



Interim Report

1st Half 2005

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VISION

To be the most competitive, efficient producer and supplier of electricity and gas solutions in the Iberian Peninsula.

MISSION

EDP's mission is based on three fundamental pillars:

- To provide our shareholders with an attractive rate of return so that they will continue to invest in EDP;
- To guarantee high quality service exceeding our customers' expectations and ensuring their loyalty;
- To provide the employees of the EDP Group with prospects of career and professional growth and allowing their self-realisation as members of a winning team.

VALUES

- Customer — To consider the customer as the central entity to EDP's business.
- Ambition — To be the most competitive company of our sector on the basis of excellence.
- Efficiency — To bring value to our customers, employees and shareholders, working efficiently, generating and implementing innovative, quality solutions.
- Transparency — To make transparency in our relations with customers, employees, shareholders and the regulatory entity an embedded value of the Group's culture.
- Rigour — To adopt rigour as the general rule of activity and of decision-taking. To accept mistakes, provided they are not deliberate, fraudulent, destructive or recurrent, as part of a process of human and professional improvement.
- Environment — To have due regard for the environment, developing the Group through sustainable solutions and through active support for the communities that we serve.
- Ethics - To meet the highest standards of ethics in each and every one of our activities.

II – Financial Highlights

Economic and Financial Highlights

EUR '000	1H05	1H04	Var. %
EDP Group Consolidated			
Turnover	4,844,074	3,660,430	32.3%
EBITDA	1,010,043	925,761	9.1%
EBIT	607,140	578,816	4.9%
Net Profit	318,340	287,997	10.5%
Cash-Flow before investment (1)	762,147	672,917	13.3%
Net operating investment	515,597	442,927	16.4%
Nets assets	22,221,211	17,597,269	26.3%
Shareholder's equity	4,102,306	3,084,901	33.0%
Financial liabilities	9,616,093	8,022,197	19.9%
Return of equity	7.9%	9.3%	-1.4 p.p.
Return of assets	1.5%	1.6%	-0.2 p.p.
Financial liabilities / Shareholder's equity	234.4%	260.0%	-25.6 p.p.
Net assets / liabilities	130.4%	127.3%	3.1 p.p.
Earnings per share (EUR)	0.10	0.10	9.4%
Payout Ratio	76.4%	70.8%	5.6 p.p.
Market Capitalization	7,605,598	6,900,000	10.2%
Electricity generation - Portugal			
Turnover	922,557	714,006	29.2%
EBITDA	409,572	433,564	-5.5%
EBIT	310,903	329,896	-5.8%
Net Profit	197,546	201,428	-1.9%
Operating Investment	62,664	99,584	-37.1%
Wind Farms - Portugal			
Turnover	14,652	8,516	72.0%
EBITDA	12,696	7,722	64.4%
EBIT	9,278	6,201	49.6%
Net Profit	5,645	4,031	40.0%
Operating Investment	10,493	31,438	-66.6%
Electricity distribution - Portugal			
Turnover	1,871,752	1,857,149	0.8%
EBITDA	264,058	312,606	-15.5%
EBIT	137,650	188,071	-26.8%
Net Profit	110,232	94,662	16.4%
Operating Investment	132,583	118,142	12.2%
Electricity supply - Portugal (2)			
Turnover	244,382	153,826	58.9%
EBITDA	-13,588	-1,793	-657.9%
EBIT	-15,741	-3,532	-345.7%
Net Profit	-11,190	-2,319	-382.5%
Operating Investment	636	1,629	-61.0%
Electricity & Gas in Spain (100%)			
Turnover	1,224,478	879,468	39.2%
EBITDA	284,201	193,370	47.0%
EBIT	193,318	110,703	74.6%
Net Profit	101,284	36,490	177.6%
Operating Investment	109,211	50,775	115.1%
Electricity in Brazil			
Turnover	665,745	524,129	27.0%
EBITDA	162,831	102,448	58.9%
EBIT	131,727	75,845	73.7%
Net Profit	63,820	2,584	2370.3%
Operating Investment	180,920	113,962	58.8%
Fixed telecommunications			
Turnover	162,453	165,559	-1.9%
EBITDA	11,204	6,570	70.5%
EBIT	-15,936	-15,215	-4.7%
Net Profit	-36,264	-43,845	17.3%
Operating Investment	15,438	13,168	17.2%

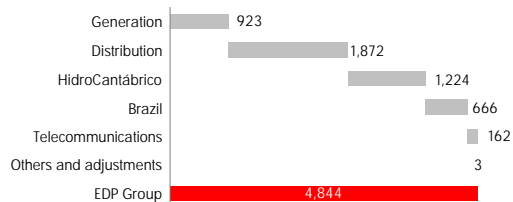
NB: 100% of the values shown are Operational Investment (net of contributions).

The consolidated EDP Group reflects the cancelling-out of intra-group adjustments and includes other group activities that are not significant and are therefore not detailed.

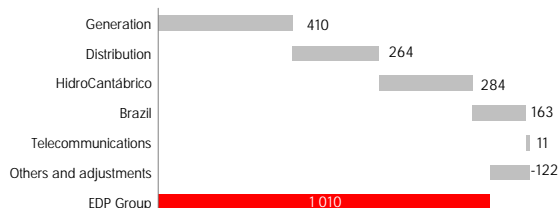
(1) Net profit + Amortizations + Provisions

(2) Includes EDP Energia Ibérica in both periods

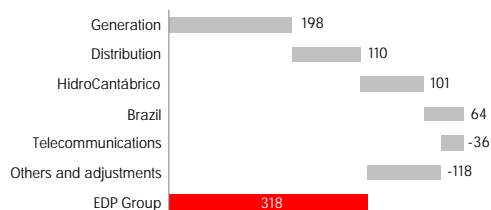
EDP Group - Turnover
(EUR millions)



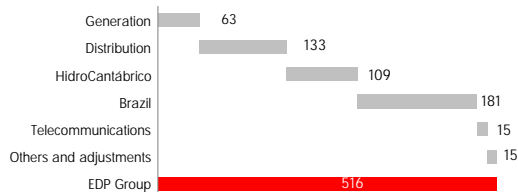
EDP Group - EBITDA
(EUR millions)



EDP Group - Net Profit
(EUR millions)



EDP Group - Net Operating Investment
(EUR millions)



Operating Highlights

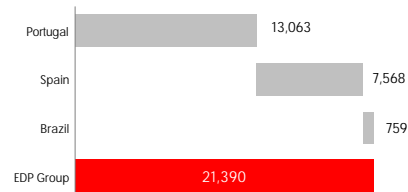
	1H05	1H04	Var. %
Number of employees	14,829	17,354	-14.5%
Portugal - Electricity	7,255	8,202	-11.5%
Generation	1,724	1,944	-11.3%
Wind farms	15	13	15.4%
Distribution	5,438	6,178	-12.0%
Supply	78	67	16.4%
HidroCantábrico	1,587	1,370	15.8%
Electricity	1,241	1,072	15.8%
Gas	346	298	16.1%
Brazil - Electricity	3,575	3,665	-2.5%
Telecommunications	1,009	1,173	-14.0%
Information technologies	0	1,511	-
EDP Valor and SãVida	731	627	16.6%
Others	672	806	-16.6%
Portugal - Electricity			
Maximum Power (MW)	8,329	7,971	4.5%
Hydraulicity Coefficient	0.33	0.81	-0.48
Electricity Sales (GWh)			
Generation	13,063	12,721	2.7%
Distribution	21,792	20,400	6.8%
Supply	2,890	2,177	32.7%
Number of Customers			
SEP	5,850,178	5,773,909	1.3%
SENV	7,773	1,906	307.8%
SEP Customers/Employees in Distribution	1,076	935	15.1%
Distribution Sales/Employees in Distribution (EUR '000)	341	299	14.1%
Spain			
Electricity			
Maximum Power (MW)	2,576	2,594	-0.7%
Electricity Sales (GWh)			
Generation	7,568	7,068	7.1%
Distribution	4,672	4,525	3.2%
Supply	2,420	2,220	9.0%
Number of Customers			
Distribution	580,759	567,412	2.4%
Supply	7,078	5,628	25.8%
Gas			
Gas Sales (GWh)			
Distribution	12,002	12,581	-4.6%
Supply	5,427	5,149	5.4%
Number of Customers			
Distribution	600,734	559,442	7.4%
Supply	4,855	1,364	255.9%
Brazil - Electricity			
Maximum Power (MW) ⁽¹⁾	999	1,053	-5.1%
Electricity Sales (GWh)			
Generation	759	898	-15.5%
Distribution ⁽²⁾	11,488	11,112	3.4%
Supply	3,179	2,336	36.1%
Number of Customers	3,045,164	2,963,083	2.8%
Telecommunications			
Direct Customers	187,469	175,433	6.9%
Portugal	109,463	90,601	20.8%
Spain	78,006	84,832	-8.0%
Voice Traffic (millions of minutes)	1,419	1,548	-8.3%
Portugal	507	495	2.4%
Spain	912	1,053	-13.4%

NB: 100% of the values shown for all companies, independently of holding by the EDP Group. The number of employees includes executive bodies.

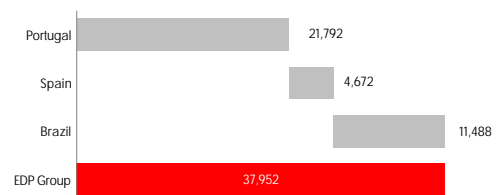
(1) Includes developments under construction

(2) Includes energy distributed to access customers.

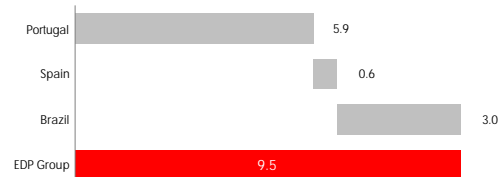
Electricity Generated - EDP Group
(GWh)



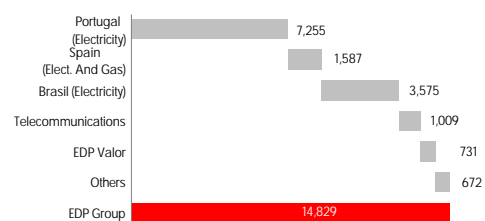
Electricity Distributed - EDP Group
(GWh)



Electricity Customers - EDP Group
(Millions of customers)



EDP Group Employees



III — Company Highlights

7 January — Signing of a purchase-and-sale contract between EDP and LogicaCMG Corporate Holdings Limited, with a view to the disposal of 60% of the share capital of Edinfor — Sistemas Informáticos, S.A. The value of the transaction of the 60% stake in Edinfor — which includes shares and associated shareholder credits — is EUR 81 million, calculated on the basis of an enterprise value of EUR 135 million.

27 January — Signing by the EDP Group, through the CPPE (Portuguese Electricity Generating Company), and the REN (National Electrical Network), of agreements for the termination of the binding PPAs (Power Purchase Agreements) with regard to the respective electricity-generating power stations. The termination agreements now signed implement certain aspects of the planned early termination of the PPAs, especially regarding the calculation of the total gross amount of the compensation. This stands at EUR 3,356,139,000 at the present date, on the basis of certain parameters, including, in particular, the value of the EDP Group's PPAs, the current forecast of the income that can be expected in the market regime and the discount rate of 3.78%, in accordance with the aforesaid decree-law.

31 January — The EDP General Meeting held on this date elected the (Effective and Substitute) Statutory Auditor, co-opted João Eduardo Moura da Silva Freixa and Prof. José Pedro da Silva Sucena Paiva as directors and elected two new directors, Manuel Menéndez Menéndez and Dr. José Alfredo Parreira Holtreman Roquette.

22 February — Communication by the Ministry of Economic Activities and Labour, through the Directorate-General for Geology and Energy, of the result of the requests for the granting of electrical energy reception points for connecting natural gas combined cycle power stations to the public network. One electrical energy reception point with a capacity of 430MVA was granted to the EDP Group in the district of Figueira da Foz, and the EDP Group and Endesa were granted electrical energy points with a capacity of 860MVA in the district of Sines for the construction of two electricity-generating units, each with a capacity of 430MVA. However, the entry into operation of the second unit is conditional on the resolution of a number of technical restrictions on connection to the network, which is expected to take place with effect from 2010.

24 February — In view of the disagreement in relation to the European Commission Decision regarding the concentration operation with respect to EDP and Eni Spa's acquisition of joint control of GDP — Gás de Portugal, SGPS, S.A., and after detailed analysis of the process, in particular by entities not involved in the initial notification, and in compliance with the legal time limit for lodging an appeal, EDP lodged an appeal at the European Communities Court of First Instance (TPI) for the annulment of the Decision, pursuant to Article 230.4 of the EC Treaty.

16 March — EDP Participações acquired National Power International Holdings BV (IPBV) for a total of EUR 51,984,977.55, a 20% stake in Turbogás — Produtora Energética, S.A. and a 26.667% stake in Portugal — Energia, S.A. With the conclusion of this transaction, EDP Participações came to hold 40% of the shares of Turbogás, the other shareholder in this company being IPBV, with a 60% stake. EDP Participações also became a shareholder in Portugal, holding 26.667% of the shares, the other shareholder in this company being International Power Portugal Holdings S.G.P.S., S.A., with a 73.333% stake.

31 March - A General Meeting was held on this date to vote on and approve the individual and consolidated financial reports for the 2004 financial year. The Board's proposal for the appropriation of the year's profits (EUR 440,152,407.14) was approved - Legal Reserve: EUR 22,007,620.36; Retained Earnings: EUR 80,144,786.78 Dividends: EUR 338,000,000.00; - i.e. a dividend of EUR 0.09243 per share.

1 April - Following the provisions in Spanish law through Royal Decree 5/2005, of 11 March that limited electricity sector company holdings in Red Eléctrica de España, S.A. to a maximum of 1%, HidroCantábrico, a subsidiary of EDP, sold all of its 4,058,100 shares, representing a stake of around 3% in the company, for the sum of EUR 76 million.

7 April — Signing by EDP — Energias do Brasil of an agreement regarding the reorganisation of its subsidiaries Bandeirante Energia S.A., Iven S.A., Espírito Santo Centrais Elétricas S.A. — Escelsa, Magistra Participações S.A. and Empresa Energética de Mato Grosso do Sul S.A., in order to concentrate the total capital of these companies into Energias do Brasil, with the consequent roll-up of the minority shareholders. As a result, the latter will now hold a total of approximately 30.7% of the share capital of Energias do Brasil.

11 April - ANEEL, the regulatory body of the Brazilian electricity sector, set the final figure for Enersul's April 2003 tariff revision, increasing it from 43.59% to 50.81%.

20 April - After the relevant conditions of effectiveness had been checked, in particular the approval of the operation by the European Commission Directorate-General for Competition, EDP sold to LogicaCMG Corporate Holdings Limited, in execution, and under the terms of the purchase-and-sale contract signed on 7 January relating to shares representing 60% of the share capital of Edinfor — Sistemas Informáticos, S.A., the said shareholding and corresponding shareholder credits, for the total sum of EUR 81 million, calculated on the basis of an enterprise value of EUR 135 million.

15 June — Conclusion of the Exchange Offer of debt instruments representing EUR 500,000,000 Eurobond 5.000%, due to mature in 2008, issued by EDP Finance B.V., and EUR 1,000,000,000 Eurobond 5.875%, due to mature in 2011 issued by EDP, for a new Eurobond, issued by EDP Finance B.V. at a fixed rate of 3.750%, due to mature in 2015. The new Eurobond is issued by EDP Finance B.V. under the auspices of the EDP's and EDP Finance

B.V.'s "€5,000,000,000 Programme for the Issuance of Debt Instruments". It will be admitted for trading on the London Stock Exchange.

30 June — EDP transferred 65,473,757 shares, representing 2.01% of the share capital of BCP, to the EDP Pension Fund. For the purposes of registration with Euronext Lisbon, their value was set at EUR 2.12 per share.

Events after 30 June 2005

13 July — Admission to trading on the Novo Mercado da Bovespa (São Paulo, Brazil) of shares representing EDP - Energias do Brasil's share capital, following an Initial Public Offering of 24,161,000 new ordinary shares at a price of BRL 18 per share, amounting in total to BRL 434.9 million (excluding the exercise of the Greenshoe option). The Offer resulted in an actual demand corresponding to 2.5 times the total amount of shares offered. Subscription orders came mainly from the United States (around 50%) and Brazil (around 40%).

The main aims of this operation from the point of view of Energias do Brasil were to mark the start of a long-term partnership with the Brazilian capital markets, giving greater prominence to the assets held by the Company. It was also aimed at providing the firm with the necessary resources for funding expansion projects, especially investments in the area of electrical energy generation, and at granting greater financial autonomy to Energias do Brasil.

14 July — Oni signed an agreement with Tele2 for the sale of its 99.93% stake in the share capital of Comunitel. The value of the transaction relating to the 99.93% stake in Comunitel has as a reference an enterprise value of EUR 257 million and a net financial debt of EUR 42 million. The sum to be received on completion of this deal amounts to EUR 215 million (including the transfer of subsidies worth EUR 100 million). The accounting value of the Comunitel holding that is the object of a purchase-and-sale contract between Oni e a Tele2 is EUR 164 million, so the Company expects to make an accounting profit of EUR 51 million on this transaction. The conclusion of the transaction is subject to the non-opposition of the Spanish competition authority.

12 August - ANEEL, the regulatory body of the Brazilian electricity sector, set the final figure for the average tariff increase in 2004 granted to Escelsa — previously established in the context of that company's three-yearly tariff revision process on 7 August 2004 — raising it from 6.33% to 8.58%.

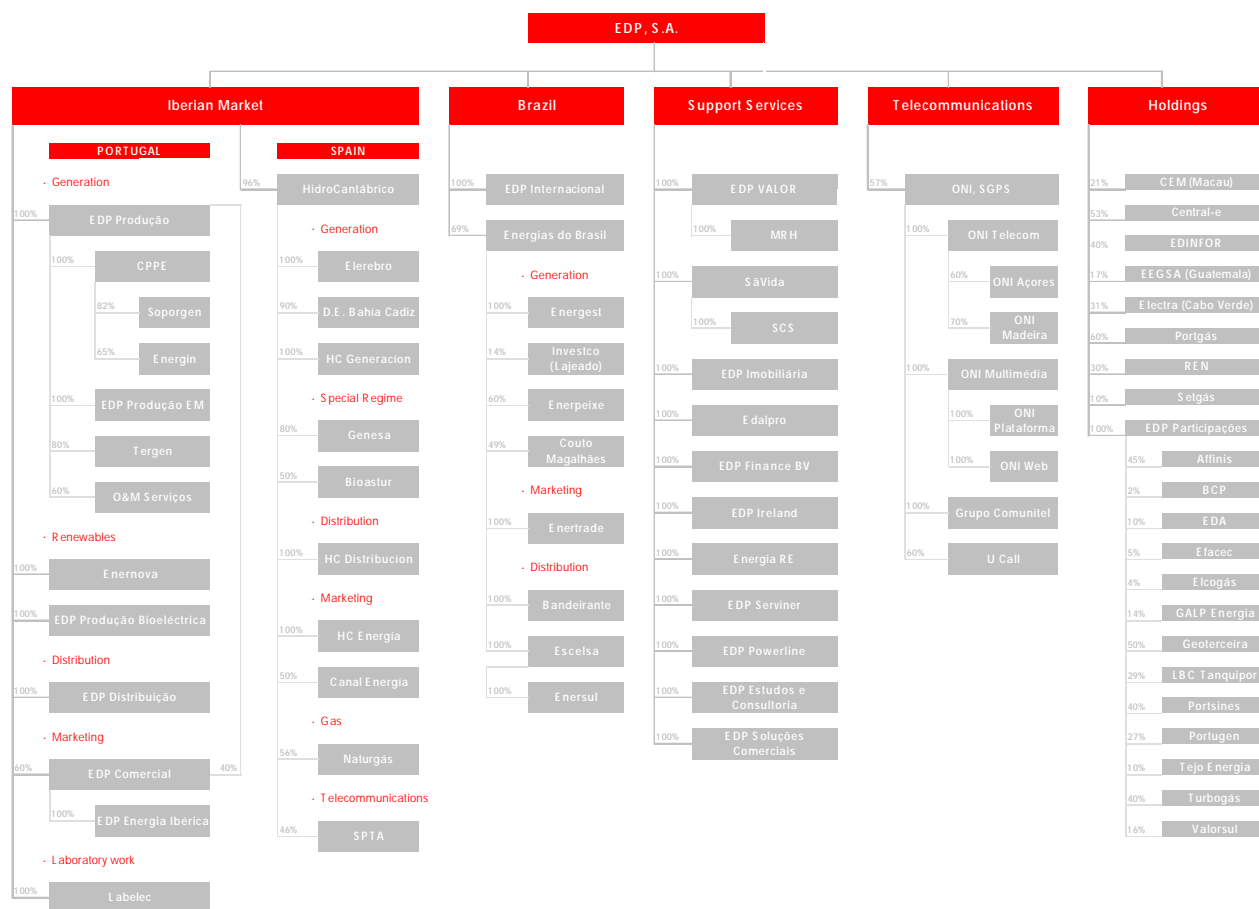
21 September — The Court of First Instance of the European Communities issued a Judgement whereby the appeal lodged by EDP regarding the annulment of the European Commission's decision to prohibit EDP and ENI's joint operation for the acquisition of GDP was rejected. This established a principle contrary to the content of the project submitted by EDP. In accordance with this Judgement, the Court recognised, in a statement disclosed in a timely manner, that the analysis of the Portuguese gas market that appeared in the

Decision of the European Commission contains legal errors, in particular due to not having considered the existence of a derogation granted to Portugal by the Second Directive on Gas regarding the liberalisation of this market. The Judgement, as intended and with the swiftness requested, established guidelines that will certainly serve as a basis for analysing future operations with similar characteristics.

23 September — On this date EDP was informed of the resignation of João Eduardo da Silva Freixa from his position as a Voting Member of the Board of Directors.

27 September — EDP decided not to submit an appeal to the Court of Justice of the European Communities against the Judgement on 21 September 2005 by the Court of First Instance of the European Communities. This decision was intended to forestall the uncertainty that would result from the indefinite continuation of a legal case that has already been going on since April 2004. EDP remains convinced that in the current national and international context of the energy sector, the strategy it adopted of integrating the electricity and gas businesses is still the right one. EDP will therefore continue to implement the measures necessary for its organic growth and for actively exploiting the opportunities created by business consolidation movements, with a view to building up its business portfolio in the Iberian electricity and gas areas, in compliance with the applicable laws and regulations.

IV – Organisational Structure



General Note:

The % have been rounded up. Some of the % shown relate to indirect shareholdings.

V — Company Officers

BOARD OF THE GENERAL MEETING

José Manuel Galvão Teles Chairman
António Campos Pires Caiado Vice-Chairman

AUDIT COMMITTEE

Effective Official Auditor: **KPMG & Associados, SROC, S.A.**, represented by **Jean-éric Gaign, ROC**

Substitute Official Auditor: **Vitor Manuel da Cunha Ribeirinho, ROC**

BOARD OF DIRECTORS

Francisco de la Fuente Sánchez Chairman
João Luís Ramalho de Carvalho Talone
António Afonso de Pinto Galvão Lucas
Arnaldo Pedro Figueiroa Navarro Machado
João Eduardo Moura da Silva Freixa
Jorge Manuel de Oliveira Godinho
José Alfredo Parreira Holtreman Roquette
José Manuel Gonçalves de Moraes Cabral
José Manuel Trindade Neves Adelino
José Pedro da Silva Sucena Paiva
Luís Filipe Rolim de Azevedo Coutinho
Manuel Menéndez Menéndez
Paulo Azevedo Pereira da Silva
Pedro Manuel Bastos Mendes Rezende
Rui Miguel de Oliveira Horta e Costa

REMUNERATION COMMITTEE

Brisa, represented by **Vasco Maria Guimarães José de Mello**

Parública, represented by **João Plácido Pires**
Ruy Manuel Corte-Real de Albuquerque

COMPANY SECRETARY

António Manuel Barreto Pita de Abreu
Effective

António José Marrachinho Soares
Substitute

VI – Corporate Governance

EDP is one of the security-issuing companies listed on the Euronext Lisbon with the largest number of material events and other communications disclosed to the market. During the first half of 2005 EDP disclosed 11 material events, 13 communications and six announcements to the market.

In fact, EDP, as an issuing entity that maintains a highly transparent relationship with investors and capital markets, has kept up a policy of continuous and frequent communication with the market. It has, at the same time, attached special importance to adopting the best organisational models and the best practices and conduct guidelines with regard to corporate governance. This has been achieved by monitoring international trends, and internally promoting reflection on these matters.

For this reason, EDP today is one of the security-issuing entities listed on Euronext Lisbon that shows one of the highest indices of compliance with the CMVM's recommendations regarding the governance of companies. It is, furthermore, a pioneer in the adoption of measures of organisation and internal operation aimed at promoting the best practices of corporate governance.

This report has been organised in accordance with the model provided in CMVM Regulation No. 7/2001 (amended by CMVM Regulation No. 11/2003), presenting a summary of the most important aspects concerning practices relating to the governance of EDP.

O. DECLARATION OF COMPLIANCE

0.1. According to the provisions in CMVM Regulation No. 7/2001 (amended by CMVM Regulation No. 11/2003), it is put on record that EDP, with the exceptions mentioned below in Point 0.2, fully adopts all the CMVM's recommendations regarding the governance of listed companies, namely:

- Recommendation 1 (Contact with investors);
- Recommendation 2, paragraphs b), c) and d) (Exercise of voting rights and shareholder representation);
- Recommendation 3 (Internal control system);

- Recommendation 4 (Defensive measures against public offerings for acquisition);
- Recommendation 5 (Composition of the Board of Directors);
- Recommendation 6 (Independence of the Board of Directors);
- Recommendation 7 (Internal control committees);
- Recommendation 8 – 1st part (Remuneration of the Board of Directors);
- Recommendation 9 (Independence of the remuneration committee);
- Recommendation 10 (Plans to allot shares).

0.2. The EDP's statutes establish a period of fifteen days before each General Meeting for shareblocking, as a way of making it possible to determine, reasonably in advance, the composition of the shareholders who will take part in this meeting of the company body. This statutory period does not appear particularly lengthy – besides which the proof of share ownership only has to be provided at least eight days prior to the date of the meeting – , and is compatible with the legally established period of advance notice for public disclosure of the convening of the General Meeting. This has been applicable for several years and, during the period, it has not been shown to restrict the active exercise of voting rights by shareholders.

Indeed, EDP has been actively promoting the participation of shareholders at the General Meeting. In this regard, we should highlight the recent decision for the costs of issuing declarations of ownership and of share blocking, with a view to shareholders' participation at the Annual General Meeting on March 2005, to be borne by the Company. In this way, EDP is adopting, in a pioneering way in Portugal, a measure that encourages the exercise of voting rights by the respective shareholders.

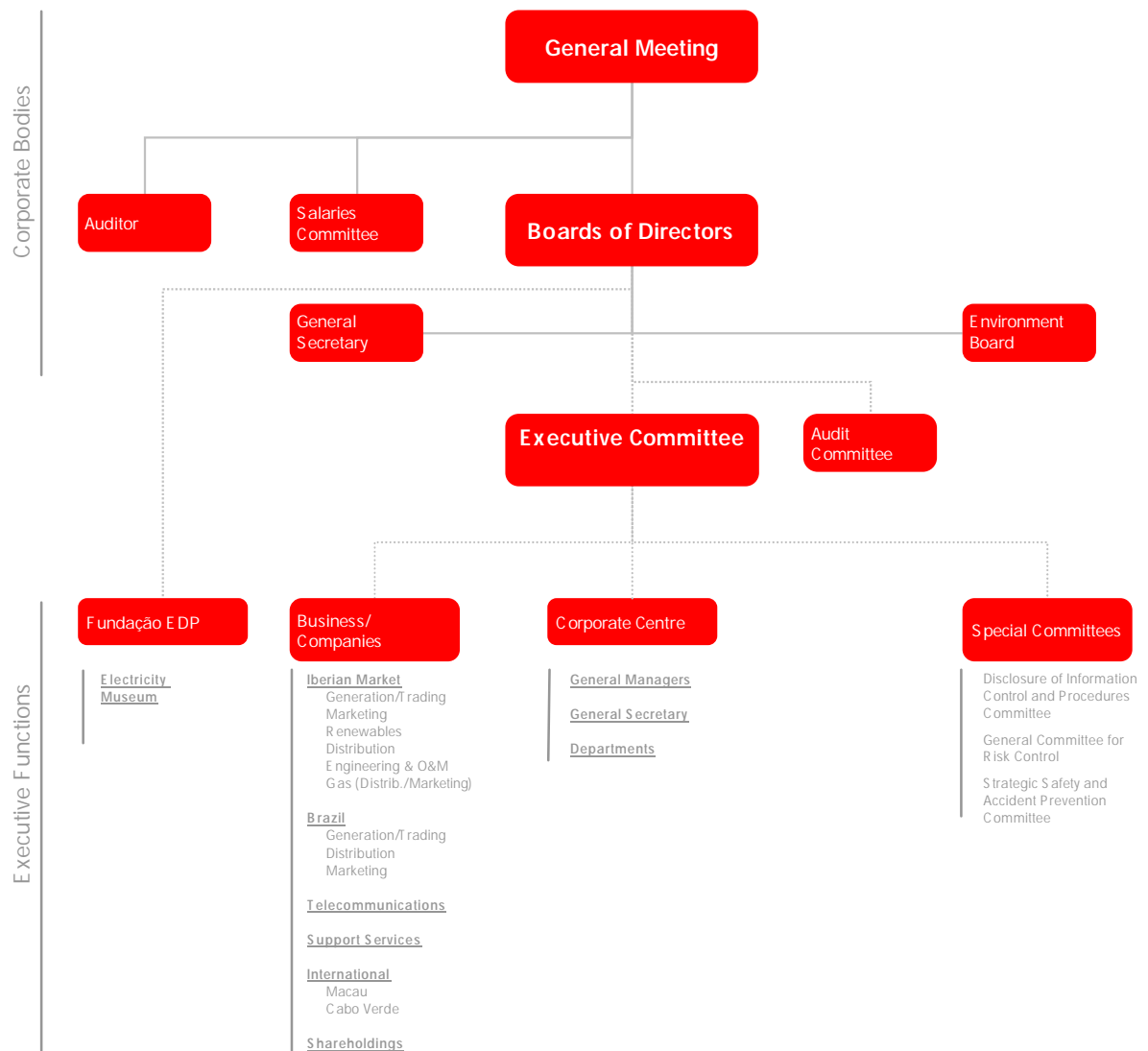
0.3. With regard to the CMVM recommendations adopted, the following table summarises the most relevant aspects:

MEASURES ADOPTED FROM THE CMVM RECOMMENDATIONS	
CMVM RECOMMENDATION	MEASURES ADOPTED
<p>I. – Disclosure of Information:</p> <p>Each listed company is required to ensure the appointment of a permanent representative for liaison with the market, respecting the principle of equality among shareholders and preventing uneven access to information on the part of investors. The creation of a department designed to assist investors is therefore recommended.</p>	<p>Existence and development of the following channels of information with the investors:</p> <ul style="list-style-type: none"> • Investor Relations Office (GRI); • General access website.
<p>II. – Exercise of Voting Rights and Shareholder Representation</p> <p>2. The active exercise of voting rights must not be restricted, either directly, in particular by postal vote, or by representation. For this purpose, the following are considered to be a restriction on the active exercise of voting rights:</p> <ol style="list-style-type: none"> a) The imposition of a deposit, or blocking of shares for participating in a General Meeting, more than five working days in advance; b) Any statutory restriction on postal voting; c) The imposition of a prior period of more than five working days for the reception of the declaration to vote issued by post; d) The inexistence of voting ballots at the disposal of shareholders for postal voting. 	<ul style="list-style-type: none"> • Express provision and regulation of statutes on the exercise of postal voting with no imposition of restrictions; • No imposition of a prior period of more than 5 working days for the reception of the declaration to vote issued by post; • The right to a postal vote may also be exercised by e-mail; • Availability of ballot papers for the exercise of voting rights by postal vote (at the website, by physical delivery or postal dispatch, through the GRI or at the shareholder's request); • Vote by proxy accepted without any restrictions. Its exercise is facilitated through the assistance the GRI provides to all interested shareholders, particularly the supply of proxy letter forms. • Payment of the banking costs of the issue of declarations of ownership and of share blocking for shareholders to participate in the Annual General Meeting on 31 March 2005;
<p>III. – Corporate Rules</p> <p>3. It is recommended that companies establish internal control systems, aimed at efficiently detecting risks arising from the activities of the company, and thereby helping to safeguard the assets of the company and the transparency of its corporate governance.</p>	<ul style="list-style-type: none"> • Adoption of a developed, connected and efficient internal control system, aimed at detecting and mitigating the risks inherent to the Company's activity
<p>4. Measures adopted to prevent the success of public offerings for acquisition should respect the interests of the company and its shareholders. Measures considered contrary to these interests include defensive clauses intended to cause an automatic erosion of company assets in the event of the transfer of control, or of a change to the composition of the Board which prove detrimental to the transferability of shares and the free appraisal by shareholders of the performance of members of the Board.</p>	<ul style="list-style-type: none"> • Inexistence of defensive clauses whose effect might cause an automatic erosion of company assets in the event of the transfer of control or of a change in the composition of the Board (without prejudice to the usual clauses of a change of control nor defensive in nature, aimed at protecting counterparts in terms in accordance with international practices).

<p>IV. – Board of Directors</p> <p>5. The Board should be composed of a number of members who provide managers with effective guidance for the management of the company.</p>	<ul style="list-style-type: none"> • Effective guidance regarding the management of the Company from the Board; • Separation of the responsibilities of the Chairman of the Board of Directors and the Chairman of the Executive Committee; • Separation and linkage of the duties of control and supervision in relation to the Board of Directors and management, due to the existence of directors with executive and non-executive roles.
<p>6. The inclusion on the Board of Directors of one or more members who are independent in relation to the dominant stakeholders is encouraged, with a view to maximising the pursuit of the company's interests.</p>	<ul style="list-style-type: none"> • Composition of the Board is essentially of members unrelated to dominant stakeholders, including, in particular, three directors who are on the Audit Committee; • Ongoing appraisal of the independence of the directors by the Board of Directors.
<p>7. The Board of Directors is encouraged to set up internal control committees, with competencies in the evaluation of corporate structure and governance.</p>	<ul style="list-style-type: none"> • Existence of an Audit Committee with responsibilities such as reviewing and perfecting accounting principles and practices and auditing the Company.
<p>8. It is recommended that the remuneration of the members of the Board be structured so as to permit their interests to be aligned with the interests of the company, and that they should be the object of annual disclosure in individual terms.</p>	<ul style="list-style-type: none"> • Annual disclosure of the total amounts of remuneration allotted to the members of the Board, specifying both the fixed and variable components, and the remuneration of the executive and non-executive directors, stating separately those relating to the Chairman of the Board of Directors and the Chairman of the Executive Committee.
<p>9. The members of the remuneration committee or equivalent should be independent from the members of the Board of Directors.</p>	<ul style="list-style-type: none"> • The remuneration of the Board members is fixed by the Remuneration Committee, elected by shareholders, composed of independent members of the Board of Directors.
<p>10. The proposal submitted to the General Meeting regarding the approval of plans to allot shares and/or stock options to members of the Board of Directors and/or employees should contain all the information necessary for a proper appraisal of the plan. The plan's regulations, if already available, should accompany the proposal.</p>	<ul style="list-style-type: none"> • Plans to allot shares or stock options approved by the General Meeting in the terms recommended.

1. DISCLOSURE OF INFORMATION

1.1. THE GROUP'S ORGANISATIONAL STRUCTURE



1.2. Corporate Governance Bodies

1.2.1. General Meeting

The Shareholders' General Meeting is the Company's highest body. Its functions include the following:

- appraising the report of the Board of Directors, discussing and voting on the balance sheet, the accounts and the opinion of the Audit Committee and deciding on the appropriation of the profits for the financial year;
- electing the Board of the General Meeting, the directors and the members of the Audit Committee and of the Environment Department;
- deciding on any amendments to the statutes, including equity increases;
- appointing a Remuneration Committee, composed of shareholders, responsible for setting the remuneration of company officers;

Board of the General Meeting

The Board of the General Meeting is composed of a chairman and a vice-chairman, elected by the Board of the General Meeting and the Company Secretary.

Officials of the General Meeting of Shareholders	
Chairperson	José Manuel Archer Galvão Teles
Vice-Chairperson	António Campos Pires Calado

1.2.2. Remuneration Committee

The Remuneration Committee, elected by the Board of the General Meeting, is responsible for setting the remuneration of the members of the Board of Directors and other company officers. (See 1.9.)

1.2.3. Board of Directors

The EDP's Board of Directors, whose mandate started on 22 May 2003, is composed of 15 members, five of whom are independent. The Board is responsible for the management of the Company, pursuant to the Companies Code and the Company's Articles of Association:

Board of Directors	
Chairman	Francisco de la Fuente Sánchez
Executive Committee	João Luis Ramalho de Carvalho Talone (Presidente) Arnaldo Pedro Figueiróa Navarro Machado Jorge Manuel Oliveira Godinho Pedro Manuel Bastos Mendes Rezende Rui Miguel de Oliveira Horta e Costa
Audit Committee	José Manuel Trindade Neves Adelino Luís Filipe Rolim de Azevedo Coutinho António Afonso de Pinto Galvão Lucas
Non-Executive Directors	João Eduardo Moura da Silva Freixa José Alfredo Parreira Holtreman Roquette José Manuel Gonçalves de Moraes Cabral José Pedro da Silva Sucena Paiva Manuel Menéndez Menéndez Paulo de Azevedo Pereira da Silva

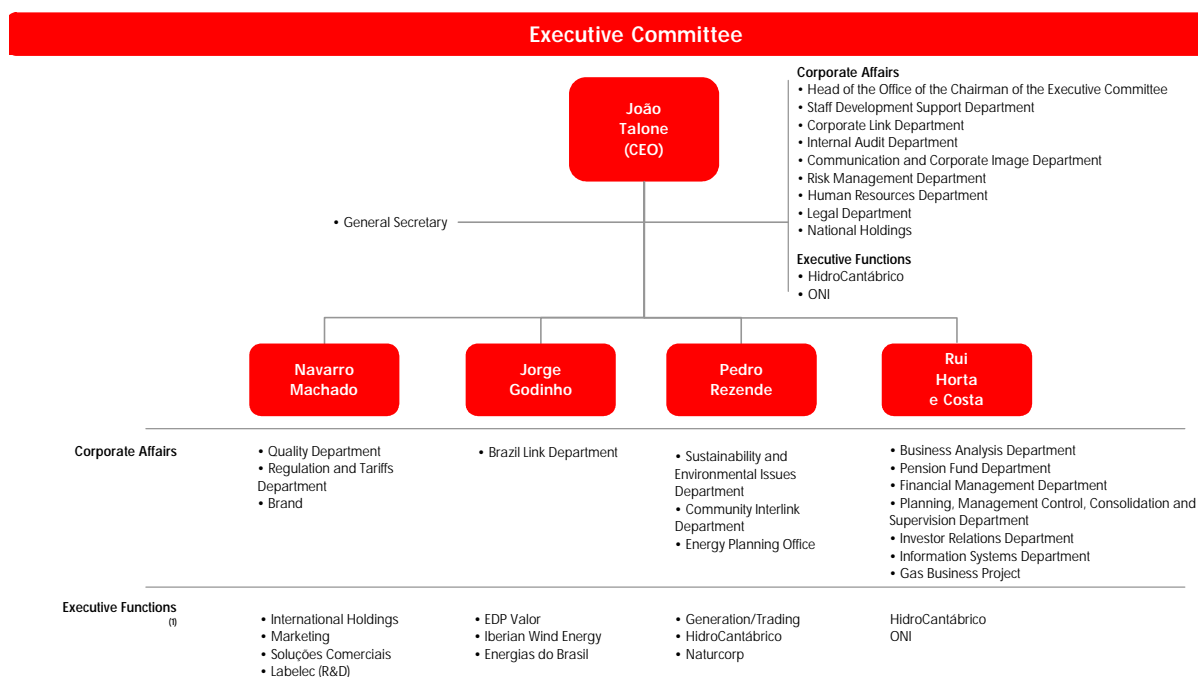
The composition of the Board of Directors was altered by co-optings effected on 29 April, 30 November 2004 and 31 January 2005, for the replacement of directors who had ceased their functions.

