

EDP
Electricidade de Portugal, S.A

**Interim Report
and
Accounts**

30 June 2003

CONTENTS

1. GROUP STRUCTURE.....	4
1.1. EDP, S.A. WITHIN THE CONTEXT OF THE EDP GROUP	4
1.2. EDP GROUP'S ORGANISATION STRUCTURE	5
2. EDP, S.A.'S GOVERNING BODIES (TERM 2003 – 2005)	7
2.1.1. General Meeting Committee	7
2.1.2. Sole Supervisors	7
2.1.3. Board of Directors	7
2.1.4. Company Secretary	7
2.1.5. Remuneration Committee	7
3. EDP, S.A.'S ORGANISATIONAL MODEL.....	9
4. MANAGEMENT REPORT.....	11
4.1. BACKGROUND	11
4.2. IMPORTANT FACTS	12
4.2.1 General	12
4.2.2 Gas sector	13
4.2.3 Electricity sector	13
4.2.4 Internationalisation	13
4.3 IMPORTANT FACTS AFTER THE CLOSING OF THE INTERIM ACCOUNTS	14
4.3.1. Electricity sector	14
4.3.2. Internationalisation	14
4.4. ECONOMIC AND FINANCIAL REVIEW	15
4.4.1. Balance sheet	15
4.4.2. Income statement	16
4.5 CORPORATE GOVERNANCE	17
4.5.1 CORPORATE GOVERNANCE, DETAILS OF THE MANAGEMENT BODY AND ORGANIC STRUCTURE 17	
4.5.1.1 Corporate Governance Structure	17
4.5.1.2 Details of the management body	18
4.5.1.3 Effective control of the company's affairs	19
4.5.1.4 Organic structure	20
4.5.2 SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2003	21
4.5.3 TREASURY STOCK	22
4.5.4 INVESTOR RELATIONS OFFICE	23
4.6. OUTLOOK	24
5. ANNEXES	28
5.1 EDP, S.A.'S SHAREHOLDER STRUCTURE	28
5.2. IMPUTATION OF VOTING RIGHTS	28
5.3. SHARES HELD BY MEMBERS OF EDP, S.A.'S GOVERNING BODIES	30

1 – GROUP STRUCTURE

1. GROUP STRUCTURE

1.1. EDP, S.A. WITHIN THE CONTEXT OF THE EDP GROUP

EDP – Electricidade de Portugal, S.A. is the holding company of a vast group of companies whose activities in the first half of 2003 continued to be centred on consolidation, both a home and abroad, with special emphasis on the MIBEL¹.

As a strategic entity directing all the Group's activity, EDP, S.A. pursued initiatives covering promotion, dynamic support and global strategic management with the aim of boosting and streamlining the performance of the companies making up the Group.

The Portuguese Cabinet approved a resolution in the first half of 2003 which defines the political, competitive and regulatory framework for the energy sector in Portugal. This resolution points to the convergence of the electricity and gas businesses in Portugal, through the separation of gas business of the holding company GalpEnergia and the consequent merger with the electricity business, under the direct control of the EDP Group.

In parallel, the acquisition of Naturcorp by Hidrocantábrico assumes added importance by virtue of the fact that it enables the EDP Group to solidify its presence in Spain and position itself in the convergence between the electricity and gas businesses in Spain, in harmony with the strategy delineated for the Portuguese energy sector.

At operating level the performance of the Brazilian companies in the first half (in *reais*) was positive and an improvement on the previous year. However, the *real's* appreciation in the early months of 2003 was not sufficient to compensate for the strong depreciation noted in the latter half of 2002 caused by the uncertainty surrounding the result of the presidential elections in Brazil.

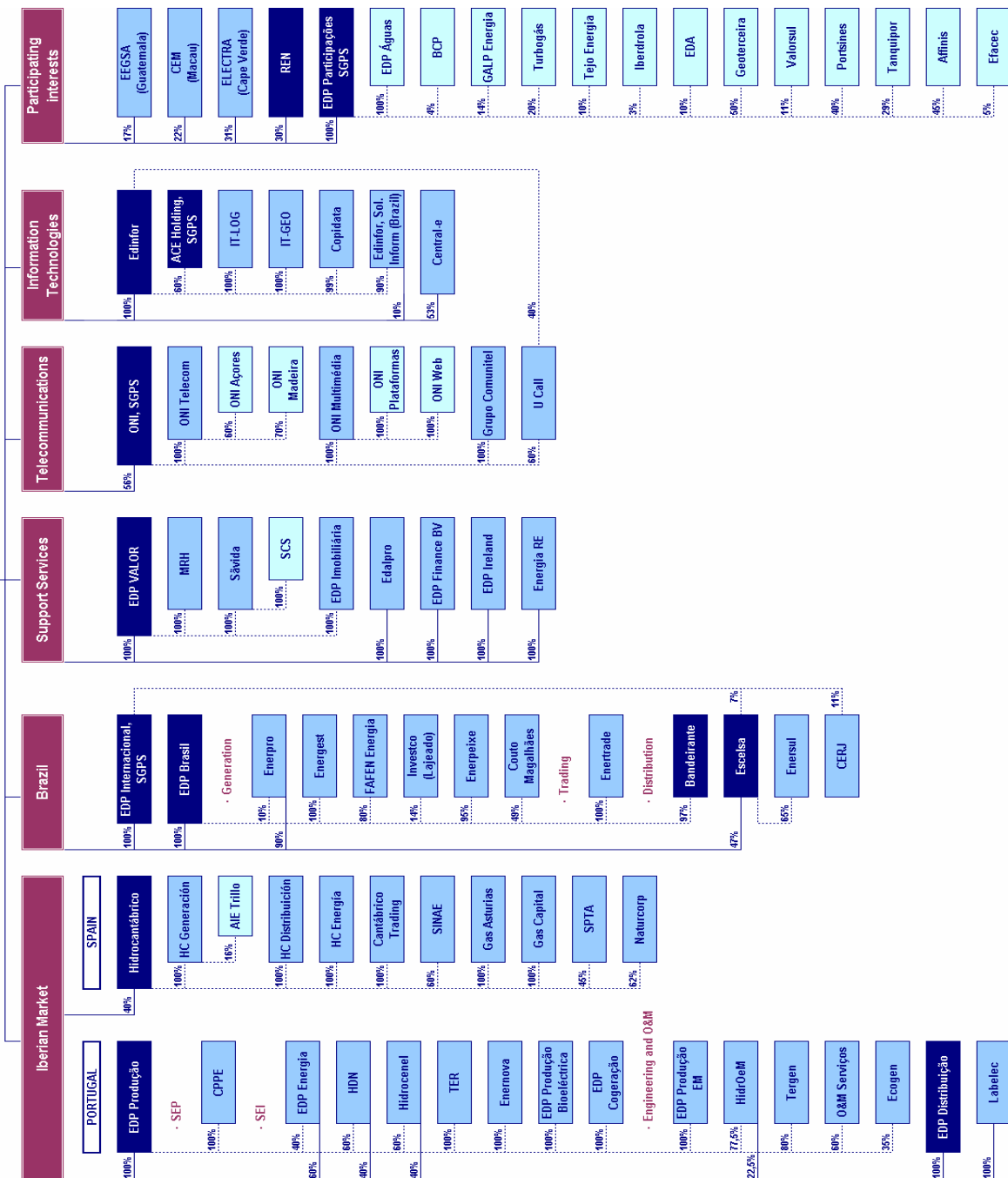
Already in the second half of 2003 the energy sector regulator ERSE (Entidade Reguladora dos Serviços Energéticos) decided to accept as a capital investment, to be amortised over a period of 20 years starting in 2005, EDP Distribuição's restructuring costs associated with the Human Resources Rationalisation Plan for 2003 and 2004, a staff retrenchment plan (including pre-retirements) that has as its objective re-scaling human resources to the company's present requirements.

Cost control – a management objective imposed in 2002 under the Efficiency Programme – permitted a decrease in OSS (Outside Supplies and Services) and personnel costs in the first half of 2003.

