

EDP ELECTRICIDADE DE PORTUGAL SA
Form 6-K
September 09, 2003

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO
RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE
ACT OF 1934**

For the Month of September 2003

EDP- Electricidadé de Portugal

**Praça Marquês de Pombal, 12
1250-162 Lisbon, Portugal**

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of
Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by
furnishing the information contained in this form
is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the
Securities Exchange Act of 1934.)

Yes o No ý

Financial Results

1H2003

**Investor Relations
Department**

Pedro Pires, Head of IR

Gonçalo Santos

Elisabete Ferreira

Cristina Requicha

Rui Antunes

Tel: +351 21 001 2834

Fax: +351 21 001 2899

Email: ir@edp.pt

Site: www.edp.pt

Reuters: EDPP.IN / EDP.N

Bloomberg: EDP PL / EDP US

Lisbon, 3 September 2003

EDP - Electricidade de Portugal, S.A. Headquarters: Praça Marquês de Pombal,12 1250-162 Lisboa Portugal

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1H2003 Financial Results

m	1H2003	1H2002	r%
Operating Revenues	3,345.7	3,064.0	9.2%
Operating Costs	2,468.0	2,318.0	6.5%
EBITDA	877.7	746.0	17.6%
Operating Results	406.8	353.3	15.2%
Financial Results	(182.5)	(119.7)	-52.5%
Extraordinary Results	59.4	48.2	23.2%
Net Income	182.0	230.6	-21%
Earnings per share	0.061	0.077	-21.1%
Cash Flow (1)	652.9	623.4	4.7%
Adjusted Cash Flow (2)	696.9	560.8	24.3%
Operating Investment	342.8	447.0	-23.3%
Financial Debt	8,003.1	7,994.1	0.1%
Net Debt	7,860.3	7,780.1	1.0%

m	rHC	r Escelsa	r Enersul	1H2003(3)	1H2002	r%
Operating Revenues	228.8	124.7	72.2	2,919.9	3,064.0	-4.7%
Operating Costs	179.1	94.2	51.7	2,142.9	2,318.0	-7.6%
EBITDA	49.6	30.6	20.5	777.0	746.0	4.2%
Operating Results	26.9	15.7	10.7	353.6	353.3	0.1%

General Indicators	1H2003	1H2002	r%
Number of electricity clients			
Portugal	5,689,406	5,599,555	1.6%
Hidrocontábrico (4)	557,686	544,101	2.5%
Brazil	2,797,941	2,739,368	2.1%
Electricity sales (GWh)			
Portugal	19,000	18,681	1.7%
Hidrocontábrico (4)	5,805	5,543	4.7%
Brazil	9,165	9,422	-2.7%
Number of employees in the core business			
Portugal	8,977	9,391	-4.4%
Hidrocontábrico (4)	1,383	1,346	2.7%
Brazil	3,640	3,745	-2.8%

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The EDP Group reported a significant growth at the operating level in the first half of 2003. EBITDA increased by 131.7 million or 18%, and EBIT was up 53.6 million or 15%. The change in the Group's consolidation perimeter was an important reason for this increase in EBITDA. Hidroantábrico contributed an additional 49.6 million, while Escelsa and Enersul added 30.6 million and 20.5 million respectively.

If we exclude this effect, the Group's EBITDA increased by a solid 4% or 31.0 million. The generation subsidiary EDP Produção contributed 9.7 million as a result of the company's successful effort in maintaining operating costs strictly under control. ONI had a positive impact of 22.4 million due to the increase in voice traffic, lower interconnection tariffs, rigorous cost cutting and the closure of its mobile venture ONI Way. The positive contribution of the abovementioned businesses was partly offset by Bandeirante's 11.5 million fall in EBITDA due to the devaluation of the Real. In local currency terms, the company's EBITDA was up 18%.

The Group's EBIT improved by 53.6 million or 15%. The new subsidiaries contributed 53.3 million. However, consolidated EBIT was negatively affected by higher amortisation charges and an increase in provisions at EDP Distribuição. The poor economic environment led to a 14.0 million increase in provisions of which 7.2 million relate to the higher level of doubtful debtors and a further 7.3 million relate to interest charged but not yet received on overdue electricity bills. The anticipated improvement in the economic environment will reverse this situation.

(1) Cash flow = Net Income + Depreciation + Provisions

(2) Adjusted Cash flow = Cash Flow + Tariff Adjustment + Hydrological Correction + Hydrological Account Interest

(3) Excluding the changes in the consolidation perimeter

(4) Hidroantábrico is proportionally consolidated in accordance with EDP's stake in Hidroantábrico (40%). Figures presented above correspond to Hidroantábrico 100%.

