customer.

Electricity sales fell by 0.8%, benefiting from a significant increase in consumption of electricity but penalised by the reduction in income permitted by the use of the distribution network (UDR) of 3.7% in HV/MV and 2.8% in LV. although income from supply of networks (CREDES) and supply in the SEP (CSEP) have risen by 1.4% and 10.2%, respectively, the UDR corresponds to 73% of the permitted income of EDP Distribuição.

Consumption of electricity in SEP fell by 1.0% due to the growing transfer of customers to the non-binding system alongside the progressive liberalisation of the electricity market. In spite of the liberalisation of the market, EDP Distribuição managed to increase the number of customers for the EHV and HV voltage, who have caused an increase in consumption of 9.6% and 17.9%, respectively.

Electricity Gross Margin		EDP Distribuição	
Thousands of Euros	2004	2003	Var. %
Electricity sales - SEP	3,391,427	3,475,891	-2.4%
Billing	3,483,545	3,397,972	2.5%
Extremely High Voltage	51,657	45,308	14.0%
High Voltage	205,675	166,273	23.7%
Medium Voltage	490,297	618,413	-20.7%
Special Low Voltage	303,980	290,199	4.7%
Low Voltage	2,360,829	2,210,181	6.8%
Public Lighting	101,991	95,731	6.5%
Interruptability Discounts	-30,398	-26,735	-13.7%
Tariff Correction Discounts	-485	-1,398	65.3%
Tariff deviations	-92,118	77,919	-
2001 Tariff deviation Replacement	-	-6,709	-
2002 Tariff deviation Replacement	-57,654	-10,221	-
2003 Tariff deviation Replacement	-21,267	-	-
2002 Tariff deviation Setting	-	17,879	-
2003 Tariff deviation	-	76,970	-
2004 Tariff deviation	-13,197	-	-
Electricity sales - SENV	126,647	70,485	79.7%
Electricity sales	3,518,074	3,546,376	-0.8%
Purchases of Electricity	2,324,118	2,363,966	-1.7%
Gross Margin Electricity	1,193,956	1,182,410	1.0%
Gross Margin Electricity (%)	33.9%	33.3%	0.6 p.p.
Gross Margin (Euros/MWh)	28.9	30.4	-4.8%

The Tariff deviations correspond to the specialisation in the financial year of the differences seen between the income billed and that permitted, which are reflected in the tariffs for subsequent years. The 2004 Tariff deviation corresponds to an estimated cost of 13.2 million Euros, explained by differences between true consumption and that expected formulated by the ERSE for fixing the 2004 charges and tariffs, particularly by an increase in consumption of more than 4.3% forecast by the Regulatory Body.

The increase of 11.6% in Sundry Goods and Materials is mostly related to the increase in EDP Distribuição's operating investment, in a fundamental effort for the success that was obtained in the improvement in the quality of service. In connection with costs associated with Investment, its capitalisation is made for accounting purposes through Own Work Capitalized, thus explaining the variation in this operating income.

The costs of materials related to conservation and repair fell, benefiting from the reduction in the number of breakdowns following the improvement of the quality of service and the more favourable environmental conditions. The increase in External Supplies and Services with conservation and repair is due to some contractual revisions. The reduction in specialised costs was particularly facilitated by the reduction in costs of the Contact Centre.

External Supplies and Services - Third Parties		EDP Distribuição	
Thousands of Euros	2004	2003	Var. %
Communication	16,391	16,265	0.8%
Conservation and Repair	36,143	35,287	2.4%
Insurance	6,619	5,683	16.5%
Specialised Work	31,875	35,586	-10.4%
Others	23,878	22,778	4.8%
Supplies and services - Third Parties	114,906	115,599	-0.6%

The External Supplies and Services rendered by third parties were less by 0.7 million Euros than in 2003. Notwithstanding the rate of inflation, this development reflects the continuous effort to contain costs made by EDP Distribuição.

The increase of 11.9% in External Supplies and Services rendered by Group companies is due to the increase in management services rendered by EDP, S.A. and the back-office services rendered by EDP Valor to EDP Distribuição following the transfer of all the services connected with the latter company during the second quarter of 2003. The increase in the computing services rendered by Group companies particularly related to licences and maintenance of the principal systems and structures was also noted.

Personnel Costs fell by 9.8% in 2004. After adjusting the charges for early retirements (covered by provisions in EDP, S.A.), and also other charges for non-working employees, Personnel Costs fell by 7.5% in 2004, as a result of the net reduction of 803 employees in 2004 and in spite of the increases in remuneration for salary revision and career progression.

Personnel Costs		EDP Distribuição	
Thousands of Euros	2004	2003	Var. %
Personnel Costs	355,120	393,780	-9.8%
Early Retirements	59,768	75,535	-20.9%
Social Charges of Early Retirees	8,918	11,064	-19.4%
Medical Charges for non working employees	14,535	13,352	8.9%
Adjusted Personnel Costs	271,900	293,829	-7.5%
Number of Employees	5,532	6,335	-12.7%

Within the Human Resources Restructuring Plan (HRRP), 791 persons left in 2004, 86 by negotiated termination and 705 by early retirement. Thus, this programme allowed EDP Distribuição to reduce in 2003 and 2004 by 1,291 staff faced with an objective total of 1,350 to be realised in 2006. The costs related to this programme were incorporated in the Regulatory Assets created for this purpose, which in 2004 totalled the amount of 447 million Euros, to be recovered by the charges for a period of 20 years from 2005 (the costs relating to 2003, 2004 and 2005 will be recovered in 2005).

Additionally, 281 persons in an early retirement situation accepted bringing forward the legal retirement age, involving an extraordinary cost of 10.5 million for compensation but this will

allow a future saving in the costs on non-working employees of 37 million Euros.

Human resources restructuring has allowed a consistent increase in productivity. The number of customers per employee rose from 659 in 2000 to 1,053 in 2004, whilst distributed energy (GWh) per worker rose from 4.2 in 2000 to 7.5 in 2004.

The Concession Profit rose by 8.4% due to an increase in the average rate paid to municipalities of 7.25% to 7.50% and of the increase in low voltage billing (including special low voltage and public lighting) from 2002 to 2003. In accordance with current legislation, the Concession Profit is determined by the application of the rate referring to low voltage billing in the previous year.

Note also for the reclassification in 2004 of the compensations for Amortization of shared fixed assets, which transferred from extraordinary to operating profit and rose to 72.4 million Euros, so compensating for the Operating Profit by the increase of Amortization in the Financial Year inherent to the shared fixed assets.

The increase of 11.5% in Provisions results mostly from the variation of provisions for doubtful debts. In 2003 EDP Distribuição altered the accounting procedures for commercial provisions, making them net of extraordinary income with reduction of provisions for recovery of debts. In 2004, the extraordinary income with commercial provisions was mostly related to write-offs of customers' debts.

EDP Distribuição's Operating Investment rose by 15.8% in 2004, justified almost completely by an increase in investment in distribution networks. Continuous investment in infrastructures allowed an improvement in Equivalent Power Cut Time in the MV network (TIE PI MT) in 2004 of about 125 minutes (from 341 to 215 minutes).

Operating Investment		EDP Distribuição	
Thousands of Euros	2004	2003	Var. %
High Voltage	93,720	62,939	48.9%
Medium Voltage	114,209	90,081	26.8%
Low Voltage	169,663	162,268	4.6%
Public Lighting	37,190	31,422	18.4%
Computer Systems	7,162	14,752	-51.5%
Others	46,479	43,195	7.6%
Total Operating Investment	468,422	404,657	15.8%
Shared items in Specie	70,405	61,039	15.3%
Shared items in Cash	88,036	59,714	47.4%
Net Operating Investment	309,981	283,904	9.2%

88.0 million Euros in 2004 of the Operating Investment was granted in cash (59.7 million Euros in 2003). EDP Distribuição also received shares in specie of 70.4 million Euros in 2004 (61.0 million Euros in 2003).

EDP Comercial

5. EDP COMERCIAL

EDP Comercial (formerly EDP Energia) is the Group company that supplies electricity to the liberalised Portuguese market.

EDP Comercial recorded a negative Net Profit of 6.8 million Euros in 2004. This result is, however, comparable to the 2003 value, as energy management ("trading"), which was in EDP Comercial went, at the end of 2003, to EDP Produção.

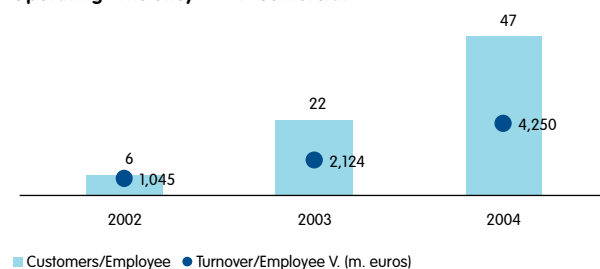
Profit and Loss Account		EDP Comercial	
Thousands of Euros	2004	2003	Var. %
Turnover volume	327,256	133,818	144.6%
Electricity sales	324,768	98,303	230.4%
Services Rendered	2,489	35,514	-93.0%
Cost of Sales	311,728	79,420	292.5%
Electricity	311,728	79,420	292.5%
Gross Margin	15,529	54,398	-71.5%
Operating Costs	12,390	15,094	-17.9%
Supplies and services	8,770	11,814	-25.8%
Personnel Costs	3,620	3,280	10.4%
Other income / (costs)	-4,579	-13,199	65.3%
Own Work Capitalized	425	1,009	-57.9%
Concession Profit	-16	-17	2.3%
Others	-4,988	-14,191	64.9%
EBITDA	-1,441	26,106	-
EBITDA / Turnover volume (%)	-0.4%	19.5%	-
Amortization	3,848	3,465	11.1%
Provisions	1,045	104	901.4%
EBIT	-6,334	22,537	-
Financial Profit	-1,446	-334	-332.8%
Extraordinary Profit	-1,200	1,048	-
Taxes and Minority Interest	-2,176	8,087	-
Net Profit	-6,804	15,164	-

Note: The financial statements include EDP Comercial, EDP Energia Ibérica and EDP Serviner.

EDP Comercial has a fixed tariff contract (with periodical revisions) with the EDP Produção energy management department from which it buys electricity (especially in the Spanish pool) in the service of EDP Comercial. Purchases at the pool tariff are billed directly to EDP Comercial and the difference to the transfer tariff is collected or billed. Through this mechanism, EDP Comercial is not affected by the short-term volatility of the pool tariff and the EDP Produção energy management specialised team can better manage the associated risks.

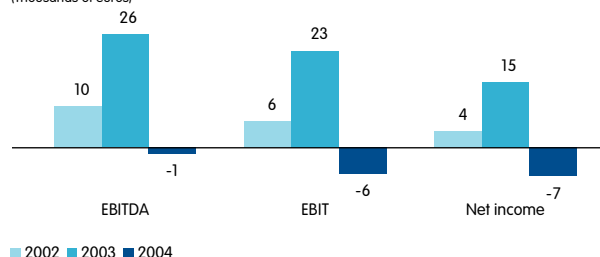
During 2004, EDP Comercial continued the growth of its business, without neglecting operating efficiency through rigorous control of its Operating Costs.

Operating Efficiency - EDP Comercial



EDP Comercial

(Thousands of euros)

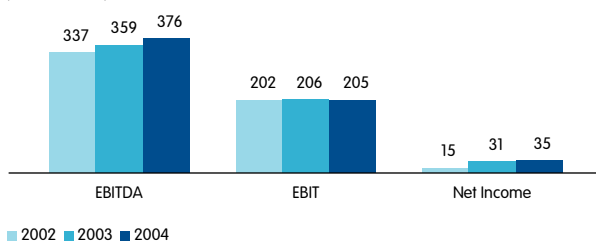


6. SPAIN

HidroCantábrico's Net Profit in 2004 rose to 35.3 million Euros, 14.0% more than in 2003, reflecting inter alia, the positive impact of 25.0 million Euros of the transfer of Retecal, and the negative impact of the reduction of the sales tariff in the pool, the increase in generation costs and the increase in the Amortization caused by higher investment.

Profit and Loss Account		HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %	
Turnover volume	1,783,589	1,656,364	7.7%	
Electricity sales	1,228,952	1,355,570	-9.3%	
Other Sales	497,301	263,277	88.9%	
Services Rendered	57,335	37,517	52.8%	
Cost of Sales	1,218,584	1,125,147	8.3%	
Electricity	899,391	895,617	0.4%	
Fuel	310,421	213,778	45.2%	
Sundry Goods and Materials	8,772	15,752	-44.3%	
Gross Margin	565,004	531,216	6.4%	
Operating Costs	189,522	176,172	7.6%	
Supplies and services	91,810	83,422	10.1%	
Personnel Costs	97,711	92,750	5.3%	
Other income / (costs)	341	3,470	-90.2%	
Own Work Capitalized	15,341	9,991	53.5%	
Others	-15,000	-6,521	-130.0%	
EBITDA	375,824	358,514	4.8%	
EBITDA / Turnover volume (%)	21.1%	21.6%	-0.6 p.p.	
Amortization	173,597	150,252	15.5%	
Compensation for Amortization	-3,619	0	-	
Provisions	703	2,700	-74.0%	
EBIT	205,143	205,562	-0.2%	
Financial Profit	-156,973	-155,969	-0.6%	
Extraordinary Profit	28,115	1,658	1595.6%	
Taxes and Minority Interest	40,974	20,278	102.1%	
Net Profit	35,310	30,973	14.0%	

HidroCantábrico
(Millions of euros)



The total Turnover Volume rose by 7.7% compared with the value recorded in 2003 due to NaturCorp having been consolidated for the whole of 2004, the change in consolidation perimeters of several

companies that transferred to the proportional consolidation method when they were previously consolidated by the equity method, and to the increase in the Special Regime installed capacity. The reduction effect seen in the Supply of electricity results from the transfer of part of the business to the Supply of Gas, without any impact on the consolidation. The negative development noted in Holding and Others is due to the cancellations within the Group being recorded under this heading, reflecting the increase in the cancellations associated with the incorporation of NaturCorp.

88.0 million Euros in 2004 of the Operating Investment was granted in cash (59.7 million Euros in 2003). EDP Distribuição also received shares in specie of 70.4 million Euros in 2004 (61.0 million Euros in 2003).

Turnover volume by Activity		HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %	
Electricity Generation	552,213	543,955	1.5%	
Electricity Distribution	436,806	428,075	2.0%	
Electricity Supply	253,905	367,420	-30.9%	
Gas Distribution	416,525	214,937	93.8%	
Gas Supply	190,014	26,904	606.3%	
Special Regime	67,850	33,968	99.7%	
Holding and Others	26,675	71,821	-62.9%	
Adjustments	-160,398	-30,716	-422.2%	
Turnover volume	1,783,589	1,656,364	7.7%	

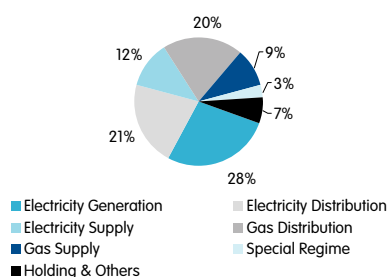
Electricity Generation witnessed its income maintained at the 2003 level due essentially to the reduction in pool tariffs, to the increase in generation costs, and the respective compensation by CTC's.

Electricity Supply saw its income reduced by the transfer of business to Gas Supply.

The increase seen in the Gas Distribution Turnover Volume is due to the complete consolidation of NaturCorp for the whole of 2004, being only six months in 2003.

The Special Regime saw its investment effort recompensed with the increase in Turnover volume (+99.7%), increasing installed capacity by 142%.

Breakdown of Turnover Volume - HC



In 2004, Electricity Generation, Distribution and Supply had a share in the total Turnover Volume of 70% respectively, which compares with 81% in 2003. The Gas Business, for its part, increased its share by 15% in 2003 to 34% in 2004.

The Distribution Gross Margin reached 226.4 million Euros, representing an increase of 25.5% compared with 2003. This was mainly the result of the increase in the Gas business margin due to the consolidation of NaturCorp. The increase in Electricity Distribution is explained by the expansion of transmission and consequent increase in income allowed by the regulator.

Gross Margin - Distribution		HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %	
Transmission Charge (Allowed Income)	7,602	6,377	19.2%	
Distribution Charge (Allowed Income)	93,363	93,231	0.1%	
Supply Charge (Allowed Income)	7,408	6,991	6.0%	
Electricity Gross Margin	108,373	106,599	1.7%	
Allowed Income	118,037	73,856	59.8%	
Gas Gross Margin	118,037	73,856	59.8%	
Total Gross Margin Distribution	226,410	180,455	25.5%	

Supply Sales rose 10.0%, reflecting the maintenance of the volume of Energy Supply sales, which contributed to the improvement of the Margin by MWh (+73%), the effect of which was cancelled by a lower volume of GWh sold (-2%).

In addition, the growth in gas supply is due to the fact that HidroCantábrico consolidated NaturCorp for the whole of 2004.

Sales - Supply		HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %	
HC Energia	239,018	250,268	-4.5%	
NaturCorp	20,098	10,550	90.5%	
Electricity Sales	259,116	260,818	-0.7%	
Asturias	19,662	6,010	227.2%	
Rest of Spain	125,863	101,021	24.6%	
Gas Sales	145,525	107,031	36.0%	
Total Supply Sales	404,641	367,850	10.0%	

The increase of 12.8% in the Supplies and services and Other Costs compared with 2003 is mainly due to the consolidation of NaturCorp with effect from August 2003.

Financial Profit		HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %	
Interest Received / Paid	-77,373	-84,373	8.3%	
Gains / Losses in Group and Associated Companies	3,130	2,047	52.9%	
Goodwill Amortization	-81,145	-69,975	-16.0%	
Other Gains / Losses	-1,586	-3,668	56.8%	
Financial Profit	-156,973	-155,969	-0.6%	

The HidroCantábrico Financial Profit fell by 0.6% compared with 2003 influenced by:

- Debt Reduction at 8.1% between the two periods. Alongside the debt reduction its restructuring was carried out, reconvertng part into debt with the EDP Group, thus allowing a reduction in the cost associated with servicing the Debt;
- Amortization of the Goodwill resulting from the purchase of NaturCorp (consolidation of six months in 2003); and
- Transfer of Retecal, which in 2003 recorded a negative contribution of 6.9 million Euros.

The Extraordinary Profit includes the capital gain from the transfer of the HidroCantábrico holding in Retecal, which was 25.0 million Euros.

As regards the fiscal slope in the Amortization of Goodwill, it should be mentioned that in the Basque country the former is accepted as fiscal cost and amortised in 10 years and that the effective tax rate is 32.5%. However, in HidroCantábrico's accounts, amortization is adjusted for 20 years.

Operating Investment	HidroCantábrico (100%)		
Thousands of Euros	2004	2003	Var. %
Electricity Generation	33,113	21,234	55.9%
Electricity Distribution	38,745	46,971	-17.5%
Supply	1,769	5,246	-66.3%
Gas Distribution	56,634	30,013	88.7%
Special Regime	167,994	78,267	114.6%
Others	9,074	10,773	-15.8%
Operating Investment	307,329	192,504	59.6%
Recurring	135,057	111,255	21.4%
Non-Recurring	172,272	81,249	112.0%

Operating Investment was 307.3 million Euros, 59.6% more than investment in 2003. The increase in Generation is a result of the current maintenance in the existing power stations, whilst the increase in the Special Regime was influenced by the construction of wind farms at Albacete (124 MW), Arlazón (34 MW) and Sierra del Acebo (18 MW), and other power stations in the Special Regime for a total of 51 MW. In Electricity Distribution, Operating Investment was 38.7 million Euros, 13.2 million Euros of which were subsidised (14.9 million in 2003). The reduction compared with 2003 is mainly due to the reduction in investment outside the Principality of Asturias.

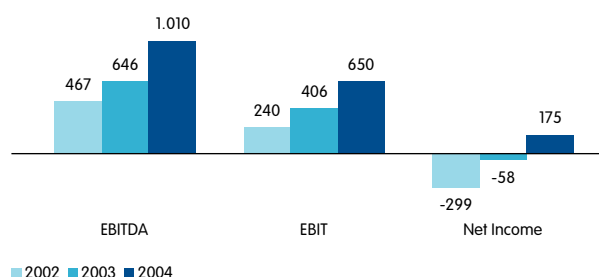
Brazil**7. BRAZIL**

In order to evaluate the effective performance of the business in Brazil, the company accounts are shown in Reals. As regards Fafen, as the sale of the holding occurred in December 2004, the Financial Statements only include eleven months of results.

The EDP Group in Brazil recorded a profit of 174.7 million Reals in 2004, which compares with a loss of 58.2 million Reals in 2003.

Profit and Loss Account			Brazil
Thousands of Reals	2004	2003	Var. %
Turnover volume	3,920,151	3,362,907	16.6%
Electricity sales	3,611,917	3,193,161	13.1%
Services Rendered	308,234	169,746	81.6%
Cost of Sales	2,329,038	2,184,130	6.6%
Electricity	2,289,569	2,147,963	6.6%
Fuel	8,372	916	813.9%
Sundry Goods and Materials	31,098	35,252	-11.8%
Gross Margin	1,591,113	1,178,776	35.0%
Operating Costs	544,975	466,605	16.8%
Supplies and services	290,375	227,626	27.6%
Personnel Costs	254,600	238,978	6.5%
Other income / (costs)	-35,935	-66,306	45.8%
EBITDA	1,010,203	645,866	56.4%
EBITDA / Turnover volume (%)	25.8%	19.2%	6.6 p.p.
Amortization	218,437	201,942	8.2%
Provisions	141,458	38,184	270.5%
EBIT	650,308	405,740	60.3%
Financial Profit	-262,026	-79,046	-231.5%
Extraordinary Profit	-95,424	-166,433	42.7%
Taxes and Minority Interest	118,206	218,421	-45.9%
Net Profit	174,652	-58,160	-

Brazil
(Millions of reals)



The EBITDA was 1,010.2 million Reals, 56.4% more than in 2003. In Euros, this performance was slightly penalised by the devaluation of the Real during the second quarter of the year. The average Real/Euro exchange rate was 3.46 in 2003 as against 3.63 in 2004, representing a fall of 5% in the Real.

The performance of the distributors' Gross Margin resulting from the tariff revisions and strong economic growth in the region, which was reflected in an increase in consumption (4.5%) and in the number of customers (3.3%), contributed to the development of the EBITDA.

In Bandeirante, the increase is explained by the performance of the Gross Margin (+63.8%), which benefited from the growth in 7% in consumption and the tariff increase granted in the October 2003 tariff revision (+18.08%) and in the October 2004 tariff adjustment (+15.95%). It should be noted that, in October 2004 ANEEL reduced the tariff allowed in October 2003 from 18.08% to 10.51%, in accordance with a provisional correction in the company's Remunerated Assets Base. In spite of ANEEL's final decision being confirmed in October 2005, its retroactive impact has already been recognised from this October 2003 tariff revision, estimated at 103.9 million Reals, in respect of the excess of income accounted between October 2003 and October 2004. This impact was reflected for accounts purposes in Financial Year Provisions (81.2 million Reals) and in Extraordinary Provisions (22.7 million Reals).

In Escelsa, the increase of 6.2% in the Gross Margin is a result of both the tariff adjustment of 17.30% (August 2003) and the tariff revision of 4.96% (August 2004). This 2004 tariff revision includes: increase of 6.33% of normal tariff revision process, increase of 3.74% for Compensation for past deviations of uncontrollable costs (CVA) and reduction of 5.11% due to negative adjustment of the asset base. Remunerated by Escelsa, with retroactive effects on the charges collected from customers since August 2001. In this way, Escelsa will have to "return to the charge", by August 2005, 5.7 million Reals, of which 11.2 million Reals has

already been accounted as cost in "Other income", 35.8 million Reals in adjustments from previous financial years, and 9.7 million Reals in financial costs, as adjustment for inflation.

In Enersul, the Gross Margin increased by 25.2% benefiting from the increase in consumption of 6% and from the average increase in tariffs of 17.02%, in April 2004.

Electricity generation in Brazil recorded an increase in 9% in transmission, 2,601 GWh in 2003 to 2,837 in 2004, considering 100% of Fafen's transmission during 2004, 27.65% of UHE Lajeado's and the generation of the distributors Escelsa and Enersul (which include the semi-public undertakings CESA and Costa Rica).

This growth in business together with the adjustment of charges to inflation resulted in an increase in electricity sales in 7% (of 142.7 million Reals in 2003 to 15.4 million Reals in 2004).

Trading and supply, through the Enertrade, company, transacted around 4,849 GWh (+77% than in 2003). This increase, together with smaller costs of external supplies and services (reduction of rent paid to Investco – the company owning the Lajeado power station), allowed growth in the EBITDA of 40.6 million Reals.

Gross Margin				Distributors in Brazil					
Thousands of Reals				Bandeirante		Escelsa		Enersul	
	2004	2003	Var. %	2004	2003	Var. %	2004	2003	Var. %
Sales of Energy to Final Customers	1,958,887	1,782,835	9.9%	1,042,853	954,035	9.3%	701,597	572,390	22.6%
Residential	717,746	599,634	19.7%	329,536	301,308	9.4%	271,982	219,739	23.8%
Industrial	728,364	734,915	-0.9%	339,378	315,876	7.4%	111,266	97,861	13.7%
Commercial	331,935	283,517	17.1%	195,802	170,957	14.5%	170,222	134,977	26.1%
Others	180,842	164,769	9.8%	178,137	165,894	7.4%	148,126	119,813	23.6%
Electric. Distributed to Access Customers	121,825	34,093	257.3%	81,591	39,169	108.3%	11,120	2,340	375.2%
Other Sales and rendering of services	-129,249	-142,533	9.3%	-64,830	-49,507	-31.0%	-11,590	-11,144	-4.0%
Turnover volume	1,951,463	1,674,395	16.5%	1,059,614	943,697	12.3%	701,128	563,586	24.4%
Cost of Sales	1,244,207	1,242,678	0.1%	682,892	588,807	16.0%	371,045	299,913	23.7%
Gross Margin	707,257	431,717	63.8%	376,722	354,889	6.2%	330,083	263,673	25.2%
Gross Margin (%)	36.2%	25.8%	10.5 p.p.	35.6%	37.6%	-2.1 p.p.	47.1%	46.8%	0.3 p.p.

As regards Operating Costs, EDP in Brazil is determined to reduce controllable costs, particularly through the reduction of the number of employees. Between 2003 and 2004, 140 jobs were eliminated, however, salary increase above 10% per year, due to inflation, resulted in additional personnel costs.

The increase in External Supplies and Services of 62.7 million Reals is connected with the activities of the Distributors, as a result of payments for licences, publicity campaigns and investments in the implementation of the "customer-care & service" system (in Bandeirante), with a view to improving customer management and investments in modernisation and universalisation of the distribution network.

Financial Profit		Brazil	
Thousands of Reals	2004	2003	Var. %
Interest Received / Paid	-406,996	-428,640	5.0%
Net Exchange Differences	122,982	192,283	-36.0%
Selic on Losses with Quotas and "Tranche A"	99,389	173,865	-42.8%
Other Gains / Losses	-77,400	-16,555	-367.5%
Financial Profit	-262,026	-79,047	-231.5%

Financial Profit was negative at 262.0 million Reals in 2004 and compares with a loss in 2003 of 79.0 million Reals. This negative growth is due to:

- Reduction of exchange gains due to a lower valuation against the Dollar (+22% in 2003 versus +9% in 2004) which affects the debt expressed in Dollars in Brazil. It should be noted that the Escelsa Senior Notes (issue in Dollars) are covered by EDP;
- A smaller monetary updating of assets to be recovered connected with quota losses and "Tranche A", following the recovery of income through charges, reduction of the Selic rate (average in 2003 was 23% whilst in 2004 it was 16%), and a negative adjustment of the assets to be recovered (impact of

25 million Reals), partially compensated by lower interest on the special loans contracted with the BNDES to compensate these regulatory losses;

- A provision of 54.1 million Reals (accounted in "Others") connected with a loan granted by Escelsa (via Magistra) to ESC90 Telecomunicações, Ltda., a telecommunications operator in which Escelsa holds 49%.

Extraordinary profit, negative at 95.4 million Reals, includes Extraordinary Provisions for ANEEL's correction to Bandeirante's tariff revision of October 2003 (at 22.7 million Reals) and Escelsa's tariff revision in August 2001 (at 35.8 million Reals); a loss connected with Enersul's sale of the Campo Grande power station turbine (at 9.3 million Reals); disinvestment of the holding of 80% in Fafen (15 million Reals). It should be noted that the 2003 negative profit (166.4 million Reals) resulted from the accounting of the imparity of the holdings in Lajeado and Fafen, connected with the possible lowering of the regulatory charges for these power stations (value approximately 230 million Reals).

Net Profit of the activities in Brazil showed strong growth, reaching 174.7 million Reals, following good operating performance. If the exchange loss of Senior Notes held by EDP (with impact only on consolidation of the EDP Group) were considered here, the Net Profit would still have reached 116.6 million Reals.

Investment					Brazil
		2004	2003		Var. %
Thousands of Reals	Total Investment	EDP Contributions	Total Investment	EDP Contributions	Total Invest.
Generation	720,860	105,914	253,062	149,787	184.9%
Peixe Angical	700,063	70,476	70,311	51,341	895.7%
Fafen	-	35,438	109,694	76,482	-
Lajeado (100%)	20,797	-	73,057	21,964	-71.5%
Distribution	322,284	-	256,713	-	25.5%
Bandeirante	119,909	-	136,258	-	-12.0%
Escelsa	108,640	-	64,473	-	68.5%
Enersul	93,735	-	55,982	-	67.4%
Others	1,824	36,254	4,191	63,749	-56.5%
EDP Brasil	802	20,000	1,436	51,000	-44.2%
Enertrade	510	3,237	406	-	25.6%
Energest	66	8,125	61	7,586	8.2%
Enercorp	446	4,892	2,288	5,163	-80.5%
Investment	1,044,968	142,168	513,966	213,536	103.3%

Operating Investment in Brazil more than doubled compared with 2003, reaching 1,045 million Reals in 2004, essentially due to the restarting of work in the Peixe Angical power station, which is to start operating in 2006, (it should be noted that work was suspended during the first nine months of 2003). These investment values correspond to 100% of the project, of which EDP holds 60% and Furnas (subsidiary of Eletrobrás) 40%. This project is also to be financed through a loan with the BNDES of 670 million Reals. In the Lajeado power station, once the work was completed (in November 2003), the investments made during 2004 were essentially for improving equipment and environmental impact studies.

Investment in distribution reached 25.5% due to regulatory investments connected with the consumption Universalisation programme for all low voltage customers. In 2004 Bandeirante, Escelsa and Enersul invested 3.2 million Reals, 25.5 million Reals and 36.3 million Reals respectively in this programme. Higher investments are expected in the area of the Enersul concession due to its geographical and demographical characteristics. However, it is expected that these investments will be repaid by each distributor's tariff revisions.

Capital debt			Brazil
Thousands of Reals	2004	2003	Var. %
Distribution	2.708.8	2.671.4	1.4%
Bandeirante	652.6	528.7	23.4%
Expressed in Local Currency	293.9	486.1	-39.5%
Expressed in Dollars (I)	358.7	42.6	742.1%
Escelsa	1.577.8	1,691.4	-6.7%
Expressed in Local Currency	416.9	417.0	0.0%
Expressed in Dollars (I)	1.160.8	1,274.4	8.9%
Enersul	478.4	451.3	6.0%
Expressed in Local Currency	310.8	303.3	2.5%
Expressed in Dollars (I)	167.6	148.0	13.2%
Generation and Trading	660.9	219.8	200.7%
EDP Brasil, S.A.	141.8	148.0	-4.2%
Total Capital debt	3.511.5	3,039.2	15.5%

(I) Debt with instruments of cover for BRL

Capital debt was 47.3 million Reals compared with the end of 2003, principally due to financing from BNDES of 458.2 million Reals for the construction of the Peixe Angical power station. Regarding Bandeirante, this increase of 23.4% in Capital debt to third parties is connected to the loan obtained from the IBD (Inter-American Development Bank) to finance investment projects. This long-term loan in Dollars, in addition to improving Bandeirante's debt profile, is covered against variation of the Real against the Dollar.

Analysing the Net Debt of the Escelsa Bonds held by EDP, the Net Debt is 2,562.9 million Reals.

8. FIXED TELECOMMUNICATIONS

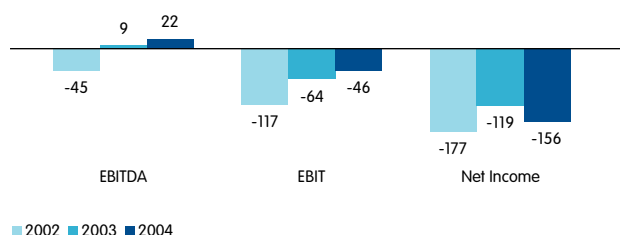
The financial statements of the Fixed Telecommunications business of the ONI Group included a complete year's contribution of OLA Internet, purchased during 2003, in 2004.

The Net Profit of the ONI Group in 2004 is a loss of 155.6 million Euros, which compares with a loss of 119.3 million Euros in 2003, showing a deterioration of 30.4%.

Profit and Loss Account	Fixed Telecommunications		
Thousands of Euros	2004	2003	Var. %
Turnover volume	325,425	341,572	-4.7%
Telecommunications Services	317,334	336,953	-5.8%
Voice Telecommunications	208,975	230,924	-9.5%
Data Telecommunications	79,604	80,887	-1.6%
Other Telecommunications	28,756	25,142	14.4%
Equipment Sales	8,090	4,619	75.1%
Direct Costs	167,870	187,178	-10.3%
Telecommunications Services Cost	160,565	183,164	-12.3%
Equipment Sales Costs	7,305	4,014	82.0%
Gross Margin	157,555	154,394	2.0%
Operating Costs	135,295	147,215	-8.1%
Supplies and services	81,251	89,914	-9.6%
Personnel Costs	54,045	57,301	-5.7%
Other income / (costs)	-135	1,760	-
Own Work Capitalized	4	-	-
Others	-139	1,760	-
EBITDA	22,124	8,939	147.5%
EBITDA / Turnover volume (%)	6.8%	2.6%	4.2 p.p.
Amortization	64,162	68,648	-6.5%
Provisions	3,866	4,260	-9.2%
EBIT	-45,904	-63,969	28.2%
Financial Profit	-54,392	-62,174	12.5%
Extraordinary Profit	-50,539	-10,057	-402.5%
Taxes and Minority Interest	4,732	-16,942	-
Net Profit	-155,567	-119,258	-30.4%

Fixed Telecommunications

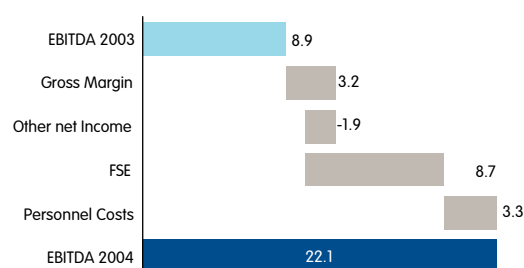
(Millions of euros)



The 2004 EBITDA records a value of 22.1 million Euros, showing a sharp rise of 147.5% compared with 2003. Of this value, 13.0 million Euros is for business in Portugal, whilst the rest is for business in Spain. The rise combines the effects of the slight fall in Income from Telecommunications Services of 5.8%, and the sharp drop in Direct Costs and Operating Costs, which fell by 10.3% and 8.1%, respectively.

