



Financial Results 1H2008

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1H08 Performance



Results Summary (€ m)	1H08	1H07	Δ 08/07
Gross Profit	2,445.0	2,262.6	8.1%
Operating Costs	860.5	910.1	-5.4%
EBITDA	1,584.5	1,352.6	17.2%
EBIT	973.4	827.5	17.6%
Net Profit	703.0	422.1	66.6%
Net Debt	12,028.4	11,692.2	2.9%

Operating Data	1H08	1H07	Δ 08/07
Electricity:			
Installed Capacity (MW)	16,104	13,796	16.7%
Generation (GWh)	23,714	24,801	-4.4%
Distribution (GWh)	42,630	41,940	1.6%
Retail (GWh)	46,901	46,436	1.0%
Clients (thousand)	10,010	9,779	2.4%
Gas:			
Distribution (GWh)	13,187	12,696	3.9%
Retail (GWh)	15,611	13,539	15.3%
Clients (thousand)	808	778	3.8%
Employees (Group)	13,049	13,259	-1.6%

Consolidated EBITDA increased by 17% YoY, to €1,585m in 1H08. Main highlights were as follows:

- **Iberian Generation & Supply (+5.1% YoY, €616m EBITDA)** – Performance in this business area was marked by sustained growth of EBITDA in long term contracted generation (PPAs/CMECs and special regime), by +5.6% (€22m) YoY, supported by additional gross profit stemming from Desox investments in Sines coal plant (€9.5m). Nonetheless, this was partially penalized by 4% YoY decline in EBITDA from liberalized generation, dragged by operations in Spain (-30% YoY in gross margin) due to the outage of Soto 3 plant in 1Q08 and to the strong increase of coal marginal generation cost, together with the decline of Spanish pool prices, in 2Q08. In Portugal, gross margin from liberalized generation grew by 62% YoY, fuelled by (i) higher load factors of Ribatejo CCGT (74% vs 50% in 1H07) and higher average selling prices (€5.6/MWh higher than in Spain).
- **Wind (+145% YoY, €227m EBITDA)** – On top of July 07's first time consolidation of the US subsidiary, Horizon (EBITDA €76m in 1H08), EBITDA growth was propelled by: (i) new capacity additions (c1.3GW in the last 12 months), (ii) increase in average tariffs (+15% in Europe) and (iii) continuing top-quality load factors. Load factors in the 1H08 confirm EDP's first class assets: 27.6% in Spain, 28.8% in Portugal, 25.9% in France and 37.8% in US.
- **Iberian Distribution (+14% YoY, €354m EBITDA)** – EBITDA from regulated electricity distribution in Portugal increased by 23% YoY, to €327m in 1H08, driven by an 8.6% YoY increase in gross profit and a 1.7% YoY decrease in controllable operational costs resulting from the successful implementation of the EDP's HR restructuring program. In Spain, EBITDA increased by 4.9% YoY to €46m in 1H08, mainly reflecting a 3.9% increase in regulated revenues recognized in the 2008 tariffs.
- **Brazil (-7.9% YoY, €298m EBITDA)** - EBITDA contribution decreased by 8% (11.4% in local currency) YoY to €298m (R\$ 777.9m) in 1H08, penalized by the reduction of the amount of regulatory receivables recovered in 1H08 (vs 1H07) and the tariff revisions for the new regulatory periods. In local terms, generation EBITDA increased by 50% YoY, while distribution EBITDA decreased by 30.5% (local currency).
- **Gas (+13% YoY, €112m EBITDA)** – Gas distribution and transmission regulated activities posted a 11% YoY increase in EBITDA, to €84m in 1H08, reflecting a 3.7% increase in the number of supply points and the 4.6% YoY expansion in the extension of our networks. In the liberalized gas procurement and supply business, EBITDA grew 20% YoY, supported by an increase in both volumes (+49% YoY) and clients (+54% YoY).

Net financial costs increased to €511.4m in 1H08, from €176m in 1H07, boosted by: In 1H08, (1) Higher net financial interests paid (+50% YoY) due to higher average gross debt during the period (+32% YoY) and a 20bp increase in the group's average cost of debt (5.6% in the 1H08 vs. 5.4% in the 1H07) benefiting from lower interest rates in Brazil (-200bp YoY). (2) Decline in other financials due to impairment losses totalling €148m in respect of the decrease in market value of EDP's stakes in Sonaecom and BCP and the inclusion of hedging financial results in energy markets which declined from €7.2m gain in 1H07 to €53.7m loss in 1H08.

Net profit of €703m in 1H08 is boosted by capital gains worth €481m (in 1H08), including: (1) €405m resulting from the dilution of EDP's stake in EDP Renováveis, (2) €49m gain booked on the sale of stakes in Turbogás (40%) and Portugal (27%). On the other hand, net profit was penalized by a €67m impairment loss due to overall impact of discontinued operations of Enersul booked as a result of regulatory economic imports and by €8m as a result of the asset swap between Enersul and shareholding control of Lajeado hydro plant. Net profit adjusted for these issues, including BCP and Sonaecom impairments, rose by 12%, to €473m.

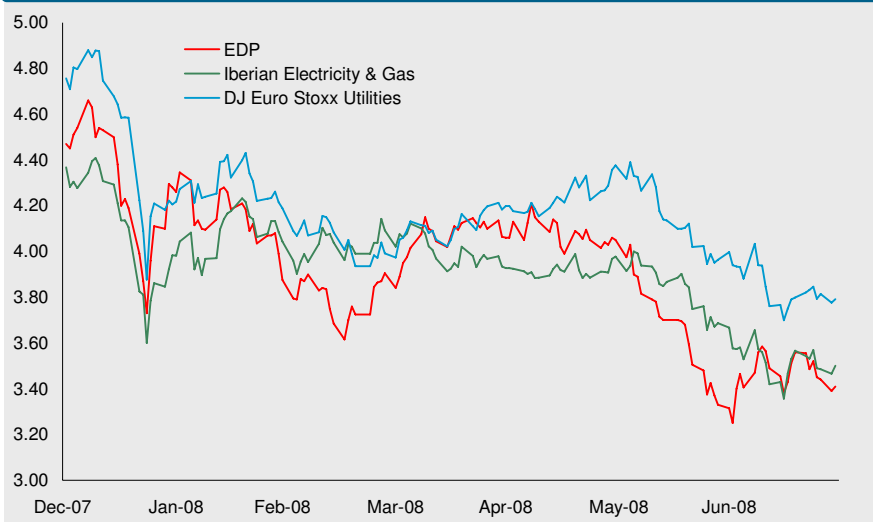
Net debt in the end of June 2008 amounted €12bn, up from €11.7bn in 2007, reflecting the high level of cash flow generation and the IPO of EDP Renováveis, on the one hand, and the strong capex, €759m payment for hydro domain, and increase of regulatory receivables (+€434m YTD), on the other hand. In 1H08, EDP's **capex** amounted €1,345m, 76% of which devoted to expansion projects. In June 2008, EDP had 4,300MW of new capacity under construction (60% of which in hydro and wind), representing a 25% increase in installed capacity. In 2008FY, EDP expects to book capex of €3.5bn.