At the General Meeting on 31 January 2005, the Board of Directors was increased from 13 to 15 members due to the election of two directors who do not have executive functions.

Executive Committee of the Board of Directors

The Board of Directors delegated responsibilities for the day-to-day management of the Company to an Executive Committee, made up of five members.

The Executive Committee is organised in accordance with the following functions:



(1) In greater detail in Chapter 5.6. of this book

NB: The Department of the Environment & Sustainable Development is under the control of the Chairman of the Board of Directors

Audit Committee of the Board of Directors

EDP's Audit Committee is a special committee of the Board of Directors consisting of three independent directors, who are not members of the Executive Committee.

By a decision of the Board of Directors, the Audit Committee was delegated special competencies for supervising the Company's financial information and for constantly monitoring the activity of the external auditor, the internal auditor and the internal control systems. In addition, the Audit Committee is responsible for expressing an opinion on the appointment or dismissal of the external auditor, monitoring their relations with the various company officers, and giving an opinion on the internal procedures with regard to auditing or on issues that may be raised in respect of the accounting practices followed by the Company.

The members of this committee are at present:

Audit Committee	
Chairman	José Manuel Trindade Neves Adelino
	Luis Filipe Rolim de Azevedo Coutinho
	António Afonso de Pinto Galvão Lucas

The Audit Committee has the following functions:

- To supervise compliance with, and the proper implementation of, the accounting principles and standards in force, in liaison with the work of the supervisory body and the external auditor, promoting and requesting

the exchange of information necessary for this purpose;

- To analyse the quarterly, half-yearly and annual financial information, producing a non-binding report concerning the accounts for appraisal by the Board of Directors, prior to their approval and signature by the latter. This report may in particular include recommendations to the Board of Directors regarding the provision of information to shareholders;

- To present the Board of Directors with a proposal for appointing an external auditor and establishing the respective remuneration;

- To monitor the activity and vicissitudes of the contractual relations with the external auditor, including recommendations concerning the relationship between the Board of Directors, the Executive Committee or directors and the external auditor regarding financial information, as well as appraising the objectivity and independence of the external auditor;

- To check the conformity and appropriacy of the costs of the audit in relation to its efficiency, including presenting an opinion on the direct or indirect contracting of services to the entity providing the external auditing services or to entities that may be related to its group or network;

- To discuss the extent and scope of the audit with the external auditor, for the purposes of submitting recommendations to the Executive Committee or to the Board of Directors;

- To discuss the contents of the annual audit report with the external auditor, with particular regard to any reservations submitted, for the purposes of presenting recommendations to the Executive Committee or to the Board of Directors;
- To propose to the Board of Directors measures aimed at improving the performance of the internal control systems and the internal audit;
- To discuss the contents of the internal control report with the internal auditor; and
- To define and implement the procedures for receiving and dealing with complaints regarding accounting matters, internal accounting and auditing controls, as well as complaints lodged by employees regarding accounting or auditing practices.

For the performance of these functions, the Audit Committee may contract the services of external auditors and take the necessary measures with regard to the EDP Group's departments and companies.

The members of the Audit Committee are independent directors, in accordance with the criteria defined in Article 1.2 of CMVM Regulation No. 7/2001 (as amended by CMVM Regulation No. 11/2003). As soon as it was set up, the Audit Committee took into consideration criteria relating to the independence of its members, such as the inexistence of any employment relationship or contractual tie with EDP and its respective subsidiaries, or with shareholders with a holding of 2% or more, or with entities in a controlling or group relationship with such shareholders.

These characteristics and duties of the Audit Committee, defined approximately two years ago, are in keeping with those now proposed by the European Commission in the Recommendation of 15 February 2005. Although this Recommendation is not yet applicable at an internal level, it can be seen that the Audit Committee is composed exclusively of three non-executive directors whose profile of independence corresponds in general to the one established by the European Commission. Likewise, the responsibilities of the EDP's Audit Committee are compatible with the role proposed by the European Commission for the audit committee of listed companies in the areas of internal procedures and auditing.

The establishment of the Audit Committee, a pioneering experiment with regard to corporate governance in Portugal, has helped to strengthen the internal controls within EDP, by virtue of the work of independent board members who have real monitoring competencies. As international experience shows, the work of this committee is important in strengthening the mechanisms for the internal control of management, through a prior intervention that helps to eliminate and prevent possible conflict of interest situations and to enhance the transparency of the management.

During the first half of 2005, the Audit Committee actively pursued its business within the scope of the competencies delegated to it, having held 12 meetings.

1.2.4. ENVIRONMENT BOARD

The Environment Board is one of the oldest of EDP's functional bodies, having been established in the articles of association since 1991.

The Environment Board has certain advisory responsibilities to the Board of Directors in environmental matters, including the formulation of opinions and recommendations on the environmental impact of projects to be promoted by the EDP Group.

The Environment Board is composed of five persons of recognised competence in the area of the defence of the environment, elected by the General Meeting of Shareholders.

Environment Board	
Coordinator	Eduardo Oliveira Fernandes
	Carlos Alberto Pimenta
	Gonçalo Ribeiro Teles
	Maria Teresa Andresen
	Álvaro José Patrício Costa

1.2.5. Official Auditor

The Company's fiscal bodies are elected by the General Meeting of Shareholders. It must include an chartered Accountant.

The Official Auditor is responsible for:

- examining the Company's book-keeping whenever necessary, and at least once a month;
- requesting the Chairman of the Board of Directors to convene the company's official auditor and attend its meetings whenever necessary;
- requesting the extraordinary convening of the General Meeting of Shareholders whenever necessary.

Supervisory body	
Effective Official Auditor	KPMG & Associados, SROC, S.A., representada por Jean-éric Galign, ROC
Substitute Official Auditor	Vitor Manuel da Cunha Ribeirinho, ROC

1.2.6. Company Secretary

The Company Secretary and the Deputy are appointed by the Board of Directors, ceasing their functions at the end of the term for which they were designated.

Company Secretary	
Secretary	António Manuel Barreto Pita de Abreu
Deputy	António José Marrachinho Soares

1.2.7. Fundação EDP

In 2004, EDP set up the Fundação EDP, dedicated to patronage, for the EDP Group's intervention in the area of social and cultural citizenship and to provide for the management of the Electricity Museum.

The Board of Directors of the Fundação EDP consists of the following members:

Fundação EDP	
Chairman	Francisco de la Fuente Sánchez
	João Luis Ramalho de Carvalho Talone
	Fernando Ivo Gonçalves
	Humberto da Costa Blü
	José Luis dos Santos Pires (Executive Director)

1.2.8. Functional Structure of EDP

EDP's activities are structured into a corporate group in accordance with the organisation, functions and competencies determined by the Executive Committee. The latter defines the Group's organisational model and the breakdown of functions

between the various Business Units, the Shared Services Unit – EDP Valor – and the central structure that works together with the Executive Committee, composed of a body of General Managers, a Secretary and a Corporate Centre, organised into Departments and Co-ordination Areas.

In 2004, the Corporate Centre was reorganised, and priority areas were redefined. It now has competencies for essential and added-value services, and a greater role as a centre for defining the strategy implemented by the business units.

At the beginning of 2005, a new readjustment was introduced in order to give a better response to the more markedly Iberian identity that EDP took on after the acquisition of control of HidroCantábrico, and to adapt to the restrictions resulting from the European Directive on the Electricity Market. The present configuration of the central support structure for decision-making processes is the following:

Boards of Directors - Executive Committee	
General Managers • Corporate Offices	
GENERAL MANAGERS	António Manuel Barreto Pita de Abreu António Manuel Pacheco de Castro António Martins da Costa João Manuel Manso Neto Joaquim Armando Ferreira Silva Filipe Joaquín Coronado Jorge Manuel Ribeirinho Soares Machado Manuel Luis Norton Brandão Vasco Manuel de Castro Coucello
GENERAL SECRETARY	António Manuel Barreto Pita de Abreu
OFFICES & DEPARTMENTS	
Head of the Office of the Chairman of the Executive Business Analysis Department Staff Development Support Department Corporate Link Department Internal Audit Department Communication and Corporate Image Department Pension Fund Department Financial Management Department Risk Management Department Community Interlink Department Legal Department Brazil Link Department Planning, Management Control, Consolidation and Supervision Department Energy Planning Office Quality Department Human Resources Department Regulation and Tariffs Department Investor Relations Department Information Systems Department Sustainability and Environmental Issues Department Gas Business Project	Bernardo Sá Nogueira Dantas Cunha Carlos Alves Pereira Maria Adília Pina Pereira Rui Maria Ribeiro Ferin Cunha Vitor Manuel Silva Leitão Horácio Manuel Piriquito Casimiro Luis Manuel da Costa Veloso Magda Abdool Magid Vakil António Maria Ramos da Silva Vidigal António Manuel Vaz Pacheco de Castro António Pedro Balançuela Alfaia de Carvalho Joaquim Pedro de Macedo Santos Miguel Ribeiro Ferreira António José Silva Coutinho Paula Pinto da Fonseca Eugénio André da Purificação Carvalho Maria Joana Mano Pinto Simões Pedro Manuel Carreto Pires João Luis Pedro Ferraz Flores António Manuel Neves de Carvalho José Manuel Ferrari Bigares Careto

The **General Managers** act as “heads of mission” to whom the Executive Committee delegates specific corporate projects. In addition, as an advisory body, they provide advice to the Executive Committee, with which they meet every two months to discuss the evolution of the Group’s strategic objectives.

The **General Secretary** have competencies to represent the Group externally and for the execution of acts of day-to-day management of an administrative nature. He/she also coordinates the General Secretariat in its role in providing assistance to the company officers in their work and in EDP’s relationship with subsidiaries.

The competencies and functions of the currently existing **Offices and Departments** are the following:

The Chairman of the Executive Committee and the other members of the Executive Committee of the Board of Directors are advised by the **Head of the Chairman of the Executive Committee’s Office**, who, besides acting as secretary at the Executive Committee’s weekly meetings, directs and monitors projects of strategic and financial importance and represents EDP before external entities.

The mission of the **Business Analysis Department (GAN)** is to optimise the Group’s business portfolio through critical analysis in the light of the strategic development outlined by the Board of Directors. Its main areas of operation are the appraisal of projects, identification of business opportunities, analysis and execution of operations involving the purchase and sale of assets and stakeholdings and negotiation of partnership agreements, as well as support for the Board of Directors in taking decisions regarding strategic investment and disinvestment.

The **Staff Development Support Department (GDQ)** was set up in 2005 with the mission of supporting the development of EDP’s “Key Staff”. The aims of the GDQ are to help to optimise the EDP Group’s human capital, by improving the technical competencies and individual behaviours of its key staff and contributing to the Group’s organisational development. It focuses on career planning for the key staff and on creating conditions/predispositions for their functional and geographical mobility.

The **Corporate Link Department (GAC)** was set up in 2005 to support and guarantee the smooth running of the new central structure, ensure that the Management Committees are performing adequately and liaise with the company officers of the companies they cover, guaranteeing, in particular, that decisions taken are formalised and implemented at head office.

The main function of the **Internal Audit Department (GAI)** is to support management in designing, implementing and monitoring an internal control system suitable for pursuing the set objectives of operational effectiveness and efficiency, by carrying out

structural appraisal audits of the internal control and by checking the effective working and effectiveness of the established controls, providing management with a reasonable guarantee of their capacity to prevent, detect and correct the occurrence of operational irregularities and errors, or materially relevant omissions in the information used to measure the degree of compliance with the set objectives, and to manage the organisation, liaising their activity with External Auditors and the Chartered Accountant.

The **Communication and Corporate Image Department (GCI)** is responsible for managing media contacts, advertising and media management, internal and organisational communication, the company media (website, intranet and in-house magazines) and institutional relations. The GCI centralises all the EDP Group’s communication areas, including EDP Brasil.

The main competencies of the **Pension Fund Department (GFP)**, set up in 2004, are to provide the EDP Group’s Pension Fund with specialised, dedicated management and to ensure an integrated management of assets and liabilities, in order to minimise the funding risk in the Pension Fund Balance Sheet.

The **Financial Management Department (GFN)** is responsible for presenting proposals defining the Group’s financial management policy, by observing compliance with it and by controlling its financial liabilities. The GFN’s functions include managing the debt portfolios of EDP, S.A., and EDP Finance BV, the associated interest and exchange rate risk and the centralised cash management of Group companies that operate in the domestic electricity sector, or are directly or indirectly 100% owned by EDP, and negotiating and contracting financing and credit lines. Along with this, it supervises the financial areas of the subsidiary companies. The GFN is also the main interlocutor with the debt and banking markets and with the rating agencies.

The mission of the **Risk Management Department (GGR)** is to define, implement and maintain an Integrated Risk Management System (SGIR) for the EDP Group. The use of the SGIR represents a source of comparative advantages for EDP, since it makes it possible to include the risk factor in the Group’s strategic and operational decisions. Indeed, the opportunities that present themselves to a group the size of EDP bring with them uncertainties whose quantification, by calculating their inherent risk, is a decisive contribution towards correct decision-making.

The **European Connections Department (GIC)** was set up in 2005, and its functions are to provide advice to EDP’s Executive Committee on the relationship with national and international bodies whose action may have a significant impact on EDP’s business, and on the EDP Group’s representation with European Union institutions.

The **Legal Department (GJR)** provides direct legal assistance to the Board of Directors and the Executive Committee, to the other offices and to the various Group companies that may request it. It monitors and provides information about changes in legislation that are of interest to company business, especially those relating to the electricity sector. It assists with the drafting of EURELECTRIC's legal studies and opinions. It takes part in legal proceedings, representing EDP and various other Group companies in lawsuits of a civil, administrative or fiscal nature.

The **Brazil Link Department (GLB)** was set up in 2003 due to the importance of EDP's investment in the Brazilian electricity sector. In a period of major corporate change in Brazil, it has become all the more important to have an office in EDP with an integrated view of the most important critical business areas in the country. The GLB follows and monitors the various aspects of the evolution of operations in Brazil, particularly from the strategic, financial, operational and legal and organisational standpoints. It also reinforces the interaction between EDP and its subsidiaries in that country.

The **Planning and Control, Consolidation and Tax Department (GCO)** is organised into three areas of operation: (i) the area of consolidation and corporate control, whose main function is consolidation and accounts reporting, (ii) the area of planning and control of corporate management, responsible for the Group's operational planning and budget, management control, budget control, financial reporting, production of balanced scorecards and review of budgeting systems, (iii) the area of corporate accounting standardisation (national, international and environmental) and (iv) the area of fiscal supervision of the Group. Taking on the leadership of the Group in these competencies, the GCO went ahead in 2004 with the implementation, across the whole Group, of an integrated management accounting and corporate control information system.

The **Energy Planning Office (GPE)** was established in 2003 with the purpose of supporting the Group with an integrated view of the entire portfolio and of its present and future positioning in the Iberian market, looking at needs and options for sourcing energy. With this purpose, the GPE was set up as a platform to organise liaison between the Group's various gas and electricity business areas to achieve the necessary integrated view of the market and of the activity of the EDP Group.

The mission of the **Quality Department (GQL)** is to collaborate with the Group's business units so as to increase their profitability, competitiveness and market share in applicable cases. For this purpose, it gathers, selects and analyses information relevant for decision-making, to enable internal perfection processes to be better conducted and to facilitate the achievement of aims. In order to attain these objectives, it (i) uses market studies of external and internal customers, and Group employees, as

its main support methodology, (ii) identifies new business opportunities, (iii) provides training courses in the quality area and (iv) acts as an internal consultant.

The purpose of the **Human Resources Department (GRH)** is to support the development of the organisation and its personnel by developing policies and strategies aligned with the Group's objectives and values. Its main responsibilities are (i) designing and developing HR strategies, policies and procedures and Health and Safety at Work, (ii) negotiating with social partners, (iii) controlling the execution of the HR policy, (iv) developing personnel management instruments, (v) implementing social support policies for employees and retired employees, (vi) developing a safety culture and (vii) adapting the HR corporate systems to the regulations and legislation in force and to the needs of organisational development.

The mission of the **Regulation and Tariffs Department (GRT)** is to support the Executive Committee in taking decisions within the scope of the regulations and in the relationship with the various supervisory entities in the energy sector. The GRT monitors the development and implementation of the new European Electricity and Natural Gas Directives, and studies the impacts of the implementation of the MIBEL. The liberalisation of the energy sectors, and the regulation of the 'natural monopolies', entail profound legislative, regulatory and organisational changes. The implications of these for the profitability of companies are important to study, making it necessary to develop economic and financial models and studies of tariffs.

Investor Relations Department (GRI) (see 1.8.2)

The **Information Systems Department (GSI)** is responsible for promoting the alignment of the Group's information systems with the business objectives and the evolution of technology, for supporting the Board of Directors in defining the objectives, policies and standards in the area of systems and information technologies and in the overall contracting of goods and services. The GSI's mission is also to assist the Executive Committee in defining the strategy for the Group's systems and information technologies, and to establish the systems master plan, to define the architectural model for systems and technology, to promote software security and to carry out the planning, budgeting and management control for systems and information technologies.

The main competencies of the **Sustainability and Environmental Issues Department (GSA)** are (i) to advise the Board of Directors on matters relating to the environment and sustainability, particularly in defining corporate action policies and strategies and in supervising goals and aims, as well as in its relationship with the Environment Department, (ii) to report on the Company's activity in environmental matters, (iii) to provide the coordination of activities of a

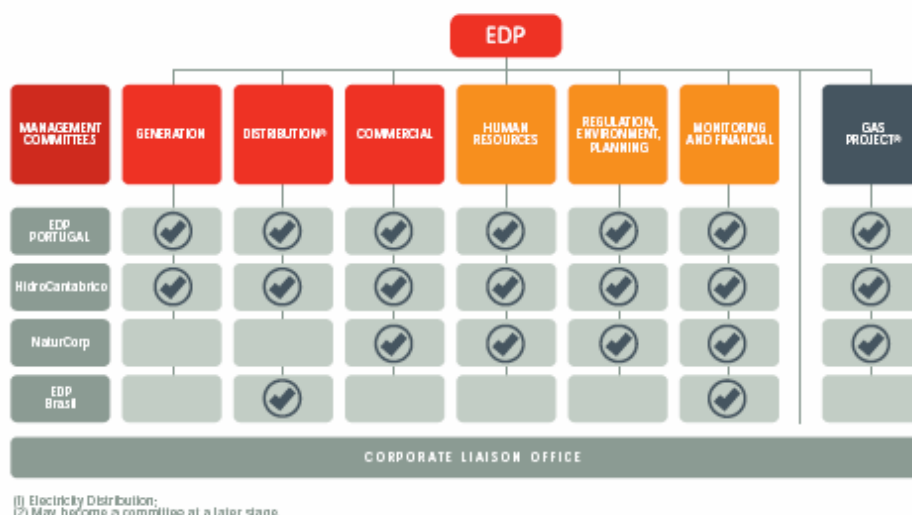
strategic order in environmental matters in the Corporate Centre and to ensure that environmental activity in the Group is undertaken in coherence with the guidelines of the Board of Directors and (iv) to supervise the development of the environmental issues most important for the business, and to propose the adoption of comprehensive strategies for the Company's activity.

The **Gas Business Project (PNG)** is responsible for EDP's expansion into the natural gas business. Its functions include co-ordinating the activities necessary for entry into the gas market and for the development of the

business related to this, with a view to maximising the synergies between gas and electricity.

At the beginning of 2005, in view of the need to adopt a management model that might represent EDP's nature as an Iberian business group, following the increased stake in HidroCantábrico, the Executive Committee decided to give the Corporate Centre the functions of an Iberian Corporate Centre, and approved a central management and reporting structure, geographical and functional in scope, composed of management committees according to the chart shown below.

Central Management



1.2.9. EDP's Specific Commissions and Committees

An international consensus has gradually been generated on the importance – in terms of efficiency of control, added value for shareholders and corporate social responsibility – of establishing specialised internal structures to facilitate the pursuit of specific objectives. In structuring them, however, care must be taken to guard against genuinely divergent objectives, and to follow a principle of balanced concentration that, without declining into a dilution of competencies, can effectively minimise the costs of control and supervision.

On the other hand, there has always been a principle of adjusting internal committees to the characteristics of each national context, underlining, for example, the recent guidelines defined in the Recommendation of the European Commission of 15 February 2005 (which the Member States of the European Union are invited to implement by 30 June 2006) that internal committees have a particularly important role in those areas where the probability of a conflict of interests

at the management level is highest. This implies, in specific terms, the pursuit of a more effective supervision of the management, or a more adequate preparation of the decisions to be taken by the Board of Directors itself, with the purpose of improving the governance of listed companies.

These principles and guidelines that are now recommended by the European Commission, in the wake of international experience, especially in the United States of America, have played a part in EDP's reflection on the matter and in the considered decision to establish special internal committees.

Indeed, as a company with securities listed on the New York Stock Exchange, EDP is subject not only to the national and Community rules in force, but also to certain North American laws and regulations regarding securities, including the Sarbanes-Oxley Act of July 2002 and the regulations on conduct approved by the Securities and Exchange Commission and the New York Stock Exchange.

These regulations and legislation are an essential guide to some of the organic changes that occurred in EDP during the present mandate, in particular the creation in 2003 of an Audit Committee of the EDP Board of Directors, with important roles in the area of vigilance, preparation of financial information and the operation of control systems, as well as a Disclosure of Information Control and Procedures Committee, whose main function is to control the internal certification process of information for the purpose of preparing the annual accounts.

Disclosure of Information Control and Procedures Committee (CDI)

The CDI is responsible for three primary functions:

- To identify and analyse the information that periodically has to be made public by the Company;
- To participate in the review of the information periodically provided by EDP in the context of preparing reports and other communications to the market; and
- To make a quarterly evaluation of EDP's control and disclosure of information mechanisms.

This committee is therefore an organisational structure responsible for monitoring and evaluating the control mechanisms and information procedures, and is included in the EDP Group's Information Certification Project, which also includes a Project Work Group, directed by the Internal Audit Department in close liaison with the Executive Committee, and Business Area Teams responsible for the control procedures of each sector of activity.

The composition of the CDI includes the heads of the Investor Relations, Internal Audit, Legal, Planning and Control, Consolidation and Tax, Financial Management, Regulation and Tariffs, Human Resources and Sustainability and Environment Issues Departments and the assistants to the Board of Directors responsible for the preparation of information, as well as the heads of the Company's main business areas.

General Committee for Risk Control (CGCR)

The CGCR is responsible to:

- Conduct proper monitoring and appraisal of the EDP Group's risk profile;
- Propose recommendations on the procedures and risk limits for appraisal and approval by the Executive Committee; and
- Analyse extraordinary situations in terms of risk.

Within the scope of the CGCR, an Energy and Financial Risk Sub-Committee (SCREF) was set up, with responsibilities in the trading and financial areas. It is responsible in particular for the operational monitoring of the CGCR's decisions, and for the management of risks common to the financial and trading areas.

Strategic Board for Prevention and Safety (CEPS/EDP)

The main competencies of CEPS/EDP are:

- To assist the Executive Committee in drawing up proposals for the definition of the EDP Group's strategic objectives with regard to prevention and safety at work, appraising the degree of application and effectiveness thereof and to report on progress;
- To conduct a critical analysis of the Annual Activities Report and to give an opinion on EDP's Prevention and Safety Action Plan;
- To monitor the evolution of the main safety-at-work indicators and to draw up proposals for improvements;

1.3. Compliance with the Sarbanes-Oxley Act

The Sarbanes-Oxley Act, passed in July 2002, requires all companies registered with the Securities and Exchange Commission (SEC) to certify their annual report as to the fullness and accuracy of the information contained in it, as well as to disclose publicly the result of the evaluation of the internal control of the financial information disclosed to the market.

Aware of the benefits that the adoption of the principles and practices proposed in Sarbanes-Oxley Act would have for the transparency of the Company's relations with the market, EDP launched a project with the objective of, in a timely manner, creating the conditions enabling it to comply fully with the requirements of the act.

In a first phase, therefore, the project focused on establishing and implementing disclosure procedures and controls consistent with the provisions of Section 302 of the Act, directed mainly at the facts that it is compulsory to report to the American market.

The project currently covers Portugal, Spain and Brazil and focuses on:

- Surveying, documenting, evaluating and correcting omissions and weaknesses identified in the internal control:
 - Of the information flows regarding events and transactions with a materially relevant impact on EDP's financial statements; and
 - Of the controls regarding the other components of the COSO (Committee

of Sponsoring Organizations of the Treadway Commission) reference model.

- Formalising the internal control management procedures in accordance with the requirements of the act.

The aim of this work is basically to:

- Monitor more effectively the performance of the internal control of financial information and, consequently, to act more quickly to correct omissions or weaknesses that might undermine the quality of the information provided;
- Produce more objective bases for evaluating the internal control of the financial information that, under the terms of the Sarbanes-Oxley Act, it is required to provide.

1.4. Increase in EDP's Share Capital

On 29 July 2004, EDP announced that it would increase its stake in HidroCantábrico to 95.7%, by acquiring an additional 56.2% holding for the sum of EUR 1.2 thousand million, financed through an increase in EDP's share capital, which was fully subscribed and paid up.

The transaction was communicated to the European Commission, and on 9 September 2004 the Local Competition Authority disclosed its decision not to oppose the operation.

On 4 November 2004, following authorisation approved at an Extraordinary General Meeting of Shareholders, held on 7 October 2004, the EDP Board of Directors determined the share capital increase through a public offering for subscription, reserved for shareholders, of 656,537,715 new shares with the nominal value of EUR 1 each, at the unit price of EUR 1.84.

Key dates relating to the invitation for subscription:	
Start of ex-rights trading of shares	9 November 2004
Subscription period	12 to 25 November 2004
Rights negotiation period	12 to 19 November 2004
New shares admitted for trading	7 December 2004

The public offering for subscription for the increase of EDP's share capital was fully subscribed through the exercise of rights and through the additional requests for surplus shares.

The number of subscriptions by exercise of rights amounted to 624,365,827 shares, and

842,720,313 shares were requested on a pro-rata basis. The total demand therefore amounted to 1,467,086,140 shares, equivalent to 2.23 times the total number of shares offered.

This was the largest share capital increase ever undertaken in the capital market in Portugal, and one of the largest in Europe in 2004.

1.5. EDP on the Capital Market

The shares representing EDP's share capital were initially listed on the official market of Euronext Lisbon (then called the Lisbon Stock Exchange) on 16 June 1997.

EDP currently has 2,936,222,980 ordinary shares listed on Euronext Lisbon, with the nominal value of EUR 1, representing 80.30% of its share capital.

In addition to Euronext Lisbon, EDP also has securities representing its share capital listed on the New York Stock Exchange (NYSE), in the form of American Depositary Shares (ADSs).

EDP — Energias de Portugal, S.A.

Shares	
Shareholder equity	€ 3,656,537,715
Nominal value of shares	€ 1.00
No. of shares	3,656,537,715
Stock market entry date	16 June 1997
Euronext Lisbon	Shares
Reuters RIC	EDP.LS
Bloomberg	EDP PL
ISIN	EDP0AM0009
New York Stock Exchange	ADS's
Reuters RIC	EDP.N
Bloomberg	EDP US
ISIN	US2683531097

Additionally, EDP shares are an underlying asset for futures contracts transacted on the Lisbon market.

Six of EDP's bond issues are also listed:

Bonds	ISIN Code	Date		Coupon	Stock Exchange
		Issue	Maturing		
22nd Issue	PTEDPROE000	30-05-1996	02-06-2006	Half-yearly EuriBOR 6m - 10.0bp	Euronext Lisbon
23rd Issue	PTEDPSOE000	20-12-1996	20-12-2011	Half-yearly EuriBOR 6m - 12.5bp	Euronext Lisbon
25th Issue	PTEDPKOE000	23-11-1998	23-11-2008	Half-yearly EuriBOR 6m + 22.5bp	Euronext Lisbon
26th Issue	PTEDPAOE000	26-03-2003	26-03-2013	Half-yearly EuriBOR 6m + 50.0bp	Não listada
1st Issue EMTN ⁽¹⁾	XS0103383286	29-10-1999	29-10-2009	Fixed annual rate EUR 6,400%	Londres, Suíça, Euronext Paris
2nd Issue MTN ⁽¹⁾	XS0126990778	28-03-2001	28-03-2011	Fixed annual rate EUR 5,875%	Londres, Frankfurt

⁽¹⁾ EMTN - Euro Medium Term Notes

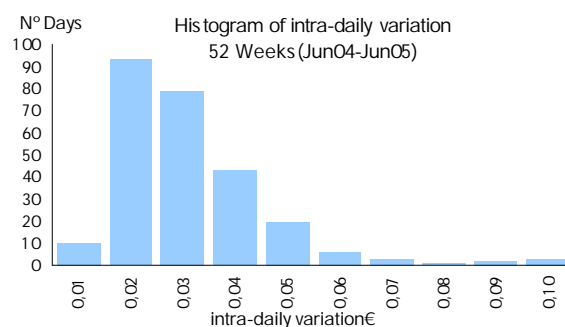
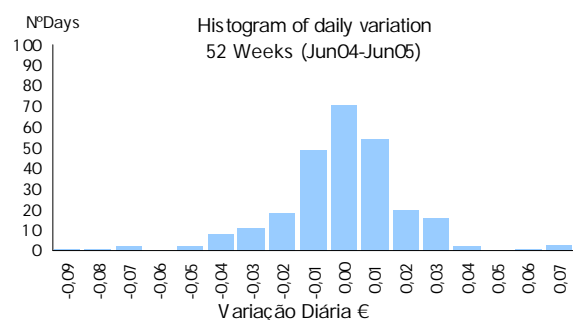
EDP is among the Portuguese companies with greater relative weight on the Euronext Lisbon index, the PSI 20, in the order of 19%, as well as being one of the seven Portuguese companies represented on the Euronext 100 index, with a weight in the order of 0.52%. EDP shares are also included in several European indices, such as the Dow Jones Eurostoxx Utilities, calculated on the basis of the market performance of the principal and most representative European companies in the Utilities sector.

In the period from 30 June 2004 to 30 June 2005, EDP's shares declined by 5.8%, falling from EUR 2.21 to 2.08. During the same period the ERSE disclosed the tariffs of EDP Distribuição for 2005, which do not yet allow for immediate convergence to the profitability level set out in the regulation; the European Commission notified EDP of its unfavourable decision regarding the joint acquisition operation of GDP by EDP and Eni; the Government published a decree-law regarding the early termination of the Power Purchase Agreements (PPAs), under the auspices of which most of EDP's electricity generating work in Portugal is carried out.

However, this negative trend was reversed during the start of the third quarter of 2005, and the share price reached EUR 2.28 in late August.

EDP shares are now one of the stocks with the greatest liquidity in the Portuguese market. The EDP Group's market value, calculated on the basis of its stock exchange capitalisation on 30 June 2005, rose to EUR 7,606 million, equivalent to 7% of the total capitalisation of Euronext Lisbon shares, which, at the end of the first half of 2005, rose to EUR 116,027 million. During the first six months of 2005, approximately 1,243 million EDP shares were transacted on the listed securities market, which is a daily average of 10 million shares at an average price of EUR 2.17, or 42% of all the EDP shares listed in this market. In terms of turnover, EDP shares represented the equivalent of 18% (EUR 2,695 million) of the total volume of shares transacted in the Lisbon regulated market (EUR 14,576 million euros).

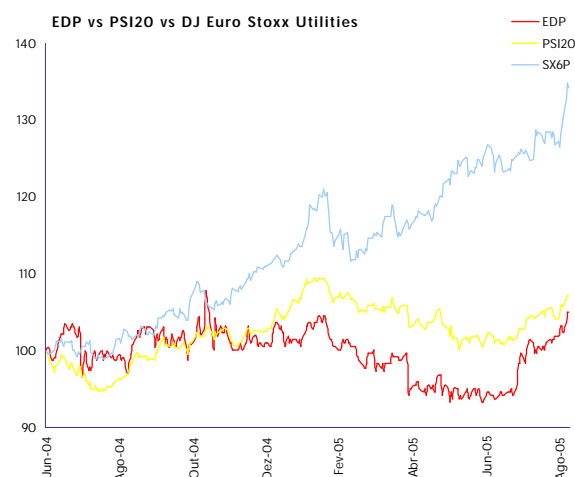
The following two charts show the daily and intra-day spread of EDP shares in Euronext Lisbon, revealing the stock's low volatility.



1.5.1. Factors that influenced the evolution in EDP shares

The 12-month period beginning in the second half of 2004 was marked by a very positive performance by the main stock exchange indices, especially in the utilities sector. This was due to certain signs of economic recovery and to an improvement in the companies' financial performance.

During this period, we saw two phenomena that had opposite effects on the valuation of utilities: on the one hand, the price of oil continued to rise sharply; on the other hand, interest rates remained at historical lows.



EDP shares, however, did not follow the upward trend of their counterparts in the sector, but moved more in line with the Portuguese stock exchange indices.

It should be noted that developments in the restructuring process in the energy sector in Portugal, particularly those related to the planned integration of Galp Energia's gas assets into EDP, had both a positive and negative influence on the behaviour of EDP shares in the capital market during 2004 and 2005.

On the one hand, the agreement of principles between EDP and Eni S.p.A. regarding the linking of the electricity and gas areas was seen as a significant step in redefining the energy sector in Portugal. On the other hand, the statement of opposition to the operation proffered in December 2004 by the European Commission marked the end of a period in which the behaviour of the shares was

negatively influenced due to the flow of news that discounted this decision unfavourably.

In December, the disclosure by the ERSE of the regulatory parameters for 2005 for EDP Distribuição was another factor that pushed the share price down, since the level of earnings established does not yet allow for immediate convergence to the profitability levels of assets.

In mid-December, EDP's strategic objectives for the three-year period 2005-2007 were presented to financial analysts and institutional investors in London.

Decree-Law No. 240/2004, of 27 December, was published at the end of December, granting the right to compensation for the early termination of the Power Purchase Agreements (PPAs) regarding the bound electricity-generating power stations of the Public Electricity System (SEP), as well as the form and time of their payment.

As the provisions of this law guarantee the neutrality of the cancellation of the PPAs and, especially, the possibility of securitising the compensations that may be granted to the bound producers, this has cleared up one of the grey areas that might have affected the behaviour of EDP shares, probably with a positive effect on the performance of the stock.

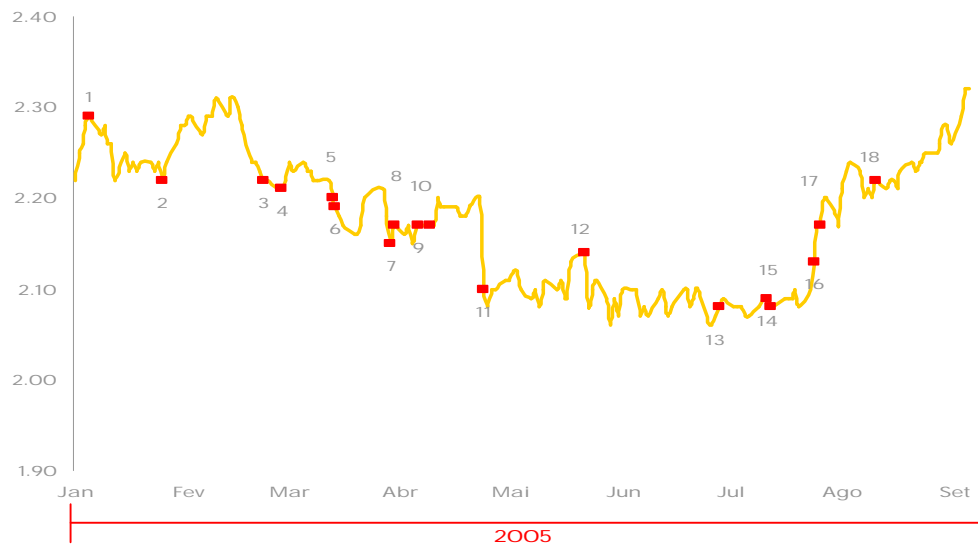
During the first half of 2005, on 27 January, EDP signed early termination contracts for the PPAs with the REN. The effects of these will only be produced with the effective entry into force of the MIBEL.

During the first half of 2005, the restructuring of the Group's activities in Brazil was completed, leading to the migration of the minority shareholders of Escelsa, Enersul and Bandeirante to the share capital of Energias do Brasil.

This process, which pre-dated the Initial Public Offering of Energias do Brasil on the São Paulo stock exchange in July, was well accepted by the capital market. The Initial Public Offering was successful, and demand was two and a half times the share capital offered. Subscription orders came mainly from the United States (around 50%), Brazil (around 40%) and Europe (around 10%). The offer price was BRL 18 per share, and in the days following the operation the quoted price rose to a high of BRL 26 per share.

The year 2005 also witnessed the disposal by EDP of certain non-strategic assets, such as the sale of 60% of Edinfor to Lógica CMG, the sale of 3% of REE by Hidrocontábrico, the transfer of 2.01% of BCP to the EDP Pension Fund and, in the second half, the sale of Comunitel to Tele2.