In the sphere of the functions which are centralised and common to the Group companies, EDP, S.A. continued to carry out financial and human resources management for the purpose of optimising existing synergies between all the Group companies and guarantee recourse to the market on more advantageous conditions. To set the company's and the Group's management goals and policies.

¹ Mercado Ibérico de Electricidade (Iberian Electricity Market).

1.2



General note:
% rounded off.

2 - EDP, S.A.'S GOVERNING BODIES

2. EDP, S.A.'S GOVERNING BODIES (Term 2003 – 2005)

2.1.1. General Meeting Committee

Chairman: Dr. José Manuel Galvão Teles

Vice-Chairman: Prof. Dr. António Campos Pires Caiado

2.1.2. Sole Supervisors

Sole supervisor in office: Bernardes, Sismeiro & Associados, SROC, represented by Dr. Carlos Marques Bernardes, Statutory Auditor (ROC)

Alternate: Dr. Joaquim Patrício da Silva, ROC

2.1.3. Board of Directors

Chairman: Eng. Francisco de la Fuente Sánchez

Member: Eng. João Luís Ramalho de Carvalho Talone

Member: Dr. António de Almeida

Member: Prof. Dr. António José Fernandes de Sousa

Member: Eng. Arnaldo Pedro Figueirôa Navarro Machado

Member: Eng. Jorge Manuel de Oliveira Godinho

Member: Dr. José Manuel Gonçalves de Moraes Cabral

Member: Prof. Dr. José Manuel Trindade Neves Adelino

Member: Prof. Dr. Luís Filipe Rolim de Azevedo Coutinho

Member: Dr. Paulo Azevedo Pereira da Silva

Member: Eng. Pedro Manuel Bastos Mendes Rezende

Member: Dr. Rui Miguel de Oliveira Horta e Costa

Member: Dr. Vítor Ângelo Mendes da Costa Martins

2.1.4. Company Secretary

Alternate: Dr. António José Marrachinho Soares

2.1.5. Remuneration Committee

Chairman: Brisa, represented by Dr. Vasco Maria Guimarães José de Mello

Member: Parpública, represented by Dr. João Plácido Pires

Member: Prof. Dr. Ruy Manuel Corte-Real de Albuquerque

3 – EDP, S.A.'S ORGANISATIONAL MODEL

3. EDP, S.A.'S ORGANISATIONAL MODEL

This central support structure is composed of a body of general managers, assistants and advisers to the Board of Directors and a series of Offices.

As the EDP Group's holding company, EDP, S.A.'s role is to define the Group's overall strategy, to coordinate the activities of the subsidiary and associated companies and to equip itself with a central support structure for decision-making processes, with transversal duties in accordance with the organisation, functions and responsibilities prescribed by the Board of Directors.

This central structure is composed of a body of general managers, assistants and advisers to the Board of Directors and a number of offices which at 30 June 2003, had the following designation and respective heads:

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

4 – MANAGEMENT REPORT

4. MANAGEMENT REPORT

4.1. BACKGROUND

2003 is being marked by growth in electricity consumption in Portugal that is higher than that registered in 2002, with the first half of 2003 evidencing a rise of 5.0% (emission-related consumption in GWh sent out to the transmission network), compared with 1.9% in 2002.

This trend is partially explained by the fact that the 2002/3 winter was particularly cold and rainy. As a result of the last-mentioned, the hydroelectric capability factor was significantly higher than that of the first half of 2002, which permitted a reversal in the ratio of energy generated from hydroelectric and thermoelectric sources vis-à-vis the total energy sent out to the grid, with a concomitant positive impact on the cost of electricity consumed in mainland Portugal.

Net income for the first six months of 2003 amounted to EUR 182 million, down 21.1% when compared with the same period last year.

4.2. IMPORTANT FACTS

The following are the most important facts relating to EDP, S.A. up until the end of August 2003:

4.2.1 General

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

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

- **Election of Board of Directors**

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

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

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

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

- **General Meeting approves the payment of a gross dividend of 9 cents per share**

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

4.2.2 Gas sector

- **Hidrocantábrico succeeds in privatisation of Naturcorp**

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

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

4.2.3 Electricity sector

- **Board of Directors' announcement – Notification of the approval of the Cabinet resolution approving the restructuring of the energy sector**

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

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

4.2.4 Internationalisation

- **ANEEL approves average increase of 32,59% in Enersul's tariffs**

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

4.3 IMPORTANT FACTS AFTER THE CLOSING OF THE INTERIM ACCOUNTS

4.3.1. Electricity sector

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

In the light of this decision taken by the ERSE, EDP's Board of Directors informed the market that the possibility of immediately implementing the 2003-2004 Rationalisation Plan, with the assurance that the cost thereof (up to a maximum of EUR 485.7 million) will be accepted by the ERSE, constitutes a fundamental and priority management tool that will enable the company and the Group to mobilise for the start of a new modernisation cycle, with the inherent re-designing of work processes and consequences that will undoubtedly be positive for the EDP Group's customers, shareholders and employees.

4.3.2. Internationalisation

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

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

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

4.4. ECONOMIC AND FINANCIAL REVIEW

Net income for the first half of 2003 amounted to EUR 182 million, corresponding to a decrease of 21.1% relative to the same period of last year.

4.4.1. Balance sheet

The following is the abridged balance sheet at 30 June 2003:

(Unit: ?)

BALANCE SHEET	June 2003	2002	Change %
ASSETS	12 811 222 614,49	12 986 993 773,37	(1,4)
Net fixed assets	5 517 619 585,20	5 593 070 026,51	(1,4)
Current	2 062 186 685,76	2 151 297 892,31	(4,1)
M/L-term receivables	4 694 232 763,60	4 692 807 342,46	0,03
Accruals and deferrals	537 183 579,93	549 818 512,09	(2,3)
LIABILITIES	7 398 164 441,14	7 492 811 690,89	(1,3)
M/L-term payables, Hyraul. Corr. and Provisions	4 369 466 613,47	4 307 903 835,58	1,4
Short-term payables	2 606 851 652,99	2 809 551 536,73	(7,2)
Accruals and deferrals	421 846 174,68	375 356 318,58	12,4
SHAREHOLDERS' FUNDS	5 413 058 173,35	5 494 182 082,48	(1,5)
LIABILITIES AND SHAREHOLDERS' FUNDS	12 811 222 614,49	12 986 993 773,37	(1,4)

From the above summary, it can be concluded that:

The structure of the debt/equity ratio (amount of interest-bearing debt covered by shareholders' funds) presents a slight deterioration from 0.78 to 0.81. The shareholders' funds continue to guarantee a high level of cover of short-term payables, maintaining the company's solid financial base.

Net total assets declined by 1.4%, basically as a result of two items:

- The decrease noted in net fixed assets of 1.4% stemming from the sale of applications software;
- Recovery of short-term receivables of Group companies.

Net liabilities show a decrease of 1.3% resulting from the diminution in the item other creditors following the centralisation of corporate income tax (IRC) payments on account relating to the Group companies.

4.4.2. Income statement

(Unit: ?)					
INCOME STATEMENT	June	2003	June	2002	Change %
Energy sales				1 140 861,24	(100,0)
Services provided	4 987 593,19			13 997 764,00	(64,4)
Supplementary income	474 371,04			66 879,92	609,3
INCOME FROM VALUE ADDED	5 461 964,23			15 205 505,16	(64,1)
Outside supplies and services	22 658 717,73			34 158 866,13	(33,7)
Indirect taxes	1 276 099,42			876 984,45	45,5
GROSS VALUE ADDED	(18 472 852,92)			(19 830 345,42)	(6,8)
Personnel costs	2 296 384,03			3 079 152,52	(25,4)
Other operating charges	335 983,31			239 746,76	40,1
Other operating income	4 972,16			78 120,17	(93,6)
GROSS OPERATING SURPLUS	(21 100 248,10)			(23 071 124,53)	(8,5)
Financial expenses	357 166 144,77			322 314 346,20	10,8
Financial income	521 680 030,20			493 847 920,35	5,6
Net extraordinary items	57 905 459,27			51 310 244,71	12,9
NET CASH FLOW	201 319 096,60			199 772 694,33	0,8
Amortisation and depreciation	3 686 012,68			3 108 537,60	18,6
Provisions	286 201,45			9 196 000,00	(96,9)
Corporate income tax	22 308 153,49			(15 346 459,73)	(245,4)
Deferred taxation	(7 005 267,88)			(27 784 079,19)	(74,8)
NET INCOME FOR THE PERIOD	182 043 996,86			230 598 695,65	(21,1)

The unfavourable trend in revenue derived from value added is due to the fact that there were no sales of energy from the Mortágua power plant following its transfer to EDP Produção Bioelétrica, as well as the value of services rendered having fallen when compared with the same period last year as a result of the renegotiation of service contracts with the holding company.