EBITDA development - Fixed Telecommunications

Millions of euros



The decrease in 2004 of Telecommunications Services Income combines increase in business in Spain (+9.4%) due to increase in voice traffic in Comunitel, and decrease in Portugal of 1.9% compared with 2003.

The reduction in Supplies and services rendered by Third Parties was seen mainly in ONI Portugal and was influenced by savings in Information Technology costs, Circuit Hire and Network Costs, which together represent a total saving of about 6 million Euros.

The decrease in the number of employees from 1,180, at the end of 2003, to 1,096, at the end of 2004, is a fundamental result of the human resources restructuring carried out in the ONI Group during 2004.

The fall of 6.5% in Amortization is due to the end of the useful life of a significant part of the fixed operating assets as well a reduction in investment from ONI Spain,

which in 2003 invested heavily in the purchase of cable access rights (IRU – “Indefeasible Rights of Use”), a situation which did not continue in 2004.

The deterioration of the Extraordinary Profit is connected with the recognition in 2004 of imparity of financial holdings and also the constitution of extraordinary provisions for other debtors and other assets.

Operating Investment	Fixed Telecommunications		
Thousands of Euros	2004	2003	Var. %
Portugal	13,046	15,232	-14.3%
Recurring	3,866	3,233	19.6%
Non-Recurring	9,180	11,999	-23.5%
Spain	20,452	30,950	-33.9%
Recurring	760	8,164	-90.7%
Non-Recurring	19,692	22,786	-13.6%
Operating Investment	33,498	46,182	-27.5%

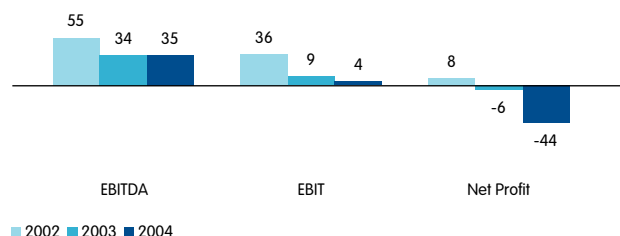
Operating Investment totalled 33.5 million Euros in 2004, representing a reduction of 27.5% compared with 2003. The sharp fall in investment in ONI Portugal compared with the past year reflects the investment effort made in previous years in the expansion of the network and the purchase of access infrastructures. Investment by ONI Spain is reduced significantly in 2004 due to the effect of the purchase of “Indefeasible Rights of Use” (IRU) and of direct access equipment in 2003.

9. INFORMATION TECHNOLOGIES

The EDINFOR Group Net Profit in 2004 recorded a loss of 44.5 million Euros, which compares with a Net Negative Profit of 6.2 million Euros in 2003.

Profit and Loss Account	Information Technologies		
Thousands of Euros	2004	2003	Var. %
Turnover volume	174,604	186,347	-6.3%
Sales	23,419	27,023	-13.3%
Services Rendered - Group	93,951	90,573	3.7%
Services Rendered - Third Parties	57,233	68,750	-16.8%
Cost of Sales	20,301	24,453	-17.0%
Sundry Goods and Materials	20,301	24,453	-17.0%
Gross Margin	154,303	161,894	-4.7%
Operating Costs	123,042	136,484	-9.8%
Supplies and services - Third Parties	53,919	59,527	-9.4%
Supplies and services - Group	9,053	10,526	-14.0%
Personnel Costs	60,070	66,431	-9.6%
Other income / (costs)	4,235	8,691	-51.3%
Own Work Capitalized	1,012	8,397	-87.9%
Others	3,223	294	997.1%
EBITDA	35,495	34,100	4.1%
EBITDA / Turnover volume (%)	20.3%	18.3%	2.0 p.p.
Financial Year Amortization	27,825	24,301	14.5%
Provisions	3,648	508	618.1%
EBIT	4,023	9,291	-56.7%
Financial Profit	-10,333	-12,494	17.3%
Extraordinary Profit	-43,143	-4,069	-960.4%
Taxes and Minority Interest	-4,955	-1,098	-351.4%
Net Profit	-44,499	-6,174	-620.7%

Information Technologies
(Millions of euros)



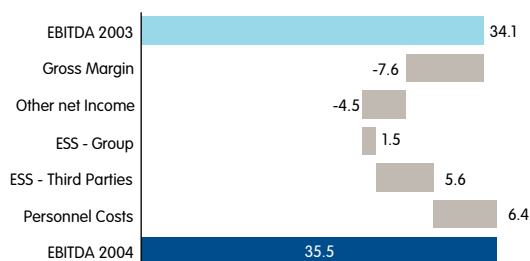
The EDINFOR Group Sales and Services Rendered was 174.6 million Euros in 2004, which represents a fall of 6.3% compared with 2003.

This development is directly connected with the continuation of the reduction of economic activity in Portugal during 2004 compared with what happened in the previous year,

a tendency especially noted in the IT sector. In 2004, Sales and Services rendered to companies not belonging to the EDP Group represented 33.8% of the total.

In 2004 the effort to contain costs started in the previous year continued, not, however, being sufficient to compensate for the break in income.

Development of EBITDA - Information Technologies
(Millions of euros)



Personnel Costs fell 9.6% during the period, as a result of the reduction in the number of employees of 1,615 in 2003 to 1,416 at the end of 2004.

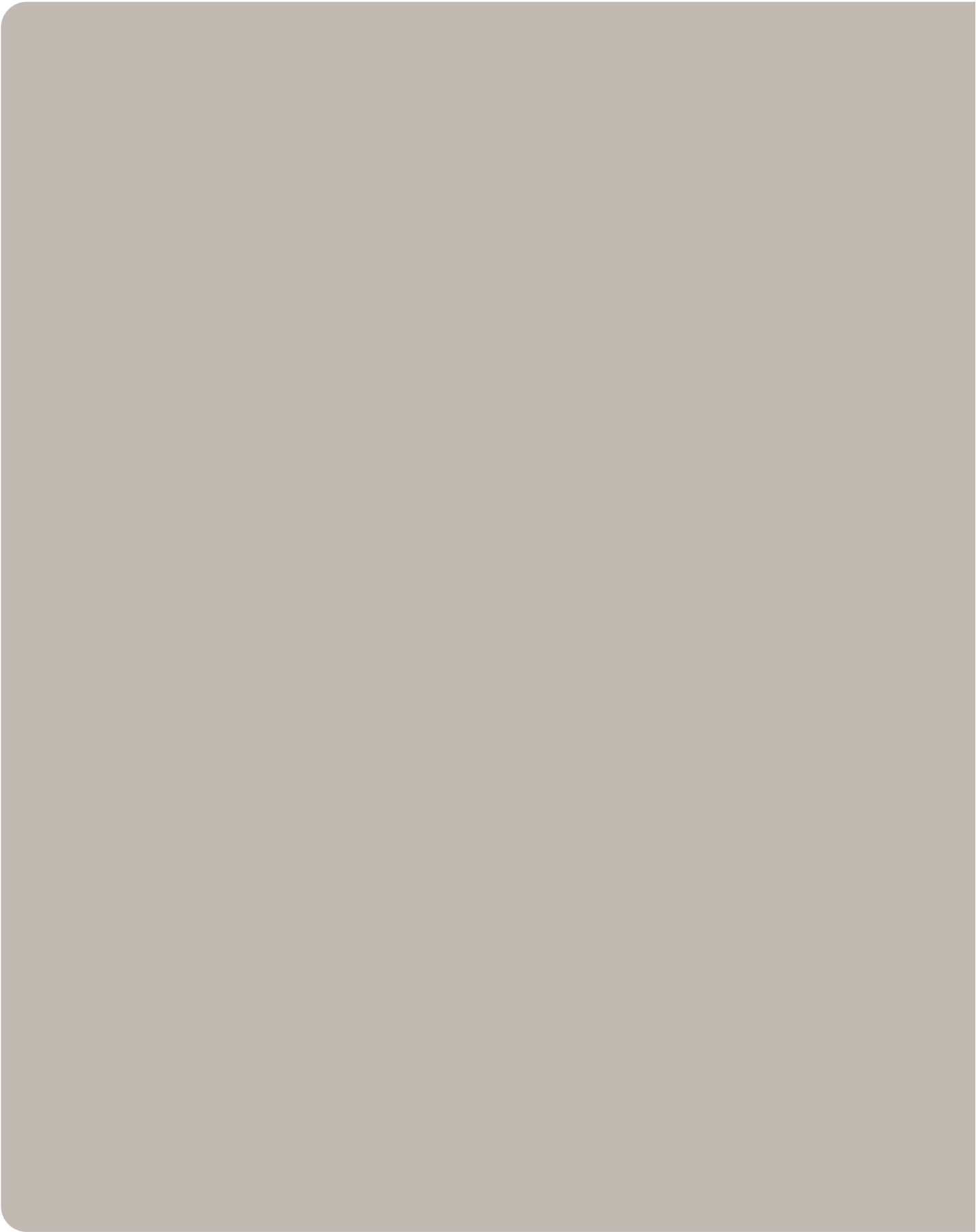
External Supplies and Services fell 10.1% in line with the reduction in activity and containment of costs.

The combination of the situations described allowed an increase in the EBITDA to 35.5 million Euros in 2004, which is an increase of 4.1% compared with the previous year.

The amortization of considerable investments acquired at the end of 2003, is reflected in an increase in the Amortization of the 2004 Financial Year of 14.5%, in spite of the sharp reduction in investment in 2004.

At the end of 2004, the EDINFOR Group acknowledged the imparity of financial holdings by extraordinary cost headings, where the 2004 negative Extraordinary Profit of 43.1 million Euros appears.





2. Financial Statements IFRS Proforma - 2004

1. Transition and implementation of International Financial Reporting Standards (IFRS)

As at 31 December, 2004, the pro-forma financial statements of EDP Group, are presented to disclose, for information purposes only, the impact from the full adoption of International Financial Reporting Standards. The referred financial statements were prepared considering the adjustments to the values reported in compliance with Portuguese GAAP as at 31 December, 2004.

Following the European Community Regulation 1606/2002, all listed companies are required to present their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), beginning 1 January 2005.

Under the requirements of IFRS 1, these first financial statements prepared in accordance with IFRS are the ones in which the adopter discloses that will comply with all IFRS. EDP Group is qualified as first time adopter and, therefore, will disclose its financial statements in accordance with these regulations beginning 1 January, 2005.

In accordance with IFRS 1, for the entities that will present their financial statements under IFRS, beginning 1 January 2005, the transition date is 1 January, 2004.

The pro-forma financial statements now presented reflect the necessary reclassifications and adjustments to convert the Group financial statements as at 31 December 2004, prepared in accordance with the accounting principles defined by the Portuguese GAAP, to the financial statements prepared under IFRS.

The Pro-forma financial statements were prepared based in expectations, analyses, assumptions and estimates, involving risks and uncertainties, which can conduct to material differences between the real profits and the estimates.

The Pro-forma financial statements presented are preliminary and non-audited. Therefore, the information concerning the transition adjustments to IFRS should not be considered as and do not present all the disclosures, the classification or the presentation differences under IFRS.

The main adjustments on the 31 December, 2004 financial statements resulting from the IFRS adoption, are as follows:

	2004	
	Net profit Euro'000	Shareholders' Equity Euro'000
As reported under Portuguese GAAP	440.152	6.401.714
IFRS/IAS adjustments:		
a) Fixed assets	-928	-82.433
b) Recognition of deferred actuarial losses - Pensions Fund	21.052	-874.118
b) Recognition of deferred actuarial losses - Medical Care	17.819	-260.041
c) Bonus to employees	-26.064	-26.064
d) Discontinuance of goodwill amortisation	56.219	56.219
e) Hedging	-	-122.246
f) Adjustments from the electricity regulated activity	-147.163	-210.767
g) Deferred taxes	37.655	450.840
Other	1.774	-19.088
Net Adjustments	-39.637	-1.087.698
Net Income Pro-Forma as reported under IFRS/IAS	400.515	5.314.016
IFRS/IAS Pro-Forma vs Portuguese GAAP (%)	-9,0%	-17,0%

a) Fixed assets

In accordance with IFRS, set-up and research costs must be expensed as incurred. Therefore, under IFRS 1, on the transition date, the referred capitalised expenses were adjusted against reserves.

The qualification of the development costs as assets depends on the fulfillment of conditions and criteria defined by IAS 38. At transition date, the EDP Group has proceeded to the restatement of the capitalised expenses that do not accomplish with the referred regulation.

b) Recognition of deferred actuarial losses.

In the local financial statements, the liabilities with retirement pensions are determined using the projected unit credit method. The actuarial gains and losses resulting from the differences between the actual amount obtained and the actuarial assumptions, are charged through profit and loss by the average remaining length of service of the active employees, in accordance with the corridor method, in the part that exceeds 10% of the greater of liabilities or assets of the Fund.

In accordance with IFRS, during the transition period, the Group should adopt one of the following criteria to record the actuarial gains and losses at the transition date:

- i. recalculate the actuarial gains and losses under IAS since the pension plan constitution;
- ii. recognition of all existent actuarial gains and losses, at transition date, against reserves.

The Group has chose the recognition of all existent actuarial gains and losses, at transition date, against reserves.

c) Bonus to employees

EDP Group used to distribute bonuses to the Portuguese companies' employees.

In accordance with the Portuguese GAAP, the distribution of bonus to employees is registered against equity in the following period to which the services were rendered and after the financial statements approval by the General Meeting.

Under IFRS, the bonus distribution to employees is accounted through a specific provision in the period the services were rendered.

d) Discontinuance of goodwill amortisation.

Under the terms defined by IFRS 3, the goodwill resulting from business combinations is not amortised, and must be subject to periodic impairment tests. These tests must be performed annually or when indication of impairment exists, in accordance with IAS 36.

The concession rights are amortised on a straight-line basis over the estimated useful lives.

e) Hedging

As referred above, the EDP Group is qualified as first time adopter under IFRS 1, and the Group will present the consolidated financial statements according to IFRS, beginning 1 January, 2005. Therefore, the IAS 39 transition rules are applicable to the Group.

As at 1 January 2003, the Board of Directors of EDP Group decided an earlier adoption of IAS 39 complementarily to the Portuguese Plan of Accounts, in order to present fairly the financial position of the Group. At that date, the requirements of IAS 39, regarding the interest rate risk and the exchange rate risk hedging, were not accomplished. Therefore, and even considering that the operations qualify for hedge purposes, the hedge accounting criteria was not applied.

Considering the documentation prepared and that the operations were settled by the Management to hedge the interest rate and exchange rate risk, under the transition rules defined by IFRS 1, the referred operations were considered as hedging since the transition date.

The EDP Group has adopted, in accordance with IAS 39, the fair value hedge and cash flow hedge models, therefore, the changes on fair value of the liabilities hedged were recognised against equity, in accordance with IFRS 1.

f) Adjustments from the electricity regulated activity

In activities subject to regulation, the recognition of profits and losses to accounting periods may differ from non regulated activities. For accounting purposes, when the Regulator settles a period for income or cost allocation over future years, then a regulatory asset or liability is booked in the financial statements, which otherwise would be booked as profit or loss of the year.

In accordance with the IFRS conceptual framework, regulatory assets and liabilities are not recognised and on that basis, at the transition date, these assets and liabilities were reversed against reserves.

The provision for hydraulicity, stated as a regulatory liability, results from the Regulator determinations and was reversed against reserves for IFRS purposes.

Regulatory assets, which relate to deferred costs and are defined and regulated by the Regulator, being recoverable through electricity rates to final customers in future years, have been reversed against reserves as well, for IFRS purposes.

g) Deferred taxes

In accordance with the accounting policy of EDP Group, the income tax charge is determined considering the present legal framework and deferred taxes are recognised when the situations giving rise to them are significant.

Therefore, the deferred tax adjustments are related to the impact of the adjustments mentioned before, when in accordance with IAS 12, there are temporary differences between accounting principles and tax regulations that result in a deferred tax asset or in a recorded liability.

h) Purchase Power Agreements (PPAs)

According to Portuguese GAAP, binding electric generation centers are booked as fixed assets in the Financial Statements, being depreciated in accordance with Decree-Law 2/90.

Under IFRS, and as set forth by interpretation rule IFRIC 4, issued in December, 2004 and applicable from 1 January, 2006, Purchase Power Agreements (PPAs) can be considered as financial leases. In accordance with the transition regime set by this rule, these contracts should be analysed, based on the existent information and facts at the date of such transition, as to whether in substance the contracts are financial leases.

On this basis, the terms of the Decree-Law 240/2004 of 27 December, that established the early termination of the PPA's and the terms of the termination agreements signed in January 2005 by EDP Group, related with to the binding electric generation centers, are relevant facts .

The adoption of IFRIC 4, in 1 January, 2006, concerning namely the accounting treatment of the PPA's as financial leases, should be analysed taking into consideration the evolution of the facts mentioned above, as at that date, and in accordance with the transition regime of the referred standard.

PRO-FORMA IFRS/IAS Consolidated Balance Sheet
as at 31 December, 2004

	<u>2004</u>
	(Thousands of Euros)
Assets	
Tangible fixed assets	13.526.880
Intangible fixed assets	912.804
Goodwill	2.046.041
Investments	1.615.293
Deferred taxes	1.127.064
Customers	183.368
Debtors and other sundry assets	<u>65.852</u>
Total Non-Current Assets	<u>19.477.302</u>
Inventories	168.567
Customers	1.109.093
Debtors and other sundry assets	1.189.247
Trading securities	102.523
Cash and bank deposits	<u>196.083</u>
Total Current Assets	<u>2.765.513</u>
	<u><u>22.242.815</u></u>
Shareholders' Equity	
Share capital	3.656.538
Treasury stock	-31.662
Reserves and retained earnings	1.288.625
Consolidated net profit	<u>400.515</u>
Total Shareholders' Equity	<u>5.314.016</u>
Minority interests	708.415
Liabilities	
Long term debt	7.200.698
Provisions for liabilities and charges	2.297.616
Deferred taxes	633.031
Creditors and other liabilities	<u>1.848.324</u>
Total Non-Current Liabilities	<u>11.979.669</u>
Short term debt	1.987.741
Creditors and other liabilities	<u>2.252.974</u>
Total Current Liabilities	<u>4.240.715</u>
Total Liabilities	<u>16.220.384</u>
	<u><u>22.242.815</u></u>

**PRO-FORMA IFRS/IAS Consolidated Profit and Loss Account
as at 31 December, 2004**

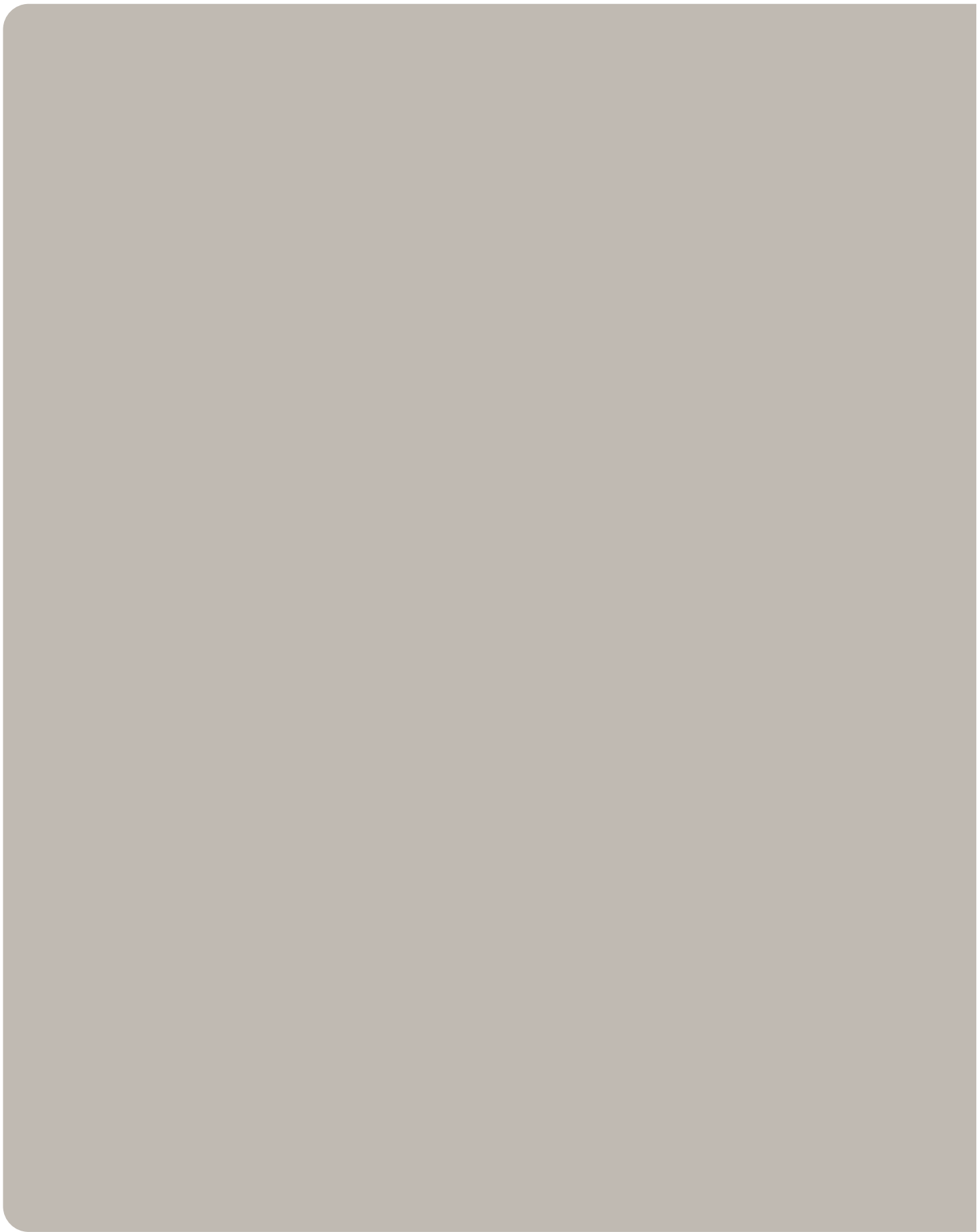
	2004
	(Thousands of Euros)
Turnover	
Sales	6.771.388
Services rendered	<u>522.396</u>
	7.293.784
Cost of sales	<u>-4.097.440</u>
Gross Margin	3.196.344
Net Operating Costs	<u>-1.598.958</u>
Gross Operating Profit	1.597.386
Provisions	-96.279
Depreciation and amortisation	<u>-782.494</u>
Net Operating Profit	718.613
Financial income / (expense)	-209.003
Amortisation of goodwill and concession rights	<u>-39.306</u>
Profit Before Tax	470.304
Provision for income taxes	<u>-121.962</u>
Profit After Tax	348.342
Minority interests	<u>52.173</u>
Attributable Net Profit	<u><u>400.515</u></u>
Net Profit per share - Basic (Euros)	<u><u>0,13</u></u>

PRO-FORMA IFRS/IAS EDP Group by Business Segment

Segmental reporting - 31 December, 2004

(Amounts expressed in thousands of euros)

	Electricity											Gas	Information Technology	Telecommunications	Other and Adjustments	EDP Group
	Generation				Distribution				Supply			Distribution				
	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Portugal	Spain	Total	Spain				
Turnover	1.826.479	250.295	131.094	2.207.868	3.636.849	174.723	1.002.678	4.814.250	41.656	113.131	154.787	198.534	174.604	325.424	-581.683	7.293.784
Sales of electricity	1.788.056	245.020	119.977	2.153.053	3.610.192	162.751	929.377	4.702.320	39.167	103.331	142.498	-	-	-	-451.541	6.546.330
Other sales	37	1.802	-	1.839	2.734	19	-	2.753	-	6.933	6.933	183.977	23.419	8.090	-1.953	225.058
Services rendered	38.386	3.473	11.117	52.976	23.923	11.953	73.301	109.177	2.489	2.867	5.356	14.557	151.185	317.334	-128.189	522.396
Raw materials and consumables	-758.667	-141.278	-82.927	-982.872	-2.338.054	-122.164	-636.524	-3.096.742	-25.615	-106.009	-131.624	-137.500	-20.299	-167.870	439.467	-4.097.440
Gross margin	1.067.812	109.017	48.167	1.224.996	1.298.795	52.559	366.154	1.717.508	16.041	7.122	23.163	61.034	154.305	157.554	-142.216	3.196.344
Operating costs	-205.102	-26.953	-17.669	-249.724	-873.557	-26.898	-153.460	-1.053.915	-18.051	-4.116	-22.167	-15.465	-161.315	-188.812	92.440	-1.598.958
EBITDA	862.710	82.064	30.498	975.272	425.238	25.661	212.694	663.593	-2.010	3.006	996	45.569	-7.010	-31.258	-49.776	1.597.386
Depreciation and amortisation	-241.767	-41.774	-4.711	-288.252	-295.552	-11.565	-54.626	-361.743	-3.711	-1.812	-5.523	-23.991	-25.100	-47.604	-30.281	-782.494
Provisions	-9.150	-330	-989	-10.469	-34.050	-147	-37.363	-71.560	-1.018	-	-1.018	-186	-3.648	-3.866	-5.532	-96.279
EBIT	611.793	39.960	24.798	676.551	95.636	13.949	120.705	230.290	-6.739	1.194	-5.545	21.392	-35.758	-82.728	-85.589	718.613
Financial Income / (expense)	-84.721	-7.746	-10.419	-102.886	-24.628	-4.097	-46.853	-75.578	-1.029	-1.205	-2.234	-678	-6.666	-44.894	-15.373	-248.309
Profit before tax	527.072	32.214	14.379	573.665	71.008	9.852	73.852	154.712	-7.768	-11	-7.779	20.714	-42.424	-127.622	-100.962	470.304
Income tax	-145.281	-10.685	-5.843	-161.809	-14.570	-3.341	12.057	-5.854	1.735	123	1.858	-6.199	-3.921	-8.400	62.363	-121.962
Minority interests	-200	-196	-	-396	-	-	-	-	-	-	-	3	7.369	-104	45.301	52.173
Net profit	381.591	21.333	8.536	411.460	56.438	6.511	85.909	148.858	-6.033	112	-5.921	14.518	-38.976	-136.126	6.702	400.515



3. Financial Statements - 2004 and 2003

Consolidated Balance Sheet as at 31 December, 2004 and 2003

	Notes	2004	2003
(Thousands of Euros)			
Assets			
Tangible fixed assets	4	13.559.325	11.651.599
Intangible fixed assets	5	968.664	950.182
Goodwill	6	1.989.823	899.514
Investments	7	1.615.293	1.582.784
Deferred taxes	8	589.094	609.338
Customers	10	95.140	85.797
Debtors and other sundry assets	11	850.283	350.045
Total Non-Current Assets		19.667.622	16.129.259
Inventories	9	168.567	159.236
Customers	10	1.202.250	1.022.871
Debtors and other sundry assets	11	631.839	429.390
Accrued income and deferred costs	12	641.038	622.417
Trading securities	13	81.922	143.953
Cash and bank deposits	13	196.083	143.543
Total Current Assets		2.921.699	2.521.410
		22.589.321	18.650.669
Shareholders' Equity			
Share capital	14	3.656.538	3.000.000
Treasury stock	16	-31.662	-49.020
Share premium	14	472.955	-
Reserves and retained earnings	17	1.863.731	1.965.918
Consolidated net profit	17	440.152	381.109
Total Shareholders' Equity		6.401.714	5.298.007
Minority interests	18	801.018	236.485
Hydrological correction account	19	364.197	387.506
Liabilities			
Long term debt	20	6.741.014	5.913.579
Provisions for liabilities and charges	21	1.257.697	819.574
Deferred taxes	8	545.901	616.056
Creditors and other liabilities	22	588.130	542.942
Total Non-Current Liabilities		9.132.742	7.892.151
Short term debt	20	1.857.830	1.579.130
Creditors and other liabilities	22	1.599.454	1.238.991
Accrued costs and deferred income	23	2.432.366	2.018.399
Total Current Liabilities		5.889.650	4.836.520
Total Liabilities		15.022.392	12.728.671
		22.589.321	18.650.669

THE OFFICIAL
ACCOUNTANT N.° 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

Consolidated Profit and Loss Account
for the years ended 31 December, 2004 and 2003

	Notes	2004	2003
(Thousands of Euros)			
Sales	24	6.699.294	6.456.361
Cost of sales	24	<u>-4.017.270</u>	<u>-3.921.046</u>
Gross Margin		<u>2.682.024</u>	<u>2.535.315</u>
Other operating income			
Services rendered	24	522.396	521.159
Own work capitalised	25	258.774	235.623
Other operating income	26	<u>17.731</u>	<u>18.081</u>
		<u>798.901</u>	<u>774.863</u>
		<u>3.480.925</u>	<u>3.310.178</u>
Other operating costs			
Supplies and services	27	-649.504	-632.518
Personnel costs	28	-642.619	-646.636
Other operating costs	29	<u>-220.761</u>	<u>-203.984</u>
		<u>-1.512.884</u>	<u>-1.483.138</u>
Gross Operating Results		1.968.041	1.827.040
Provisions	30	-114.078	-75.706
Depreciation and amortisation	31	<u>-795.517</u>	<u>-845.592</u>
Operating Results		1.058.446	905.742
Financial income / (expense)	32	-239.727	-266.600
Amortisation of goodwill and concession rights	32	<u>-95.525</u>	<u>-92.420</u>
Current Results		723.194	546.722
Extraordinary gains / (losses)	33	<u>-164.732</u>	<u>-14.443</u>
Profit before tax		558.462	532.279
Provision for income taxes	34	<u>-159.617</u>	<u>-195.534</u>
Profit after tax		398.845	336.745
Minority interests	18	<u>41.307</u>	<u>44.364</u>
Consolidated Net Profit		<u>440.152</u>	<u>381.109</u>
Net Profit per share - Basic - Euros	14	<u>0,14</u>	<u>0,13</u>

See accompanying notes to the Financial Statements

Company Balance Sheet as at 31 December, 2004 and 2003

	Notes	2004	2003
(Thousands of Euros)			
Assets			
Tangible fixed assets	4	118.857	117.547
Intangible fixed assets	5	187.938	207.356
Goodwill	6	452.165	106.738
Investments	7	7.741.430	7.195.266
Deferred taxes		61.699	336.924
Debtors and other sundry assets	11	3.832.752	2.431.736
Total Non-Current Assets		12.394.841	10.395.567
Customers	10	5.161	4.171
Debtors and other sundry assets	11	547.474	1.692.895
Accrued income and deferred costs	12	520.157	432.841
Trading securities	13	15.288	85.641
Cash and bank deposits	13	2.414	8.332
Total Current Assets		1.090.494	2.223.880
		13.485.335	12.619.447
Shareholders' Equity			
Share capital	14	3.656.538	3.000.000
Treasury stock	16	-31.662	-49.020
Share premium	14	472.955	-
Reserves and retained earnings	17	1.863.731	1.965.918
Net profit	17	440.152	381.109
Total Shareholders' Equity		6.401.714	5.298.007
Hydrological correction account	19	364.197	387.506
Liabilities			
Long term debt	20	3.137.735	3.207.572
Provisions for liabilities and charges	21	434.572	383.608
Deferred taxes		64.318	474.839
Creditors and other liabilities	22	316.085	315.646
Total Non-Current Liabilities		3.952.710	4.381.665
Short term debt	20	2.251.986	2.176.932
Creditors and other liabilities	22	290.472	266.465
Accrued costs and deferred income	23	224.256	108.872
Total Current Liabilities		2.766.714	2.552.269
Total Liabilities		6.719.424	6.933.934
		13.485.335	12.619.447

THE OFFICIAL
ACCOUNTANT N.º 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

Company Profit and Loss Account
for the years ended 31 December, 2004 and 2003

	Notes	2004	2003
		(Thousands of Euros)	
Operating income			
Services rendered	24	33.151	24.252
Other operating income	26	3.532	3.170
		<u>36.683</u>	<u>27.422</u>
Other operating costs			
Supplies and services	27	-85.610	-61.360
Personnel costs	28	-5.380	-5.637
Other operating costs	29	-2.145	-2.099
		<u>-93.135</u>	<u>-69.096</u>
Gross Operating Results		-56.452	-41.674
Provisions	30	-2.944	-873
Depreciation and amortisation	31	-8.677	-8.112
Operating Results		-68.073	-50.659
Financial income / (expense)	32	432.194	354.350
Amortisation of goodwill and concession rights	32	-13.670	-13.541
Current Results		350.451	290.150
Extraordinary gains / (losses)	33	42.232	81.712
Profit before tax		392.683	371.862
Provision for income taxes	34	47.469	9.247
Net Profit		<u>440.152</u>	<u>381.109</u>
Net Profit per share - Basic - Euros	14	<u>0,14</u>	<u>0,13</u>

See accompanying notes to the Financial Statements

Consolidated and Unconsolidated Profit and Loss Account by Function
for the years ended 31 December, 2004 and 2003

(Thousands of Euros)

Notes	Group		Individual	
	2004	2003	2004	2003
Sales and Services rendered	7.205.443	6.977.520	33.151	24.252
Cost of sales and provision of services	<u>-5.593.209</u>	<u>-3.921.046</u>	<u>-85.610</u>	<u>-61.360</u>
Gross Margin	<u>1.612.234</u>	<u>3.056.474</u>	<u>-52.459</u>	<u>-37.108</u>
Other operating income	308.005	253.704	3.532	3.170
Distribution costs	-102.603	-	-	-
Operating costs	-603.910	-1.279.154	-5.380	-5.637
Other expenses and losses	<u>-245.207</u>	<u>-1.125.282</u>	<u>-13.766</u>	<u>-11.084</u>
Operating profit/(loss)	35 <u>968.519</u>	<u>905.742</u>	<u>-68.073</u>	<u>-50.659</u>
Net costs of financing	-310.977	-334.440	-38.197	8.931
Gains / (losses) on subsidiaries and associates	40.990	33.156	448.827	393.868
Gains / (losses) on investments	-71.690	-57.736	7.894	-61.990
Non-recurrent results	<u>-68.380</u>	<u>-14.443</u>	<u>42.232</u>	<u>81.712</u>
Profit before tax	35 <u>558.462</u>	<u>532.279</u>	<u>392.683</u>	<u>371.862</u>
Tax on current profit	<u>-159.617</u>	<u>-195.534</u>	<u>47.469</u>	<u>9.247</u>
Profit after tax	<u>398.845</u>	<u>336.745</u>	<u>440.152</u>	<u>381.109</u>
Minority interests	<u>41.307</u>	<u>44.364</u>	<u>-</u>	<u>-</u>
Net Profit for the year	<u>440.152</u>	<u>381.109</u>	<u>440.152</u>	<u>381.109</u>
Net Profit per share - Basic - Euros	<u>0,14</u>	<u>0,13</u>	<u>0,14</u>	<u>0,13</u>

See accompanying notes to the Financial Statements

Consolidated and Unconsolidated Cash-flow Statements
for the years ended 31 December, 2004 and 2003

(Thousands of Euros)

	Group		Individual	
	2004	2003	2004	2003
Operating Activities				
Cash receipts from customers	7.225.893	6.871.324	-	-
Cash paid to suppliers	-4.492.771	-4.255.316	-105.771	-37.228
Cash paid to staff	-723.676	-707.233	-5.508	-6.159
Concession rents paid	-187.803	-171.749	-	-
Other receipts/ (payments) relating to operating activities	124.542	149.004	92.997	129.375
Cash flows from operating activities	1.946.185	1.886.030	-18.282	85.988
Income tax received / (paid)	-229.332	-146.033	49.467	103.294
Receipts/ (payments) relating to extraordinary balances	-52.817	33.602	1.758	16.706
	-282.149	-112.431	51.225	120.000
Cash flows from operating activities	1.664.036	1.773.599	32.943	205.988
Investing Activities				
Cash receipts resulting from:				
Investments	60.940	456.820	252.494	2.662.348
Tangible and intangible fixed assets	43.480	33.604	1.761	6.281
Fixed assets subsidies	88.036	74.059	-	-
Interest	20.287	13.266	171.614	191.811
Dividends	30.478	36.663	418.318	375.952
	243.221	614.412	844.187	3.236.392
Payments:				
Investments	-1.350.123	-140.834	-1.324.894	-2.342.512
Tangible and intangible fixed assets	-1.164.842	-1.002.726	-11.296	-7.424
	-2.514.965	-1.143.560	-1.336.190	-2.349.936
Cash flows from investing activities	-2.271.744	-529.148	-492.003	886.456
Financing Activities				
Receipts/(payments) from loans	187.799	-388.751	-261.756	-498.114
Shareholders' capital increase and share premium	1.158.579	-	1.158.579	-
Treasury stock sale/ (purchase)	17.358	-5.526	17.358	-5.526
Net interest and similar costs	-397.234	-456.069	-217.431	-247.413
Dividends and net income distribution	-288.730	-268.275	-288.730	-268.275
Cash flows from financing activities	677.772	-1.118.621	408.020	-1.019.328
Variation of cash and cash equivalents	70.064	125.830	-51.040	73.116
Effect of currency exchange differences	-25.232	-26.981	-25.232	-26.981
Cash and cash equivalents at beginning of period	-308.410	-407.259	93.974	47.838
Cash and cash equivalents at end of period (*)	-263.578	-308.410	17.702	93.973

(*) See note 13 to the Financial Statements, detailing the breakdown of 'Cash and Cash equivalents' balance.

