

EDP ELECTRICIDADE DE PORTUGAL SA
Form 6-K
March 05, 2004

**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 March 2004

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

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

Commission pursuant to Rule 12g3-2(b) under the

Securities Exchange Act of 1934.)

Yes o No ý

Financial Results
2003

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 March 2004

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

Table of Contents

2003 Financial Results - Summary

Results Overview

Investments and Financial Debt

EDP Produção

EDP Distribuição

Hidroantábriço

Brazil

Telecoms

Information Technology

Consolidated Financial Results and Pro-forma Analysis

Consolidated Extraordinary Results

Consolidated Income Statement

Adjusted Cash Flow and Consolidated Balance Sheet

Income Statement by Business Areas

Balance Sheet by Business Areas

Appendix I - Naturcorp

2003 Financial Results - Summary

Financial Results Summary (m)	2003	2002	Δ%
Operating Revenues	6,977.6	6,386.6	9.3%
Operating Costs	5,150.6	4,897.7	5.2%
EBITDA	1,827.0	1,488.9	22.7%
Operating Results	905.7	648.7	39.6%
Financial Results	(359.0)	(222.8)	-61.1%
Extraordinary Results	(14.4)	(138.9)	89.6%
Net Profit	381.1	335.2	14%
Earnings per share	0.127	0.112	13.7%
Cash Flow (1)	1,302.4	1,175.4	10.8%
Adjusted Cash Flow (2)	1,458.3	1,182.5	23.3%
Operating Investment	859.1	1,101.8	-22.0%

Financial Debt (m)	2003	2002	Δ%
Financial Debt	7,492.9	7,994.1	-6.3%
Net Debt	7,207.3	7,780.1	-7.4%

Financial Results Summary (m)	A 2002 HC Jan-May	B 2002 Brazil Jan-Sep	2003	2002 + A + B Pro-Forma 2002	Δ%
Operating Revenues	253.1	274.5	6,977.6	6,914.2	0.9%
Operating Costs	186.3	209.5	5,150.6	5,293.5	-2.7%
EBITDA	66.9	65.0	1,827.0	1,620.8	12.7%
Operating Results	42.7	40.2	905.7	731.5	23.8%

General Indicators	2003	2002	Δ%
Number of electricity clients			
Portugal	5,767,401	5,665,005	1.8%
Hidrocontábrico (3)	563,116	550,813	2.2%
Brazil	2,902,203	2,848,230	1.9%
Electricity sales (GWh)			
Portugal	37,591	36,617	2.7%
Hidrocontábrico (3)	12,126	11,308	7.2%
Brazil	20,180	20,631	-2.2%

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

No. of employees (core business)			
Portugal	8,398	9,150	-8.2%
Hidrocontábrico (3)	1,569	1,357	15.6%
Brazil	3,733	3,834	-2.6%

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

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

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

(4) Adjusting for Oni's direct costs which are accounted for as S&S at EDP's consolidated accounts.

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

The EDP Group reported a significant growth at the operating level in 2003. EBITDA improved by 338.1 million or 22.7%, and EBIT was up 257.0 million or 39.6%. The change in the Group's consolidation perimeter was a major reason for this increase in EBITDA. Had Hidrocontábrico and the Brazilian subsidiaries been consolidated for the full year of 2002 at the EBITDA level, they would have contributed an extra 66.9 million and 65.0 million respectively. On a Pro-Forma basis, EDP's EBITDA still increased by 12.7% or 206.3 million.

The Group's generation and distribution businesses EDP Produção (EDPP) and EDP Distribuição (EDPD) contributed respectively with 32.3 million and 33.9 million to the increase in EBITDA having kept operating costs strictly under control. On a Pro-Forma basis Hidrocontábrico contributed positively to EDP's EBITDA thanks to the consolidation of Naturcorp (+14 million to EDP). Brazil's 24.5 million contribution (pro-forma) was due to tariff increases and a pick-up in consumption. Oni had a positive impact of 54.1 million due to the increase in voice traffic, lower interconnection tariffs, rigorous cost cutting and the closure of its mobile venture OniWay.

Cost control is still a key management target. In 2003, supplies and services on a consolidated basis went down 15.6%(4) while personnel costs grew 3.5% year-on-year. However, on a pro-forma basis, both supplies and services and personnel costs went down 16.6% and 3.0%, respectively. EDP will continue to focus on cost cutting through operational savings and early retirements, particularly now that the costs of the Human Resources Restructuring Programme were accepted by the regulator (ERSE) as a pass through cost to the electricity tariffs over the next 20 years as from 2005. In 2003, total costs accepted by ERSE with the HR Restructuring Programme amounted to 148.4 million, following a reduction of 500 employees at EDP Distribuição.

(.../...)

Results Overview

EBITDA (m)	2003	2002	Δ%
EDP Produção (1)	813.2	780.9	4.1%
EDP Distribuição	523.2	489.2	6.9%
Hidrocantábrico	143.4	67.8	111.5%
Brazil	186.7	97.2	92.1%
Oni	8.9	(45.1)	
Information Technology	34.1	55.3	-38.3%
Other & Adjustments	117.5	43.7	169.2%
Consolidated	1,827.0	1,488.9	22.7%

(1) Excludes the Special Regime Producers (SRP) Enernova and EDP Bioelétrica (Renewable Energy)

(.../...)