In July, as a result of EDP's improved financial profile following the partial IPO of EDP Renováveis Standard & Poor's Ratings Services revised its outlook to stable from negative, and affirmed its 'A-/A-2' long and short-term corporate credit ratings on EDP.

EDP Share Performance



YTD EDP Stock Performance on Euronext Lisbon



EDP's Main Events

- Jan-02** Horizon closes a USD 600 million transaction with institutional equity investors
- Jan-08** EDP launches tender for the Alqueva Hydro plant repowering
- Jan-09** Energias do Brasil has a new board
- Fev-19** EDP acquires 1.050MW of early stage wind projects in the USA
- Fev-26** EDP exercises put option over 40% of Edinfor
- Fev-26** EDP establishes new renewable energy unit in South America
- Mar-31** EDP transfers the right to receive the 2006/2007 tariff deficit in Portugal
- Apr-01** Construction and operation of Foz Tua hydro plant awarded to EDP
- Apr-08** EDP acquires wind assets from EOLE 76 Group in France
- Apr-09** IPIC notifies EDP of a 2% ownership in EDP's share capital
- Apr-29** EDP signed credit facility for €925m
- Mai-06:** EDP sells its stakes in Turbogás and Portugen
- Mai-14:** EDP to purchase from Acciona up to 782 MW of wind turbines to be delivered in 2009-2011
- Jun-02:** EDP Renováveis sets subscription price for its IPO shares at 8 euros per share
- Jun-18:** Energias do Brasil and Grupo Rede agree to an asset exchange which reinforces EDP Group's position in power generation in Brazil
- Jul-03:** Standard & Poor revised outlook on EDP from negative to stable
- Jul-17:** Construction of Fridão and Alvito hydro plants in Portugal awarded to EDP

EDP Stock Market Performance

YTD 52W 2007

(29-07-2008)

EDP Share Price (Euronext Lisbon - €)

Close	3.41	3.41	4.47
Max	4.76	5.00	5.00
Min	3.17	3.17	3.79
Average	3.96	4.16	4.18

EDP's Liquidity in Euronext Lisbon

Turnover (€ m)	6,927	15,452	21,457
Average Daily Turnover (€ m)	46	59	82
Traded Volume (million shares)	1,748	3,715	5,129
Avg. Daily Volume (million shares)	12	14	20

EDP Market Value

Market Capitalisation (€ million)	12,469	-	16,345
Enterprise Value (€ million)	26,652	-	30,528

Consolidated Financial Statements



The financial statements presented in this document are non-audited.

Consolidated Income Statement (€ m)	1H08	1H07	Δ 08/07
Electricity Sales	6,041.4	4,831.2	25.1%
Gas Sales	590.3	680.3	-13.2%
Other Sales	27.3	41.4	-34.1%
Services Provided	61.3	74.6	-17.9%
Operating Revenues	6,720.2	5,627.5	19.4%
Electricity	3,257.3	2,341.4	39.1%
Gas	385.7	517.8	-25.5%
Fuel	606.7	467.8	29.7%
Materials and goods for resale	25.5	37.8	-32.7%
Direct Activity Costs	4,275.2	3,364.8	27.1%
Gross Profit	2,445.0	2,262.6	8.1%
Gross Profit/Revenues	36.4%	40.2%	-3.8 pp
Supplies and services	355.2	324.2	9.6%
Personnel costs	301.5	298.4	1.0%
Costs with social benefits	57.9	53.7	7.7%
Concession fees	117.6	109.3	7.5%
Other operating costs (or revenues)	28.3	124.3	-77.2%
Operating costs	860.5	910.1	-5.4%
EBITDA	1,584.5	1,352.6	17.2%
EBITDA/Revenues	23.6%	24.0%	-0.5 pp
Provisions for risks and contingencies	17.5	42.3	-58.7%
Depreciation and amortisation	648.1	534.9	21.2%
Comp.of subsidised assets' depreciation	(54.4)	(52.2)	-4.2%
EBIT	973.4	827.5	17.6%
EBIT/Revenues	14.5%	14.7%	-0.2 pp
Capital gains/(losses)	481.5	5.6	8535.8%
Financial income/(expense)	(511.4)	(176.0)	-190.6%
Income/(losses) from group and associated companies	19.0	11.1	70.7%
Pre-tax profit	962.4	668.2	44.0%
Income taxes	184.1	176.7	4.2%
Discontinued Activities	(8.5)	-	-
Profit for the period	769.9	491.5	56.6%
Equity holders of EDP	703.0	422.1	66.6%
Minority interests	66.9	69.5	-3.7%

Assets (€ m)	1H08	2007
Property, plant and equipment, net	19,487	18,669
Intangible assets, net	5,472	5,222
Financial Investments, net	657	957
Deferred Tax asset	682	687
Inventories	315	283
Accounts receivable - trade, net	1,715	1,759
Accounts receivable - other, net	3,489	2,993
Financial assets held for trading	42	49
Cash and cash equivalents	1,325	865
Total assets	33,184	31,484

Equity (€ m)	1H08	2007
Share capital	3,657	3,657
Treasury stock and share premium	398	436
Reserves and retained earnings	1,580	1,264
Consolidated net profit attributable to equity holders of the parent	703	907
Minority Interest	2,155	987
Total equity	8,493	7,251

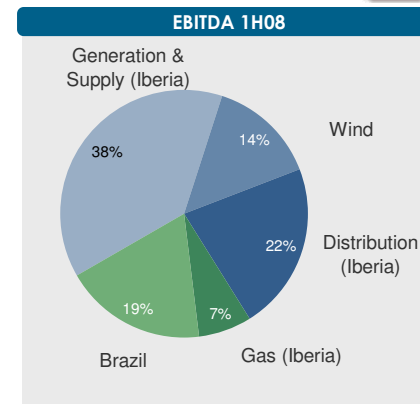
Liabilities (€ m)	1H08	2007
Medium/ Long-term debt & borrowings	11,217	10,064
Short-term debt & borrowings	2,178	2,542
Provisions	391	376
Hydrological correction account	233	228
Deferred Tax liability	650	618
Accounts payable - net	10,023	10,406
Total liabilities	24,692	24,233
Total equity and liabilities	33,184	31,484

NOTE: Energias do Brasil and Grupo Rede agreed to an asset exchange consisting in a swap of Enersul by the controlling companies of Lajeado Hydro Plant owned by Rede Lajeado. This operation will allow Energias do Brasil to consolidate its position in Lajeado Hydro plant. Due to accounting rules, the Enersul stake was classified as discontinued operations which means that all assets and liabilities are accounted in a separated item in the balance sheet and that the P&L will have a separated column in the first half report. Although, in this press release the financial statements presented does not consider that accounting rule.