See accompanying notes to the Financial Statements

Statement of Changes in Consolidated and Unconsolidated Shareholders' Equity
for the years ended 31 December, 2004 and 2003

(Thousands of Euros)

	Total Shareholders' Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Treasury stock
Balances as at 31 December, 2002	5.494.182	3.000.000	-	309.631	2.228.045	-43.494
Transfer to reserves:						
Legal reserves	-	-	-	16.760	-16.760	-
Bonus to employees	-25.062	-	-	-	-25.062	-
Dividends paid	-268.275	-	-	-	-268.275	-
Treasury stock	-5.526	-	-	-	-	-5.526
Net profit for the year	381.109	-	-	-	381.109	-
Deferred taxes	-252.296	-	-	-	-252.296	-
Effects of IAS 36 and 39 implementation:						
- Financial derivatives instruments	131.181	-	-	-	131.181	-
- Fair value of investments available for sale	10.758	-	-	-	10.758	-
- Reversal of Iberdrola Fair value in 2002	21.223	-	-	-	21.223	-
Exchange differences arising on consolidation	-193.032	-	-	-	-193.032	-
Other reserves arising on consolidation	3.745	-	-	-	3.745	-
Balances as at 31 December, 2003	5.298.007	3.000.000	-	326.391	2.020.636	-49.020
Transfer to reserves:						
Legal reserves	-	-	-	19.055	-19.055	-
Bonus to employees	-20.722	-	-	-	-20.722	-
Dividends paid	-268.008	-	-	-	-268.008	-
Treasury stock	17.358	-	-	-	-	17.358
Net profit for the year	440.152	-	-	-	440.152	-
Increase in capital with the issue of 656,537,715 new shares in Dec 2004	1.208.029	656.538	551.491	-	-	-
Expenses with share capital increase	-78.536	-	-78.536	-	-	-
Negative minority interests charged to EDP Group (note 18)	-193.525	-	-	-	-193.525	-
Exchange differences arising on consolidation	936	-	-	-	936	-
Cash flow hedge - Fair value reserve	643	-	-	-	643	-
Other reserves arising on consolidation	-2.620	-	-	-	-2.620	-
Balances as at 31 December, 2004	6.401.714	3.656.538	472.955	345.446	1.958.437	-31.662

See accompanying notes to the Financial Statements

Notes to the Financial Statements • 31 December, 2004 and 2003

1. The business operations of the EDP Group

The EDP Group operates mainly in the Iberian and Brazilian markets in the electricity and telecommunications sectors.

Activity in the Energy Sector on the Iberian Peninsula

In Portugal, the National Electricity System (SEN) is based on the coexistence of a Public Service Electricity System (SEP) and of an Independent Electricity System (SEI), the latter comprising the Non-binding Electricity System (SENV) and the Special Regime Producers (PRE).

The SEP comprises the National Transport Network (RNT), Binding Producers, Binding Distributors and Binding Customers. The RNT, under concession to REN - Rede Eléctrica Nacional, S.A., is responsible for providing electricity transport and the overall technical management of the SEP. Binding Producers are tied to RNT by long-term exclusive supply contracts. Binding Distributors are obliged to supply their customers in accordance with fixed prices, under the law, by the Energy Services Regulatory Entity (ERSE). Binding Customers are entities and individuals that cannot opt for a SENV supplier (currently low-tension consumers), or either those that are able to do so or opt to acquire electricity from their respective binding distributor under conditions determined by the ERSE.

The SENV essentially comprises Non-binding Producers and Non-binding Customers, the latter being entitled to use the SEP networks using fixed tariffs determined by ERSE under the terms of the law. Special Regime Producers operate in the renewable energies and cogeneration areas, delivering their electricity to the SEP networks under special legislation. In accordance with the law, ERSE is responsible for exercising the regulation of the sector, through the preparation, issue, and application of regulations, and also through the definition of the tariffs both for the use of infrastructure and for the supply of electricity to SEP customers. Through the generation and distribution companies, the EDP Group plays a fundamental role in the entire SEN, by having a relevant position within the SEP, and also owning generation companies that operate within the SEI both at the level of the SENV and at the level of the PREs.

In December 2004, the EDP Group increased its financial position in Spain in Hidroeléctrica del Cantábrico S.A. (Hidrocantábrico) to 95.7% of total share capital, achieving the exclusive control of the company. Hidrocantábrico is the parent company of an industrial Group that operates in the electric, gas and telecommunications sectors. In the electric sector, the activity is developed in the production, transportation and distribution and supply areas. The production infrastructure relies on classic coal thermal power stations and, secondly, in hydroelectric and nuclear power stations. The activity of transportation and distribution of electricity is regulated as well as the supply of energy to clients subject to tariffs, whereas in the supply activity the prices are subject without restraints to market conditions.

Hidrocantábrico increased its position in the distribution and supply of the gas sector following the acquisition of Naturcorp during the third quarter of 2003 and the subsequent integration in that company, of all gas related assets held by Hidrocantábrico. The gas distribution activity is also regulated. In the telecommunications sector, Hidrocantábrico holds a significant investment in cable communication concessions in Astúrias and Castilla-Leon regions (large bandwidth transmission of radio, cable and internet).

Activity in the Energy Sector in Brazil

In Brazil, the EDP Group operates in the electricity sector namely in generation, distribution and supply. In distribution it has a 96.5% shareholding in Bandeirante Energia S.A., and holds 100% of IVEN, S.A., which controls Escelsa Espírito Santo Centrais Eléctricas, S.A., and Enersul Empresa Energética do Mato Grosso do Sul S.A.

In the electricity generation sector, the EDP Group has holdings in Usina Hidroeléctrica (UHE), Lajeado (27.65%), and won in 2001 in partnership with Rede do Brazil Group the concession for the construction and operation of Peixe Angical and Couto Magalhães hydroelectric power stations.

In the supply business, in addition to the business carried on by the distribution companies, the EDP Group operates in the electricity trading market through Enertrade, a wholly owned Group company.

Activity in the Telecommunications Sector

In the telecommunications sector, the EDP Group holds 56.607% of the share capital of ONI SGPS (ONI), the remaining capital being held by BCP, GALP Energia and Brisa. ONI operates in fixed telecommunications, providing voice and data services in the Portuguese market (both corporate and residential customers) and in the Spanish market (in the corporate segment).

Activity in the Information Technologies Sector

The EDP Group operates in information technologies through EDINFOR - Sistemas Informáticos S.A., a wholly owned subsidiary, which holds 59.8% of ACE, engaged namely in Consultancy and Systems Integration, Process and Application Outsourcing, IT Infrastructure, Georeferenced Solutions, Printing Solutions and Finishing.

Price regime of Electric Energy

According to Portuguese law, ERSE is responsible for the sector regulation, through the preparation, issue and application of the rules, as well as tariff definition of infrastructure utilisation and electric energy supply to SEP clients. In Brazil these functions are also assumed by a regulatory entity - "Agência Nacional de Energia eléctrica" (ANEEL). In Spain, electric energy prices are established by the government after opinion or proposal of the regulatory entity - "Comissão Nacional de Energia".

Low-tension Electricity Distribution Concession Regime

In accordance with specific legislation (Decree-Law 344-B/82), the right to distribute low-tension electricity in Portugal is given to the municipalities (local authorities). However, EDP is allowed to carry on this activity, under concession, by celebrating concession contracts generally with a 20 years term, which can be revoked with 2 years previous notice. During the split process that took place in 1994 this possibility was maintained in relation to the 4 electricity distribution companies set-up at that time and merged in 2000 into EDP Distribuição S.A. In respect to these concessions, a rent is paid to the concessor municipalities.

Public Domain Assets

In Portugal some fixed assets allocated to electricity generation and distribution within the SEP are subject to the public domain regime. These assets are connected to the Group's activity which can administrate them for that purpose without restraints, but can not use them for private commerce purposes. In Brazil the fixed assets used in the distribution and supply of electricity are tied to those services and cannot be withdrawn, sold, assigned or mortgaged without the prior express consent of the Regulator. ANEEL has already created regulations releasing the assets from the Public Electricity Service concessions, granting prior authorisation for the release of assets of no use to the concession, provided they are to be sold, further determining that the sale money is to be deposited in a tied bank account, to be used in the concession.

2. Accounting policies

The Group's parent company, EDP – Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and consequent merger of the main companies of the electricity sector operating in mainland Portugal. Its registered office is in Lisbon at Praça Marquês de Pombal, 12, 6º. During 1994, as established by Decree-Laws 7/91 and 131/94, the EDP Group was set up (EDP Group or Group) following the split of EDP, S.A., which led to a number of subsidiaries wholly owned by EDP S.A. itself, directly or indirectly.

The Group's businesses are currently focused on the generation, distribution and supply of electricity, on the distribution and supply of gas, on telecommunications and on information technologies. Although complementary, the Group operates as well in related areas such as water, engineering, laboratory tests, vocational training and property management.

The Consolidated Financial Statements of EDP Group have been prepared in accordance with generally accepted accounting principles in Portugal ("Portuguese GAAP"). In order to provide a more adequate presentation of the Group's financial position, the Board of Directors decided, as at 31 December 2003, to adopt International Accounting Standards 19 and 39, on a supplementary basis as permitted by the Portuguese Accounting Directive 18.

The following explanatory notes have due regard for the sequential numbering of the balance sheet and profit and loss account headings included in this chapter III - Financial Statements. All the financial information, both on a consolidated and individual basis, required in accordance with the Portuguese Official Plan of Accounts and set out in chapter IV - Accounting Information required by the Official Plan of Accounts (POC), is detailed in full in the following notes to the financial statements.

a) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities and results of EDP, S.A., and of its subsidiary companies, as defined in Note 7, and the proportional result of the financial holding in associated companies in respect of the years ended 31 December 2004 and 2003.

Shareholdings in subsidiaries

Shareholdings in subsidiaries and in companies in which the Group directly or indirectly holds more than 50% of the voting rights at General Meetings of Shareholders or is able to control the financial and operating policies of a company, have been included in the consolidated financial statements by the full consolidation method. Subsidiaries are included in the consolidation as from the date on which control is acquired up to the date on which it actually ends. The purchase method is used in accounting for the acquisition of subsidiaries. The acquisition cost corresponds to the fair value of the assets acquired, shares issued and liabilities assumed on the date of acquisition, plus those costs directly attributable to the acquisition.

Intra-group transactions, dividends distributed between Group companies, balances and unrealized gains on transactions between Group companies are eliminated. The value corresponding to the external shareholders holdings is carried under minority interests, except for negative minority interests which are charged to reserves. The results of subsidiaries acquired or sold during the year are included in the profit and loss account from the date they are included in the consolidation perimeter up to the date of their sale. The companies consolidated using this method are detailed in Note 7.

Shareholdings in associated companies under the form of joint control

The interests of the Group in jointly-controlled entities are consolidated by the proportional method. The Group consolidates its proportion of costs and revenues, of the assets and liabilities and of the cash flows of the joint undertakings on a line-by-line basis with the respective similar components of the Group's financial statements. Intra-group transactions and balances are eliminated in proportion of the joint undertakings.

Shareholdings in associated companies

Investments in associates are carried at the value resulting from the application of the equity method. In accordance with this method, the consolidated financial statements include the Group's share of the total profits and losses recognised from the date on which significant influence begins up to the date on which it actually ends. Associates are entities in which the Group holds between 20% and 50% of the voting rights, or over which the Group has significant influence. Unrealized gains or losses on transactions between the Group and its associate are eliminated. The Group's investment in associates includes goodwill (net of accumulated amortisation), on acquisition. When the share of losses in an associate exceeds the value of the investment in that associate, the Group recognizes additional losses only if the Group has assumed obligations or made payments in benefit of the associate.

Shareholdings in foreign subsidiaries

In the consolidation, the value of assets and liabilities of foreign subsidiaries are recorded at their value in euros translated at the official exchange rates ruling at the balance sheet date. The results of the subsidiaries are consolidated using their value in euros translated at the average monthly exchange rates for the year. Currency differences resulting from exchange into euros of the net assets at the beginning of the year and of the results of the year at the official exchange rate ruling on the balance sheet date, are recorded against consolidation reserves.

Goodwill

The Goodwill arising from the acquisition of shareholdings in subsidiaries and associates is defined as the difference between the cost of acquisition and the proportional fair value of the net assets of the company acquired. Positive Goodwill is recorded under assets and amortised over the estimated useful life not exceeding 20 years. Negative Goodwill is recorded in the same way, unless it can be imputed to future losses or fixed assets. The value of the Goodwill carried in the balance sheet, as an intangible fixed asset, is reviewed annually and impairment adjustments are recorded as necessary.

Concession rights in Brazil (investments in Bandeirante, Escelsa and Enersul)

The Concession rights in Brazil, namely the investments in Bandeirante, Escelsa and Enersul, are the result of application of calculations and methodologies identical to those of Goodwill, corresponding to, the difference between the cost of acquisition and the proportional fair value of the net assets acquired. Concession rights are recorded under intangible fixed assets and are amortised over the useful life of the concession, not exceeding 30 years.

Accounting, on an unconsolidated basis, of shareholdings in subsidiaries and associates

Financial investments in subsidiaries and associates, on an unconsolidated basis, are accounted for under the equity method as defined by Portuguese Official Accounting Directive 9. The difference between the acquisition cost and the proportional value of the shareholders' equity at the date of acquisition is recorded as Goodwill. The net results of these companies are recorded, as from the date of acquisition, in the profit and loss account.

b) Investments – Implementation by the EDP Group of International Accounting Standard 39 to financial instruments

The EDP Group has implemented early the "International Accounting Standard 39 - Recognition and Measurement of financial instruments" during fiscal year 2003, having calculated the retroactive effects as at 31 December, 2002. Consequently, the EDP Group classifies its investments in accordance with this international accounting standard, particularly with regard to the types of financial instruments and their recognition and measurement, carrying them under the following categories of investments: trading; held to maturity; and available for sale. The classification depends on the purpose for which the investments were acquired. The Board of Directors determines the classification of these investments on the date of acquisition and re-assesses this classification on a regular basis.

Trading account securities

Investments acquired mainly to be traded in the very short term are classified as trading securities and are recorded as current assets. For the purpose of these financial statements, short term is defined as 3 months. Realised and unrealised gains and losses resulting from changes in the fair value of trading securities are recorded in the profit and loss account during the period in which they occur.

Investments securities available for sale

Investments to be held for an undetermined period of time, that can be sold to meet liquidity requirements or because of changes in interest rates, are classified as available for sale under non-current assets, unless the Board of Directors has the express intention of holding the investments during a period of less than 12 months as from the balance sheet date or if there is a need to sell them to generate operating capital, in which case they are carried under current assets. Acquisition cost includes transaction costs. Investments available for sale are accounted at their fair value.

Unrealised gains and losses resulting from changes in the fair value of investments classified as available for sale are recognised against fair value reserves.

The fair value of quoted investments is based on their quoted prices at the balance sheet date. The fair values of unlisted equity investments are estimated using applicable price/earnings or price/cash-flow ratios, adjusted to reflect any specific circumstances of the securities' issuers. Shares for which fair values cannot be reliably measured are recognised at cost less impairment losses.

When instruments classified as available for sale are sold, the cumulative adjustments of fair value are included in the profit and loss account as gains and losses on financial investments. Impairment in the value of investments is charged against the profit and loss account.

c) Impairment of long-term assets

Tangible fixed assets and other non-current assets including goodwill, concession rights and intangible fixed assets, are subject to annual impairment tests, whenever events or circumstances indicate that their carrying amount may not be recovered. An impairment loss is recognised for the excess of the carrying amount of an asset over its recoverable amount, which is defined as the greater of the net realisable value of the sale of the asset and its value in use.

d) Assets and liabilities expressed in foreign currencies

All assets and liabilities expressed in foreign currencies have been translated into euros using the exchange rate ruling on the balance sheet date. Favourable and unfavourable currency translation differences arising on differences between the exchange rate ruling on the date of the transaction and those ruling on the collection, payment or balance sheet date are recorded as gains and losses in the profit and loss account for the year.

e) Tangible fixed assets

Fixed assets owned by the Group

Tangible fixed assets, except with regard to those assets existing at the time of the split of EDP in 1994, which are carried at the amounts resulting from the valuation undertaken in 1992, are recorded at cost (acquisition or construction), net of accumulated depreciation. Fixed assets include financial costs and currency exchange differences capitalised during the construction stage, resulting from loans taken out to finance them, as well as overheads.

During 2003, the EDP Group recognised as Extraordinary gains - Compensation of depreciation of partially-funded fixed assets, the amount of the depreciation of fixed assets contributed by third parties. Since 2004 this value is presented as a deduction to the depreciation of the period.

Current fixed assets repair and maintenance costs are considered costs in the year in which they are incurred. Expenditure on major repairs and improvements are considered as deferred costs and are amortised over a maximum period of 6 years.

Fixed assets allocated to the EDP Distribuição concessions

Under the terms of Decree-Law 344-B/82, as mentioned in note 1, low-tension electricity distribution concessions do not involve the sale of the assets by the concessor municipalities, which remain their property, without prejudice to their allocation to operation by the Group. The fixed assets allocated to the concession are recorded under tangible fixed assets, against a medium and long-term liability (Other Debtors and Creditors - DL 344-B/82 Regularisation Account).

The amounts of these fixed assets are carried at the values resulting from the valuation realized in 1992, net of accumulated depreciation. The fixed assets allocated to the concession are amortised on the same basis and at the same rates as the Company's own fixed assets, the respective cost being compensated under extraordinary income (Note 33), by the reduction, of an equal amount, of the amounts payable to Municipalities carried under liabilities. The Group is responsible for the maintenance and repair of these fixed assets during the period of the concession contract, the costs being recorded on the same basis of the Group's own fixed assets.

f) Intangible fixed assets

Intangible assets are booked at acquisition cost, net of accumulated depreciation.

Set-up costs, research and development costs, and intellectual property and other rights are amortised using the straight-line method over a period of three to six years.

Goodwill and concession rights in Brazil are booked according to the accounting policy mentioned in note 2. a).

The investments that increase the useful life of software programs over their original specifications are added to the original cost of the software. Software development costs recognised as assets are amortised using the straight-line method over their useful life.

g) Inventories

Inventories are carried at cost or at market value if less than cost, their usage (consumption) being valued at average cost.

h) Recognition of costs and revenues

Costs and revenues are recorded during the year to which they refer regardless of when paid or received, in accordance with the accruals concept. Differences between amounts received and paid and the corresponding revenue and expenditure are recorded under accruals and deferrals.

Revenues comprises the amounts invoiced on the sale of products or of services rendered, net of value added tax, rebates and discounts, after elimination of intra-group sales. The invoicing of electricity sales is undertaken on a monthly basis. Monthly electricity invoices are based on real meter reading or on estimated consumptions based on the historical data of each consumer. In Portugal ERSE establishes the SEP electricity tariffs.

Revenues regarding the energy to be invoiced based on actual consumption not yet metered as at the balance sheet date are accrued on the basis of recent average consumptions.

The revenues of telecommunications services are recognised during the period in which they occur. The invoice of these services is carried out on a monthly basis, and amounts not invoiced between the last invoicing cycle and the end of the month are recorded on the basis of an estimate of actual traffic. Differences between estimated amounts and the actual amounts, which are normally not significant, are recorded during the subsequent periods.

Interest earned is recognised using the accrual concept, taking into account the amount owed and the actual interest-rate during the period to maturity.

i) Accounts receivable

Accounts receivable are recorded at their net realisable amount, considering the necessary provisions for doubtful debts. These provisions are recorded based on the valuation of estimated losses from non-collection of accounts receivable at the end of each year.

j) Liabilities for holiday pay and holiday subsidy

The amount of liabilities for holiday pay and holiday subsidy and the respective social security charges for the current year, payable in the following year, are recorded as a cost for the year, under Accrued costs.

k) Social benefits extended to EDP Group employees

The Group records costs resulting from pensions and other employee benefits in accordance with International Accounting Standard 19. These social benefits are detailed in Note 37 to the financial statements.

l) Own work capitalised

Costs incurred by the Group (essentially materials, personnel costs and financial charges) in the construction of fixed assets are initially recorded in the profit and loss account in accordance with its nature and are then allocated to fixed assets based on specific predefined criteria.

m) Dividends payable

Dividends payable are recorded in the Group's financial statements during the year in which they are approved by the shareholders of the parent company – EDP SA.

n) Taxation

The income tax charge, including the amount of deferred tax, when applicable, is calculated in accordance with current legislation.

Income tax is calculated based on the taxable income of the companies included in the tax consolidation. Group companies are taxed on a consolidation regime whenever it is permissible by the legislation of the countries in which the companies operate.

According to Portuguese tax legislation, tax returns remain open for review and adjustment by the tax authorities for a period of four years after the year to which they relate.

Deferred taxes are calculated using the balance sheet liability method, and correspond to the temporary differences between the book values of assets and liabilities and their respective tax values. Recognised deferred tax assets are reduced to the recoverable amount that can be compensated against future taxable profits. At the balance sheet date, the temporary differences related to deferred tax assets are reviewed according to the present expectation of their future recovery.

o) Regulatory assets and liabilities

In activities subject to regulation, the criteria of allocation of income and expense to each accounting period may be different from the criteria applicable to non-regulated activities. For accounting purposes, when the Regulator establishes a criteria of allocating income and expense to future years, then a regulatory asset or liability is recognised in the financial statements, which otherwise would be booked as profit or loss of the year.

Regulatory assets relate to deferred costs defined and regulated by the Regulator, which should be recovered through the increase of electricity tariffs during the following periods.

Regulatory liabilities relate to future decreases in income defined and regulated by the Regulator, which should have an impact on customers, through the decrease of electricity tariffs during the following periods.

The Board of Directors makes certain assumptions as to the recovery of the regulatory assets based on regulations issued, current legislation, or past experience. If the probability of recovery is less than likely than the regulatory asset is written off against cost of the year.

3. Financial-risk management policies

Financial-risk management

The businesses of the EDP Group are exposed to a variety of financial risks, including the effects of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks lies essentially in its debt portfolio, arising from the interest-rate risk, the exchange-rate risk and, and to a limited extent, the risk of non-compliance by the counterparty in each operation. The maturity of the financial markets is analysed on an ongoing basis in accordance with the Group's risk management policy. Financial instruments are used to minimise potential adverse effects on its financial performance.

The management of the financial risks of EDP S.A., EDP Finance, B.V. and other Group entities is undertaken by the Financial Department of EDP, S.A. in accordance with policies approved by the Board of Directors. The Financial Department of EDP, S.A. identifies, evaluates and submits to the Board for approval hedging mechanisms appropriate to each exposure. The Board of Directors is responsible for the definition of general risk-management principles and the establishment of exposure limits.

All transactions undertaken using derivative instruments require the prior approval of the Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

Exchange-rate risk management

The Group operates internationally and is exposed to the exchange-rate risk resulting from different currencies, mainly US Dollars (USD) and Brazilian Reals (BRL). Currently, the exposure to the USD/Euro currency fluctuation risk results from the Brazilian companies, that have financial debt expressed in USD. The debt contracted by the holding company is fully denominated in Euro. Bonds issued by EDP Finance BV under the Medium Term Notes Programmes in JPY and GBP were hedged in what concerns exchange-rate risk and interest-rate risk at the date of issue.

The Financial Department of EDP, S.A. is responsible for monitoring the evolution of the currencies referred above, seeking to mitigate the impact of currency fluctuations on the financial costs of the Group companies and, consequently on consolidated net profit, using exchange-rate derivatives and/or other hedging structures.

The Brazilian subsidiaries exposed to USD/BRL currency fluctuation through their debt in USD use forward rate agreements and currency swaps to hedge these risks. Additionally, investments in the Brazilian subsidiaries, whose net assets are exposed to exchange-rate risks, are monitored through analysis of the evolution of the BRL/Euro exchange-rate. Given the long-term nature determined for investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange-rate risk inherent on the investment in these subsidiaries.

The policy implemented by the EDP Group consists of undertaking derivatives operations for the purpose of hedging risks with characteristics similar to those of the hedged liability. The operations are revalued and monitored throughout their useful life and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Interest-rate risk management

The Group's operating and financial cash flows are substantially independent from fluctuation of the interest-rate markets. The Group has no substantial volume of interest-earning assets.

The aim of the interest-rate risk management policies is to reduce the financial charges and to reduce the exposure of debt cash flows from market fluctuations by the settlement of derivative instruments (swaps and collars) to fix the debt interest rates. Therefore, in floating-rate financing, the Group contracts interest-rate instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest-rate instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are contracted, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

All these operations are undertaken on liabilities in the Group's debt portfolio and mainly involve effective hedging, through the effectiveness of changes in the fair value of the hedging instrument and the changes in fair value of the interest-rate risk or exchange-rate risk being covered. The Group has a portfolio of interest-rate derivatives with maturities between approximately 1 and 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

Counter-party credit-rate risk management in financial transactions

The EDP Group policy in terms of the counter-party-risk of financial transactions is managed by an analysis of the technical capacity, competitiveness, credit notation and exposure of each counter-party, avoiding significant concentrations of credit risks. Counter-parties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, it is not considered that there is any significant risk of counter-party non-compliance. No collateral is demanded for these transactions.

The Group has adopted the best market practices in respect of documentation of its financial transactions. To this end, all derivative operations are engaged under the ISDA Master Agreements, and bond issues are undertaken under a Debt Instrument Issue Programme.

Regarding the third-party debt generated by the Group's day-to-day business, the credit risks arise essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity and by the large volume of residential customers.

Liquidity Risk

The EDP Group undertakes prudent management of the liquidity risk, contracting and maintaining credit lines and financing facilities with a firm underwriting commitment by national and international financial institutions of high credit rating notation, allowing immediate and flexible access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the Group's short-term financing sources to be diversified.

Accounting for financial instruments

As referred in Note 2, the EDP Group decided to implement in 2003, International Accounting Standard 39: Recognition and Measurement of Financial Instruments. The effects were calculated retroactive to 31 December, 2002. EDP Group uses financial instruments to hedge exposures to exchange-rate risk and interest-rate risk, resulting from its operational and financing activity. The Group does not use financial instruments for trading purposes.

The financial instruments are initially measured at fair value, at acquisition date. The recognition of gains or losses resulting from subsequent revaluation are registered against income if the financial instrument is classified as fair value hedge under IAS 39, or in reserves if the financial instrument is classified as cash flow hedge. Under IAS 39, the Group classifies the financial instruments as either: 1) hedging the fair value of the recognised asset or liability (fair value hedge); 2) hedging of cash flow variability in liabilities and highly probable future transactions (cash flow hedge).

In accordance with IAS 39, when the financial instruments are not considered as an hedge, they are accounted as trading and the changes in fair value resulting from its subsequent revaluation, are recorded through income in the period they occur.

Fair Value hedge

The gains and losses resulting from changes in fair value of financial instruments classified as fair value hedge, are recognised against income together with the changes in fair value of the risk being hedged (interest rate risk or exchange rate risk), associated to the asset or liability covered.

When the hedge accounting is discontinued by sale, termination or exercise of the hedge instrument or when the hedge relation does not comply with the requirements defined by IAS 39, the changes of fair value of the risk being hedged already accounted, are recognised through the remaining life of the hedged item against income.

Cash flow hedge

When a financial instrument is considered to be a cash flow hedge of assets and liabilities recognised or of future transactions highly probable, the changes of fair value resulting from its subsequent revaluation, corresponding to the effective part of the coverage, are accounted against reserves. The changes of fair value attributable to the non-effective part of the coverage are accounted against income at the time they occur.

When a highly probable future transaction covered by a cashflow hedge, results in the recognition of a financial asset or liability, the changes of fair value of the hedging instrument recorded in reserves, are charged through income over the period in which the financial asset acquired or the financial liability assumed, has impact in the profit and loss account.

When a highly probable future transaction results in the recognition of a non-financial asset or liability, the changes in fair value of the hedging instrument recorded against reserves, are reclassified and recorded as acquisition cost of the non-financial asset or liability.

On the remaining cashflow hedge cover, the changes of fair value of the hedging instrument recorded against reserves, are recognised in the profit and loss account over the same period in which the cash flows generated by the item being hedged have impact in income.

The changes of fair value of the hedging instruments charged against reserves, in the case the instrument was used in order to cover the variability of assets or liabilities cash flows, are recognised through income over the remaining period.

When the hedging instrument expires, is sold or is exercised, or when the hedging relation does not comply with the necessary requirements to adopt hedge accounting under IAS 39, the changes of fair value of the hedging instruments should be maintained in reserves until the recognition of the future transaction.

The derecognition of an asset or liability, in the cash flow hedge model, or when the future transaction is no longer highly probable, imply that the changes of fair value of an hedging instrument, recorded in reserves, must be immediately charged against income.

Estimate of the fair value of financial instruments

The fair value of derivatives traded on liquid markets and of assets available for sale is based on their quoted prices on the balance sheet date. The fair value of interest-rate swaps is calculated on the basis of the present value of future estimated cash flows.

In the valuation of the fair value of non-negotiable derivatives and other financial instruments, the Group uses a variety of methods and assumptions based on market conditions existing on the balance sheet date. Market prices or the prices given by parties involved in the market for a specific instrument or for similar products are used in terms of long-term debt. The estimated value of future cash flows is used to determine the fair value of other financial instruments.

The book values of financial assets and liabilities with a maturity of less than one year are assumed to be close to their fair values.

4. Tangible fixed assets

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Cost				
Fixed assets held under the Decree Law 344-B/82 regime	240.607	240.607	-	-
Land and natural resources	121.013	128.169	55.709	55.838
Buildings and other constructions	418.028	410.982	57.959	81.413
Plant and machinery:				
Hydroelectric generation	7.428.417	6.952.258	-	-
Thermoelectric generation	5.744.530	3.405.254	-	-
Renewables generation	455.538	42.795	-	-
Electricity distribution	12.407.568	12.675.981	-	-
Other plant and machinery	1.298.723	714.415	-	-
Transport equipment	80.190	75.761	2.312	2.032
Office equipment and utensils	395.066	344.250	64.365	59.511
Other tangible fixed assets	39.924	22.393	13.545	23
Fixed assets in progress	1.199.685	1.187.302	10.669	4.427
	<u>29.829.289</u>	<u>26.200.167</u>	<u>204.559</u>	<u>203.244</u>
Accumulated depreciation				
Depreciation charge for the year	-830.385	-803.091	-5.380	-4.930
Other accumulated depreciation	-15.439.579	-13.745.477	-80.322	-80.767
	<u>-16.269.964</u>	<u>-14.548.568</u>	<u>-85.702</u>	<u>-85.697</u>
	<u>13.559.325</u>	<u>11.651.599</u>	<u>118.857</u>	<u>117.547</u>

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Tangible fixed assets held under the Decree-Law 344-B/82 regime are those assets allocated to low-tension in electricity distribution transferred from the local authorities under the concession regime. These assets, though operated by the Group, continue to be the property of the local authorities and are analysed as follows:

	Group	
	Dec 2004 Euro'000	Dec 2003 Euro'000
Fixed assets held under the DL 344-B/82 regime	240.607	240.607
Accumulated depreciation	-234.133	-231.528
Net amount	<u>6.474</u>	<u>9.079</u>

Part of these assets may be transferred to EDP Group by settlement, by offsetting accounts in respect of outstanding debts of the respective municipalities (see Note 10).

The **Tangible fixed assets** movements for the **Group** during the year of 2004 are analysed as follows:

	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Perimeter Variations / Regularisations Euro'000	Balance December 31 Euro'000
Cost						
Fixed assets held under the DL 344-B/82 regime	240.607	-	-	-	-	240.607
Land and natural resources	128.169	699	-901	989	-7.943	121.013
Buildings and other constructions	410.982	2.062	-19.442	6.370	18.056	418.028
Plant and machinery	23.790.703	99.809	-300.517	1.002.189	2.742.592	27.334.776
Transport equipment	75.761	9.301	-8.496	2.760	864	80.190
Office equipment and utensils	344.250	8.502	-6.116	21.649	26.781	395.066
Other tangible fixed assets	22.393	1.251	-16	1.448	14.848	39.924
Fixed assets in progress	1.187.302	1.053.380	-528	-1.035.405	-5.064	1.199.685
	<u>26.200.167</u>	<u>1.175.004</u>	<u>-336.016</u>	<u>-</u>	<u>2.790.134</u>	<u>29.829.289</u>
Accumulated depreciation						
Fixed assets held under the DL 344-B/82 regime	231.528	2.604	-	-	1	234.133
Buildings and other constructions	166.403	9.682	-8.061	-	10.953	178.977
Plant and machinery	13.911.573	770.359	-261.860	-	1.136.823	15.556.895
Transport equipment	54.532	9.570	-6.612	-	223	57.713
Office equipment and utensils	180.109	33.206	-2.484	-	19.597	230.428
Other tangible fixed assets	4.423	4.964	-	-	2.431	11.818
	<u>14.548.568</u>	<u>830.385</u>	<u>-279.017</u>	<u>-</u>	<u>1.170.028</u>	<u>16.269.964</u>

As at 31 December, 2004, for the Group, the cost of tangible fixed assets financed by leasing is 15,775 thousand Euros (accumulated depreciation of 4,173 thousand Euros) and the respective lease instalments payable are 10,236 thousand Euros.

The Perimeter Variations / Regularisations column includes the consolidation of Hidrocarbónico Group under the full consolidation method from 31 December, 2004 and exchange-rate variations during the year.