The significant reduction in Outside Supplies and Services of some EUR 12 million is explained by the conclusion of certain consultancy work, the cost of which was included in the accounts of the first half of 2002 under the caption Specialised Work.

The increase in Financial Expenses of some EUR 35 million is attributable to the increase recorded in unfavourable foreign exchange differences of around EUR 72.1 million arising from the currency translation of the investments in Brazil and the decrease of around EUR 40.1 million relating to the Losses in Group and Associated Companies.

Financial Income presents a significant increase when compared with the same period last year as a result of the Gains in Group and Associated Companies.

4.5 CORPORATE GOVERNANCE

EDP Group now includes in its Annual Report a separate report on corporate governance, in conformity with Regulation no. 7/2001/CMVM.

The Company's Annual Corporate Governance Report drawn up by EDP includes chapters dealing with:

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

The information disclosed by the EDP Group in its 2002 Annual Report remains essentially valid, although certain aspects need to be updated: the governing bodies, including the details of the Board of Directors and the organic structure, the share price performance and the treasury stock portfolio, which are now presented below.

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

4.5.1.1 Corporate Governance Structure

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

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

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

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

4.5.1.2 Details of the management body

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

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

- Setting the company's and the Group's management objectives and policies;
- Preparing the annual operating and financial plans;
- Managing the company's business and performing all the acts and operations relating to the company's objects clause which are not attributed to another governing body;
- Representing the company in and out of court, as plaintiff and defendant, and it can discontinue, compromise and confess in any legal proceedings, as well as entering into arbitration agreements;
- The acquisition, sale or any other form of disposing of or encumbering real-estate rights or goods;
- The formation of companies and subscribing for, acquiring, encumbering and disposing of equity holdings;

- Deciding on the issue of bonds and other negotiable securities in terms of the Law and the company's Statutes;
- Establishing the company's technical and administrative organisation and the rules for internal functioning, namely, as concerns personnel and their remuneration;
- Appointing authorised signatories with the powers it deems necessary, including those of sub-delegation;
- Appointing the company secretary and respective alternate;
- Exercising all the other powers and duties attributed to it by Law or by the General Meeting.

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

4.5.1.3 Effective control of the company's affairs

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

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

- The cooption of Directors;
- Requesting the convening of general meetings;
- Approval of the annual report and accounts to be submitted to the General Meeting;
- Approval of the annual and pluri-annual operating plans and budgets, and the periodic monitoring of their execution;
- Approval of the quarterly and half-year accounts;
- Changing EDP's head office, in accordance with the requirements of the Company's Statutes;

- Mergers, demergers, transformation and disposal of EDP Group companies;
- Provision of deposits and personal or real guarantees by the company.

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

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

4.5.1.4 Organic structure

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

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

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

4.5.2 SHARE PRICE PERFORMANCE IN THE FIRST HALF OF 2003

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

In the first half of 2003, 810 million EDP shares were traded, corresponding to a daily average of 6.5 million shares, thus making EDP one of the most liquid shares on the national market. At the present time, EDP represents roughly 16% of the PSI20, the Portuguese stock market's principal index, while at the same time constituting a reference stock in any European index of electricity utilities.

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

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

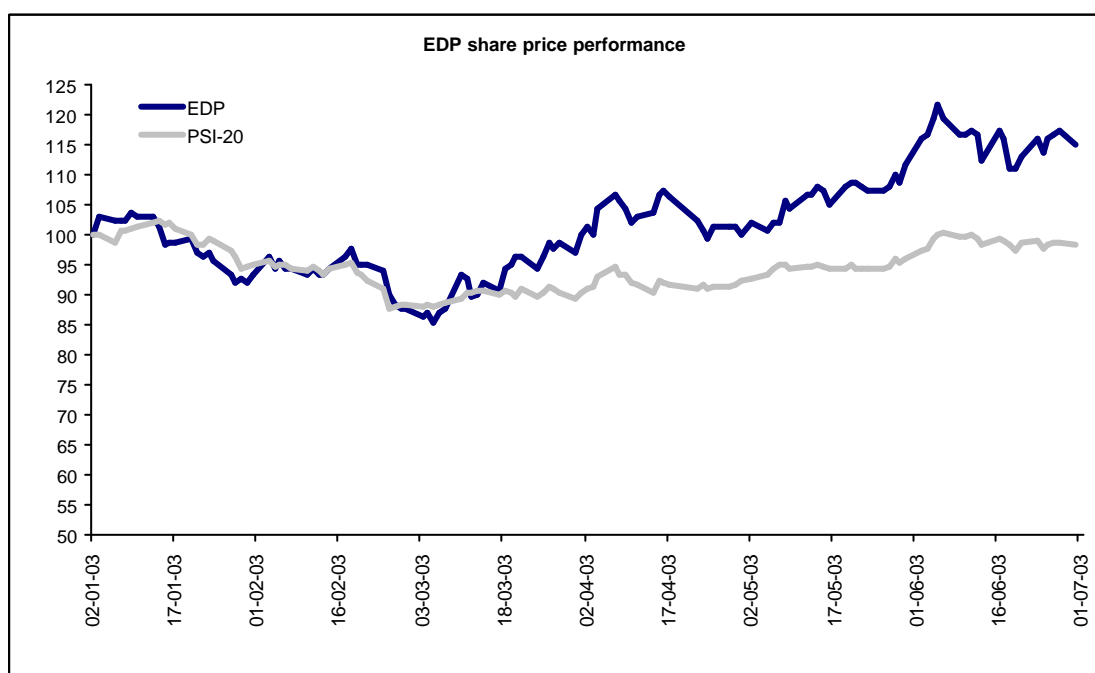
positive influence on the share price. It is also worth noting that EDP shares outperformed the PSI20 index by 17%.

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

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

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

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



4.5.3 TREASURY STOCK

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

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

4.5.4 INVESTOR RELATIONS OFFICE

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

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

EDP has an Investor Relations Office (Portuguese initials GRI) whose primary function is to act as a spokesperson between the EDP Group's management, shareholders and the financial markets in general. Within the scope of its normal activity, the GRI is responsible for all the information made available by the EDP Group referring to the publication of the periodic financial statements, as well as that relating to any important facts as when they occur.

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

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

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

4.6. OUTLOOK

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

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

Preparation for the opening up of the national electricity market to the more than 5,6 million customers supplied in low voltage projected for 2004, and the further liberalisation of the VHV, HV and MV market will pose additional challenges for the Group, which is intent on maintaining a leading place in the liberalised sector. In this context, EDP will strengthen its role in the Commercialisation and Trading area, endowing these with the appropriate tools to operate in the wholesale market and the corresponding risk management at the same time at the MIBEL's functioning assumes form and expression.