Highlights in EDP share prices in the first half of 2005



#	Date	Description
1	07-Jan	60 percent of Edinfor sold
2	27-Jan	CMECs signed
3	24-Feb	EDP appeals against EC decision on takeover of GDP
4	01-Mar	EDP's 2004 results
5	15-Mar	IAS pro-forma accounts for 2004 submitted
6	16-Mar	Call option to buy 20 percent of Turbogás exercised
7	31-Mar	General Meeting of Shareholders
8	01-Apr	3 percent of REE sold
9	08-Apr	Energias do Brasil reorganised
10	11-Apr	Enersul prices adjusted
11	26-Apr	Ex-dividend date
12	24-May	EDP announces results for 1 st quarter of 2005
13	30-Jun	EDP transfers 2.01 percent from BCP to pension fund
14	13-Jul	IPO of Energias do Brasil
15	14-Jul	Comunitel sold
16	26-Jul	White paper on Spanish electricity sector
17	28-Jul	EDP announces results for 1 st half of 2005
18	12-Aug	Escelsa prices adjusted

Indicators - Capital Market

	1H2005	2004	2003	2002	2001	2000	1999	1998	1997
EDP shares on Euronext Lisbon (euros)									
Opening price			1.58	2.43	3.52	3.50	3.79	3.49	3.49
Closing price			2.09	1.59	2.44	3.52	3.47	3.75	3.48
Maximum price			2.14	2.50	3.64	4.22	4.36	4.99	4.04
Minimum price			1.38	1.47	2.29	3.10	2.82	3.40	2.64
EDP's price adjusted for the equity increase (euros) ⁽¹⁾									
Opening price	2.22	2.01	1.52	2.33	3.38	3.36	3.64	3.35	3.35
Closing price	2.08	2.23	2.01	1.53	2.34	3.38	3.33	3.60	3.34
Maximum price	2.42	2.42	2.06	2.40	3.50	4.05	4.19	4.79	3.88
Minimum price	1.93	1.93	1.33	1.41	2.20	2.98	2.71	3.26	2.54
EDP ADR's on the NYSE (US dollars)									
Opening price	30.03	26.59	16.79	22.19	33.50	34.75	45.50	38.38	25.84
Closing price	25.08	30.23	26.37	16.80	21.80	33.88	34.88	44.56	38.75
Maximum price	31.15	31.15	26.50	22.19	34.31	39.50	50.04	54.50	39.63
Minimum price	25.75	25.75	15.10	14.56	20.90	25.81	29.00	38.38	25.84
Change in price and reference indices									
EDP shares ⁽¹⁾	(7%)	11%	31%	(35%)	(31%)	2%	(8%)	8%	12%
EDP ADSS	(17%)	15%	57%	(23%)	(36%)	(3%)	(22%)	15%	12%
PSI20	(1%)	13%	16%	(26%)	(25%)	(13%)	9%	25%	20%
Dow Jones Eurostoxx Utilities	14%	25%	10%	(27%)	(11%)	7%	(5%)	32%	19%
Euronext 100	10%	8%	13%	(33%)	(20%)	-	-	-	-
Market liquidity of EDP shares									
Volume on Euronext Lisboa (M. euros)	2,694.8	5,470.9	2,800.2	2,489.5	3,475.5	4,535.4	3,450.1	4,364.0	2,226.1
Average daily volume (M. euros)	21.2	21.1	11.0	10.1	14.1	18.4	13.9	17.6	16.4
Volume on the NYSE (M. dólares)	117.5	124.3	40.8	43.1	33.2	73.2	55.4	179.4	301.5
Average daily volume (M. dólares)	0.9	0.5	0.2	0.2	0.2	0.4	0.3	0.8	2.2
Number of shares traded (M.) ⁽²⁾	1,243.4	2,477.2	1,587.5	1,294.2	1,228.9	1,308.4	1,024.2	1,078.0	726.7
Number of ADRs traded (M.)	1.3	2.0	2.0	2.3	1.3	2.5	1.5	3.9	8.5
Total number of shares issues (M.)	3,656.5	3,656.5	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Privatized shares at the end of year (M.)	2,936.2	2,936.2	2,099.1	2,099.1	2,099.1	2,099.1	1,499.1	1,499.1	899.8
% of equity already privatized	80%	80%	70%	70%	70%	70%	50%	50%	30%
Number of own shares at 31 Dec (M.)	73.2	14.3	21.4	17.4	11.7	2.4	1.8	0.0	0.0
Equity rotation (privatized shares)	84.7%	84.4%	75.6%	61.7%	58.5%	62.3%	68.3%	71.9%	80.8%
Equity Rotation (ADRs)	0.9%	0.7%	0.9%	1.1%	0.6%	1.2%	1.0%	2.6%	9.5%
EDP's market value (M. euros)									
Stock market capitalization at the end of year	7,605.6	8,154.1	6,270.0	4,770.0	7,320.0	10,560.0	10,398.0	11,250.0	10,431.0
Total return to shareholders									
Annual price fluctuation ⁽¹⁾	(0.15)	0.22	0.48	(0.82)	(1.04)	0.05	(0.27)	0.26	(0.01)
Gross dividend distributed per share during year	0.092	0.090	0.090	0.113	0.140	0.140	0.140	0.130	-
Total return to shareholders	-3%	16%	37%	-30%	-27%	6%	-4%	12%	12%
Dividends									
Dividend per share		0.09243	0.090	0.090	0.113	0.140	0.140	0.140	0.130
Dividend yield		4.1%	4.3%	5.7%	4.6%	4.0%	4.0%	3.7%	3.7%

⁽¹⁾ For comparison purposes, EDP share prices prior to 9/11/04 have been adjusted to take account of the increase in EDP's share capital in 2004.

⁽²⁾ The number of shares traded had been adjusted in order to keep daily turnover, after adjustment of the price referred in (1).

1.5.2. EDP's shareholder structure

Qualified holdings

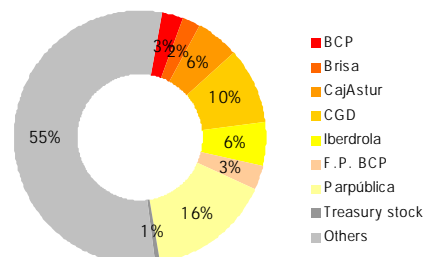
The following information on qualifying holdings in EDP's share capital on 30 June 2005 is provided as required by Article 8.e.1 of CMVM Regulation 4/2004 of 11 June.

EDP Shareholder structure

Shareholders	Nº of shares	% Capital	% Vote
Parpública - Participações Públicas (SGPS), S.A.	569,951,658	15.59%	15.68%
Caixa Geral de Depósitos, S.A.	358,298,869	9.80%	9.85%
Iberdrola - Participações, SGPS, SA	208,422,650	5.70%	5.00%
Caja de Ahorros de Asturias (CajAstur)	202,250,158	5.53%	5.00%
Banco Comercial Português, S.A.	106,399,730	2.91%	2.93%
BCP Group Pension Fund	112,464,496	3.08%	3.09%
BRISA - Participações, SGPS, S.A.	73,211,244	2.00%	2.01%
EDP (Own Shares)	21,662,109	0.59%	-
Other shareholders	2,003,876,801	54.80%	
Total	3,656,537,715	100.00%	

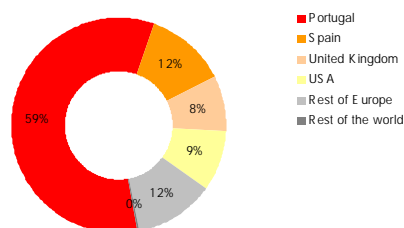
NB: In accordance with the provisions of N° 3, Article 12 of EDP's Articles of Association,

no private shareholder may issue votes that exceed 5% of the total votes corresponding with the share capital.

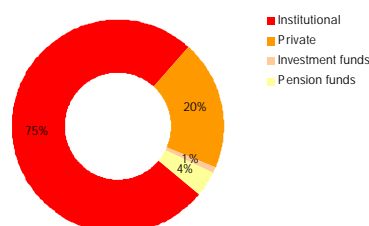


EDP's shareholder structure based on geographical location and type of investor was as follows on 30 June 2005.

Geographical location of shareholders



Type of investor



Allocation of voting rights pursuant to the terms of Article 20.1 of the Securities Code

Shareholding Reported by Shareholders

Shareholders	Nº of shares	% Capital	% Vote
Caixa Geral de Depósitos	355,006,683	9.71%	9.77%
Império Bonança, S.A.	2,992,183	0.08%	0.08%
Fidelidade Mundial, S.A.	122,886	0.00%	0.00%
Caixa BI	175,000	0.01%	0.00%
Cares, S.A.	2,117	0.00%	0.00%
Sub-Total	358,298,869	9.80%	9.85%
BRISA Participações, S.G.P.S.	73,202,802	2.00%	2.01%
Members of the Board of BRISA Participações, S.G.P.S.	8,442	0.00%	0.00%
Sub-Total	73,211,244	2.00%	2.01%
Banco Comercial Português, S.A.	106,039,594	2.90%	2.92%
Pension Fund of BCP Group	112,464,496	3.08%	3.09%
Fundação Banco Comercial Português	350,000	0.01%	0.01%
Board members and Fiscal Body of BCP, S.A.	10,136	0.00%	0.00%
Sub-Total	218,864,226	5.99%	5.00%

NB: In accordance with the provisions of Nº 3, Article 12 of EDP's Articles of Association, no private shareholder may issue votes that exceed 5% of the total votes corresponding to the share capital.

1.5.3 Dividend Distribution Policy

Every year since EDP's shares were admitted to the Lisbon Stock Exchange (now Euronext Lisbon), the company has distributed dividends very judiciously on the basis of principles of prudence and the creation of value for its shareholders. Always abiding by these principles, the dividends distributed by EDP since 1997 are as follows.

Financial year	Date of approval	Date of payment	Gross dividend	Net dividend	
				Resident	Non-Res.
1997 ⁽¹⁾	17-04-98	18-05-98	€ 0.648	€ 0.534	€ 0.534
1998 ⁽¹⁾	11-05-99	28-05-99	€ 0.698	€ 0.620	€ 0.620
1999 ⁽¹⁾	12-05-00	31-05-00	€ 0.698	€ 0.611	€ 0.611
2000 ⁽²⁾	10-05-01	31-05-01	€ 0.140	€ 0.119	€ 0.119
2001 ⁽²⁾	10-05-02	06-06-02	€ 0.113	€ 0.099	€ 0.093
2002 ⁽²⁾	22-05-03	18-06-03	€ 0.090	€ 0.079	€ 0.074
2003 ⁽²⁾	31-03-04	30-04-04	€ 0.090	€ 0.083	€ 0.079
2004 ⁽²⁾	31-03-05	29-04-05	€ 0.09243	€ 0.085	€ 0.081

⁽¹⁾ Amounts converted from escudos to euros to the third decimal place. The gross value per share in relation to the currency in circulation at the date of payment of the dividend was PTE 129.87 in 1997, PTE 140.00 in 1998 and PTE 140.00 in 1999.

⁽²⁾ Following a stock split in which each share was replaced with five shares with nominal value equal to one fifth of their value prior to the stock split.

The Board of Directors submitted to the General Meeting of Shareholders held on 31 March 2005 a proposal for the appropriation of the EUR 440.2 million net profit from 2004 (POC - Official Portuguese Accounting Standards), EUR 338 million of which was for distribution to the shareholders as dividend. The proposal was approved at the AGM with 99.99 percent of the votes in favour and a gross dividend of EUR 0.09243 per share was paid out on 29 April 2005.

The EDP articles of association, in keeping with legal provisions in force, require that the profits for the year be appropriated, in particular, to:

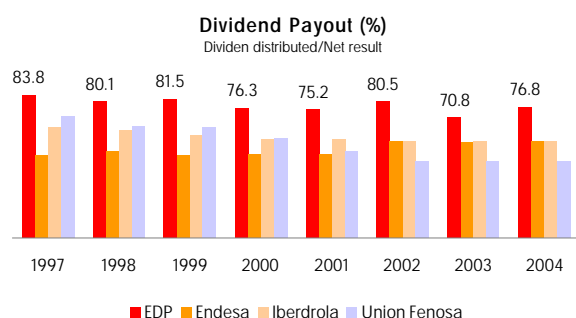
- Cover losses in previous years;
- Constitute or increase the legal reserves or other reserves determined by law;
- Constitute or increase other reserves established by deliberation of the General Meeting of Shareholders;
- Distribute to shareholders as dividends; and
- Allocate bonuses to directors and employees, according to criteria defined by the General Meeting of Shareholders.

In accordance with the accounting principles generally accepted in Portugal, profits distributable in the form of dividends are deemed to be those that arise after the deduction of losses brought forward from previous years and the provision of 5% to increase the legal reserves, until this amounts to one-fifth of the share capital, taking into consideration all the other applicable legal and statutory limitations.

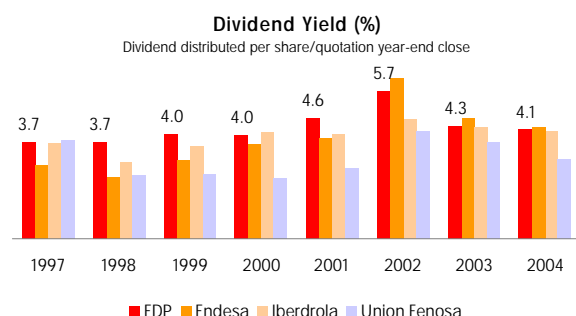
"Dividend Payout" e "Dividend Yield"

EDP has followed a sustained policy of dividend distribution that seeks to reconcile, on the one hand, the strict compliance with the relevant legal and statutory provisions and, on the other

hand, the sharing with all its shareholders of a significant portion of the value created by the Group in keeping with the specific conditions of the Company and the market. The pursuit of this policy is intended to enable shareholders to obtain an adequate return on their investment, without compromising the preservation of the Company's value, as shown by comparison with the dividend distribution carried out by its Iberian counterparts:



Note: Net Profit in accordance with the Geerally Accepted Accounts Principles of each country.



Subject to the Company's financial situation, and as the forecasts presented in the strategic plan for 2005-2007 are confirmed, it is the intention of the EDP Board of Directors, in respect of the total amount of dividends distributed, to show an annual growth of approximately 7% to 8% per year for the period from 2005 to 2007.

As mentioned in the prospectus on the increase in EDP's share capital of November 2004, the total amount of dividend distributed for 2004 was adjusted by the effect of this increase. The closing price of EDP's shares at Euronext Lisbon on the last day of trading in subscription rights was the one considered.

As a result, the overall amount of dividend distributed by EDP and its future variations will be determined on the basis of the proportion corresponding to the effect of the increase in capital on EDP's market capitalisation before it took place.

The General Meeting of Shareholders held on 31 March 2005 approved the Board's proposal to distribute a gross dividend of 9.243 cents per share.

Outlook

EDP believes that a transparent relationship with investors and the market involves the

definition of clear criteria and reasonable objectives as to the dividend distribution policy, as the growing demands by the investment community, in view of the instability of the capital markets experienced in recent years, have made clear.

Therefore, at the presentation on 15 December 2004 with Portuguese and international investors and analysts, the objective of increasing dividends by approximately 7% per year for the period 2005-2007 was renewed..

1.6. Share and Option Allocation Plans

The EDP Group implemented two plans to allocate shares following and pursuant to the terms approved at the General Meeting of Shareholders on 11 May 1999, one for Executive Directors and another for staff of the Group's subsidiaries.

At the end of the first semester of 2005, only the plan for Executive Directors had exercisable options, according to the following table:

Date of allotment	Nº of Benef.	Nº of options allotted	Price of year	Date year start	Date of expiry	Nº of options cancelled
31-Dec-01	7	490,000	2.95	31-Dec-03	31-Dec-06	206,889
31-Dec-02	9	490,000	2.00	31-Dec-04	31-Dec-07	160,386

The other terms, object and characteristics of the stock option purchase plans remain as in the description in Point 1.6 of the Annual Report - Institutional Report for 2003.

In March 2004, the Remuneration Committee defined the performance evaluation factors relating to the variable remuneration of the Chairman of the Board of Directors, Chairman of the Executive Committee and Executive Voting Members for the period 2003/2006, and allocated the stock purchase options for 2003, with an exercise price of EUR 2.29, prior to the share capital increase on 9 November 2004, with the following breakdown:

Date of allotment: 30 Apr 04	Value (euros)	Number
Chairman of the Board of Directors	47,052	114,832
Chairman of the Executive Committee	67,217	164,046
Board of Directors	197,332	481,604
Total	311,601	760,482

This plan provides that each purchase option may be exercised up to a maximum of one-third on each one of the first anniversaries counted from the allocation date. Options not exercised at the end of eight anniversaries from the allocation date become null and void.

No options were exercised under this plan.

1.7 Transactions between the Company and members of the Board of Directors and Audit Board, holders of qualified shares and group or group-controlled companies in a controlling or group relationship

EDP strictly observes the legal restrictions applicable in relation to transactions between

directors and the Company or Group or Group-controlled companies.

In 2004, there were no transactions between directors and the Company or with Group or Group-controlled companies.

As to services-rendered, purchase or financing contracts with qualified shareholders, the Board of Directors determined that all transactions amounting to EUR 1 million or more for services and supplies, and of EUR 10 million for financial operations and liabilities, must always be submitted for approval or homologation by the Executive Committee, and the Audit Committee must also be informed.

1.8. Investor Support Structures

1.8.1. EDP Communication Policy

EDP, in line with good practices in the governance of listed companies regarding shareholders' right of access to information about the Group's activity, is constantly concerned to ensure that the Company's communication policy and the disclosure of all the relevant information is conducted in a manner that does not discriminate between the various parties acting in the financial market, and that the content of the information is clear and objective.

EDP's communication policy is based on adopting the recommendations put forward by the CMVM and on the best practices of corporate governance in the market in this matter, with a view to ensuring the transparency of the management, and the credibility of the information conveyed by EDP, in order to promote and enhance the trust of shareholders, strategic partners, employees, customers, creditors and the general public.

1.8.2. EDP Investor Relations Department

EDP's Investor Relations Department, set up in 1997 following the first phase of the Company's reprivatisation process, plays a vital role in the pursuit of this objective, by making it possible to maintain a proper institutional and informative relationship with the vast number of shareholders, financial analysts and potential investors in EDP, as well as with the stock markets where EDP shares are listed, and their regulatory and supervisory entities (the Portuguese Securities Market Commission and the Securities and Exchange Commission in the United States).

The primary function of the Investor Relations Department is to act as an interlocutor with the Executive Committee of the EDP Board of Directors and with investors and financial markets as a whole. It is responsible, within the scope of its normal activity, for all the information provided by the EDP Group, both with regard to the disclosure of material events and other communications to the market and to the publication of the regular financial statements. In order to perform its duties, this department maintains a constant flow of communication with investors and financial analysts, providing all the necessary

information to satisfy the requests for information addressed to it by these entities, in compliance with the applicable legal provisions and regulations.

The representative for relations with the market is Rui Horta e Costa, an executive member of the Company's Board of Directors. EDP's Investor Relations Department is co-ordinated by Pedro Pires João, and is situated at the company's registered office at:

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1250-162 Lisboa
Telephone: +351 21 001 2834
Fax: + 351 21 001 2899
Email: ir@edp.pt

In the first half of 2005, several meetings were held with analysts, shareholders and investors. There were also two road shows, the first in Oviedo in March and the second in Brazil in June, on the occasion of the initial public offering by Energias do Brasil.

The table below summarises the communication channels by which EDP provides its shareholders with information on each type of documentation.

CHANNELS	in person ¹	www.edp.pt	E-mail	GRI Telephone ⁵	Post ²	www.cmvm.pt	Media
Elements required by law or regulation³							
Convening	v	v	v	v	v	v	v
Board of Directors proposal	v	v	-	v	-	-	-
Change of memorandum+articles of association	v	v	-	v	-	v	-
Other proposals	v	v	-	v	-	-	-
2004 report and accounts ⁴	v	v	v	-	v	v	v
Board and supervisory post held at other companies by members of governing bodies	v	v	-	v	-	-	-
Name, qualifications and professional experience of two new members proposed for the board of directors	v	v	-	v	-	-	-
Additional elements provided by EDP							
Draft proxy voting from	v	v	v	v	v	-	-
Voting slips for postal voting	v	v	v	v	v	-	-
Draft slips for E-voting	v	-	v	v	v	-	-
Clarification of queries	v	v	v	v	v	-	-
EDP memorandum/articles and regulations	v	v	v	v	v	v	-
Results of votes on proposal	v	v	-	v	v	v	-

¹ AT EDP's head office.

² Also, at EDP's initiative, information from chairman of the board of directors on participating in annual general meetings of shareholders; communication by the chairman of the executive committee detailing economic and financial activity and indicators as the end of each year; and communication of any matters of important to the company, such as the equity increase.

³ Companies Act (Article 289) and Stock Market Regulation n° 7/2001.

⁴ Management report, individual and consolidated accounts, statutory audit certificate and sale supervisor's report.

⁵ Investor Link telephone number: +351 21 001 28 34

1.8.3. Use of New Information Technologies for Disclosure of Corporate Information

Besides the existence of the Investor Relations Office, and in compliance with the regulatory requirements of the CMVM, EDP's institutional website (www.edp.pt) provides all the information of a legal nature or regarding the

Company's governance, updates on the development of the Group's business and a complete set of the Company's financial and operational data, in order to make it easier for its shareholders, financial analysts and other interested parties to search for and access information.

The information provided by these means includes the Annual Reports, the communications of material events, the internal regulations and the Company's articles of association, the Group's shareholder structure, the preparatory documents for each General Meeting of Shareholders, the historical evolution of EDP's share price and other information of potential interest about the Group. EDP's website also makes it possible for all interested parties to consult the Annual Reports for any year since 1997 or request that they be sent.

EDP has increased its use of IT support in all disclosure of information processes, far beyond its institutional page on the Internet. Indeed, there is a consistent practice of investing in information technologies in order to facilitate access and the exchange of information between EDP Group companies and the various stakeholders, especially shareholders, financial analysts and media professionals.

With this in mind, EDP has promoted and encouraged the use of e-mail to receive and provide information on its relations with the supervisory entity and the market, as well as teleconference and videoconference facilities in its interaction with brokers and institutional investors.

1.9 Remuneration Committee

The remuneration of the directors and other company officers is fixed by the Remuneration Committee (in line with the guidance provided in the European Commission Recommendation of 14 December 2004), composed of three shareholders elected by the General Meeting, in accordance with the articles of association.

The current members of the Remuneration Committee are:

Remuneration Committee

Brisa represented by Vasco Maria Guimarães José de Mello
Parpública represented by João Plácido Pires
Ruy Manuel Corte-Real de Albuquerque

None of the members of this body holds a position on the EDP Board of Directors or is a spouse or relative within the third degree of any EDP director.

The composition of the Remuneration Committee respects the criteria of independence defined by the CMVM.

Under the terms of the EDP's articles of association, the Remuneration Committee is responsible for fixing the remuneration of the directors and any benefits, such as retirement

or disability pensions, as well as the remuneration of the other company officers.

1.10. Auditors

The Auditing Committee has reviewed the group's financial reporting process. The company's management bodies are responsible for producing and reporting financial statements and for managing the internal control systems that serve as a basis for their preparation.

The Internal Audit Department, which reports to the President of the Executive Committee, is responsible for checking the consistency of the internal control systems, particularly with regard to protection of assets, the scope and accuracy of the operational and financial information and compliance with the EDP Group's guidelines.

The independent auditors, KPMG & Associados, SROC, S.A., issued its limited review report on the consolidated and unconsolidated financial statements for the six months period ended 30 June, 2005 prepared in accordance with IAS 34 following the relevant requirements of IFRS 1 for the preparation of the financial statements, as required by CMVM regulations and in accordance with international standards on auditing. In turn, as mentioned above, the Audit Committee's responsibility is to monitor these activities and make recommendations on the preparation of the financial information.

The Audit Committee discussed the relevant aspects of the financial statements with the Board of Directors and the independent auditors and recommended to the Board that the audited financial statements should be included in the Report and Accounts for the First Half of 2005. The Board agreed.

2. EXERCISE OF VOTING RIGHTS AND SHAREHOLDER REPRESENTATION

2.1 Statutory Rules

In accordance with the EDP articles of association, to attend and take part in the Shareholders General Meeting, and to be granted voting rights, requires ownership of a minimum of one hundred shares, one vote corresponding to each one hundred shares, without prejudice to grouping and representation rights, under the following terms:

- Shareholders owning less than one hundred shares may form a group so that as a whole, and being represented by one of the group members, they have the necessary number of shares for the exercise of voting rights;
- A signed representation letter addressed to the President of the General Meeting of Shareholders.

2.2 Legitimation for the Exercise of Voting Rights

Shareholders may only participate in the General Meeting if they have been holders of shares since at least the fifteenth day prior to the date of the Meeting, and provided that they maintain this status up to the date on which it is held.

Proof of share ownership takes place by sending to the President of the General Meeting of Shareholders, at least eight days prior to the date of the Meeting, a declaration issued and authenticated by the financial intermediary entrusted with the service of registering the shares in an account, which must state that the shares in question have been registered in this account since at least the fifteenth day prior to the date of this Meeting, and that these shares are blocked in an account up to the date on which this General Meeting will take place.

In a pioneering way in Portugal, EDP has decided to bear the costs of issuing declarations of ownership and of shareblocking for shareholders to participate in the Annual General Meeting. This measure is intended to encourage the active exercise of shareholders' voting rights by the resolution of obstacles, especially those of a financial nature, that might discourage shareholders from exercising their voting rights.

2.3. Methods of exercising voting rights

2.3.1. EDP Shareholders

Shareholders may exercise their voting rights by correspondence on each of the items on the agenda by sending a recorded delivery letter to the registered office, addressed to the Chairman of the General Meeting, at least eight days prior to the date of the Meeting.

EDP has sought to encourage shareholders to participate in the life of the company, in

particular by exercising their voting rights at General Meetings, and therefore authorised postal voting in the articles of association as soon as the Securities Code came into force.

To allow for this method of exercising voting rights, the proposals to be submitted by the Board of Directors to the General Meeting, as well as the reports that legally accompany these proposals and other items of preparatory information, are made available to all shareholders at EDP's head office at least fifteen days prior to the General Meeting of Shareholders. At the request of shareholders, EDP also sends this information by mail, fax or e-mail.

2.3.2. Holders of American Depositary Shares (ADSs)

Holders of rights representing shares under ADS programmes, listed on the New York Stock Exchange, may give instructions to the respective depositary bank for the exercise of voting rights, or grant a proxy to a representative appointed by EDP for the purpose, with due regard for the applicable legal and statutory provisions; the deposit contract must regulate the deadlines and methods for exercising the voting instructions, as well as cases of absence of instructions.

Holders of ADSs are granted identical rights to those of ordinary shareholders. The voting rights of holders of ADSs are determined by the consideration that one ADS represents ten EDP ordinary shares.

2.3.3. Limitation on the Exercise of Voting Rights

With the exception of the Portuguese State or entities legally equivalent to it for this purpose, no shareholder may cast votes, in their own name or as a representative of another, that exceed 5% of all votes corresponding to the share capital.

In addition, shareholders who come to have a holding of 5% or more of the voting rights, or of the share capital, must communicate the fact to the Board of Directors within the period of five working days from the date on which the holding arose, and may not exercise such voting rights so long as they have not communicated this.

2.4 Model for the Exercise of Postal Voting Rights

In order to extend the use and facilitate the process of postal voting by shareholders wishing to take advantage of this prerogative, EDP provides a draft copy of the proxy letter and ballot paper for the exercise of postal voting on the web page www.edp.pt. Alternatively, these can be forwarded by personal request in writing or by telephone, in accordance with the applicable legal and statutory rules.

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3. COMPANY RULES

3.1. Internal Regulations

The EDP articles of association, which define the main rules for the working and organisation of the Company's organic and administrative structure, are available for the public to consult, and can be provided on request at the EDP Investor Relations Department or by accessing the EDP website at www.edp.pt.

Besides the EDP articles of association, the Board of Directors has approved certain regulations regarding the way in which it and its committees operate. The Regulations of the Board of Directors establish a set of rules governing competency and procedure in respect of its activities. Furthermore, the main working rules for the Executive Committee, set up by delegation of powers deliberated on 22 May 2003, are set out in the regulations of the Executive Committee.

The EDP Board of Directors has also set up a specialised committee composed of three independent directors, called the Audit Committee, with a view to implementing the CMVM Recommendations on the Governance of Listed Companies, and to comply with the standards applicable to companies listed on the New York Stock Exchange, as a result of the Sarbanes-Oxley Act, approved by the United States Senate in July 2002.

The internal regulations of the Board of Directors, and of the committees mentioned, are available for shareholders to consult at the Company's head office or on the EDP website at www.edp.pt, as well as on the Group's intranet.

3.2 Measures that might interfere with the success of public offerings for acquisition

Although there are no limitations on the transmissibility of EDP shares, since, under the terms of the Securities Code, shares transacted on the market must be freely transmissible, EDP's articles of association contain rules regarding the limitation on the exercise of voting rights. The law that defined the conditions for the fourth phase of EDP's reprivatisation, which took place in October 2000, also establishes certain special rights granted to the Portuguese State, as an EDP shareholder, that might interfere with the success of public offerings for acquisition of EDP shares.

According to the EDP articles of association, no shareholder, with the exception of the Portuguese State or of entities legally equivalent to it, may cast votes, in their own name or as a representative of another, that exceed 5% of all votes corresponding to the share capital.

In addition, shareholders who come to have a holding of 5% or more of the voting rights or of the share capital must communicate the fact to the Board of Directors within the period of five working days from the date on which the holding arose, and may not exercise such voting rights while they have not communicated this. For this purpose, the voting rights that

under the terms of the Securities Code are deemed to be part of a qualified holding are deemed to be cast by the same shareholder; in this case, shareholders have the duty to provide to the Board of Directors, in writing and in a complete, objective, clear and truthful manner, and in a form satisfactory to the Board, all the information that the latter may request of them regarding facts that may concern them and that may be related to that qualified holding.

Furthermore, under the terms of Article 13 of Decree-Law No. 141/2000 of 15 July, regarding the fourth phase of the EDP reprivatisation process, as long as the Portuguese State is an EDP shareholder, irrespective of the number of shares it may hold, whether directly, or indirectly through public bodies, the approval of the following deliberations depends on its vote in favour:

- Alteration of the articles of association, including share capital increases, mergers, splits and dissolution;
- Signature of group parity and subordination contracts; and
- Abolition of, or limitation on, shareholders' right of preference in share capital increases.

Likewise, as long as the Portuguese State retains its status as an EDP shareholder, it holds the right to appoint a director if it votes against the winning list in the election of EDP directors. This right granted to the Portuguese State prevails over the rights granted to minority shareholders, under the terms of Article 392 of the Companies Code.

4. MANAGEMENT

4.1 Characterisation of the Board of Directors

The EDP Board of Directors, which includes independent persons, is currently composed of fifteen directors elected at a General Meeting, which also appoints the Chairman of the Board of Directors. The directors' mandate is for three years with no restriction as to their re-election.

4.2 Description of the work of the Board of Directors

It is the responsibility of the EDP Board of Directors to direct the management of the company's business, and particularly, in accordance with the articles of association, to:

- Establish the objectives and management policies of EDP and the EDP Group;
- Draw up the annual business and financial plans;
- Manage corporate business and undertake all the actions and operations with regard to the corporate object that do not fall within the competency allocated to other company bodies;
- Represent the company in and out of court, actively and passively, with the power to waive, transact and confess in any legal proceedings, as well as to make arbitration agreements;
- Acquire, sell or by any other means dispose of, or encumber, rights or fixed assets;
- Establish companies and subscribe, acquire, encumber and dispose of corporate holdings;
- Deliberate on the issue of bonds and other securities under the terms of the law and the articles of association;
- Establish the technical and administrative organisation of EDP and the rules of its internal operation, especially regarding personnel and their remuneration;
- Establish proxies with such powers as it may deem fit, including those of appointing substitutes;
- Appoint the company secretary and the deputy; and

- Exercise the other competencies that may be granted to it by law or by the General Meeting of Shareholders.

The Chairman of the Board of Directors is granted particular competencies, and has the duty of:

- Representing the Board of Directors in and out of court;
- Co-ordinating the activity of the Board of Directors, as well as convening and chairing its meetings;
- Exercising the casting vote; and
- Striving for the proper execution of the deliberations of the Board of Directors.

The Board of Directors meets as a rule on a monthly basis in the presence of all the directors, and may not deliberate unless the majority of its members is present. It is not permitted for more than one director to be represented at each meeting. All directors have equal voting rights, and the Chairman has the casting vote. The work of the Board of Directors is guided by an internal set of regulations

The Board of Directors held eight ordinary and two extraordinary meetings in the first half of 2005.

4.3. Executive Committee

Under the terms of the decision of the Board of Directors, on 22 May 2003, in keeping with the provisions in the articles of association, the day-to-day management of EDP is delegated to an Executive Committee, composed of five directors.

As a rule, the Executive Committee meets on a weekly basis in the presence of all of its members. The work of the Executive Committee is established in the respective regulations, approved by the Board of Directors, which also appointed the Chairman of the Executive Committee and established the rules regarding information and the monitoring of its activities by the Board.

At all meetings of the Board of Directors, the Executive Committee presents the developments of the Group's strategic agenda and the more important decisions that it has taken, in addition to the minutes of the meetings of the Executive Committee.

In order to ensure complete knowledge of all matters covered by the Executive Committee, it is established that the provision of information to any member of the Board of Directors is made known to all members of the Board.

The duties of the Executive Committee were established by the Board of Directors in the deliberation delegating the powers of the

Company's day-to-day management, consisting essentially of:

- Designing and proposing the Group's strategy and policy;
- Day-to-day management of the business of EDP and the Group's companies;
- Co-ordination of the activity of the subsidiary companies;
- Management of the holdings owned by EDP; and
- Co-operation with the Board for the definition of the Group's policies

However, the delegation of competencies on the Executive Committee does not include:

- Co-option of directors;
- Requests to call General Meetings of Shareholders;
- Approval of the Annual Report to be submitted to the General Meeting of Shareholders;
- Approval of the half-yearly and quarterly accounts to be published under the terms of the law;
- Approval of the annual and multi-annual plans and budgets and the periodic monitoring of their execution;
- Change of EDP's registered office, under the terms set out in the articles of association;
- Projects for the merger, split, transformation and disposal of EDP Group companies; and
- Provision of bonds and personal or real guarantees by the Company.

The Executive Committee must also make the Board of Directors aware of the decisions of special importance that it may have taken and, when justified, submit for the appraisal of the Board of Directors the decisions that, due to their importance, it deems to require the confirmation of the Board.

Notwithstanding this delegation of powers, the members of the Board of Directors who are not on the Executive Committee are, under the terms of the applicable legislation, responsible for supervising the actions of the Executive Committee, as well as for the losses caused by its acts or omissions, when, having been made aware of these acts or omissions, or of the intent to practise them, they do not bring about the intervention of the Board of Directors to take the appropriate measures.

The Executive Committee held 27 ordinary and two extraordinary meetings in the first half of 2005.

4.4. Remuneration of Company Officers

In keeping with the articles of association, the General Meeting of Shareholders elects a Remuneration Committee that establishes the remuneration of Company Officers. The General Meeting of Shareholders may also determine the award of a part of the profits to directors, as profit sharing, as well as the implementation of stock option plans.

Remuneration policy for the Members of the Board of Directors

In the present mandate, the Remuneration Committee defined a set of assumptions aimed at rewarding performance and encouraging the consistency of management in the medium and long term. This is in keeping with the CMVM recommendations and with the best international practices of aligning the interests of managers with the interests of the Company.

For this purpose, a ceiling of variable remuneration was established for each type of responsibility, which may be reached on the basis of qualitative and quantitative performance criteria, according to predefined objectives:

- Short term – Cash bonus, taking into account the objectives of return on shareholders' equity (ROE), return on invested capital (ROIC), gross operating profits (EBITDA) and changes in the shareholders' equity;
- Medium term – Shares given on the basis of performance, taking into account the objectives of total return on shareholders' equity, considering all the equivalent companies and the evolution of the PSI 20; and
- Long term – Stock option plan, taking into account the objectives of return on shareholders' equity (ROE), return on invested capital (ROIC), gross operating profits (EBITDA) and changes in the shareholders' equity.

4.5. EDP shares held by Company Officers

In accordance with Article 447.5 of the Companies Code, the movement of shares belonging to Company Officers during the 1st half of the year was as follows:

EDP Shares held by Members of Governing Bodies

	Movements in 2005	Average price / Purchase / Sale	N.º of shares 30-06-2005
Board of General Meeting			
José Manuel Archer Galvão Teles	1,043		5,320
António Campos Pires Caiado	0		5,078
Board of Directors			
Francisco de la Fuente Sánchez	0		12,654
João Luis Ramalho de Carvalho Talone	0		2,324
António Alfonso de Pinto Galvão Lucas	0		0
Arnaldo Pedro Figueiróa Navarro Machado	0		11,809
João Eduardo Moura da Silva Freixa	0		0
Jorge Manuel de Oliveira Godinho	0		35,380
José Alfredo Parreira Holtzman Roquette	0		1,000,000
José Manuel Gonçalves de Morais Cabral	0		0
José Manuel Trindade Neves Adelino	0		1,091
José Pedro da Silva Sucena Paiva	0		10,060
Luis Filipe Rolim de Azevedo Coutinho	0		0
Manuel Menéndez Menéndez	0		0
Paulo Azevedo Pereira da Silva	0		7,304
Pedro Manuel Bastos Mendes Rezende	0		0
Rui Miguel de Oliveira Horta e Costa	0		4,432
Company Secretary			
António Manuel Barreto Pita de Abreu	20,541	2.08	25,521
António José Marrachinho Soares (Suplente)	0		11,696
Remuneration Committee			
BRISA	0		73,202,802
PARPÚBLICA	0		569,951,658
Ruy Manuel Corte-Real de Albuquerque	0		4,561

4.6. Positions held by members of the Board of Directors

4.6.1. Positions held by the Chairman of the Board of Directors and by the members of the Executive Committee

	Francisco Sánchez	João Talone	Navarro Machado	Jorge Godinho	Pedro Rezende	Rui Horta e Costa
EDP - Energias de Portugal, S.A.	CBD	CEC	D	D	D	D
Central-e-Informação e Comércio Electrónico, S.A.						CBD
CPPE - Companhia Portuguesa de Produção de Electricidade, S.A.		CBD			CEC	D
Edalpro - Imobiliária, Lda.						M
EDP - Gestão da Produção de Energia, S.A.		CBD			CEC	D
EDP - Investimentos, Gestão de Participações e Assistência Técnica, Lda.						D
EDP Energias do Brasil, S.A.			D	CBD		D
EDP Comercial - Comercialização de Energia, S.A.			CBD			
EDP Energia Ibérica, S.A.					CBD	
EDP - Estudos e Consultoria, S.A.		CBD	D	D		D
EDP Imobiliária, S.A.					D	CBD
EDP - Soluções Comerciais, S.A.			CBD			
EDP Participações - S.G.P.S., S.A.		CBD				D
EDP Produção EM - Engenharia e Manutenção, S.A.					CBD	
EDP Produção - Bioeléctrica, S.A.				CBD		
EDP Serviner - Serviços de Energia, S.A.			CBD			
EDP Valor - Gestão Integrada de Serviços, S.A.		CBD		D		
Electricidade de Portugal Internacional, SGPS, S.A.			CBD			D
Energia RE - Sociedade Cativa de Resseguro						D
Energia RE - Novas Energias, S.A.				CBD		
Hidroeléctrica del Cantábrico, S.A.	HC	D			D	D
Iberenergia, S.A.						D
Internel - Serviços de Consultoria Internacional, S.A.			CBD			D
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.			CBD			
Nuevas Energias de Occidente, S.L.		CBD		D		
ONI - SGPS, S.A.	CBD	D				D
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.					CBD	

CBD: Chairman of the Board of Directors

CEC: Chairman of Executive Committee

HC: Honorary Chairman

D: Director

M: Manager

4.6.2. Positions held by non-executive directors

António Afonso Pinto Galvão Lucas: Chairman of the Board of Directors of EPM – Sociedade Gestora de Participações Sociais, S.A.; Chairman of the Board of Directors of Fábrica Cerâmica de Valadares S.A.; Chairman of the Board of Directors of Valadares España S.A.; Manager of CCS Serviços de Gestão, Lda.