In accordance with the accounting criteria defined in Note 2, the following amounts of financing interest were capitalized during the year under Fixed assets in progress:

	Group	
	Dec 2004 Euro'000	Dec 2003 Euro'000
Electricity generation	14.167	6.166
Electricity distribution	9.533	7.701
Studies and projects	386	10.101
	<u>24.086</u>	<u>23.968</u>

The **Tangible assets** movements on a company basis during the year of 2004 are analysed as follows:

	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance December 31 Euro'000
Cost						
Land and natural resources	55.838	-	-104	-	-25	55.709
Buildings and other constructions	81.413	-	-13.258	3.320	-13.516	57.959
Transport equipment	2.032	866	-586	-	-	2.312
Office equipment and utensils	59.511	2.055	-	2.913	-114	64.365
Other tangible fixed assets	23	-	-	-	13.522	13.545
Fixed assets in progress	4.427	9.171	3.313	-6.233	-9	10.669
	<u>203.244</u>	<u>12.092</u>	<u>-10.635</u>	<u>-</u>	<u>-142</u>	<u>204.559</u>
Accumulated depreciation						
Buildings and other constructions	31.929	1.230	-5.045	-	-157	27.957
Transport equipment	884	348	-328	-	-	904
Office equipment and utensils	52.878	2.448	-	-	-2	55.324
Other tangible fixed assets	6	1.354	-	-	157	1.517
	<u>85.697</u>	<u>5.380</u>	<u>-5.373</u>	<u>-</u>	<u>-2</u>	<u>85.702</u>

As at 31 December, 2004, on a company basis, the cost of tangible fixed assets financed by leasing is in the amount of 1,610 thousand Euros (accumulated depreciation of 352 thousand Euros) and the respective lease instalments payable are 1,064 thousand Euros.

5. Intangible fixed assets

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Cost				
Set-up costs	86.913	85.157	5.883	7.085
Research and development costs	69.095	103.302	6.343	15.193
Industrial property and other rights	264.991	158.057	50	50
Assets in progress and other fixed assets	17.496	21.944	1.952	3.277
Key money on telecommunications business	73.169	40.209	-	-
Concession rights in Brazil	846.633	835.366	242.831	242.831
	<u>1.358.297</u>	<u>1.244.035</u>	<u>257.059</u>	<u>268.436</u>
Accumulated amortisation				
Amortisation of concession rights and key money during the year	-39.306	-37.982	-7.748	-7.745
Amortisation of intangible fixed assets during the year	-44.753	-42.501	-3.812	-3.183
Other accumulated amortisation	-305.574	-213.370	-57.561	-50.152
	<u>-389.633</u>	<u>-293.853</u>	<u>-69.121</u>	<u>-61.080</u>
	<u>968.664</u>	<u>950.182</u>	<u>187.938</u>	<u>207.356</u>

The **Intangible assets** movements for the **Group** during the year of 2004 are analysed as follows:

	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Perimeter Variations / Regularisations Euro'000	Balance December 31 Euro'000
Cost						
Set-up costs	85.157	366	-6.956	906	7.440	86.913
Research and development costs	103.302	2.814	-7.270	4.744	-34.495	69.095
Industrial property and other rights	158.057	25.873	-16.903	16.745	81.219	264.991
Assets in progress and other fixed assets	21.944	17.897	-103	-22.395	153	17.496
Key money on telecommunications business	40.209	-	-	-	32.960	73.169
Concession rights in Brazil	835.366	10.571	-	-	696	846.633
	<u>1.244.035</u>	<u>57.521</u>	<u>-31.232</u>	<u>-</u>	<u>87.973</u>	<u>1.358.297</u>

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	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Perimeter Variations / Regularisations Euro'000	Balance December 31 Euro'000
Accumulated amortisation						
Set-up costs	64.855	17.964	-6.495	-	-4.789	71.535
Research and development costs	44.606	10.437	-5.253	-	-9.640	40.150
Industrial property and other rights	32.376	16.352	-4.880	-	32.436	76.284
	141.837	44.753	-16.628	-	18.007	187.969
Key money on telecommunications business	14.571	8.817	-	-	10.333	33.721
Concession rights in Brazil	137.445	30.489	-	-	9	167.943
	152.016	39.306	-	-	10.342	201.664
	293.853	84.059	-16.628	-	28.349	389.633

The Perimeter Variations / Regularisations column includes the consolidation of Hidrocontábrico Group under the full consolidation method from 31 December, 2004 and exchange-rate variations during the year.

The **Intangible assets** movements on a company basis during the year of 2004 are analysed as follows:

	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance December 31 Euro'000
Cost						
Set-up costs	7.085	-	-479	-	-723	5.883
Research and development costs	15.193	-	-930	3.309	-11.229	6.343
Industrial property and other rights	50	-	-	-	-	50
Assets in progress and other fixed assets	3.277	2.131	-	-3.309	-147	1.952
Concession rights in Brazil	242.831	-	-	-	-	242.831
	268.436	2.131	-1.409	-	-12.099	257.059
	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance December 31 Euro'000
Accumulated amortisation						
Set-up costs	5.228	1.299	-375	-	-269	5.883
Research and development costs	6.715	2.505	-279	-	-2.598	6.343
Industrial property and other rights	10	8	-	-	2	20
	11.953	3.812	-654	-	-2.865	12.246
Concession rights in Brazil	49.127	7.748	-	-	-	56.875
	61.080	11.560	-654	-	-2.865	69.121

For the **Group**, and on a **Company Basis**, the balance **Concession rights**, resulting from the difference between cost and the fair value of the company's assets attributable to the Group on the acquisition date, is analysed as follows

	Dec 2004			Dec 2003		
	Concession rights Euro'000	Accumulated amortisation Euro'000	Net amount Euro'000	Concession rights Euro'000	Accumulated amortisation Euro'000	Net amount Euro'000
Electricity Business - Brazil						
Consolidated - Group						
EDP Brasil - Energy Distribution	846.633	-167.944	678.689	835.366	-137.445	697.921
Amortisation charge for the year		-30.489			-30.439	
Company basis						
EDP Brasil - Energy Distribution	242.831	-56.875	185.956	242.831	-49.127	193.704
Amortisation charge for the year		-7.748			-7.745	

The Concession rights over the electric distribution network, namely from S. Paulo state, Espírito Santo state and Mato Grosso do Sul state, are amortised using the straight-line method over the total period of concession, until 2025, 2030 and 2035, respectively.

As at 31 December, 2004, for the **Group**, by business area, the main **Research and development** projects are as follows:

	Amount invested Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000
Development projects by business area:			
Electricity generation	19.540	-12.309	7.231
Information technologies	7.449	-5.315	2.134
Telecommunications	25.940	-17.707	8.233
Quality and distribution	16.166	-4.819	11.347
	<u>69.095</u>	<u>-40.150</u>	<u>28.945</u>

As at 31 December, 2004, for the **Group**, the breakdown of the main **Industrial property and other rights** assets, is as follows:

Industrial property and other rights	EDP Group Company	Amount invested Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000
Software licensing	Brazil and Hidrocontábrico	92.197	-52.530	39.667
Optic fibre usage rights	Oni Telecom	168.966	-21.452	147.514
Other	Other companies	3.828	-2.302	1.526
		<u>264.991</u>	<u>-76.284</u>	<u>188.707</u>

6. Goodwill

For the **Group**, the breakdown of **Goodwill** resulting from the difference between the cost of the investments and the corresponding share of the fair value of the net assets acquired, is analysed as follows:

	Dec 2004			Dec 2003		
	Goodwill Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000	Goodwill Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000
Electricity Business						
Hidrocontábrico Group	1.331.818	-169.065	1.162.753	500.519	-38.709	461.810
EDP Brasil - Energy generation	3.227	-180	3.047	3.806	-131	3.675
	<u>1.335.045</u>	<u>-169.245</u>	<u>1.165.800</u>	<u>504.325</u>	<u>-38.840</u>	<u>465.485</u>
Gas Distribution Business						
Naturcorp (Hidrocontábrico Group)	643.655	-51.662	591.993	252.157	-7.610	244.547
Portgás/Setgás	107.080	-	107.080	-	-	-
	<u>750.735</u>	<u>-51.662</u>	<u>699.073</u>	<u>252.157</u>	<u>-7.610</u>	<u>244.547</u>
Telecommunications Business						
Oni Solutions, S.A.	-	-	-	21.103	-8.399	12.704
Comunitel Global, S.A.	95.434	-32.199	63.235	86.157	-22.889	63.268
Other	7.012	-1.360	5.652	12.779	-1.385	11.394
	<u>102.446</u>	<u>-33.559</u>	<u>68.887</u>	<u>120.039</u>	<u>-32.673</u>	<u>87.366</u>
Information Technology Business						
ACE, SGPS, S.A.	30.573	-11.591	18.982	58.844	-8.827	50.017
Case, S.A.	1.445	-1.445	-	3.612	-1.084	2.528
Copidata, S.A.	-	-	-	4.064	-3.861	203
S-Tecno, S.A.	3.926	-1.570	2.356	3.926	-1.178	2.748
Other	5.155	-3.366	1.789	8.827	-2.428	6.399
	<u>41.099</u>	<u>-17.972</u>	<u>23.127</u>	<u>79.273</u>	<u>-17.378</u>	<u>61.895</u>
Other Businesses						
Affinis, S.A.	6.425	-1.296	5.129	12.725	-689	12.036
Turbogás, S.A.	18.174	-1.817	16.357	18.174	-908	17.266
Companhia Electricidade Macau	15.320	-7.660	7.660	16.543	-6.893	9.650
Dómus, Lda.	2.728	-	2.728	-	-	-
Other	2.127	-1.065	1.062	2.127	-858	1.269
	<u>44.774</u>	<u>-11.838</u>	<u>32.936</u>	<u>49.569</u>	<u>-9.348</u>	<u>40.221</u>
	<u>2.274.099</u>	<u>-284.276</u>	<u>1.989.823</u>	<u>1.005.363</u>	<u>-105.849</u>	<u>899.514</u>
Amortisation charge for the period		<u>-56.219</u>			<u>-54.439</u>	

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The increase of 1,222.8 million Euro in Goodwill for the Hidrocantabrico Group corresponds to the acquisition of 56.2% by the EDP Group (242.1 million Euros) and by its consolidation under the full consolidation method (980.7 million Euros). Until 30 June, 2004, the Hidrocantabrico Group was consolidated by the proportional method.

Goodwill arising from the acquisition of shareholdings in subsidiaries and associates is amortised by the straight line method over the estimated useful life (10 years in general and 20 years for ACE, Affinis, Turbogás and Hidrocantabrico).

On a **Company Basis, Goodwill**, resulting from the difference between the cost of the investment and the corresponding share of the fair value of the net assets acquired, is analysed as follows:

	Dec 2004			Dec 2003		
	Goodwill Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000	Goodwill Euro'000	Accumulated amortisation Euro'000	Net Amount Euro'000
Electricity Business						
Hidrocantábrico Group	358.018	-14.973	343.045	115.915	-9.177	106.738
Gas Distribution Business						
Portgás/Setgás	107.080	-	107.080	-	-	-
Other	2.166	-126	2.040	-	-	-
	<u>467.264</u>	<u>-15.099</u>	<u>452.165</u>	<u>115.915</u>	<u>-9.177</u>	<u>106.738</u>
Amortisation charge for the period		<u>-5.922</u>			<u>-5.796</u>	

7. Investments

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Equity holdings:				
Subsidiary companies	60	1.305	7.077.230	5.598.313
Associated companies	431.414	441.449	327.305	998.617
Other companies	<u>1.396.421</u>	<u>1.351.958</u>	<u>337.574</u>	<u>317.072</u>
	<u>1.827.895</u>	<u>1.794.712</u>	<u>7.742.109</u>	<u>6.914.002</u>
Investments in properties:				
Buildings and other constructions	<u>2.551</u>	<u>1.417</u>	<u>-</u>	<u>-</u>
	<u>2.551</u>	<u>1.417</u>	<u>-</u>	<u>-</u>
Other financial investments:				
Bank deposits	10.000	-	-	-
Public debt securities	19	19	19	19
Other securities	38.245	70.143	-	282.193
Other financial investments	<u>6.961</u>	<u>4.029</u>	<u>-</u>	<u>-</u>
	<u>55.225</u>	<u>74.191</u>	<u>19</u>	<u>282.212</u>
	<u>1.885.671</u>	<u>1.870.320</u>	<u>7.742.128</u>	<u>7.196.214</u>
Provision for financial assets :				
Equity holdings	-267.093	-285.790	-698	-948
Other financial investments	<u>-2.919</u>	<u>-1.391</u>	<u>-</u>	<u>-</u>
	<u>-270.012</u>	<u>-287.181</u>	<u>-698</u>	<u>-948</u>
Amortisation of investments in properties	<u>-366</u>	<u>-355</u>	<u>-</u>	<u>-</u>
	<u>-270.378</u>	<u>-287.536</u>	<u>-698</u>	<u>-948</u>
	<u>1.615.293</u>	<u>1.582.784</u>	<u>7.741.430</u>	<u>7.195.266</u>

The breakdown of **Equity holdings** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Investments in subsidiary companies:				
EDP Distribuição de Energia, S.A.	-	-	1.591.145	1.566.925
EDP Energia, S.A.	-	-	35.422	46.665
Edinfor - Sistemas Informáticos, S.A.	-	-	121.094	53.963
EDP Gestão de Produção de Energia, S.A.	-	-	1.855.080	1.910.017
EDP-Participações, SGPS, S.A.	-	-	670.717	1.033.566
Enernova, S.A.	-	-	40.189	21.235
EDP Produção Bioelétrica, S.A.	-	-	9.423	11.095
EDP Internacional, S.A.	-	-	984.333	879.478
Enercorp - Serviços Corporativos, Lda.	-	-	16.879	6.471
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	6.998	7.136
Edalpro - Imobiliária, Lda.	-	-	969	1.728
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	-	-	7.194	6.481
EDP Brasil, S.A.	-	-	34.026	-
EDP Investimento, Gestão de Participações e Assistência Técnica, Lda.	-	-	40.783	50.586
Hidroelétrica del Cantábrico, S.A.	-	-	1.647.876	-
EDP Finance Company, Ltd.	-	-	12.892	-
Other	60	1.305	2.210	2.967
	60	1.305	7.077.230	5.598.313
Investments in associated companies:				
DECA - Distribucion Eléctrica Centroamerica, S.A.	49.952	67.894	49.952	67.894
Companhia de Electricidade de Macau	48.992	65.129	-	-
REN - Rede Eléctrica Nacional, S.A.	258.698	254.223	258.698	254.223
Empresas associadas do Grupo Hidrocantábrico	38.470	29.180	-	-
Red Eléctrica de España S.A.	-	10.218	-	-
Portsines - Terminal de Multipurpose de Sines, S.A.	7.381	7.501	-	-
Turbogás - Produtora Energética, S.A.	6.026	5.211	-	-
Portgás-Soc.de Prod.e Distrib.de Gás, S.A.	15.443	-	15.443	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	1.597	-	1.597	-
AIST-Administradora de Inmuebles Santo Tomas, S.A.	1.065	-	1.065	-
Hidroelétrica del Cantábrico, S.A.	-	-	-	676.213
Other	3.790	2.093	550	287
	431.414	441.449	327.305	998.617
Investments in other companies:				
CERJ - Companhia Elétrica do Estado Rio Janeiro	95.049	97.767	-	-
Galp Energia, SGPS, S.A.	328.171	328.211	-	-
BCP - Banco Comercial Português, S.A.	522.154	552.789	-	-
OPTEP (Optimus, S.A.)	336.000	315.000	336.000	315.000
Elcogás, S.A.	4.720	2.166	-	-
Tagusparque, S.A.	1.097	1.097	-	-
Tejo Energia, S.A.	4.988	4.988	-	-
ValorSul, S.A.	3.878	2.469	-	-
Efacec, S.A.	3.566	3.566	-	-
EDA - Elétrica dos Açores, S.A.	6.891	6.891	-	-
Costa Rica Energética, Lda.	2.635	2.073	-	-
Red Eléctrica de España S.A.	66.959	-	-	-
Other	20.313	34.941	1.574	2.072
	1.396.421	1.351.958	337.574	317.072
	1.827.895	1.794.712	7.742.109	6.914.002

On 13 December, 2004, EDP Group announced its intention to exercise the call option underlying the Agreement celebrated on 26 October, 2004, regarding the acquisition of 20% of Turbogás – Produtora Energética, S.A. and 26.667% of Portugal-Energia, S.A., at the reference price of 55,667 thousands Euro. The option exercise was subject to the approval of the operation by the bank syndicate that finances Turbogás. The effective date of the acquisition will be after the referred approval, which should occur during 2005.

During 2004, the mandatorily convertible bonds issued by Banco Comercial Português, 30,636 thousand Euro, were transferred from Investments in other companies to Other financial investments.

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In accordance with International Accounting Standard 39 – Financial Instruments, investments available for sale included in the balance Investments in other companies, are analysed as follow:

	Group			Carrying Value Euro'000
	Book Value Euro'000	Potencial loss (Provisions) Euro'000	Potencial gain Euro'000	
CERJ - Companhia Eléctrica do Estado Rio Janeiro	95.049	-9.144	-	85.905
Galp Energia, SGPS, S.A.	322.566	-	5.605	328.171
BCP - Banco comercial Português, S.A.	522.154	-253.592	-	268.562
OPTEP (Optimus)	315.000	-	21.000	336.000
Red Eléctrica de España S.A.	42.793	-	24.166	66.959
	<u>1.297.562</u>	<u>-262.736</u>	<u>50.771</u>	<u>1.085.597</u>

As at 31 December, 2004, the investment held in Red Eléctrica de España, S.A. is registered at fair value under Investments in other companies.

The balance **Investments in other companies**, in the **Group**, and on a **company basis**, includes the investment of 100% in OPTEP (whose assets include 25.72% of Optimus, S.A. share capital) and under liabilities is registered the corresponding liability to the entity that acquired this asset in 2002, since there is a "selling price adjustment mechanism of Optimus/OPTEP", which, in accordance with the rules in force, does not allow this operation to be considered as an effective sale and consequently the derecognition of the asset. On this basis, the investment sold in 2002 is registered in full under assets and the respective liability under liabilities, the price fluctuations being recognised in reserves as an investment available for sale for as long as the referred clause remains in force, with maturity on 22 March, 2005.

During 2004 the following changes took place in the consolidation perimeter of the EDP Group:

- Under the agreement established with Energie Baden-Württemberg AG, Caja de Ahorros de Asturias, Caja de Seguros Reunidos and Compañía de Seguros y Reaseguros, S.A., EDP acquired an additional investment of 56.2% in Hidroeléctrica del Cantábrico, S.A., increasing its investment to 95.7%. This position, corrected by the effect of treasury stocks held as at 31 December, 2004, corresponds to a shareholding of 95.94% in Hidroeléctrica del Cantábrico, S.A. The global price paid by EDP under this transaction amounted to 1,200.8 million Euro, originating a goodwill of 242.1 million Euro, as referred in Note 6. This operation was financed through an increase in the share capital of EDP in the amount of 1,208 million Euro, corresponding to 656,537,715 new shares with a nominal value of 1 Euro each and with a premium of 0.84 Euro each, reserved for the EDP shareholders.
- Under the agreement established between EDP and CGD, on 25 November, 2003, CGD exercised the put option regarding the total share capital of NQF – Projectos de Telecomunicações e Energia, S.A. NQF holds, indirectly, investments corresponding to 12.9% and 10.1% of Portgás-Sociedade de Produção e Distribuição de Gás, S.A. and Selgás-Sociedade de Produção e Distribuição de Gás, S.A. share capital, respectively. On the other hand, under the agreement settled, on 14 November, 2003, between EDP, Galp Energia SGPS, S.A., GDP, SGPS, S.A., EDP exercised, on 29 December, 2004, the call option regarding the acquisition of 46.625% of Portgás share capital.

The movements in **Provisions for Investments** are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Provision for Equity holdings:				
Balance as at 1 January	285.790	276.734	948	698
Charge for the year	-	8.585	-	-
Changes in investments medium - long term	-18.697	15.967	-250	250
Write-backs	-	-15.496	-	-
Balance as at 31 December	<u>267.093</u>	<u>285.790</u>	<u>698</u>	<u>948</u>
Provision for Other financial investments:				
Balance as at 1 January	1.391	1.391	-	-
Changes in the consolidation perimeter	1.528	-	-	-
Balance as at 31 December	<u>2.919</u>	<u>1.391</u>	<u>-</u>	<u>-</u>
	<u>270.012</u>	<u>287.181</u>	<u>698</u>	<u>948</u>

The **Subsidiary Companies consolidated under the full consolidated method** as at 31 December, 2004, are as follows:

Subsidiary Companies	Head office	Share capital / Currency	Shareholders' Equity 31-Dec-04 Euro'000	Net Profit 31-Dec-04 Euro'000	% Group	% Company
Group's parent holding company and related activities - Portugal:						
EDP - Energias de Portugal, S.A.	Lisbon	3.656.537.715 EUR	6.401.714	440.152	-	-
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4.550.000 EUR	8.636	836	100,00%	100,00%
MRH - Mudança e Recursos Humanos, S.A.	Lisbon	750.000 EUR	-908	-586	100,00%	-
Sávida - Medicina Apoiada, S.A.	Lisbon	450.000 EUR	2.588	186	100,00%	-
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50.000 EUR	-843	-215	100,00%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50.000 EUR	-108	-190	100,00%	100,00%
EDP Imobiliária, S.A.	Lisbon	5.000.000 EUR	4.458	-463	100,00%	-
Edalpro - Imobiliária, Lda.	Lisbon	748.197 EUR	1.065	-390	100,00%	100,00%
EDP Participações S.G.P.S., S.A.	Lisbon	125.000.000 EUR	921.396	25.323	100,00%	100,00%
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5.000 EUR	-1.529	-624	100,00%	-
EDP Internacional S.G.P.S., S.A.	Lisbon	37.500.000 EUR	659.802	-420.314	100,00%	100,00%
EDP Finance BV	Holand	20.000 EUR	20	-133	100,00%	100,00%
EDP Finance Company Ltd	Ireland	1.000.000 EUR	651	-7	100,00%	100,00%
EDP Investimento, Gestão de Participações e Assistência Técnica, Lda.	Lisbon	200.000 MOP	44.703	8.885	100,00%	100,00%
EDP Investments and Services, Limited	Cayman Islands	1.000 USD	1.661	-4.999	100,00%	-
Internel - Serviços de Consultoria Internacional, S.A.	Lisbon	50.000 EUR	321	344	100,00%	-
EDP Trader Internacional - Comércio, Consultoria e Serviços, Sociedade Unipessoal, Lda.	Funchal	5.000 EUR	5	-	100,00%	-
Electricity Business - Portugal:						
Electricity Generation:						
EDP Gestão da Produção de Energia, S.A.	Lisbon	1.250.000.000 EUR	1.525.566	325.570	100,00%	100,00%
EDP Produção Bioelétrica, S.A.	Lisbon	4.000.000 EUR	9.375	-1.720	100,00%	100,00%
CPPE - Companhia Portuguesa de Produção de Electricidade, S.A.	Lisbon	1.234.000.000 EUR	2.396.054	371.796	100,00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Lisbon	500.000 EUR	947	305	60,00%	-
EDP Energia, S.A.	Lisbon	50.100.200 EUR	62.950	-6.518	100,00%	60,00%
Hidrobasto, Lda.	Cabeceiras	100.000 EUR	104	-4	60,00%	-
Soporgen, S.A.	Lisbon	50.000 EUR	3.959	3.898	82,00%	-
Energim Azóia, S.A.	Lisbon	50.000 EUR	-3.231	-1.176	65,00%	-
EDP Produção EM - Engenharia e Manutenção, S.A.	Macao	2.250.000 EUR	7.986	651	100,00%	-
Tergen - Operação e Manutenção de Centrais Termoelétricas, S.A.	Carregado	250.000 EUR	262	18	80,00%	-
Enerfin - Sociedade de Eficiência Energética, S.A.	Macao	50.000 EUR	564	579	74,88%	-
Enernova - Novas Energias, S.A.	Lisbon	7.500.000 EUR	40.486	8.321	100,00%	100,00%
Domus Eólica-Produção de Energia Renováveis, Lda.	Macao	5.000 EUR	2	-	100,00%	-
Eólica da Serra das Alturas, S.A.	Boticas - Oporto	50.000 EUR	50	-	70,00%	-
Electricity Distribution and Supply:						
EDP Distribuição de Energia, S.A.	Lisbon	1.024.500.000 EUR	1.591.145	142.032	100,00%	100,00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50.000 EUR	805	531	100,00%	100,00%
EDP - Outsourcing Comercial, S.A.	Lisbon	50.000 EUR	50	-	100,00%	100,00%
EDP - Powerline, Infraestruturas de Comunicação, S.A.	Lisbon	50.000 EUR	50	-	100,00%	100,00%
Group's parent holding company and related activities - Spain:						
Hidroeléctrica del Cantábrico, S.A.	Oviedo	425.721.430 EUR	1.721.869	35.847	95,94%	95,94%
Gas Capital S.A.U.	Oviedo	60.110 EUR	-14.305	1.435	95,94%	-
Hidrocantábrico Gestión de la Energía S.A.	Oviedo	300.500 EUR	1.178	-765	95,94%	-
Hidrocantábrico Servicios S.A.	Oviedo	60.150 EUR	496	230	95,94%	-
Inverasturias I Fondo Capital Riesgo	Avilés	6.010.123 EUR	6.090	80	19,19%	-
Red Eléctrica de España S.A.	Madrid	270.540.000 EUR	884.805	132.381	2,88%	-
Sociedad promotora de las Telecomunicaciones en Asturias	Oviedo	55.379.523 EUR	36.965	-18.412	44,08%	-
Telecable de Asturias S.A.U.	Oviedo	53.786.608 EUR	35.843	470	44,08%	-
Canal Energía S.L.	Madrid	4.000 EUR	20	-	47,95%	-

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Electricity Business - Spain:						
Electricity Generation:						
Ambitec Laboratorio Medioambiental (ITSEMAP) S.A.	Madrid	1.021.700 EUR	1.071	-47	76,73%	-
Asociación Central Producción Térmica S.A.	Cuenca	390.658 EUR	398	111	46,05%	-
Biogas y Energía S.A.U.	Madrid	3.125.200 EUR	3.594	71	76,75%	-
Ceprastur AIE	Oviedo	360.607 EUR	404	-	45,86%	-
Cerámica Técnica de Illescas Cogeneración S.A.	Madrid	62.247 EUR	49	1	69,07%	-
Cogeneración del Esla S.A.	Madrid	1.081.800 EUR	1.499	158	69,07%	-
Desarrollos Energeticos Bahía Cádiz S.A.	Cádiz	60.102 EUR	58	-2	86,34%	-
Eléctrica de la Ribera del Ebro S.A.	Pamplona	5.000.000 EUR	22.091	8.582	95,94%	-
Energía e Industria de Toledo S.A.	Madrid	2.139.603 EUR	2.959	68	69,07%	-
Eneroliva S.A.	Sevilla	300.500 EUR	299	-1	76,75%	-
Eólica Arlanzón S.A.	Madrid	4.508.980 EUR	6.297	687	59,48%	-
Eólica Campollano S.A.	Madrid	6.559.994 EUR	8.826	948	57,56%	-
Eólica Mare Nostrum S.A.	Valencia	60.120 EUR	117	59	46,05%	-
Eólica Sierra de la Peña S.A.	Madrid	869.250 EUR	1.575	-	65,16%	-
Eólica Sierra de la Peña, S.L.	Albacete	868.806 EUR	869	-	57,56%	-
Genesa I S.L.	Madrid	10.000.000 EUR	85.419	5.170	76,75%	-
Hidrocarburo Explotación Centrales S.A.	Oviedo	60.150 EUR	63	2	95,94%	-
Hidroeléctrica del Rumberal S.L.	Madrid	276.460 EUR	586	254	61,40%	-
Hidroeléctrica Fuenterramosa S.L.	Oviedo	77.036 EUR	108	16	69,04%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60.701 EUR	47	12	57,56%	-
Industrias Medioambientales Río Carrión S.A.	Madrid	60.200 EUR	-42	-	69,07%	-
Iniciativas Tecnológicas de Valorización Energética de Resid	Madrid	95.810 EUR	-232	-174	76,36%	-
Mazarrón Cogeneración S.A.	Madrid	70.000 EUR	41	-29	69,07%	-
Parque Eólico Belchite S.L.	Zaragoza	3.006 EUR	3	-	76,75%	-
Parque Eólico La Sotonera S.L.	Zaragoza	2.000.000 EUR	2.000	-	52,39%	-
Parques Eólicos del Cantábrico S.A.U.	Oviedo	9.079.680 EUR	13.861	-354	76,75%	-
Patrimonial de la Ribera del Ebro S.L.	Pamplona	3.264.000 EUR	3.247	-9	95,94%	-
Rasacal Cogeneración S.A.	Madrid	60.200 EUR	60	-	46,05%	-
Renovables Castilla La Mancha S.A.	Albacete	60.102 EUR	60	-	39,14%	-
Renovamed S.A.	Madrid	60.200 EUR	34	1	57,56%	-
Sevares Cogeneración S.A.U.	Madrid	475.002 EUR	592	22	76,75%	-
Sidergas Energía S.A.U.	Oviedo	2.606.000 EUR	2.718	112	76,75%	-
Siesae Renovables Canarias S.L.	Gran Canaria	3.006 EUR	3	-	76,75%	-
Sinae Inversiones Eólicas S.A.U.	Madrid	6.010.000 EUR	7.478	266	76,75%	-
Sinova Medioambiental S.A.	Soria	2.687.364 EUR	3.786	477	64,47%	-
Sotromal S.A.	Soria	450.800 EUR	171	32	69,07%	-
Tratamientos Ambientales Sierra de la Tercia S.A.	Madrid	3.731.202 EUR	4.383	-95	67,15%	-
Tratamientos Medioambientales del Norte S.A.	Madrid	60.200 EUR	61	0	61,40%	-
Tratamientos Medioambientales Río Sotón S.A.	Madrid	60.200 EUR	60	-	76,75%	-
Uniener S.A.U.	Madrid	940.500 EUR	1.114	12	76,75%	-
Bioastur AIE	Gijón	60.101 EUR	374	252	47,97%	-
Canal Energía Generación S.L.	Madrid	4.000 EUR	2	-	23,96%	-
Cogeneración La Espina S.L.	Salas	114.192 EUR	107	43	38,37%	-
Cogeneración y Mantenimiento AIE	Oviedo	604.005 EUR	1.015	536	38,37%	-
Desarrollos Energeticos Canarias S.A.	Las Palmas	29.991 EUR	18	-	38,37%	-
Horta Medioambiental S.A.	Madrid	30.100 EUR	30	-	38,37%	-
Proenercam S.L.	Ruiloba	120.200 EUR	247	55	38,37%	-
Tébar Eólica S.A.	Cuenca	2.360.200 EUR	2.360	-	38,37%	-
Biomásas del Pirineo S.A.	Huesca	454.896 EUR	407	-	23,02%	-
Cultivos Energéticos de Castilla S.A.	Burgos	300.000 EUR	287	0	23,02%	-
Empresa Provincial de Energía S.A.	Sevilla	601.000 EUR	511	-6	15,35%	-
Enercem S.L.	Oviedo	210.350 EUR	563	56	15,35%	-
Hidráulica de Santillana S.A.	Madrid	4.763.027 EUR	15.272	2.470	46,87%	-
Hidráulica Río Lena S.A.	Oviedo	752.885 EUR	1.714	-371	6,63%	-
Hidroastur S.A.	Oviedo	4.808.000 EUR	7.848	490	19,19%	-
Parque Eólico Altos del Voltoya S.A.	Madrid	7.813.157 EUR	9.510	100	23,79%	-
Parque Eólico de Belmonte, S.A.	Asturias	120.400 EUR	2.861	-	22,95%	-
Parque Eólico Sierra del Madero S.A.	Soria	7.194.021 EUR	10.504	2.014	32,23%	-
Sodecoan S.L.	Sevilla	6.010 EUR	-3	-	38,37%	-
Solar Siglo XXI S.A.	Ciudad Real	80.000 EUR	69	-	19,19%	-
Yedesa Cogeneración S.A.	Sevilla	234.390 EUR	44	-	7,67%	-

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Electricity Distribution and Supply:						
Hidrocontábrico Distribucion Eléctrica S.A.U.	Oviedo	44.002.000 EUR	229.923	16.278	95,94%	-
Hidrocontabrico Energia S.A.U.	Oviedo	60.110 EUR	-22.463	316	95,94%	-
Hidrocontabrico Energia Verde S.A.U.	Oviedo	60.300 EUR	56	-1	95,94%	-
Hidrocontabrico Explotación Redes S.A.	Oviedo	70.000 EUR	69	-1	95,94%	-
Canal Energía Comercialización S.L.	Madrid	4.000 EUR	41	34	23,96%	-
Canal Energía Distribución S.L.	Madrid	4.000 EUR	1	-	23,96%	-
Gas Distribution:						
Gas de Euskadi Transporte de Gas S.A.U.	Bilbao	12.880.200 EUR	53.154	2.478	53,90%	-
Gas Hernani S.A.	Hernani	60.200 EUR	234	12	29,64%	-
Gas Pasaia S.A.	Pasajes	60.101 EUR	83	5	29,64%	-
Naturcorp Participaciones S.L.U.	Bilbao	13.467.000 EUR	14.210	834	53,90%	-
Naturcorp Redes S.A.U.	Bilbao	100.000.000 EUR	971.406	2.331	53,90%	-
Naturcorp Transporte de Gas S.A.U.	Bilbao	5.000.000 EUR	4.974	10	53,90%	-
Naturgas Comercializadora S.A.U.	Bilbao	3.185.300 EUR	3.259	945	53,90%	-
Naturgas Participaciones S.A.U.	Bilbao	300.500 EUR	394	81	53,90%	-
Septentrional de Gas S.A.	León	3.800.000 EUR	3.745	-53	37,73%	-
Bilbogas S.A.	Bilbao	2.788.686 EUR	8.069	1.427	26,95%	-
Canal Energía Gas Distribución S.L.	Madrid	4.000 EUR	4	-	23,96%	-
Gas Natural de Álava S.A.	Vitoria	5.174.390 EUR	11.092	2.074	26,95%	-
Infraestructuras Gasistas de Navarra S.L.	Pamplona	501.503 EUR	1.573	-32	26,95%	-
Millenium Energy S.A.	Bilbao	3.250.000 EUR	2.900	12	26,95%	-
Giroaga AIE	S. Sebastián	300.506 EUR	362	48	5,39%	-
Inkolan AIE	Bilbao	111.936 EUR	123	-	25,59%	-
Kosarkuntza AIE	Bilbao	1.502.500 EUR	2.342	530	13,47%	-
Tolosa Gas S.A.	Tolosa	1.021.700 EUR	1.980	383	21,56%	-
Naturcorp Multiservicios S.A.	Bilbao	316.516.400 EUR	976.951	12.407	53,90%	-
EDP Energia Ibérica, S.A.	Madrid	60.200 EUR	-1.332	-818	100,00%	-
Group's parent holding company and related activities - Brazil:						
EDP Brasil, S.A.	São Paulo	1.323.839.767 BRL	378.667	29.567	100,00%	46,59%
Enercorp - Serviços Corporativos, Lda.	São Paulo	12.525.000 BRL	1.792	-1.275	100,00%	23,23%
Energest, S.A.	São Paulo	52.242.339 BRL	-791	-2.448	100,00%	-
Iven, S.A.	São Paulo	322.334.857 BRL	80.487	22.922	100,00%	-
Magistra Participações, S.A.	São Paulo	668.482.734 BRL	185.036	6.689	54,76%	-
Electricity Business - Brazil:						
Electricity Generation:						
EDP Lajeado Energia, S.A.	São Paulo	100.000.000 BRL	5.925	3.074	100,00%	-
Enerpeixe, S.A.	São Paulo	448.045.834 BRL	123.951	-	60,00%	-
Enercoulo, S.A.	São Paulo	1.000 BRL	-	-	100,00%	-
Electricity Distribution and Supply:						
Escelsa - Espírito Santo Centrais Elétricas, S.A.	Espírito Santo	153.946.942 BRL	131.056	43.242	54,76%	-
Enersul - Empresa Energética de Mato Grosso do Sul, S.A.	Mato Grosso Sul	463.415.296 BRL	143.786	25.945	35,70%	-
Bandeirante Energia, S.A.	São Paulo	254.628.684 BRL	193.469	85.914	96,50%	-
Enertrade - Comercializadora de Energia, S.A.	São Paulo	26.284.758 BRL	13.632	7.251	100,00%	-
Telecommunications Business - Portugal:						
Operadora Nacional de Interactivos S.G.P.S., S.A.	Lisbon	100.000.000 EUR	117.639	-65.376	56,61%	56,61%
Oni Telecom, S.A.	Lisbon	274.630.000 EUR	5.462	-63.968	56,61%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50.000 EUR	-27.579	-2.081	56,61%	-
U Call - Atendimento a Clientes e Telemarketing, S.A.	Lisbon	50.000 EUR	121	176	73,96%	-
Autor Tecnologias Multimédia, S.A.	Aveiro	50.000 EUR	-737	-285	56,61%	-
Oni Madeira, S.A.	Funchal	50.000 EUR	-2	76	39,62%	-
Oni Açores, S.A.	P.Delgada	250.000 EUR	430	5	33,96%	-
Oni Plataformas - Infocomunicações, S.A.	Lisbon	50.000 EUR	42	-5	56,61%	-
Oni Web - Infocomunicações, S.A.	Lisbon	50.000 EUR	-10.347	-2.567	56,61%	-
FCTE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500.000 EUR	-348	-90	45,29%	-