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

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

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

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

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

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

Board of Directors

Eng. Francisco de la Fuente Sánchez –
Chairman

Eng. João Ramalho Talone –
Chief Executive Officer

Eng. Arnaldo Pedro Figueirôa Navarro Machado –
Member of the Executive Committee

Eng. Jorge Manuel Oliveira Godinho –
Member of the Executive Committee

Eng. Pedro Manuel Bastos Mendes Rezende –
Member of the Executive Committee

Dr. Rui Miguel de Oliveira Horta e Costa –
Member of the Executive Committee

Prof. Dr. António José Fernandes de Sousa -
Member

Dr. António de Almeida -
Member

Dr. José Manuel Trindade Neves Adelino –
Member

Dr. Luís Filipe Rolim de Azevedo Coutinho –
Member

Dr. Paulo Azevedo Pereira da Silva -
Member

Dr. José Manuel Gonçalves de Moraes Cabral -
Member

Dr. Vítor Ângelo Mendes da Costa Martins -
Member

Lisbon, 26 August 2003

5 – ANNEXES

5. ANNEXES

5.1 EDP, S.A.'S SHAREHOLDER STRUCTURE

EDP's shareholder structure			
Holders of qualified shareholdings and voting rights			
30 JUN. 03			
<u>Shareholder</u>	<u>No. of shares</u>	<u>% capital</u>	<u>% Vote</u>
DIRECÇÃO GERAL DO TESOURO	568.853.506	18,96%	19,09%
PARPÚBLICA - Participações Públicas (SGPS),S.A.	214.220.570	7,14%	7,19%
CAIXA GERAL DE DEPÓSITOS,S.A.	145.421.928	4,85%	4,88%
BANCO COMERCIAL PORTUGUÊS	151.635.713	5,05%	5,00%
IBERDROLA	149.966.455	5,00%	5,00%
BRISA - Participações S.G.P.S.	60.002.297	2,00%	2,01%
EDP (treasury stock)	19.657.956	0,66%	
Other shareholders	<u>1.690.241.575</u>	<u>56,34%</u>	56,81%
	3.000.000.000	100,00%	

Note: In terms of the provisions of Art. 12(3) of EDP's Statutes, so private shareholder can cast votes exceeding 5% of the total votes corresponding to the share capital.

5.2. IMPUTATION OF VOTING RIGHTS

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

Holding notified by the shareholder Caixa Geral de Depósitos:

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

Holding notified by the shareholder Banco Comercial Português:

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

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

Holding notified by the shareholder BRISA Participações:

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

5.3. SHARES HELD BY MEMBERS OF EDP, S.A.'S GOVERNING BODIES
(CMVM Regulation No. 11/2000, Art. 7(1)(b))

EDP shares held by members of governing bodies	
CMVM Regulation no. 11/2000, Art. 7(1)(b)	
30 JUN. 03	Balance
<u>Members of governing bodies</u>	<u>(No. shares)</u>
General Meeting Committee	
José Manuel Archer Galvão Teles	3.506
António Campos Pires Caiado	5.872
Board of Directors	
Francisco de la Fuente Sanchez	10.373
João Luis Ramalho de Carvalho Talone	1.905
António de Almeida	4.265
António José Fernandes de Sousa	1.865
Arnaldo Pedro Figueirôa Navarro Machado	9.680
Jorge Manuel de Oliveira Godinho	30.393
José Manuel Gonçalves de Moraes Cabral	715
José Manuel Trindade Neves Adelino	896
Paulo Azevedo Pereira da Silva	5.986
Rui Miguel de Oliveira Horta e Costa	3.762
Vitor Ângelo Mendes da Costa Martins	767
Company Secretary	
Alternate	
António José Marrachinho Soares	6.574
Remuneration Committee	
BRISA	60.002.297
PARPÚBLICA	214.220.570
Ruy Manuel Corte-Real de Albuquerque	4.561

6 – FINANCIAL STATEMENTS

ASSETS					SHAREHOLDERS' FUNDS AND LIABILITIES		
	June 2003			2002		June 2003	2002
	Gross	Amort./deprec./prov.	Net	Net			
FIXED ASSETS:					SHAREHOLDERS' FUNDS:		
Intangible:					Share capital	3 000 000 000,00	3 000 000 000,00
Start-up costs	7 035 653,40	4 518 498,46	2 517 154,94	2 606 711,55	Treasury stock - nominal value	(19 657 936,00)	(17 428 926,00)
Research and development costs	14 375 313,34	5 430 963,49	9 344 351,75	1 437 689,06	Treasury stock - premiums and discounts	(23 706 603,30)	(26 064 533,34)
Industrial property and other rights	30 000,00	6 250,01	43 749,99	47 916,67	Adjustments to equity instruments in subsidiary and assoc. companies	(876 408 464,70)	(301 190 375,69)
Capital expenditure in progress	3 188 480,02		3 188 480,02	10 432 973,25	Revaluation reserves	1 172 728 640,98	1 172 728 640,98
	34 849 846,86	9 955 711,96	14 893 936,70	14 523 260,53	Reserves:		
Tangible:					Legal	326 390 722,77	309 629 931,44
Land and natural resources	55 710 297,30		55 710 297,30	53 747 242,87	Other	12 830 494,77	12 830 494,76
Buildings and other facilities	82 589 754,54	37 235 364,62	45 354 389,92	32 117 528,51	Retained earnings	1 640 838 344,17	1 208 461 022,74
Basic equipment					Subtotal	5 231 014 176,49	5 158 966 255,89
Vehicles, transport equipment	1 087 928,42	896 635,70	991 292,72	1 113 115,63	Consolidated net income for the period	162 042 896,86	335 213 826,59
Lease tools	73 592,99	48 486,49	24 106,50	23 475,80	Total Shareholders' funds	5 413 058 173,35	5 494 182 082,48
Administrative equipment	39 306 292,16	31 414 294,66	7 892 297,50	8 768 603,53			
Returnable containers					LIABILITIES:		
Other fixed assets	23 054,03	4 847,85	18 206,18	16 446,83	Provisions for risks and contingencies		
Capital expenditure in progress	19 313 026,55		19 313 026,55	37 537 917,54	Provisions for pensions		
Advances payments for capital items	27 000,67		27 000,67	179 050,09	Other	630 742 602,78	590 497 633,64
Multi-purpose projects (part not assigned)	6 542 834,98		6 542 834,98	6 542 834,98		630 742 602,78	590 497 633,64
	225 475 081,34	89 589 629,32	135 875 452,02	142 048 197,32	Hydroelectric Correction	384 016 669,39	384 111 265,94
Financial investments:							
Equity interests in Group companies	3 942 337 274,03	43 932 897,85	3 898 384 376,18	3 970 861 946,73	Medium and long-term payables:		
Equity interests in associated companies	1 087 686 165,66	6 278 753,25	1 081 407 412,41	1 063 578 736,63	Bond loans - non-convertible	2 479 598 124,85	2 341 938 039,84
Securities and other investments	389 060 407,99		389 060 407,99	382 053 855,28	Bank loans	850 364 648,45	1 046 503 328,16
	5 419 083 847,68	52 293 651,10	5 366 832 196,48	5 436 496 538,66	State participation in multi-purpose projects	4 743 568,00	4 743 568,00
						3 334 706 341,30	3 383 294 936,00
CURRENT ASSETS:							
Medium and long-term receivables:					Short-term payables:		
Group companies	4 692 176 631,83		4 692 176 631,83	4 692 717 342,46	Bond loans - non-convertible	11 624 980,78	12 261 284,32
Shareholder and investee companies	2 056 131,77		2 056 131,77	50 000,00	Bank loans	2 498 411 029,39	2 524 931 132,52
	4 694 232 763,60		4 694 232 763,60	4 692 807 342,46	Financing drawings adjustment		
Short-term receivables:					Advances payments on sales account	153 625,55	286 427,54
Trade debtors	3 756 620,95		3 756 620,95	2 055 636,08	Trade creditors	4 238 487,47	24 988 979,77
Debtors - notes receivable					Supplier - pending invoices	12 789 453,76	6 448 934,76
Debtors - doubtful recovery	9 119 192,52	9 119 192,52			Other shareholders	12 946 507,00	
Group companies	934 154 438,87		934 154 438,87	895 903 634,22	Customer advances	33 993 837,73	10 611 061,32
Shareholder and investee companies	8 602 517,42		8 602 517,42	8 602 517,42	Supplier - fixed assets	925 204,72	1 726 166,14
State and other public entities	20 436 846,32		20 436 846,32	232 415 101,46	State and other public entities	82 462,25	104 278,03
Other debtors	1 053 728 418,16		1 053 728 418,16	820 239 964,10	Other creditors	31 796 054,44	228 093 284,33
	2 029 798 034,34	9 119 192,52	2 020 678 841,72	2 058 216 943,28		2 606 631 652,99	2 809 531 336,73
Other short-term investments	31 507 301,80		31 507 301,80	91 591 301,80	Accruals and deferrals:		
	31 507 301,80		31 507 301,80	91 591 301,80	Accrued income	102 028 208,31	101 940 303,66
Bank deposits and cash:					Deferred income	319 832 876,37	273 416 014,92
Bank deposits	9 995 942,24		9 995 942,24	489 647,22		421 861 174,68	375 356 318,58
Cash	4 600,00		4 600,00		Total Liabilities	7 398 164 441,14	7 482 811 690,89
	10 000 542,24		10 000 542,24	489 647,22			
ACCUALS AND DEFERRALS							
Accrued income	143 349 016,51		143 349 016,51	151 379 606,52			
Deferred costs	393 834 563,42		393 834 563,42	398 338 903,97			
	337 183 379,93		337 183 379,93	349 818 512,09			
Total amortisation and depreciation		161 088 676,42					
Total provisions		9 817 505,56					
Total Assets	12 972 128 799,49	160 906 186,00	12 811 222 614,49	12 966 993 773,37	Total Shareholders' funds and liabilities	12 811 222 614,49	12 966 993 773,37

INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

Unit: Euro

COSTS AND LOSSES				INCOME AND GAINS			
	June 2003	June 2002		June 2003	June 2002		
Outside supplies and services	22 858 717,73	24 158 868,13					
Personal costs:							
Salaries and other remuneration	1 200 807,18	1 477 319,38					
Company contributions:							
Complementary pensions	21 875,94	24 374,12					
Current pension contributions	627 824,18	930 000,00					
Social security contributions	39 585,38	54 889,81					
Social welfare costs	15 141,18	18 128,30					
Other	351 450,21	574 880,81					
Amortisation and depreciation	3 088 012,88	3 108 537,80					
Provisions	286 201,45	9 198 000,00					
Indirect taxes	1 278 098,42	876 984,45					
Direct taxes	58 400,75	70 487,12					
Other operating costs and losses	277 592,58	169 279,84					
Concession and generating centre rentals	1 812 082,73	1 116 731,21					
A - Operating costs and losses	30 539 398,62	50 659 287,46					
Financial costs and losses:							
Losses in group and associated companies	87 731 994,87	107 878 370,53					
Interest	193 827 878,58	190 718 884,19					
Provision for diminution in value of investments		5 894 661,01					
Unfavourable foreign-exchange differences	73 710 688,30	1 881 419,84					
Other	21 995 805,04	18 163 030,53					
C - Costs and losses from ordinary activities	387 705 543,39	372 973 633,66					
Extraordinary costs and losses:							
Fixed asset losses		47 349,65					
Increase in amort., deprec. and provisions							
Prior-year charges	148 048,78	3 124,09					
Other	19 081 635,34	633 750,77					
E - Costs and losses for the year	406 935 228,52	373 657 858,47					
Corporate income tax for the period	22 308 153,48	(15 348 458,73)					
Deferred taxation	(7 085 267,89)	(27 784 079,15)					
	15 302 885,61	(43 130 638,02)					
G - Total Costs	422 238 114,13	330 527 319,25					
Consolidated net income for the period	182 043 996,86	230 598 695,65					
TOTAL	604 282 110,99	561 126 014,90					
Operating income (B) - (A)	(25 072 462,23)	(35 375 682,13)					
Net interest and financial expense ((D)-(B))-((C)-(A))	184 513 885,43	171 533 574,15					
Net operating income (D) - (C)	139 441 423,20	128 157 912,02					
Sales:							
Electric power							
Services provided	4 987 593,18	4 967 593,18					
Own work capitalised							
Supplementary income	474 371,04						
Operating subsidies							
Other operating income and gains	4 973,16	479 343,20					
B - Operating income and gains	5 466 936,39	15 283 625,33					
Financial income and gains:							
Gains in group and associated companies	294 770 838,82	282 738 417,05					
Investment income	297,33	107,10					
Income from trading and other securities	18 188 509,98	3 433 159,50					
Other interest and similar income	207 608 118,77	204 245 836,85					
Favourable foreign-exchange differences	1 112 264,22	23 430 299,85					
D - Income and gains from ordinary activities	527 146 966,59	509 131 545,68					
Extraordinary income and gains:							
Taxation recovered	217 278,38						
Fixed asset gains	10 138,82	4 000 612,73					
Decrease in amort., deprec. and provision	47 253 335,51	47 654 304,16					
Prior-year income adjustments	39 780,70	14 703,64					
Hydroelectricity Connection - income adjust.							
Other interest and similar income	29 614 631,91	77 135 144,40					
F - TOTAL INCOME	604 282 110,99	561 126 014,90					
Net extraordinary income ((F) - (D)) - ((E) - (C))	57 905 458,27	51 310 244,71					
Income before taxation ((F) - (E))	197 348 882,47	187 488 168,73					
Consolidated net income for the period ((F) - (G))	182 043 996,86	230 598 695,65					

REGISTERED ACCOUNTANT

BOARD OF DIRECTORS

NOTES TO THE INTERIM FINANCIAL STATEMENTS OF EDP, S.A.

SIX MONTHS ENDED 30 JUNE 2003

0 - Introduction

a) Organisation and business

The Company's and the EDP Group's main activities during the six months to 30 June 2003 were identical to those carried out during the past year.

The Company's and the EDP Group's organisation remained identical in all material aspects to the one in existence at the end of last year.

b) Basis of financial statement preparation

In the preparation of these financial statements, the accounting policies and criteria applied are consistent with those used at 31 December 2002.

The exchange rates relative to the Euro used in the conversion of balances denominated in foreign currency were those published by the Bank of Portugal – official currency quotations (indicative) at 30 June 2003.

The notes that are presented hereunder follow the same numbering sequence as that laid down in the Portuguese Official Chart of Accounts (Portuguese acronym – POC). Those notes that have been omitted are either not applicable or material for an understanding of the accompanying financial statements.

Except where expressly indicated otherwise, all amounts are stated in euro.

10 – Intangible and tangible fixed assets and financial investments.

a) At cost or revaluation

Unit: Euro

Item	Opening balance	Revaluation adjustment	Additions	Disposals	Transfers and scrapped	Closing balance
INTANGIBLE ASSETS						
Start-up costs	6.468.876,10				566.777,30	7.035.653,40
Research and development costs	6.343.401,48				8.232.113,76	14.575.515,24
Industrial property and other rights	50.000,00					50.000,00
Capital expenditure in progress	10.432.973,25		875.004,00		(8.119.497,23)	3.188.480,02
Total (1)	23.295.250,83		875.004,00		679.393,83	24.849.648,66
TANGIBLE FIXED ASSETS						
Owned by EDP						
Land and natural resources	55.747.242,87		12.469,95	49.415,32		55.710.297,50
Buildings and other facilities	68.769.878,87			249.699,76	14.069.575,43	82.589.754,54
Vehicles, transport equipment	1.856.297,16		43.615,08	11.983,82		1.887.928,42
Loose tools	68.386,08		4.206,91			72.592,99
Administrative equipment	58.535.451,05		67.461,95	4.984.440,76	5.688.119,92	59.306.592,16
Other tangible fixed assets	20.334,03		2.720,00			23.054,03
Subtotal (2.1)	184.997.590,06		130.473,89	5.295.539,66	19.757.695,35	199.590.219,64
Capital expenditure in progress	37.537.917,54		2.045.336,36		(20.270.227,35)	19.313.026,55
Multi-purpose projects (part not deployed)	6.542.834,48					6.542.834,48
Advance payments for capital items	179.032,09		15.576,00		(167.607,42)	27.000,67
Subtotal (2.2)	44.259.784,11		2.060.912,36		(20.437.834,77)	25.882.861,70
Total (2)	229.257.374,17		2.191.386,25	5.295.539,66	(680.139,42)	225.473.081,34
FINANCIAL INVESTMENTS						
Equity interests in Group companies	4.012.942.382,95	(70.605.108,92)				3.942.337.274,03
Equity interests in associated companies	1.086.959.603,82	726.561,84				1.087.686.165,66
Equity interests in other companies	2.072.223,62					2.072.223,62
Securities and other investments	379.983.631,66	6.262.070,59	742.482,12			386.988.184,37
Total (3)	5.481.957.842,05	(63.616.476,49)	742.482,12			5.419.083.847,68
Grand Total (1) + (2) + (3)	5.734.510.467,05	(63.616.476,49)	3.808.872,37	5.295.539,66	(745,59)	5.669.406.577,68