Note: The accounts presented in this document are non-audited.

Results Overview

Revenues (m)	1H2003	1H2002	r%
EDP Produção	643.6	726.2	-11.4%
EDP Distribuição	1,788.3	1,727.7	3.5%
Hidrocantábriico	280.1	51.4	
Bandeirante	226.6	345.4	-34.4%
Escelsa	124.7		
Enersul	72.2		
Telecoms	161.7	149.2	8.4%
Information Technology	95.2	113.8	-16.3%
Other & Adjustments	(46.8)	(49.7)	5.7%
Consolidated	3,345.7	3,064.0	9.2%

EBITDA (m)	1H2003	1H2002	r%
EDP Produção	407.6	398.0	2.4%
EDP Distribuição	265.1	266.8	-0.6%
Hidrocantábriico	61.9	12.3	
Bandeirante	31.9	43.4	-26.5%
Escelsa	30.6		
Enersul	20.5		

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Telecoms	(2.5)	(24.9)	90.0%
Information Technology	21.1	21.5	-1.7%
Other & Adjustments	41.4	29.0	42.7%
Consolidated	877.7	746.0	17.6%

EBIT (m)	1H2003	1H2002	r%
EDP Produção	284.6	276.2	3.0%
EDP Distribuição	50.1	74.8	-33.0%
Hidrocantábrico	33.4	6.6	
Bandeirante	13.8	27.3	-49.3%
Escelsa	15.7		
Enersul	10.7		
Telecoms	(38.4)	(58.1)	34.0%
Information Technology	9.5	12.5	-23.8%
Other & Adjustments	27.4	14.0	95.0%
Consolidated	406.8	353.3	15.2%

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Cost control is still a key management target. In the first half of this year supplies and services on a consolidated basis, stripping out the impact of first time consolidations, went down by 3%. Personnel costs were down 1%. EDP will continue to focus on cost cutting through operational savings and personnel reduction particularly now that an agreement has been reached with the regulator. Up to 485.7 million of the costs incurred in a downsizing program for 2003 and 2004 will be passed through to the electricity tariff over the next 20 years as from 2005. This will allow the company to implement a thorough modernization program in order to reach the desired efficiency levels.

EDP's pre-tax profit was flat at 283.7 million following a 53% or 62.9 million net increase in financial charges versus the first half of 2002. Once again, the change in the consolidation perimeter was key. It had an impact on net interest costs of 28.1 million and 24.6 million in increased goodwill amortisation. The balance is due to the increase in debt at the holding level following the acquisition of the 40% stake in Hidrocantábrico and the first time appropriation of the accumulated losses since 2000 (7.2 million) from Electra (Cabo Verde's distribution company in which the Group owns 30.6%).

Despite the Group's good operating performance, net profit for the period decreased from 230.6 million in the 1H2002 to 182.0 million. There were several one-offs in the tax items.

The apparent tax rate went up from 30% to 39% or 25.4 million in absolute terms compared to the same period last year. The taxable base was negatively impacted by the increase in goodwill and the change in the consolidation method of Escelsa and Enersul. However the biggest impact was due to a 30 million swing over the previous years' tax estimate: (i) 22,7 million less in 1H2002 relative to an over-estimation of 2001 taxes and : (ii) an additional 7,7 million in 1H2003 due to an under-estimation of 2002 taxes. This is a one-off item. Minorities were 25.1 million lower due lower net losses at Oni and the positive contribution of the Brazilian subsidiaries following their full consolidation.

Investments and Financial Debt

Operating Investments (m)	1H2003	YE2002	1H2002
EDP Produção	86.8	286.4	113.7
EDP Distribuição	141.2	371.2	137.8
(-) Subsidies in cash	28.5	56.9	29.1
(-) Edinfor asset transfer		80.5	38.4
(=) EDP Distribuição cash investments	112.7	233.8	70.2
Hidrocontábrico (40%)	33.2	84.8	30.8
Brazil	68.3	202.8	96.9
Telecoms	18.2	312.0	95.0
Information Technology	18.1	41.8	23.8
Other	5.4	53.9	16.6
Total	342.8	1,215.4	447.0

Financial Debt (m)	1H2003	YE2002	1H2002
Holding (1)	5,783.9	5,879.4	4,785.1
EDP Produção	67.6	69.1	71.4
EDP Distribuição			
Hidrocontábrico (40%)	805.8	816.6	799.7
Brazil	631.4	550.2	226.1
Telecoms	675.0	622.1	589.8
Information Technology	22.6	25.6	34.7
Other	16.8	31.0	0.2
Total Financial Debt	8,003.1	7,994.1	6,507.0
Cash and cash equivalents	142.8	214.0	40.4

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Net Debt	7,860.3	7,780.1	6,466.6
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Operating investment totalled 342.8 million in the 1H2003. If we exclude ONI Way's investment in the 1H2002 (66.0 million), operating investment would have gone down 10.0%.