João Eduardo Moura da Silva Freixa: Vice-Chairman of the Board of Directors of Caixa Geral de Depósitos.

José Alfredo Parreira Holtreman Roquette: Chairman of the Board of Directors of Finagra – Sociedade Industrial e Agrícola, JHR – Sociedade Gestora de Participações Sociais, S.A., Gesparte – Sociedade de Gestão, Participação e Auditoria, S.A., STDA – Sociedade Turística do Alentejo, S.A., SILA – Sociedade Imobiliária Lagoa do Alqueva, S.A., Setegebe – Sociedade Turística de Empreendimentos do Degebe, S.A. and Mantero – Agricultura e Comércio Internacional, S.A. and member of the Senior Board of Banco Comercial Português;

José Manuel Gonçalves de Moraes Cabral: Director of Soponata; Director of Efaced Capital, SGPS; Director of Soimper; Director of José de Mello Participações II, SGPS; Manager of José de Mello Serviços, Lda.

José Manuel Trindade Neves Adelino: Member of the Advisory Board of Sonae SGPS; Member of the Board of Management of Fundo de Garantia de Depósitos; Member of the Strategic Board of Portugal Telecom; Member of the Advisory Board of the Confederation of Portuguese Industry; Member of the National Board of Education.

José Pedro da Silva Sucena Paiva: Full Professor of Electric Energy Systems at Instituto Superior Técnico (IST), Technical University of Lisbon; Chairman of the Scientific Board of the Electric Energy Centre of the IST; Member of the Board of Directors of COGEN Portugal and of the Advisory Board of COGEN Europe; President of the Jury for awarding the REN and the Luís Vidigal Prizes.

Luís Filipe Rolim de Azevedo Coutinho: Guest lecturer at the Economics Faculty of Universidade Nova in Lisbon; Director of the Association of Music, Education and Culture; Business Consultant.

Manuel Menéndez Menéndez: Chairman of Caja de Ahorros of Astúrias; Chairman of HidroCantábrico; Chairman of NaturCorp; Voting Member of the Board of Directors of the Spanish Confederation of Savings Banks; Voting Member of the Board of Directors of UNESA; Member of the Official Registry of Auditors of Accounts.

Paulo Azevedo Pereira da Silva: Chairman of the Board of Directors of Millennium BCP – Serviços de Comércio Electrónico, SA; Director of BCP Investimento – Banco Comercial Português de Investimento, SA; Director of Credicar - Aluguer de Longa Duração, SARL; Director of ONI, SGPS;

Chairman of the Board of Directors of Tecnilease; Chairman of the Board of Directors of Luso-Atlântica; Chairman of the Board of Directors of Unilong; Manager of Cist Veículos; Director of BIM-Leasing, SARL (Mozambique).

VII – Summary of activity

In the first six months of 2005, the EDP Group's consolidated EBITDA was EUR 1.01 billion, which is 9.1 percent up on the EUR 925.8 million in the first half of 2004. In spite of the positive impact of the first full consolidation of HidroCantábrico, this growth essentially reflects an improvement in operations in the group's business areas resulting from:

EBITDA (€ m)	1H2005	1H2004	Var. %
EDP Produção	409.6	433.6	-5.5%
EDP Comercial	(13.6)	(1.8)	-657.9%
Enernova & EDP Bioeléctrica	12.2	8.2	49.3%
EDP Distribuição	264.1	312.6	-15.5%
HidroCantábrico ⁽¹⁾	284.2	77.3	267.4%
Brazil	162.8	102.4	58.9%
Oni	11.2	6.6	70.5%
Other & Adjustments	(120.4)	(13.1)	-815.9%
Consolidated	1,010.0	925.8	9.1%

(1) 40 percent in first half of 2004

- Presence in high-growth electricity markets – EDP continues to benefit from its exposure to the most dynamic electricity markets in Europe. Demand in the Iberian Peninsula grew substantially in the period – 6.4 percent in Portugal and 7 percent in Spain, while demand in EDP's concession areas in Brazil rose by 3.4 percent.
- Customer-oriented strategy with a value added proposal – after renewing its image and restructuring its commercial organisation in Portugal, in 2005 EDP has focused on the business image of its subsidiaries in Spain, HidroCantábrico and NaturCorp. Thanks to the positive results of introducing an integrated dual-fuel electricity and gas scheme, there has been an increase in the number of customers.
- Improved efficiency – the EDP Group reduced its number of employees by 2,600 with the implementation of the Human Restructuring Programme in 2003 and 2004 and the sale of 60 percent of Edinfor to Lógica CMG. Personnel costs for employees working in our domestic core business (excluding severance pay) fell by 4 percent in the period in question.
- Strong operating performance in Spain – HidroCantábrico benefited from an increase in pool prices as a result of its long position in production vs. sales.
- Strong operating performance in Brazil – operations in Brazil continued to grow

substantially following an increase in consumption and tariff adjustments.

In the domestic market, operations were influenced by the high costs of energy. EDP Produção was affected by high pool prices resulting from its short position in non-bound production vs. energy management services to EDP Comercial (non-bound sales). Although EDP Distribuição benefited from a considerable increase in demand, it suffered the negative influence of increased costs of purchasing electricity, such as high fuel costs, which will be passed on to tariffs in the next few years.

Consolidated Income Statement (€ m)	1H2005	1H2004	Var. %
Electricity Sales	4,243.3	3,266.7	29.9%
Other Sales	313.7	127.2	146.7%
Services Provided	287.1	266.6	7.7%
Operating Revenues	4,844.1	3,660.4	32.3%
Electricity & Gas	2,405.6	1,645.0	46.2%
Fuel	510.6	222.8	129.2%
Materials and goods for resale	18.4	32.1	-42.6%
Direct Activity Costs	2,934.6	1,899.9	54.5%
Gross Profit	1,909.4	1,760.6	8.5%
Gross Profit/Revenues	39.4%	48.1%	-8.7%
Supplies and services	408.8	306.9	33.2%
Personnel costs	285.9	279.3	2.4%
Costs with social benefits	14.2	121.6	-88.3%
Concession fees	103.1	94.7	8.8%
Other operating costs (or revenues)	87.4	32.3	170.6%
Operating costs	899.4	834.8	7.7%
EBITDA	1,010.0	925.8	9.1%
EBITDA/Revenues	20.9%	25.3%	-4.4%
Depreciation and amortisation	443.8	384.9	15.3%
Comp. of subsidised assets' depreciation	(40.9)	(38.0)	-7.7%
EBIT	607.1	578.8	4.9%
EBIT/Revenues	12.5%	15.8%	-3.3%
Financial income/(expense)	(103.3)	(151.9)	32.0%
Amortisation of concession rights	(18.8)	(21.4)	12.5%
Discontinued Activities	-	-	-
Pre-tax profit	485.1	405.4	19.6%
Income taxes and deferred taxes	134.9	124.7	8.2%
Minority interests	31.8	(7.3)	-
Net Profit	318.3	288.0	10.5%

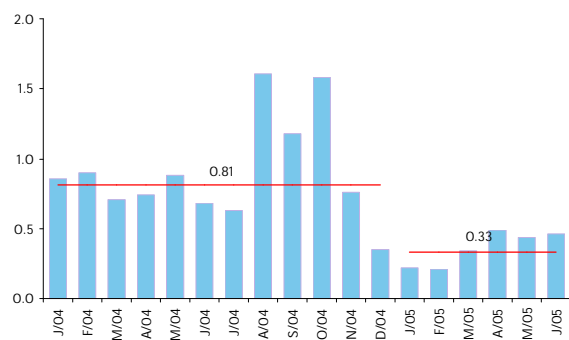
EDP Group's energy activities in Portugal

Electricity generation

EDP's electricity generation rose 2.7 percent in the first six months of 2005, due to a fivefold increase in generation from fuel oil plants and the contribution made by the second 392 MW group at the Ribatejo Power Station (CCGT), which went into operation in the last quarter of 2004. These effects offset the decrease in use of EDP's hydroelectric power stations – 50 percent of EDP's capacity in Portugal in one of the driest periods in recent years (hydraulicity coefficient of 0.33 as opposed to 0.81 in the first half of 2004). As a result, the contribution of EDP's hydroelectric power stations to the group's domestic production fell from 44 percent in the first half of 2004 to 19 percent in the first half of 2005. However, EDP's gross margin is only slightly

affected by changes in the production mix and increases in fuel prices, as 84 percent of the group's installed capacity in Portugal is bound by Power Purchase Agreements (PPAs) of the public electricity system (PES).

Hydraulicity coefficient

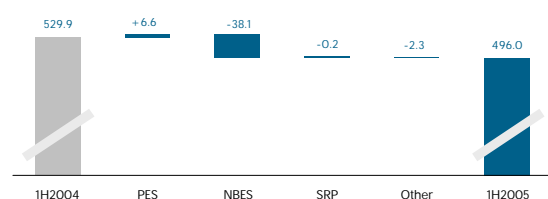


Electricity Generation (GWh)	1H2005	1H2004	Var.%
Hydroelectric (PES) ⁽¹⁾	2,328	5,335	-56.4%
Thermoelectric (PES) ⁽¹⁾	7,478	5,439	37.5%
Binding Generation	9,806	10,774	-9.0%
Hydroelectric (NBES) ⁽²⁾	61	230	-73.4%
TER CCGT (NBES) ⁽²⁾	2,624	1,155	127.2%
Non-Binding Generation	2,685	1,385	93.9%
Small hydro	48	83	-42.4%
Cogeneration	339	358	-5.2%
Wind farms	161	96	67.3%
Biomass	23	24	-2.7%
Special Regime Producers	571	561	1.9%
Total EDP generation	13,063	12,719	2.7%
Pedro thermal power station (PES) ⁽¹⁾	2,465	1,974	24.9%
Taopada thermal power station (PES) ⁽¹⁾	3,297	3,049	8.1%
Alqueva hydroelectric power station	45	34	32.4%
Auto-producers (IES) ⁽³⁾	2,592	1,882	37.7%
Import / (Export) net	2,929	3,351	-12.6%
Direct sales to ind. clients (incl. in Cogen.)	(119)	(268)	55.5%
Pumping	(270)	(176)	-53.4%
Gross demand	24,001	22,565	6.4%
Synchronous compensation	(15)	(22)	33.2%
Own consumption - generation	(2)	(5)	65.1%
Own consumption - transmission grid	(5)	(5)	3.5%
Transmission losses	(345)	(405)	14.7%
Energy delivered to distribution	23,634	22,129	6.8%
Hydro Coefficient	0.33	0.81	-59.3%

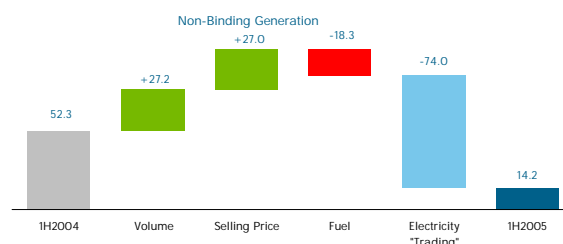
(1) PES – public electricity system
(2) NBES – non-bound electricity system
(3) IES - independent electricity system

EBITDA of EDP Produção fell 5.5 percent to EUR 409.6 million as a result of the negative effect of the drop in sales to the free part of EDP Distribuição and of high pool prices.

EDP Produção gross margin (€M)



EDP Produção gross margin in SENV (€M)



Operating Income Statement (€ m)	1H2005	1H2004	Var.%
Energy sales	951.1	668.0	42.4%
Services provided	(39.6)	35.6	-
Other sales	11.0	10.4	6.0%
Operating Revenues	922.6	714.0	29.2%
Electricity	91.2	18.0	407.2%
Fuel for electricity generation	333.3	164.8	102.2%
Materials and goods for resale	2.1	1.3	64.7%
Direct Activity Costs	426.6	184.1	131.7%
Gross Profit	496.0	529.9	-6.4%
Gross Profit/Revenues	53.8%	74.2%	-20.5 p.p.
Supplies and services - Group	14.3	9.6	49.2%
Supplies and services - Non-Group	25.2	23.0	9.6%
Personnel costs	42.5	48.7	-12.8%
Costs with social benefits	5.4	17.5	-69.4%
Generation centre rentals	1.9	1.8	4.0%
Other operating costs (or revenues)	(2.8)	(4.2)	34.8%
Operating Costs	86.4	96.4	-10.3%
EBITDA	409.6	433.6	-5.5%
EBITDA / Revenues	44.4%	60.7%	-16.3 p.p.
Depreciation and amortisation	99.0	103.7	-4.6%
Compensation of subsidised assets' depr.	(0.3)	(0.0)	-938.1%
EBIT	310.9	329.9	-5.8%
EBIT / Revenues	33.7%	46.2%	-12.5 p.p.

Operating investments totalled EUR 62.7 million in the first six months of 2005 (37.1 percent less than in the first half of 2004), following the commissioning of the second group at the Ribatejo Power Station. The third group represented around 50 percent of the total investment in the period.

Operating investment (€ m)	1H2005	1H2004	Var.%
Binding generation	18.1	10.7	69.4%
Non-Binding generation	33.8	80.7	-58.1%
Other investments	1.4	1.7	-12.5%
Financial costs (capitalised) and invest.	9.3	6.6	42.1%
Total operating investment	62.7	99.6	-37.1%
Recurring investment	5.4	5.2	4.0%
Non-recurring investment	57.3	94.4	-39.3%

Renewable energies

EDP's installed renewable energy capacity increased by 46 MW in relation to 30 June 2004, after two wind farms went into operation in 2004 – Vila Nova I (20 MW) in July and Serra do Açor (20 MW) in September 2004 - and power increase at Vila Nova I (6 MW) in April 2005.

Following this increase in capacity, wind power generation rose 66 percent to a total output of 161 GWh in the first six months of 2005. Wind power generation was also influenced by a higher number of wind hours than in the first half of 2004, resulting in an increase in the wind use factor to 26 percent, compared to 24.6 percent in the first half of 2004.

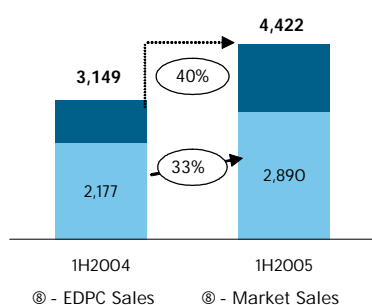
The growth in renewable energy generation made it possible to achieve a 49.3 percent increase in EBITDA to EUR 12.2 million, in spite of the rise in operating costs (especially outside supplies and services and rents of electric power stations), thanks to the new capacity.

Investments totalled 28.6 million in 2005 and most of them were channelled into new wind farms.

Commercialisation

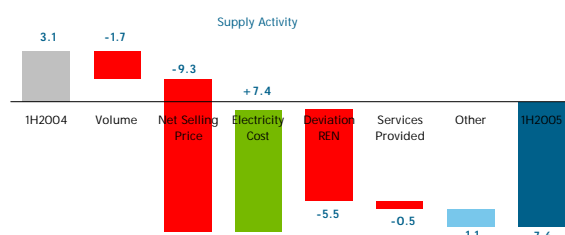
Total energy supplied in the NBES rose 40 percent to 4,422 GWh from the first half of 2004 to first half of 2005 and now represents 20 percent of all consumption in Portugal (15 percent in 2004).

Market share of EDP Comercial - GWh



The liberalised market in Portugal is still in its initial stages and, as a result, the price reflects the cost of attracting new customers. The fact that EDP Comercial's customers had more than quadrupled had a negative impact of EUR 9.3 million on the company's gross margin due to the selling price.

EDP Comercial has a fixed-price contract (with periodical reviews) with the energy management department of EDP Produção, which buys electricity (from the Spanish pool) for EDP Comercial. This has made it possible to insulate the gross margin of EDP Comercial from the rise in electricity prices and high fuel costs.



Operating Income Statement (€ m)	1H2005	1H2004	Var. %
Operating Revenues	244.4	153.8	58.9%
Direct Activity Costs	252.0	150.7	67.2%
Gross Profit	(7.6)	3.1	-
Gross Profit/Revenues	-3.1%	2.0%	-5.1 p.p.
Supplies and services	4.7	2.9	62.7%
Personnel costs	1.2	1.6	-24.9%
Costs with social benefits	0.2	0.2	-2.9%
Other operating costs (or revenues)	0.0	0.3	-99.9%
Operating Costs	6.0	4.9	23.0%
EBITDA	(13.6)	(1.8)	-657.9%
EBITDA / Revenues	-5.6%	-1.2%	-4.4 p.p.
Depreciation and amortisation	2.2	1.7	23.9%
Compensation subsidised assets' deprec.	-	-	-
EBIT	(15.7)	(3.5)	-345.7%
EBIT / Revenues	-6.4%	-2.3%	-4.1 p.p.

Distribution

Electricity sales showed an annual 6.8 percent growth to 21.8 TWh in the first six months of 2005. Consumption benefited from a harsh winter and the fact that co-generators chose to sell all the power generated at the special regime tariff, repurchasing the power they needed from the system at lower prices. Growth in electricity consumption in Portugal also reflects the fact that per capita consumption is 34 percent lower than the European average.

Electricity Distributed (GWh)	1H2005	1H2004 ⁽¹⁾	Var. %
Energy Delivered to Distribution	23,634	22,128	6.8%
Sales to EDP power plants	(6)	(7)	16.2%
Own consumption - distribution	(16)	(16)	-1.1%
Distribution losses	(1,819)	(1,704)	-6.8%
Total Electricity Sales ⁽²⁾	21,792	20,400	6.8%
Electricity Sales - PES ⁽³⁾	17,370	17,251	0.7%
VHV (Very high voltage)	657	606	8.5%
HV (High voltage)	2,527	2,053	23.1%
MV (Medium voltage)	2,653	3,378	-21.5%
SLV (Special low voltage)	1,285	1,555	-17.4%
LV (Low voltage)	9,528	8,995	5.9%
PL (Public lighting)	720	664	8.5%
Electricity Sales - NBES ⁽⁴⁾	4,422	3,149	40.4%
EDP	2,890	2,177	32.7%
VHV (Very high voltage)	24	-	-
HV (High voltage)	24	17	43.8%
MV (Medium voltage)	2,607	2,161	20.7%
SLV (Special low voltage)	235	-	-
Non-EDP	1,532	972	57.6%
HV (High voltage)	23	10	125.2%
MV (Medium voltage)	1,429	962	48.6%
SLV (Special low voltage)	80	-	-

(1) The energy balance for the first half of 2004 was adjusted by 15.5 GWh related to the inclusion of sales by Energin and Soporgen as "Sales to the EDP Group for final consumption".

(2) Including sales to the EDP Group for final consumption.

(3) PES — public electricity system

(4) NBES — non-bound electricity system

The market was totally liberalised in August 2004 with the extension of eligibility to all LV consumers. The applicable regulations were published in January and July 2005, though the possibility of LV customers choosing the non-bound market still depends on the development of computer support solutions.

EDPD permitted earnings were reduced by 2.7 percent in the period.

(a) Permitted earnings for use of the distribution grid went up 1.8 percent while the increase in electricity distributed more than compensated for the 4 percent reduction in average unit earnings for this activity.

(b) Permitted earnings for network supply (NS) and supply to the electric system (SPS) went down by 20 percent due to: (i) a reduction in the rate of return on regulated assets from 9 percent to 8.5 percent; (ii) a 13.8 percent reduction in commercial structure costs; and (iii) a smaller regulated asset base belonging to NS activity due to the re-allocation of investment subsidies from URD to NS in the latest price review (with no impact on the total value of assets of the three regulated activities);

(c) Permitted earnings for the first half of 2005 also include €18.9M for recovery (by tariffs) of the costs of the Restructuring Support Programme (PAR) at EDPD.

Electricity purchases went up by 12.8 percent during the period, due to (i) an increase in the electricity distributed; (ii) a 44 percent increase in the average overall system use (UGS) tariff following the 2005 tariff review and the result of an increase in production under special regime, which was reflected by a €64.4M increase in the costs of this activity (a pass-through to tariff); and (iii) an €81.7M increase in fuel costs related to a variation in quarterly adjustments – adjustments in fuel costs totalled €73.5M in the first half of 2005, of which €21.2M, related to the HV/MV segments, was recovered in tariff in the first half of 2005 and €52.3M, related to the LV segment, will be recovered in 2006 tariffs.

The gross electricity margin went down by 18.9 percent in the period:

(a) Electricity demand in the first half of 2004 was above the ERSE estimate for the period, which was reflected by a negative tariff difference of €78.8M between permitted earnings and the gross electricity margin;

(b) The gross electricity margin was €38.5M below permitted earnings for the period due to: (i) the above-mentioned €52.3M deviation in fuel costs (LV segment), to be recovered next year; (ii) which was partially compensated for by the fact that real demand for electricity was 6.4 percent higher than the ERSE estimate for the period, meaning that EDPD had to return to the tariff of the surplus fixed electricity purchase component tariffs.

The group's external supplies and services increased 8 percent in the period, reflecting: (i) a €5.2M increase in IT costs (due to improvements in billing time in the first half of 2005); and (ii) an increase in management costs from EDP Valor (+€2M). Third party external supplies and services increased 16.3 percent as a result of installation costs associated with re-branding EDPD's network of shops and the recording of outside supplies and services provided by Edinfor as "third party" (€3.8M), following the sale of 60 percent of EDINFOR to LogicaCMG.

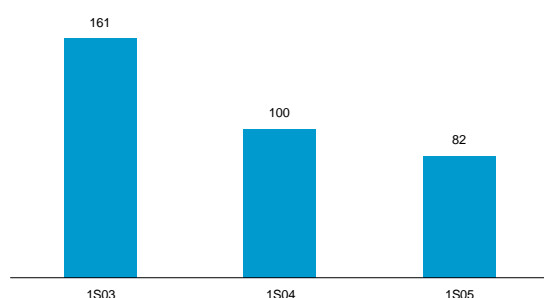
Personnel costs went down 4.8 percent as a result of a 12 percent reduction in the number of employees, which brought active personnel costs down by 4.2 percent (after an average pay rise of 2.9 percent in 2005) and of lower severance pay costs. Social security costs fell by 91.1 percent in the period due to the €44.3M (NPV) related to the Restructuring Support Programme, €8.2M in "flexible retirement programme" bonuses, €17.9M in bonuses for pensions due to a shortfall in the actuarial study in 2004 and a €22.3M reduction in pension bonuses for the first half of 2005, due to a surplus in the 2005 actuarial study. Pre-retirements salaries in both halves of the year were offset by the use of a provision set up for the purpose at EDPD.

Operating Income Statement (€ m)	1H2005	1H2004	Var. %
Electricity sales	1,856.0	1,845.1	0.6%
Services provided	14.2	10.7	33.0%
Other sales	1.5	1.3	17.0%
Operating Revenues	1,871.8	1,857.1	0.8%
Electricity Purchases	1,278.8	1,133.4	12.8%
Materials and goods for resale	7.4	7.6	-2.3%
Direct Activity Costs	1,286.3	1,141.0	12.7%
Gross Profit	585.5	716.2	-18.2%
Gross Profit/Revenues	31.3%	38.6%	-7.3p.p.
Supplies and services - Group	52.8	48.9	8.0%
Supplies and services - Non-group	66.2	56.9	16.3%
Personnel costs	95.9	100.7	-4.8%
Costs with social benefits	9.7	108.8	-91.1%
Concession fees	100.9	92.7	8.8%
Other operating costs (or revenues)	(4.0)	(4.5)	9.8%
Operating Costs	321.4	403.5	-20.4%
EBITDA	264.1	312.6	-15.5%
EBITDA / Revenues	14.1%	16.8%	-2.7p.p.
Depreciation and amortisation	164.9	161.4	2.2%
Comp. of subsidised assets' amortis.	(38.5)	(36.9)	-4.4%
EBIT	137.7	188.1	-26.8%
EBIT / Revenues	7.4%	10.1%	-2.8p.p.

Operating investments in the distribution network increased by 9.2 percent in the period, which, combined with favourable weather conditions, made it possible to improve equivalent interruption time by 17.6 percent.

Operating Investment	1H2005	1H2004	Var. %
Distribution grid	186.9	171.2	9.2%
Other investments	8.2	12.2	-33.3%
Financial charges capitalised	5.8	4.9	19.0%
Operating Investment	200.8	188.3	6.7%
Investment subsidies - Cash	41.1	39.1	5.1%
Investment subsidies - Kinds	27.2	31.1	-12.4%
(-) Total Investment Subsidies	68.3	70.1	-2.7%
Operating Invest. Excl. Subsidies	132.6	118.1	12.2%

Equivalent interruption time (min.)



The EDP Group's energy business in Spain

In the first half of 2005, electricity demand in Spain increased by 7 percent against the same period in 2004 or 4.1 percent after the effects of temperature and working days are corrected. Electricity generation by HidroCantábrico grew 7.1 percent in 2005 due to a general increase in generation at the thermoelectric power stations in an extremely dry period (the hydraulicity coefficient in Spain fell from 0.82 in the first half of 2004 to 0.45 in 2005), to less use of the Aboño 2 group (536 MW) due to stoppages for repairs and to a scheduled stoppage at the Soto II group (236 MW) for its three-yearly general overhaul.

The gross margin for **generation and supply** grew 57 percent compared to the first half of 2004, following a substantial increase in the average sales price to the generation pool with a positive impact of EUR 188 million on the gross margin, a marginal rise in the average fuel cost, with a negative impact of EUR 19 million, a provision of EUR 8.5 million related to excess consumption of CO₂ allowances in an extremely dry period, an increase in the average purchasing price from the pool (EUR -69 million) and the fact that HC managed to recover EUR 14.6 million in CTCs in the first six months of 2004.

HC's Net Electricity Generation (GWh)	1H2005	1H2004	Var.%
Hydroelectric	557	544	2.4%
Nuclear	575	568	1.3%
Aboño	3,223	3,432	-6.1%
Soto de Ribera	2,120	1,620	30.9%
Coal	5,343	5,052	5.8%
Castelón CCGT	1,093	905	20.8%
Total Generation	7,568	7,068	7.1%
Pumping	(82)	(32)	-
Energy delivered to the Pool	7,486	7,036	6.4%
HC's market share in wholesale market	6.9%	7.4%	-

HC Generation - Selling Price & Fuel Costs	1H2005	1H2004	Var.%
Avg. HC Selling Price to the Pool (€/MWh)	55.4	30.5	81.5%
Avg. HC Fuel Cost (€/MWh)	22.3	19.7	13.1%

HC Supply - Electricity Sales to Clients	1H2005	1H2004	Var.%
Electricity Supplied (GWh)	2,420	2,157	12.2%
Sales of Electricity Supplied (€ m)	130.8	122.5	6.7%
Number of Clients	7,078	5,628	25.8%

HC Gross Profit (Generation + Supply)	1H2005	1H2004	Var.%
Revenues	569.8	365.9	55.7%
Direct Activity Costs	360.8	232.8	55.0%
Gross Profit	209.0	133.1	57.0%

Pool prices remained high in 2005 at an average of €57.20 / MWh vs. €31.60 / MWh in the first half of 2004, following an extremely dry period in a scenario of high fuel costs and substantial growth in peak demand. The rise in the system's generation costs was not offset by the increase in regulated revenue, resulting in a price deficit for the system. By law, HidroCantábrico is responsible for financing 6.08 percent of this price difference, to the amount of EUR 88.9 million in the first half of 2005. This amount was not deducted from sales and was reported as a receivable asset due to the high likelihood that it would be recovered.

Regulated earnings from **electricity distribution** grew 2.3 percent in relation to the first six months of 2004, following an increase in return on regulated activities recognised in the 2005 price. In accordance with the Royal Decree defining permitted earnings for regulated activities in 2005, of the EUR 2,942.7 million allocated to electricity distribution, EUR 93.7 million or 3.2 percent was allocated to HidroCantábrico.

Elect. Distribution (GWh)	1H2005	1H2004	Var.%
Low Voltage	1,224	1,154	6.1%
Medium Voltage	546	515	6.0%
High Voltage	2,902	2,863	1.4%
Electricity Distributed	4,672	4,532	3.1%
of which: access clients	760	693	9.7%

Elect. Distribution (€ m)	1H2005	1H2004	Var.%
Transmission	3.8	3.8	-0.0%
Distribution	48.0	46.9	2.4%
Commercialisation	3.7	3.6	3.1%
Elect. Regulated Revenues	55.6	54.3	2.3%

In the first half of 2005, **gas consumption in Spain** went up by around 20 percent. The CCGT-based electricity sector contributed 75 percent to this increase, due to an extremely dry period in Spain. Excluding the electricity sector, conventional demand for gas increased by 6 percent due to low winter temperatures and an increase in the number of customers, mainly in the liberalised segment.

The volume of **gas distributed by** HidroCantábrico went up 3.1 percent, while the number of consumers grew 7.4 percent compared to 30 June 2004. In accordance with the ministerial order defining the permitted earnings for regulated activities in the gas sector for 2005, of the EUR 1,179.7 million allocated to gas distribution, EUR 120.8 million or 10 percent was allocated to NaturCorp and its subsidiaries (EUR 108.9 million if we consider the consolidation method used for NaturCorp's subsidiaries). This amount represents a 12 percent growth in relation to the permitted earnings allocated in 2004, reflecting an estimated growth for 2005, in terms of volume of demand and the number of consumers, for HidroCantábrico's gas business.

Gas Distribution (GWh)	1H2005	1H2004	Var.%
Gas Distributed to direct clients	4,463	4,095	9.0%
Gas Distributed to access clients	7,538	7,544	-0.1%
Total Gas Distributed	12,002	11,639	3.1%

Gas Distribution (€ m)	1H2005	1H2004	Var.%
Transmission	5.9	5.4	8.7%
Distribution	54.5	48.1	13.3%
Commercialisation	7.1	7.1	-0.2%
Gas Regulated Revenues	67.5	60.6	11.3%

Gas sales increased 27.5 percent in terms of volumes sold to liberalised customers, reflecting a considerable rise in the number of customers. This rise is the result of the efficient dual-fuel (electricity + gas) campaign launched in the second quarter of 2005. This campaign is helping HidroCantábrico to keep customers who choose to move from the regulated to the unregulated market. HidroCantábrico therefore managed to increase its liberalised market share (excluding sales to the electricity sector) from 4 percent in the first six months of 2004 to 5 percent in 2005.

Gas Supply (GWh)	1H2005	1H2004	Var.%
Gas Supplied	5,427	4,255	27.5%

Gas Supply (€ m)	1H2005	1H2004	Var.%
Gas Sales	77.1	54.2	42.2%

Considering the **regulated and liberalised gas markets**, HidroCantábrico sold 9,890 GWh to direct customers in 2005, which represents an 18 percent increase on the first half of 2004. HidroCantábrico's gas retail market share in Spain therefore increased from 6 percent in the first half of 2004 to 7 percent in the same period in 2005 (excluding sales to the electricity sector).

In the **special regime**, electricity generation increased 138 percent to 537 GWh, due to an increase in installed capacity from 161 MW in the first half of 2004 to 346 MW at the end of June 2005 (+124 MW in wind farms, +39 MW in waste and +18 MW in cogeneration). Wind power reached 223 MW of installed capacity, increasing its electricity generation from 107 GWh in the first half of 2004 to 240 GWh in

the same period in 2005. The gross margin of special system generation rose from EUR 11.3 million to EUR 30.8 million in the first six months of 2005. In 2005, the following wind farms are expected to go into operation: Las Lomillas (50 MW – 50 percent owned by Genesa) (July), La Sotonera (19 MW) (July), La Brújula (74 MW) (September) and EL Boquerón (22 MW) (December).

As a result of the above, **HidroCantábrico's consolidated EBITDA** grew 47 percent in relation to the first half of 2004, to EUR 284.2 million.

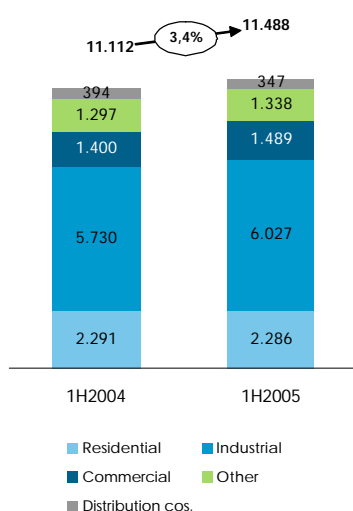
Income Statement (€ m)	1H2005	1H2004	Var.%
Revenues	1,224.5	879.5	39.2%
Direct Costs	838.1	582.8	43.8%
Gross Profit	386.4	296.7	30.2%
Gross Profit/Revenues	31.6%	33.7%	-2.2 p.p.
Supplies and services	52.6	43.1	22.0%
Personnel costs & Social benefits	58.8	49.0	20.0%
Other operating costs (or revenues)	(9.2)	11.2	-
Operating Costs	102.2	103.3	-1.1%
EBITDA	284.2	193.4	47.0%
EBITDA/Revenues	23.2%	22.0%	1.2 p.p.
Depreciation	92.8	84.3	10.2%
Compensation of subsidised assets' depr.	(2.0)	(1.6)	-22.2%
EBIT	193.3	110.7	74.6%
EBIT/Revenues	15.8%	12.6%	3.2 p.p.
Financial income/(expense)	(32.0)	(38.5)	16.8%
Income Before Taxes	161.3	72.2	123.3%
Income Taxes	51.3	26.9	90.7%
Minorities interests	8.7	8.8	-1.4%
Net Profit	101.3	36.5	177.6%

Capex (€ m)	1H2005	1H2004	Var.%
Recurring investment	51.1	59.0	-13.4%
Non-recurring investment	68.8	74.7	-7.8%
(-) Subsidies	(10.7)	(7.5)	-42.5%
Capex	109.2	126.1	-13.4%

The EDP Group's business activities in Brazil

The volume of electricity distributed by Energias do Brasil grew 3.4 percent compared to the first half of 2004. Consumption in the Escelsa and Enersul concession areas went up 6.2 percent and 5.3 percent, respectively, thanks to higher economic growth in these regions, a hot summer and an increase in the number of customers. Consumption at Bandeirante increased by 1.2 percent following a fall in the residential segment, offset by growth in the industrial (exclusive and free customers) and commercial segments, as a result of intensive economic activity in the São Paulo region.

Total electricity distributed in Brazil (GWh)



EBITDA of EDP's activities in Brazil increased 43.5 percent to BRL 534.6 million in the first half of 2005 following a growth in demand and tariff increases. Distribution contributed 86 percent and generation and trading 14 percent to the growth in the gross margin.

Income Statement	R\$ million		
	1H2005	1H2004	Var.%
Revenues	2,185.6	1,906.1	14.7%
Direct Activity Costs	1,284.9	1,225.3	4.9%
Gross Profit	900.7	680.8	32.3%
Gross Profit/Revenues	41.2%	35.7%	5.5p.p.
Supplies and services	160.5	125.2	28.2%
Personnel costs & Social benefits	132.8	126.5	5.0%
Other operating costs (or revenues)	72.8	56.5	28.8%
Operating Costs	366.1	308.2	18.8%
EBITDA	534.6	372.6	43.5%
EBITDA/Revenues	24.5%	19.5%	4.9p.p.
Depreciation	102.1	96.7	5.5%
EBIT	432.5	275.8	56.8%
EBIT/Revenues	19.8%	14.5%	5.3p.p.
Financial Results	(60.0)	(272.5)	78.0%
Income Before Taxes	372.4	3.3	-
Income taxes	162.7	24.1	-
Minority Interests	0.2	(30.2)	-
Net Profit	209.5	9.4	-

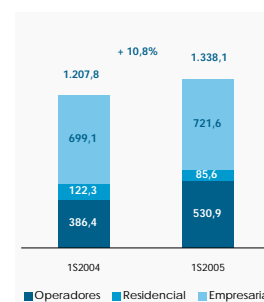
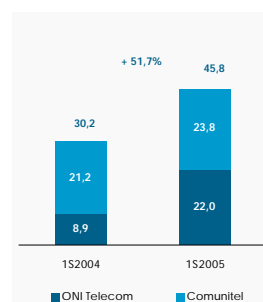
Following the reorganisation of the company in April, with the transfer of the minority shareholders from the distribution subsidiaries to Energias do Brasil, EDP reduced its holding in Energias do Brasil from 100 to 69 percent. In July 2005, Energias do Brasil shares were admitted to trading through public offer for subscription. After this operation and the conversion to capital of BRL 670 million in Escelsa senior notes held by EDP, EDP's holding was reduced to 66 percent.

Telecommunications

In the first half of 2005, annual growth in new subscribers was 51.7 percent, based on the Oni Group's strategic focus on direct-access subscribers and the launch by Oni Telecom of Oni Duo (a bundle of voice and broadband internet).

Gross Adds (1,000.)

Voice traffic (M. min.)



Voice traffic commuted by the Oni Group increased 10.8 percent in the period as a result of 37 percent growth in the operator segment. Residential voice traffic went down as a result of erosion of indirect-access subscribers that has not yet been offset by the growth in direct-access subscribers (where traffic has more than doubled compared to the first half of 2004).

An improvement in the Oni Group's gross margin and strict control of personnel costs and outside supplies and services not related to the acquisition and retention of subscribers, helped improve EBITDA to EUR 11.2 million in the first half of 2005, corresponding to an EBITDA margin of 6.9 percent.

Operating Income Statement (€ m)	ONI Group		
	1H2005	1H2004	Var.%
Voice	101.8	97.8	4.1%
Voice Value Added Services	0.7	11.4	-93.7%
Data & Internet	41.8	37.9	10.2%
Other	14.3	13.1	9.1%
Telecommunication services	158.6	160.3	-1.1%
Equipment sales	3.8	5.2	-27.0%
Operating Revenues	162.5	165.6	-1.9%
Telecommunication services	78.2	84.3	-7.2%
Equipment sales	3.4	4.5	-25.7%
Direct Activity Costs	81.5	88.8	-8.2%
Telecommunication services	80.5	76.1	5.8%
Equipment sales	0.5	0.7	-35.3%
Gross Profit	80.9	76.8	5.4%
Gross Profit/Revenues	49.8%	46.4%	3.4p.p.
Supplies and services	46.2	42.4	8.9%
Personnel costs & costs with social benefits	26.4	28.0	-5.8%
Other operating costs (or revenues)	(2.8)	(0.2)	-
Operating Costs	69.7	70.2	-0.7%
EBITDA	11.2	6.6	70.5%
EBITDA/Revenues	6.9%	4.0%	2.9p.p.
Depreciation and amort. (net of subsidies)	27.1	21.8	24.6%
EBIT	(15.9)	(15.2)	-4.7%
EBIT/Revenues	-9.8%	-9.2%	-0.6p.p.