EBITDA Overview: Consolidated EBITDA up 17%



EBITDA (€ m)	1H08	1H07	% Δ	Abs. Δ	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
IBERIAN MARKET *	1,204.7	1,029.5	17.0%	175.2	545.1	482.3	559.8	422.0	608.5	596.3		
Generation & Supply	615.7	585.8	5.1%	29.9	302.5	283.3	311.0	329.0	311.8	303.9		
Wind	226.7	92.6	144.9%	134.2	55.1	37.5	54.4	66.9	125.5	101.2		
Distribution	354.1	310.0	14.2%	44.1	173.8	136.2	164.4	(18.9)	182.0	172.1		
Gas	112.3	99.4	13.0%	12.9	52.5	46.9	44.4	44.7	59.2	53.1		
Brazil	297.7	323.0	-7.9%	(25.4)	159.2	163.9	124.1	139.4	160.7	137.0		
Other & Adjustments	(21.9)	(58.2)	62.3%	36.3	(38.2)	(20.0)	(1.7)	18.1	(30.6)	8.6		
Consolidated	1,584.5	1,352.6	17.2%	232.0	704.8	647.7	696.5	579.2	808.7	775.9		



CONSOLIDATED EBITDA – Overall, EDP reported a consolidated EBITDA of €1,585m in 1H08, up 17.1% YoY. Excluding impacts from acquisitions (Horizon in Jul-07) pro-forma EBITDA increased 10.2%. Main highlights are as follows:

IBERIAN GENERATION AND SUPPLY - EBITDA rose by 5.1% (+€30m) YoY, to €616m in 1H08. EBITDA from long term contracted generation (PPAs/CMECs and special regime) was 13% (€52m) higher YoY, benefiting from an increase in contracted margin of Sines plant (€9.5m starting this semester), following desox investments in this facility and costs of coal consumed below the international indexes (€24m). In turn, EBITDA from liberalized generation declined by 4% YoY, caused by a 10% YoY decline in gross margin. In Spain, gross margin from generation decreased by 30% YoY, penalized by the outage for large maintenance works of our Soto 3 plant in 1Q08 and by the strong increase of coal marginal generation cost, together with the decline of Spanish pool prices, in 2Q08. In Portugal, gross margin from liberalized generation grew by 62%, to €76m, fuelled by higher load factors of Ribatejo CCGT (74% vs 50% in 1H07) and average selling price in the pool €5.6 higher than in Spain, at €67/MWh. In the supply business, performance was mixed: in Spain volumes grew by 15% YoY on average selling prices to clients in line with the average Spanish pool; in Portugal, the low €51/MWh generation price assumed by the regulator in 2008 retail tariffs is limiting volume supplied to a few segments of residential consumers in which market prices are still competitive vs. tariffs.

WIND - The contribution from wind operations to consolidated EBITDA increased by 145% YoY to €226m in 1H08. EBITDA from EDP Renováveis' (EDPR) wind farms activity in Europe increased by 63% YoY, to €151m, boosted by: (1) capacity additions (+558MW, +41% YoY based on period end), (2) higher average tariffs (+15% YoY) propelled by higher pool prices in Spain, and (3) continuing high load factors. Load factors in the 1H08 confirm EDPR's first class assets: 27.6% in Spain, 28.8% in Portugal and 25.9% in France. Even so, it is noteworthy that load factors in the 2Q08 were penalized by poor wind conditions particularly in May/June and in Spain and France. The group's US subsidiary, Horizon, which started being fully consolidated in Jul-07, booked an EBITDA of €76m (\$116m) in 1H08. Gross margin adjusted for revenues from production tax credits (PTC) and other revenues related to Horizon's institutional partnerships, reached €98m, on load factor of 37.8%. Adjusted for these revenues related to institutional partnerships, operational costs stood at €22m, or €10.9/MWh (\$16.8/MWh). In 1H08, EDPR increased its installed portfolio by 206MW (140MW in Europe, 66MW in US) and has currently under construction 1,677MW (with €990m already invested) which will ensure the match of 1.4GW annual target in 2008 and further meets 35% of EDPR's target for 2009.

IBERIAN REGULATED DISTRIBUTION – EBITDA from regulated electricity distribution in Portugal increased by 15.7% YoY, to €354m in 1H08, driven by an 8.4% YoY increase in gross profit. Controllable operational costs rose by 3.3% YoY, reflecting higher commercial costs and new costs with management of energy purchases resulting from new rules of MIBEL, on the one hand, and the group's successful HR Restructuring program, on the other hand. Electricity gross profit in the period was in line with regulated revenues set by ERSE in Dec-07, since tariff deviations are accounted as revenues from Jan-08 onwards, in line with currently in course change in regulatory legislation. Tariff deviations in 1H08 amounted to €479m as a result of several deviations from ERSE's assumption in the calculation of 2008 tariffs: (i) slower growth in electricity entered in the distribution grid (up 1.2% YoY), (ii) increasing volume of electricity supplied by the last resource electricity supplier (+10.4% YoY) and (iii) higher procurement costs in 1H08 (€74/MWh versus €51/MWh ERSE's estimate). In Spain, EBITDA increased by 4.9% YoY to €46m in 1H08, largely reflecting a 3.9% increase in regulated revenues recognized in the 2008 tariffs.

IBERIAN GAS – Gas distribution and transmission regulated activities posted a 11% YoY increase EBITDA, to €84m in 1H08, reflecting a 3.7% increase in the number of supply points and the 4.6% YoY backed by an expansion in the extension of our networks. In the liberalized gas procurement and supply business, EBITDA grew 20% YoY, supported by an increase in both volumes (+49% YoY) and clients (+54% YoY). In turn, average gross margin per MWh sold in gas supply decreased by 6.3% YoY, due to an increase in the average purchase cost in line with the movement of CMP.