EDP's pre-tax profit went up 85.5% to 532.3 million following a 61.1% or 136.2 million net increase in financial charges versus 2002 that was balanced by a 89.6% or 124.5 million net decrease in extraordinaries versus 2002.

The change in the consolidation perimeter had a significant impact on financial results with the inclusion of the financial charges of Hidrocantábrico, Escelsa and Enersul for the full year. However, on a pro-forma basis, financial results benefited from a 2.2% decreased in net interest paid.

Extraordinary results amounted to a 14.4 million loss. The most important item was a 120 million provision for the possible devaluation and contingencies in Brazil and Cape Verde. Extraordinaries also include a capital gain of 17.8 million resulting from the sale of EDP's 3% stake in Iberdrola and a 19.3 million gain as the Hidrologic Correction Account exceeded its limit due to a wet year.

Net Profit amounted to 381.1 million, up 13.7% year-on-year. Adjusting for 2002 and 2003 one-offs Net Profit would have increased 49%, from 308 million to 459 million. The core business was the main contributor to this improvement due to increased demand, higher allowable revenues and tight cost control. The upward revision in Brazilian tariffs also boosted Net Profit in 2003.

Investments and Financial Debt

CAPEX (m)	2003	2002
EDP Produção (1)	236.1	239.4
Renewables	39.7	47.1
EDP Distribuição	343.6	371.2
(-) Subsidies in cash	59.7	56.9
(-) Edinfor asset transfer	13.3	80.5
(=) EDPD cash investments	270.6	233.8
Hidrocontábrico (40%)	71.0	49.0
Brazil	125.8	125.0
Telecoms	46.2	312.0
Information Technology	55.5	41.8
Other	14.1	53.9
Total	859.1	1,101.8

Financial Debt (m)	2003	2002
Holding (2)	5,356.2	5,879.4
EDP Produção (1)	38.8	54.3
Renewables	18.7	14.8
EDP Distribuição		
Hidrocontábrico (40%)	786.1	816.6
Brazil (3)	547.3	550.2
Telecoms	685.5	622.1
Information Technology	23.8	25.6
Other	36.5	31.0
Total Financial Debt	7,492.9	7,994.1

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

Cash and cash equivalents	285.6	214.0
Net Debt	7,207.3	7,780.1

(1) Excludes the Special Regime Producers (SRP) Enernova and EDP Bioelétrica (Renewable Energy)

(2) Net of overdrafts and deposits

(3) netted against 282 million of Escelsa's Senior Notes in 2003

Capital expenditure totalled 859.1 million in 2003. If we exclude OniWay's investment in 2002 (171.2 million), operating investment would have gone down 7.7%. It is important to note that the data presented corresponds to the cash-out-flow on operating investments of the EDP Group, considering the consolidation method of each subsidiary.

EDPP's investment in the new TER CCGT (Units I and II) amounted to 142.3 million in 2003. Total planned investment (at technical cost) for this first phase amounts to 478.0 million, of which 73% has already been concluded. EDP will build a third 400 MW unit on TER for an extra 197.0 million until 2006 when it should start operations. In 2003 EDPP also invested 34.4 million in an additional 188 MW at the Venda Nova hydro power plant (binding generation). The estimated investment is 139.0 million (at technical costs) of which 79% has already been done. Enernova invested 38.5 million in 25 MW of wind farm capacity and plans to invest 212.0 million in an extra 280 MW by 2006 and a further 300 MW by 2008. HC's investment was mostly in wind farms. The P.E. Cantábrico wind farm (64 MW) became fully operational in the 2H2003 and P.E. Arlanzón wind farm (34 MW) already has 25 MW in operation.

The bulk of recurring investment at EDPD was in the distribution network. These investments, aimed at improving quality of service, led to a drop in the average interruption time. These investments are remunerated by the regulator at a 9% nominal rate.

Capex in Brazil remained flat. Note that 2002's capex only includes 3 months of Escelsa and Enersul. Including the full year of these subsidiaries, capex would have gone down 29.4 million, on the back of lower investments in generation in Brazil. Oni invested 46.2 million in 2003, or 5% of the EDP Group's total investment. 67% of Oni's investments was in the Spanish fixed line operations.

At the end of 2003, the EDP Group's total financial debt amounted to 7,492.9 million. Vis-à-vis the YE2002, the holding company's debt decreased by 523.2 million, in great part thanks to the sale of EDP's 3% stake in Iberdrola, amounting to 400.1 million.

Despite the acquisition of 56.8% of Naturcorp, which resulted in a 251 million cash-out-flow, Hidrocantábrico was able to reduce its financial debt following the sale of a 7% stake in REE (102 million) and the securitisation of the Spanish electricity tariff deficit for 2000-2002 (60 million).