EDPP invested an extra 38.5 million in the new TER CCGT and 14.7 million in the expansion of the Venda Nova hydro power plant. EDPP also invested 6.5 million through Enernova (wind power generation) in adding 18MW installed capacity to the Serra do Barroso (12MW - 6 wind turbines) and Cabeço da Rainha (6MW - 3 wind turbines) wind farms. Most of this capacity (90%) became available during the first half of 2003 but has not yet began operating. The company plans to invest around 400 million in 550MW of new wind generation capacity until 2008.

The bulk of recurring investment at EDPD was related to the expansion and improvement of the distribution network.

40% of Hidroantábriço's investment, amounting to an extra 33.2 million in EDP Group's capex, was mostly in wind farms. Two wind farms with 64 MW and 34 MW of installed capacity will start operating in August and October, respectively.

Oni invested 18.2 million in the 1H2003, or 5% of EDP Group's total investment. 61% of Oni's investments were in the Spanish fixed line operations.

At the end of the first half of 2003, the EDP Group's total financial debt amounted to 8,003.1 million. Vis-à-vis the 1H2002, the holding company's debt increased by 999 million which includes the 783 million paid to EnBW to buy a 40% stake in Hidroantábriço and the purchase of 357.4 million Bonds of Escelsa for USD268.7 million. The full consolidation of Escelsa and Enersul contributed a 329.3 million net increase to EDP's consolidated debt (net of EDP S.A.'s portion of the purchased Escelsa's Senior Notes - approximately 83%).

In the 1H2003, Oni and the Brazilian subsidiaries, account for 16% or 1,306.4 million of total EDP Group's consolidated debt. Excluding the minorities' share of the financial debt of these subsidiaries, Oni and Brazil represent 531.7 million. In Brazil it is worth mentioning that the electric utilities are financing State receivables through special loans contracted with BNDES to compensate for the rationing losses and Parcela A costs. The 81.2 million increase in Brazilian subsidiaries debt since YE2002 is strongly influenced by the 13% Brazilian Real appreciation against the Euro in the period.

Following the year-on-year debt increase, total net debt over shareholder's equity plus minorities, increased from 52% in the 1H2002 to 58% in the 1H2003. 2003 debt levels are expected to reflect peak funding for EDP.

(1) Net of overdrafts and deposits

EDP Produção

Energy emission (GWh)	1H2003	1H2002	r%
Hydroelectric	8,709	2,940	196.2%
Thermoelectric	5,459	9,277	-41.2%
Binding Generation	14,168	12,217	16.0%
HDN	86	37	129.1%
Hydrocencel	173	90	92.3%
EDP Energia	170	57	197.1%
Non-Binding Generation	429	185	132.3%
Biomass	19	20	-0.9%
Wind Farms	57	55	3.3%
Cogeneration	346	294	17.4%
Small Hydro (1)	128	65	94.9%
Special Regime Producers	549	434	26.5%
Total EDP emission	15,147	12,836	18.0%
Pego thermal power station (SEP)	1,812	2,501	-27.6%
Tapada thermal power station (SEP)	2,112	3,917	-46.1%
Auto-producers (SEI)	1,630	1,195	36.5%
Import / (Export) net	940	257	265.2%
Direct sales to Ind. Clients (included in Cogeneration)	-257	-223	-15.4%
Pumping	(211)	(319)	34.1%
Gross demand	21,174	20,165	5.0%
Synchronous compensation	(20)	(20)	-2.3%
Own consumption - generation	(2)	(2)	-4.5%
Own consumption - transmission grid	(5)	(5)	1.9%
Losses	(398)	(313)	27.0%
Energy delivered to distribution	20,749	19,824	4.7%
EDP thermal emission (GWh)	1H2003	1H2002	r%
Tapada do Outeiro	(0)	28	
Carregado	290	1,314	-77.9%
Barreiro	75	167	-55.3%
Setúbal	699	3,071	-77.2%
Sines	4,390	4,695	-6.5%
Alto de Mira + Tunes	6	2	174.7%
EDP thermal emission in the PES	5,459	9,277	-41.2%