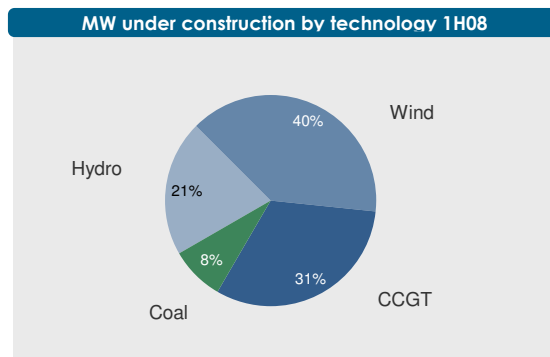
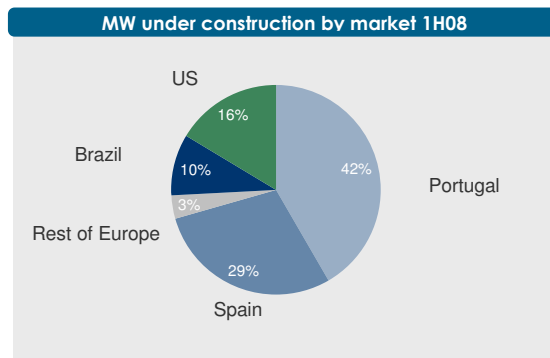
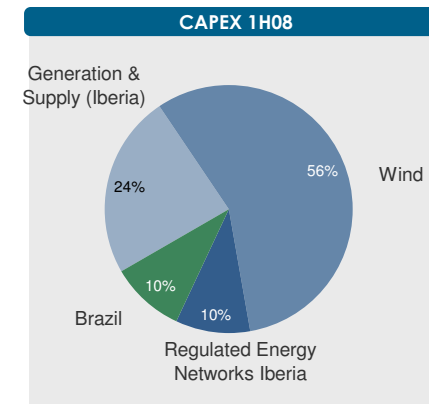
BRAZIL– Energias do Brasil's EBITDA contribution decreased by 8% (11.4% in local currency) YoY to €298m (R\$ 777.9m) in 1H08, penalized by the reduction of the amount of regulatory receivables recovered in 1H08 (vs 1H07) and the tariff revisions for the new regulatory periods. In local terms, EBITDA in generation activity increased by 50% YoY, impacted by a one-off increase in electricity sales by Enerpeixe in 1Q08 and an increase in the average selling price due to the readjustment of some contracts and the start of new contracts with higher prices. In distribution, EBITDA decreased by 30.5% (local currency) dragged by (i) a decrease in the amount of regulatory receivables recovered through tariffs, (ii) energy costs higher than the ones considered on tariff assumptions and (iii) tariff revisions only partially compensated by (iv) demand growth.

* Including "Other & Adjustments" in the Iberian Market and Excluding Horizon (USA) and Neo's business activity in France.

Capital Expenditures



Capex (€ m)	1H08	1H07	% Δ	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Generation & Supply Iberia	319.6	151.9	110%	29.6	122.2	223.5	369.7	116.8	202.8		
Wind	759.8	192.2	295%	91.7	100.5	402.8	793.6	369.6	390.2		
Regulated Energy Networks Iberia	132.8	125.7	5.6%	56.2	69.5	78.1	131.2	58.9	73.9		
Brazil	129.6	79.7	63%	31.6	48.2	69.7	59.9	57.0	72.6		
Other	3.0	4.2	-28%	1.0	3.2	13.3	4.6	4.3	(1.2)		
EDP Group	1,344.8	553.7	143%	210.1	343.6	787.5	1359.0	606.6	738.2		
Expansion Capex	1,021.3	270.5	278%	106.1	164.4	548.1	1,117.2	465.6	555.7		
Maintenance Capex	323.5	283.2	14%	104.0	179.3	239.4	241.8	141.0	141.0		



Consolidated capex increased by 143% YoY (€791m), to €1,345m in the 1H08, reflecting: (i) the start of consolidation in Jul-07 of Horizon, our US wind subsidiary (+€417m); (ii) a 110% (€168m) YoY increase in capex at the Iberian generation business; (iii) a 79% (€151m) YoY increase in capex at our European wind business, and (iv) a 63% (€50m) YoY increase in capex at the Brazilian subsidiary largely stemming from investments in new generation capacity (€35m).

In 1H08, 76% of EDP Group's capex was devoted to the expansion of installed capacity, namely in new wind farms (56% of group capex) and in new generation capacity in Iberia peninsula (24%), namely CCGTs and hydro. Moreover, close to 80% of EDP's capex is related to regulated businesses and long term contracted generation, therefore implying low risk of return.

EDP is building the ground for medium term growth. With main growth plans focused in cleaner generation technologies (wind, hydro, CCGT), EDP has 4.3GW of new capacity currently under construction and other projects fully secured, some of which have already involved cash outs. This is the case of:

- (1) **Wind (1.7GW under construction)**, responsible for €760m capex in 1H08. With a total €1bn capex already incurred in MW currently under construction and turbine deposits, this unit should deliver on its 1.4GW new addition target in 2008. Capex in new wind capacity is seasonally concentrated in 3Q as weather conditions in the markets where EDP Renováveis is present force main construction works to take place in the summer with final commissioning happening predominantly in 4Q08.
- (2) **Iberian CCGTs (1.3GW under construction)**, responsible for €144m capex in 1H08. Out of total planned capex, 70% has already been spent, but only Castejon III (418MW) has already started operations in Jan-08. As for the remaining under development capacity, 418MW from Soto 4 will start operation in next August and the remaining 862MW (Lares 1 and 2) will enter in operations in 3Q09.
- (3) **Iberian Hydro (0.8GW under construction)**, responsible for €78m capex in 1H08, includes €53m paid for the right to build and operate Foz Tua dam (312MW) and some initial amounts invested in the construction of new capacity in Picote II, Bemposta II, Alqueva II and Baixo Sabor. Up to Jun-08, the amount invested in these projects represented 10% of total planned capex. These projects will only start operations as from 2011 onwards
- (4) **Brazil (0.4GW under construction)**, responsible for €35m (R\$94m) of expansion capex, mainly concentrated in new mini-hydro Santa Fé (29MW), due to start up in Jul-09). Additionally, the group has started construction works at Pecém coal plant (615MW, held on a 50/50 basis by Energias do Brasil and MPX), which will involve a total planned capex of USD1,2bn and will start up operations in Jan-12.