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Subsidiary Companies	Head office	Share capital / Currency	Shareholders' Equity 31-Dec-04 Euro'000	Net Profit 31-Dec-04 Euro'000	% Group	% Company
Telecommunications Business - Spain:						
Germinus XXI	Madrid	3.650.000 EUR	-200	-633	56,59%	-
Intercom Internet	Barcelona	3.017 EUR	3	-	56,57%	-
Ola Internet, S.A.	Madrid	405.010 EUR	2.608	1.826	56,57%	-
TLD	Vigo	1.235.067 EUR	-9	1.443	56,61%	-
Comunitel Global, S.A.	Vigo	48.395.604 EUR	5.941	-18.297	56,57%	-
Information Technologies Business - Portugal:						
Edinfor - Sistemas Informáticos, S.A.	Lisbon	17.000.000 EUR	103.010	-54.288	100,00%	100,00%
Onsource - Soluções Informáticas, S.A.	Lisbon	1.250.000 EUR	1.484	-12	59,82%	-
Case/Edinfor II, Sistemas de Informação, S.A.	Lisbon	500.000 EUR	-5.538	-5.934	59,82%	-
Netlion - Gestão e Informática, S.A.	Lisbon	50.000 EUR	223	160	47,86%	-
Case/Edinfor, ACE	Lisbon	498.798 EUR	499	0	59,82%	-
Integer - Informática de Telecomunicações e Gestão, S.A.	Lisbon	250.000 EUR	664	-32	59,82%	-
Inovis - Sistemas de Informação, S.A.	Lisbon	50.000 EUR	317	-5	59,82%	-
Consulteam II - Consultores de Gestão e Informática, S.A.	Lisbon	60.000 EUR	-2.223	-1.715	59,82%	-
Acebnet - Business Networking - Sistemas de Informação para Negócio Electrónico, S.A.	Lisbon	250.000 EUR	-598	-663	59,82%	-
Ace Bi - Soluções para Gestão de Clientes e Apoio à Decisão, S.A.	Lisbon	250.000 EUR	112	-88	59,82%	-
Ace Sistemas Comerciais Informáticos, S.A.	Lisbon	250.000 EUR	1.988	1.551	59,82%	-
Ace Qs - Qualidade em Sistemas de Informação, S.A.	Lisbon	250.000 EUR	249	-137	59,82%	-
Sigmaplano - Consultoria em Sistemas para Apoio à Decisão, S.A.	Lisbon	174.579 EUR	227	-287	59,82%	-
Onalp - Soluções Informática em Suporte à Decisão, Lda.	Lisbon	5.000 EUR	35	27	59,82%	-
S-Tecno, Serviços em Tecnologias de Informação, S.A.	Estoril	250.000 EUR	-28	-4	59,82%	-
Case - Concepção e Arquitectura de Soluções Informáticas Estruturadas, S.A.	Lisbon	250.000 EUR	-772	-4.041	59,82%	-
Centralbiz - Soluções de Sistemas e Tecnologias de Informação, S.A.	Oporto	50.000 EUR	-19	-28	59,82%	-
Ace Healthcare - Sistemas de Informação para Apoio à Saúde, S.A.	Paço d'Arcos	200.000 EUR	47	-90	59,82%	-
Ace Plus - Soluções Informáticas, S.A.	Funchal	250.000 EUR	-2.019	-1.509	47,86%	-
Psidoc - Produção de Sistemas de Informação e Tratamento de Documentos, S.A.	Lisbon	150.000 EUR	-152	-41	59,82%	-
No Limits Consulting - Serviços em Sistemas de Informação, S.A.	Lisbon	250.000 EUR	665	250	41,88%	-
It-Log, Logística e Gestão de Tecnologias de Informação, S.A.	Lisbon	23.600.000 EUR	32.680	7.388	100,00%	-
It-Geo, Tecnologias e Informação Georeferenciadas, S.A.	Lisbon	50.000 EUR	3.096	2.263	100,00%	-
Copidata Industrial Gráfica e Equipamentos, S.A.	Odivelas	4.491.000 EUR	9.570	53	99,35%	-
Copidata Formulários e Sistemas para a Informática, Lda.	Odivelas	598.558 EUR	1.208	6	99,42%	-
Escritomática - Racionalização e Segurança, Lda.	Odivelas	44.892 EUR	169	-156	99,61%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	5.000.000 EUR	-9.914	-3.020	52,80%	52,80%
Ace Holding S.G.P.S., S.A.	Lisbon	11.683.383 EUR	13.581	-2.874	59,82%	-
Ace Global - Serviços de Gestão, S.A.	Lisbon	250.000 EUR	-6.601	-4.158	59,82%	-
Primitiva - Artesanato e Turismo, S.A.	Lisbon	87.097 EUR	86	-1	59,82%	-
Mecaresopre - Centro Mecanográfico, S.A.	Lisbon	150.000 EUR	267	-80	80,00%	-
Digihotel - Sistemas Informáticos de Hotelaria e Turismo, S.A.	Lisbon	249.500 EUR	55	-97	59,82%	-
Digigest - Sistemas Informáticos de Gestão Financeira e Produção, S.A.	Lisbon	149.700 EUR	-70	3	59,82%	-
Digitec Manutenção - Manutenção de Sistemas Informáticos, S.A.	Lisbon	74.850 EUR	-1	-16	59,82%	-
Great Plains Software-Portugal, Sistemas e Suportes de Gestão, S.A.	Lisbon	224.550 EUR	-481	-1	57,83%	-
Information Technologies Business - Brazil:						
Ace Sistemas de Informação, Lda.	São Paulo	1.871.713 BRL	-278	-476	59,82%	-
Edinfor - Soluções Informáticas, Lda.	São Paulo	10.087.011 BRL	1.354	-1.221	100,00%	-

Subsidiary Companies	Head office	Share capital / Currency	Shareholders' Equity 31-Dec-04 Euro'000	Net Profit 31-Dec-04 Euro'000	% Group	% Company
Information Technologies Business - PALOP's:						
Acesi - Sistemas de Informação, Lda.	Maputo	200.000.000 MZM	-225	-	61,80%	-
Ace Consulting - Consultoria, Projectos e Tecnologias de Informação, Lda.	Luanda	45.000 USD	-494	-14	59,82%	-
Other :						
EDP Maroc, S.A.R.L.	Marrocos	250.000 MAD	-51	-74	59,82%	-
CaseEdinfor Ásia, Sistemas de Informação, Lda.	Macao	25.000 MOP	16	4	59,82%	-
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	1.239.468 EUR	1.239	-	100,00%	100,00%
Labeltec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavém	2.200.000 EUR	7.194	2.190	100,00%	100,00%

The **Associated Companies** included in the consolidation under the **proportional consolidation method** as at 31 December, 2004, are as follows:

Subsidiary Companies	Head office	Share capital / Currency	Shareholders' Equity 31-Dec-04 Euro'000	Net Profit 31-Dec-04 Euro'000	% Group	% Company
Affinis - Serviços de Assistência e Manutenção Global, S.A.	Lisbon - Portugal	3.500.000 EUR	-630	-2.297	45,00%	-
Investco, S.A.	São Paulo - Brazil	745.840.273 BRL	197.514	1.722	27,65%	-

The **Associated Companies** included in the consolidation under the **equity method** as at 31 December, 2004, are as follows:

Subsidiary Companies	Head office	Share capital / Currency	Shareholders' Equity 31-Dec-04 Euro'000	Net Profit 31-Dec-04 Euro'000	% Group	% Company
AIST - Administradora de Inmuebles Sto. Tomas S.A.	Guatemala	54.510.000 GTQ	5.073	-23	21,00%	21,00%
Bioelétrica, SPA	Pisa- Italy	1.200.000 EUR	2.316	-498	24,00%	-
Bizfirst - Business First Consulting - Consultoria em Sistemas de Informação, S.A.	Lisbon - Portugal	250.000 EUR	-263	6	25,13%	-
Campos Envelopagem, S.A.	Palmela - Portugal	74.850 EUR	698	75	30,00%	-
Carriço Cogeração, S.A.	Vila Rei-Portugal	50.000 EUR	-105	-141	35,00%	-
CBE - Centro de Biomassa para a Energia	Portugal	643 EUR	660	52	24,60%	24,60%
CEM, S.A.	Macao - China	580.000.000 MOP	231.207	40.125	21,19%	-
DECA - Distribucion Eléctrica Centroamericana Dos (III), S.A.	Guatemala	2.077.097.000 GTQ	237.865	26.466	21,00%	21,00%
Ecogen - Serviços de Energia Descentralizada, S.A.	Loures - Portugal	100.000 EUR	-608	-304	34,99%	-
EDEL - Empresa Editorial Electrotécnica, Lda.	Portugal	1.798 EUR	-74	-17	47,77%	47,77%
Eólica da Alagoa, S.A.	Arcos Val.-Portugal	50.000 EUR	1.490	-60	40,00%	-
Exinfor Case, Ltda.	Mozambique	200.000.000 MZM	8	-	40,14%	-
GECA - Generation Electrica CentroAmericana, S.A.	Guatemala	30.000 GTQ	1.197	-2	21,00%	21,00%
Geoterceira - S. Geo. Terceira, S.A.	Azores - Portugal	1.000.000 EUR	998	434	49,90%	-
LBC Tanquipor - Movimentação e Armazenagem de Líquidos, S.A.	Barreiro-Portugal	1.350.000 EUR	3.201	264	28,89%	-
Portátil - Bases de Dados para a Portabilidade em Telecomunicações, S.A.	Lisbon - Portugal	1.125.000 EUR	1.424	104	20,94%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto - Portugal	7.909.150 EUR	25.933	8	59,55%	46,63%
Portsines - Terminal Multipurpose de Sines, S.A.	Sines - Portugal	10.000.000 EUR	18.638	1.057	39,60%	-
REN - Rede Eléctrica Nacional, S.A.	Lisbon - Portugal	534.000.000 EUR	862.328	69.299	30,00%	30,00%
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica -Portugal	9.000.000 EUR	16.363	3.210	10,11%	-
SOURCE-TECH, Lda.	Macao	100.000 MOP	28	21	20,94%	-
Turbogás - Produtos Energéticos, S.A.	Oporto - Portugal	13.308.000 EUR	30.128	24.514	20,00%	-

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The companies excluded from the consolidation though accounted under the equity method, as at 31 December, 2004, are as follows:

Companies excluded	Head office	% Group	% Company
Iberenergia, S.A.	Portugal	100,00%	100,00%
Shipec-South China Inter.P.Eng.	China	24,00%	24,00%
Comunedisa	Spain	50,00%	-

Other companies in which there are holdings equal to or greater than 10% as at 31 December, 2004, are as follows:

Other Companies	Head office	% Group	% Company
Valorsul, S.A.	Lisbon - Portugal	11,00%	-
Tejo Energia, S.A.	Abrantes - Portugal	10,00%	-
Galp Energia S.G.P.S., S.A.	Lisbon - Portugal	14,27%	-
EDA, S.A.	Azores - Portugal	10,00%	-

8. Deferred taxes

The EDP Group records in its accounts the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis point and on a tax basis, and this is broken down by company as follows

	Deferred tax assets		Deferred tax liabilities	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
EDP S.A. and RETGS (*) companies	225.338	337.961	292.719	474.839
ONI Group	103.298	107.831	629	719
EDP Brasil Group	181.884	131.707	135.880	103.066
Hidroantábrico Group	57.845	12.814	115.919	37.432
EDP Finance BV	19.808	18.510	754	-
Other	921	515	-	-
Total EDP Group	589.094	609.338	545.901	616.056

(*) - Special Regime of Group's Tax Charge

The movements in the balances **Deferred tax assets** and **Deferred tax liabilities** are analysed as follows:

	Deferred tax assets		Deferred tax liabilities	
	Group		Group	
	Dec 2004 Euro '000	Dec 2003 Euro '000	Dec 2004 Euro '000	Dec 2003 Euro '000
Balance as at 1 January, 2004	609.338	545.979	616.056	344.122
Charges through the profit and loss account :				
Tax losses	14.315	14.023	331	-
Tax benefits	-	-	-	-
Provisions	-37.744	970	-123	920
Amortisation	-	3.917	-62.766	-24.036
Accounting revaluations	16.461	12.692	-15.413	-3.014
Tariffs deviation	42.544	1.181	-1.875	23.579
Other	-30.423	9.317	-12.193	930
Income charge	5.153	42.100	-92.039	-1.621
Charges against reserves:				
Revaluation of tangible fixed assets	-	-	-	220.050
Accounting revaluation	-	24.703	-	34.637
Other	-	-3.444	-	18.868
Reserves charge	-	21.259	-	273.555
Transfers / Utilizations	-25.397	-	21.884	-
Balance as at 31 December, 2004	589.094	609.338	545.901	616.056

The reconciliation between income taxes and current taxes is analysed as follows:

	Group	
	Dec 2004 Euro '000	Dec 2003 Euro '000
Income taxes (effective)	159.617	195.534
Costs/(profits) recorded in the year and recognised as deferred taxes in previous years, resulting from:		
- Tax losses	-13.984	-14.023
- Provisions	48.939	-50
- Amortisations	-62.766	-27.953
- Accounting revaluations	-31.911	-15.706
- Tariffs deviation	-44.419	22.398
- Other	18.230	-8.387
	-85.911	-43.721
Costs/(profits) resulting from taxes not previously recorded as deferred taxes:		
- Provisions	-11.318	-
- Other	37	-
	-11.281	-
Deferred taxes	-97.192	-43.721
Current taxes	256.809	239.255

9. Inventories

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Merchandise	12.215	15.794	-	-
Purchases and advances on account of purchases	312	2.291	-	-
Finished and intermediate products	620	569	-	-
Products and work in progress	2.364	3.648	-	-
Sub-products, waste, residues and scrap	3.994	1.989	-	-
Raw and subsidiary materials and consumables:				
Coal	28.567	24.920	-	-
Fuel	24.060	47.530	-	-
Other consumables	97.418	62.495	-	-
	169.550	159.236	-	-
Provision for inventories	-983	-	-	-
	168.567	159.236	-	-

The movements under **Provisions for inventories** are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	-	1.180	-	-
Charge for the year	978	-	-	-
Write-back of provisions	-	-1.180	-	-
Transfers	5	-	-	-
Balance as at 31 December	983	-	-	-

10. Customers

The **Customers** balance, by sector of activity, is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Trade accounts receivable - Short term - Current:				
Resident customers:				
State and official entities	41.240	36.234	-	-
Local government	31.222	31.041	-	-
Corporate sector and individuals	792.975	789.986	4.262	4.171
Trade accounts - Bills receivable	17	46	-	-
	<u>865.454</u>	<u>857.307</u>	<u>4.262</u>	<u>4.171</u>
Non-resident customers:				
Corporate sector and individuals	<u>336.363</u>	<u>158.490</u>	<u>-</u>	<u>-</u>
	<u>1.201.817</u>	<u>1.015.797</u>	<u>4.262</u>	<u>4.171</u>
Doubtful debts	193.049	188.689	12.043	9.119
Provision for doubtful debts	<u>-192.616</u>	<u>-181.615</u>	<u>-11.144</u>	<u>-9.119</u>
	<u>1.202.250</u>	<u>1.022.871</u>	<u>5.161</u>	<u>4.171</u>
Trade accounts receivable - Medium and long-term - Non Current:				
Resident customers:				
Customers - Local government - Debt at 31 December, 1988 (i)	178.127	181.689	-	-
Corporate sector and individuals	5.241	5.017	-	-
Trade accounts - Bills receivable	-	413	-	-
	<u>183.368</u>	<u>187.119</u>	<u>-</u>	<u>-</u>
Provision for Local government at 31 December, 1988	<u>-88.228</u>	<u>-101.322</u>	<u>-</u>	<u>-</u>
	<u>95.140</u>	<u>85.797</u>	<u>-</u>	<u>-</u>

(i) This amount is presented net of debits related to assets to be transferred to the Group and of the rents owed by the Group on that date.

The movements in the **Provision for doubtful debts** are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	282.937	252.185	9.119	9.119
Changes in the consolidation perimeter	13.395	3.889	-	-
Charge for the year	21.739	9.649	2.025	-
Transfers	-22.112	18.658	-	-
Write-backs	-7.127	-1.444	-	-
Charge-off	<u>-7.988</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31 December	<u>280.844</u>	<u>282.937</u>	<u>11.144</u>	<u>9.119</u>

11. Debtors and other sundry assets

The balance **Debtors and other sundry assets** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Trade accounts receivable-Current				
State and other public entities:				
- Income tax	3.840	73.398	160.624	194.725
- Value added tax	151.620	100.730	19.975	11.872
- Other taxes	15.969	5.647	-	-
Loans to subsidiaries	-	-	70.593	842.244
Other related companies	15.516	1.178	1.560	-
Advances to suppliers	4.178	2.478	-	480
Other debtors:				
- Current account with the Pension Fund	12.120	12.120	12.120	12.120
- Amounts owed to staff	2.711	8.536	6	1.418
- Amounts receivable from Telecommunications business	90.045	39.667	-	-
- Amounts owed by the State and Concessors	5.949	6.879	5.832	5.832
- Debtors in respect of other goods and services	68.736	94.437	19.548	4.890
- Regulatory assets	98.141	51.732	-	-
- Amounts receivable from Retecal sale	28.887	-	-	-
- Amounts receivable from Enerpeixe sale	11.923	-	-	-
- Amounts receivable from Fafen sale	19.919	-	-	-
- Interests and financial assets	40.664	-	-	-
- Other debtors - Subsidiaries	-	-	232.606	585.018
- INAG/EDP Protocol - Alqueva	-	26.082	-	26.082
- Advances to pensioners	6.241	8.497	-	-
- Other debtors and sundry operations	69.332	7.344	24.610	8.214
	<u>645.791</u>	<u>438.725</u>	<u>547.474</u>	<u>1.692.895</u>
Provision for short-term debtors	<u>-13.952</u>	<u>-9.335</u>	<u>-</u>	<u>-</u>
	<u>631.839</u>	<u>429.390</u>	<u>547.474</u>	<u>1.692.895</u>
Trade accounts receivable - Medium/long-term - Non-Current:				
Other related companies	37.776	-	27.930	90
Loans to subsidiaries	-	-	3.804.819	2.431.644
Other debtors:				
- Fixed assets in compensated integration (i)	9.270	9.270	-	-
- Regulatory assets:				
Portugal (ii)	447.331	148.352	-	-
Brazil	248.872	127.256	-	-
- Guarantees and tied deposits	60.347	44.991	2	2
- Other debtors and sundry operations	68.508	20.176	1	-
	<u>872.104</u>	<u>350.045</u>	<u>3.832.752</u>	<u>2.431.736</u>
Provision for medium/long-term debtors - Non current	<u>-21.821</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>850.283</u>	<u>350.045</u>	<u>3.832.752</u>	<u>2.431.736</u>

The movements in the **Provisions for short-term debtors** are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	9.335	26.322	-	-
Changes in the consolidation perimeter	5	-	-	-
Charge for the year	5.035	227	-	-
Reclassifications between costumers and debtor balances	2.411	-17.214	-	-
Write-back	-2.834	-	-	-
Balance as at 31 December	<u>13.952</u>	<u>9.335</u>	<u>-</u>	<u>-</u>

(i) Compensated fixed assets undergoing integration correspond to the net amounts, at the integration date, of the debts of local authorities debts up to 31 December, 1988, compensated by means of the respective assets undergoing integration (Tangible fixed assets held under the regime of Decree-law 344-B/82). The transfer of these amounts to tangible fixed assets is awaiting formalisation of the concession contracts or debt regularisation protocols to be contracted by EDP and the local authorities.

(ii) The regulatory assets balance corresponds to the costs associated with the 2003 Human Resources Rationalisation Plan in EDP Distribuição, which were accepted by the Energy Services Regulatory Entity as an investment amortisable over a period of 20 years, beginning in 2005.

The movements in the **Provisions for medium/long-term debtors** are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	-	-	-	-
Reclassifications between customers and debtor balances	21.761	-	-	-
Exchanges differences	60	-	-	-
Balance as at 31 December	21.821	-	-	-

12. Accrued income and deferred costs

The **Accrued income** and **deferred costs** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Accrued income :				
- Interest receivable	138.711	10.926	116.279	93.481
- Revaluation of financial instruments				
- Trading	20.594	182.308	20.594	182.308
- Hedging	225.005	-	225.005	-
- For sales and services rendered	40.817	92.561	-	4.300
- Other accrued income	75.845	61.518	84.256	16.899
	500.972	347.313	446.134	296.988
Deferred costs :				
- Rents	13.263	1.771	3	-
- Expenditure on concessions	10.653	11.499	-	-
- Accrued maintenance	3.513	18.172	-	-
- Compensation of fuel costs	3.123	130.502	-	-
- Inter-group operations	-	-	-	54.336
- Deferred retirement benefit obligation	45.711	50.993	45.711	50.993
- Advertising and publicity costs	-	346	-	-
- Cost of negotiating loans (BEI)	20.096	24.537	20.096	24.537
- Maintenance contracts (thermoelectric production)	11.161	-	-	-
- Charges regarding the construction of electricity lines	8.816	1.463	-	-
- Discounts on bond issues	5.435	6.434	4.908	5.762
- Other deferred costs	18.295	29.387	3.305	225
	140.066	275.104	74.023	135.853
	641.038	622.417	520.157	432.841

The financial instruments are analysed in note 36.

13. Cash, Bank deposits and Trading securities

The balance **Cash and Bank deposits** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Cash:				
- Cash in hand	93	20.375	-	-
Bank deposits:				
- Current deposits	187.246	116.205	94	1.602
- Term deposits	8.744	6.963	2.320	6.730
	195.990	123.168	2.414	8.332
	196.083	143.543	2.414	8.332

The balance **Trading securities** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Trading securities:				
- Other securities	51.214	56.291	-	-
Other treasury investments:				
- Financial products at domestic banks	8.700	85.300	8.700	85.300
- Financial products at foreign banks	22.023	2.368	6.588	341
	30.723	87.668	15.288	85.641
Provision for other treasury investments	-15	-6	-	-
	81.922	143.953	15.288	85.641

For the **Group** and the **company**, the breakdown, for the purpose of determining and detailing the Cash and Cash equivalents components, is as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Cash components:				
- Cash	93	20.375	-	-
- Bank deposits	195.990	123.168	2.414	8.332
- Trading securities	51.214	56.291	-	-
	247.297	199.834	2.414	8.332
Cash equivalents:				
- Other treasury investments	30.723	87.668	15.288	85.641
- Overdrafts	-541.598	-595.912	-	-
	-510.875	-508.244	15.288	85.641
Cash and cash equivalents	-263.578	-308.410	17.702	93.973

14. Share capital

EDP, which began as a state-owned Company, was successively transformed into a 'sociedade anónima' (limited liability company under Portuguese law) wholly owned by the public sector and then into a 'sociedade anónima' with a majority of its share capital owned by the public sector. Currently the State and other Public Entities have a minority position in the company share capital. The privatisation process began in 1997, and the second and third stages of the privatisation took place in 1998 and the fourth stage in 2000, following which the State now holds about 30% of the share capital, directly and indirectly.

The share capital amounts to Euro 3,656,537,715 represented by 3,656,537,715 ordinary shares each of a par value of 1 euro, and is fully paid-up.

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Share capital and Share premium are analysed as follows:

	Group and Company	
	Share Capital	Share Premium
	Euro'000	Euro'000
Balance as at 31 December, 2003	3.000.000	-
Issuance of 656,537,715 shares in December 2004	656.538	551.491
Expenses with Share Capital increase	-	-78.536
Balance as at 31 December, 2004	<u>3.656.538</u>	<u>472.955</u>

In accordance with the General Meeting of 7 October, 2004, the Board of Directors decided to increase the share capital by Euro 656,537,715, through a public offer reserved for EDP shareholders through the exercise of their preference rights. The new 656,537,715 ordinary, registered and nominative shares have a nominal value of 1 Euro each. The shares were offered at a subscription price of 1.84 Euro per share, the operation being concluded on 2 December, 2004.

This increase in share capital took place in order to finance the acquisition of an additional 56.2% stake in Hidroantábrico Group, increasing the investment to 95.7%. The increase in this shareholding allows EDP to exercise, indirectly, the control over Naturcorp, a gas company operating in the Spanish market.

The breakdown of the earnings per share (EPS) is as follows:

	Group		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
Consolidated net profit in Euros	<u>440.152.402</u>	<u>381.108.991</u>	<u>440.152.402</u>	<u>381.108.991</u>
Average number of shares during the year	<u>3.039.526.910</u>	<u>2.978.569.036</u>	<u>3.039.526.910</u>	<u>2.978.569.036</u>
Net Profit per share - Basic - Euros	<u>0,14</u>	<u>0,13</u>	<u>0,14</u>	<u>0,13</u>

The EDP Group calculates its basic earnings per share using the weighted average of the shares issued during the reporting period.

15. Legal reserve

In accordance with Article 295 of the "Código das Sociedades Comerciais" (Companies Code) and with the EDP articles of association, the Legal reserve must be increased by a minimum of 5% of the annual profits until its value equals 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

16. Treasury stock

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Book value of EDP, S.A. shares	<u>31.662</u>	<u>49.020</u>	<u>31.662</u>	<u>49.020</u>
Number of shares	<u>14.287.657</u>	<u>21.430.964</u>	<u>14.287.657</u>	<u>21.430.964</u>
Market Price of EDP, S.A. shares	<u>2,23 euros</u>	<u>2,09 euros</u>	<u>2,23 euros</u>	<u>2,09 euros</u>
Market value of EDP, S.A. shares	<u>31.861</u>	<u>44.791</u>	<u>31.861</u>	<u>44.791</u>

The treasury shares held by EDP, S.A. are within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Companies Code).

17. Reserves, Retained earnings and Net profit

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Legal reserves	345.446	326.391	345.446	326.391
Revaluation reserves	57.691	89.449	57.691	89.449
Cashflow hedge - Fair Value reserve	643	-	643	-
Other reserves and retained earnings	3.163.099	3.042.648	3.163.099	3.042.648
Currency translation arising on consolidation	-571.564	-572.500	-571.564	-572.500
Other reserves arising on consolidation	-1.131.584	-920.070	-1.131.584	-920.070
Net profit for the year	440.152	381.109	440.152	381.109
	<u>2.303.883</u>	<u>2.347.027</u>	<u>2.303.883</u>	<u>2.347.027</u>

The balance **Currency translation arising on consolidation** reflects the fluctuation in the value of Shareholders' Equity of foreign Subsidiary and Associated Companies resulting from foreign currency exchange differences. The exchange rates to the Euro used in the preparation of the Financial Statements are as follows:

Currency		Exchange rates in 2004		Exchange rates in 2003	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
American dollar	USD	1,362	1,241	1,263	1,131
Brazilian Real	BRL	3,615	3,630	3,664	3,459
Macao Pataca	MOP	10,905	9,956	10,099	9,034

18. Minority interests

The balance **Minority interests**, by company, is analysed as follows:

	Group	
	Dec 2004 Euro'000	Dec 2003 Euro'000
ONI Group	-	-89.141
Edinfor Group	6.989	3.222
Brazil Group	257.250	150.273
Hidrocontábrico Group	535.428	175.336
Other	1.351	-3.205
	<u>801.018</u>	<u>236.485</u>

The balance Other reserves arising on consolidation include the amount of 193,5 million Euros that reflects negative minority interests, with reference to 31 December 2004, which in conformity with the accounting policy described in Note 2.a), were registered against reserves.

	Net income	Balance sheet	Consolidation Reserves
	Euro'000	Euro'000	Euro'000
ONI Group	-67.473	-	-117.326
Edinfor group	-6.551	6.989	-11.164
Brazil Group	26.825	257.250	-58.831
Hidrocontábrico Group	7.147	535.428	-
Other	-1.255	1.351	-6.204
	<u>-41.307</u>	<u>801.018</u>	<u>-193.525</u>

19. Hydrological correction account

The movements occurred in this balance are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Opening balance on 1 January	387.506	324.111	387.506	324.111
Movement for the year	-32.617	71.916	-32.617	71.916
Hydrological correction subsidies	-	-19.350	-	-19.350
Financial charges	9.308	10.829	9.308	10.829
Closing balance on 31 December	<u>364.197</u>	<u>387.506</u>	<u>364.197</u>	<u>387.506</u>

The Hydrological Correction Account is a mechanism that was legally instituted (Decree-Law 338/91) to compensate variable electricity production costs. In dry years the thermoelectric system is overused and the spending on fuel or electricity imports increases significantly. In wet years the situation is reversed. Electricity supply tariffs for the customers of the SEP cannot be changed according to cost fluctuations caused by hydrological factors.

In accordance with Order-in-Council 987/2000, the hydrological correction account is assigned to the EDP accounts and, consequently, it is carried in an account under liabilities in its balance sheet, and the corresponding movements for the year are detailed in the notes to the financial statements.

The annual amount of the hydrological correction is calculated in accordance with parameters established by law, and includes: (i) The differential between the economic cost of electricity generation and the benchmark economic cost, which is supported by REN as the RNT concessionary and sole manager of the hydrological correction account. EDP pays REN each month the positive differentials and receives from REN the negative differentials. These payments and revenues are recorded against a hydrological correction account; (ii) financial costs or income associated with the accumulated balance of this account constitutes an EDP cost or income; (iii) the part corresponding to the amount necessary to make the expected value of the balance, within 10 years, equal to an adequate benchmark, when it reflects a debit to the hydrological correction account, constitutes EDP income, when it reflects a credit, then REN is obliged to make the respective payment to EDP. The corresponding cost is included in the REN electricity-selling tariff to the binding distribution company (EDP Distribuição), constituting a cost for the latter to be recovered through selling prices charged to customers. The movements in the hydrological correction account are subject to ministerial approval.

20. Short term, medium and long term debt

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Short term loans - Current				
Overdrafts :				
- ONI Group	533.720	592.298	-	-
- Other	7.878	3.614	-	-
	541.598	595.912	-	-
Bank loans:				
- EDP, S.A.	336.628	315.711	336.628	315.711
- ONI Group	88.818	51.395	-	-
- Brazil Group	211.624	225.530	-	-
- Hidrocontábrico Group	54.623	24.360	-	-
- EDP Finance B.V.	-	93.524	-	-
- Other	35.450	46.977	-	-
	727.143	757.497	336.628	315.711
Bonds loans - Non convertible:				
- EDP, S.A.	9.951	10.221	9.951	10.221
- EDP Finance B.V.	-	45.500	-	-
- Investco	2.738	-	-	-
	12.689	55.721	9.951	10.221
Commercial paper:				
- EDP, S.A.	470.000	170.000	1.905.407	1.851.000
- Hidrocontábrico Group	106.400	-	-	-
	576.400	170.000	1.905.407	1.851.000
	1.857.830	1.579.130	2.251.986	2.176.932
Medium/Long term loans - Non Current				
Bank loans:				
- EDP, S.A.	571.436	631.021	571.436	631.021
- ONI Group	-	41.732	-	-
- Brazil Group	419.195	237.662	-	-
- Hidrocontábrico Group	1.460.060	761.800	-	-
- EDP Finance B.V.	635.000	550.000	-	-
- Other	49.895	67.032	-	-
	3.135.586	2.289.247	571.436	631.021
Bonds loans - Non convertible:				
- EDP, S.A.	2.466.299	2.476.551	2.466.299	2.476.551
- EDP Finance B.V.	963.694	963.694	-	-
- Brazil Group	75.435	84.087	-	-
	3.505.428	3.524.332	2.466.299	2.476.551
Commercial paper:				
- EDP, S.A.	100.000	100.000	100.000	100.000
	6.741.014	5.913.579	3.137.735	3.207.572

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At the EDP, S.A. level, the Group has short-term credit facilities in the amount of 197 million Euros, indexed to the Euribor rate for the agreed period of use, with margin conditions agreed in advance, of which 177 million Euros have a firm underwriting commitment. There is also a 350 million Euros commercial paper programme with guaranteed placement. As far as medium-term credit facilities are concerned, 1,300 million Euros is available to EDP, SA, with a firm underwriting commitment, also indexed to Euribor under previously agreed conditions. As at 31 December, 2004, these credit facilities had not been used.

Bank loans in euros are associated with floating-rate interest indexed to the three or six month Euribor rates. The bank loans in Brazil involve floating-rate interest on the BRL, mostly indexed to the CDI rate.