In 2003, Oni and the Brazilian subsidiaries, account for 16% or 1,232.8 million of the EDP Group's consolidated debt. In Brazil it is worth mentioning that the electricity utilities are financing regulatory receivables through special loans contracted with BNDES to compensate for the rationing losses and Parcela A costs. The proportional amount of Escelsa's Senior Notes held by EDP was netted off against Escelsa's financial debt.

Following the year-on-year debt decrease, total debt over total capital, decreased from 59.0% in 2002 to 57.5% in 2003 or from 58.3% to 56.6% if we consider net debt.

EDP Produção (1)

Energy emission (GWh)	2003	2002	Δ%
Hydroelectric	13,964	6,764	106.5%
Thermoelectric	12,619	17,437	-27.6%
Binding Generation	26,583	24,201	9.8%
HDN	121	90	34.8%
Hidrocel	288	222	29.6%
EDP Energia	296	111	167.0%
TER	203		
Non-Binding Generation	907	423	114.6%
Biomass	38	37	2.2%
Wind Farms	128	113	13.8%
Cogeneration	679	595	14.0%
Small Hydro (2)	196	150	31.0%
Special Regime Producers	1,042	895	16.3%
Total EDP emission	28,531	25,519	11.8%
Pego thermal power station (PES)	4,168	4,794	-13.1%
Tapada thermal power station (PES)	5,404	7,126	-24.2%
Auto-producers (IES)	3,184	2,461	29.4%
Import / (Export) net	2,793	1,899	47.1%
Direct sales to Ind. Clients (incl. in Cogeneration)	(532)	(454)	17.1%
Pumping	(485)	(670)	-27.6%
Gross demand	43,064	40,675	5.9%
Synchronous compensation	(31)	(37)	-13.8%
Own consumption - generation	(3)	(3)	24.8%
Own consumption - transmission grid	(10)	(9)	17.5%
Losses	(813)	(687)	18.4%
Energy delivered to distribution	42,206	39,941	5.7%

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

Thermal emission (GWh)	2003	2002	Δ%
Tapada do Outeiro	(1)	44	
Carregado	1,091	2,408	-54.7%
Barreiro	195	249	-21.7%
Setúbal	1,834	5,191	-64.7%
Sines	9,473	9,532	-0.6%
Alto de Mira + Tunes	26	13	106.7%
EDP thermal emiss. (PES)	12,619	17,437	-27.6%

Installed Capacity (MW)	2003	2002	UMW	BP 2006
Run-of-river	1,860	1,860		1,860
Reservoir	2,043	2,043		2,475
Coal	1,192	1,192		1,192
Fuel	1,759	1,759		1,713
CCGT	392		392	1,176
Diesel	197	329	(132)	165
Small hydro (HDN & HCL)	226	226		229
Cogeneration	111	111		111
Total EDPP	7,780	7,520	260	8,920
Small hydro (EDP Energia)	85	85		85
Wind (Enernova)	65	40	25	385
Biomass (EDP Bioeléctrica)	9	9		9
EDP Installed Capacity	7,939	7,654	285	9,399

(1) The Special Regime Producers (SRP) Enernova and EDP Bioeléctrica (Renewable Energy) were excluded from the EDPP consolidation perimeter from July 2003. For analysis purposes these two companies were excluded from EDPP in both periods.

(2) HDN, Hidrocel (HCL) and EDP Energia's power stations with installed capacity of less than 10 MW operating in the Non-Binding system are remunerated as Special Regime Producers (SRP). SRP generation in HDN represented 131 GWh in 2003 and 100 GWh in 2002, in HCL represented 47 GWh in 2003 and 42 GWh in 2002 and in EDP Energia represented 19 GWh in 2003 and 8 GWh in

In 2003 EDP's total emission increased 11,8% to 28,531 GWh. EDP's higher emission resulted from heavy rainfall during the first and fourth quarter of the year (52% hydro generation in 2003 compared to 29% in 2002) and a 5.9% increase in gross demand following a cold winter and an unusually hot summer.

TER CCGT had its first dry-run during the fourth quarter of the year and contributed with 203 GWh to total emissions to the network. The 1st TER unit started industrial service on the 14th February 2004 and the 2nd is expected to end test emissions in October 2004. As for the 3rd TER unit, it is scheduled to be completed in March 2006.

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

During 2003, CPPE decommissioned the 132 MW Alto Mira diesel plant as its PPA had reached maturity.

Edgar Filing: EDP ELECTRICIDADE DE PORTUGAL SA - Form 6-K

Electricity revenues (m)	2003	2002	Δ%
PPA Capacity Charge	892.7	866.0	3.1%
PPA Energy Charge	283.6	457.9	-38.1%
Total CPPE	1,176.3	1,323.9	-11.2%
Small hydro (HDN & HCL)	87.5	57.6	51.9%
Cogeneration (Soporgen & Energin)	40.1	32.8	22.2%
Trading	1.8		
Total EDP Produção	1,305.6	1,414.3	-7.7%
Fuel costs (m)	2003	2002	Δ%