Cash Flow



Consolidated Cash Flow (€ m)	1H08	1H07
Net profit before minorities	769.9	491.5
Net depreciation and amortization	593.7	483.0
Net provisions	29.7	138.3
Non cash financial results	(153.8)	(13.5)
Deferred taxes	90.8	119.1
Other adjustments	(315.3)	(81.6)
FFO (Funds From Operations)	1,015.0	1,136.8
Net financial interest	302.3	232.6
Net Income from Associates and other Investments	(19.0)	(11.1)
Change in operating working capital	(335.1)	(373.7)
Hydro correction	0.0	21.6
Portugal & Spain Tariff Deficit and deviations	(586.6)	(58.2)
Operating Cash Flow	963.2	984.5
Expansion Capex	(1,021.3)	(270.5)
Maintenance Capex	(323.5)	(283.2)
Change in working capital related to property and equipment suppliers	(861.8)	-
Payment of Hydro Domain	(759.0)	-
Net Operating Cash Flow	(1,243.4)	430.8
Net financial investments/(Divestments)	1,609.5	27.4
Net financial interest paid	(236.7)	(203.8)
Dividends received from Associates and other Investments	4.1	35.3
Dividends paid	(454.9)	(401.4)
Anticipated proceeds from institutional partnership in US wind farms	168.1	-
Other non-operating changes	(182.8)	(53.7)
Decrease/(Increase) in Net Debt	(336.2)	(165.3)

Major Net Financial Investments (€ m)	1H08	1H07
MAJOR FINANCIAL INVESTMENTS	185.7	207.6
Renewables	69.9	-
BCP	42	86
Naturgas (9.39%)	-	122
Biomass	21.7	-
Others	52.1	-
MAJOR FINANCIAL DIVESTMENTS	1,795.2	235.0
IPO EDP Renováveis	1,566.7	-
Turbogás/Portugen (40%/27%)	140.1	-
ONI (100%)	-	80.3
REN	28.0	53.4
Desa (20%)	-	97.1
Renewables	7.7	-
Edinfor (40%)	46.4	-
Others	6.2	4.2
Major Net Financial Investments	(1,610)	(27.4)

EDP's consolidated operating cash flow fell 2.2% in 1H08 to €963m, penalized by the €587m tariff deviation in Portugal and tariff deficit in Spain in 1H08 vs. €58m in 1H07, related to higher than expected electricity procurement costs, and by the reduction of the amounts of regulatory receivables being recovered through tariffs in Brazil (€97m in 1H07 vs. €27m in 1H08).

Expansion capex rose from €270m in 1H07 to €1,021m in 1H08. Moreover, In April 2008, EDP paid €759m for the right to operate the hydro plants currently under PPAs/CMECs after the term of these contracts.

Financial divestments include essentially the cash proceeds of the EDP Renováveis IPO in Jun-08 (€1,567m) and the disposal of Turbogás and Portugen, in May-08 (€140m). Regarding financial investments in 1H08, there are concentrated in the expansion of EDPR activity, namely through the acquisition of EOLE 76 in France made in Apr-08.

The increase of net financial interest paid, reflect the increase in average net debt level and the rise of average cost of debt. Note that 1H07 and 1H08 cash flow levels are penalized by the annual dividend payments made in Apr07 and May-08. In 1H08, our US wind subsidiary, started to be consolidated in Jul-07, received from institutional partners €168m.

Overall, net debt in 1H08 increased €336m, with the hydro domain payment in Portugal, higher level of expansion capex, negative impact from regulatory receivables, higher amount of interest paid and dividend payment being mostly compensated by the cash proceeds of EDP Renováveis IPO.

Financial Debt and Provisions for Social Benefits



Nominal Financial Debt by Company (€ m)	1H08	YE2007	EDP %
EDP S.A. and EDP Finance BV	11,045.9	10,393.3	100%
EDP Produção	44.0	19.1	100%
HC Energia	436.7	433.1	97%
EDP Renováveis	606.0	560.1	99%
Portgás	103.6	106.3	72%
Energias do Brasil	1,163.5	1,058.7	62%
Other	0.0	0.0	-

Nominal Financial Debt	13,399.7	12,570.6
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Accrued Interest on Debt	114.0	100.6
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Nominal Financial Debt + Accrued Interest	13,513.6	12,671.1
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Fair Value of Hedged Debt	(118.2)	(65.1)
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Total Financial Debt	13,395.4	12,606.0
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Cash and cash equivalents	1,367.0	913.7
EDP S.A., EDP Finance BV and Other	800.6	179.1
HC Energia and Subsidiaries	20.1	25.2
EDP Renováveis	246.3	433.3
Portgás	0.1	0.0
Energias do Brasil	299.9	276.1

EDP Consolidated Net Debt	12,028.4	11,692.2
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Future receivables from regulatory act. (€ m)	1H08	1H07	Δ 07/06
Portugal ⁽¹⁾	607.2	217.6	179.1%
Spain	314.7	169.0	86.2%
Brazil ⁽¹⁾	43.8	157.0	-72.1%
Annual Deviation - Mkt vs. CMEC	187.4	-	-

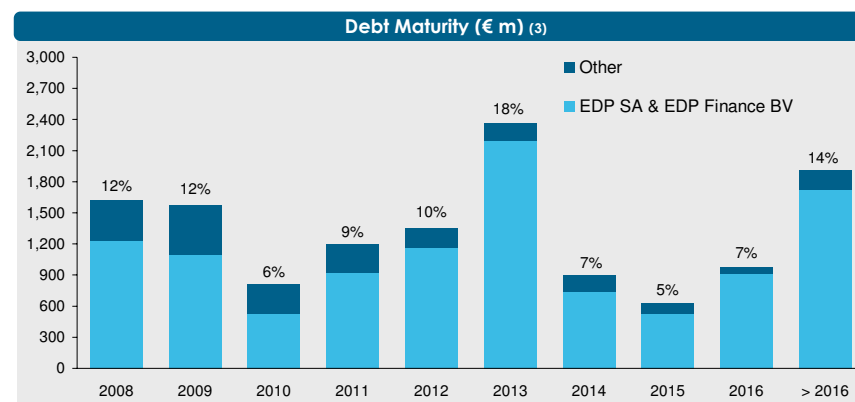
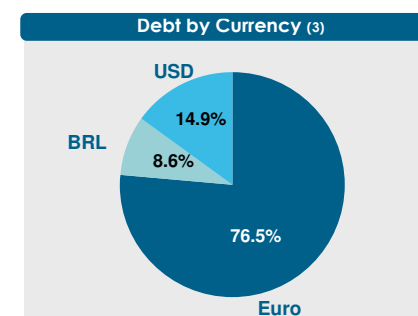
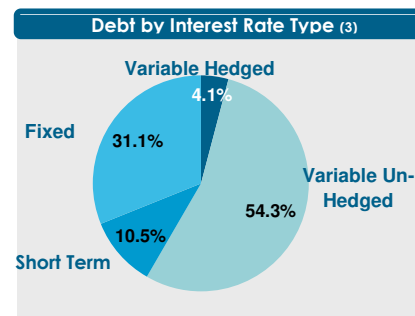
Total	1,153.2	543.6	112.1%
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Prov. for Social Benefits & I. P. Liability (€ m)	1H08	2007	Δ 07/06
Pensions ⁽²⁾	997.3	934.1	6.8%
Medical Care	785.2	781.2	0.5%
Adjusted Institutional Partnership Liability	738.9	704.7	4.9%

Total	2,521.3	2,420.1	4.2%
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Debt Ratios	S&P	Moody's	Fitch
EDP SA & EDP Finance BV	A-/Stab/A2	A2/Neg/P1	A-/Stab/F2
Last Rating Action	03/07/2008	19/10/2007	03/07/2007

Debt Ratios	1H08	YE2007
Net Debt / EBITDA	3.8x	4.4x



In July 2008, and reflecting the IPO of EDP Renováveis, which generated proceeds of €1.56bn, S&P revised outlook the of EDP from negative to stable.