b) Amortisation, depreciation and provisions

Unit: Euro

Item	Opening balance	Revaluation	Increases	Adjustments	Closing balance
INTANGIBLE ASSETS					
Start-up costs	3.862.164,55		656.333,91		4.518.498,46
Research and development costs	4.905.712,42		525.251,07		5.430.963,49
Industrial property and other rights	2.083,33		4.166,68		6.250,01
Total (1)	8.769.960,30		1.185.751,66		9.955.711,96
TANGIBLE FIXED ASSETS					
Fixed assets owned by EDP					
Buildings and other facilities	36.652.350,36		680.093,40	(97.079,14)	37.235.364,62
Vehicles, transport equipment	741.181,53		167.437,99	(11.983,82)	896.635,70
Loose tools	44.910,26		3.576,23		48.486,49
Administrative equipment	49.766.847,50		1.648.192,75	(745,59)	51.414.294,66
Other tangible fixed assets	3.887,20		960,65		4.847,85
Total (2)	87.209.176,85		2.500.261,02	(109.808,55)	89.599.629,32
FINANCIAL INVESTMENTS					
Equity interests in Group companies	42.080.436,20		3.872.461,65		45.952.897,85
Equity interests in associated companies	3.380.867,19		2.897.886,16		6.278.753,35
Total (3)	45.461.303,39		6.770.347,81		52.231.651,20
Grand Total (1) + (2) + (3)	141.440.440,54		10.456.360,49	(109.808,55)	151.786.992,48

29 – Medium and long-term payables

Details of the balances appearing in the balance sheet at 30 June:

	2003		
	1 to 5 years	more than 5 years	Total
Bond loans	269.586.110,51	2.210.012.014,34	2.479.598.124,85
Bank loans	766.369.099,07	83.995.549,38	850.364.648,45
State participation in multi-purpose projects		4.743.568,00	4.743.568,00
	1.035.955.209,58	2.298.751.131,72	3.334.706.341,30
	2002		
	1 to 5 years	more than 5 years	Total
Bond loans	232.265.754,94	2.109.692.284,90	2.341.958.039,84
Bank loans	904.950.455,58	141.642.872,58	1.046.593.328,16
State participation in multi-purpose projects		4.743.568,00	4.743.568,00
	1.137.216.210,52	2.256.078.725,48	3.393.294.936,00

31 – Financial commitments

Employee welfare benefits

The EDP Group maintained the same employee welfare benefit plans as those in existence at 31 December 2002. These are:

- Defined benefits covering supplementary pensions and early retirements for the Group companies resulting from EDP's demerger in 1994;
- Defined benefit covering medical care for the Group companies resulting from the demerger of EDP which occurred in 1994.

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

i) Retirement benefits

The components of net cost for the period are as follows:

Thousands of Euros		
Retirement benefit cost for the period	2003	2002
Service cost	5.596	6.623
Interest cost	39.422	44.475
Expected return on fund assets	(22.143)	(28.036)
Employees' contributions (Bandeirante)	0,00	(361)
Amortisation of transitional obligation	2.913	2.913
Amortisation of actuarial differences	9.946	5.610
Net cost for the period - IAS 19	35.734	31.224

The following table presents the evolution of consolidated obligations for past services associated with the EDP Group's pension plans:

Thousands of Euros		
Trend in obligations for retirement benefits	2003	2002
Obligations at the beginning of the period	1.394.075	1.443.183
Cost of current services	5.596	13.220
Interest cost	39.477	88.826
Benefits paid	(80.017)	(144.277)
Actuarial losses		96.242
Currency variation		(38.461)
Obligations at the end of the period	1.359.076	1.448.733

As referred to previously, only a portion of the pension plan obligations is being financed by means of the Pension Funds, with the remainder being recognised in accordance with applicable standards, namely, by means of a provision, as follows:

Thousands of Euros		
Provision for retirement benefits	2003	2002
Obligations at the end of the period	1.359.076	1.448.733
Value of fund assets at the end of the period	(751.139)	(749.945)
Obligations not covered by the Funds at the end of the period	607.937	698.788
Deferred transitional obligation	(50.678)	(56.504)
Deferred actuarial losses	(469.620)	(430.741)
Provision at the end of the period	87.639	211.543

ii) Medical care

The components of net cost for the period are as follows:

Thousands of euros		
Medical care costs for the period	2003	2002
Service cost	2.971	3.270
Interest cost	14.524	15.048
Amortisation of transitional obligation	2.511	2.436
Net cost for the period – IAS 19	20.006	20.754

The following table shows the changes which occurred during the period in obligations and the respective provision:

Thousands of euros		
Trend in medical care obligations	2003	2002
Obligations at the beginning of the period	496.200	474.371
Cost of current services	2.971	6.540
Interest costs	14.524	30.095
Benefits paid	(12.049)	(22.735)
Actuarial losses	-	7.929
Obligations at the end of the period	501.646	496.200

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

Thousands of euros		
Provision for medical care	2003	2002
Obligations at the beginning of the period	501.646	496.200
Deferred transitional obligation	(42.377)	(47.250)
Deferred actuarial losses	(52.088)	(52.237)
Provision at the end of the period	407.181	396.713

32 – Contingent liabilities

The company is contingently liable for guarantees given in the amount of EUR 332,632,473.77.

These guarantees comprise bank guarantees.

There are no corporeal guarantees.

34 – Movement on provisions

Account	Opening balance	Increases	Decreases	Transfers	Closing Balance
For doubtful receivables	9.119.192,52				9.119.192,52
For risks and contingencies					
Rationalisation of human resources	181.649.201,48		47.249.505,71	8.739.000,00	125.660.695,77
Medical care	20.485.166,90	286.201,45	3.829,80		20.767.538,55
Financial investments	388.363.265,26			115.952.103,20	504.315.368,46
Total	599.616.826,16	286.201,45	47.253.335,51	124.691.103,20	659.862.795,30

36 – Share capital – No. of shares and nominal value

Share capital is represented by 3,000,000,000 dematerialised, fully paid-up, nominative shares with a nominal value of EUR 1 each.

During the course of the period, 2,229,030 own shares (i.e. treasury stock) were acquired in order to provide partial financial support for the stock option scheme instituted for the benefit of the Group's management and senior personnel.