Hydrological Coefficient

EDP Produção s (EDPP) total emission reached 15,147 GWh in 1H2003, of which 61% was hydro generation compared to 25% in 1H2002;

The 18.0% increase in EDPP s emission is due to heavy rainfall at the beginning of the year (hydrological coefficient of 1.30 in 1H2003, 0.51 in 1H2002) and a 5.0% increase in Gross Demand following a cold winter;

Given that EDPP owns virtually all the hydro installed capacity in Portugal, its contribution to the total energy delivered to the system rose from 64% in 1H2002 to 72% in 1H2003.

(1) HDN, Hidrocel and EDP Energia s power stations with installed capacity of less than 10 MW operating in the Non-Bidding system are remunerated as Special Regime Producers (SRP). SRP generation in HDN represented 88 GWh in 1H2003 and 45 GWh in 1H2002, in Hidrocel represented 28 GWh in 1H2003 and 17 GWh in 1H2002 and in EDP Energia represented 12 GWh in 1H2003 and 4 GWh in 1H2002.

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Electricity sales (m)	1H2003	1H2002	r%
PPA Capacity Charge	440.5	430.7	2.3%
PPA Energy Charge	114.4	240.7	-52.5%
Total CPPE	554.9	671.5	-17.4%
HDN	23.1	11.5	100.3%
Hidrocenel	21.7	11.1	94.6%
Total Small Hydro	44.8	22.7	97.5%
Wind powered (Enernova)	5.0	4.6	7.8%
Cogeneration (Soporgen & Energin)	20.5	12.4	64.8%
Biomass (Bioléctrica)	1.3		
Total EDP Produção	626.5	711.2	-11.9%

1H2003

1H2002

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Fuel costs (m)	1H2003	1H2002	r%
Coal	59.7	77.1	-22.6%
Fuel-oil	45.0	146.7	-69.3%
Natural Gas	5.8	5.2	11.6%
Diesel	0.7	0.3	151.8%
CPPE	111.1	229.2	-51.5%
Natural Gas (Soporgen & Energin)	18.9	10.5	79.9%
Forest waste (Bioelétrica)	1.0		
Total EDP Produção	131.0	239.7	-45.3%
Electricity Purchases (m)	1H2003	1H2002	r%
HDN & Hidrocenel	30.4	6.7	

1H2003

1H2002

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The PPA capacity charge increased 2.3%, reflecting i) higher availability factors at the CPPE's hydro and thermal power plants and ii) the charge adjustment for inflation as foreseen in the PPA contracts;

The PPA energy charge dropped 52.5% due to a lower utilization of CPPE's thermal plants, because of a wet semester. CPPE was once again able to buy coal and fuel at a lower price than the EU coal price index reflected in the PPA energy charge (111.1 million vs. 114.4 million). The increase in the natural gas cost in 1H2003 is artificial since only 5 months' costs were booked in 1H2002 (3,0 million respecting to the consumption of the month of June were only accounted for in the 3Q2002).

Despite lower revenues, the electricity generation gross profit at EDPP's remained stable in 1H2003 at 465.1 million. This is explained by the recurring high availability of CPPE's power plants and the abovementioned efficient fuel procurement.

Non-Group Supplies & Services (m)	1H2003	1H2002	r%
Insurance costs	3.9	7.8	-49.1%
Maintenance costs	6.3	9.0	-29.4%
Surveillance and security	1.1	1.2	-10.2%
Specialized works	2.0	1.2	67.5%
Other	8.3	6.9	19.8%
Total Non-Group S&S	21.7	26.1	-16.8%

Personnel costs (m)	1H2003	1H2002	r%
Total Personnel Costs	61.0	60.9	0.2%
Pension Premiums	5.9	5.5	8.0%
Early Retirement Correction	6.6	6.6	-0.1%
Social benefits with early retirees	0.7	0.7	-11.1%
Medical care with inactives	1.5	1.2	29.5%
Adjusted Personnel Costs	46.3	46.9	-1.3%
Number of employees	2,101	2,181	-3.7%

Non-group supplies and services drop 16.8%. However there are some facts that influence this analysis: i) 1H2002 include most of the year's insurance charge, while 1H2003 includes just 6 months and; ii) During 1H2003 EDP Produção S.A., the holding company of EDP's generation business in Portugal, moved to a rented building. If we adjust for this, non-group supplies and services in 1H2003 would have dropped 8.8% from 1H2002, thanks to strict management of maintenance costs.