Operating investments totalled EUR 15.4 million in the first six months of 2005, which represents an annual growth of 17.2 percent, as a result of investments made in developing the ADSL network (in broadband access centres) and in purchasing equipment

for corporate solutions. These investment items are associated with a growing focus on broadband internet services and the attraction of new subscribers.

In July, Oni signed an agreement with Tele2 to sell its 99.93 percent shareholding in Comunitel.

THE BOARD OF DIRECTORS

Francisco de la Fuente Sánchez

Chairman

João Luís Ramalho de Carvalho Talone

Chairman of Executive Committee

António Afonso de Pinto Galvão Lucas

Member of Auditing Committee

Arnaldo Pedro Figueirôa Navarro Machado

Member of Executive Committee

Jorge Manuel de Oliveira Godinho

Member of Executive Committee

João Eduardo Moura da Silva Freixa

Non-executive member

José Alfredo Parreira Holtreman Roquette

Non-executive member

José Manuel Gonçalves de Morais Cabral

Non-executive member

José Manuel Trindade Neves Adelino

Chairman of the Auditing Committee

José Pedro da Silva Sucena Paiva

Non-executive member

Luís Filipe Rolim de Azevedo Coutinho

Member of the Auditing Committee

Manuel Menéndez Menéndez

Non-executive member

Paulo Azevedo Pereira da Silva

Non-executive member

Pedro Manuel Bastos Mendes Rezende

Member of the Executive Committee

Rui Miguel de Oliveira Horta e Costa

Member of the Executive Committee

Lisbon, 27 September 2005

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Financial Report

30 June, 2005

2nd Part
Financial Statements

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III. FINANCIAL STATEMENTS
30 June, 2005

EDP - Energias de Portugal

Consolidated Balance Sheet as at 30 June, 2005 and 31 December, 2004

	Notes	2005 <small>(Thousands of Euros)</small>	'Proforma' 2004 <small>(Thousands of Euros)</small>
Assets			
Tangible fixed assets	4	12,952,279	12,559,355
Intangible fixed assets	5	830,728	893,396
Goodwill	6	2,052,207	2,070,908
Investments in associates	7	371,752	316,775
Other investments	8	945,572	1,183,806
Deferred tax assets	9	1,300,801	1,140,150
Customers	11	99,969	95,140
Debtors and other sundry assets	12	186,292	153,692
Total Non-Current Assets		18,739,600	18,413,222
Inventories	10	147,650	156,806
Customers	11	1,438,585	1,161,844
Debtors and other sundry assets	12	1,049,711	873,492
Income tax receivable	13	220,955	182,854
Trading securities	14	151,316	94,293
Cash and bank deposits	14	204,515	192,656
Assets classified as held for sale	26	268,879	165,337
Total Current Assets		3,481,611	2,827,282
Total Assets		22,221,211	21,240,504
Equity			
Share capital	15	3,656,538	3,656,538
Treasury stock	17	-47,568	-31,662
Share premium	15	502,041	472,955
Reserves and retained earnings	18	-8,705	-59,973
Total Equity attributable to Shareholders'		4,102,306	4,037,858
Minority interests	19	811,837	743,937
Total Equity		4,914,143	4,781,795
Liabilities			
Medium / Long term debt	21	7,604,048	7,181,105
Employees benefits	22	1,890,618	1,985,230
Provisions for liabilities and charges	23	311,437	293,232
Hydrological correction account	20	265,298	364,197
Deferred tax liabilities	9	651,522	574,379
Creditors and other liabilities	24	206,261	198,973
Total Non-Current Liabilities		10,929,184	10,597,116
Short term debt	21	1,975,944	1,960,780
Creditors and other liabilities	24	3,950,060	3,621,707
Income tax payable	25	253,378	210,379
Liabilities classified as held for sale	26	198,502	68,727
Total Current Liabilities		6,377,884	5,861,593
Total Liabilities		17,307,068	16,458,709
Total Equity and Liabilities		22,221,211	21,240,504

THE CHIEF
ACCOUNTANT N.º 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Income for the six months period ended 30 June, 2005 and 2004

		2005			"Proforma" 2004		
Notes		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		(Thousands of Euros)			(Thousands of Euros)		
Sales	27	4,556,522	486	4,557,008	3,393,869	-	3,393,869
Cost of sales	27	-2,930,414	-371	-2,930,785	-1,899,066	-	-1,899,066
Gross Margin		1,626,108	115	1,626,223	1,494,803	-	1,494,803
Other operating income							
Services rendered	27	203,671	83,395	287,066	266,561	-	266,561
Other operating income	28	71,938	517	72,455	23,568	-	23,568
		275,609	83,912	359,521	290,129	-	290,129
		1,901,717	84,027	1,985,744	1,784,932	-	1,784,932
Other operating costs							
Supplies and services	29	-338,445	-70,361	-408,806	-306,852	-	-306,852
Staff costs	30	-275,184	-10,716	-285,900	-279,277	-	-279,277
Employees benefits costs		-14,229	-	-14,229	-121,647	-	-121,647
Other operating costs	31	-273,501	-2,648	-276,149	-148,554	-	-148,554
		-901,359	-83,725	-985,084	-856,330	-	-856,330
Gross Operating Results		1,000,358	302	1,000,660	928,602	-	928,602
Provisions	32	-5,371	-	-5,371	-2,841	-	-2,841
Net depreciation and amortisation	33	-395,495	-7,409	-402,904	-346,945	-	-346,945
Operating Results		599,492	-7,107	592,385	578,816	-	578,816
Share of profit of associates		24,973	-	24,973	5,711	-	5,711
Financial income / (expense)	34	-142,182	-4,849	-147,031	-179,106	-	-179,106
Profit before tax		482,283	-11,956	470,327	405,421	-	405,421
Income tax expense	35	-137,704	2,758	-134,946	-124,723	-	-124,723
Profit after tax but before gain on discontinued operation		344,579	-9,198	335,381	280,698	-	280,698
Gain on sale of discontinued operation, net of tax		-	14,755	14,755	-	-	-
Profit for the period		344,579	5,557	350,136	280,698	-	280,698
Attributable to:							
Equity holders of EDP		312,783	5,557	318,340	287,997	-	287,997
Minority interests	19	31,796	-	31,796	-7,299	-	-7,299
Profit for the period		344,579	5,557	350,136	280,698	-	280,698
Earnings per share (Basic and diluted) - Euros	15			0.10			0.10

See accompanying notes to the Interim Financial Statements

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 30 June, 2005 and 31 December, 2004

	Notes	2005	"Proforma" 2004
(Thousands of Euros)			
Assets			
Tangible fixed assets	4	94,260	118,858
Intangible fixed assets	5	27	31
Investments in associates	7	417,304	372,691
Other investments	8	7,481,927	7,606,629
Deferred tax assets		174,163	119,722
Debtors and other sundry assets	12	<u>3,879,343</u>	<u>3,832,752</u>
Total Non-Current Assets		<u>12,047,024</u>	<u>12,050,683</u>
Customers	11	1,898	5,162
Debtors and other sundry assets	12	912,990	842,179
Income tax receivable	13	25,704	180,600
Trading securities	14	10,295	15,288
Cash and bank deposits	14	<u>2,842</u>	<u>2,414</u>
Total Current Assets		<u>953,729</u>	<u>1,045,643</u>
Total Assets		<u>13,000,753</u>	<u>13,096,326</u>
Shareholders' Equity			
Share capital	15	3,656,538	3,656,538
Treasury stock	17	-47,568	-31,662
Share premium	15	502,041	472,955
Reserves and retained earnings	18	<u>1,703,277</u>	<u>2,147,003</u>
Total Shareholders' Equity		<u>5,814,288</u>	<u>6,244,834</u>
Liabilities			
Long term debt	21	3,267,950	3,599,255
Employees benefits	22	16,234	16,921
Provisions for liabilities and charges	23	10,300	39,386
Hydrological correction account	20	265,298	364,197
Deferred tax liabilities		68,024	64,318
Creditors and other liabilities	24	<u>1,271</u>	<u>1,085</u>
Total Non-Current Liabilities		<u>3,629,077</u>	<u>4,085,162</u>
Short term debt	21	2,965,645	2,319,370
Creditors and other liabilities	24	509,143	436,995
Income tax payable	25	<u>82,600</u>	<u>9,965</u>
Total Current Liabilities		<u>3,557,388</u>	<u>2,766,330</u>
Total Liabilities		<u>7,186,465</u>	<u>6,851,492</u>
Total Shareholders' Equity and Liabilities		<u>13,000,753</u>	<u>13,096,326</u>

THE CHIEF
ACCOUNTANT N.º 17,713

MANAGEMENT

THE BOARD OF DIRECTORS

See accompanying notes to the Interim Financial Statements

EDP - Energias de Portugal, S.A.

Company Statement of Income for the six months period ended 30 June, 2005 and 2004

	Notes	2005	"Proforma" 2004
(Thousands of Euros)			
Other operating income			
Services rendered	27	13,382	12,194
Other operating income	28	<u>1,060</u>	<u>787</u>
		<u>14,442</u>	<u>12,981</u>
Other operating costs			
Supplies and services	29	-53,807	-35,841
Staff costs	30	-3,222	-3,856
Employees benefits costs		-336	-706
Other operating costs	31	<u>-51,579</u>	<u>-18,997</u>
		<u>-108,944</u>	<u>-59,400</u>
Gross Operating Results		-94,502	-46,419
Provisions	32	-	-87
Net depreciation and amortisation	33	<u>-2,544</u>	<u>-2,482</u>
Operating Results		-97,046	-48,988
Financial income / (expense)	34	<u>135,589</u>	<u>402,192</u>
Profit before tax		38,543	353,204
Income tax expense	35	<u>22,169</u>	<u>87,533</u>
Profit for the period		<u>60,712</u>	<u>440,737</u>

EDP - Energias de Portugal

Consolidated and Unconsolidated Cash-flow Statements for the six months period ended 30 June, 2005 and 2004

(Thousands of Euros)

	Group		Company	
	2005	2004	2005	2004
Cash flows from Operating Activities				
Cash receipts from customers	4,560,551	3,597,551	16,741	10,667
Cash paid to suppliers	-3,347,331	-2,281,568	-51,159	-77,013
Cash paid to staff	-360,912	-381,188	-3,476	-2,690
Concession rents paid	-102,154	-93,454	-	-
Other receipts/ (payments) relating to operating activities	24,150	79,429	-132,295	-1,515
Net cash from operating activities	774,304	920,770	-170,189	-70,551
In come tax received / (paid)	-101,500	-68,813	52,308	131,354
Net cash from operating activities	672,804	851,957	-117,881	60,803
Net cash from operating discontinued activities	4,798			
Net cash from operating continued activities	668,006			
Cash flows from Investing Activities				
Cash receipts resulting from:				
Proceeds from sale of investments	157,037	3,164	71,050	251,995
Proceeds from sale of tangible and intangible fixed assets	36,779	7,413	31,019	94
Fixed assets subsidies received	33,466	37,260	-	-
Interest received	13,096	7,570	87,144	85,960
Dividends received	29,124	8,976	138,120	417,494
	269,502	64,383	327,333	755,543
Cash payments resulting from:				
Acquisition of investments	-162,570	-9,358	-122,551	-224,000
Acquisition of tangible and intangible fixed assets	-566,826	-559,291	-5,593	-8,140
	-729,396	-568,649	-128,144	-232,140
Net cash from operating activities	-459,894	-504,266	199,189	523,403
Net cash from operating discontinued activities	5			
Net cash from operating continued activities	-459,899			
Cash flows from Financing Activities				
Receipts/(payments) from loans:	458,361	-62,758	365,072	-335,389
Net interest and similar costs	-178,464	-148,410	-98,060	-91,192
Dividends paid	-335,968	-268,008	-335,968	-268,008
Treasury stock sale/ (purchase)	-15,906	-6,557	-15,906	-6,557
Net cash from operating activities	-71,977	-485,733	-84,862	-701,146
Net cash from operating discontinued activities	-6,025			
Net cash from continuing operating activities	-65,952			
Variation of cash and cash equivalents	140,933	-138,042	-3,554	-116,940
Effect of exchange rate fluctuations	-87,701	24,099	-1,011	24,099
Cash and cash equivalents at beginning of period	-246,764	-308,410	17,702	93,974
Cash and cash equivalents at end of period (*)	-193,532	-422,353	13,137	1,133
Cash and cash equivalents of discontinued operation at end of period (*)	-5,321			
Cash and cash equivalents of continuing operations at end of period (*)	-188,211			

(*) See note 14 to the Financial Statements, detailing the breakdown of 'Cash and Cash equivalents' balance

EDP - Energias de Portugal, S.A.

Statement of Changes in Company Shareholders' Equity as at 30 June, 2005 and 31 December, 2004

[Thousands of Euros]

	Total Shareholders' Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Treasury stock
Balances as at 31 December, 2003 - PT GAAP	5,298,007	3,000,000	-	326,391	2,020,636	-49,020
IFRS transition adjustments	-90,525	-	-	-	-90,525	-
Transfer to Legal reserve	-	-	-	19,055	-19,055	-
Dividends paid	-268,008	-	-	-	-268,008	-
Treasury stock	17,358	-	-	-	-	17,358
Net profit for the year IFRS Proforma	157,673	-	-	-	157,673	-
Share Capital increase (issue of 656,537,715 new shares in Dec 2004)	1,208,029	656,538	551,491	-	-	-
Expenses (including tax expense) with share capital increase	-78,536	-	-78,536	-	-	-
Cash flow hedge - Fair value reserve	643	-	-	-	643	-
Actuarial losses	1,877	-	-	-	1,877	-
Other reserves	-1,684	-	-	-	-1,684	-
Balances as at 31 December, 2004 - IFRS Pro-Forma	6,244,834	3,656,538	472,955	345,446	1,801,557	-31,662
Transfer to Legal reserve	-	-	-	22,008	-22,008	-
Dividends paid	-335,968	-	-	-	-335,968	-
Treasury stock	-15,906	-	-	-	-	-15,906
Net profit for the year IFRS	60,712	-	-	-	60,712	-
Deferred taxes	31,683	-	-	-	31,683	-
Cash flow hedge - Fair value reserve	-152,884	-	-	-	-152,884	-
Fair value of investments available for sale	-49,000	-	-	-	-49,000	-
Reversal of estimated tax expense related to share capital increase	29,086	-	29,086	-	-	-
Other reserves	1,731	-	-	-	1,731	-
Balances as at 30 June, 2005 - IFRS	5,814,288	3,656,538	502,041	367,454	1,335,823	-47,568

EDP - Energias de Portugal

Statement of Changes in Consolidated Equity as at 30 June, 2005 and 31 December, 2004

[Thousands of Euros]

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Treasury stock	Minority interests
Balances as at 31 December, 2003 - PT GAAP	5,298,007	3,000,000	-	326,391	2,020,636	-49,020	-
IFRS transition adjustments	-1,756,011	-	-	-	-1,756,011	-	-
Minority interests reclassification	743,937	-	-	-	-	-	743,937
Transfer to Legal reserve	-	-	-	19,055	-19,055	-	-
Dividends paid	-268,008	-	-	-	-268,008	-	-
Treasury stock	17,358	-	-	-	-	17,358	-
Net profit for the year IFRS Proforma	42,815	-	-	-	42,815	-	-
Share Capital increase (issue of 656,537,715 new shares in Dec 2004)	1,208,029	656,538	551,491	-	-	-	-
Expenses (including tax expense) with share capital increase	-78,536	-	-78,536	-	-	-	-
Exchange differences arising on consolidation	936	-	-	-	936	-	-
Cash flow hedge - Fair value reserve	643	-	-	-	643	-	-
Actuarial losses	-418,203	-	-	-	-418,203	-	-
Other reserves arising on consolidation	-9,172	-	-	-	-9,172	-	-
Balances as at 31 December, 2004 - IFRS Pro-Forma	4,781,795	3,656,538	472,955	345,446	-405,419	-31,662	743,937
Transfer to Legal reserve	-	-	-	22,008	-22,008	-	-
Dividends paid	-335,968	-	-	-	-335,968	-	-
Treasury stock	-15,906	-	-	-	-	-15,906	-
Net profit for the year IFRS	318,340	-	-	-	318,340	-	-
Minority interests	67,900	-	-	-	-	-	67,900
Deferred taxes	47,505	-	-	-	47,505	-	-
Cash flow hedge - Fair value reserve	-152,884	-	-	-	-152,884	-	-
Fair value of investments available for sale	-25,099	-	-	-	-25,099	-	-
Reversal of estimated tax expense related to share capital increase	29,086	-	29,086	-	-	-	-
Actuarial losses	17,607	-	-	-	17,607	-	-
Exchange differences arising on consolidation	180,740	-	-	-	180,740	-	-
Other reserves arising on consolidation	1,027	-	-	-	1,027	-	-
Balances as at 30 June, 2005 - IFRS	4,914,143	3,656,538	502,041	367,454	-376,159	-47,568	811,837

1. The business operations of the EDP Group

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 merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. The company head office is located 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, distribution and gas supply, 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 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 (PPA's - Power Purchase Agreements). 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.

During April 2005, EDP — Energias do Brasil, S.A. celebrated an agreement related to the corporate reorganisation of its subsidiaries Bandeirante Energia, S.A., Iven, S.A., Espírito Santo Centrais Eléctricas, S.A., Magistra Participações, S.A. and Empresa Energética de Mato Grosso do Sul, S.A., in order to merge these companies' into Energias do Brasil. Consequently the roll-up of the above mentioned companies minority shareholders into Energias do Brasil, S.A. share capital.

In the electricity generation sector, the EDP Group has holdings in Usina Hidroeléctrica (UHE), Lajeado (27.65%), and in partnership with Rede do Brazil Group won in 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.

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 Banco Comercial Português, 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).

Price regime of Electric Energy

According to Portuguese law, ERSE is responsible for the sector regulation, preparing, issuing and monitoring the regulations, as well as defining the tariffs for the 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 consultation or proposal of the regulatory entity — "Comissão Nacional de Energia".

Low-tension Electricity Distribution Concession Regime

In accordance with 1982 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 the revoking clauses were kept and still applied 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 restrictions, 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 cash resulting from the sale is to be deposited in a tied bank account, to be used in the concession.

2. Accounting policies

a) Basis of presentation

The financial statements presented were approved by the Board of Directors on 27 September, 2005.

Until 31 December, 2004, the consolidated financial statements of EDP Group have been prepared in accordance with generally accepted accounting principles in Portugal.

As established by the Regulation (EC) 1606/2002 from 19 July, 2002, issued by European Parliament and Counsel, adopted into the Portuguese legislation by the Decree-Law 35/2005 from 17 February, the consolidated financial statements of EDP Group must be prepared in accordance with International Financial Reporting Statements ("IFRS"), starting on the year 2005. On that basis, as from 1 January, 2005, the consolidated financial statements are prepared in accordance with IFRS as adopted by the European Union. IFRS includes the accounting standards issued by the International Accounting Standard Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and their predecessor authorities.

The interim consolidated financial statements of EDP Group for the six months period ended 30 June, 2005 have been prepared in accordance with the IFRS as endorsed by European Union up to 30 June, 2005, and have considered assumptions about the changes which are expected to be approved until 31 December, 2005. The Group early adopted the proposed change of IAS 19 regarding the accounting of actuarial gains and losses against reserves, based on the assumption that this treatment will be endorsed by European Union by the year end.

The IFRS that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 December, 2005 are still subject to change and to the issue of additional interpretations and final endorsement by the European Union and, therefore, cannot be determined with certainty at this date. Accordingly, the accounting standards that will be applied for the year ended 31 December, 2005 will only be determined when the first annual IFRS financial statements will be prepared as at 31 December, 2005.

The interim consolidated financial statements presented were prepared according to IAS 34 — Interim Financial Reporting and do not include all the information required for the complete set of financial statements, which will be presented for the year ending 31 December, 2005.

The financial statements are presented in Euro, rounded to the nearest thousand. They are prepared on the historical cost basis, with exception to the assets and liabilities stated at their fair value, namely derivative financial instruments, financial assets held for trading, investments available for sale and assets and liabilities in the component which is being hedged.

The preparation of IFRS interim financial statements requires the Group to make judgments, estimations and assumptions that affect the application of policies and reported amounts of income, expenses, assets and liabilities. Actual results may differ from these estimates.

The accounting policies have been applied consistently through the Group, for all the periods presented in these consolidated financial statements and for the IFRS opening balance sheet with reference to 1 January, 2004.

IFRS transition

The consolidated financial statements and the Company financial statements, as at 30 June, 2005 were prepared in compliance with the transition rules according to IFRS 1 — First time adoption of IFRS. These rules were applied to the comparative and IFRS retrospective information. IFRS 1 allows some exceptions to the IFRS retrospective application. EDP Group has adopted the following exceptions:

(i) Tangible fixed assets valuation

In accordance with IFRS 1, the Group decided to use the previous GAAP revalued amount of fixed assets at the date of transition (1 January, 2004) as the deemed cost of those assets.

(ii) Recognition of deferred actuarial losses

In accordance with IFRS 1, EDP Group decided to recognise at the date of transition (1 January, 2004) the unrecognised value of the actuarial losses against reserves.

(iii) Business combinations

IFRS 3 — Business combinations was not early adopted by EDP Group. The Group's business combinations before 1 January, 2004, are stated according to the previous GAAP.

Besides the exemptions referred above, the Group has adopted retrospectively the remaining IFRS.

b) 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 attributable result of the financial shareholding in associated companies.

Shareholdings in subsidiaries

Investments in subsidiaries and in companies in which the Group directly or indirectly holds more than 50% of the voting rights at the General Meetings of Shareholders or is able to control the financial and operative policies of the company, have been included in the consolidated financial statements by the full consolidated method. Subsidiaries are consolidated as from the date on which control is acquired up to the date on which it actually ends.

When the accumulated losses attributable to minority interests exceed the equity attributable to minority interests in subsidiaries, the excess is attributed to the EDP Group, except if the minority interests have assumed a legal or constructive obligation, which determine the recognition of these losses. The future profits attributable to the subsidiaries are recognized as Group Profit until the full recovery of the losses previously recognised by the Group.

Shareholdings in associated companies

Associates are companies in which the Group holds between 20% and 50% of the voting rights, or over which the Group has significant influence. Investments in associates are consolidated by the equity method, since the date on which significance influence begins up to the date it actually ends.

When the share of losses in an associate exceeds or equals the value of the investment in that associate, the application of the equity method is interrupted, except if the Group has assumed a legal or constructive obligation to recognise these losses or made payments in benefit of the associate.

Shareholdings in associate companies under the form of joint control

Jointly controlled entities are consolidated by the proportional method and are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportional share of the joint venture entities' assets, liabilities, revenues and losses of the joint undertakings with items of a similar nature on a line-by-line basis from the date of the joint control up to the date it actually ends.

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

On an unconsolidated basis, investments in subsidiaries and associated companies are accounted at acquisition cost, and are subject to periodic impairment tests according to IAS 36.

Goodwill

The goodwill arising from the acquisition of subsidiaries and associates is defined as the difference between the cost of the investment and the corresponding share of the fair value of the net assets acquired.

According to IFRS 3 - Business combinations, positive goodwill arising from acquisitions is recognised as an asset and carried at cost and is not amortised. Goodwill arising on associated companies is recorded in the balance sheet together with the net equity attributable to the Group. Negative goodwill arising from acquisitions is recognised in the income statement.

The value of goodwill is assessed annually to identify any impairment, regardless of the existence of any indication of any impairment. The eventual losses from impairment are recognised in the income statement.

Concession rights in Brazil

The concession rights related to the electricity distribution companies in Brazil, namely Bandeirante, Escelsa and Enersul are considered of a similar nature to Goodwill and resulted from the difference between the cost of acquisition and the proportional fair value of the net assets acquired. The concession rights are recorded as intangible assets and amortised over its useful life, not exceeding 30 years.

Translation of financial statements in foreign currencies

The financial statements of each subsidiary and associated companies are prepared in their functional currency, defined as the currency of the economy in which these companies operate. The consolidated financial statements of the Group are prepared in Euros, the functional currency of the Group.

On consolidation, assets and liabilities of the foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

The exchange differences arising from the retranslation into euros of the opening foreign currency net assets of entities consolidated in the Group on a full consolidation basis or by the proportional or equity method are charged against reserves. The exchange differences arising from hedging operations related to these investments are eliminated on consolidation against the exchange differences related to those investments charged in reserves. Any remaining difference is recognised directly in profit or loss.

The income and expenses of these subsidiaries are translated into Euros at the weighted average exchange rates for the year. Exchange differences arising from the retranslation of the results of the year at the official exchange rate of the balance sheet date are recognised against reserves.

Balances and transactions eliminated at consolidation

Intra group balances and transactions, including unrealised gains and losses or income and expenses arising from intra group transactions are eliminated in the consolidation.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c) Impairment

The Group policy consists in regular assessment, at the balance sheet date, of the assets' recoverable value to determine if there is evidence of impairment. Impairment losses are recorded against profit or loss.

The recoverable value of goodwill, undefined useful life assets and assets unavailable for use is determined at the balance sheet date even if there is no evidence of impairment.

Impairment losses related to cash generating units are primarily deducted from goodwill. The remaining value, if any, is deducted to the respective cash generated unit assets, on a pro-rata basis.

d) Investments

EDP Group investments are recorded on the date of acquisition and are classified in the following categories: i) trading; ii) available for sale. The Board of Directors determines the classification of these investments on the date of acquisition.

Trading account securities

Investments acquired mainly to be traded in the very short term are classified as trading account 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 account 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 on a continuing basis, that can be sold to meet liquidity requirements or as a result 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. Available for sale investments are initially measured at fair value plus direct and incremental transaction costs. They are subsequently measured at fair value.

Changes in the fair value of investments classified as available for sale are recognised in equity until the investments are either sold or impaired.

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 issuer. Shares for which fair values cannot be reliably measured are recognised at cost less impairment losses.

An assessment is made at the balance sheet date as to whether there is any objective evidence of impairment. If a security is determined to be impaired, the cumulative loss which is the difference between the acquisition cost and current fair value, less any impairment previously recorded is recognised in income statement.

When investments classified as available for sale are sold, the cumulative gains or losses resulted from changes in fair value previously recognised in equity are recognised in the profit and loss account as gains and losses on financial investments.

Investment property

Investment properties are measured initially at its cost, including transaction costs, as determined in IAS 40. After initial recognition, investment property are measured at its cost less any accumulated depreciation and any accumulated impairment losses, in accordance with the cost model determined by IAS 16.

e) Derivative financial instruments and hedge account

Derivative financial instruments are recognised at fair value on trade date. Subsequent to initial recognition, derivative instruments are measured at the fair value. Profits and losses resulting from fair value changes are recorded against profit or loss, with exception to hedge derivatives. The recognition of fair value changes on hedge derivatives depends on the nature of the item being hedged and on the hedged model adopted.

Fair value of quoted derivative financial instruments corresponds to their quoted value when available or determined using valuation models including discounted cash flows method or option evaluation models, as appropriate. If fair value cannot be reliably calculated, investments are recorded at acquisition cost.

Hedge derivatives

Derivative financial instruments used for hedging purposes, qualify for hedge accounting if, and only if, all of the following conditions are met:

- (i) At the inception of the hedge there is formal designation and documentation of the hedging relationship including the identification of the hedged item, hedging instrument and an evaluation of hedge effectiveness;
- (ii) Assumption of a highly effective hedge at inception and throughout the life of the hedge;
- (iii) The hedge effectiveness can be reliably measured at inception and throughout the life of the hedge;
- (iv) For cash flow hedge operations, it must be highly probable that the cash flows will occur.

Fair value hedge

For fair value hedge operations, the book value of the hedged asset or liability, determined according to the accounting policy, is adjusted to reflect the fair value variation attributed to the risk being hedged. 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, associated to the asset or liability covered.

When 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 derivative financial instrument is transferred to the trading portfolio and the assets and liabilities being hedged are no longer adjusted by the changes in the hedge item fair value. The changes of fair value of the risk being hedged already accounted, are recognised through the remaining life of the hedged item against income. If the hedged asset or liability is a fixed income instrument, the revaluation adjustment is amortised during their maturity using the effective rate method.

Cash flow hedge

When a financial instrument is considered to be a cash flow hedge of assets or 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, and transferred to profit or loss in the period that the item being hedged is recorded in profit or loss. The changes of fair value attributable to non-effective part of the coverage are accounted against profit or loss at the time they occur.

When a hedging instrument expires, is sold or is exercised, or when the hedging relation no longer 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. When the future transaction is no longer highly probable, the changes of fair value of an hedging instrument, recorded in reserves, must be immediately charged against profit or loss.

f) Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated into Euros at the foreign exchange rate ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate at the date of the transaction. Non monetary assets and liabilities denominated in foreign currency stated at fair value are translated to Euros at foreign exchange rate ruling at the dates that the fair value was determined.

g) Tangible fixed assets

Fixed assets owned by the Group

According to IFRS 1, the Group's tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and impairment losses, determined at the date of transition to IFRS. This cost includes the expenses attributable to acquisition cost.

Subsequent costs of tangible assets are recognised only when it is probable that future economic benefits associated with the item will flow to the Group. All other expenses related with maintenance and repairs are charged to profit and loss in the period they occur.

Land and natural resources are not amortised. The depreciation and amortisation rates are calculated on a straight-line basis over the following periods which corresponds to their estimated useful life:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery	
Hydroelectric generation	32 to 60
Thermoelectric generation	25 to 30
Renewables generation	30
Electricity distribution	10 to 30
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and utensils	4 to 10
Other tangible fixed assets	10 to 25

Tangible fixed assets are subject to impairment test when events or certain circumstances indicate that book value exceeds the recoverable value. Impairment losses are recognised in profit and loss. The recoverable value is the higher between the market value net of selling costs and its value in use.

The costs with materials, payroll and financial expenses incurred by the Group in the construction of tangible fixed assets which are directly managed, are stated according to their natures in profit and loss, being subsequently stated at tangible fixed assets, based on specific criteria.

Self constructed assets and acquired assets includes dismantling costs based (i) on estimates made at the time of installation and during the period of use, and (iii) changes in the measurement of existing liabilities related to these assets resulting from changes in the timing or in the resources required to settle the obligation or changes in the discount rate.

Tangible fixed assets components, with different useful lives are stated in each category in accordance with their estimated useful life. Amortisations are recognised against profit or loss on a straight line basis over the estimated useful life of each item.

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 depreciated on the same basis and at the same rates as the Company's own fixed assets, the depreciation cost is compensated under partially funded fixed assets caption (Note 33), by the reduction, on 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, the costs are being recorded on the same basis of the Group's own fixed assets.

h) Leases

According to IAS 17 — Leases, the Group classifies leases as finance leases or operating leases on the basis of circumstances existing at the inception of the lease, instead of the legal form of the operation. Operations in which the risks and benefits inherent to an asset property are transferred to the lessee are classified as finance lease. Other lease operations are classified as operating leases.

Operating leases

The payments made by the Group under an operating lease contract are stated as cost in the period their occur.

Finance leases

Finance lease contracts are stated as an asset and a liability, at the inception date, at cost, which is equivalent to the present value of the future lease payments. Rents are composed by (i) financial costs recognised in profit and loss and (iii) by the outstanding capital amortisation deducted to the liabilities. The finance charge is allocated to the periods during the lease contract, in order to produce a fixed interest rate on the remaining liability balance for each period.

l) Intangible fixed assets

In accordance with IFRS, set-up and research expenditure are recognised as expenses as incurred.

Development costs are qualified as assets in accordance with the conditions and criteria defined by IAS 38.

The balance Goodwill and Concession rights in Brazil are separately presented at balance sheet, and recognised according to the accounting policy referred in note 2.b).

The investments that improve the performance of software programs over their original specifications, from which future economic benefits will arise for more than one period, 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.

The remaining intangible fixed assets are recognised at acquisition cost, deducted from accumulated amortisation and impairment losses. These intangible fixed assets are amortised using the straight-line method over their useful life.

j) Inventories

Inventories are stated at lower of cost and market value. Market value is the estimated selling price in the ordinary course of business less the cost of sale. Their usage (consumption) is being valued at average cost.

k) 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 accrual concept. Differences between amounts received and paid and the corresponding revenue and expenditure are recorded under other assets and other liabilities.

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, the regulator (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.

l) Accounts receivable

Accounts receivable are recorded at their net realisable value, considering impairment losses. Impairment losses are recorded based on the valuation of estimated losses from non-collection of accounts receivable at the balance sheet date.

m) Social benefits extended to EDP Group employees

Pensions

Some EDP Group companies attribute post-retirement plans to their employees under a defined benefit plan and defined contribution plans, namely, 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 complementary benefits to those provided by the National Health Service.

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 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 with no common contributions or funding between these funds. 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 employees who served the army.

The Group's pension funds are defined benefit plans, since the determination of the amounts payable to participants, usually depends on one or more factors such as age, years at service and salary.

In Spain and Brazil, the companies Hidrocontábrico, Bandeirante, Escelsa and Enersul, 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.

According to IFRS 1, adopted by the Group at transition date (1 January, 2004), the total existing deferred actuarial losses at that date was recognised against reserves.

The Group obligations are calculated on an annual basis, at each year end, by independent actuaries, individually for each plan, using the Projected Unit Credit Method. The discount rate used is determined by reference to market yields at the balance sheet date on high quality corporate bonds that have maturity dates comparable to the terms of the Groups' obligations.

The actuarial gains and losses are calculated annually and recognised against reserves, and result from (i) the difference between actuarial and financial assumptions and the effective values verified and (ii) changes of actuarial assumptions.

The increase of past service costs related to early retirements are recognised in profit or loss when incurred.

Other benefits

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 these obligations.

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

The calculation and recognition of obligations related to health benefits attributable to employees at retirement age are similar to the pension's obligations.

n) 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.

o) Bonus payable to employees

Bonus payable to employees by EDP — Energias de Portugal, S.A. and by its subsidiaries are stated in profit or loss in the period that it refers to.

p) Taxation

Income taxes comprise current and deferred taxes. Income tax is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity, in which case is recognised in equity. Deferred taxes recognised in equity, resulting from available for sale investments valuation and from cash flow hedge derivatives, are subsequently recognised in profit and loss in the same period that profits and losses which originate them are recognised.

Current taxes are determined considering the present legal framework and the tax rate approved or substantially approved in each jurisdiction.

Deferred taxes is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, using tax rates approved or substantially approved at each jurisdiction, which are expected to be used when temporary differences revert.

Deferred tax liabilities usually are recognised for all the taxable temporary differences. Deferred tax assets are recognised only in the extent that is probable that future taxable profits will be available against which the asset can be utilised.

q) Employee Stock Option

The stock options programme allows the Group employees to acquire EDP Group shares. The options exercise price is equal to the shares market value at concession date, so there is no recognition of any cost or obligation.

The attributed options fair value, fixed at the grant date, is recognised in profit and loss against equity, during the vesting period, based on the market value calculated at attribution date.

If the option is exercised, the Group will acquire shares at the market to attribute them to employees.

r) Non current assets held for sale

Immediately before classification as held for sale, the carrying amount of the asset (or all the assets and liabilities in the group) shall be measured in accordance with applicable IFRS. On initial classification as held for sale, non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit and loss, even for assets measured at fair value, as are gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

s) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less.

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, 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-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.

At the Group level, 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.

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4. Tangible fixed assets

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Cost:				
Fixed assets held under the DL 344-B/82 regime	240,607	240,607	-	-
Land and natural resources	119,009	119,763	50,081	55,709
Buildings and other constructions	408,409	406,020	33,063	57,959
Plant and machinery:				
Hydroelectric generation	6,435,389	6,414,011	-	-
Thermoelectric generation	5,801,222	5,737,915	-	-
Renewables generation	453,136	455,538	-	-
Electricity distribution	12,465,998	11,772,976	-	-
Other plant and machinery	1,162,060	1,188,161	-	-
Transport equipment	77,647	75,158	2,530	2,312
Office equipment and utensils	381,532	385,305	64,643	64,365
Other tangible fixed assets	22,554	17,368	13,539	13,539
Fixed assets in progress	1,478,960	1,193,644	8,355	10,676
	<u>29,046,523</u>	<u>28,006,466</u>	<u>172,211</u>	<u>204,560</u>
Accumulated depreciation	<u>-16,094,244</u>	<u>-15,447,111</u>	<u>-77,951</u>	<u>-85,702</u>
	<u>12,952,279</u>	<u>12,559,355</u>	<u>94,260</u>	<u>118,858</u>

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	
	Jun 2005	Dec 2004
	Euro'000	Euro'000
Fixed assets held under the DL 344-B/82 regime	240,607	240,607
Accumulated depreciation	-235,159	-234,132
Net amount	<u>5,448</u>	<u>6,475</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 11).

The balance **Tangible fixed assets**, for the **Group** and for the six months period ended 30 June, 2005 is analysed as follows:

	Balance	Acquisitions	Disposals	Transfers	Perimeter	Balance
	January 1st	/ Charge for the year			Variations	June 30
	Euro'000	Euro'000	Euro'000	Euro'000	/ Regularisations	Euro'000
					Euro'000	
Cost:						
Fixed assets held under the DL 344-B/82 regime	240,607	-	-	-	-	240,607
Land and natural resources	119,763	476	-6,340	347	4,763	119,009
Buildings and other constructions	406,020	-	-25,876	1,251	27,014	408,409
Plant and machinery	25,568,601	35,015	-6,064	301,380	418,873	26,317,805
Transport equipment	75,158	1,689	-4,299	75	5,024	77,647
Office equipment and utensils	385,305	1,427	-392	7,653	-12,461	381,532
Other tangible fixed assets	17,368	10	-26	-11,349	16,551	22,554
Fixed assets in progress	1,193,644	547,823	-11,370	-299,357	48,220	1,478,960
	<u>28,006,466</u>	<u>586,440</u>	<u>-54,367</u>	<u>-</u>	<u>507,984</u>	<u>29,046,523</u>
Accumulated depreciation						
Fixed assets held under the DL 344-B/82 regime	234,132	1,027	-	-	-	235,159
Buildings and other constructions	175,328	4,715	-10,573	-	15,667	185,137
Plant and machinery	14,747,362	399,590	-4,197	-	228,703	15,371,458
Transport equipment	55,422	4,204	-3,673	-	4,490	60,443
Office equipment and utensils	223,153	15,046	-479	-	-3,507	234,213
Other tangible fixed assets	11,714	1,896	-13	-	-5,763	7,834
	<u>15,447,111</u>	<u>426,478</u>	<u>-18,935</u>	<u>-</u>	<u>239,590</u>	<u>16,094,244</u>

As at 30 June, 2005, for the Group, the cost of tangible fixed assets financed by leasing is 7,118 thousand Euros (accumulated depreciation of 2,272 thousand Euros) and the respective lease instalments payable are 3,842 thousand Euros.