37 – Shareholders

At 30 June 2003, EDP, S.A.'s share capital was held by the following shareholders:

Portuguese State	18,96 %
PARPUBLICA - Participações Públicas (SGPS), S. A.	7,14 %
Caixa Geral de Depósitos, S. A.	4,75 %
Banco Comercial Português, S. A.	5,05 %
IBERDROLA	5,00 %
BRISA – AUTO-ESTRADAS DE PORTUGAL, S. A	2,00 %
EDP – treasury stock	0,66 %
Other private shareholders	56,44 %
TOTAL	100,00 %

40 – Movement on shareholders' funds

Account	Opening balance	Dividend distribution	Staff profit sharing scheme	Transfer Reserves	Other	Net income	Closing Balance
Share capital	3.000.000.000,00						3.000.000.000,00
Treasury stock – nominal value	(17.428.926,00)				(2.229.030,00)		(19.657.956,00)
Treasury stock – premiums and discounts	(26.064.533,34)				357.927,84		(25.706.605,50)
Adjustments to equity interests in subsidiary and associated companies	(501.190.375,69)				(375.219.089,00)		(876.409.464,69)
Revaluation reserves	1.172.728.640,98						1.172.728.640,98
Reserves:							
Legal reserve	243.727.440,75			16.760.791,33			260.488.232,08
Reserves – DL 46031 and DL 46917	65.902.490,69						65.902.490,69
Free reserves	12.830.494,76						12.830.494,76
Retained earnings	1.208.461.023,74		(615.291,09)		432.992.611,52		1.640.838.344,17
Net income for the period	335.215.826,59	(270.000.000,00)		(16.760.791,33)	(48.455.035,26)	182.043.996,86	182.043.996,86
Total	5.494.182.082,48	(270.000.000,00)	(615.291,09)	0,00	7.447.385,10	182.043.996,86	5.413.058.173,35

43 – Governing bodies' emoluments

The following remuneration was paid to members of governing bodies:

Board of Directors	1.084.554,77
Sole supervisors/Statutory auditors	36.333,00
General Meeting Committee	748,20
Total	1.121.635,97

45 – Net financial items (income)

Costs and losses	2003	2002	Income and gains	2003	2002
Interest paid	193.827.876,56	190.718.864,19	Gains in group and associated companies	294.770.839,92	262.738.417,05
Losses in group and associated companies	67.731.994,87	107.876.370,53	Investment income	297,33	107,10
Amortis. and provision for investments		5.894.661,01	Income from trading securities and other investments	18.188.509,96	3.433.159,50
Unfavourable foreign-exchange differences	73.710.668,30	1.661.419,94	Other interest and similar income	207.608.118,77	204.245.936,85
Other financial costs and losses	21.895.605,04	16.163.030,53	Favourable foreign-exchange differences	1.112.264,22	23.430.299,85
Net interest and financial income	164.513.885,43	171.533.574,15			

521.680.030,20 493.847.920,35

521.680.030,20 493.847.920,35

a) "Interest paid" includes, inter alia, the following amounts:

	2003	2002
Interest on derivatives	54.529.450,98	74.890.766,20
Interest on bank loans	65.322.155,83	44.980.973,98
Interest on bond loans	67.547.306,48	67.891.258,56

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

	2003	2002
Amortisation of ENERPAULO's goodwill		1.169.525,30
Amortisation of BANDEIRANTE's goodwill	3.872.461,65	4.725.135,71
Interest on the Hydraulicity Correction	5.947.482,97	5.540.316,24
Bond-issue charges	547.027,48	707.054,10
Loan commissions	5.639.024,46	1.171.249,03
Costs of renegotiating EIB financing	2.220.820,85	2.220.820,83

The amounts relating to the goodwill amortised in the previous year were recorded under the caption "Amortisation of provisions for investments".

c) "Other interest and similar income" includes, inter alia, the following amounts:

	2003	2002
Interest debited to Group companies	107.977.479,50	111.354.784,52
Treasury management interest	19.009.583,65	5.530.018,20
Interest on derivatives	80.183.429,06	86.992.445,42

46 – Net extraordinary items (income)

Costs and losses	2003	2002	Income and gains	2003	2002
Fixed asset losses		47.349,65	Taxation recovered	217.276,36	
Prior-year adjustments	148.049,79	3.124,09	Fixed asset gains	10.139,92	4.050.612,73
Other extraordinary costs and losses	19.081.635,34	633.750,77	Decreases in amortisation, depreciation and provisions	47.253.335,51	47.654.304,16
Net extraordinary income and gains	57.905.459,27	51.310.244,71	Prior-year adjustments	39.760,70	14.703,64
	77.135.144,40	51.994.469,22	Other extraordinary income and gains	29.614.631,91	274.848,69
				77.135.144,40	51.994.469,22

- a) "Other extraordinary costs and losses" include, inter alia, the following amounts:

	2003	2002
Donations	484.602,79	633.524,47
Pego Project	38.747,95	
Adjust. to prior-year treasury management interest	18.563.627,65	

- b) "Decreases in amortisation, depreciation and provisions" includes, inter alia, the following amounts:

	2003	2002
Decrease in the provision for medical care	47.249.505,71	
Decrease in the provision for pension fund complement		47.654.304,16

- c) "Other extraordinary income and gains" includes, inter alia, the following amounts:

	2003	2002
Amortisation of investment subsidies	152.054,88	220.131,37
Adjust. to prior-year treasury management interest	28.584.627,99	

48 – Other information

a) Bond loans

	22nd Issue	23rd Issue	24th Issue	25th Issue	26th Issue	1st ISSUE INTERNATIONAL	2nd ISSUE INTERNATIONAL
FACE VALUE	EUR 25.087.985,89	EUR 10.331.743,77	EUR 6.524.637,64	EUR 299.278.738,33	EUR 150.000.000,00	EUR 1.000.000.000	EUR 1.000.000.000
INTEREST RATE 31 December 2002 30 June 2003	2,9375 % 2,1875 %	2,8125 % 2,0000 %	3,68750 % 3,00000 %	3,1970 % 2,4900 %	2,9710 %	6,4000 % 6,4000 %	5,875 % 5,875 %
INTEREST PAYMENT DATE	2 June 2 December	20 June 20 December	5 Janeiro 5 July	23 May 23 November	26 March 26 Setembro	29 October	28 March
REDEMPTION DATES	4 annual instalments, commencing on 2 June 2003	4 annual instalments, commencing on 20 December 2008	4 annual instalments, commencing on 5 January 2002	6 half-yearly instalments, commencing on 23 May 2006	One only instalment on 26 March 2013	One only instalment on 29 October 2009	One only instalment on 28 March 2011
OTHER CONDITIONS	The issue can be redeemed before maturity date in total or in part at bondholders' option	The issue can be redeemed before maturity date in total or in part on 20 December 2006, at the option of EDP or of the bondholders	–	The issue can be redeemed before maturity date in total or in part on 23 November 2003, at EDP's option	–		

b) Bank loans

Unit: Euro

30/06/2003			31/12/2002		
		In loan currency	EUR	In loan currency	EUR
EUR	(*)	3.348.775.677,74	3.348.775.677,74	3.571.524.450,68	3.571.524.450,68
		Total	3.348.775.677,74	Total	3.571.524.450,68

(*) Without bonds and after swaps

c) Swap contracts in force

30/06/2003			31/12/2002	
Currency	Assets	Liabilities	Assets	Liabilities
Interest rate swaps				
EUR	3.094.831.705,60	3.094.831.705,60	3.129.747.558,39	3.129.747.558,39

d) State and other public entities

Breakdown of the amounts appearing in the balance sheet at 30 June:

	2003	2002
Amounts receivable (Asset)		
Corporate income tax	11.144.465,78	223.997.615,98
Value Added Tax	9.291.092,13	8.417.575,48
Social Security	1.106,99	
Other taxes and levies	181,42	
	20.436.846,32	232.415.191,46
Amounts payable (Liability)		
Income tax withheld	82.462,25	173.005,78
Stamp duty		11.069,87
Social Security		9.936,96
Other taxes and levies		263,42
	82.462,25	194.276,03

e) Loans to group, investee and shareholder companies

This item comprises the financing debt owed by the group companies to EDP, S.A..