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Supplies and services provided by Group companies in 1H2003 remained at 7.3 million, approximately half of YE2001 levels, as anticipated in the YE2002 Financial Results report.

Personnel costs for the period remained constant at 61.0 million. When corrected for all early-retirements costs, pension premiums and other costs associated with non-active workers, personnel costs fell 1.3%. There was a net reduction of 80 employees in EDPP's workforce since 1H2002 to 1H2003, mostly attributable to the transfer of personnel to EDP Valor in the last quarter of 2002.

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Operating Income Statement (m)	1H2003	1H2002	r%
Electricity Sales	626.5	711.2	-11.9%
Services Provided	7.5	8.5	-12.6%
Other Sales	9.6	6.5	48.9%
Operating Revenues	643.6	726.2	-11.4%
Electricity	30.4	6.7	
Fuel for electricity generation	131.0	239.7	-45.3%
Direct Activity Costs	161.4	246.4	-34.5%
Gross Profit	482.2	479.8	0.5%
Gross Profit/Revenues	74.9%	66.1%	8.9p.p.
Sundry materials and goods for resale	2.0	2.4	-15.6%
Supplies and services - Group	7.3	7.6	-4.3%
Supplies and services - Non-Group	21.7	26.1	-16.8%
Personnel costs	61.0	60.9	0.2%
Generation centre rentals	1.9	1.8	3.2%
Other operating costs (or revenues)	(1.9)	(2.4)	22.0%
Own work capitalised	(17.5)	(14.6)	-19.6%
Operating Costs	74.6	81.8	-8.9%
EBITDA	407.6	398.0	2.4%
EBITDA / Revenues	63.3%	54.8%	8.5p.p.
Depreciation and amortisation	118.1	113.2	4.4%
Provisions	4.9	8.6	-42.6%
EBIT	284.6	276.2	3.0%
EBIT / Revenues	44.2%	38.0%	6.2p.p.
Investment (m)	1H2003	1H2002	r%
Binding Generation	24.0	16.4	46.1%
Non-Binding Generation	39.3	85.8	-54.2%
Special Regime Producers	7.4	5.1	46.4%
Other investments	4.1	1.3	217.7%
Financial costs and Investments	12.0	5.3	127.1%
Total investment	86.8	113.9	-23.8%
Recurring investment	10.2	9.5	8.3%
Non-recurring investment	76.6	104.4	-26.7%

Main Generation Investments at technical cost:

Total Forecast	139.0
Conclusion date	Sep-2004
Invested to Date	89.7 or 64.6%

Total Forecast	478.0
Conclusion date	2004
Invested to Date	243.8 or 51.0%

EDP Distribuição

Energy Sales (GWh)	1H2003	1H2002	r%
Energy delivered to Distribution	20,749	19,826	4.7%
Own consumption - distribution	(12)	(11)	11.9%
Distribution losses	(1,225)	(1,037)	18.2%
Total electricity sales (1)	19,512	18,778	3.9%
Electricity sales - PES	17,982	18,448	-2.5%
VHV (Very high voltage)	554	405	37.0%
HV (High voltage)	1,718	1,736	-1.0%
MV (Medium voltage)	4,679	5,688	-17.7%
SLV (Special low voltage)	1,496	1,422	5.2%
LV (Low voltage)	8,930	8,653	3.2%
PL (Public lighting)	605	544	11.3%
Electricity sales NBES	1,530	330	
EDP	1,018	233	
HV (High voltage)	30	39	-23.2%
MV (Medium voltage)	989	194	
Non-EDP	512	97	
HV (High voltage)	35	49	-28.0%
MV (Medium voltage)	477	49	

Electricity consumers	1H2003	1H2002	r
VHV (Very high voltage)	13	11	2
HV (High voltage)	102	97	5
MV (Medium voltage)	19,307	20,084	(777)
SLV (Special low voltage)	27,582	26,967	615
LV (Low voltage)	5,599,799	5,511,812	87,987
PL (Public lighting)	41,690	40,549	1,141
Binding consumers	5,688,493	5,599,520	88,973
HV (High voltage)	2	2	
MV (Medium voltage)	911	33	878
EDP	913	35	878
HV (High voltage)	2	3	(1)
MV (Medium voltage)	329	10	319
Non-EDP	331	13	