In Apr-08, EDP signed a revolving credit facility in the amount of €925m maturing in five years, with an initial margin of 45 basis points over Euribor, which will be increased by 10 basis points if utilization rate exceeds 50% of the facility amount and front-end fees between 25 and 35 basis points depending on participation amounts. The facility was used to refinance short term debt, as well as for general corporate purposes and is in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

As at Jun-08, 31% of our debt carried a fixed rate and our committed liquidity facilities amounted to €3,089m, of which €2,217m were available.

In Mar-08, EDP transferred to banks without recourse, the current amount still pending to be received of the tariff deficit related to 2006 and 2007. The proceeds, in the amount of €177m were used to repay debt.

Our net debt/EBITDA and net debt/EBITDA adjusted for regulatory receivables in 1H08 was 3.8x and 3.4x, respectively.

⁽¹⁾ Tariff deviations to be recovered in the following years through tariffs

⁽²⁾ Pensions include the Provision for the HR Restructuring Program costs of EDP Distribuição, which is being recovered through the tariffs

⁽³⁾ Nominal Value

⁽²⁾ See Balance note, Impact of Enersul in Net Debt (€187.7m)

Financial Income/(Expense), Capital Gains/(Losses) & Minority Interests

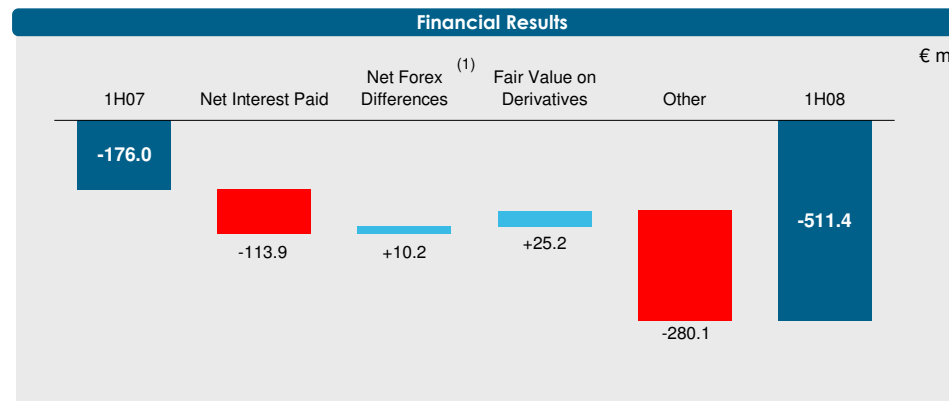


Financial Results (€ m)	1H08	1H07	Δ 08/07
Investment income	4.1	6.2	-
Financial Investments Gains/(Losses)	4.1	6.2	-
Net financial interest paid	(341.2)	(227.3)	-50.1%
Net foreign exchange differences	5.4	13.5	-60.1%
Other Financials	(179.7)	31.6	-
Financing Gains/(Losses)	(515.6)	(182.2)	-183.0%
Financial results	(511.4)	(176.0)	-190.6%

Income from Equity Method (€ m)	1H08	1H07	Δ 08/07
Edinfor (40%)	-	(3.4)	-
Setgás (19.8%)	1.0	1.2	-19.9%
CEM (22%)	4.7	4.1	15.1%
Turbogás (40%)	4.3	6.9	-38.3%
DECA II (EEGSA (21%))	6.5	0.3	1920.1%
NEO's subsidiaries	2.2	1.2	82.1%
Other	0.3	0.8	-
Income from group & associated companies	19.0	11.1	70.7%

Capital Gains/(Losses) (€ m)	1H08	1H07	Δ 08/07
IPO of EDP Renováveis	405.0	-	-
Turbogás and Portugal	49.4	-	-
REN	17.0	-	-
Edinfor	4.8	-	-
Other	5.3	5.6	-4.6%
EDP Group	481.5	5.6	-

Minority Interests (€ m)	1H08	1H07	Δ 08/07
EDP Renováveis	5.0	2.2	127.3%
HC Energia + Naturgas	2.8	6.4	-56.3%
Portgás	1.9	2.8	-32.1%
Energias do Brasil	57.1	56.3	1.4%
Other	0.1	1.8	-94.4%
EDP Group	66.9	69.5	-3.7%



In 1H08, EDP's **financial costs** reflect:

- Higher **net financial interests paid** (+50% YoY) due to higher average gross debt during the period (+32% YoY) and a 20bp increase in the group's average cost of debt resulting from credit market conditions (5.6% in the 1H08 vs. 5.4% in the 1H07). In fact, the 200bp reduction in average cost of debt denominated in BRL partially compensated the 50bp increase in the cost of the remaining debt.

- Decline in **other financials** due to: 1) impairment losses of €34m in 1Q08 to reflect the decrease in market value of EDP's 8% stake in Sonaecom, 2) impairment losses of €114m in 2Q08 to reflect the decrease in market value of EDP's 3.2% stake in BCP, 3) the inclusion of hedging financial results in energy markets which declined from €7.2m gain in 1H07 to €53.7m loss in 1H08.

Income from associated companies amounted to €19.0m in the 1H08, up from €11.1m in the 1H07: i) the 1H08 include a €4.7m equity contribution from CEM, vs. €4.1m in the 1H07; ii) the 1H07 include a €3.4m loss regarding Edinfor's equity contribution, vs. no contribution in the 1H08, resulting from EDP's decision to exercise its put option over the 40% owned in the company in the 1Q08 and iii) the 1H08 includes a €4.3m equity contribution from Turbogás, disposed of in May 2008, vs. €6.9m in the 1H07.