The Perimeter Variations / Regularisations column includes the effect of the exclusion of Edinfor Group from consolidation perimeter, resulting from the sale of 60% stake during the first semester of 2005, and exchange rates fluctuations resulting from the translation to Euros of Brazilian Group assets in the amount of 375,145 thousand Euros.

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The balance **Tangible assets**, for the **company** and for the six months period ended 30 June, 2005 is 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 June 30 Euro'000
Cost:						
Land and natural resources	55,709	476	-6,104	-	-	50,081
Buildings and other constructions	57,959	-	-24,896	-	-	33,063
Transport equipment	2,312	452	-234	-	-	2,530
Office equipment and utensils	64,365	300	-13	-	-9	64,643
Other tangible fixed assets	13,539	-	-	-	-	13,539
Fixed assets in progress	10,676	1,711	-4,009	-	-23	8,355
	<u>204,560</u>	<u>2,939</u>	<u>-35,256</u>	<u>-</u>	<u>-32</u>	<u>172,211</u>
Accumulated depreciation						
Buildings and other constructions	27,957	351	-10,139	-	-	18,169
Transport equipment	904	214	-139	-	-	979
Office equipment and utensils	55,324	1,297	-13	-	-	56,608
Other tangible fixed assets	1,517	678	-	-	-	2,195
	<u>85,702</u>	<u>2,540</u>	<u>-10,291</u>	<u>-</u>	<u>-</u>	<u>77,951</u>

As at 30 June, 2005, on a company basis, the cost of tangible fixed assets financed by leasing is in the amount of 1,849 thousand Euros (accumulated depreciation of 408 thousand Euros) and the respective lease instalments payable are 1,271 thousand Euros.

5. Intangible fixed assets

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Cost:				
Industrial property and other rights	243,233	264,676	50	50
Assets in progress and other fixed assets	4,570	5,982	-	-
Key money on telecommunications business	32,890	73,169	-	-
Concession rights in Brazil	849,471	846,633	-	-
	<u>1,130,164</u>	<u>1,190,460</u>	<u>50</u>	<u>50</u>
Accumulated depreciation	<u>-299,436</u>	<u>-297,064</u>	<u>-23</u>	<u>-19</u>
	<u>830,728</u>	<u>893,396</u>	<u>27</u>	<u>31</u>

The balance **Intangible fixed assets**, for the **Group** and for the six months period ended 30 June, 2005 is 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 June 30 Euro'000
Cost:						
Industrial property and other rights	264,676	868	-193	1,827	-23,945	243,233
Assets in progress and other fixed assets	5,982	9,154	-1,140	-1,827	-7,599	4,570
Key money on telecommunications business	73,169	-	-	-	-40,279	32,890
Concession rights in Brazil	846,633	-	-	-	2,838	849,471
	<u>1,190,460</u>	<u>10,022</u>	<u>-1,333</u>	<u>-</u>	<u>-68,985</u>	<u>1,130,164</u>
Accumulated depreciation:						
Industrial property and other rights	95,400	12,691	-21	-	-6,426	101,644
Key money on telecommunications business	33,721	1,644	-	-	-20,756	14,609
Concession rights in Brazil	167,943	14,942	-	-	298	183,183
	<u>297,064</u>	<u>29,277</u>	<u>-21</u>	<u>-</u>	<u>-26,884</u>	<u>299,436</u>

The Perimeter Variations / Regularisations column includes the effect of the exclusion of Edinfor Group from consolidation perimeter, resulting from the sale of 60% stake during the first semester of 2005, and exchange rates fluctuations resulting from the translation to Euros of Brazilian Group assets in the amount of 13.5 thousand Euro.

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The balance **Intangible assets** for the **company** and for the six months period ended 30 June, 2005 is 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 June 30 Euro'000
Cost:						
Industrial property and other rights	50	-	-	-	-	50
	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>
Accumulated depreciation:						
Industrial property and other rights	19	4	-	-	-	23
	<u>19</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>

The balance **Concession rights in Brazil**, for the **Group**, results 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:

	Jun 2005			Dec 2004		
	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	849,471	-183,183	666,288	846,633	-167,943	678,690
Amortisation charge for the year		<u>-14,942</u>			<u>-30,489</u>	

The Concession rights over the electric distribution network, namely from S. Paulo state, Espirito 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 30 June, 2005, 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 Hidrocontábrica	112,360	-66,597	45,763
Optic fibre usage rights	Oni Telecom	129,003	-34,080	94,923
Other	Other companies	1,870	-967	903
		<u>243,233</u>	<u>-101,644</u>	<u>141,589</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:

	Balance January 1st Euro'000	Acquisitions / Charge for the year Euro'000	Disposals Euro'000	Exchange differences	Regularisations Euro'000	Balance June 30 Euro'000
Electricity Business	1,256,875	10,090	-	271	11,573	1,278,809
Gas Distribution Business	699,073	-	-	-	-11,359	687,714
Telecommunications Business	78,898	-	-	-	-78,898	-
Other Businesses	36,062	48,656	-	969	-3	85,684
	<u>2,070,908</u>	<u>58,746</u>	<u>-</u>	<u>1,240</u>	<u>-78,687</u>	<u>2,052,207</u>

According to IFRS 3, goodwill resulting from business combinations is subject to annual impairment tests or when the circumstances evidence possible impairment.

During the first six months of 2005, the variation of this balance is justified by an increase of 49 million Euros resulting from the acquisition of a 20% stake of Turbogás, S.A. and 26.667% stake of Portugen, S.A. and by a decrease of 73 million Euros related to Comunitel, for which the decision to sell led to a reclassification to the balance Assets and liabilities classified as held for sale (see note 26).

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7. Investments in associates

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Equity holdings:				
DECA - Distribucion Eléctrica Centroamerica, S.A.	60,527	49,952	62,954	62,954
Companhia de Electricidade de Macau	56,457	48,992	-	-
REN - Rede Eléctrica Nacional, S.A.	129,809	144,624	319,589	319,589
Empresas associadas do Grupo Hidroantábrico	39,712	38,470	-	-
Portisines - Terminal de Multipurpose de Sines, S.A.	7,680	7,381	-	-
Turbogás - Produtora Energética, S.A.	11,687	6,026	-	-
Portgás-Soc.de Prod.e Distrib.de Gás, S.A.	20,564	15,443	60,273	61,359
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	1,736	1,597	-	-
AIST-Administradora de Inmuebles Santo Tomas, S.A.	1,221	1,065	1,649	1,649
Edinfor, S.A.	38,104	-	59,978	-
Other	4,255	3,225	1,034	1,034
	<u>371,752</u>	<u>316,775</u>	<u>505,477</u>	<u>446,585</u>
Impairment of investments in associates	<u>-</u>	<u>-</u>	<u>-88,173</u>	<u>-73,894</u>
	<u>371,752</u>	<u>316,775</u>	<u>417,304</u>	<u>372,691</u>

After the sale of a 60% stake of Edinfor, S.A. share capital to Lógica CMG, from 1 January, 2005, this investment is being consolidated by the equity method.

The balance **Impairment of investments in associates** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	-	-	73,894	-
Charge for the year by acquisition cost reconstitution	-	-	-	73,894
Transfers	-	-	14,279	-
Balance at the end of the period	<u>-</u>	<u>-</u>	<u>88,173</u>	<u>73,894</u>

The caption Transfers is related to the provision held for the investment of Edinfor, which was reclassified from the caption Other financial investments (see note 8).

8. Other investments

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Equity holdings in subsidiary companies	64	60	8,882,557	8,972,538
Investments available for sale	934,453	1,161,046	288,573	337,574
	<u>934,517</u>	<u>1,161,106</u>	<u>9,171,130</u>	<u>9,310,112</u>
Investments in properties:				
Buildings and other constructions	2,653	2,546	-	-
	<u>2,653</u>	<u>2,546</u>	<u>-</u>	<u>-</u>
Other financial investments:				
Public debt securities	19	19	19	19
Other securities	8,649	7,299	-	-
Other financial investments	7,064	16,961	-	-
	<u>15,732</u>	<u>24,279</u>	<u>19</u>	<u>19</u>
	<u>952,902</u>	<u>1,187,931</u>	<u>9,171,149</u>	<u>9,310,131</u>
Impairment of investments:				
Equity holdings in subsidiary companies	-1,582	-849	-1,689,222	-1,703,502
Other financial investments	-5,376	-2,910	-	-
	<u>-6,958</u>	<u>-3,759</u>	<u>-1,689,222</u>	<u>-1,703,502</u>
Amortisation of investments in properties	<u>-372</u>	<u>-366</u>	<u>-</u>	<u>-</u>
	<u>-7,330</u>	<u>-4,125</u>	<u>-1,689,222</u>	<u>-1,703,502</u>
	<u>945,572</u>	<u>1,183,806</u>	<u>7,481,927</u>	<u>7,606,629</u>

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The breakdown of **Equity holdings in subsidiary companies** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Equity holdings in subsidiary companies:				
EDP Distribuição de Energia, S.A.	-	-	2,044,047	2,044,047
EDP Comercialização de Energia, S.A.	-	-	39,703	39,703
Edinfor - Sistemas Informáticos, S.A.	-	-	-	151,706
EDP Gestão de Produção de Energia, S.A.	-	-	1,500,000	1,500,000
EDP-Participações, SGPS, S.A.	-	-	1,165,915	1,117,230
Enernova, S.A.	-	-	31,258	31,258
EDP Produção Bioelétrica, S.A.	-	-	13,200	13,200
EDP Internacional, S.A.	-	-	1,211,125	1,211,125
Enercorp - Serviços Corporativos, Lda.	-	-	-	22,259
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	6,550	6,550
Edalpro - Imobiliária, Lda.	-	-	748	748
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	-	-	3,465	3,465
EDP Brasil, S.A.	-	-	506,299	484,963
EDP Investimento, Gestão de Participações e Assistência Técnica, Lda.	-	-	5	5
Hidroelétrica del Cantábrico, S.A.	-	-	1,981,520	1,975,953
EDP Finance Company, Ltd.	-	-	1,000	1,000
ONI, SGPS, S.A.	-	-	302,395	302,395
Sávida, S.A.	-	-	2,217	-
NQF, S.A.	-	-	62,761	62,761
Other	64	60	10,349	4,170
	64	60	8,882,557	8,972,538

The breakdown of **Investments available for sale** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Investments available for sale:				
CERJ - Companhia Elétrica do Estado Rio Janeiro	85,905	85,905	-	-
Galp Energia, SGPS, S.A.	328,171	328,171	-	-
BCP - Banco Comercial Português, S.A.	179,339	295,939	-	-
OPTEP (Optimus, S.A.)	287,000	336,000	287,000	336,000
Elcogás, S.A.	4,720	4,720	-	-
Tagusparque, S.A.	1,097	1,097	-	-
Tejo Energia, S.A.	4,988	4,988	-	-
ValorSul, S.A.	3,878	3,878	-	-
Efacec, S.A.	3,566	3,566	-	-
EDA - Elétrica dos Açores, S.A.	6,891	6,891	-	-
Costa Rica Energética, Lda.	3,322	2,635	-	-
Red Elétrica de España S.A.	-	66,959	-	-
Other	25,576	20,297	1,573	1,574
	934,453	1,161,046	288,573	337,574

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 Setgás-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.

During the first semester of 2005, the following changes took place in the consolidation perimeter of the EDP Group:

- In March 2005, EDP Participações SGPS, S.A., a fully owned subsidiary of EDP S.A., has acquired from National Power International Holdings BV, a shareholding of 20% of Turbogás, S.A. and 26.667% of Portugén, S.A., in the amounts of 46,773 thousand Euros and 5,211 thousand Euros, respectively;
- In January 2005, EDP S.A., celebrated an agreement for the sale of 60% stake of Edinfor, S.A. with Logica CMG, whose sale was concluded in April 2005;

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- In April 2005, EDP — Energias do Brasil, S.A. celebrated an agreement related to the corporate reorganisation of its subsidiaries Bandeirante Energia, S.A., Iven, S.A., Espírito Santo Centrais Elétricas, S.A., Magistra Participações, S.A. and Empresa Energética de Mato Grosso do Sul, S.A., in order to merge these companies into Energias do Brasil. Consequently, the roll-up of the above mentioned companies minority shareholders into Energias do Brasil share capital.

The balance **Impairment of investments** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Impairment of Equity holdings in subsidiary companies:				
Balance at the beginning of the period	849	849	1,703,502	1,703,752
Medium and long term investments	-	-	-	-250
Transfers	733	-	-14,280	-
Balance at the end of the period	<u>1,582</u>	<u>849</u>	<u>1,689,222</u>	<u>1,703,502</u>
Impairment of Other financial investments:				
Balance at the beginning of the period	2,910	1,391	-	-
Perimeter variations	-	1,519	-	-
Charge for the year	2,466	-	-	-
Balance at the end of the period	<u>5,376</u>	<u>2,910</u>	<u>-</u>	<u>-</u>
	<u>6,958</u>	<u>3,759</u>	<u>1,689,222</u>	<u>1,703,502</u>

The balance **Investments available for sale** is analysed as follow:

	Jun 2005				
	Book Value	Impairment	Potential loss	Potential gain	Carrying Value
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
CERJ - Companhia Elétrica 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.	298,129	-133,591	-	14,801	179,339
OPTEP (Optimus)	315,000	-	-28,000	-	287,000
Other	54,038	-	-	-	54,038
	<u>1,084,782</u>	<u>-133,591</u>	<u>-37,144</u>	<u>20,406</u>	<u>934,453</u>

During 2004, the financial investment at Red Eléctrica de España was reclassified to the balance Investments available for sale in other companies at its fair value. During the first semester of 2005 this investment was sold originating a consolidated gain of 8,270 thousand Euros.

In June 2005, shares representing 2.01% of BCP share capital were sold to the Pension Fund, in the amount of 153 million Euros. This amount corresponds to a prepayment of a future contribution to the Fund, and was transferred to the balance Debtors and other sundry assets (see note 12).

The impairment loss related to the investment held at BCP, in the amount of 133,591 thousand Euros was originated before 2003.

As at 30 June, 2005, the credits over subsidiary and associated companies, for the **company**, are analysed as follows:

	Intra-group financial mov.	Loans	Other credits	Total
	Eur'000	Eur'000	Eur'000	Eur'000
Companies				
Central-e	-	12,065	315	12,380
CPPE	23,445	-	88,017	111,462
Edinfor	-	11,108	114	11,222
EDP Comercial	38,106	47,000	731	85,837
EDP Distribuição	186,913	1,228,125	52,665	1,467,703
EDP Finance	-	284,899	4,296	289,195
EDP Outsourcing	37,075	-	8,697	45,772
EDP Participações	-	41,117	263	41,380
EDP Produção	945	2,145,830	34,641	2,181,416
EDP Produção Bioelétrica	6,856	13,492	259	20,607
EDP Valor	-	2,376	1,680	4,056
Enernova	64,084	64,586	3,358	132,028
It-Log	-	-	2,701	2,701
Labelec	2,398	-	329	2,727
NQF, SGPS	-	4,202	-	4,202
ONI Telecom	-	-	2,580	2,580
ONI, SGPS	-	109,850	1,600	111,450
Portgás	-	23,639	-	23,639
REN	-	-	33,606	33,606
Other	5,376	1,791	441	7,608
	<u>365,198</u>	<u>3,990,080</u>	<u>236,293</u>	<u>4,591,571</u>

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As at 30 June, 2005, the debts over subsidiary and associated companies, for the **company**, are analysed as follows:

	Intra-Grupo financial mov. Eur'000	Loans Eur'000	Other debts Eur'000	Total Eur'000
Companies				
Edinfor	-	-	7,341	7,341
EDP Comercial	-	-	2,500	2,500
EDP Distribuição	-	-	2,270	2,270
EDP Estudos e Consultoria	-	-	1,944	1,944
EDP Participações	192,089	-	-	192,089
EDP Produção	219,148	-	16,119	235,267
EDP Produção EM	4,602	-	23	4,625
It-Log	-	-	3,386	3,386
Sávida	5,637	-	3	5,640
Other	6,695	-	6,641	13,336
	<u>428,171</u>	<u>-</u>	<u>40,227</u>	<u>468,398</u>

9. 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 and on a tax basis, these balances are analysed as follows:

	Deferred tax assets		Deferred tax liabilities	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
EDP S.A. and RETGS (*) companies	767,589	672,142	285,280	287,264
ONI Group	56,650	107,145	-1	629
EDP Brasil Group	402,550	291,148	239,418	169,813
Hidrocantábrico Group	44,674	48,986	123,185	115,919
EDP Finance BV	25,136	19,808	3,640	754
Other	<u>4,202</u>	<u>921</u>	<u>-</u>	<u>-</u>
Total EDP Group	<u>1,300,801</u>	<u>1,140,150</u>	<u>651,522</u>	<u>574,379</u>

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

The balances **Deferred tax assets** and **Deferred tax liabilities**, for the **Group**, are analysed as follows:

	Deferred tax assets Group		Deferred tax liabilities Group	
	Jun 2005 Euro '000	Dec 2004 Euro '000	Jun 2005 Euro '000	Dec 2004 Euro '000
Balance at the beginning of the period	1,140,150	1,032,812	574,379	650,684
Charges through the profit and loss account:				
Tax losses	901	14,349	-	331
Provisions	41,248	45,179	901	-123
Amortisation	-	-	-3,664	802
Accounting revaluations	-	-28,543	-10,181	-62,766
Tariffs deviation	-3,396	18,536	2,915	-1,875
Other	<u>14,588</u>	<u>87,742</u>	<u>44,063</u>	<u>-34,556</u>
Income charge	<u>53,341</u>	<u>137,263</u>	<u>34,034</u>	<u>-98,187</u>
Charges against reserves:				
Accounting revaluations	38,704	-	-5,188	-
Other	<u>10,076</u>	<u>-600</u>	<u>6,463</u>	<u>-</u>
Reserves charge	<u>48,780</u>	<u>-600</u>	<u>1,275</u>	<u>-</u>
Transfers / Utilisations	<u>58,530</u>	<u>-29,325</u>	<u>41,834</u>	<u>21,882</u>
Balance at the end of the period	<u>1,300,801</u>	<u>1,140,150</u>	<u>651,522</u>	<u>574,379</u>

The balance Transfers/Utilisations, for the Group, include the exchange rate fluctuation effect of deferred taxes assets and liabilities.

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

	Group	
	Jun 2005 Euro'000	Dec 2004 Euro'000
Income taxes (effective)	134,946	16,371
Costs/(profits) recorded in the year and recognised as deferred taxes in previous years, resulting from:		
- Tax losses	-3,659	-13,984
- Provisions	-40,098	-43,823
- Amortisations	-3,664	30,306
- Accounting revaluations	-10,181	-62,766
- Tariffs deviation	6,311	-20,411
- Other	28,100	-121,329
	<u>-23,191</u>	<u>-232,007</u>
Costs/(profits) resulting from taxes not previously recorded as deferred taxes:		
- Provisions	-249	-11,318
- Other	1,374	37
	<u>1,125</u>	<u>-11,281</u>
Deferred taxes	<u>-22,066</u>	<u>-243,288</u>
Current taxes	<u>157,012</u>	<u>259,659</u>

10. Inventories

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Merchandise	2,310	1,972	-	-
Purchases and advances on account of purchases	1,341	312	-	-
Products and work in progress	5,541	2,330	-	-
Sub-products, waste, residues and scrap	4,592	3,994	-	-
Raw and subsidiary materials and consumables:				
Coal	18,648	28,567	-	-
Fuel	30,279	24,060	-	-
Other consumables	84,939	95,571	-	-
	<u>147,650</u>	<u>156,806</u>	<u>-</u>	<u>-</u>

11. Customers

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

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Short term trade accounts receivable - Current:				
Resident customers:				
State and official entities	43,172	39,891	8	-
Local government	31,551	29,260	-	-
Corporate sector and individuals	764,420	752,809	1,171	4,263
	<u>839,143</u>	<u>821,960</u>	<u>1,179</u>	<u>4,263</u>
Non-resident customers:				
Corporate sector and individuals	596,212	340,174	-	-
	<u>1,435,355</u>	<u>1,162,134</u>	<u>1,179</u>	<u>4,263</u>
Doubtful debts	198,239	188,261	12,403	12,043
Impairment for doubtful debts	-195,009	-188,551	-11,684	-11,144
	<u>1,438,585</u>	<u>1,161,844</u>	<u>1,898</u>	<u>5,162</u>
Medium and long-term trade accounts receivable - Non Current:				
Resident customers:				
Local government - Debt at 31 December, 1988 (i)	153,060	178,127	-	-
Corporate sector and individuals	32,815	5,241	-	-
	<u>185,875</u>	<u>183,368</u>	<u>-</u>	<u>-</u>
Impairment for Local government - Debt at 31 December, 1988	-85,906	-88,228	-	-
	<u>99,969</u>	<u>95,140</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.

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The movements in the **Impairment for doubtful debts and for Local government at 31 December, 1988** are analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	276,779	282,937	11,144	9,119
Changes in the consolidation perimeter	-2,988	12,181	-	-
Charge for the year	15,531	18,865	540	2,025
Transfers	5,208	-22,112	-	-
Write-backs	-8,247	-7,084	-	-
Charge-off	-5,368	-8,008	-	-
Balance at the end of the period	<u>280,915</u>	<u>276,779</u>	<u>11,684</u>	<u>11,144</u>

12. Debtors and other sundry assets

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Trade accounts receivable-Current				
Loans to subsidiaries	-	-	137,951	97,959
Other related companies	2,720	15,516	1,560	1,560
Advances to suppliers	2,763	2,149	-	-
Other debtors:				
- Current account with the Pension Fund	12,300	12,120	12,300	12,120
- Amounts owed to staff	3,634	2,195	3	6
- Amounts receivable from Telecommunications business	55,640	90,045	-	-
- Amounts receivable from brazilian tariff expenses	2,933	2,894	-	-
- Amounts owed by the State and Concessors	6,130	5,948	95,548	5,832
- Debtors in respect of other goods and services	79,152	55,326	37,845	19,548
- Amounts receivable from Piratininga	-	11,547	-	-
- Amounts receivable from Retecal sale	-	28,887	-	-
- Amounts receivable from Enerpeixe sale	4,340	11,923	-	-
- Amounts receivable from Fatem sale	17,210	19,919	-	-
- Interests and financial assets	517,746	415,268	400,425	334,490
- Other debtors - Subsidiaries	-	-	3,681	232,606
- Advances to pensioners	5,800	6,242	-	-
- Advance contribution for the Pension Fund	153,154	-	153,154	-
- Amounts receivable from trading activity	22,603	84	-	-
- Amounts receivable from re-insurance and insurance	7,545	6,771	-	-
- Fixed assets advanced payments	24,644	-	-	-
- Other tax receivable	7,169	7,129	-	-
- Expenditure on concessions	10,016	10,653	-	-
- Rents	655	689	-	3
- Insurances	4,306	3,467	4,033	3,305
- Other deferred costs	40,042	28,658	111	860
- Other debtors and sundry operations	164,101	149,009	84,129	133,890
	<u>1,144,603</u>	<u>886,439</u>	<u>930,740</u>	<u>842,179</u>
Impairment for short-term debtors - Current	<u>-94,892</u>	<u>-12,947</u>	<u>-17,750</u>	<u>-</u>
	<u>1,049,711</u>	<u>873,492</u>	<u>912,990</u>	<u>842,179</u>
Medium and long-term trade accounts receivable - Non Current:				
Other related companies	46,949	37,446	39,039	27,930
Loans to subsidiaries	-	-	3,840,302	3,804,819
Loans to associated companies	42,622	30,536	-	-
Energy efficiency programme - Escelsa	4,197	2,372	-	-
Other debtors:				
- Other tax receivable	13,998	6,866	-	-
- Amounts receivable from regulatory entities	11,230	8,200	-	-
- Amounts receivable from Piratininga	14,726	-	-	-
- Debt from Municipalities (I)	9,270	9,270	-	-
- Guarantees and tied deposits	59,615	60,298	2	2
- Other debtors and sundry operations	12,117	20,525	-	1
	<u>214,724</u>	<u>175,513</u>	<u>3,879,343</u>	<u>3,832,752</u>
Impairment for medium/long-term debtors - Non Current	<u>-28,432</u>	<u>-21,821</u>	<u>-</u>	<u>-</u>
	<u>186,292</u>	<u>153,692</u>	<u>3,879,343</u>	<u>3,832,752</u>

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(i) The balance **Debt from Municipalities** is related to the compensated fixed assets undergoing integration and corresponds to the net amounts, at the integration date, of the debts of Municipalities at 31 December, 1988, compensated by the corresponding assets on 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 depending on the celebration of the concession agreements or debt regularisation protocols to be contracted by EDP and the Municipalities.

The balance **Impairment for short-term debtors - Current** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	12,947	9,335	-	-
Changes in the consolidation perimeter	-58	-66	-	-
Charge for the year	83,208	4,101	17,750	-
Transfers between customers and debtors	-403	2,363	-	-
Write-backs	-802	-2,786	-	-
Balance at the end of the period	<u>94,892</u>	<u>12,947</u>	<u>17,750</u>	<u>-</u>

The balance **Impairment for medium and long-term debtors - Non Current** is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	21,821	-	-	-
Transfers between customers and debtors	1,865	21,761	-	-
Charge-off	582	-	-	-
Exchange differences	4,164	60	-	-
Balance at the end of the period	<u>28,432</u>	<u>21,821</u>	<u>-</u>	<u>-</u>

13. Income tax receivable

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
State and other public entities:				
- Income tax	29,694	2,036	842	160,624
- Value added tax	166,685	164,893	24,862	19,976
- Other taxes	24,576	15,925	-	-
	<u>220,955</u>	<u>182,854</u>	<u>25,704</u>	<u>180,600</u>

14. Trading securities and Cash and bank deposits

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Cash:				
- Cash in hand	3,715	57	8	-
Bank deposits:				
- Current deposits	194,719	183,855	514	94
- Term deposits	6,081	8,744	2,320	2,320
	<u>200,800</u>	<u>192,599</u>	<u>2,834</u>	<u>2,414</u>
	<u>204,515</u>	<u>192,656</u>	<u>2,842</u>	<u>2,414</u>

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Trading securities:				
- Other securities	71,699	56,249	-	-
Other treasury investments:				
- Financial products at domestic banks	16,500	8,701	10,000	8,700
- Financial products at foreign banks	63,117	29,358	295	6,588
	<u>79,617</u>	<u>38,059</u>	<u>10,295</u>	<u>15,288</u>
Impairment for other treasury investments	-	-15	-	-
	<u>151,316</u>	<u>94,293</u>	<u>10,295</u>	<u>15,288</u>

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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	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Cash components:				
- Cash	3,715	57	8	-
- Bank deposits	200,800	192,599	2,834	2,414
- Trading securities	71,699	56,249	-	-
	<u>276,214</u>	<u>248,905</u>	<u>2,842</u>	<u>2,414</u>
Cash equivalents:				
- Other treasury investments	79,617	38,059	10,295	15,288
- Overdrafts	-544,042	-533,728	-	-
	<u>-464,425</u>	<u>-495,669</u>	<u>10,295</u>	<u>15,288</u>
Cash and cash equivalents	<u>-188,211</u>	<u>-246,764</u>	<u>13,137</u>	<u>17,702</u>

15. Share capital and Share premium

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.

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 (including tax expense) with Share Capital increase	-	-78,536
Balance as at 31 December, 2004	<u>3,656,538</u>	<u>472,955</u>
Reversal of estimated tax expense from share capital increase	-	29,086
Balance as at 30 June, 2005	<u>3,656,538</u>	<u>502,041</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 Hidrocarbúrico 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) attributable to the majority interests is as follows:

	Group	
	Jun 2005	Jun 2004
Consolidated net profit in Euros	<u>318,340,367</u>	<u>287,996,528</u>
Consolidated net profit for the continuing operations in Euros	<u>312,783,367</u>	<u>287,996,528</u>
Average number of shares during the year	<u>3,032,152,458</u>	<u>2,975,651,332</u>
Net Profit per share - Basic and Diluted - Euros	<u>0.10</u>	<u>0.10</u>
Net Profit per share for the continuing operations - Basic and Diluted - Euros	<u>0.10</u>	<u>0.10</u>

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

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16. 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.

17. Treasury stock

This balance is analysed as follows:

	Group and Company	
	Jun 2005	Dec 2004
	Euro'000	Euro'000
Book value of EDP, S.A. shares	47,568	31,662
Number of shares	21,662,109	14,287,657
Market Price of EDP, S.A. shares	2.08 euros	2.23 euros
Market value of EDP, S.A. shares	45,057	31,861

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). These shares are stated at acquisition cost. The cost of treasury stock is based on FIFO method.

18. Reserves and retained earnings

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Legal reserves	367,454	345,446	367,454	345,446
Cashflow hedge - Fair Value reserve	-152,241	643	-152,241	643
Other reserves and retained earnings	3,216,045	3,356,802	1,427,352	1,643,241
Currency translation arising on consolidation	-417,195	-571,564	-	-
Other reserves arising on consolidation	-3,341,108	-3,234,115	-	-
Net profit for the year	318,340	42,815	60,712	157,673
	-8,705	-59,973	1,703,277	2,147,003

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:

		Exchange rates Jun 2005		Exchange rates Dec 2004	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Currency					
American dollar	USD	1.209	1.285	1.362	1.241
Brazilian Real	BRL	2.849	3.283	3.615	3.630
Macao Pataca	MOP	9.681	10.316	10.905	9.956

19. Minority interests

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

	Group	
	Jun 2005	Dec 2004
	Euro'000	Euro'000
Edinfor Group	-	6,989
Brazil Group	264,325	200,211
Hidrocanfábrico Group	547,121	535,386
Other	391	1,351
	811,837	743,937

During the first semester of 2005, EDP Group results attributable to minority interests amounted to 31,796 thousand Euros.

20. Hydrological correction account

The movements occurred in this balance are analysed as follows:

	Group and Company	
	Jun 2005	Dec 2004
	Euro'000	Euro'000
Balance at the beginning of the period	364,197	387,506
Movement for the year	-102,742	-32,617
Financial charges	3,843	9,308
Balance at the end of the period	<u>265,298</u>	<u>364,197</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.

The hydrological correction account was established by Decree law no. 338/91 and constitutes a legally mandated mechanism for compensating the variable costs of electricity generation. This accrual was set up mainly in 1994 through a charge against income during the period that EDP was owned by the Portuguese state. Despite the separation of REN from EDP in 2000, further regulation (through Decree law no. 98/2000) maintained the requirement to keep this account in the balance sheet of EDP.

The main objective of the hydrological correction account is to avoid imbalances in the electricity sector due to changes in variable costs incurred as a result of hydrological conditions. Accordingly, since the tariffs cannot be modified immediately to reflect the changes in variable costs incurred as a result of hydrological conditions, this account is used to compensate the volatility in variable operating costs of power generators in the SEP for unfavourable hydrological conditions, such as when thermal generation increases and, consequently, expenditures on fuel and electricity imports increase substantially. In years with abundant rainfall, the opposite occurs. In this context, and with a view toward avoiding major distortions in operating results due to favourable or unfavourable hydrological conditions, the hydrological correction account is adjusted upwards or downwards based upon average hydrological conditions.

As mentioned above until 2000 REN was part of the EDP Group and therefore the movements of the hydrological correction account were within the EDP Group. Since the separation of REN in June 2000, EDP (at the holding company level) pays or receives cash from REN, which is booked against the hydrological correction account. REN uses the amount received or paid to compensate the operators in the SEP (a significant majority of which are EDP subsidiaries) in accordance with the objectives of the hydrological correction account as described above. As such, REN is effectively a flow-through entity for purposes of the hydrological correction account. For Portuguese GAAP purposes, the operators in SEP who receive or pay cash to REN account for it against earnings.

The Portuguese Government approves the amount of the accumulated balance and the movements during the year on an annual basis. REN is engaged to calculate the amounts to be received or paid by EDP in relation to the hydrological correction account.

21. Short term, medium and long term debt

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Short term loans - Current				
Overdrafts:				
- ONI Group	544,037	533,720	-	-
- Other	5	8	-	-
	<u>544,042</u>	<u>533,728</u>	<u>-</u>	<u>-</u>
Bank loans:				
- EDP, S.A.	253,063	336,628	253,063	336,628
- ONI Group	-	88,818	-	-
- EDP Produção Group	4,718	-	-	-
- Brazil Group	340,296	211,624	-	-
- Hidrocentrálbrico Group	59,091	54,623	-	-
- Other	17,472	26,506	-	-
	<u>674,640</u>	<u>718,199</u>	<u>253,063</u>	<u>336,628</u>
Bonds loans - Non convertible:				
- EDP, S.A.	56,584	9,951	56,584	9,951
- Brazil Group	2,750	2,738	-	-
	<u>59,334</u>	<u>12,689</u>	<u>56,584</u>	<u>9,951</u>
Commercial paper:				
- EDP, S.A.	470,000	470,000	2,590,998	1,905,407
- Hidrocentrálbrico Group	90,200	106,400	-	-
	<u>560,200</u>	<u>576,400</u>	<u>2,590,998</u>	<u>1,905,407</u>
Other short term loans:				
- Other	2,644	2,546	-	-
	<u>2,644</u>	<u>2,546</u>	<u>-</u>	<u>-</u>
Interest payable	135,084	117,218	65,000	67,384
	<u>1,975,944</u>	<u>1,960,780</u>	<u>2,965,645</u>	<u>2,319,370</u>

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	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Medium/Long term loans - Non Current				
Bank loans:				
- EDP, S.A.	562,928	571,436	562,928	571,436
- Brazil Group	499,457	419,196	-	-
- Hidrocanfábrico Group	303,379	1,460,060	-	-
- EDP Finance B.V.	1,800,000	635,000	-	-
- Other	25,947	29,694	-	-
	<u>3,191,711</u>	<u>3,115,386</u>	<u>562,928</u>	<u>571,436</u>
Bonds loans - Non convertible:				
- EDP, S.A.	2,156,983	2,466,299	2,156,983	2,466,299
- EDP Finance B.V.	1,618,718	963,694	-	-
- Brazil Group	88,422	75,435	-	-
	<u>3,864,123</u>	<u>3,505,428</u>	<u>2,156,983</u>	<u>2,466,299</u>
Commercial paper:				
- EDP, S.A.	100,000	100,000	100,000	100,000
Other medium/long term loans:				
- Investco preference shares	22,439	22,439	-	-
- Other	13,982	15,295	-	-
	<u>36,421</u>	<u>37,734</u>	<u>-</u>	<u>-</u>
	<u>7,192,255</u>	<u>6,758,548</u>	<u>2,819,911</u>	<u>3,137,735</u>
Other liabilities:				
- Recognition of liabilities on the sale of OPTEP (Optimus) in 2002	315,000	315,000	315,000	315,000
- Fair value related with the hedging of issued debt risk	96,793	107,557	133,039	146,520
	<u>411,793</u>	<u>422,557</u>	<u>448,039</u>	<u>461,520</u>
	<u>7,604,048</u>	<u>7,181,105</u>	<u>3,267,950</u>	<u>3,599,255</u>

The balance Other liabilities includes, for the Group and for the Company, the amount of 315 million Euros resulting from the sale of 100% of OPTEP/Optimus in 2002, since there is a "selling price adjustment mechanism of OPTEP/Optimus", which, in accordance with the rules in force, does not allow this operation to be considered as an effective sale and consequently the recognition of the asset. On this basis, the investment sold in 2002 is registered under assets and the respective liability under liabilities.

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 30 June, 2005, 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.

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The breakdown of **Bonds loans** issues as at 30 June, 2005 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	30/Mai/96	Euribor 6 months - 0.10%	(i)	6,604	6,604
EDP, S.A. 23rd Issue	20/Dez/96	Euribor 6 months - 0.125%	(ii)	10,332	10,332
EDP, S.A. 25th Issue	23/Nov/98	Euribor 6 months + 0.225%	(iii)	299,279	299,279
EDP, S.A. 26th Issue	26/Mar/03	Euribor 6 months + 0.5%	26-Mar-2013	150,000	150,000
				<u>466,215</u>	<u>466,215</u>
Issued by EDP, S.A. within the Euro Medium Term Notes Programme					
EDP, S.A. 1st Issue	29/Oct/99	Fixed rate EUR 6.40%	29-Oct-2009	1,000,000	1,000,000
EDP, S.A. 2nd Issue	28/Mar/01	Fixed rate EUR 5.875%	28-Mar-2011	747,352	747,352
EDP Finance B.V. 4th Issue	26/Nov/01	Coupon Zero	27-Nov-2009	22,455	-
EDP Finance B.V. 5th Issue (*)	28/Nov/01	Fixed rate JPY 0.70%	28-Nov-2006	27,882	-
EDP Finance B.V. 6th Issue (*)	9/Ago/02	Fixed rate GBP 6.625%	09-Ago-2017	320,000	-
EDP Finance B.V. 7th Issue	16/Dez/02	Fixed rate EUR 5.00%	20-Mar-2008	355,024	-
EDP Finance B.V. 8th Issue	23/Dez/02	Fixed rate EUR 2.661%	23-Dez-2022	93,357	-
EDP Finance B.V. 9th Issue	22/Jun/05	Fixed rate EUR 3.75%	22-Jun-2015	500,000	-
EDP Finance B.V. 10th Issue	29/Jun/05	Fixed rate EUR 4.125%	29-Jun-2020	300,000	-
				<u>3,366,070</u>	<u>1,747,352</u>
Issued by Escelsa (Brazil) (International Bond)					
Escelsa USD 430 Million (**)	28/Jul/97	Fixed rate USD 10.0%	15-Jul-2007	60,006	-
Issued by Investco (Brazil) (Domestic bond)					
Investco 1st Issue	1/Nov/01	IGPM + 12.80%	1-Nov-2011	22,689	-
Investco (FINAM)	14/Nov/03	TJLP + 4%	14-Nov-2011	8,477	-
				<u>31,166</u>	<u>-</u>
				<u>3,923,457</u>	<u>2,213,567</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) 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	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Bank loans and overdrafts:				
Up to 1 year	1,916,610	1,948,091	2,909,061	2,309,419
1 to 5 years	3,101,008	3,122,157	886,943	1,069,077
Over 5 years	638,917	553,520	224,024	63,879
	<u>5,656,535</u>	<u>5,623,768</u>	<u>4,020,028</u>	<u>3,442,375</u>
Bond loans:				
Up to 1 year	59,334	12,689	56,584	9,951
1 to 5 years	1,747,590	1,916,851	1,257,048	1,466,299
Over 5 years	2,116,533	1,588,577	899,935	1,000,000
	<u>3,923,457</u>	<u>3,518,117</u>	<u>2,213,567</u>	<u>2,476,250</u>
	<u>9,579,992</u>	<u>9,141,885</u>	<u>6,233,595</u>	<u>5,918,625</u>

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

	Jun 2005		Dec 2004	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term loans - Current	1,975,944	1,975,944	1,960,780	1,960,780
Medium/Long term loans - Non current	7,604,048	7,979,664	7,181,105	7,492,570
	<u>9,579,992</u>	<u>9,955,608</u>	<u>9,141,885</u>	<u>9,453,350</u>

According to the accounting policy described in note 2 e), the financial liabilities hedged by financial instruments, are stated at their fair value in accordance with the requirements of IAS 39 concerning the adoption of hedge accounting. However, the remaining financial liabilities are stated at their amortised cost or historical cost.