The breakdown of **Bonds loans issues** as at 31 December, 2004 is analysed as follows:

Issuer	Issue date	Interest rate	Repayment conditions	Group Euro'000	Company Euro'000
Issued by EDP, S.A.					
EDP, S.A. 22nd Issue	13-May-1996	Euribor 6 months - 0.10%	(i)	13.377	13.377
EDP, S.A. 23rd Issue	20-Dec-1996	Euribor 6 months - 0.125%	(ii)	10.332	10.332
EDP, S.A. 24th Issue	22-Dec-1997	Euribor 6 months + 0.10%	(iii)	3.262	3.262
EDP, S.A. 25th Issue	23-Nov-1998	Euribor 6 months + 0.225%	(iv)	299.279	299.279
EDP, S.A. 26th Issue	26-Mar-2003	Euribor 6 months + 0.5%	26-Mar-2013	150.000	150.000
				<u>476.250</u>	<u>476.250</u>
Issued by EDP, S.A. within the Euro Medium Term Notes Programme					
EDP, S.A. 1st Issue	29-Oct-1999	Fixed rate EUR 6.40%	29-Oct-2009	1.000.000	1.000.000
EDP, S.A. 2nd Issue	27-Mar-2001	Fixed rate EUR 5.875%	28-Mar-2011	1.000.000	1.000.000
EDP Finance B.V. 4th Issue	26-Nov-2001	Coupon Zero	27-Nov-2009	22.455	-
EDP Finance B.V. 5th Issue (*)	28-Nov-2001	Fixed rate JPY 0.70%	28-Nov-2006	27.882	-
EDP Finance B.V. 6th Issue (*)	09-Aug-2002	Fixed rate GBP 6.625%	09-Ago-2017	320.000	-
EDP Finance B.V. 7th Issue	16-Dec-2002	Fixed rate EUR 5.00%	20-Mar-2008	500.000	-
EDP Finance B.V. 8th Issue	23-Dec-2002	Fixed rate EUR 2.661%	23-Dez-2022	93.357	-
				<u>2.963.694</u>	<u>2.000.000</u>
Issued by Escelsa (Brazil) (International Bond)					
Escelsa USD 430 Million (**)	28-Jul-1997	Fixed rate USD 10.0%	15-Jul-2007	54.037	-
Issued by Investco (Brazil) (Domestic bond)					
Investco 1st Issue	01-Nov-2001	IGPM + 12.80%	1-Nov-2011	17.571	-
Investco (FINAM)	14-Nov-2003	TJLP + 4%	14-Nov-2011	6.565	-
				<u>24.136</u>	<u>-</u>
				<u>3.518.117</u>	<u>2.476.250</u>

(i) 4 annual payments beginning on 2 June, 2003. It may be repaid early at the request of bondholders.

(ii) 4 annual payments beginning on 20 December, 2008. As from 20 December, 2006 it may be repaid in part or in full at the request of EDP to all the bondholders.

(iii) 4 annual payments beginning on 5 January, 2002.

(iv) 6 semi-annual payments beginning on 23 May, 2006.

(*) These issues by EDP Finance BV have associated floating-interest-rate euro currency swaps.

(**) The EDP Group holds 83% of the value of this issue in an intra-group portfolio, as a result of the international takeover bid launched in 2002.

The breakdown of **Loans**, by maturity, is as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Bank loans and overdrafts:				
Up to 1 year	1.845.141	1.523.409	2.242.035	2.166.711
1 to 5 years	2.789.623	2.312.265	504.964	667.142
Over 5 years	445.963	92.174	166.473	63.879
	<u>5.080.727</u>	<u>3.927.848</u>	<u>2.913.472</u>	<u>2.897.732</u>
Bond loans :				
Up to 1 year	12.689	55.721	9.951	10.221
1 to 5 years	1.916.851	877.830	1.466.298	318.802
Over 5 years	1.588.577	2.631.310	1.000.000	2.157.749
	<u>3.518.117</u>	<u>3.564.861</u>	<u>2.476.249</u>	<u>2.486.772</u>
	<u>8.598.844</u>	<u>7.492.709</u>	<u>5.389.721</u>	<u>5.384.504</u>

The fair value of the EDP Group's debt, amounting to the market value of the debt, is analysed as follows:

	Dec 2004		Dec 2003	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term loans - Current	1.857.830	1.857.830	1.579.130	1.579.130
Medium/Long term loans - Non current	6.741.014	7.160.036	5.913.579	6.251.355
	<u>8.598.844</u>	<u>9.017.866</u>	<u>7.492.709</u>	<u>7.830.485</u>

The market value of the medium/long-term loans is calculated on the basis of the cash flows discounted at the rates ruling on 31 December, 2004. In current short-term debt, the book value is considered to be the market value.

21. Provisions for liabilities and charges

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Provisions for social liabilities and benefits	495.491	153.170	885	76.912
Provisions for healthcare liabilities	468.868	427.501	21.935	21.050
Provisions for investments and fixed assets	25.343	92.696	372.366	285.646
Provision for other liabilities and charges	267.995	146.207	39.386	-
	<u>1.257.697</u>	<u>819.574</u>	<u>434.572</u>	<u>383.608</u>

The balance Provisions for investments and fixed assets includes a provision in the amount of 25 million Euro (90 million BRL) recorded by EDP Brasil, in order to face eventual losses in the investment portfolio, regarding the regulatory uncertainty related with the accounting treatment of sales of energy

As at 31 December, 2004, the balance Provision for social liabilities and benefits includes the amount of 50.8 million Euros resulting from pension benefits of Hidroantábrico Group employees reflecting the increase in their salaries.

The movement in Provisions for social liabilities and benefits is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	153.170	255.006	76.912	181.649
Changes in the consolidation perimeter	31.681	-	-	-
Charge for the year	1.977	17.008	26	301
Write back of provisions	-360	-119.004	-70.227	-93.393
Provisions charged-off	-95.138	-	-	-
Transfers and reclassifications	404.161	160	-5.826	-11.645
Balance as at 31 December	<u>495.491</u>	<u>153.170</u>	<u>885</u>	<u>76.912</u>

The balance Transfers and reclassifications includes an amount of 411.5 million Euros related with the regulatory assets constituted under the Employees Rationalization Plan, as referred in Note 11. This amount was initially accounted under Deferred income and includes 278.1 million Euros and 133.4 million Euros set up in 2004 and 2003, respectively. In accordance with its nature the Group decided to transfer this balance to provisions.

The movement in Provisions for healthcare liabilities is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	427.501	396.713	21.050	20.485
Charge for the year	54.613	40.014	893	572
Write back of provisions	-	-9.226	-8	-
Transfers and reclassifications	-13.246	-	-	-7
Balance as at 31 December	<u>468.868</u>	<u>427.501</u>	<u>21.935</u>	<u>21.050</u>

The movement in **Provisions for investments and fixed assets** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	92.696	-	285.646	388.364
Charge for the year	-	114.695	-	48.454
Write back of provisions	-	-21.774	-	-
Other charges	-	-225	116.720	-151.172
Provisions charged-off	-68.339	-	-30.000	-
Transfers and exchange differences	986	-	-	-
Balance as at 31 December	<u>25.343</u>	<u>92.696</u>	<u>372.366</u>	<u>285.646</u>

The movement in **Provisions for other liabilities and charges** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Balance as at 1 January	146.207	154.563	-	-
Changes in consolidation perimeter	22.929	-	-	-
Charge for the year	98.756	21.570	10.300	-
Write back of provisions	-7.542	-29.926	-	-
Provisions charged-off	-21.441	-	-	-
Transfers and exchange differences	29.086	-	29.086	-
Balance as at 31 December	<u>267.995</u>	<u>146.207</u>	<u>39.386</u>	<u>-</u>

22. Creditors and other liabilities

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Short term creditors - Current				
Suppliers	849.513	678.741	21.861	40.924
Suppliers of fixed assets	223.952	103.885	3.328	839
State and other public entities:				
- Income tax	90.175	173.924	5.652	59.543
- Withholding tax	8.870	11.686	213	268
- Social security contributions	12.588	11.359	19	33
- Value added tax	16.054	12.197	-	-
- Other taxes	92.719	59.937	4.082	-
Other shareholders	31.536	10.541	-	-
Advances to customers	5.908	1.204	60	89
Other creditors:				
- Employees	12.814	20.625	-	350
- Supply of other goods and services	1.620	12.946	-	-
- Concession rents	2.200	6.690	-	-
- Creditors for collections	16.534	20.115	-	-
- For interest and financial credits	12.409	13.960	-	-
- INAG/EDP Protocol - Alqueva	-	35.893	-	-
- Taxes referring to regulatory liabilities (Bandeirante)	5.915	-	-	-
- Furnas advance regarding the increase in Enerpeixe share capital.	8.299	-	-	-
- Amount owed regarding Portgás acquisition	84.997	-	84.887	-
- Regulatory liabilities-Brazil	35.013	6	-	-
- Corporate income tax (IRC) - payments on account of the holding company	-	123	159.770	156.245
- Other creditors and sundry operations	88.338	65.159	10.600	8.174
	<u>1.599.454</u>	<u>1.238.991</u>	<u>290.472</u>	<u>266.465</u>
Medium/long-term creditors - non current:				
Regularisation account - (Reg. DL 344-B/82)	6.475	9.079	-	-
State share in Multipurpose hydroelectric power stations	-	14.996	-	-
Deposits received from customers and other debtors	47.284	39.843	-	-
Recognition of liabilities on the sale of OPTEP (Optimus) in 2002	315.000	315.000	315.000	315.000
Suppliers of fixed assets	56.764	74.618	1.084	-
Taxes referring to regulatory liabilities (Bandeirante)	14.047	-	-	-
Electricity tariff compensations in Brazil	64.792	35.013	-	-
Refund of Investco preference shares	28.632	10.862	-	-
Other creditors and sundry operations	55.136	43.531	1	646
	<u>588.130</u>	<u>542.942</u>	<u>316.085</u>	<u>315.646</u>
	<u>2.187.584</u>	<u>1.781.933</u>	<u>606.557</u>	<u>582.111</u>

As referred in Note 7, and resulting from the full application by the EDP Group of International Accounting Standard 39: Measurement and Recognition of financial instruments, the balance Creditors – Medium/long-term on Group and on a Company basis, includes the EDP Group's liability as a result of the disposal of 100% of the OPTEP/Optimus investment in 2002, since there is a "selling price adjustment mechanism of Optimus/OPTEP". In accordance with International Accounting Standards, this operation does not meet the criteria to be considered as an effective sale/firm commitment. Therefore, the investment sold in 2002 is recorded under assets as well as the respective liability under liabilities, the price fluctuations being recognised as "investments available for sale" for as long as the referred clause is in force, up to 22 March, 2005.

The balance **Creditors – Medium/long-term** for the **Group** also includes EDP Lajeado liability related with Investco preference shares refund in the amount of 41.1 million BRL (10.9 million Euros). Initially it was forecasted the reimbursement of 41.1 million BRL (10.9 million Euros) in 31 December, 2003, but because the subsidiary reserves and retained earnings were not in accordance with Brazilian legislation it did not occur. The balance also includes an amount of 53.2 million BRL (14.7 million Euros) related with the reimbursement owed but not realized as at 31 December, 2004, increased by corrections and interest charged over the amount owed as at 31 December, 2003.

23. Accrued cost and deferred income

This balance is analysed as follows:

Accrued costs:

- Holiday pay, bonus and other charges
- Interest payable
- Revaluation of financial instruments
 - Trading
 - Hedging
- Other accrued costs

Deferred income:

- Subsidies for investment in fixed assets
- Deferred income EDP Distribuição
- Other deferred income

Group		Company	
Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
64.313	68.393	554	546
290.156	67.431	166.536	91.004
45.890	54.443	42.043	-
44.450	-	-	-
85.430	46.267	9.511	8.654
530.239	236.534	218.644	100.204
1.639.986	1.546.101	5.468	8.536
149.681	101.096	-	-
112.460	134.668	144	132
1.902.127	1.781.865	5.612	8.668
2.432.366	2.018.399	224.256	108.872

The financial instruments are analysed in Note 36.

The balance Subsidies for investment in fixed assets represents the amounts received net of amortisation charged during the year. During 2004, subsidies were received in the amount of 203,960 thousand Euros (December 2003: 133,651 thousand Euros).

24. Turnover

The balance is analysed, by sector of activity, as follows:

Sales by sector of activity/business:

- Electricity
- Steam and ashes
- Gas
- Information systems and technologies
- Telecommunications
- Other Businesses

Services rendered by sector of activity:

- Telecommunications
- Associated with electricity sales
- Information systems and technologies
- Thermo/Hydro electricity engineering services
- Consultancy and services
- Other

TOTAL TURNOVER by business:

- Electricity
- Telecommunications
- Gas
- Information systems and technologies
- Steam and ashes
- Thermo/Hydro electricity engineering services
- Other

Group		Company	
Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
6.450.275	6.296.103	-	-
23.961	22.061	-	-
183.977	105.311	-	-
18.746	16.277	-	-
8.087	3.889	-	-
14.248	12.720	-	-
6.699.294	6.456.361	-	-
307.330	312.334	-	-
100.844	80.122	-	-
43.602	69.999	608	1.332
5.978	6.457	-	-
5.530	11.476	-	22.214
59.112	40.771	32.543	706
522.396	521.159	33.151	24.252
6.551.119	6.376.225	-	-
315.417	316.223	-	-
183.977	105.311	-	-
62.348	86.276	608	1.332
23.961	22.061	-	-
5.978	6.457	-	-
78.890	64.967	32.543	22.920
7.221.690	6.977.520	33.151	24.252

The breakdown of **Sales** is as follows:

	2004			2003		
	Iberian Market	Brazilian market	Total	Iberian Market	Brazilian market	Total
Electricity:						
To the National Transport network	1.193.236	-	1.193.236	1.339.411	-	1.339.411
To final customers:						
- Very high tension	51.504	-	51.504	9.509	-	9.509
- High tension	444.176	228.800	672.976	332.841	277.889	610.730
- Medium tension	558.509	334.228	892.737	738.301	289.421	1.027.722
- Low tension (>39.6 KVA)	304.252	-	304.252	313.193	-	313.193
- Low tension	2.951.136	429.277	3.380.413	2.423.742	389.254	2.812.996
- Low tension (Public lighting)	-	-	-	95.731	-	95.731
Embedded generation	78.883	-	78.883	37.062	-	37.062
Discounts and tariff difference	-123.726	-	-123.726	49.749	-	49.749
	<u>5.457.970</u>	<u>992.305</u>	<u>6.450.275</u>	<u>5.339.539</u>	<u>956.564</u>	<u>6.296.103</u>
Other Sales:						
- Steam and ashes	21.192	2.769	23.961	22.061	-	22.061
- Gas	191.800	-	191.800	105.311	-	105.311
- Information systems and technologies	18.746	-	18.746	16.277	-	16.277
- Telecommunications equipment	8.087	-	8.087	3.889	-	3.889
- Other	6.425	-	6.425	12.720	-	12.720
	<u>246.250</u>	<u>2.769</u>	<u>249.019</u>	<u>160.258</u>	<u>-</u>	<u>160.258</u>
	<u>5.704.220</u>	<u>995.074</u>	<u>6.699.294</u>	<u>5.499.797</u>	<u>956.564</u>	<u>6.456.361</u>

The balance of **Gross margin on sales** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Sales:				
Electricity	6.450.275	6.296.103	-	-
Steam and ashes	23.961	22.061	-	-
Gas	183.977	105.311	-	-
Information systems and technologies	18.746	16.277	-	-
Telecommunications	8.087	3.889	-	-
Other sales	14.248	12.720	-	-
	<u>6.699.294</u>	<u>6.456.361</u>	<u>-</u>	<u>-</u>
Cost of sales:				
Electricity	3.303.146	3.360.268	-	-
Fuel, steam and ashes	546.009	398.034	-	-
Information systems and technologies	11.886	19.143	-	-
Telecommunications	7.305	6.571	-	-
Other Costs	148.924	137.030	-	-
	<u>4.017.270</u>	<u>3.921.046</u>	<u>-</u>	<u>-</u>
Gross margin on sales	<u>2.682.024</u>	<u>2.535.315</u>	<u>-</u>	<u>-</u>

The breakdown of **Revenues by geographic market** is as follows:

	Dec 2004			
	Portugal	Spain	Brazil	Group
Electricity	4.984.137	510.378	1.056.604	6.551.119
Steam and ashes	21.192	-	2.769	23.961
Gas	-	183.977	-	183.977
Thermo/Hydro electricity engineering	5.346	-	632	5.978
Information systems and technologies	62.348	-	-	62.348
Telecommunications	315.417	-	-	315.417
Other	47.646	11.258	19.986	78.890
	<u>5.436.086</u>	<u>705.613</u>	<u>1.079.991</u>	<u>7.221.690</u>

	Dec 2003			
	Portugal	Spain	Brazil	Group
Electricity	4.862.426	557.235	956.564	6.376.225
Steam and ashes	22.061	-	-	22.061
Gas	-	105.311	-	105.311
Thermo/Hydro electricity engineering	6.457	-	-	6.457
Information systems and technologies	86.276	-	-	86.276
Telecommunications	316.223	-	-	316.223
Other	49.311	-	15.656	64.967
	<u>5.342.754</u>	<u>662.546</u>	<u>972.220</u>	<u>6.977.520</u>

25 Own work capitalised

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Consumption of materials	116.431	99.327	-	-
Direct internal costs and overheads	79.065	105.401	-	-
Financial charges	24.086	24.005	-	-
Services rendered	31.604	6.216	-	-
Other own work capitalised	7.588	674	-	-
	<u>258.774</u>	<u>235.623</u>	<u>-</u>	<u>-</u>

26 Other operating income

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Supplementary income	10.994	7.768	2.963	1.733
Operating subsidies	1.395	685	-	-
Other income	5.342	9.628	569	1.437
	<u>17.731</u>	<u>18.081</u>	<u>3.532</u>	<u>3.170</u>

27. Supplies and services

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Subcontracts:				
Subcontracts	176.885	209.239	-	-
Other subcontracts	16.648	5.916	-	-
Supplies and services:				
Water, electricity and fuel	11.711	12.335	1.008	879
Utensils and office material	4.942	5.066	253	259
Leases and rents	48.636	52.010	3.084	2.995
Communications	27.525	30.967	1.262	1.232
Insurance	22.086	19.636	389	227
Transport, travel, and lodging	13.697	12.972	805	882
Commissions and fees	17.895	10.887	1.184	1.968
Maintenance and repairs	100.331	94.127	965	869
Advertising and propaganda	19.315	12.545	7.339	2.506
Specialised work	159.638	130.757	45.543	31.661
Other supplies and services	30.195	36.061	23.778	17.882
	<u>649.504</u>	<u>632.518</u>	<u>85.610</u>	<u>61.360</u>

28. Personnel costs

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Management remuneration	12.450	15.258	3.399	3.089
Employees' remuneration	404.681	413.552	97	250
Charges on remuneration	115.769	118.327	143	145
Other costs	109.719	99.499	1.741	2.153
	<u>642.619</u>	<u>646.636</u>	<u>5.380</u>	<u>5.637</u>

The breakdown by management positions and professional category of the permanent staff as at 31 December, 2004 and 2003 is as follows:

	Group		Company	
	Dec 2004	Dec 2003	Dec 2004	Dec 2003
Board members and senior officers	475	462	12	11
Senior management	2.248	2.755	1	-
Middle management	1.174	2.484	-	-
Intermediate management	477	247	-	-
Highly-skilled and skilled workers	8.919	9.735	3	-
Semi-skilled workers	2.406	927	-	-
Unskilled workers	28	778	-	-
	<u>15.727</u>	<u>17.388</u>	<u>16</u>	<u>11</u>

As at 31 December, 2004, the number of employees in service, including those on temporary contract, is 16,243 (2003: 17,664). These figures include all the employees of all the companies included in the consolidation perimeter (full and proportional method), regardless of the EDP holding in the share capital and also Management (74 and 11 in Group and EDP, S.A., respectively).

The management' remuneration of EDP, S.A., is analysed as follows:

	Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000
Board of Directors	4.277	3.089
Official Auditor	117	82
	<u>4.394</u>	<u>3.171</u>

29. Other operating costs

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Rents of concessions paid to local authorities	186.111	171.749	-	-
Indirect taxes	15.564	19.092	782	1.636
Electricity Generating Center Rent	4.083	3.894	-	-
Direct operating taxes	1.175	398	736	113
Other costs and losses	13.828	8.851	627	350
	<u>220.761</u>	<u>203.984</u>	<u>2.145</u>	<u>2.099</u>

30. Provisions

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Charge for:				
Doubtful debts	19.587	9.423	2.025	-
Debtors	2.122	225	-	-
Pension liabilities	1.977	17.008	26	301
Healthcare liabilities	54.613	40.014	893	572
Other liabilities and charges	34.801	9.036	-	-
Stocks depreciation	978	-	-	-
	<u>114.078</u>	<u>75.706</u>	<u>2.944</u>	<u>873</u>

31. Depreciation and amortisation

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Tangible fixed assets:				
Fixed assets under concession - Decree-law 344-B/82	2.604	3.229	-	-
Buildings and other constructions	9.682	9.703	1.230	1.525
Plant and machinery:				
Hydroelectricity generation	135.163	128.850	-	-
Thermoelectric generation	145.546	103.778	-	-
Electricity distribution	404.447	445.808	-	-
Other plant and machinery	85.203	60.928	-	-
Transport equipment	9.570	10.418	348	320
Administrative equipment	33.206	38.267	2.448	3.083
Other tangible fixed assets	4.964	2.110	1.354	2
	<u>830.385</u>	<u>803.091</u>	<u>5.380</u>	<u>4.930</u>
Intangible fixed assets:				
Start-up costs	17.964	15.145	1.299	1.366
Research and development costs	10.437	17.294	2.505	1.809
Industrial property and other rights	16.352	7.164	8	7
Other	-	2.898	-	-
	<u>44.753</u>	<u>42.501</u>	<u>3.812</u>	<u>3.182</u>
	<u>875.138</u>	<u>845.592</u>	<u>9.192</u>	<u>8.112</u>
Compensation of depreciation of partially-funded fixed assets:				
Partially-funded fixed assets	-79.621	-	-515	-
	<u>795.517</u>	<u>845.592</u>	<u>8.677</u>	<u>8.112</u>

The assets partially-funded by third parties are amortised on the same basis and at the same depreciation rates of the remaining assets, the cost being compensated through the amortisation of the amounts received, which are registered against operating income and gains. The funded component of the assets is registered under Accrued Costs and Deferred Income – Subsidies for Investment in fixed assets and recognised through the profit and loss account, on the same basis and at the same rates as the partially-funded assets.

As at 31 December, 2003, the balance Compensation of depreciation of partially-funded fixed assets was disclosed as Extraordinary gains and amounted to 76,584 thousand Euros (See Note 33).

32. Financial income / (expense) and amortisation of goodwill and concession rights

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Income arising from financial operations:				
Interest income	227.394	243.318	320.580	415.479
Income on application of the equity method	44.266	46.464	604.317	568.948
Income from other equity investments	30.478	36.740	-	-
Favourable currency exchange differences	60.289	47.559	37.188	2.864
Interest on regulatory assets (Brazil)	10.262	30.358	-	-
Other financial gains	75.979	82.374	59.368	30.704
Total Financial income	448.668	486.813	1.021.453	1.017.995
Expenses arising from financial operations:				
Interest expense	527.211	577.758	358.777	406.548
Banking services	15.644	28.372	5.540	7.621
Losses on application of the equity method	3.276	13.308	155.490	175.080
Unfavourable currency exchange differences	47.897	58.273	39.175	68.387
Other financial losses	94.367	75.702	30.277	6.009
	688.395	753.413	589.259	663.645
Amortisation of financial assets (goodwill):				
- Concession rights	30.489	30.439	7.748	7.745
- Goodwill	56.219	54.439	5.922	5.796
- Key money on telecommunications business	8.817	7.542	-	-
	95.525	92.420	13.670	13.541
Total Financial expenses	783.920	845.833	602.929	677.186
Financial income/(expense)	-335.252	-359.020	418.524	340.809

33. Extraordinary Gains / (losses)

This balance is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Gains arising from extraordinary operations:				
Gains on fixed assets	18.714	44.147	127	13.010
Debt recovery	607	2.652	-	-
Write-back of provisions				-
- For customer debt	7.127	1.444	-	-
- For debtors	2.834	36	-	-
- For financial assets	-	21.774	-	-
- For other liabilities and charges	7.902	50.700	70.235	93.393
Corrections to previous years	8.618	15.147	317	6.942
Compensation of depreciation of part-funded fixed assets	6.975	79.822	36	445
Hidrological correction	-	19.350	-	19.350
Other extraordinary gains	39.259	45.159	4.893	4.664
Total Extraordinary gains	92.036	280.231	75.608	137.804
Losses arising from extraordinary operations:				
Losses on stocks	8.158	1.442	-	-
Losses on fixed assets	68.624	14.850	17.862	153
Bad debts	13.142	15.086	-	-
Fines and penalties	89	3.228	-	-
Corrections to previous years	32.576	46.755	1.501	904
Extraordinary provisions:				
- Investments	-	114.695	-	48.454
- For customer debt	2.152	-	-	-
- For other debtors	2.913	3.461	-	-
- For other liabilities and charges	63.955	12.535	10.300	-
Loss on 'Baixa UTE Campo Grande' (Enersul)	3.037	6.950	-	-
Rationalisation and restructuring costs	32.357	47.810	-	-
Other extraordinary losses	29.765	27.862	3.713	6.581
Total extraordinary losses	256.768	294.674	33.376	56.092
Extraordinary gains/(losses)	-164.732	-14.443	42.232	81.712

As at 31 December, 2003, the balance Extraordinary gains includes 76,584 thousand Euros related with the values funded by third parties resulting from the change during 2004, of the accounting treatment, as referred in Note 2.e). Therefore, this amount was reclassified to **Depreciation and amortisation – Compensation of depreciation of partially-funded fixed assets** (see Note 31).

The balance Rationalisation and restructuring costs includes the charges with non-operating personnel, indemnities resulting from labour contracts rescission and compensation given to operating personnel to join the flexible retirement plan promoted by the EDP Group.

34. Provision for income taxes

In accordance with prevailing legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal this period is four years, and 2000 is the last year considered to be definitively liquidated by the tax authorities.

Tax losses generated in each year, also subject to inspection and adjustment, may be deductible from taxable profits during subsequent years. The companies of the EDP Group are taxed, whenever possible, on a consolidated basis allowed by the tax law of the respective countries.

The balance **Income tax charges** is analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Charge for income taxes	-256.809	-239.255	52.283	14.479
Charge for deferred income taxes	97.192	43.721	-4.814	-5.232
	-159.617	-195.534	47.469	9.247

The reconciliation between the nominal and the effective income tax (IRC) rate for the Group in 31 December, 2004 is analysed as follows:

	Dec 2004		
	Tax Base Euro '000	Tax Euro '000	Rate %
Standard tax on profits	558.462	153.577	27,50%
- Main effects at taxation level:			
Net depreciation and provisions	75.227	20.687	3,70%
Accounting losses disallowed	169.619	46.645	8,40%
Tariff deviation in electricity business in Portugal	-69.406	-19.087	-3,40%
Elimination of double taxation	-49.620	-13.646	-2,40%
Employee profit-sharing	-26.243	-7.217	-1,30%
Tax estimate and tax losses carried forward	-98.903	-27.198	-4,90%
Gains with treasury stock	8.450	2.324	0,40%
Other adjustments to taxable income	12.844	3.532	0,60%
Effective rate and effective tax on profits		159.617	28,60%

35. Extraordinary results presented in the profit and loss account by function

The profit and loss account by function of expense, on a consolidated and company basis, has been prepared in accordance with Portuguese Official Accounting Directive 20, in which the concept of extraordinary results differs from that established in the Official Plan of Accounts (POC) for the preparation of the consolidated profit and loss account by nature.

	Group			Company		
	By Nature	Reclassi- fications	By function	By Nature	Reclassi- fications	By function
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Operating profit	1.058.446	-89.927	968.519	-68.073	-	-68.073
Financial charges	-239.727	239.727	-	432.194	-432.194	-
Current profit	723.194	404.459	558.462	350.451	-474.426	392.683
Extraordinary gains / (losses)	-164.732	164.732	-	42.232	-42.232	-
Net profit	440.152	-	440.152	440.152	-	440.152

36. Financial Instruments - Derivatives

In accordance with IAS 39, the Group classifies the financial instruments as fair value hedge of an asset or liability recognised and as cash flow hedge of recorded liabilities and future transactions considered probable, which are analysed as follows

Hedge Type	Hedging Instrument	Hedging Risk	2004	
			Fair Value Changes	
			Instruments Euro'000	Risk Euro'000
- "Fair value"	Interest rate swap	Interest rate	53.884	53.884
- "Fair value"	Currency interest rate swap	Interest and exchange rate	4.677	4.677
- "Cashflow hedge"	Interest rate swap	Interest rate	643	-
			59.204	58.561

During 2004, the movements in reserves related with cash flow hedges, were as follows:

	Disposals Dec 2004 Euro'000
Balance on 1 January, 2004	-
Hedging changes	-1.431
Transfers to results	2.074
Balance on 31 December, 2004	643

The valuation of financial instruments is recorded in Accrued Income and Deferred Costs or in Accrued Costs and Deferred Income in accordance with its nature.

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The gains and losses on the financial instruments portfolio are analysed as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Trading derivatives	-63.382	-3.317	-50.372	29.015
Foreign exchange swaps	20.594	-	20.594	-
Fair value hedge				
- Derivatives	58.561	-	50.734	-
- Covered liabilities	-58.561	-	-50.734	-
Cash-flow hedge				
- Derivatives	2.074	-	1.684	-
	<u>-40.714</u>	<u>-3.317</u>	<u>-28.094</u>	<u>29.015</u>

The maturity of these derivative instruments is as follows:

	Group Dec 2004				
	Up to 3 months Euro'000	3 months to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Interest rate contracts:					
Interest rate swaps	-	-	1.572.455	1.000.000	2.572.455
Options purchased and sold	250.000	320.000	750.000	-	1.320.000
	<u>250.000</u>	<u>320.000</u>	<u>2.322.455</u>	<u>1.000.000</u>	<u>3.892.455</u>
Interest rate and exchange rate contracts:					
CIRS (currency interest rate swaps)	-	-	27.882	320.000	347.882
	<u>250.000</u>	<u>320.000</u>	<u>2.350.337</u>	<u>1.320.000</u>	<u>4.240.337</u>

The effective interest rates on the various financial derivative instruments are as follows:

	Group Dec 2004		
	Currency	EDP Pays	EDP Receives
Interest rate contracts:			
Interest rate swaps	EUR	[4.50% - 2.17%]	[6.40% - 2.38%]
Interest rate and exchange rate contracts:			
CIRS (currency interest rate swaps)	EUR / JPY	2,565%	0,700%
CIRS (currency interest rate swaps)	EUR / GBP	3,566%	6,625%
	Nominal value Euro'000	Group Dec 2004	Company Dec 2004
Interest rate contracts:			
Options purchased on interest rates (CAP purchases)	1.320.000	[4.82% - 2.81%]	[4.82% - 2.81%]
Options sold on interest rates (CAP sale)	1.000.000	[5.30% - 4.10%]	[0.00% - 0.00%]
Options sold on interest rates (Floor sale)	1.320.000	[3.50% - 2.28%]	[3.50% - 2.28%]

37. Social benefits extended to employees

These benefits include pension plans that pay complementary old-age, disability and surviving-relative pension complements, and also early retirement pensions. In some cases medical care is provided during the period of retirement and of early retirement, through mechanisms complementary to those provided by the National Health Service.

The existing plans are presented hereunder, with a brief description of each and of the companies covered by them, as well as of the economic and financial data:

I. Pension Plans - Defined-Benefit Type

In Portugal, the companies of the EDP Group resulting from the split of EDP in 1994 have a social benefits plan financed through a restricted Pension Fund, complemented by a specific provision.

This Pension Fund covers liabilities for retirement pension complements (old-age, disability and surviving pension) as well as liabilities for early retirement.

In Brazil, Bandeirante has two defined-benefit plans managed by the CESP Foundation, a restricted complementary welfare entity with its own assets, segregated from those of the Sponsors (Bandeirante and other Brazilian electricity companies) with no common contributions or funding between these funds:

- BD Plan in force up to 31 March, 1998, a Balance Benefit Plan that grants Balanced Proportional Supplementary Benefit (BSPS) in the form of an annuity payable to participants enrolled until 31 March, 1998, of an amount defined in proportion to past services accumulated by the reference date, based on compliance with regulatory granting requirements. The company is totally liable to cover any actuarial insufficiencies of this plan.

- BD plan in force after 31 March, 1998, which grants an annuity in proportion to the accumulated past services after 31 March, 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by labour accident, the benefits incorporate the whole of the past service (including that accumulated up to 31 March, 1998), and not only the past service accumulated after 31 March, 1998. The Company and the participants equally share liability for the coverage of the actuarial insufficiencies of this Plan.

Escelsa and Enersul have a Defined-Benefit Plan that grants a complementary benefit for retirement, disability, and surviving pension. Escelsa also has a special complementary benefit plan for retirement of former combatants.

As at 31 December, 2004 and 2003, the Group liabilities for past services associated to these pension plans, are as follows:

	2004			2003		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of Liabilities						
Liabilities at the beginning of period	1.412.541	64.750	1.477.291	1.394.075	54.658	1.448.733
Current services cost	8.869	899	9.768	11.193	1.047	12.240
Interest Cost	69.553	9.789	79.342	78.843	6.006	84.849
Benefits paid	-142.207	-4.914	-147.121	-139.459	-1.516	-140.975
Curtailments/Settlements	271.908	-	271.908	847	-	847
Actuarial losses and gains	395.266	5.773	401.039	67.042	4.147	71.189
Currency fluctuation	-	906	906	-	407	407
Other fluctuations	-	30.200	30.200	-	-	-
Liabilities at the end of the period	2.015.930	107.403	2.123.333	1.412.541	64.750	1.477.291

As at 31 December, 2004, the balance Other includes the 2004 initial balance of the actuarial liabilities recognised in 2004 on the Defined-Benefit Plan of Escelsa and Enersul, in the amount of 16.8 and 13.4 million Euro, respectively.

In calculating the liabilities inherent in these pension plans within the EDP Group the following financial and actuarial assumptions were used:

	2004				2003	
	Portugal	Brazil Bandeirante	Escelsa	Enersul	Portugal	Brazil
Assumptions						
Rate of return of the Funds	6,40%	10.76% aa	12.98% aa	12.81% aa	5,70%	10,24%
Discount rate	5,00%	10.76% aa	10.76% aa	10.76% aa	5,20%	10,24%
Salaries growth rate	3,50%	7.12% aa	6.08% aa	6.08% aa	3,30%	7,12%
Pension growth rate	3,00%	4% aa	4% aa	4% aa	2,25%	7,12%
Social Security salaries appreciation rate	2,20%	4% aa	4% aa	4% aa	2,00%	4,00%
Inflation rate	2,40%	4% aa	4% aa	4% aa	2,00%	4,00%
Mortality table	TV 88/90	GAM-83	GAM-83	AT-2000	TV 88/90	AT-49(qx)
Disability table	50% EKV 80	Light-Average	Light-Average	Light-Average	50% EKV 80	Light-Average (ix)
Expected % of subscription by employees eligible for early retirement	(a)	not applicable	not applicable	not applicable	(a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement in accordance with the Collective Bargaining Agreement: 36 years of service with at least 60 years of age, or 40 years of service and any age).

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As mentioned above, only part of the liabilities of the Pension Plan are financed through the Pension Funds, the remaining being recognised in accordance with IAS 19, by means of a provision detailed hereunder:

	2004			2003		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans						
Liabilities at the end of the period	2.015.930	107.403	2.123.333	1.412.541	64.750	1.477.291
Fund assets at the end of the period	-839.669	-89.339	-929.008	-785.147	-31.355	-816.502
Liabilities not covered	1.176.261	18.064	1.194.325	627.394	33.395	660.789
Deferred actuarial losses (i)	-872.595	5.846	-866.749	-506.600	-4.553	-511.153
Value of the provision at the end of the period	<u>303.666</u>	<u>23.910</u>	<u>327.576</u>	<u>120.794</u>	<u>28.842</u>	<u>149.636</u>

(i) The international accounting standards adopted by EDP allow deferred actuarial gains/losses to be recognised systematically in the profit and loss account through amortising the amount that exceeded, in the previous year, 10% of the value of the greater of liabilities or assets of the Fund. Such amortisations are calculated for the period corresponding to the average remaining length of service of the active population.