Capital gains/(Losses) amounted to €481.5m in the 1H08, up from €5.6m in the 1H07 due to: i) €405m gain stemming from the dilution of financial participation that EDP has in EDP Renováveis as a result of the IPO, ii) €49m gain, stemming from the sale of EDP's 40% stake in Turbogás and 27% of equity of Portugal for a price of €140 million, in May 2008 and iii) €17m gain booked on the disposal of 1.5% stake in REN in 1Q08 and iv) €4.8m gain booked on the exercise of EDP's put option over the 40% owned in Edinfor for a minimum pre-agreed price of €55m, in 1Q08.

Minority interests declined by 3.7% YoY, reflecting the acquisition from Gas Natural of a further 9.4% stake in Naturgas, from Gas Natural, in May 2007.

⁽¹⁾ Net Forex Differences in chart were adjusted for hedge instruments accounted in "Other Financials"



Business Areas

Iberian Electricity Market



Energy Balance (GWh)	Portugal			Spain		
	1H2008	1H2007	Δ 08/07	1H2008	1H2007	Δ 08/07
Hydro	3,699	6,294	-41%	11,682	16,093	-27%
Nuclear	-	-	-	30,389	27,214	12%
Coal	4,237	5,402	-22%	21,931	35,498	-38%
CCGT	6,612	4,762	39%	45,504	28,879	58%
Fuel/Gas/Diesel	181	617	-71%	999	1,021	-2.2%
Own consumption	-	-	-	(4,031)	(4,121)	-2.2%
(-)Pumping	(377)	(249)	51%	(1,914)	(2,167)	-12%
Conventional Regime	14,352	16,826	-15%	104,560	102,417	2.1%
Wind	2,739	1,921	43%	15,902	13,793	15%
Other	3,140	3,339	-6.0%	17,692	14,667	21%
Special Regime	5,879	5,260	12%	33,594	28,460	18%
Import / (Export) net	4,987	2,904	72%	(5,417)	(1,364)	297%
Gross demand (before grid losses)	25,218	24,990	0.9%	132,736	129,514	2.5%
Adjusted to temperature and working days			1.8%			3.0%
Regulated System	24,385	21,940	11%	90,299	96,077	-6.0%
Liberalized Market	833	3,050	-73%	42,588	32,935	29%

In 1H08, electricity demand in Iberia increased by 2.2% YoY as a result of a 0.9% increase in Portugal and a 2.5% increase in Spain. Adjusting temperature and working days, demand was up by 1.8% in Portugal and 3% in Spain.

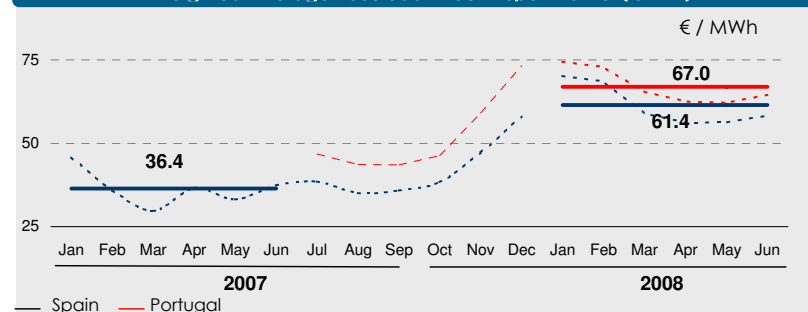
Hydro production in the Iberian market declined by 31% YoY in 1H08, to 65% of the historical average output, but with a mixed performance between 1Q08 and 2Q08: In 1Q08, hydro output was 30% of an average hydro year, showing a 63% YoY decline, while in 2Q08, hydro output was slightly above an average hydro year, showing a 9% increase YoY. Wind output increased 19% YoY in 1H08, a figure still below the 28% YoY increase of wind installed capacity by Jun-08. Coal output also showed a mixed performance, with a moderate 12.4% YoY decline in 1Q08 followed by a significant 58% YoY decrease in 2Q08. This decline in coal output was driven by the outage of part of coal capacity for Desox investments and the strong increase in coal price, namely in 2Q08, reaching to USD211/ton by 30-Jun-08 (+170% YoY). In gas, the CMP reference price for Iberian LT gas sourcing contracts rose 14% YoY, reflecting the slower growth of Brent price's historical moving average (to which CMP is indexed) and the low volatility of gas infrastructure tolls. Price of CO2 emissions showed also an upward trend in 1H08, reaching €28.8/t by 30-Jun-08, further supporting the inversion of coal/gas merit order observed in the Iberian market in 1H08. As a result, CCGT output in Iberia increased 55% YoY, representing an increase in average load factor (despite 30% YoY increase in CCGT capacity).

The higher hydro output and the seasonal decline in demand in 2Q justified the decline of average electricity spot price in Spain from €65.9/MWh in 1Q08 to €56.9/MWh in 2Q08. In Portugal, given the interconnection capacity restrictions within 63% of the hours of 1H08 the average pool price was €5.6/MWh higher than in Spain in 1H08.

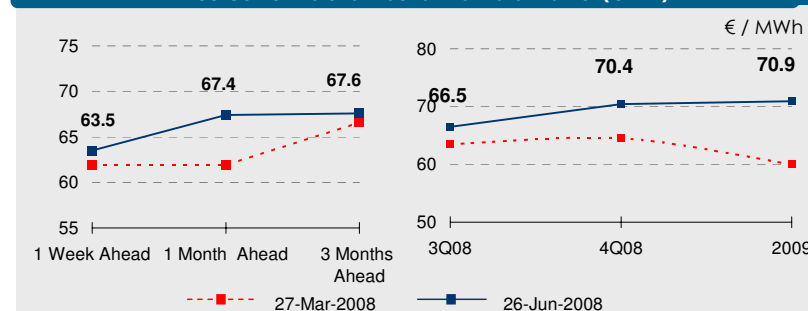
Volumes of electricity sold to retail in the market fell by 73% YoY in Portugal in 1H08, after a mere 2.9% increase in tariffs as from Jan-08 (based on assumption of 2008 avg pool price of €50/MWh, including ancillary services). In Spain, volumes sold to retail in the market increased 29% YoY following the anticipation move by clients and suppliers considering the end of the tariff option to medium and high voltage consumers in Spain from Jul-08 onwards (70,000 GWh annual consumption).