The market value of the medium/long-term loans is calculated based on the discounted cash flows at the rates ruling at the balance sheet date. In current short-term debt, the book value is considered to be the market value.

22. Employees benefits

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Provisions for social liabilities and benefits	1,156,260	1,259,655	9,855	10,660
Provisions for healthcare liabilities	734,358	725,575	6,379	6,261
	<u>1,890,618</u>	<u>1,985,230</u>	<u>16,234</u>	<u>16,921</u>

As at 30 June, 2005 and 31 December, 2004, the balance Provision for social liabilities and benefits includes the amount of 46.5 and 50.8 million Euros, respectively, resulting from pension benefits of Hidrocontábrico Group employees reflecting the increase in their salaries.

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	1,259,655	651,947	10,660	86,686
Changes in the consolidation perimeter	-	24,268	-	-
Charge for the year	1,066	1,977	-	26
Write-backs	-18,279	-360	-	-70,227
Charge-off	-92,675	177,661	-805	-
Transfers	6,493	404,162	-	-5,825
Balance at the end of the period	<u>1,156,260</u>	<u>1,259,655</u>	<u>9,855</u>	<u>10,660</u>

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

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	725,575	680,520	6,261	6,226
Changes in the consolidation perimeter	-	-2,789	-	-
Charge for the year	16,306	42,738	122	634
Write-backs	-	-	-3	-8
Charge-off	-7,523	5,106	-1	-591
Balance at the end of the period	<u>734,358</u>	<u>725,575</u>	<u>6,379</u>	<u>6,261</u>

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.

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As at 30 June, 2005 and 31 December, 2004, the Group liabilities for past services associated to these pension plans, are as follows:

	Jun 2005			Dec 2004		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Movement in Liabilities						
Liabilities at the beginning of period	2,015,930	107,403	2,123,333	1,412,541	64,750	1,477,291
Current services cost	6,414	419	6,833	8,869	899	9,768
Interest Cost	48,228	6,273	54,501	69,553	9,789	79,342
Benefits paid	-70,353	-2,756	-73,109	-142,207	-4,914	-147,121
Curtailments/Settlements	-	-	-	271,908	-	271,908
Actuarial losses and gains	-16,137	259	-15,878	395,266	5,773	401,039
Currency fluctuation	-	29,509	29,509	-	906	906
Other fluctuations	-	-	-	-	30,200	30,200
Liabilities at the end of the period	1,984,082	141,107	2,125,189	2,015,930	107,403	2,123,333

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:

	Jun 2005			
	Portugal	Brazil		
		Bandeirante	Escelsa	Enersul
Assumptions				
Rate of return of the Funds	6.40%	10.76%	12.98%	12.98%
Discount rate	5.00%	10.76%	10.76%	10.76%
Salaries growth rate	3.50%	7.12%	6.08%	6.08%
Pension growth rate	3.00%	4.00%	4.00%	4.00%
Social Security salaries appreciation rate	2.20%	4.00%	4.00%	4.00%
Inflation rate	2.40%	4.00%	4.00%	4.00%
Mortality table	TV 88/90	GAM-83	GAM-83	GAM-83
Disability table	50% EKV 80	Light-Average	Light-Average	Light-Average
Expected % of subscription by employees eligible for early retirement	(a)	not applicable	not applicable	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).

	Dec 2004			
	Portugal	Brazil		
		Bandeirante	Escelsa	Enersul
Assumptions				
Rate of return of the Funds	6.40%	10.76%	12.98%	12.98%
Discount rate	5.00%	10.76%	10.76%	10.76%
Salaries growth rate	3.50%	7.12%	6.08%	6.08%
Pension growth rate	3.00%	4.00%	4.00%	4.00%
Social Security salaries appreciation rate	2.20%	4.00%	4.00%	4.00%
Inflation rate	2.40%	4.00%	4.00%	4.00%
Mortality table	TV 88/90	GAM-83	GAM-83	AT-2000
Disability table	50% EKV 80	Light-Average	Light-Average	Light-Average
Expected % of subscription by employees eligible for early retirement	(a)	not applicable	not applicable	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).

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:

	Jun 2005			Dec 2004		
	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	1,984,082	141,107	2,125,189	2,015,930	107,403	2,123,333
Fund assets at the end of the period	-1,023,968	-120,198	-1,144,166	-839,669	-89,339	-929,008
Liabilities not covered	960,114	20,909	981,023	1,176,261	18,064	1,194,325
Value of the provision at the end of the period	960,114	20,909	981,023	1,176,261	18,064	1,194,325

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

	Jun 2005			Dec 2004		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period						
Service cost	6,414	419	6,833	8,869	899	9,768
Interest cost	48,228	6,273	54,501	69,553	9,789	79,342
Return on the Funds' assets	-25,990	-5,924	-31,914	-42,877	-8,171	-51,048
Contributions by employees	-	-	-	-	-473	-473
Net cost for the period	28,652	768	29,420	35,545	2,044	37,589

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

	Jun 2005			Dec 2004		
	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	839,669	89,339	929,008	785,147	31,355	816,502
Group contributions	177,237	1,822	179,059	57,930	4,082	62,012
Employees contributions	-	238	238	-	462	462
Pensions paid during the period	-24,083	-2,044	-26,127	-51,230	-4,914	-56,144
Return of the Funds	31,145	5,924	37,069	47,822	16,735	64,557
Actuarial losses and gains	-	-	-	-	10,924	10,924
Currency fluctuation	-	24,919	24,919	-	495	495
Other	-	-	-	-	30,200	30,200
Value of the assets at the end of the period	1,023,968	120,198	1,144,166	839,669	89,339	929,008

In June 2005, the balance Group contributions includes the transfer to the Pension Fund of 2.01% of BCP share capital held by EDP. This contribution, in the amount of 153 million Euros, is stated as an Asset (Debtors and other sundry assets) and as a Liability (Provisions for social liabilities and benefits).

The assets of the pension fund in Portugal are managed by three independent pension fund management companies of recognised merit. As at 30 June, 2005 the composition and returns of the fund portfolio are as follows:

	Cash %	Bonds %	Shares %	Properties %	Total %
Asset allocation by nature	2.20%	48.80%	29.70%	19.30%	100.00%

II. Pension Plans - Defined Contribution Type

Hidrocarbónico 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.

	Jun 2005			Dec 2004		
	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 the period	721,765	14,611	736,376	660,255	-	660,255
Current service cost	3,981	83	4,064	7,904	140	8,044
Interest cost	17,688	844	18,532	33,646	1,300	34,946
Benefits paid	-14,265	-459	-14,724	-23,397	-724	-24,121
'Curtailments'/'Settlements'	-	-	-	15,793	-	15,793
Actuarial losses and accruals	-132	353	221	27,564	1,392	28,956
Currency fluctuation	-	4,052	4,052	-	3	3
Other	-	-	-	-	12,500	12,500
Liabilities at the end of the period	729,037	19,484	748,521	721,765	14,611	736,376

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 Euros.

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	Jun 2005		Dec 2004	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	5.00%	10.76%	5.00%	10.76%
Annual growth rate of medical services costs	4.5% (a)	8.16%	4.5% (a)	8.16%
Mortality table	TV 88/90	GAM-83	TV 88/90	GAM-83
Disability table	50% EKV 80	Light-Average	50% EKV 80	Light-Average
Expected % of adherence by employees eligible for early retirement	b)	not applicable	b)	not applicable

(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:

	Jun 2005			Dec 2004		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Provision for Medical Care Plans						
Liabilities at the end of the period	729,037	19,484	748,521	721,765	14,611	736,376
Value of the provision at the end of the period	729,037	19,484	748,521	721,765	14,611	736,376

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

	Jun 2005			Dec 2004		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period						
Current service cost	3,981	83	4,064	7,904	140	8,044
Interest cost	17,688	844	18,532	33,646	1,300	34,946
Net cost for the period	21,669	927	22,596	41,550	1,440	42,990

23. Provisions for liabilities and charges

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Provision for tariff reviews - Brazil	32,315	25,277	-	-
Provision for other liabilities and charges	279,122	267,955	10,300	39,386
	311,437	293,232	10,300	39,386

The balance Provision for tariff reviews - Brazil includes a provision in the amount of 25 million Euros (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 in generation subsidiaries.

The movement in **Provision for tariff reviews - Brazil** is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Balance at the beginning of the period	25,277	92,696	-	285,646
Changes in the consolidation perimeter	-	-66	-	-
Charge-off	-	-68,339	-	-30,000
Negative movements from equity method	-	-	-	116,719
Adjustment for negative movements from equity method	-	-	-	-372,365
Transfers and exchange differences	7,038	986	-	-
Balance at the end of the period	32,315	25,277	-	-

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

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Balance at the beginning of the period	267,955	142,323	39,386	-
Changes in the consolidation perimeter	-5,162	21,378	-	-
Charge for the year	-	93,972	-	10,300
Write-backs	-2,231	-7,540	-	-
Charge-off	12,642	-11,264	-	-
Transfers and exchange differences	5,918	29,086	-29,086	29,086
Balance at the end of the period	279,122	267,955	10,300	39,386

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24. Creditors and other liabilities

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Short term creditors - Current				
Suppliers	812,848	819,081	28,363	21,861
Fixed assets suppliers	195,720	217,617	486	3,328
Other shareholders	32,401	33,767	-	-
Advances to customers	3,580	5,908	54	60
Creditors - subsidiary companies	-	-	66,652	-
Other creditors:				
- Employees	10,627	12,575	-	-
- Supply of other goods and services	12,486	1,912	4,846	5,864
- Concession rents	5,580	2,200	-	-
- Creditors for collections	17,484	16,721	-	-
- Credits related to OMEL	71,007	6,893	-	-
- Amounts receivable related to tariffs (Bandeirante)	9,286	5,915	-	-
- Advance related to share capital increase (Enerpeixe)	-	8,299	-	-
- Refund of Investco preference shares	39,120	-	-	-
- Amount owed regarding Portgás acquisition	-	84,997	-	84,997
Corporate income tax (IRC) - payments on account	212	-	212	159,770
Holiday pay, bonus and other charges	57,168	57,867	669	554
Interest payable	508,711	262,993	349,773	141,195
Subsidies for investment in fixed assets	1,641,834	1,587,908	3,431	5,059
Deferred income EDP Distribuição	150,516	149,681	-	-
Other deferred income	109,306	122,276	101	144
Other creditors and sundry operations	272,174	225,097	54,556	14,163
	3,950,060	3,621,707	509,143	436,995
Medium/long-term creditors - Non current:				
Regularisation account - (Reg. DL 344-B/82)	5,448	6,475	-	-
Deposits received from customers and other debtors	44,601	47,284	-	-
Fixed assets suppliers	50,919	50,764	1,271	1,085
Creditors for financial transactions (Bandeirante)	30,563	12,409	-	-
Other tax payable	13,030	-	-	-
Concessions and permits	5,106	-	-	-
Creditors associated to Hidrocontábrico Group	3,115	-	-	-
Refund of Investco preference shares	-	28,632	-	-
Creditors for retirement benefits (Escelsea)	11,873	9,357	-	-
Other creditors - associated companies	15,505	10,946	-	-
Other creditors and sundry operations	26,101	33,106	-	-
	206,261	198,973	1,271	1,085

During 2005, the caption "Refund of Investco preference shares", in the amount of 111,447,636 BRL (39,120 thousand Euros) was transferred from the balance Medium/long term creditors — Non current to the balance Short term creditors — Current. The increase on this amount (2004: 28,632 thousand Euros) is due to the exchange rate fluctuations and due to its maturity date.

25. Income tax payable

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
State and other public entities:				
- Income tax	102,769	84,830	82,475	5,652
- Withholding tax	8,447	8,052	112	213
- Social security contributions	11,821	11,620	13	19
- Value added tax	9,697	13,272	-	-
- Other taxes	120,644	92,605	-	4,081
	253,378	210,379	82,600	9,965

26. Assets and liabilities classified as held for sale

Assets and liabilities are classified as held for sale in accordance with the accounting policy described in note 2 r).

Descontinued operations - Edinfor

In April 2005, EDP Group sold 60% stake of Edinfor — Sistemas Informáticos, S.A. (Edinfor) share capital, a company operating at information technologies sector. According to the retrospective adoption of IFRS 5, with reference to 1 January, 2004, the assets and liabilities of Edinfor, recognised by full consolidated method until 31 December, 2004, are stated in specific lines of assets and liabilities in the consolidated balance sheet.

The above mentioned transaction in the amount of 81 million Euros was based on the enterprise value in the amount of 135 million Euros, including the shares and the loans amounts due to shareholders. This transaction originated a gain, on a consolidated basis, in the amount of 14,755 thousand Euros.

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On 31 December 2004, Edinfor assets and liabilities included at EDP Group consolidated financial statements, amounted to 165,337 thousand Euros and 68,727 thousand Euros, respectively.

Discontinued operations - Comunitel

In July 2005, EDP Group signed an agreement for the sale of its 99.93% in share capital of Comunitel, held by Oni Group. Comunitel is a subsidiary of Oni Group operating a fixed line business in Spain, specialised in providing voice and data communication services to small and medium size corporate clients.

This transaction is based on an enterprise value in the amount of 257 million Euros and a net financial debt in the amount of 42 million Euros. The receivable amount of 215 million Euros includes shareholders' loans in the amount of 100 million Euros.

With reference to 30 June, 2005, and resulting from IFRS 5 application, the Comunitel operations were classified as discontinued operations. At this date, the EDP Group accounts included assets and liabilities related to Comunitel, in the amount of 268,879 thousand Euros and 198,502 thousand Euros, respectively.

The cash flows movements with operational, investment and financial nature generated during the first semester of 2005 by Comunitel, are stated in the Consolidated cash flow statements.

	Group	
	Jun 2005	Dec 2004
	Euro'000	Euro'000
	Comunitel	Edinfor
Assets classified as held for sale		
Non-Current Assets:		
Tangible fixed assets	60,579	68,663
Intangible fixed assets	51,040	80
Goodwill	73,246	23,127
Investments in associates	-	565
Other investments	4,742	72
Deferred tax assets	53,085	15,177
Debtors and other sundry assets	-	388
	<u>242,692</u>	<u>108,072</u>
Current Assets:		
Inventories	-	11,761
Customers	20,542	23,086
Debtors and other sundry assets	4,051	15,831
Income tax receivable	1,383	3,158
Trading securities	-	2
Cash and bank deposits	211	3,427
	<u>26,187</u>	<u>57,265</u>
	<u>268,879</u>	<u>165,337</u>
Liabilities classified as held for sale		
Non-Current Liabilities:		
Long term debt	-	4,905
Social benefits extended to employees	-	10,202
Provisions for liabilities and charges	5,142	1,617
Deferred tax liabilities	629	-40
Creditors and other liabilities	-	9,365
	<u>5,771</u>	<u>26,049</u>
Current Liabilities:		
Short term debt	36,101	14,324
Creditors and other liabilities	155,915	18,327
Income tax payable	715	10,027
	<u>192,731</u>	<u>42,678</u>
	<u>198,502</u>	<u>68,727</u>

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27. Turnover

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

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Sales by sector of activity/business:				
Electricity	4,243,268	3,266,683	-	-
Steam and ashes	11,010	12,061	-	-
Gas	290,979	90,623	-	-
Information systems and technologies	615	8,121	-	-
Telecommunications	3,190	2,500	-	-
Other	7,946	13,881	-	-
	<u>4,557,008</u>	<u>3,393,869</u>	<u>-</u>	<u>-</u>
Services rendered by sector of activity:				
Telecommunications	157,773	156,044	-	-
Associated with electricity sales	97,187	44,616	-	-
Information systems and technologies	304	35,423	-	206
Thermo/Hydro electricity engineering services	1,033	3,877	-	-
Consultancy and services	2,347	3,191	-	-
Other	28,422	23,410	13,382	11,988
	<u>287,066</u>	<u>266,561</u>	<u>13,382</u>	<u>12,194</u>
	<u>4,844,074</u>	<u>3,660,430</u>	<u>13,382</u>	<u>12,194</u>
Total turnover by business:				
Electricity	4,340,455	3,311,299	-	-
Telecommunications	160,963	158,544	-	-
Gas	290,979	90,623	-	-
Information systems and technologies	919	43,544	-	206
Steam and ashes	11,010	12,061	-	-
Thermo/Hydro electricity engineering services	1,033	3,877	-	-
Other	38,715	40,482	13,382	11,988
	<u>4,844,074</u>	<u>3,660,430</u>	<u>13,382</u>	<u>12,194</u>

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

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Sales:				
Electricity	4,243,268	3,266,683	-	-
Steam and ashes	11,010	12,061	-	-
Gas	290,979	90,623	-	-
Information systems and technologies	615	8,121	-	-
Telecommunications	3,190	2,500	-	-
Other	7,946	13,881	-	-
	<u>4,557,008</u>	<u>3,393,869</u>	<u>-</u>	<u>-</u>
Cost of sales:				
Electricity	2,405,619	1,644,976	-	-
Fuel, steam and ashes	510,575	222,778	-	-
Information systems and technologies	-	8,342	-	-
Telecommunications	3,350	4,496	-	-
Inventory regularisations	1,290	1,293	-	-
Corrections to previous years	207	25	-	-
Own work capitalised	-56,964	-47,642	-	-
Other	66,708	64,798	-	-
	<u>2,930,785</u>	<u>1,899,066</u>	<u>-</u>	<u>-</u>
Gross margin on sales	<u>1,626,223</u>	<u>1,494,803</u>	<u>-</u>	<u>-</u>

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

	Jun 2005			
	Portugal	Spain	Brazil	Group
Electricity	2,764,072	920,477	655,906	4,340,455
Steam and ashes	11,010	-	-	11,010
Gas	-	290,979	-	290,979
Thermo/Hydro electricity engineering services	899	-	134	1,033
Information systems and technologies	919	-	-	919
Telecommunications	160,963	-	-	160,963
Other	15,853	13,023	9,839	38,715
	<u>2,953,716</u>	<u>1,224,479</u>	<u>665,879</u>	<u>4,844,074</u>

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	Jun 2004			
	Portugal	Spain	Brazil	Group
Electricity	2,545,737	251,028	514,534	3,311,299
Steam and ashes	10,361	-	1,700	12,061
Gas	-	90,623	-	90,623
Thermo/Hydro electricity engineering services	3,864	-	13	3,877
Information systems and technologies	43,544	-	-	43,544
Telecommunications	158,544	-	-	158,544
Other	22,451	10,137	7,894	40,482
	<u>2,784,501</u>	<u>351,788</u>	<u>524,141</u>	<u>3,660,430</u>

28. Other operating income

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Supplementary income	4,011	4,439	438	83
Operating subsidies	143	201	-	-
Corrections to previous years	6,154	2,280	-	-
Gains on fixed assets	42,126	1,906	39	53
Debt recovery	192	269	-	-
Write-back of provisions				
- For customer debt	8,247	32	-	-
- For debtors and other assets	802	955	-	-
- For treasury investments	30	294	-	-
Excess values from customers' contributions	3,926	3,232	-	-
Own work capitalised	111	-	-	-
Other operating income	6,713	9,960	583	651
	<u>72,455</u>	<u>23,568</u>	<u>1,060</u>	<u>787</u>

29. Supplies and services

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Subcontracts:				
Subcontracts	87,277	93,839	-	-
Other	2,296	7,887	-	-
Supplies and services:				
Water, electricity and fuel	4,492	4,638	445	461
Utensils and office material	2,086	2,344	272	99
Leases and rents	45,377	22,804	4,850	1,687
Communications	18,246	14,045	2,821	452
Insurance	12,166	10,578	324	419
Transport, travel, and lodging	4,341	5,842	517	253
Commissions and fees	12,219	5,065	642	557
Maintenance and repairs	65,688	42,708	2,597	431
Advertising and propaganda	13,880	6,118	3,102	2,514
Surveillance and security	3,513	3,986	254	230
Specialised work	102,137	74,999	23,947	19,271
Internal contract company transfer	-	-	10,139	8,884
Other supplies and services	35,088	11,999	3,897	583
	<u>408,806</u>	<u>306,852</u>	<u>53,807</u>	<u>35,841</u>

30. Staff costs

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Management remuneration	5,006	6,014	1,668	1,715
Employees' remuneration	205,790	201,912	130	45
Charges on remuneration	61,144	58,673	118	72
Human resources rationalisation costs	9,313	5,735	251	1,854
Other costs	37,450	43,134	1,055	170
Own work capitalised	-32,803	-36,191	-	-
	<u>285,900</u>	<u>279,277</u>	<u>3,222</u>	<u>3,856</u>

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The breakdown by management positions and professional category of the permanent staff as at 30 June, 2005 and 31 December, 2004 is as follows:

	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Dec 2004
Board members and senior officers	532	475	12	12
Senior management	2,256	2,248	1	1
Middle management	1,018	1,174	1	-
Intermediate management	607	477	-	-
Highly-skilled and skilled workers	7,783	8,919	2	3
Semi-skilled workers	2,259	2,406	-	-
Unskilled workers	25	28	-	-
	14,480	15,727	16	16

As at 30 June, 2005, the number of employees in service, including those on temporary contract, is 14,718 (2004: 16,243). 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 (66 and 11 in Group and EDP, S.A., respectively).

31. Other operating costs

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Rents of concessions paid to local authorities	100,880	92,751	-	-
Indirect taxes	16,325	8,968	225	1,955
Electricity Generating Center Rent	2,220	1,982	-	-
Direct operating taxes	799	784	555	624
Impairment for customer debt	17,446	13,049	540	1,798
Impairment for debtors and other assets	83,208	1,075	17,750	-
Bad debts	8,154	2,420	-	-
Losses on fixed assets	11,344	6,524	25,212	11,988
Fines and penalties	10	41	-	-
Corrections to previous years	1,962	7,487	394	1,001
Other costs and losses	33,801	13,473	6,903	1,631
	276,149	148,554	51,579	18,997

32. Provisions

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Charge for other liabilities and charges	5,371	2,841	-	87
	5,371	2,841	-	87

33. Net depreciation and amortisation

This balance is analysed as follows:

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Tangible fixed assets:				
Fixed assets under concession - DL 344-B/82	1,027	1,303	-	-
Buildings and other constructions	4,715	4,658	351	692
Plant and machinery:				
Hydroelectricity generation	50,231	44,213	-	-
Thermoelectric generation	95,997	56,259	-	-
Electricity distribution	205,861	206,356	-	-
Other plant and machinery	51,719	32,453	-	-
Transport equipment	4,204	4,815	214	161
Administrative equipment	15,193	23,276	1,297	1,222
Other tangible fixed assets	2,426	1,916	678	677
	431,373	375,249	2,540	2,752

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	Group		Company	
	Jun 2005	Dec 2004	Jun 2005	Jun 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Intangible fixed assets:				
Industrial property and other rights	15,205	6,024	4	4
Other	-	1,109	-	-
	<u>15,205</u>	<u>7,133</u>	<u>4</u>	<u>4</u>
	<u>446,578</u>	<u>382,382</u>	<u>2,544</u>	<u>2,756</u>
Compensation of depreciation of partially-funded fixed assets:				
Partially-funded fixed assets	-43,674	-41,288	-	-274
Other regularizations	-	5,851	-	-
	<u>-43,674</u>	<u>-35,437</u>	<u>-</u>	<u>-274</u>
	<u>402,904</u>	<u>346,945</u>	<u>2,544</u>	<u>2,482</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 Creditors and other liabilities and recognised through the profit and loss account, on the same basis and at the same rates as the partially-funded assets.

34. Financial income / (expense)

This balance is analysed as follows:

	Group		Company	
	Jun 2005	Jun 2004	Jun 2005	Jun 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Financial income:				
Interest income	112,830	112,075	156,788	161,107
Income from other equity investments	29,124	8,976	138,120	417,494
Favourable currency exchange differences	87,614	15,156	35,874	14,326
Financial instruments	59,829	21,266	125,838	19,650
Own work capitalised	15,818	11,833	-	-
Other financial gains	6,684	5,896	1,041	1,280
Total Financial income	<u>311,899</u>	<u>175,202</u>	<u>457,661</u>	<u>613,857</u>
Financial expense:				
Interest expense	274,785	256,095	166,062	181,105
Banking services	6,971	7,525	1,093	1,454
Unfavourable currency exchange differences	43,320	33,193	23,868	11,981
Financial instruments	100,168	26,614	128,160	10,594
Other financial losses	14,929	9,432	2,889	2,657
	<u>440,173</u>	<u>332,859</u>	<u>322,072</u>	<u>207,791</u>
Amortisation of concession rights	14,942	15,220	-	3,874
Goodwill impairment of Edinfor Group	-	2,562	-	-
Amortisation of key money on telecommunications business	3,815	3,667	-	-
	<u>18,757</u>	<u>21,449</u>	<u>-</u>	<u>3,874</u>
Total Financial expenses	<u>458,930</u>	<u>354,308</u>	<u>322,072</u>	<u>211,665</u>
Financial income/(expense)	<u>-147,031</u>	<u>-179,106</u>	<u>135,589</u>	<u>402,192</u>

35. 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 reviewed 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	
	Jun 2005	Jun 2004	Jun 2005	Jun 2004
	Euro'000	Euro'000	Euro'000	Euro'000
Charge for income taxes	-157,027	-174,007	3,107	16,160
Charge for deferred income taxes	22,065	49,250	19,053	71,373
Income taxes regularisation	16	34	9	-
	<u>-134,946</u>	<u>-124,723</u>	<u>22,169</u>	<u>87,533</u>

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The reconciliation between the nominal and the effective income tax (IRC) rate for the **Group** in 30 June, 2005 is analysed as follows:

	Jun 2005		
	Tax Base Euro '000	Tax Euro '000	Rate %
Standard tax on profits	470,327	129,340	27.5%
- Main effects at taxation level:			
Net depreciation and provisions	-138,326	-38,040	-8.1%
Accounting losses disallowed	129,880	35,717	7.6%
Elimination of double taxation	-43,703	-12,018	-2.6%
Employee profit-sharing	-11,507	-3,164	-0.7%
Differences between Spanish and Brazilian income taxes	55,108	15,155	3.2%
Other adjustments to taxable income	28,989	7,972	1.7%
Effective rate and effective tax on profits		134,962	28.6%

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	Jun 2005		Dec 2004	
			Fair Value Changes		Fair Value Changes	
			Instruments Euro'000	Risk Euro'000	Instruments Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	10,649	10,649	53,884	53,884
- Fair value	Currency interest rate swap	Interest and exchange rate	27,725	27,725	4,677	4,677
- Cashflow hedge	Interest rate swap	Interest rate	-152,884	-	643	-
			-114,510	38,374	59,204	58,561

During 2004 and in the six months period of 2005, the movements in reserves related with cash flow hedges, were as follows:

	Group	
	Jun 2005 Euro'000	Dec 2004 Euro'000
Balance at the beginning of the period	643	-
Fair value changes	-176,654	-1,431
Transfers to results	23,770	2,074
Balance at the end of the period	-152,241	643

The balance Fair value changes includes the negative amount of 158,531 thousand Euros related to the change in the fair value of a forecast transaction hedge, accounted according to the cash flow hedge model as established by IAS 39. As at 30 June, 2005, the ineffective part of this hedge, in the amount of 23,770 thousand Euros, was charged in profit and loss.

The valuation of financial instruments is recorded in the caption Debtors and other sundry assets or in Creditors and other sundry liabilities in accordance with its nature.

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

	Group		Company	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Trading derivatives	-32,407	-42,788	-23,009	-29,778
Fair value hedge				
- Derivatives	38,374	58,561	10,649	50,734
- Hedge liabilities	-38,374	-58,561	-10,649	-50,734
Cash-flow hedge				
- Derivatives	-23,770	2,074	-23,770	1,684
	-56,177	-40,714	-46,779	-28,094

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The maturity of these derivative instruments is as follows:

Group Jun 2005				
	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
Interest rate contracts:				
Interest rate swaps	-	100,000	1,422,455	750,000
Options purchased and sold	-	-	750,000	-
	-	100,000	2,172,455	750,000
				3,022,455
Interest rate and exchange rate contracts:				
CIRS (currency interest rate swaps)	-	-	27,882	320,000
	-	100,000	2,200,337	1,070,000
				3,370,337

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

Group Jun 2005		
Currency	EDP Pays	EDP Receives
Interest rate contracts:		
Interest rate swaps	EUR [8,67% - 2,11%]	[6,40% - 2,32%]
Interest rate and exchange rate contracts:		
CIRS (currency interest rate swaps)	EUR / JPY 2.521%	0.700%
CIRS (currency interest rate swaps)	EUR / GBP 3.564%	6.625%
Nominal value Euro'000	Group Jun 2005	Company Jun 2005
Interest rate contracts:		
Options purchased on interest rates (CAP purchases)	750,000 [4,82% - 4,33%]	[4,82% - 4,33%]
Options sold on interest rates (CAP sale)	750,000 [5,30% - 4,75%]	[5,30% - 4,75%]
Options sold on interest rates (Floor sale)	750,000 [3,50% - 3,00%]	[3,50% - 3,00%]

37. Commitments

As at 30 June, 2005, 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	
	Jun 2005 Euro'000	Dec 2004 Euro'000	Jun 2005 Euro'000	Dec 2004 Euro'000
Guarantees of a financial nature				
Guarantees provided by Group entities - Portugal				
To domestic banks	63,448	67,527	63,448	67,527
To foreign banks	226,808	187,664	208,765	157,690
To other foreign entities	82,080	71,823	82,057	69,162
Guarantees provided by Group entities - Spain				
To other foreign entities	53,520	79,255	-	-
Guarantees provided by Group entities - Brazil				
To foreign banks	38,366	30,238	-	-
To other foreign entities	28,783	22,685	-	-
	493,005	459,192	354,270	294,379
Guarantees of an operational nature				
Guarantees provided by Group entities - Portugal				
To other domestic entities	48,658	57,568	27,396	30,658
To foreign banks	19,306	15,216	19,306	15,216
To other foreign entities	35,000	43,000	-	8,000
Guarantees provided by Group entities - Spain				
To other foreign entities	37,430	-	-	-
	140,394	115,784	46,702	53,874
	633,399	574,976	400,972	348,253

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

	Group		Company	
	Jun 2005 Euro'000	Jun 2004 Euro'000	Jun 2005 Euro'000	Jun 2004 Euro'000
Domestic banks	9,727	12,827	-	-
Foreign banks	72,390	35,000	-	-
	82,117	47,827	-	-

38. 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.

EDP Group has two stock option plans. Under the 1999 option plan for Members of the Board of Directors, the company may grant options for up to 2,450,000 shares of common stock. Under the option plan for the Members of the Boards of Directors of the Group's subsidiaries and Management, the company may grant options up to 16,250,000 shares of common stock.

Under both plans, the exercise price of each option equals the market price of the company's stock on the date of grant. Maturity terms of each option is 5 years.

Options are granted to the Board of Directors of EDP Group and vested over a two year service period.

Changes at the stock options plans are analysed as follows:

	Shares available for grant under 1999 option plans	Option activity	Weighted average exercise price
Balance 31 December 2003	15,433,750	2,422,258	3.36
Options forfeited	-	-2,299,533	-
Options granted	-	490,000	-
Balance 31 December 2004	15,433,750	612,725	2.44
Options forfeited	-	-	-
Options granted	-	-	-
Balance 30 June 2005	15,433,750	612,725	2.44

The stock options information related to the first semester of 2005, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable
612,725	2.44	2.11 years	612,725

39. Transition and Implementation of International Financial Reporting Standards* (IFRS - Proforma) in EDP Group

In accordance with Regulation no. 1606/2002 of the European Council and Parliament, dated 19 July, 2002, adopted into the Portuguese legislation under the Decree Law 35/2005, dated 17 February, the EDP Group must prepare consolidated financial statements according to International Financial Reporting Standards (IFRS) starting 1 January 2005. Therefore, from 1 January, 2005, these consolidated financial statements are prepared according to IFRS as adopted for use by the European Union.

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and by their predecessor authorities.

The IFRS that will be effective or available for voluntary early adoption on the annual financial statements for the year ended 31 December, 2005 are still subject to changes to the issue of additional interpretations final endorsement by the European Union, therefore, cannot be determined with certainty at this date. The accounting standards to be used in the preparation of the annual financial statements, will only be determined when the first annual IFRS financial statements will be prepared as at 31 December, 2005.

IFRS 1— First time adoption of IFRS, requires companies whose securities are admitted to trading on a regulated market to present comparative financial statements for the period immediately preceding the year ending 31 December, 2005. Under these terms, the EDP Group pro-forma consolidated financial statements for the year ended 31 December, 2004, were prepared according to IFRS.

During the preparation of the pro-forma consolidated financial statements and in the determination of transition adjustments, EDP Group decided to adopt some transition rules established by IFRS 1, namely regarding the preparation of comparative information and the retrospective application of the IFRS as endorsed for use by the EU.

The following information was prepared in accordance with the IFRS standards which are currently applicable and does not include all the financial information that should be disclosed in the financial statements as at 31 December, 2005 nor does it consider any accounting impacts that result from changes that may occur in the accounting standards until 31 December, 2005, issued by IASB or endorsed for use by the EU.

The financial information presented concerning the transition adjustments to IFRS should be considered, at this date, the best current estimate of the standards that will be endorsed for use by the EU, as at 31 December, 2005, but do not include all the disclosures, classification or presentation differences as required by IFRS.

The financial information was prepared based on expectations, analyses, assumptions and estimates, involving risks and uncertainties which could lead to material differences between the actual financial information and the estimates.

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The following is a summary of the main differences identified between the accounting policies adopted by the EDP Group under Portuguese GAAP and the application of IFRS as endorsed for use by the EU:

				2004	
		Shareholders' equity	Net profit	Shareholders' equity	Net profit
Shareholders' equity and Consolidated Net profit according to PT GAAP		6,401,714	440,152	5,364,221	274,852
Fixed assets	(a)	-1,021,905	53,963	-1,047,624	28,140
Pensions and other retirement benefits	(b)	-1,177,702	33,970	-999,096	-6,561
Bonus to employees	(c)	-24,626	-24,626	-12,340	-12,340
Goodwill amortisation	(d)	51,567	51,567	25,323	25,323
Hedging operations	(e)	-107,944	13,632	-114,760	6,816
Adjustments related with the regulated activity	(f)	-563,519	-262,057	-384,041	47,748
Equity investment in REN	(g)	-114,074	-37,243	-91,239	-14,407
Minority interests	(h)	58,831	-48,493	-99,584	-25,492
Concession subsidies	(i)	30,222	3,330	17,281	1,662
Deferred taxes	(j)	514,063	139,275	347,918	-23,726
Hydrological correction account	(k)	-	-315,590	315,590	-
Other		-8,769	-5,065	-7,945	-14,018
IFRS Adjustments		-2,363,856	-397,337	-2,050,517	13,145
Shareholders' equity and consolidated net profit attributable to shareholders of the parent under IFRS		4,037,858	42,815	3,313,704	287,997

a) Fixed assets

Under IFRS 1, the Group has decided to use as the deemed cost, at the date of transition (1 January, 2004), the previous GAAP carrying amount, including the revaluation effect, of tangible fixed assets.

However, the Group considered that overheads and exchange differences capitalised under tangible fixed assets and intangible assets do not meet the recognition criteria under IFRS and therefore such assets are adjusted against equity, at the transition date.

Under Portuguese GAAP, general and administrative overhead costs associated to assets under construction are capitalised and amortised on a straight line basis through the useful life of the assets. Under IFRS, these overheads are expensed in the period they are incurred.

Under Portuguese GAAP, prior to 1995, the Group capitalised gains and losses related to net foreign exchange differences resulting from loans contracted to fund capital expenditures, denominated in foreign currencies. Under IFRS, foreign exchange differences are considered as expenses in the period they are incurred.

Under Portuguese GAAP, set-up costs, research and development expenses and other deferred costs are capitalised and amortised over their useful life. Under IFRS, such costs are expensed in the period incurred. Subsidies received with respect to research and development costs, which are deferred under Portuguese GAAP, are recognised as income under IFRS, as the related research and development costs are expensed.

As at 31 December, 2004 the impact under shareholders' equity of the IFRS adjustments to fixed assets caption is analysed as follows:

	Dec 2004 Shareholders' equity
Capitalised overhead costs	-693,969
Foreign exchange differences	-249,411
Intangible fixed assets and other deferred costs	-78,525
	-1,021,905

b) Pensions and other retirement benefits

Some EDP Group subsidiaries have pension obligations, both defined benefit and contribution plans, under pension funds that pay complementary pensions for age, disability and survival and also earlier retirement pensions. In some cases medical benefits for retired employees are also granted during the retirement and early retirement period, as a complement to the National Health Services. Obligations and annual expenses for medical benefits and defined benefit pension plans are determined on actuarial basis.

Under Portuguese GAAP, unrecognised actuarial gains and losses were amortised under the corridor method. The corridor method determines that the net cumulative actuarial gains and losses at the end of the previous reporting period which amount to up to 10 percent of the greater of the projected benefit obligation and the value of plan assets, are not recognised or amortised as part of the net pension cost for the year. The amount of the unrecognised actuarial net gains or losses that exceeds the referred 10 percent shall be amortised over the average remaining service period of the employees.

Under IFRS 1, in accordance with the transition rule, the Group has decided to recognise, on transition (1 January, 2004), the net cumulative unrecognised value of the actuarial losses against reserves.

c) Bonus to employees

In accordance with the by-laws of certain subsidiaries, shareholders are required to approve at the annual general meetings a percentage of profits to be paid to management and employees. These amounts payable to the managers and employees are considered to be a distribution of profits on the same basis as dividends payable to the shareholders because they are considered as a reallocation of entitlements from shareholders to managers and employees.

Under Portuguese GAAP, this attribution of bonus is charged to retained earnings in the year that it is paid and is deductible for tax purposes from the profits of the year to which it relates. Under IFRS, bonuses distributed as a result of rendered services are recognised as an expense in the period to which they relate.

d) Goodwill amortisation

Under Portuguese GAAP, goodwill arising from the acquisition of shareholdings in subsidiaries and associates, resulting from the difference between the cost of acquisition and the proportional fair value of net assets acquired, is amortised over the estimated useful life not exceeding 20 years.