Unit: Euro

Details	SHORT TERM	MEDIUM/LONG TERM	June 2003	2002
Interest-bearing debt				
EDP Distribuição	65.825.312,84		65.825.312,84	131.650.625,48
EDP ENERGIA	1.412.084,88		1.412.084,88	2.846.569,05
HDN	1.423.284,45		1.423.284,45	1.782.635,88
HIDROCENEL	891.318,02		891.318,02	2.824.170,12
Sub – total	69.552.000,19		69.552.000,19	139.104.000,53
Shareholder loans				
Group companies				
EDP BRASIL, LDA		140.969,17	140.969,17	140.969,17
EDALPRO				305.862,86
ENERPAULO		80.818,97	80.818,97	80.818,97
EDINFOR	57.037.824,39	1.885.312,80	58.923.137,19	53.639.649,24
ONI, SGPS	4.500.000,00	78.227.500,00	82.727.500,00	78.227.500,00
EDP ENERGIA				249.398,95
EDP-INTERNACIONAL		885.262.714,33	885.262.714,33	885.262.714,33
Central-E		11.222.952,71	11.222.952,71	11.222.952,71
EDP PARTICIPAÇÕES, SGPS		1.358.479.736,06	1.358.479.736,06	1.358.479.736,06
EDP DISTRIBUIÇÃO	778.124.719,43		778.124.719,43	778.124.719,43
HDN	7.481.968,46		7.481.968,46	7.481.968,46
HIDROCENEL	17.457.926,40		17.457.926,40	17.457.926,40
EDP PRODUÇÃO		2.356.467.107,28	2.356.467.107,28	2.356.467.107,29
EDP VALOR		2.375.652,28	2.375.652,28	2.375.652,28
Sub – total	864.602.438,68	4.694.142.763,60	5.558.745.202,28	5.549.516.976,15
Investee companies				
ADENE		90.000,00	90.000,00	90.000,00
Sub – total		90.000,00	90.000,00	90.000,00

TOTAL	934.154.438,87	4.694.232.763,60	5.628.387.202,47	5.688.710.976,68
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f) Other short-term debtors and creditors

	2003	2002
Other debtors		
Allocation to the Pension Fund	12.074.520,10	12.074.520,10
Sundry debtors - third parties	54.699.940,12	99.769.687,76
Sundry debtors – Group companies	986.953.957,93	708.395.756,24
Total	1.053.728.418,15	820.239.964,10
Other creditors		
Sundry creditors – third parties	31.953.255,27	228.704.583,58
Sundry creditors – Group companies	(247.200,83)	(611.299,25)
Total	31.706.054,44	228.093.284,33

g) Accruals and deferrals

	2003	2002
Accrued income		
Interest receivable	141.728.629,68	127.040.634,82
Sales and services to Group companies	897.899,00	1.132.720,67
Other accrued income	722.487,83	23.106.251,03
Total	143.349.016,51	151.279.606,52
Deferred costs		
Deferred taxation	321.821.454,68	300.244.904,96
Bond-issue discounts	6.189.005,77	6.616.081,29
Bond-issue charges	121.502,85	241.339,07
Charges with renegotiation of EIB financing	26.757.970,38	28.978.791,23
Debt-servicing commission	(85.124,90)	84.216,50
Other deferred costs	39.029.754,64	62.373.572,52
	393.834.563,42	398.538.905,57
Accrued costs		
Interest and charges payable	92.480.082,98	96.246.098,91
Purchases and acquisitions from Group companies	6.171.133,58	2.077.619,30
Other accrued costs	3.372.081,75	3.616.585,45
Total	102.023.298,31	101.940.303,66
Deferred income		
Investment subsidies	8.684.863,16	9.756.045,58
Deferred taxation	278.930.116,28	285.788.548,44
Other deferred income	32.207.896,93	(22.128.579,10)
	319.822.876,37	273.416.014,92

h) Hydraulicity Correction

The following movements were recorded in the current half-year period:

Opening balance	324.111.265,94
Differential debited	53.957.920,48
Sub-total	378.069.186,42
Finance charges credited	5.947.482,97
Sub-total	384.016.669,39
Surplus adjustment	
Closing balance (reference level)	384.016.669,39

Lisbon, 26 August 2003.

Registered Accountant

Board of Directors

CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED

JUNE 2003

Unit : Euro

OPERATING ACTIVITIES:		
Received from customers	67 229 874,94	
Payments to suppliers	(36 567 796,29)	
Payments to personnel	(2 991 008,80)	
Cash flow generated by operations		27 671 069,85
Payment/receipt of corporate income tax	190 544 996,71	
Other receipts relating to operating activities	116 851 298,17	
Other payments relating to operating activities	(419 803 275,43)	
Cash flow before extraordinary items		(112 406 980,55)
Receipts relating to extraordinary items	29 719 614,09	
Payments relating to extraordinary items	(19 249 098,56)	10 470 515,53
Net cash flow generated by operations (1)		(74 265 395,17)
INVESTING ACTIVITIES:		
Receipts arising from:		
Financial investments	91 272 171,03	
Tangible fixed assets	5 196 616,62	
Interest and similar income	112 209 547,44	
Dividends	375 952 513,13	584 630 848,22
Payments relating to:		
Tangible fixed assets	(2 092 687,25)	
Intangible assets	(1 554 397,83)	(3 647 085,08)
Net cash derived from investing activities (2)		580 983 763,14
FINANCING ACTIVITIES:		
Receipts arising from:		
Loans raised	6 645 500 000,00	
Capital increase		6 645 500 000,00
Payments relating to:		
Loans	(6 690 094 152,37)	
Interest and similar income	(213 819 068,92)	
Dividends	(255 328 581,66)	
Acquisition of treasury stock	(1 871 102,16)	(7 161 112 905,11)
Net cash utilised in financing activities (3)		(515 612 905,11)
Change in cash and cash equivalents (4)=(1)+(2)+(3)		(8 894 537,14)
Effect of foreign-exchange differences		(301 537,72)
Cash and cash equivalents at beginning of the period		48 955 799,66
Cash and cash equivalents at the end of the period		40 362 800,24

ANNEX TO THE CASH FLOW STATEMENT

DETAILS OF CASH AND CASH EQUIVALENTS

	June 2003	2002
Cash	4 600,00	0,00
Sight deposits and cash equivalents	9 995 942,24	489 647,23
Bank overdrafts	(1 145 043,80)	(43 125 149,37)
Other treasury assets	31 507 301,80	91 591 301,80
Cash and cash equivalents	40 362 800,24	48 955 799,66
CASH AND BANK BALANCES, AS PER BALANCE SHEET	40 362 800,24	48 955 799,66

Lisbon, 26 August 2003

Registered Accountant

Board of Directors

Limited Review Report prepared by the Auditor registered with the CMVM on the interim financial information

Introduction

1. Pursuant to article 246 of the Securities Code, we submit herewith our limited-review report on the information covering the six months ended 30 June 2003 of **EDP - Electricidade de Portugal, S.A.**, and included in: the Management Report, the Balance Sheet (which reflects a balance sheet total of EUR 12,811,222,165 and total shareholders' funds of EUR 5,413,058,173, including net income of EUR 182,043,997), the Income Statement and the Cash Flow Statement for the six months then ended, as well as in the respective Notes thereto.

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

Responsibilities

3. The Board of Directors is responsible for: (a) the historical financial information prepared in accordance with generally accepted accounting principles and which is complete, accurate, current, clear, objective and lawful, as required by the CVM (Securities Market Commission); (b) the adoption of appropriate accounting policies and criteria; (c) the maintenance of a proper internal control system, and (d) the disclosure of any important fact that has influenced its activity, financial position or results.

4. Our responsibility is to examine the financial information contained in the forementioned documents, namely, with regard to compliance with the principles of sufficiency, accuracy, current

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context, clarity, objectivity and lawfulness, as required by the CVM, for the purpose of issuing a professional and independent report based on our work.

Scope

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

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

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

Opinion

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

Lisbon, 25 September 2003

Bernardes, Sismeiro & Associados, Statutory Auditors
Represented by:

Carlos Marques Bernardes (ROC – Statutory Auditor)
(Registered with the Comissão de Valores Mobiliários with the no. 219)

**Bernardes, Sismeiro
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NIPC 501 255 958 Capital social Euros 11.200

Matriculada na Conservatória do Registo Comercial sob o nº10675

Inscrita na lista dos Revisores Oficiais de Contas sob o nº25

Inscrita na Comissão de Valores Mobiliários sob o nº 219

Correspondente da PricewaterhouseCoopers