The components of consolidated net cost recognised during the period with these plans are as follows:

	2004			2003		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Grupo Euro'000
Cost for the period						
Service cost	8.869	899	9.768	11.193	1.047	12.240
Interest cost	69.553	9.789	79.342	78.843	6.006	84.849
Return on the Funds' assets	-42.877	-8.171	-51.048	-44.286	-5.800	-50.086
Contributions by employees	-	-473	-473	-	-552	-552
Amortisation of deferred actuarial losses (i)	24.336	-68	24.268	25.718	-	25.718
Net cost for the period	<u>59.881</u>	<u>1.976</u>	<u>61.857</u>	<u>71.468</u>	<u>701</u>	<u>72.169</u>

The evolution of the consolidated assets of the Pension Funds was as follows:

	2004			2003		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Pension Funds						
Value of the assets at the beginning of the period	785.147	31.355	816.502	727.258	22.687	749.945
Group contributions	57.930	4.082	62.012	54.340	3.947	58.287
Employees contributions	-	462	462	-	552	552
Pensions paid during the period	-51.230	-4.914	-56.144	-50.340	-1.516	-51.856
Return of the Funds	47.822	16.735	64.557	53.889	5.800	59.689
Actuarial losses and gains	-	10.924	10.924	-	-413	-413
Currency fluctuation	-	495	495	-	298	298
Other	-	30.200	30.200	-	-	-
Value of the assets at the end of the period	<u>839.669</u>	<u>89.339</u>	<u>929.008</u>	<u>785.147</u>	<u>31.355</u>	<u>816.502</u>

As at 31 December, 2004 the balance Other, in Brazil, includes the 2004 initial balance of the actuarial liabilities recognised in 2004 in the Defined-Benefit Plan of Escelsa and Enersul, in the amount of 16.8 million and 13.4 million Euro, respectively.

The assets of the pension fund in Portugal are managed by three independent pension fund management companies of recognised merit. As at 31 December, 2004 the composition and returns of the fund portfolio are as follows:

	Cash %	Bonds %	Shares %	Properties %	Total %
Asset allocation by nature	4,50%	46,50%	25,50%	23,50%	100,00%

II. Pension Plans - Defined Contribution Type

Hidrocarbón in Spain and Bandeirante, Escelsa and Enersul in Brazil, have social benefit plans of defined contribution that complement those granted by the Social Welfare System to the companies' employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each case.

III. Liability for Medical Care Plans - Defined Benefit Type

In Portugal, Group companies resulting from the split of EDP in 1994 have a Medical Care Plan of the defined-benefit type, supported through a provision that covers the whole of these liabilities.

In Brazil, Escelsa also has a Medical Care Plan for retired employees, supported through a provision that covers the whole of these liabilities.

	2004		2003	
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Group Euro'000
Evolution of Liabilities				
Liabilities at the beginning of the period	660.255	-	660.255	496.201
Current service cost	7.904	140	8.044	5.942
Interest cost	33.646	1.300	34.946	29.049
Benefits paid	-23.397	-724	-24.121	-24.099
'Curtailements'/'Settlements'	15.793	-	15.793	-
Actuarial losses and accruals	27.564	1.392	28.956	153.162
Currency fluctuation	-	3	3	-
Other	-	12.500	12.500	-
Liabilities at the end of the period	<u>721.765</u>	<u>14.611</u>	<u>736.376</u>	<u>660.255</u>

As at 31 December, 2004, in Brazil, the balance Other includes the 2004 initial balance of the actuarial liabilities recognised in 2004 in the Defined-Benefit Plan of Escelsa in the amount of 12.5 million Euro.

The following financial and actuarial assumptions were used in calculating the liabilities associated with this Medical Care Plan:

	2004		2003
	Portugal	Brazil	Group
Assumptions			
Discount rate	5,00%	10.76% aa	5,20%
Annual growth rate of medical services costs	4.5% (a)	8.16% aa	4.5% (a)
Mortality table	TV 88/90	GAM-83	TV 88/90
Disability table	50% EKV 80	Light-Average	50% EKV 80
Expected % of subscription by employees eligible for early retirement	(b)	Not applicable	(b)

(a) 4.5% during the next 10 years and 4.0% during the remaining years

(b) 40% of the eligible population (employees entitled to early retirement in accordance with the Collective Bargaining Agreement: 36 years of service with at least 60 years of age, or 40 years of service and any age).

As mentioned above, the Medical Care Plan liabilities are recognised in the Group's accounts through a provision, which is presented as follows:

	2004		2003	
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Group Euro'000
Provision for Medical Care Plans				
Liabilities at the end of the period	721.765	14.611	736.376	660.255
Deferred actuarial losses (i)	-262.129	-5.379	-267.508	-247.628
Value of the provision at the end of the period	<u>459.636</u>	<u>9.232</u>	<u>468.868</u>	<u>412.627</u>

(i) The international accounting standards adopted by EDP allow deferred actuarial gains/losses to be recognised systematically in the profit and loss account through amortisation of the amount that exceeded, in the previous year, 10% of the value of the greater of liabilities or assets of the Fund. Such amortisations are calculated for the period corresponding to the estimated average remaining length of service of the active population.

The components of net consolidated cost recognised during the period with this plan are as follows:

	2004		2003	
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Group Euro'000
Cost for the period				
Current service cost	7.904	140	8.044	5.942
Interest cost	33.646	1.300	34.946	29.049
Amortisation of the deferred transitional obligation (i)	13.063	-304	6.242	5.022
Net cost for the period	54.613	1.136	49.232	40.013

38. Impacts resulting from the application of International Accounting Standards 19 and 39.

Up to 31 December, 2002, the EDP Group, in accordance with the principles set out in the Portuguese Plan of Accounts (POC), did not recognise in its consolidated financial statements the financial instruments in accordance with the accounting procedures of IAS 39 for the measurement, recognition and derecognition of financial assets and liabilities and, if applicable, hedge accounting.

In order to present a more adequate financial position of EDP Group, the Board of Directors decided to adopt, as at 31 December, 2003, the International Accounting Standards 19 and 39, complementary to the application of the Portuguese Plan of Accounts (POC), namely in accordance with Portuguese Accounting Directive 18.

The application and implementation of IAS 39 had significant effects in two accounting areas, namely investments (see Note 7) and financial instruments (see Note 36).

39. Commitments

As at 31 December, 2004, the financial commitments not shown in the balance sheet in respect of guarantees provided (no real guarantees have been provided) are analysed as follow:

Commitments	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Guarantees of a financial nature				
Guarantees provided by Group entities - Portugal				
To domestic banks	67.527	80.672	67.527	80.672
To foreign banks	187.664	154.521	157.690	123.409
To other domestic entities				
To other foreign entities	71.823	76.173	69.162	68.231
Guarantees provided by Group entities - Spain				
To foreign banks	=	38.363	=	=
To other foreign entities	79.255	9.198	-	-
Guarantees provided by Group entities - Brazil				
To foreign banks	30.238	29.831	-	-
To other foreign entities	22.685	22.380	-	-
	459.192	411.138	294.379	272.312
Guarantees of an operational nature				
Guarantees provided by Group entities - Portugal				
To other domestic entities	57.568	59.246	30.658	38.173
To foreign banks	15.216	16.976	15.216	15.011
To other foreign entities	43.000	32.434	8.000	8.602
Guarantees provided by Group entities - Spain				
To foreign banks	-	63.925	-	-
To other foreign entities	-	577	-	-
	115.784	173.158	53.874	61.786
	574.976	584.296	348.253	334.098

The part of guarantees with an operational nature presented by financial institutions, are as follows:

	Group		Company	
	Dec 2004 Euro'000	Dec 2003 Euro'000	Dec 2004 Euro'000	Dec 2003 Euro'000
Domestic banks	12.827	16.356	-	2.375
Foreign banks	35.000	87.757	-	-
	47.827	104.113	-	2.375

40. Employee Stock Option

The EDP Group began a stock option programme under the terms approved by the General Meeting, applicable to senior management and directors, in order to stimulate value creation, in line with the market practice of similar companies.

The programme, approved in 1999, aims to grant over a period of five years purchase options on shares representing the EDP share capital. The number of options to be awarded cannot exceed 16,250,000 (following the stock split in which each share was replaced by 5 shares with a nominal value equal to 1/5 of the value before the stock split), each option giving entitlement to the acquisition of one share. In the event of a change in the EDP share capital, this limit and the number of options already granted may be adjusted so that the plan size and/or the beneficiaries position remains substantially the same as the size or position existing prior to the event. This procedure may be applicable in other cases that, in the opinion of the Board of Directors of EDP, justify identical treatment.

The price for the acquisition of shares granted under the stock options (exercise price) is the weighted average of the closing prices of EDP shares during the period prior to the date defined as the option-granting date fixed by the EDP Board of Directors. The exercise price may be adjusted in the event of: a) change in the share capital; b) distribution of dividends and other reserves to shareholders with a significant effect on the price of the EDP shares; and c) the occurrence of other facts of similar nature that, according to EDP Board of Directors, justify such corrections.

The liabilities assumed within the scope of the EDP incentives plans in respect of directors and certain senior staff of the Group companies are recognised as cost in each period, considering the time to maturity of the option exercise right or of the attribution of the shares. The related provision is charged considering the stage of the rights granted and the inherent costs, over the life of the plan. These costs correspond to the difference between the estimated acquisition costs of the shares by the Company and their selling price to the employees. The corresponding costs are recorded under "Personnel costs", and the costs referring to related hedging operations are recorded under "Financial costs and losses".

41. Relevant and subsequent events

EDP settles agreement with Logica CMG for the sale of a 60 % stake in Edinfor share capital.

On 7 January, 2005, EDP signed a purchase and sale agreement with Logica CMG Corporate Holdings Limited ("Logica CMG") for the sale of a 60% stake of the share capital of Edinfor-Sistemas Informáticas, S.A. ("Edinfor"). Simultaneously, Edinfor acquired 40% of Ace Holding, SGPS, S.A. ("ACE") share capital, resulting in the full control of the respective share capital. The completion of these transaction is conditional on a non-opposition decision by the Competition Authority of the European Commission.

The transaction value of the above mentioned 60% stake in Edinfor – including the shares and the respective shareholders' loans – is 81 million Euro, based on a total enterprise value of 135 million Euro. The value is determined on the basis that the consolidated financial accounts of Edinfor will be debt free, by the completion date of acquisition, and therefore the final transaction value may be adjusted as a result of the final debt position of the company. It is not expected that EDP will register a material accounting gain or loss resulting from this transaction.

The agreement provides EDP with an option, for a period of two years, to buyback the shares and shareholders' loans that are being sold. This option can be exercised if certain exceptional conditions occur, notably in the case of a breach by Edinfor of the Outsourcing Contracts.

The agreement also provides EDP with an option to sell the remaining 40% of the share capital of Edinfor (including the remaining shareholders' loans), after the end of the second year from the date of the initial sale.

The agreement also provides Logica CMG with an option to buy the same 40% of the share capital of Edinfor, after the end of the fourth year from the date of the initial sale.

As a part of the transaction, the Outsourcing Contracts between Edinfor and EDP have been renegotiated and agreed with Logica CMG. The renegotiated contracts cover Application Maintenance, WAN Services, Help-Desk, LAN and Distributed Infrastructure, Data Processing Center and Printing and Finishing. These will be effective from the day the transaction is completed, and will have a duration of ten years, including adjustment mechanisms to the real consumption by EDP of the services covered by these contracts, as well as termination clauses that protect the Group's interests.

This component of the agreement – which was considered in the valuation and negotiation of the economical and financial terms of the transaction by EDP – results in a significant reduction of the annual costs incurred by the Group with outsourcing of maintenance and operation of IT systems and, following a 2 years' transition period, will represent savings of approximately 22% of the cost incurred in 2004 (including the forecasted growth of EDP consumption of these services). The outsourcing costs comprised by the currently renegotiated contract amounted in 2004 to approximately 74 million Euro and account for about 70% of the total IT costs of the EDP Group companies in Portugal.

This transaction involves a partnership between EDP and Logica CMG that will allow Edinfor to develop significant competitive advantages in the IT services industry, through the know-how of its new strategic partner. Logica CMG will adopt all the necessary procedures in order to create in Edinfor centers of excellence for Continental Europe in the areas of SAP ISU, Printing and Finishing, turning the company into the sole vehicle to develop the Iberian activity of Logica CMG (except for the software business associated to the messaging segment for mobile communications).

EDP informs about the early termination of the power purchase agreements

On 27 January, 2005, following the previous EDP releases regarding the early termination of the power purchase agreements (PPA), and in accordance with Decree-Law 240/2004, of 27 December, EDP Group through CPPE – Companhia Portuguesa de Produção de Electricidade, S.A. and REN – Rede Eléctrica Nacional, S.A., the concessionary of the national transmission network (RNT), signed the early termination contracts of PPA related to the binding electricity producers centers.

The termination agreements now signed include some issues regarding the early termination of the PPA, namely concerning the amount of global compensations due, which has a present value of 3,356,139 thousand Euro, calculated under specific parameters that include the PPA's value for EDP Group, the forecasted market revenues and the discount rate of 3.78%, applicable currently, in accordance with the referred Decree-Law.

Considering that the termination agreements effects are suspended until a set of conditions is met – which includes the start up of the spot market that assures the sales of generated electric energy and the attribution of non-binding production licenses – the amount of the compensation owed to EDP Group is still under review until the effective termination date, and should consider the relevant public interest rate at that moment.

The compensation of the termination agreements was considered adequate by two international independent entities (Rothschild and Deloitte), considering the legal framework, the market valuation and some assumptions and data provided, namely by EDP.

Early reimbursement of EDP's 22nd issue

In accordance with the EDP 22nd issue initial terms, at 10 February, 2005, occurs, by the bond-holders appeal, the early reimbursement of 753,896 shares.

Attribution of electric energy reception points for connection to the public network of combined cycle thermoelectric power station based on natural gas

The Labor and Economic Activities Ministry, through the Geology and Energy General Direction (DGGE) communicated on 22 February 2005 to EDP, the results of the attribution of electric energy reception points requests regarding the connection to the public network combined cycle thermoelectric power stations based on natural gas, which consists on:

- the attribution to EDP Group of an electric energy reception point with 430 MVA of power, located at Figueira da Foz;
- the attribution to EDP Group and Endesa of electric energy reception points located in Sines with 860 MVA of power. These reception points are two generation groups of 430 MVA each, being the start up of the second group dependent from the resolution of some network technical restrictions, that is expected to occur after 2010. The attribution of these points will only be permanent upon the delivery of the Environmental Impact Studies, which must be concluded within one year.

42. Segmental reporting

The segmental reporting disclosed was prepared in accordance with the established by the Portuguese Official Accounting Directive 27, as well as in accordance with the international practices.

EDP Group Activity by Business Segment

Information by business segment - 2004

(Amounts expressed in thousands of euros)

	Generation				Electricity Distribution				Gas Distribution		Information Technology	Telecommunications	Other Operations	Consolidation Adjustments	EDP Group
	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Portugal	Spain					
Turnover	1745,866	245,020	117,208	2,129,093	3,518,074	162,751	949,401	4,430,226	39,167	103,331	-	-	5,094	-456,636	6,450,275
	21,227	1,802	2,769	25,799	2,734	19	2,753	6,933	-	183,977	23,419	8,090	5,983	2,735	249,019
	38,386	3,473	11,117	52,976	23,923	11,953	73,301	109,177	2,489	2,867	151,185	317,334	127,884	-253,473	522,396
	1,826,479	250,295	131,094	2,207,868	3,544,731	174,723	1,022,702	4,742,156	41,656	113,131	174,604	325,424	137,661	-719,344	7,221,690
Raw materials and consumables															
	-337,564	-21,790	-80,516	-439,870	-2,324,118	-127,944	-624,644	-3,076,706	-25,615	-305,211	-130,826	-	-4,804	484,592	-3,903,146
	-417,186	-17,465	-2,306	-536,887	-354,887	-356	-8,462	-133,048	-	-796	-869	-	-796	-5,570	-546,008
	-3,987	-2,023	-105	-6,115	-124,230	-356	-8,462	-133,048	-	-2	-2	-20,299	-7,305	-2,086	-168,116
	-758,667	-141,278	-82,927	-982,872	-2,448,348	-128,300	-633,106	-3,209,754	-25,615	-106,009	-20,299	-7,305	-10,425	482,509	-4,017,270
Gross Margin	1,067,812	109,017	48,167	1,224,996	1,096,383	46,423	389,596	1,532,402	16,041	7,122	154,305	318,119	127,236	-236,835	3,204,420
Operating income / (costs)															
	-85,359	-15,437	-15,580	-116,376	-216,363	-14,658	-56,446	-287,467	-8,679	-6,777	-45,972	-241,815	-148,076	231,724	-649,504
	-118,522	-13,617	-1,670	-133,809	-355,120	-9,508	-61,865	-426,493	-3,655	-2,131	-5,786	-40,070	-59,425	104,002	-642,619
	-203,881	-29,054	-17,250	-250,185	-571,483	-24,166	-118,311	-713,960	-12,334	-8,908	-123,042	-295,860	-207,501	335,726	-1,292,123
Other operating income / (costs)															
	31,148	6,384	-	37,532	196,383	1,402	-	197,785	425	7	1,012	4	694	21,076	258,774
	-4,083	-	-	-4,083	-186,095	-	-	-186,095	-16	-	-16	-	-	-	-190,194
	3,693	-2,503	-1,155	35	13,207	1,791	-8,468	6,530	-4,989	5,130	3,222	-139	9,323	-31,369	-12,836
	30,758	3,881	-1,155	33,484	23,495	3,193	-8,468	18,220	-4,580	5,137	4,234	-135	10,017	-10,293	55,744
Gross Operating Results	894,689	83,844	29,762	1,008,295	546,395	25,450	262,817	836,662	-873	3,351	35,497	22,124	-70,248	88,598	1,968,041
	-250,389	-41,911	-4,711	-297,011	-352,380	-12,269	-55,261	-419,910	-3,845	-1,812	-27,825	-64,162	-34,695	-1,281	-875,139
	5,007	137	-	5,144	72,402	704	-	73,106	72,402	-	607	-	592	173	79,622
	-11,787	-330	-989	-13,106	-47,584	-147	-37,363	-85,094	-1,045	-186	-3,648	-3,666	-7,314	381	-114,078
Operating Results	637,520	41,740	24,062	703,322	220,833	13,738	170,193	404,764	-5,763	1,539	4,024	-45,904	-111,865	87,871	1,058,446
	-98,230	-7,746	-10,419	-116,395	-34,539	-4,097	-46,853	-85,489	-1,029	-1,205	-10,333	-54,392	107,566	-173,497	-335,252
	-18,470	-1,780	736	-19,514	2,776	211	-26,681	-23,694	-929	934	-48,331	-50,539	-15,661	-11,653	-64,732
	520,820	32,214	14,379	567,413	189,070	9,852	96,659	295,580	-7,721	-11	-49,640	-150,835	-19,740	-97,279	558,462
Income tax	-143,707	-10,685	-5,843	-160,235	-47,038	-3,341	8,005	-42,374	1,735	1,858	-2,876	-4,628	28,132	26,705	-159,617
	-200	-196	-	-396	-	-	-	-	-	3	7,369	-104	-	34,435	41,307
Minority interests	376,913	21,333	8,536	406,782	142,032	6,511	104,664	253,207	-5,986	14,518	-45,147	-155,567	8,372	-36,139	440,152

Other information:

Tangible fixed assets	4,316,916	740,377	373,320	5,430,613	4,498,004	215,871	694,008	5,407,883	86,859	165,701	48,893	216,983	143,983	2,038,639	13,559,325
Intangible fixed assets	13,108	-186	513	13,435	7,903	225	38,156	46,284	1,916	-15,065	5,147	199,406	59,268	656,610	668,644
Current assets	540,712	70,548	69,128	680,388	771,673	16,399	466,695	1,256,767	44,658	61,217	92,396	186,548	1,558,550	-954,251	2,921,699
Shareholders' equity	1,893,343	533,158	195,856	2,622,357	1,591,145	91,997	467,874	2,151,016	63,756	409,327	113,427	-253,921	1,124,555	-9,937,829	6,401,714
Current liabilities	533,928	176,870	51,016	761,814	2,241,686	137,610	603,252	2,982,548	63,361	48,319	64,436	812,617	1,553,948	-442,788	5,889,650

EDP Group Activity by Business Segment

Information by business segment - 2003

(Amounts expressed in thousands of euros)

	Generation				Electricity Distribution				Gas Distribution				Information Technology	Telecommu- nications	Other Operations	Consolidation Adjustments	EDP Group		
	Portugal		Spain		Brazil		Total		Portugal		Spain							Total	
Turnover	1,360,080	229,238	73,595	1,660,913	3,546,376	161,394	882,782	4,590,552	64,245	127,829	-	-	-	-	-	-149,436	6,296,103		
Sales of electricity	197,749	833	2,314	22,896	1,946	18	-	1,964	-	16,597	86,632	27,023	7,290	199	-	-2,343	160,258		
Other sales	16,867	1,098	12,102	30,067	24,732	9,818	37,044	71,594	35,514	2,542	38,056	159,323	323,820	107,056	107,056	-218,861	521,159		
Services rendered	1,336,696	231,169	88,011	1,715,876	3,575,054	171,230	919,826	4,664,110	99,759	146,968	96,736	186,346	331,110	107,255	107,255	-370,640	6,877,520		
Raw materials and consumables	-105,118	-17,985	-48,496	-171,599	-2,363,966	-124,733	-608,027	-3,096,726	-48,568	-140,097	-462,793	-	-	-	-	199,510	-3,360,273		
Purchase of electricity	-310,303	-86,723	-	-397,026	-	-1,067	-265	-1,332	-	796	2,304	-	-	-	-	-2,776	-398,034		
Fuel costs	-3,453	-2,167	-2,294	-7,914	-11,336	-372	-7,898	-19,606	-	-26	-	-97	-24,433	-6,271	-432	-3,640	-162,739		
Other materials	-418,874	-106,875	-50,790	-576,539	-2,475,302	-126,172	-616,190	-3,321,664	-48,568	-139,327	-401,586	-24,453	-6,271	-432	-153,094	-3,921,046			
Gross Margin	977,822	124,294	37,221	1,199,337	1,097,752	45,058	303,636	1,446,446	51,191	7,641	36,150	161,893	324,539	106,823	-217,546	-3,956,474			
Operating income / (costs)	-74,165	-13,491	-17,750	-105,406	-206,299	-8,789	-44,477	-259,565	-27,733	-4,099	-5,269	-70,012	-265,308	-112,199	197,073	197,073	-632,518		
Unpaid services	-120,225	-13,971	-1,328	-135,524	-383,342	-9,230	-42,630	-437,202	-3,280	-2,211	-3,862	-66,431	-50,973	-46,850	119,697	119,697	-646,636		
Personnel costs	-194,390	-27,462	-19,078	-240,930	-591,641	-18,019	-107,107	-716,767	-11,013	-6,310	-9,731	-136,443	-316,281	-159,049	316,770	316,770	-1,275,154		
Other operating income / (costs)	38,232	2,263	-	40,495	183,807	1,205	-	185,012	1,009	61	222	8,397	8	173	246	246	235,623		
Own work capitalised	-3,894	-	-	-3,894	-171,732	-	-	-171,732	-17	-	-	-	-	-	-	-	-175,643		
Concession rents	3,621	-507	-825	2,289	13,410	158	-17,773	-4,205	-14,190	2,266	-528	295	887	899	2,027	2,027	-10,260		
Other operating income / (costs)	37,959	1,756	-825	38,890	25,485	1,363	-17,773	9,075	-13,968	2,327	-306	8,692	895	1,072	2,273	2,273	49,720		
Gross Operating Results	821,391	98,588	17,318	937,297	531,596	28,402	178,756	738,754	26,980	3,658	30,638	34,142	9,153	-51,154	101,497	101,497	1,827,040		
Depreciation and amortisation	-232,832	-377,38	-4,328	-274,898	-346,461	-11,659	-53,937	-411,037	-3,465	-1,944	-7,406	-24,301	-72,745	-12,818	-36,958	-845,592	-845,592		
Amortisation of depreciation	-12,742	-104	-	-12,846	-42,689	-449	-11,039	-54,177	-104	-	-19	-508	-5,075	-2,469	-	-508	-75,706		
Provisions	575,617	60,873	12,990	649,680	143,446	16,871	113,780	274,097	23,411	1,714	25,125	19,660	9,333	-68,667	62,955	62,955	905,742		
Operating Results	-76,125	-10,091	-16,095	-102,311	-37,153	-5,042	-7,200	-48,895	-326	-48	-8,135	-12,536	-58,320	-46,762	-40,687	-40,687	-359,020		
Financial income / (expense)	-3,469	-2,643	-26,278	-32,420	70,740	360	14,214	85,314	1,048	-284	-17	-4,069	-20,746	62,572	-104,841	-104,841	-14,443		
Extraordinary income / (expense)	496,193	48,139	-29,383	514,949	177,033	12,189	120,294	309,516	24,133	1,382	25,515	11,508	-7,272	-148,733	-70,631	-102,573	532,279		
Profit before taxes	-164,818	-16,369	-1,440	-182,627	-42,667	-4,266	-36,607	-83,540	-8,396	-480	-325	-2,967	17,660	742	44,008	20,483	-195,534		
Income tax	184	-181	-	-17	-	-	-	-	-	-	-5,034	4,083	-	-	-	44,590	44,364		
Minority interests	331,539	31,589	-30,823	332,305	104,566	7,923	83,687	225,976	15,737	902	6,799	-4,156	-100,331	-28,623	-37,500	-37,500	381,109		
Net profit																			

Other information :

Tangible fixed assets	4,333,695	707,526	259,265	5,300,486	4,389,151	214,226	665,050	5,268,427	88,774	401	156,678	95,401	233,623	134,144	373,665	11,651,599
Intangible fixed assets	6,676	993	1,016	8,685	29,366	189	30,311	30,311	-	2,895	-2,263	8,878	18,184	784,105	-64,243	950,182
Current assets	1,010,463	41,375	49,338	1,101,176	770,938	15,387	93,121	1,307,446	20,308	20,164	56,155	111,470	167,157	2,314,433	-2,778,799	2,327,710
Current liabilities	1,186,857	599,765	187,463	1,974,085	1,701,463	144,428	577,342	3,429,832	19,764	31,318	30,826	169,241	846,270	1,099,828	-2,061,904	4,836,520
Current liabilities	924,857	192,181	135,407	1,253,245	2,707,662	144,428	577,342	3,429,832	19,764	31,318	30,826	169,241	846,270	1,099,828	-2,061,904	4,836,520

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4. Accounting Information required by the Official Plan of Accounts [POC]

Annual Report • Financial Report
Accounting Information required by the Official Plan of Accounts [POC]

Consolidated Balance Sheet as at 31 December, 2004 and 2003

(Amounts expressed in thousands of Euros)

	2004			2003		
	Gross assets	Depreciation and provisions	Net assets	Gross assets	Depreciation and provisions	Net assets
ASSETS						
FIXED ASSETS						
Intangible fixed assets						
Start-up costs	86.913	71.535	15.378	85.157	64.855	20.302
Research and development costs	69.095	40.150	28.945	103.302	44.606	58.696
Industrial property and other rights	264.991	76.284	188.707	158.057	32.376	125.681
Intangible fixed assets in progress	17.496	-	17.496	21.944	-	21.944
Key money	73.169	33.721	39.448	40.209	14.571	25.638
Concession rights	846.633	167.943	678.690	835.366	137.445	697.921
Goodwill	2.274.099	284.276	1.989.823	1.005.363	105.849	899.514
	3.632.396	673.909	2.958.487	2.249.398	399.702	1.849.696
Tangible fixed assets						
Tangible fixed assets (DL 344-B/82)	240.607	234.133	6.474	240.607	231.528	9.079
Land and natural resources	121.013	-	121.013	128.169	-	128.169
Buildings and other constructions	418.028	178.977	239.051	410.982	166.403	244.579
Plant and machinery	27.334.776	15.556.895	11.777.881	23.790.703	13.911.573	9.879.130
Transport equipment	80.190	57.713	22.477	75.761	54.532	21.229
Tools and utensils	15.670	9.924	5.746	5.554	5.554	-
Office equipment	379.396	220.504	158.892	338.696	174.555	164.141
Other tangible fixed assets	39.924	11.818	28.106	22.393	4.423	17.970
Fixed assets in progress	1.199.685	-	1.199.685	1.187.302	-	1.187.302
	29.829.289	16.269.964	13.559.325	26.200.167	14.548.568	11.651.599
Investments						
Shareholdings in Group companies	60	-	60	1.305	-	1.305
Shareholdings in associate companies	431.414	-	431.414	441.449	4	441.445
Shareholdings in other related companies	1.396.421	267.093	1.129.328	1.351.958	285.786	1.066.172
Securities and financial assets	57.776	3.285	54.491	75.608	1.746	73.862
	1.885.671	270.378	1.615.293	1.870.320	287.536	1.582.784
CURRENT						
Inventories						
Raw and subsidiary materials consumables	150.045	368	149.677	134.945	-	134.945
Products and work in progress	6.978	4	6.974	6.206	-	6.206
Merchandise	12.527	611	11.916	18.085	-	18.085
	169.550	983	168.567	159.236	-	159.236
Medium/long-term debtors						
Customers-local gov.-debt as at 31/12/88	183.368	88.228	95.140	187.119	101.322	85.797
Other debtors	872.104	21.821	850.283	350.045	-	350.045
	1.055.472	110.049	945.423	537.164	101.322	435.842
Short-term debtors						
Trade accounts receivable	1.201.800	-	1.201.800	1.015.751	-	1,015.751
Trade accounts-bills receivable	17	-	17	46	-	46
Doubtful debt	193.049	192.616	433	188.689	181.615	7.074
State and other public entities	171.429	-	171.429	179.775	-	179.775
Other debtors	474.362	13.952	460.410	258.950	9.335	249.615
	2.040.657	206.568	1.834.089	1.643.211	190.950	1.452.261
Trading securities						
Trading securities	51.214	-	51.214	56.291	-	56.291
Other treasury assets	30.723	15	30.708	87.668	6	87.662
	81.937	15	81.922	143.959	6	143.953
Bank deposits and cash						
Bank deposits and cash	195.990	-	195.990	123.168	-	123.168
Cash in hand	93	-	93	20.375	-	20.375
	196.083	-	196.083	143.543	-	143.543
Accruals and deferrals						
Accrued income and deferred costs	500.972	-	500.972	347.313	-	347.313
Deferred costs	140.066	-	140.066	275.104	-	275.104
Deferred taxes	589.094	-	589.094	609.338	-	609.338
	1.230.132	-	1.230.132	1.231.755	-	1.231.755
Total depreciation		16.943.873			14.948.270	
Total provisions		587.993			579.814	
TOTAL	40.121.187	17.531.866	22.589.321	34.178.753	15.528.084	18.650.669

See accompanying notes to the Financial Statements

Annual Report • Financial Report
Accounting Information required by the Official Plan of Accounts [POC]

Consolidated Balance Sheet as at 31 December, 2004 and 2003

(Amounts expressed in thousands of Euros)

	<u>2004</u>	<u>2003</u>
SHAREHOLDERS' EQUITY		
Share Capital	3.656.538	3.000.000
Treasury stock	-31.662	-49.020
Share premium on treasury stock	472.955	-
Reserves :		
- Legal reserves	345.446	326.391
- Free reserves	12.830	12.830
- Other reserves	-1.073.250	-1.067.615
Exchange differences arising on consolidation	-571.564	-572.500
Retained earnings	<u>3.150.269</u>	<u>3.266.812</u>
	<u>5.961.562</u>	<u>4.916.898</u>
Net profit for the period	<u>440.152</u>	<u>381.109</u>
Total Shareholders' Equity	<u>6.401.714</u>	<u>5.298.007</u>
Minority interests in net profit	-41.307	-44.364
Minority interests in reserves	<u>842.325</u>	<u>280.849</u>
Total Minority Interests	<u>801.018</u>	<u>236.485</u>
Hydrological correction account	364.197	387.506
LIABILITIES		
Provisions for liabilities and charges	<u>1.257.697</u>	<u>819.574</u>
	<u>1.257.697</u>	<u>819.574</u>
Medium/long-term creditors		
Bond loans - non convertible	3.505.428	3.524.332
Other loans	3.235.586	2.389.247
Other creditors	<u>588.130</u>	<u>542.942</u>
	<u>7.329.144</u>	<u>6.456.521</u>
Short term creditors		
Bond loans - non convertible	12.689	55.721
Other loans	1.845.141	1.523.409
Trade accounts payable	849.513	678.741
Fixed assets suppliers	223.952	103.885
Other shareholders	31.536	10.541
State and other public entities	220.406	269.103
Other creditors	<u>274.047</u>	<u>176.721</u>
	<u>3.457.284</u>	<u>2.818.121</u>
Accruals and deferrals		
Accrued costs and deferred income	530.239	236.534
Deferred income	1.902.127	1.781.865
Deferred taxes	<u>545.901</u>	<u>616.056</u>
	<u>2.978.267</u>	<u>2.634.455</u>
Total Liabilities	<u>15.022.392</u>	<u>12.728.671</u>
Total Shareholders' Equity and Minority Interests	<u>7.566.929</u>	<u>5.921.998</u>
TOTAL	<u><u>22.589.321</u></u>	<u><u>18.650.669</u></u>

THE OFFICIAL
ACCOUNTANT N.º 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

Consolidated Profit and Loss Account
for the years ended 31 December, 2004 and 2003

(Amounts expressed in thousands of Euros)

	2004		2003	
COSTS AND LOSSES				
Cost of goods sold and Materials consumed		4.017.270		3.921.046
Supplies and services		649.504		632.518
Personnel costs:				
Remunerations	417.131		428.810	
Social Security charges	191.683		192.539	
Other	33.805	642.619	25.287	646.636
		5.309.393		5.200.200
Depreciation and amortisation	795.517		845.592	
Provisions	114.078	909.595	75.706	921.298
		6.218.988		6.121.498
Taxes	16.739		19.490	
Other expenses and losses	204.022	220.761	184.494	203.984
(A)		6.439.749		6.325.482
Financial expenses and losses	688.395		753.413	
Amortisation of goodwill and concession rights	95.525	783.920	92.420	845.833
(C)		7.223.669		7.171.315
Extraordinary costs and losses		256.768		294.674
(E)		7.480.437		7.465.989
Income tax for the year		159.617		195.534
(G)		7.640.054		7.661.523
Minority interests		-41.307		-44.364
Consolidated net profit for the year		440.152		381.109
		8.038.899		7.998.268
INCOME AND GAINS				
Sales	6.699.294		6.456.361	
Services rendered	522.396	7.221.690	521.159	6.977.520
Own work capitalised	258.774		235.623	
Supplementary income	10.994		7.768	
Other income and operational gains	6.737	276.505	10.313	253.704
(B)		7.498.195		7.231.224
Financial income and gains		448.668		486.813
(D)		7.946.863		7.718.037
Extraordinary income and gains		92.036		280.231
(F)		8.038.899		7.998.268
Operating profits/(loss)	(B) - (A)	1.058.446		905.742
Financial income/(expense)	(D) - (B) - (C) - (A)	-335.252		-359.020
Current Results	(D) - (C)	723.194		546.722
Profit before tax	(F) - (E)	558.462		532.279
Consolidated net profit and minority interests	(F) - (G)	440.152		381.109