IFRS requires that goodwill, including previously existing goodwill, is not amortised but is tested for impairment annually. Therefore, goodwill amortisations recorded during 2004 under Portuguese GAAP were reversed under IFRS. The Group reviews the goodwill periodically with the purpose to identify other than temporary impairment losses. During 2004, impairment losses related to the information technologies business were identified and recognised in earnings.

e) Hedge accounting

As at 1 January, 2003, the EDP Board of Directors decided an earlier adoption of IAS 39, complementarily to the Portuguese Plan of Accounts. At that date, the requirements of IAS 39, regarding the interest rate risk and the exchange rate risk hedging, were not fully complied with. Therefore, and even considering that, in terms of risk management the operations were contracted for hedge purposes, the hedge accounting criteria was not applied.

Considering that EDP Group qualifies as a first time adopter under IFRS 1 on the basis that the Group is presenting a full set of consolidated financial statements according to IFRS beginning 1 January, 2005 for the first time, the IFRS 1 transition rules related to IAS 39 are applicable to EDP Group.

Considering the documentation prepared to demonstrate the hedging purposes of the transactions and that the operations were contracted by the management to hedge the interest rate and exchange rate risks, under the transition rules defined by IFRS 1, the referred operations were considered as hedging since the transition date.

The Group has adopted, in accordance with IAS 39, the fair value hedge and cash flow hedge models. Therefore, the changes in fair value of the liabilities hedged were recognised against reserves as a transition adjustment, in accordance with IFRS 1.

f) Adjustments related with the regulated activity

Tariff adjustments and regulatory assets

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 establishes a criteria of allocating income or expense to future years, a regulatory asset or liability is booked in the financial statements, which otherwise would be recognised 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.

Under IFRS, regulatory assets, which relate to deferred costs and are defined and regulated by the Regulator, being recoverable through tariff adjustments charged to customers in future years, have been charged against reserves.

Regulatory assets on restructuring costs - PAR

During 2003 and 2004, the Group set up a restructuring plan that consisted on a reduction of employees, most of them through pre-retirements, early retirements or indemnities schemes. These costs were accepted by ERSE as a deferred cost (regulatory asset) amortisable over a period of 20 years, beginning in 2005.

For IFRS purposes, the regulatory assets are not recognised, therefore, were charged to income in the year in which the restructuring took place.

g) Equity Investment in REN

The equity investment in REN is affected by certain accounting differences between IFRS and Portuguese GAAP. The main differences are related with overheads capitalised, deferred costs, distribution to management and employees, tariff adjustments and deferred income taxes. For consolidated financial statements of EDP Group purposes, under IFRS, the differences referred constitute an adjustment performed at the consolidation level under the equity method.

The above-mentioned accounting differences represent an adjustment performed to the financial investment which is accounted under the consolidated financial statements according to the equity method.

h) Minority interests

Under Portuguese GAAP, in prior years, the accumulated losses attributable to minority interests that exceeded the equity capital attributable to minority interests in the subsidiaries were recorded in the balance sheet as negative minority interests. In the income statement, the losses attributable to minority interests were charged to the minority interest in the proportion of their shareholding.

Beginning on 1 January, 2004, under Portuguese GAAP, the EDP Group adopted a new accounting policy by which the accumulated losses attributable to minority interest which exceed the equity capital attributable to minority interest in subsidiaries resulting in negative minority interest are debited against equity of the EDP Group. In the income statement, losses continued to be attributed to minority interest in the proportion of their shareholding.

Under IFRS, as there is no binding obligation of minority interests to cover such losses, losses exceeding the equity attributable to minority interest are charged to the majority interest in the income statement. If future earnings do materialize, the majority interest will be credited to the extent of such losses previously absorbed.

Under IFRS, the amount of goodwill attributable to minority interests, which resulted in a negative minority interest can be added to goodwill. On this basis, the amount of 58 million Euros, which was charged against equity under the Portuguese GAAP, was reversed under IFRS against goodwill.

i) Concession subsidies

Under Portuguese GAAP, the amount classified as deferred income related to subsidies on assets under concession in Brazil was not amortised. However, the assets under concession are amortised on a straight-line basis over the concession period. Under IFRS, the amortisation of the deferred income was recorded using the same period as the assets amortisation.

j) Deferred taxes

In accordance with the accounting policy of EDP Group, the income tax charge is determined considering the taxable income in accordance with the applicable legal framework and the tax rate approved or substantially approved in each jurisdiction. Deferred taxes are determined according to the liability method based on the balance sheet, considering temporary differences between the accounting and fiscal amounts of assets and liabilities, by the use of the tax rate approved or substantially approved as at the balance sheet date in each jurisdiction, and that are expected to be applicable when the above mentioned differences are reversed.

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Therefore, the deferred tax adjustments performed under IFRS are related to the impact of the adjustments mentioned above, whenever in accordance with IAS 12, there are temporary differences between accounting principles and tax regulations that result in deferred taxes asset or liability.

k) Hydrological correction account

The hydrological correction account was established by Decree law no. 338/91 and constitutes a legally mandated mechanism for compensating the variable costs of electricity generation. This accrual was set up mainly in 1994 through a charge against income during the period that EDP was owned by the Portuguese state. Despite the separation of REN from EDP in 2000, further regulation (through Decree law no. 98/2000) maintained the requirement to keep this account in the balance sheet of EDP.

The main objective of the hydrological correction account is to avoid imbalances in the electricity sector due to changes in variable costs incurred as a result of hydrological conditions. Accordingly, since the tariffs cannot be modified immediately to reflect the changes in variable costs incurred as a result of hydrological conditions, this account is used to compensate the volatility in variable operating costs of power generators in the SEP for unfavourable hydrological conditions, such as when thermal generation increases and, consequently, expenditures on fuel and electricity imports increase substantially. In years with abundant rainfall, the opposite occurs. In this context, and with a view toward avoiding major distortions in operating results due to favourable or unfavourable hydrological conditions, the hydrological correction account is adjusted upwards or downwards based upon average hydrological conditions.

As mentioned above until 2000 REN was part of the EDP Group and therefore the movements of the hydrological correction account were within the EDP Group. Since the separation of REN in June 2000, EDP (at the holding company level) pays or receives cash from REN, which is booked against the hydrological correction account. REN uses the amount received or paid to compensate the operators in the SEP (a significant majority of which are EDP subsidiaries) in accordance with the objectives of the hydrological correction account as described above. As such, REN is effectively a flow-through entity for purposes of the hydrological correction account. For Portuguese GAAP purposes, the operators in SEP who receive or pay cash to REN account for it against earnings.

The Portuguese Government approves the amount of the accumulated balance and the movements during the year on an annual basis. REN is engaged to calculate the amounts to be received or paid by EDP in relation to the hydrological correction account.

Under IFRS, at the transition date, and considering that to the liability should be associated an asset at the consolidation level, a value for accrued income was set up as an asset with an increase in shareholders' equity due to the existence of future economic benefits.

During 2004, Decree Law no. 240/2004 was issued, with the purpose of regulating the early termination of the PPAs, a step towards the liberalization of the energy market within the Iberian Peninsula. This Decree Law states that with the introduction of the free trading market, which is currently expected to occur within the next twelve months, the Government will be required to introduce a new regulation regarding the purpose and scope of the hydrological correction account as well as the mechanisms to compensate producers for their increased risks resulting from the early termination of PPAs.

As a result of the introduction of this regulation mandated by the above-mentioned Decree Law, and in light of the above-mentioned government announcement, EDP's Board of Directors considers that it is probable that the hydrological correction mechanism will be terminated. At such date the liability recorded for the hydrological correction account, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the Regulator. Moreover, since this regulation can only be introduced simultaneously with the effective liberalization of the energy market in the Iberian Peninsula, the Board of Directors considers that the accrued income accounted as an asset will cease to have any future economic benefits. Therefore, at the end of 2004, the Group recorded an impairment loss against the asset recorded in its IFRS accounts at the transition date in the amount of 315 million Euros.

l) Purchase Power Agreements (PPA's)

Under Portuguese GAAP, electric generation facilities in the SEP are recorded as tangible fixed assets in EDP consolidated financial statements, being depreciated in accordance with Decree Law no. 2/90 over their estimated useful lives.

Under IFRS, and as set forth by interpretation rule IFRIC 4 issued in December 2004 and applicable from 1 January, 2006, Purchase Power Agreements (PPA's) can be considered as finance leases. In accordance with the transition regime set by this rule, these contracts should be analysed, based on the existing 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 no. 240/2004 of 27 December, that establishes the early termination of the PPA's and the terms of the termination agreements signed in January 2005 by EDP Group, related with the binding electric generation facilities in the SEP, are relevant facts.

The adoption of IFRIC 4, effective 1 January, 2006 concerning the accounting treatment of the PPA's as finance 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.

m) Transition and implementation of International Financial Reporting Standards' (IFRS - Proforma) on an individual basis

The main differences identified in the Financial Statements according to Portuguese GAAP and the Financial Statements resulting from the IFRS adoption, on an unconsolidated basis, are as follows:

		31 December, 2004		30 June, 2004
		Shareholders' equity	Net profit	Net profit
Shareholders' equity and Net profit according to PT GAAP				
		6,401,714	440,152	274,852
Fixed assets	(a)	-1,541	11,649	1,949
Pensions and other retirement benefits	(b)	-38,951	-63,771	-35,217
Bonus to employees	(c)	-27	-27	-13
Goodwill amortisation	(d)	-	-	2,916
Hedging operations	(e)	-146,520	27,334	13,667
Deferred taxes	(j)	58,024	74,901	-5,096
Hydrological correction account	(k)	-	-315,590	-
Equity method reversal		-27,865	-16,976	187,679
IFRS Adjustments - Unconsolidated basis		-156,880	-282,480	165,885
Shareholders' equity and Net profit under IFRS		<u>6,244,834</u>	<u>157,672</u>	<u>440,737</u>

The rational of the adjustments considered on an unconsolidated basis is the one defined in the previous sub-headings above.

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40. Reconciliation of Balance Sheet and Profit and Loss Account according to Portuguese GAAP and to IFRS "Pro-forma" as at 31 December, 2004 and as at 30 June, 2004

Balance sheet	Group Dec 2004			Company Dec 2004		
	PT GAAP	Transition Adjustments	IFRS Proforma	PT GAAP	Transition Adjustments	IFRS Proforma
	(Thousands of Euros)			(Thousands of Euros)		
Assets						
Tangible fixed assets	13,559,325	-931,307	12,628,018	118,858	-	118,858
Intangible fixed assets	968,664	-75,188	893,476	187,938	-187,907	31
Goodwill	1,989,823	104,212	2,094,035	452,165	-452,165	-
Investments in associates	431,415	-114,075	317,340	327,305	45,386	372,691
Other investments	1,183,878	-	1,183,878	7,414,124	192,505	7,606,629
Deferred tax assets	589,094	566,233	1,155,327	61,699	58,023	119,722
Customers	95,140	-	95,140	-	-	-
Debtors and other sundry assets	850,283	-696,203	154,080	3,832,752	-	3,832,752
Total Non-Current Assets	19,667,622	-1,146,328	18,521,294	12,394,841	-344,158	12,050,683
Inventories	168,567	-	168,567	-	-	-
Customers	1,202,250	-17,320	1,184,930	5,162	-	5,162
Debtors and other sundry assets	460,411	428,912	889,323	366,873	475,306	842,179
Income tax receivable	171,428	14,584	186,012	180,600	-	180,600
Accrued income and deferred costs	641,038	-641,038	-	520,157	-520,157	-
Trading securities	81,922	12,373	94,295	15,288	-	15,288
Cash and bank deposits	196,083	-	196,083	2,414	-	2,414
Total Current Assets	2,921,699	-202,489	2,719,210	1,090,494	-44,851	1,045,643
	22,589,321	-1,348,817	21,240,504	13,485,335	-389,009	13,096,326
Shareholders' Equity						
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-31,662	-	-31,662	-31,662	-	-31,662
Share premium	472,955	-	472,955	472,955	-	472,955
Reserves and retained earnings	2,303,883	-2,363,856	-59,973	2,303,883	-156,880	2,147,003
Minority interests	801,018	-57,081	743,937	-	-	-
Total Shareholders' Equity	7,202,732	-2,420,937	4,781,795	6,401,714	-156,880	6,244,834
Liabilities						
Long term debt	6,741,014	444,996	7,186,010	3,137,735	461,520	3,599,255
Employee benefits	959,907	1,035,525	1,995,432	22,820	-5,899	16,921
Provisions for liabilities and charges	297,790	-2,941	294,849	411,752	-372,366	39,386
Hydrological correction account	364,197	-	364,197	364,197	-	364,197
Deferred tax liabilities	545,901	28,438	574,339	64,318	-	64,318
Creditors and other liabilities	588,130	-379,792	208,338	316,085	-315,000	1,085
Total Non-Current Liabilities	9,496,939	1,126,226	10,623,165	4,316,907	-231,745	4,085,162
Short term debt	1,857,830	117,274	1,975,104	2,251,986	67,384	2,319,370
Creditors and other liabilities	1,379,048	2,260,986	3,640,034	280,507	156,488	436,995
Income tax payable	220,406	-	220,406	9,965	-	9,965
Accrued costs and deferred income	2,432,366	-2,432,366	-	224,256	-224,256	-
Total Current Liabilities	5,889,650	-54,106	5,835,544	2,766,714	-384	2,766,330
Total Liabilities	15,386,589	1,072,120	16,458,709	7,083,621	-232,129	6,851,492
	22,589,321	-1,348,817	21,240,504	13,485,335	-389,009	13,096,326

EDP - Energias de Portugal, S.A.
Notes to the Interim Financial Statements for the
six months period ended 30 June, 2005

Profit and Loss Account	Group June 2004			Company June 2004		
	PT GAAP	Transition Adjustments	IFRS Proforma	PT GAAP	Transition Adjustments	IFRS Proforma
	(Thousands of Euros)			(Thousands of Euros)		
Sales	3,264,877	128,992	3,393,869	-	-	-
Cost of sales	-1,920,487	21,421	-1,899,066	-	-	-
Gross Margin	1,344,390	150,413	1,494,803	-	-	-
Other operating income						
Services rendered	267,105	-544	266,561	12,194	-	12,194
Own work capitalised	104,176	-104,176	-	-	-	-
Other operating income	7,996	15,572	23,568	88	699	787
	379,277	-89,148	290,129	12,282	699	12,981
	1,723,667	61,265	1,784,932	12,282	699	12,981
Other operating costs						
Supplies and services	-302,044	-4,808	-306,852	-35,809	-32	-35,841
Personnel costs	-324,735	-76,189	-400,924	-2,429	-2,133	-4,562
Other operating costs	-110,287	-38,267	-148,554	-3,087	-15,910	-18,997
	-737,066	-119,264	-856,330	-41,325	-18,075	-59,400
Gross Operating Results	986,601	-57,999	928,602	-29,043	-17,376	-46,419
Provisions	-46,237	43,396	-2,841	-5,244	5,157	-87
Net depreciation and amortisation	-388,797	41,852	-346,945	-4,464	1,982	-2,482
Operating Results	551,567	27,249	578,816	-38,751	-10,237	-48,988
Financial income / (expense)	-134,683	-38,712	-173,395	186,004	216,188	402,192
Amortisation of investments	-46,773	46,773	-	-	-	-
Current profit	370,111	35,310	405,421	147,253	205,951	353,204
Extraordinary gains / (losses)	-20,075	20,075	-	34,971	-34,971	-
Profit before tax	350,036	55,385	405,421	182,224	170,980	353,204
Income tax expense	-103,392	-21,331	-124,723	92,628	-5,095	87,533
Profit for the period	246,644	34,054	280,698	274,852	165,885	440,737
Attributable to:						
Equity holders of EDP	274,852	13,145	287,997	-	-	-
Minority interests	-28,208	20,909	-7,299	-	-	-
Profit for the period	246,644	34,054	280,698	274,852	165,885	440,737

41. Relevant and subsequent events

Energias do Brasil performs an initial public offering

On 13 July, 2005, the shares of EDP - Energias do Brasil, S.A. ("Energias do Brasil") were admitted for the first time to the "Novo Mercado da Bovespa" (São Paulo, Brazil) following an Initial Public Offering (the "IPO") of 24,161,000 ordinary shares at a price of 18 BRL per share, corresponding to a total amount of 434.9 million BRL (excluding the exercise of the Greenshoe).

The IPO had an effective demand corresponding to 2.5 times the total number of shares on offer, with approximately 50% of the subscription orders coming from the USA and approximately 40% from Brazil.

Simultaneously with this transaction, EDP — Energias de Portugal, S.A. ("EDP") converted into Energias do Brasil ordinary shares the equivalent of 670 million BRL of the Senior Notes of Escelsa owned by EDP, through the issuance of 37,222,222 ordinary shares at the same price as those of the IPO (the Capitalisation).

Prior to the IPO, to the Capitalisation and to the roll-up of the minority shareholders of our subsidiaries Escelsa, Enersul and Bandeirante into Energias do Brasil share capital in April 2005, EDP owned 100% of Energias do Brasil. Following the roll-up, accepted by nearly 100% of the minority shareholders, EDP's stake in the company was of 69%. As a result of the IPO and the Capitalisation, EDP will now own 66% of the share capital of Energias do Brasil.

The main objective of this operation, from the point of view of Energias do Brasil, was to (i) establish the beginning of a long term partnership with the Brazilian capital market, giving greater visibility to the assets held by the company; (ii) supply the resources to finance expansion projects, particularly investments in the generation of electricity; and (iii) confer greater financial autonomy to Energias do Brasil.

The conclusion of the IPO allows the EDP Group to achieve the following main objectives:

- position Energias do Brasil as one of the leaders of the Brazilian energy market by developing a long term growth strategy on a self-sustainable basis — it is not anticipated that there will be any need for new investments by EDP into Energias do Brasil in the foreseeable future;
- control a vehicle that will be able to take advantage of new opportunities in the Brazilian electricity sector - namely the need to expand the country's installed generation capacity;
- substantially strengthen the capital structure of Energias do Brasil and reduce the potential volatility associated with the foreign currency denominated debt it owned, namely related with the Escelsa bonds.

Finally, EDP demonstrates its commitment to the highest standards of corporate governance, through the fair and transparent manner in which it has conducted the process, including the listing of Energias do Brasil in the "Novo Mercado da Bovespa".

ONI S.G.P.S. sells Comunitel to Tele2 Telecommunication Services

On 14 July, 2005, Oni SGPS ("Oni"), a wireline telecommunications service provider 56.61% owned by the EDP Group, signed a Sale and Purchase Agreement for the sale of its 99.93% stake in the share capital of Comunitel Global S.A. ("Comunitel"), along with all its subsidiaries and affiliated companies, to Tele2 Telecommunication Services, S.L. ("Tele2").

Comunitel, the Spanish arm of Oni's fixed line business, is a telecommunications operator specialized in providing voice and data communication services to small and medium size corporate clients.

The transaction value of the above mentioned 99.93% stake in Comunitel is based on a total enterprise value of 257 million euros and net financial debt of 42 million euros. The amount to be received in cash on completion is 215 million euros (including shareholders' loans in the amount of 100 million euros).

The book value of the Comunitel stake subject to the Sale and Purchase Agreement now entered into by Oni and Tele2 is of 164 million euros and the company is expected to register a 51 million euros gain resulting from this transaction. The successful completion of this transaction is conditional on a non-opposition decision by the Spanish competition authority.

This transaction is in line with the decision taken by Oni and its shareholders to completely focus the company's activities on the Portuguese broadband fixed line telecommunications business where it has a relative competitive advantage by virtue of the strong backing of its shareholders, national leaders in their respective economic sectors.

In addition, the proceeds from the transaction will enable Oni to significantly reduce its financial debt.

42. Segmental reporting

A business segment is a distinguishable component of the Group, that is engaged either in providing products or services or a group of products or services related, which is subject to risks and rewards that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group, that is engaged either in providing products or services or a group of products or services related, within a particular economic environment which is subject to risks and rewards that are different from those of other geographical segments.

EDP Group Activity by Business Segment - IFRS

Information by business segment - June 2005

(Thousands of Euros)

	Generation				Electricity Distribution				Supply				Gas Distribution		Telecommu- nications		Continuing operations		EDP Group
	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Spain		Other Operations	Consolidation Adjustments	EDP Group		
Turnover	965,754	491,647	14,479	1,471,880	1,870,093	295,883	570,189	2,736,164	243,215	123,181	65,703	432,099	-	-	-	-	4243,268	-	4,243,268
Sales of electricity	110,102	4,206	-	15,218	1,550	3	15,533	184	339,349	3,324	-	339,349	3,324	339,349	-	-	203,671	486	318,740
Other sales	-26,255	3,279	2,526	-20,450	14,211	17,462	63,280	94,954	-641	4,043	236	3,638	33,077	33,077	-	-	252,817	83,395	287,066
Services rendered	950,511	499,133	17,005	1,466,649	1,885,884	313,349	633,469	2,832,672	242,575	127,359	65,938	435,872	372,426	372,426	42,400	-468,488	4760,193	83,881	4844,074
Raw materials and consumables	-91,155	-35,339	-1,733	-128,227	-1,278,846	-253,570	-394,658	-1,927,074	-250,144	-172,076	-52,497	-474,717	-289,233	-289,233	-	-	-2,405,619	-	-2,405,619
Purchase of electricity	-333,306	-176,331	-	-509,637	-	-	-	-183	-	-	-	-	-46	-46	-	-	-510,575	-	-510,575
Fuel costs	-2,104	-1,370	-21	-3,494	-7,450	1,417	-6,297	-12,330	-	21	-	21	469	469	-	-	-14,220	-371	-14,592
Other materials	-426,565	-213,040	-1,754	-641,358	-1,286,296	-252,285	-403,955	-1,939,536	-250,144	-172,055	-52,497	-474,696	-289,408	-289,408	-	-	-2,930,415	-371	-2,930,786
Gross Margin	523,946	286,093	15,252	825,291	595,558	61,063	232,514	893,135	-7,570	-44,696	13,441	-38,824	83,018	83,018	42,400	-50,925	1829,779	83,510	1918,288
Operating costs	-39,229	-29,340	-6,730	-75,300	-115,399	-24,919	-36,005	-176,324	-6,413	-12,003	-13,449	-19,765	-15,491	-15,491	-43,824	46,237	-338,445	-70,361	-408,806
Supplies and services	-67,043	-17,778	-135	-84,956	-193,542	-12,650	-36,291	-242,483	-2,067	-3,134	-3,717	-5,578	-10,425	-10,425	-29,438	99,110	-289,413	-10,716	-300,129
Staff costs	-106,272	-47,118	-6,865	-160,256	-308,941	-37,569	-72,296	-418,807	-8,480	-15,137	-17,726	-25,344	-25,916	-25,916	-73,262	145,347	-627,858	-81,077	-708,935
Other operating income / (costs)	-2,220	-	-	-2,220	-100,867	-	-	-100,867	-13	-	-	-13	-18	-	-	-0	-103,100	-	-103,100
Concessions	1391	-3,683	-545	-2,837	-2,837	3,031	-29,252	-14,025	13	-1,717	-98	-1,802	-1,204	-1,204	126,751	-188,646	-103,833	-2,131	-105,964
Other operating income / (costs)	-829	-3,683	-545	-5,057	-115,671	3,031	-29,252	-141,892	-0	-1,717	-98	-1815	-1,204	-1,204	126,751	-188,646	-206,934	-2,131	-209,065
Gross Operating Results	416,845	235,292	7,841	659,978	174,946	26,525	180,966	332,437	-16,050	-61,549	11,616	-65,983	55,898	55,898	95,978	-94,224	994,987	302	995,288
Depreciation and amortisation	-120,220	-57,704	-815	-178,739	-176,601	-15,681	-33,200	-225,482	-2,353	-2,363	-99	-4,815	-31,344	-31,344	-4,771	28,484	-436,398	-7,409	-443,807
Compensation of depreciation	307	81	-	488	38,532	946	-	39,478	-	-	-	-	826	826	25	86	40,903	-	40,903
Operating Results	296,932	177,769	7,026	481,717	36,877	11,790	97,766	146,433	-18,404	-43,912	11,517	-70,798	25,381	25,381	91,232	-65,654	599,492	-7,107	592,385
Financial income / (expense)	-38,495	-8,643	-2,264	-49,402	-8,871	-4,677	32,689	15,102	-1,403	10	1,875	481	518	518	22,296	-88,212	-117,209	-4848	-122,058
Profit before taxes	258,437	169,126	4,762	432,325	24,016	7,114	130,405	161,534	-19,807	-63,902	13,392	-70,317	25,894	25,894	113,527	-153,865	482,282	11,956	470,327
Income tax	-72,911	-59,067	-1,704	-133,683	-19,458	-2,521	-46,333	-62,312	6,425	22,388	-4,599	24,214	-8,728	-8,728	-144,756	187,747	-137,704	2,758	-134,946
Profit after tax but before gain on discontinued operation	185,526	110,059	3,058	298,642	10,558	4,592	84,071	99,222	-13,382	-41,514	8,793	-46,103	17,166	17,166	-31,229	33,882	344,579	-9,198	335,381
Gain on sale of discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,755	14,755
Profit for the period	185,526	110,059	3,058	298,642	10,558	4,592	84,071	99,222	-13,382	-41,514	8,793	-46,103	17,166	17,166	-31,229	33,882	344,579	-9,198	350,136
Attributable to:																			
Equity holders of EDP	185,526	109,307	3,058	297,891	10,558	4,592	84,071	99,222	-13,382	-41,514	8,793	-46,103	9,279	9,279	-31,229	10,851	312,783	5,557	318,340
Minority interests	-	752	-	752	-	-	-	-	-	-	-	-	-	-	-	23,031	31,796	-	31,796
Profit for the period	185,526	110,059	3,058	298,642	10,558	4,592	84,071	99,222	-13,382	-41,514	8,793	-46,103	17,166	17,166	-31,229	33,882	344,579	5,557	350,136

EDP Group Activity by Business Segment - IFRS

Information by business segment - June 2004

(Thousands of Euros)

	Generation				Electricity Distribution				Supply				Gas Distribution				Information Technology	Telecommunications	Other Operations	Consolidation Adjustments	Continuing operations		Discontinued operations			
	Portugal		Spain		Brazil		Total		Portugal		Spain		Brazil		Total						Portugal		Spain		EDP Group	Discontinued operations
Turnover	676,514	274,526	13,505	964,545	1,726,811	188,773	455,242	2,370,826	154,519	117,539	41,529	313,588	-	-	-	-	-	-	-	-382,276	3,266,683	-	-	3,266,683		
Sales of electricity	10,389	633	1,325	12,723	1,352	27	1,352	4,141	-	4,141	-	308,643	-	-	4,141	308,643	5,222	13,083	5,222	-277,977	127,186	-	-	127,186		
Other sales	36,030	1,952	3,766	41,747	10,690	17,078	31,616	59,383	1,102	4,280	292	5,680	-	-	5,680	160,338	77,697	160,338	59,197	-156,709	266,561	-	-	266,561		
Services rendered	722,933	277,111	18,972	1,019,015	1,738,825	205,878	486,838	2,431,561	155,628	125,959	41,822	323,409	-	-	323,409	165,559	90,780	165,559	59,197	-756,962	3,660,430	-	-	3,660,430		
Raw materials and consumables																										
Purchase of electricity	-17,974	-12,876	-3,302	-34,152	-11,333,374	-146,632	-301,151	-1,581,157	-150,761	-100,898	-35,916	-283,574	-911,738	-	-283,574	-911,738	-	-	-	499,705	-1,644,976	-	-	-1,644,976		
Fuel costs	-162,045	-182,763	-2,375	-297,183	-	-458	-5,041	-438	-	-1,990	-	-1,017	-1,017	-	-1,017	-1,090	-	-	-	77,870	-222,778	-	-	-222,778		
Other materials	764	-1,010	-48	-293	-7,649	913	-5,041	-11,778	-	1,225	-	1,225	-	-	1,225	-6,895	-11,486	-4,510	-143	-871	-34,751	-	-	-34,751		
	-179,254	-146,648	-5,725	-331,628	-1,141,023	-146,177	-306,192	-1,593,393	-150,761	-101,663	-35,916	-283,574	-911,738	-	-283,574	-911,738	-	-4,510	-143	576,705	-1,902,505	-	-	-1,902,505		
Gross Margin	543,678	130,462	13,246	687,387	597,802	99,700	180,666	838,168	4,866	24,297	5,906	35,069	78,161	-	35,069	161,049	79,295	161,049	59,054	-180,257	1,757,925	-	-	1,757,925		
Operating costs																										
Supplies and services	-32,014	-17,601	-6,090	-55,706	-104,124	-13,493	-23,897	-141,214	-2,848	-6,565	-594	-10,007	-11,349	-	-10,007	-126,681	-28,763	-126,681	-40,908	127,776	-506,832	-	-	-506,832		
Self-costs	-69,240	-17,415	-492	-87,146	-213,272	-12,054	-31,689	-238,974	-1,663	-2,841	-287	-4,170	-8,274	-	-4,170	-27,985	-23,962	-27,985	9,454	6,755	-103,923	-	-	-103,923		
	-101,254	-35,016	-6,582	-142,852	-319,396	-25,547	-55,266	-403,209	-4,510	-9,406	-861	-14,177	-19,623	-	-14,177	-154,666	-58,725	-154,666	-51,453	134,531	-707,775	-	-	-707,775		
Other operating income / (costs)																										
Concession rents	-1,982	-	-	-1,982	-92,743	-	-	-92,743	-8	-	-	-8	-	-	-	-	-	-	-	-	-0	-	-	-94,733		
Other operating income / (costs)	2,130	-9,006	-116	-6,992	11,085	4,450	-15,283	235	-2,725	6,328	-39	3,564	667	-	3,564	187	619	187	-23,411	-4,523	-29,656	-	-	-29,656		
	148	-9,006	-116	-8,974	-81,675	4,450	-15,283	-92,508	-2,733	6,328	-39	3,556	667	-	3,556	187	619	187	-23,411	-4,523	-29,656	-	-	-29,656		
Gross Operating Results	442,573	86,441	6,548	535,561	196,721	38,603	110,117	345,451	-2,377	21,219	5,006	23,848	59,204	-	23,848	6,570	21,188	6,570	-15,811	-50,250	925,761	-	-	925,761		
Depreciation and amortisation	-115,712	-50,098	-2,257	-168,066	-172,918	-15,032	-26,825	-214,775	-1,742	-2,139	-17	-3,898	-30,295	-	-3,898	-21,785	-13,167	-21,785	-7,147	74,213	-384,920	-	-	-384,920		
Compensation of depreciation	29	171	-	199	36,502	806	-	37,715	-	-	-	-	-	-	-	-	-	-	312	-872	37,975	-	-	37,975		
Operating Results	326,890	36,513	4,291	367,694	60,721	24,377	83,292	168,391	-4,119	19,080	4,989	19,950	29,531	-	19,950	-15,215	8,021	-15,215	-22,646	23,090	578,816	-	-	578,816		
Financial income / (expense)	-44,113	-9,670	-4,995	-58,778	-12,153	-5,284	-54,427	-71,844	-329	-2,051	-215	-2,595	-480	-	-2,595	-21,881	-5,868	-21,881	9,549	-21,298	-173,395	-	-	-173,395		
Profit before taxes	282,777	26,843	-704	308,917	48,568	19,114	28,865	96,547	-4,448	17,029	4,774	17,355	28,850	-	17,355	-37,096	2,153	-37,096	-13,097	1,792	405,421	-	-	405,421		
Income tax	-83,959	-8,209	-1,016	-93,184	-61,206	-6,697	-11,756	-79,659	1,833	-6,170	-1,142	-5,779	-30,196	-	-5,779	-6,734	-2,432	-6,734	67,863	5,397	-124,723	-	-	-124,723		
Profit for the period	198,818	18,634	-1,719	215,733	-12,658	12,417	17,109	16,888	-2,615	10,859	3,632	11,576	8,654	-	11,576	-43,830	-279	-43,830	54,766	7,189	280,697	-	-	280,697		
Attributable to:																										
Equity holders of EDP	198,818	18,170	-1,719	215,268	-12,658	12,417	17,109	16,888	-2,615	10,859	3,632	11,576	10,293	-	11,576	-43,845	951	-43,845	54,766	22,099	287,997	-	-	287,997		
Minority interests	-	464	-	464	-	-	-	-	-	-	-	-	8,361	-	-	15	-1,230	15	-	-14,509	-7,299	-	-	-7,299		
Profit for the period	198,818	18,634	-1,719	215,733	-12,658	12,417	17,109	16,888	-2,615	10,859	3,632	11,576	8,654	-	11,576	-43,830	-279	-43,830	54,766	7,189	280,697	-	-	280,697		

IX. LIMITED REVIEW REPORT



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**LIMITED REVIEW REPORT ON CONSOLIDATED
INTERIM FINANCIAL INFORMATION PREPARED
BY INDEPENDENT AUDITOR REGISTERED IN CMVM**

INTRODUCTION

1. In accordance with the requirements of article 246 of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim consolidated financial information for the six months period ended 30 June 2005, of EDP – Energias de Portugal, S.A., which includes: the Management Report, the consolidated balance sheet (with a total assets of Euros 22,221,211,000 and total equity attributable to the shareholders of Euros 4,102,306,000, including a net profit of Euros 318,340,000) and the consolidated statement of income, cash flows and changes in equity for the six months period then ended and in the corresponding notes to the financial statements. This consolidated information was prepared in accordance with IAS 34 following the relevant requirements of IFRS 1 for the preparation of interim consolidated financial statements.
2. The amounts included in the financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Board of Directors is responsible for:
 - a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations;
 - b) the preparation of financial information, presented in accordance with the generally accepted accounting principles, namely in accordance with IAS 34 following the relevant requirements of IFRS 1 for the preparation of interim consolidated financial statements and that is complete, true, current, clear, objective and fair as required by the CVM;
 - c) the adoption of adequate accounting principles;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4. Our responsibility is to verify the financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:
 - a) mainly, inquiries and analytical procedures performed to review:
 - the feasibility of the assertions included in the interim consolidated financial information;
 - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
 - application of the going concern principle;
 - the presentation of the interim consolidated financial information;
 - if the interim consolidated financial information is complete, true, current, clear, objective and fair; and
 - b) substantive tests on material non current transactions.
6. Our work included also the verification of the consistency of the consolidated financial information contained in the Management Report with the remaining documents mentioned above.
7. We consider that our work provides a reasonable basis to issue the report on the interim financial information. We have not performed an audit and, accordingly, we do not express an audit opinion.

CONCLUSION

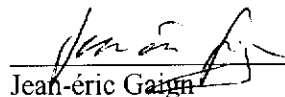
8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six months period ended 30 June 2005, is not free of material misstatements that affect its compliance with the accounting principles and policies described in note 2 to the interim consolidated financial statements which refers the basis on which EDP – Energias de Portugal, S.A. applied the International Financial Reporting Standards, as endorsed by the European Union up to 30 June 2005, and following the requirements of IFRS 1.

EMPHASIS OF MATTER

9. Without qualifying our conclusion presented in the previous paragraph, we draw your attention to the fact that the interim consolidated financial statements for the 6 months period ended 30 June 2005 have been prepared in accordance with IFRS as endorsed by EU until 30 June 2005. As referred in note 2 to the interim consolidated financial statements, the IFRSs that will be effective or available for early adoption in the annual financial statements for the year ending 31 December 2005 are still subject to change and additional interpretations which have yet to be formally endorsed by the EU and therefore cannot be determined with certainty at this date. Accordingly, the accounting policies that will be applied to the 2005 annual financial statements will only be determined when the first annual IFRS financial statements are prepared at 31 December 2005.

Lisbon, 27 September 2005

KPMG & Associados, S.R.O.C., S.A.
Represented by



Jean-éric Gaigne
(ROC n° 1013)



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**LIMITED REVIEW REPORT ON
INTERIM FINANCIAL INFORMATION PREPARED
BY INDEPENDENT AUDITOR REGISTERED IN CMVM**

INTRODUCTION

1. In accordance with the requirements of article 246 of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim financial information for the six months period ended 30 June 2005, of EDP – Energias de Portugal, S.A., which includes: the Management Report, the balance sheet (with a total assets of Euros 13,000,753,000 and total equity of Euros 5,814,288,000, including a net profit of Euros 60,712,000) and the statement of income, cash flows and changes in equity for the six months period then ended and in the corresponding notes to the financial statements. This information was prepared in accordance with IAS 34 following the relevant requirements of IFRS 1 for the preparation of interim financial statements.
2. The amounts included in the financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Board of Directors is responsible for:
 - a) the preparation of financial information, presented in accordance with the generally accepted accounting principles, namely in accordance with IAS 34 following the relevant requirements of IFRS 1 for the preparation of interim financial statements and that is complete, true, current, clear, objective and fair as required by the CVM;
 - b) the adoption of adequate accounting principles;
 - c) the maintenance of an appropriate internal control system; and
 - d) the communication of any relevant fact that may have influenced its activity, financial position or results.
4. Our responsibility is to verify the financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:
 - a) mainly, inquiries and analytical procedures performed to review:
 - the feasibility of the assertions included in the interim financial information;
 - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
 - application of the going concern principle;
 - the presentation of the interim financial information;
 - if the interim financial information is complete, true, current, clear, objective and fair; and
 - b) substantive tests on material non current transactions.
6. Our work included also the verification of the consistency of the financial information contained in the Management Report with the remaining documents mentioned above.
7. We consider that our work provides a reasonable basis to issue the report on the interim financial information. We have not performed an audit and, accordingly, we do not express an audit opinion.

CONCLUSION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six months period ended 30 June 2005, is not free of material misstatements that affect its compliance with the accounting principles and policies described in note 2 to the interim financial statements which refers the basis on which EDP – Energias de Portugal, S.A. applied the International Financial Reporting Standards, as endorsed by the European Union up to 30 June 2005, and following the requirements of IFRS 1.

EMPHASIS OF MATTER

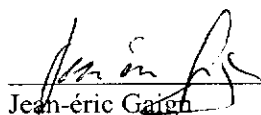
Without qualifying our conclusion presented in the previous paragraph, we draw your attention to the following:

9. The interim financial statements for the 6 months period ended 30 June 2005 have been prepared in accordance with IFRS as endorsed by EU until 30 June 2005. As referred in note 2 to the interim financial statements, the IFRSs that will be effective or available for early adoption in the annual financial statements for the year ending 31 December 2005 are still subject to change and additional interpretations which have yet to be formally endorsed by the EU and therefore cannot be determined with certainty at this date. Accordingly, the accounting policies that will be applied to the 2005 annual financial statements will only be determined when the first annual IFRS financial statements are prepared at 31 December 2005.
10. At this date, the merger process of EDP Produção with EDP – Energias de Portugal, S.A. is still ongoing and the public deed will occur until the end of this year. The merger will produce its accounting effects from 1 January 2005.

Lisbon, 27 September 2005

KPMG & Associados, S.R.O.C., S.A.

Represented by



Jean-éric Gaign
(ROC n° 1013)