See accompanying notes to the Financial Statements

Annual Report • Financial Report

Accounting Information required by the Official Plan of Accounts [POC]

Company Balance Sheet as at 31 December, 2004 and 2003

(Amounts expressed in thousands of Euros)

	2004			2003		
	Gross assets	Depreciation and provisions	Net assets	Gross assets	Depreciation and provisions	Net assets
ASSETS						
FIXED ASSETS						
Intangible fixed assets						
Star-up costs	5.883	5.883	-	7.085	5.228	1.857
Research and development costs	6.343	6.343	-	15.193	6.715	8.478
Industrial property and other rights	50	20	30	50	10	40
Intangible fixed assets in progress	1.952	-	1.952	3.277	-	3.277
	14.228	12.246	1.982	25.605	11.953	13.652
Tangible fixed assets						
Land and natural resources	55.709	-	55.709	55.838	-	55.838
Buildings and other constructions	57.959	27.957	30.002	81.413	31.929	49.484
Transport equipment	2.312	904	1.408	2.032	884	1.148
Tools and utensils	85	-	85	74	-	74
Office equipment	64.280	55.324	8.956	59.437	52.878	6.559
Other tangible fixed assets	13.545	1.517	12.028	23	6	17
Fixed assets in progress	10.669	-	10.669	4.427	-	4.427
	204.559	85.702	118.857	203.244	85.697	117.547
Investments						
Shareholdings in Group companies	7.077.230	-	7.077.230	5.598.313	948	5.597.365
Shareholdings in associate companies	327.305	-	327.305	998.617	-	998.617
Securities and other financial assets	337.593	698	336.895	599.284	-	599.284
	7.742.128	698	7.741.430	7.196.214	948	7.195.266
Concession rights	242.831	56.875	185.956	242.831	49.127	193.704
Goodwill	467.264	15.099	452.165	115.915	9.177	106.738
	710.095	71.974	638.121	358.746	58.304	300.442
	8.452.223	72.672	8.379.551	7.554.960	59.252	7.495.708
CURRENT						
Medium/long-term debtors						
Group companies	3.804.819	-	3.804.819	2.431.644	-	2.431.644
Associated companies	27.930	-	27.930	90	-	90
Other companies	⊖	⊖	⊖	2	⊖	2
	3.832.752	-	3.832.752	2.431.736	-	2.431.736
Short-term debtors						
Trade accounts receivable	4.262	-	4.262	4.171	-	4.171
Doubtful debt	12.043	11.144	899	9.119	9.119	-
Group companies	70.593	-	70.593	842.244	-	842.244
Related companies	1.560	-	1.560	-	-	-
State and ther public entities	180.599	-	180.599	206.597	-	206.597
Other debtors	294.722	-	294.722	644.054	-	644.054
	563.779	11.144	552.635	1.706.185	9.119	1.697.066
Trading securities						
Trading securities	-	-	-	-	-	-
Other treasury assets	15.288	-	15.288	85.641	-	85.641
	15.288	-	15.288	85.641	-	85.641
Bank deposits and cash						
Bank deposits and cash	2.414	-	2.414	8.332	-	8.332
Cash in hand	-	-	-	-	-	-
	2.414	-	2.414	8.332	-	8.332
Accruals and deferrals						
Accrued income and deferred costs	446.134	-	446.134	296.988	-	296.988
Deferred costs	74.023	-	74.023	135.853	-	135.853
Deferred taxes	61.699	-	61.699	336.924	-	336.924
	581.856	-	581.856	769.765	-	769.765
Total depreciation		169.922			155.954	
Total provisions		11.842			10.067	
TOTAL	13.667.099	181.764	13.485.335	12.785.468	166.021	12.619.447

See accompanying notes to the Financial Statements

Annual Report • Financial Report
Accounting Information required by the Official Plan of Accounts [POC]

Company Balance Sheet as at 31 December, 2004 and 2003

(Amounts expressed in thousands of Euros)

	2004	2003
SHAREHOLDERS' EQUITY		
Share Capital	3.656.538	3.000.000
Treasury stock	-31.662	-49.020
Share premium on treasury stock	472.955	-
Reserves :		
- Legal reserves	345.446	326.391
- Free reserves	12.830	12.830
- Other reserves	-1.491.431	-1.067.615
Exchange differences	-571.564	-572.500
Retained earnings	3.568.450	3.266.812
	5.961.562	4.916.898
Net profit for the period	440.152	381.109
Total Shareholders' Equity	6.401.714	5.298.007
Hydrological correction account	364.197	387.506
LIABILITIES		
Provisions for liabilities and charges	434.572	383.608
	434.572	383.608
Medium/long-term creditors		
Bond loans - non convertible	2.466.299	2.476.551
Other loans	671.436	731.021
Other creditors	316.085	315.646
	3.453.820	3.523.218
Short term creditors		
Bond loans - non convertible	9.951	10.221
Other loans	2.242.035	2.166.711
Trade accounts payable	21.861	40.924
Fixed assets suppliers	3.328	839
State and other public entities	9.966	59.844
Other creditors	255.317	164.858
	2.542.458	2.443.397
Accruals and deferrals		
Accrued costs and deferred income	218.644	100.204
Deferred income	5.612	8.668
Deferred taxes	64.318	474.839
	288.574	583.711
Total Liabilities	6.719.424	6.933.934
Total Shareholders' Equity and Liabilities	13.485.335	12.619.447

THE OFFICIAL
ACCOUNTANT N.° 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

Annual Report • Financial Report
Accounting Information required by the Official Plan of Accounts [POC]

**Company Profit and Loss Account
for the years ended 31 December, 2004 and 2003**

(Amounts expressed in thousands of Euros)

	2004		2003	
COSTS AND LOSSES				
Supplies and services		85.610		61.360
Personnel costs:				
Remuneration	3.496		3.339	
Social Security charges	1.026		1.199	
Other	858	5.380	1.099	5.637
		90.990		66.997
Depreciation and amortisation	8.677		8.112	
Provisions	2.944	11.621	873	8.985
		102.611		75.982
Taxes	1.518		1.749	
Other expenses and losses	627	2.145	350	2.099
(A)		104.756		78.081
Financial expenses and losses	589.259		663.645	
Amortisation of goodwill and concession rights	13.670	602.929	13.541	677.186
(C)		707.685		755.267
Extraordinary costs and losses		33.376		56.092
(E)		741.061		811.359
Income tax for the year		-47.469		-9.247
(G)		693.592		802.112
Net profit for the period		440.152		381.109
		1.133.744		1.183.221
INCOME AND GAINS				
Services rendered	33.151	33.151	24.252	24.252
Own work capitalised	-	-		
Supplementary income	2.963		1.733	
Other income and operational gains	569	3.532	1.437	3.170
(B)		36.683		27.422
Financial income and agains		1.021.453		1.017.995
(D)		1.058.136		1.045.417
Extraordinary income and gains		75.608		137.804
(F)		1.133.744		1.183.221
Operating profits/(loss)	(B) - (A)	-68.073		-50.659
Financial income/(expense)	(D) - (B) - (C) - (A)	418.524		340.809
Current Results	(D) - (C)	350.451		290.150
Profit before tax	(F) - (E)	392.683		371.862
Net profit for the period	(F) - (G)	440.152		381.109

See accompanying notes to the Financial Statements

EDP - Energias de Portugal, S.A.

Annex to the Consolidated Balance Sheet and Profit and Loss Account as at 31 December, 2004

The following indents follow the sequential numbering established in the Portuguese Official Plan of Accounts (POC) for consolidated financial statements.

- 1) Information on the companies included in the consolidation, concerning their name, registered office, percentage of share capital held and the conditions referred in article 1 of Decree-Law 238/91 of 2 July, determining the consolidation, are set out in Notes 1 to 7 to the Financial Statements.
- 2) Information on subsidiaries excluded from the consolidation is provided in Note 7 to the Financial Statements.
- 3) Information on the associated companies consolidated using the equity method concerning their name, head office and percentage of share capital held, is presented in Note 7 to the Financial Statements.
- 4) Information on associated companies excluded from the consolidation is provided in Note 7 to the Financial Statements.
- 5) Information on companies consolidated under the proportional method is provided in Note 7 to the Financial Statements.
- 6) Companies which are at least 10% held by companies referred in Notes 1 or 2 are listed, showing their name, head office and percentage of share capital held, in Note 7 to the Financial Statements.
- 7) The breakdown by categories of the average number of employees at the service of the companies included in the consolidation, using either the purchase or the proportional method of consolidation, is provided in Note 28 to the Financial Statements.
- 8) There were no cases in which application of the consolidation rules established by Decree-Law 238/91 of 2 July has been insufficient to provide a true and fair view of the financial situation and results of the companies as a whole included in the consolidation.
- 9) The consolidation rules established by Decree-Law 238/91 of July 2 have been fully applied.
- 10) In Note 6 to the Financial Statements there is a breakdown for the Goodwill and an explanation of the calculation methods used and of the changes since the previous year.
- 11) Methods and procedures used in the consolidation this year have been applied consistently with those of last year.
- 12) The consolidated financial statements present the assets, liabilities, shareholders' equity and results of the companies included in the consolidation as though they are a single company, in all relevant aspects.
- 13) The consolidated financial statements are presented for the same reference date as those of all companies included in the consolidation.
- 14) The changes in the consolidation perimeter are presented in Note 7 of the Financial Statements.
- 15) The consolidated financial statements and the financial statements of the companies included in the consolidation use the valuation criteria presented in Note 2 to the Financial Statements – Accounting Policies.
- 16) No exceptional adjustments were made to the value of assets solely for tax purposes that have not been eliminated from the consolidation.
- 17) Goodwill is amortised using a straight-line method over a period, not exceeding 20 years.
- 18) Criteria used by the companies included in the consolidation regarding the accounting of holdings in associate companies are presented in Note 2 to the Financial Statements.
- 19) Not applicable.
- 20) There have been no derogations to the harmonization of the valuation criteria used by the associated companies, with the exception of those referred to in Notes 2, 3, 7, 37, 38 and 40 to the Financial Statements.
- 21) Financial commitments assumed by the Group that are not shown in the consolidated balance sheet are presented in Notes 37 and 40 to the Financial Statements.
- 22) Note 39 to the Financial Statements provides a breakdown, by nature, of the liabilities included in the consolidation for guarantees provided. There are no real guarantees provided.
- 23) The valuation criteria applied to the various balances of the consolidated financial statements, as well as the methods used in calculating the adjustments of value, particularly depreciation and provisions, are presented in Note 2 to the Financial Statements.

See accompanying notes to the Financial Statements

**Annex to the Consolidated Balance Sheet and Profit and Loss Account
as at 31 December, 2004**

- 24) The items included in the consolidated financial statements originally expressed in foreign currencies have been converted to Euro, in accordance with the accounting policies presented in Note 2.d) to the Financial Statements.
The exchange rates used to update debt assets and liabilities expressed in foreign currency are presented in Note 17 to the Financial Statements.
- 25) Start-up costs and research and development costs are detailed in Note 5 to the Financial Statements.
- 26) Key money on telecommunication business, when applicable, is amortised over a period of between 5 and 20 years.
- 27) Notes 4 and 5 to the Financial Statements present the changes in fixed assets for the consolidated balance sheet, and the respective depreciations and provisions.
- 28) Capitalization, during the year, of costs relating to loans obtained to finance fixed assets is presented in Note 4 of the Financial Statements.
- 29) There were no adjustments to the value of the assets included in the consolidation subject to extraordinary depreciation or provisions solely for tax purposes.
- 30) There were no current assets with material differences between the net book value and the market value.
- 31) No items of current assets have been assigned a value lower than the lesser of cost or market value.
- 32) No items of current assets have been found for which a permanent decrease in value is predicted.
- 33) Amounts owed to third parties with a maturity of more than five years are presented in Note 20 to the Financial Statements.
- 34) There are no amounts owed to third parties covered by real guarantees provided by companies included in the consolidation.
- 35) There were no differences between the debts payable and the respective sums collected.
- 36) The breakdown of the net consolidated value of sales and of services rendered by categories and by geographic markets, is presented in Note 24 to the Financial Statements.
- 37) In the determination of the Consolidated Net Profit, there are no effects determined by the use of valuation criteria not provided in the POC or by the charge of extraordinary depreciation or provisions solely for tax purposes.
- 38) The difference between taxes allocated to the consolidated statement of income for the year and for previous years, and taxes already paid and payable in respect of those years is presented in Note 34 to the Financial Statement.
- 39) The compensation of members of management and supervisory boards of EDP, S.A., is presented in Note 28 to the Financial Statements.
- 40) No loans or advances were granted to members of the management or supervisory boards of EDP, S.A.
- 41) In previous years, the Group have made revaluations of tangible fixed assets applying the applicable legislation, respectively:
- | | |
|---------------------|-------------------|
| Decree-Law 430/78 | Decree-Law 111/88 |
| Decree-Law 219/82 | Decree-Law 7/91 |
| Decree-Law 399-G/81 | Decree-Law 49/91 |
| Decree-Law 171/85 | Decree-Law 264/92 |
| Decree-Law 118-B/86 | |

See accompanying notes to the Financial Statements

**Annex to the Consolidated Balance Sheet and Profit and Loss Account
as at 31 December, 2004**

42) As at 31 December, 2004, the breakdown of historical acquisition cost of tangible assets and investments at EDP, S.A. and the correspond revaluation, net of accumulated depreciations, is as follows:

	Historical Costs Euro'000	Revaluation Euro'000	Revaluated Values Euro'000
Cost	36.841	80.054	116.895
Depreciation	-22.067	-21.152	-43.219
Net assets	<u>14.774</u>	<u>58.902</u>	<u>73.676</u>

The Decree-Law 7/91, 8 January, which determined the constitution of new companies through a simple split of EDP, determines in article 8 that EDP's property assets should be evaluated by entities qualified by the Finance Ministry and approved by the Finance Minister. According to Decree-Law 22/92, 14 February, this evaluation is relevant for tax purposes, namely, concerning the depreciation calculation. As at 31 December, 2004, the amount of unrealised revaluation reserves net of deferred taxes is 57,690 thousand Euros.

The companies constituted through a simple split against EDP's property dissociation, incorporated revaluated tangible fixed assets items, which generate deferred taxes liabilities in those companies. As at the split date, the assets incorporated in the new companies have realised the respective capital stock and free reserves.

- 43) All the accounts of the consolidated balance sheet and the consolidated profit and loss account are comparable with those of the previous year, with the exception of that referred to in Note 2.e).
- 44) The consolidated profit and loss account is presented in Note 32 to the Financial Statements.
- 45) The consolidated extraordinary results are presented in Note 33 to the Financial Statements.
- 46) The movement of the various accumulated provision accounts is presented in Notes 7, 9, 10, 11 and 21 to the Financial Statements.
- 47) The amount of fixed assets financed by leasing is presented in Note 4 to the Financial Statements.
- 48) There are no secured debts other than those shown in the consolidated balance sheet.
- 49) No other information is required by legislation.
- 50) Other information relevant to an understanding of the financial situation and the results of the companies included in the consolidation is presented in the notes to the Financial Statements.

See accompanying notes to the Financial Statements

**Annex to the Company Balance Sheet and Profit and Loss Account
as at 31 December, 2004**

The following indents follow the sequential numbering established in the Portuguese Official Plan of Accounts (POC) for individual financial statements.

- 1) The financial statements for the year have been prepared, in all material aspects, in accordance with the Official Plan of Accounts (POC).
- 2) The financial statements for the year are comparable in all materially relevant aspects with those of the previous year, and there have been no changes to the accounting policies.
- 3) The accounting policies and valuation criteria are described in Note 2 of the Financial Statements.
- 4) The items included in the consolidated financial statements originally expressed in foreign currencies have been converted to Euro, in accordance with the accounting policies presented in Note 2.d) to the Financial Statements.
The exchange rates used to update assets and liabilities expressed in foreign currency are presented in Note 17 to the Financial Statements.
- 5) The net profit for the year was not adjusted in order to obtain tax advantages.
- 6) Situations with a significant impact on future taxes are presented in Note 34 to the Financial Statements.
- 7) The average number of workers in the service of EDP, S.A., is presented in Note 28 to the Financial Statements.
- 8) Start-up costs and research and development costs are presented in Note 5 to Financial Statements.
- 9) Goodwill is amortised over a period not exceeding 20 years, which is the estimated period of return on investment.
- 10) Movements of fixed assets are presented in Notes 4 and 5 to the Financial Statements.
- 11) No costs have been capitalized relating to loans obtained to finance fixed assets.
- 12) In Revaluation Reserves is registered the compensation of the adjustments made in the tangible fixed assets and financial assets accounts derived from various revaluations, net of the amounts used to increase the capital and the corresponding amount of deferred taxes.
Those revaluations were made in accordance with the following legislation:

Decree-Law 430/78
Decree-Law 219/82
Decree-Law 399-G/81
Decree-Law 171/85
Decree-Law 118-B/86

Decree-Law 111/88
Decree-Law 7/91
Decree-Law 49/91
Decree-Law 264/92

- 13) As at 31 December, 2004, the breakdown of historical acquisition cost of tangible assets and investments and the corresponding revaluation, net of accumulated depreciations, is as follows:

	Historical Costs Euro'000	Revaluation Euro'000	Revaluated Values Euro'000
Costs	36.841	80.054	116.895
Depreciation	-22.067	-21.152	-43.219
Net assets	<u>14.774</u>	<u>58.902</u>	<u>73.676</u>

As a result of the revaluations made (Note 12), the amount of unrealised revaluation reserves, as at 31 December, amounts to 58,902 thousand Euro, to which corresponds deferred taxes liabilities, in an amount of 1,212 thousand Euros.

- 14) Classification of tangible fixed assets and fixed assets in progress, by allocation, is presented in Notes 4 and 5 to the Financial Statements.
There are no reversible fixed assets nor fixed assets used by third parties, located in third parties' property, in foreign countries.
- 15) The amount of fixed assets financed by leasing is presented in Note 4 to the Financial Statements.
- 16) Information on Group companies, associates and subsidiaries concerning the name, registered office, percentage of share capital held the value of shareholders' equity and of results are set in Note 7 to the Financial Statements.
- 17) The Trading Securities account contains no shares in companies whose book value represents more than 5% of the current assets of this company.
- 18) EDP, S.A. owns no fund.
- 19) There are no items of current assets showing materially relevant differences between the net book value and the market value.

See accompanying notes to the Financial Statements

**Annex to the Company Balance Sheet and Profit and Loss Account
as at 31 December, 2004**

- 20) No item of current assets has been assigned a value lower than the lower of cost or market value.
- 21) Since no permanent decrease in the value of any item of current assets is foreseen, no extraordinary provisions have been charged.
- 22) No stocks are located outside the company.
- 23) The value of doubtful debt equals the figures shown in the balance sheet.
- 24) No loans or advances were granted to members of the management or supervisory boards of EDP, S.A.
- 25) The value of debt assets and liabilities in respect of the company's staff is summarised in Note 11 to the Financial Statements.
- 26) There are no debt securities.
- 27) No convertible bonds, participation units or similar rights have been issued.
- 28) EDP S.A. has no overdue debt to the State or to other public entities.
- 29) Amounts owed to third parties with a maturity of more than five years are presented in Note 20 to Financial Statements.
- 30) Note 39 to the Financial Statements provides a breakdown, by nature, of the liabilities included in the consolidation for guarantees provided. There are no real guarantees provided.
- 31) Information concerning the value of financial commitments not shown in the balance sheet is presented in Note 37, 39 and 49 to the Financial Statements.
- 32) EDP S.A. liabilities for guarantees provided are disclosed in Note 40 to the Financial Statements.
- 33) There were no cases in which any difference has been found between the debts payable and the respective sums collected.
- 34) Movements for the various accumulated provisions accounts are presented in Notes 7, 9, 10, 11 and 21 to the Financial Statements.
- 35) In accordance with the General Meeting of 7 October, 2004, The Board of Directors decided to proceed to an increase in the share capital in the amount 656,537,531 Euro, through a public offer reserved to EDP shareholders by the exercise of their preference rights. The new 656,537,715 ordinary, registered and nominative shares have the nominal value of 1 Euro each. The shares were offered at a subscription price of 1.84 Euro per share, the operation being concluded on 2 December, 2004.
- As at 31 December, 2004 the share capital amounts to 3,656,537,715 Euro and is represented by 3,656,537,715 shares with nominal value of 1 Euro. The share capital is totally realised.
- 36) The share capital is totally represented by ordinary, registered and nominative shares, as mentioned in Note 14 to the Financial Statements.
- 37) No company has a holding of more than 20% of the subscribed share capital.
- 38) The number and nominal value of shares subscribed and realised during 2004 is presented in Note 14 to the Financial Statements.
- 39) As at 31 December, 2004, the revaluation reserves in the amount of 57,690 thousand Euro correspond to unrealised revaluation reserves, net of deferred tax liabilities. The movement in the year in this account in the amount of 31,759 thousand Euro, corresponds to the excess regularization of the year.
- 40) The movement for each of shareholders' equity items is analysed in the Statement of Changes in Consolidated and Company Shareholders' equity.
- 41) Not applicable.
- 42) Not applicable.

See accompanying notes to the Financial Statements

**Annex to the Company Balance Sheet and Profit and Loss Account
as at 31 December, 2004**

- 43) The compensation of the members of management and supervisory boards of EDP, S.A. is presented in Note 28 to the Financial Statements.
- 44) The breakdown of the net value of sales and of services rendered by categories and by geographic markets, is presented in Note 24 to the Financial Statements.
- 45) The breakdown of financial results is presented in Note 32 to the Financial Statements.
- 46) The breakdown of extraordinary results is presented in Note 33 to the Financial Statements.
- 47) According to the terms of article 21 of Decree-Law 411/91 of October 17, EDP, S.A. has no overdue social security contributions.
- 48) Other information relevant to an understanding of the financial situation and of results is presented in the Notes to the Financial Statements.

See accompanying notes to the Financial Statements

**Annex to the Consolidated and Company Cash-flow Statement
as at 31 December, 2004**

The following indents follow the sequential numbering established in the Portuguese Official Accounting Directive 14 and apply both to the company and to consolidated cash-flow statements.

- 1) Information concerning the acquisition or sale of subsidiaries and other corporate activities are presented in Note 7 to the Financial Statements.
- 2) The disclosure of cash and cash equivalents is presented in Note 13 to the Financial to the Financial Statements.
- 3) The amount of credit facilities is presented in Note 20 to the Financial Statements.
- 4) Segmentation of the Group's activities with regard to cash flow is not applicable since there is no segmentation of the individual or consolidated financial statements.
- 5) Not applicable.
- 6) Not applicable.
- 7) No other information is considered relevant to an understanding of the cash-flow statements.

See accompanying notes to the Financial Statements

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5. Documents of the CMVM Registered Auditor and of the External Auditors



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

Auditors' Report

To the
Shareholders of
EDP – Energias de Portugal, S.A.

We have examined the financial statements presented in the parts III and IV of the Annual Report, comprising the consolidated balance sheet of EDP – Energias de Portugal, S.A., as at 31 December, 2004, and the consolidated statements of income, changes in shareholders' equity and cash flows, for the year then ended, and the respective notes. Our audit was performed in accordance with International Standards on Auditing.

We did not audit the financial statements of the Brazilian and Spanish subsidiaries, which together contribute to the consolidated financial statements with assets, liabilities and revenue of Euros 4,582,327 thousand, Euros 4,757,125 thousand and Euros 1,793,427 thousand, respectively. The financial statements of those subsidiaries were examined by other auditors, therefore our opinion on the referred amounts is based solely on the reports of those auditors.

The consolidated financial statements for the year ended 31 December, 2003 were examined by other auditors who issued an unqualified audit opinion, dated 15 March, 2004. Our appointment as auditors of EDP – Energias de Portugal, S.A. occurred on 7 September, 2004.

Responsibility of Management and Auditors

Those financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit and on the opinions expressed by the above-mentioned auditors.

Basis of opinion

International Standards on Auditing require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these consolidated financial statements and assessing the estimates and significant judgments made by the Board of Directors in their preparation and presentation. An audit also includes assessing the accounting principles used, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit and the reports of the other auditors, provide a reasonable basis for our opinion.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas,
S.A., a Portuguese company is a member firm of KPMG
International, a Swiss cooperative.

KPMG & Associados - SROCC, S.A.
Capital Social: 511.700 Euros
Pessoa Colectiva N.º 502 161 078
Inscrito na D.R.O.C. N.º 189
Inscrito na C.M.V.M. N.º 9093

Matriculada na
Conservatória do registo
Comercial de Lisboa sob o
n.º 715, fs. 178 do Livro C -
2/3



Opinion

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EDP – Energias de Portugal, S.A., as at 31 December, 2004, and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles in Portugal, as described in note 2.

Lisbon, 1 March 2005

A handwritten signature in black ink, likely belonging to a KPMG representative.

KPMG



KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.

EDP – Energias de Portugal, S.A.

STATUTORY AUDITOR'S OPINION AND AUDIT REPORT ON THE CONSOLIDATED ACCOUNTS

Introduction

1. In accordance with the applicable legislation, we present our Statutory Auditor's Opinion and our Audit Report on the financial information included in the Annual Report of the Board of Directors, included in the Institutional Report and in the Financial Report, and in the accompanying consolidated financial statements, included in the Financial Report of EDP – Energias de Portugal, S.A., which comprise: the Consolidated Balance Sheet as at 31 December, 2004 (showing total assets of Euros 22,589,321 thousand and shareholders' equity of Euros 6,401,714 thousand, including a profit for the year of Euros 440,152 thousand), the Consolidated Statements of Income by nature and by function and the Consolidated Cash Flow Statements for the year then ended and the corresponding Notes.

Responsibilities

2. It is the responsibility of the Board of Directors:
 - a) preparing the Consolidated Annual Report of the Board of Directors and consolidated financial statements that present fairly, in all material respects, the financial position of all the companies included in the consolidation, the consolidated results of its operations and its cash flows;
 - b) maintaining historical financial information, prepared in accordance with the generally accepted accounting principles and that is complete, true, timely, clear, objective and lawful, as required by the Stock Exchange Code (Código dos Valores Mobiliários);
 - c) adopting adequate accounting criteria and policies;
 - d) maintaining an appropriate system of internal control; and
 - e) providing information of any relevant fact influencing the activity of all the companies included in the consolidation, their financial situation or results.
3. Our examination did not include the audit of the financial statements of the Brazilian and Spanish subsidiaries, which together contribute to the consolidated financial statements with assets, liabilities and revenue, in the amount of Euros 4,582,327 thousand, Euros 4,757,125 thousand and Euros 1,793,427 thousand, respectively. The financial statements of those subsidiaries were examined by other auditors, therefore our opinion on the referred amounts is based solely on the reports of those auditors.
4. It is our responsibility to verify the financial information included in the above referred documents, namely as to whether it is complete, true, timely, clear, objective and lawful as required by the Stock Exchange Code (Código dos Valores Mobiliários), and to issue a professional and independent report based on our audit and on the opinions expressed by the auditors of those subsidiaries.

Scope

5. Our audit was performed in accordance with the Rules and Technical Recommendations of the Portuguese Institute of Chartered Accountants (Ordem dos Revisores Oficiais de Contas), which require that we plan and perform the audit to obtain a reasonable degree of assurance as to whether or not the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly examined and, in those significant cases in which they were not, verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in their preparation;
- verification of the consolidation operations and of the application of the equity method;
- assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances;
- verification of the applicability of the going concern principle;
- assessment of the appropriateness of the overall presentation of the consolidated financial statements;
- assessment of whether the consolidated financial information is complete, true, timely, clear, objective and lawful.

6. Our examination also included the verification that the consolidated financial information contained in the Consolidated Annual Report of the Board of Directors is consistent with the financial statements presented.

7. We believe that our audit and the opinions expressed by the above mentioned auditors provide a reasonable basis for the expression of our opinion.

Opinion

8. In our opinion, based on our audit and on the opinions expressed by the referred auditors, the above mentioned consolidated financial statements present fairly in all material respects the consolidated financial position of EDP – Energias de Portugal, S.A. as at 31 December, 2004, the consolidated results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting principles in Portugal as described in Note 2, and the information contained therein is complete, true, timely, clear, objective and lawful.

Emphasis of matter

9. Without qualifying our opinion expressed in the paragraph above, we draw your attention to the following fact:
 - The consolidated financial statements for the year ended 31 December, 2003 were examined by another Statutory Audit Firm which issued an unqualified opinion on those financial statements, dated 15 March, 2004.

Lisbon, 1 March 2005

KPMG & Associados, S.R.O.C., S.A.
Represented by
Jean-éric Gaign (ROC nº 1013)

(Extracted from the original Statutory Audit Report, duly signed and emitted in letterhead paper of the Society)



KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.

EDP – Energias de Portugal, S.A.

STATUTORY AUDITOR'S OPINION AND AUDIT REPORT ON THE INDIVIDUAL ACCOUNTS

Introduction

1. In accordance with the applicable legislation, we present our Statutory Auditor's Opinion and Audit Report on the financial information included in the Annual Report of the Board of Directors, included in the Institutional and Financial Reports, and in the accompanying individual financial statements, included in the Financial Report, of EDP – Energias de Portugal, S.A., which comprise: the Balance Sheet as at 31 December, 2004 (showing total assets of Euros 13,485,335 thousand and shareholders' equity of Euros 6,401,714 thousand, including a profit for the year of Euros 440,152 thousand), the Statements of Income by nature and by function and the Cash Flow Statements for the year then ended and the corresponding Notes.

Responsibilities

2. It is the responsibility of the Board of Directors:

- a) preparing the Annual Report of the Board of Directors and financial statements that present fairly, in all material respects, the financial position of the company, the results of its operations and its cash flows;
- b) maintaining historical financial information, prepared in accordance with the generally accepted accounting principles and that is complete, true, timely, clear, objective and lawful as required by the Stock Exchange Code (Código dos Valores Mobiliários);
- c) adopting adequate accounting criteria and policies;
- d) maintaining an appropriate system of internal control; and
- e) providing information of any relevant fact influencing its business, financial situation or results.

3. Our examination did not include the audit of the financial statements of the Brazilian and Spanish subsidiaries, accounted for by the equity method of consolidation, which together contribute to company's assets in the amount of Euros 1,138,426 thousand and Euros 1,652,701 thousand, respectively. The financial statements of those subsidiaries were examined by other auditors, therefore our opinion on the referred amounts is based solely on the reports of those auditors.

4. It is our responsibility to verify the financial information included in the above referred documents, namely as to whether it is complete, true, timely, clear, objective and lawful as required by the Stock Exchange Code (Código dos Valores Mobiliários), and to issue a professional and independent report based on our audit and on the opinions issued by the auditors of those subsidiaries.

Scope

5. Our audit was performed in accordance with the Rules and Technical Recommendations of the Portuguese Institute of Chartered Accountants (Ordem dos Revisores Oficiais de Contas), which require that we plan and perform the audit to obtain a reasonable degree of assurance as to whether or not the financial statements are free of material misstatements. Accordingly our audit included:

- verification, on a test basis, of information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in their preparation;
- assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the circumstances;
- verification of the applicability of the going concern principle;
- assessment of the appropriateness of the overall presentation of the financial statements; and
- assessment of whether the financial information, is complete, true, timely, clear, objective and lawful.

6. Our examination also included the verification that the financial information contained in the Annual Report of the Board of Directors is consistent with the financial statements presented.

7. We believe that our audit and the opinions expressed by the above mentioned auditors provide a reasonable basis for the expression of our opinion.

Opinion

8. In our opinion, based on our audit and on the opinions expressed by the referred auditors, the above mentioned financial statements present fairly in all material respects the financial position of EDP – Energias de Portugal, S.A. as at 31 December, 2004, the results of its operations and the cash flows for the year then ended, in accordance with generally accepted accounting principles in Portugal as described in Note 2, and the information contained therein is complete, true, timely, clear, objective and lawful.

Emphasis of matter

9. Without qualifying our opinion expressed in the paragraph above, we draw your attention to the following fact:

- The financial statements for the year ended 31 December, 2003 were examined by another Statutory Audit Firm which issued an unqualified opinion on those financial statements, dated of 15 March, 2004.

Lisbon, 1 March 2005

KPMG & Associados, S.R.O.C., S.A.
Represented by
Jean-éric Gaign (ROC n° 1013)



KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.

REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2004

CONSOLIDATED ACCOUNTS

To the Shareholders of
EDP - Energias de Portugal, S.A.

1. In accordance with the applicable requirements of the Companies Code, we herewith, as statutory auditor of EDP - Energias de Portugal, S.A, present the report on our supervisory activity and our opinion on the Consolidated Annual Report of the Board of Directors, included in the Institutional Report, and on the consolidated financial statements, included in the Financial Report, presented by the Board of Directors of EDP - Energias de Portugal, S.A, for the year ended 31 December, 2004.
2. Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
3. As a consequence of the statutory work carried out, we have issued the attached Statutory Audit Report as well as the Report on the Work Carried Out sent to the Board of Directors, as required by Article 451 of the Companies Code.
4. Within the scope of our mandate, we have verified that:
 - i) the consolidated balance sheet, the consolidated income statement, by nature and by functions, the consolidated cash flows statement and the related notes, present adequately the financial position and the results of the company and its subsidiaries included in the consolidation;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Consolidated Annual Report of the Board of Directors is sufficiently clear to present the evolution of the business and the position of the company and its subsidiaries included in the consolidation highlighting the more significant aspects.
5. As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the General Assembly of Shareholders may approve:
 - i) the Consolidated Annual Report of the Board of Directors;
 - ii) the consolidated financial statements.

Lisbon, 1 March 2005

KPMG & Associados, S.R.O.C., S.A.
Represented by
Jean-éric Gaign (ROC n° 1013)

INDIVIDUAL ACCOUNTS

To the Shareholders of
EDP - Energias de Portugal, S.A.

1. In accordance with the applicable requirements of the Companies Code, we herewith, as statutory auditor of EDP - Energias de Portugal, S.A, present the report on our supervisory activity and our opinion on the Annual Report of the Board of Directors, included in the Institutional Report, and on the financial statements, included in the Financial Report, presented by the Board of Directors of EDP - Energias de Portugal, S.A, for the year ended 31 December, 2004.
2. Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
3. As a consequence of the statutory work carried out, we have issued the attached Statutory Audit Report as well as the Report on the Work Carried Out sent to the Board of Directors, as required by Article 451 of the Companies Code.
4. Within the scope of our mandate, we have verified that:
 - i) the balance sheet, the income statement, by nature and by functions, the cash flows statement and the related notes, present adequately the financial position and the results of the company;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Annual Report of the Board of Directors is sufficiently clear to present the evolution of the business and the position of the company;
5. As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the General Assembly of Shareholders may approve:
 - i) the Annual Report of the Board of Directors;
 - ii) the financial statements.

Lisbon, 1 March 2005

KPMG & Associados, S.R.O.C., S.A.
Represented by
Jean-éric Gaign (ROCContas n° 1013)

(Extracted from the original Report and Opinion of the Statutory Auditors, duly signed and emitted in letterhead paper of the Society)



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