Installed Capacity Iberian Market (MW)	Iberian Peninsula		
	1H2008	1H2007	Δ 08/07
Hydro	21,235	21,235	-
Nuclear	7,439	7,439	-
Coal	12,422	12,643	-1.7%
CCGT	22,330	17,132	30%
Fuel/Gas/Diesel	6,320	6,527	-3.2%
Wind	18,220	14,244	28%
Other Special Regime	12,351	11,874	4.0%
Total	100,317	91,094	10%

Weighted Average Baseload Price in Spot Market (OMEL)



Price Curve Evolution Iberian Forward Market (OMIP)



Main Drivers of Generation Costs | 1H2008 | 1H2007 | Δ 08/07

Hydro Coefficient (1.0 = average year)			
Portugal	0.61	0.88	-31%
Spain	0.67	0.75	-11%
CO ₂ Allowances (EUA) €/ton ¹	28.8	0.12	n.a.
Coal (API2 CIF ARA) USD/t ¹	211.0	78.0	171%
Gas (CMP Spain) €/MWh	22.8	20.0	14%
Brent (USD/bbl) ¹	140.9	70.8	99%
Eur/USD ¹	1.57	1.35	16%

¹ End of Period

Contracted Generation in the Iberian Market: PPAs/CMECs and Special Regime



Financial Highlights (€ m) ⁽¹⁾

	1H2008	1H2007	Δ 08/07
PPA Revenues (1H07)	3.8	580.0	
Capacity Charge	0.6	467.0	
Energy Charge	3.2	113.0	
PPA/CMEC Revenues (1H08)	778.7		
Revenues in the market	621.8		
Annual Deviation - Market vs. CMEC Assumptions	85.9		
PPAs/CMECs Accrued Income	32.0		
Base CMEC Fee	39.0		
PPA/CMEC Direct Costs	278.5	124.7	123.4%
Coal	83.9	79.9	5.0%
Fuel Oil	19.6	38.4	-48.9%
CO2 and Other Costs (Net)	174.9	6.3	2660%
Gross Profit PPAs/CMECs	504.0	455.3	10.7%
Cogeneration, Waste & Biomass	25.9	24.9	4.1%
Mini-Hydro	9.3	8.1	14.9%

Gross Profit Special Regime

	35.3	33.1	6.8%
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Gross Profit Other

	-	-	-
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Operating Costs	96.2	95.3	1.0%
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EBITDA	443.0	391.0	13.3%
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Depreciation & Provisions	123.3	119.9	2.9%
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EBIT	319.7	271.1	17.9%
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Real/Contracted Availability Factor (Km)

	1H2008	1H2007	Δ 08/07
Hydro Plants	1.02	1.04	-1.6%
Thermal Plants	1.06	1.07	-0.5%

Electricity Generation Output (GWh)

	1H2008	1H2007	Δ 08/07
Hydro Plants	3,394	6,007	-43.5%

Thermal Plants

Thermal Plants	3,002	4,298	-30.1%
Sines	2,822	3,681	-23.3%
Setúbal	139	457	-69.6%
Carregado	(5)	99	-
Barreiro	47	61	-22.7%
Tunes	-	-	-

Total PPAs/CMECs

Total PPAs/CMECs	6,396	10,305	-37.9%
Cogeneration Portugal	313	356	-12%
Cogeneration + Waste Spain	365	253	44%
Mini-Hydro Portugal	105	106	-1%
Biomass Portugal	33	13	144%

Total Special Regime

	816	728	12.1%
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Special Regime Tariffs (€/MWh)

	1H2008	1H2007	Δ 08/07
Cogeneration Portugal	91	85	6.0%
Mini-Hydro Portugal	88	84	5.0%
Biomass Portugal	111	113	-1.7%

In June 2007 the long term contracts that EDP had with the Portuguese electricity regulated system (named PPAs - Power Purchase Agreements) were replaced by the CMECs financial system to conciliate: (1) the preservation of the NPV of these PPAs and a stable contracted gross profit over the next 10 years with an implicit real pre-tax 8.5% ROA and (2) the increase in liquidity of the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from the new CMECs financial system will keep the same profile over the next 10 years as the former PPA.

Regarding gross profit break down there are now 4 components: **1) Revenues in the market**, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments; **2) Annual deviation**, equivalent to the difference between CMECs' main assumptions (outputs, market prices and fuel costs) and the market real data, which will be paid/received by EDP through regulated tariffs one year after taking place; **3) PPAs/CMECs Accrued Income**, reflecting the differences in the period in terms of cash flow profile between PPAs and CMECs assumed at the beginning of the system; **4) Base CMEC Fee**, the fixed monthly fee of €6.5m EDP will receive through regulated tariffs over the 20.5 years lifetime of the CMECs system, if not securitized before.

In 1H08, EBITDA from Iberian contracted generation increased by 13% (or +€52m) YoY fuelled by higher gross profit (+11% YoY, or +€49m). The main growth driver of recurrent gross profit was the new Sines coal plant's desox facilities which had a first time €9.5m contribution for gross profit in 1H08. Sines desox more than compensated the PPA termination of the 165MW Tunes gasoil plant in Dec-07, which had a €3m contribution to 1H07 gross profit. Note that the new desox facilities at Sines represented a €196m investment, from which 50% was commissioned in Jun-07 and the remaining 50% in Jun-08. Furthermore, the Portuguese government has already approved a €100m denox investment at Sines, to be installed between 2008 and 2011. All these investments are to be remunerated at 8.5% ROA before inflation and taxes and should be fully recovered over the lifetime of Sines plant's PPA which ends by Dec-2017. The real/contracted availability ratio showed a slight decline in hydro, due to ongoing repowering at two plants, and also a slight decline in thermal, due to some punctual unexpected outages at Sines.

Recurrent EBITDA grew by 6% YoY. Main non recurrent adjustments include: (i) €2m net negative impact in 1H07 due to fuel procurement costs below international indexes (€5.8m cost in 1H07, €3.8m of which was recovered in 1H08), (ii) a €28m positive impact in 1H08 stemming from procurement cost below international indexes. Note that from Jan-08 onwards EDP started to hedge the deviations in fuel costs resulting from the time lag between fuel procurement and consumption date in PPA/CMEC activity through financial derivatives. As a result, EDP's 1H08 financial results include €23.7m costs with fuel hedging, which closely matches the non-recurrent components at the gross profit level.

The 7% (+€2.2m) YoY increase in gross profit of special regime is explained by the acquisition of the Pedrogão mini-hydro plant in Portugal (10MW) and the acquisition of VV Rodão biomass plant also in Portugal. Note that the acquisition of Pebble Hydro, which has 11 mini-hydro plants in Portugal with a 89MW capacity, was already approved by the Portuguese competition authority and will start being fully consolidated in Jul-08. In cogeneration, the lower output in Portugal resulting from the outage for major maintenance works was more than compensated by higher load factors in Spain.

⁽¹⁾ Pro-forma 1Q2007 figures including the cogeneration business, biomass and waste.

Liberalised Electricity Generation and Supply in the Iberian Market



Financial Highlights (€ m) | 1H2008 | 1H2007 | Δ 08/07

Gross Profit - Liberalized Generation and Supply	257.9	288.1	-10%
Generation in the market	223.9	256.9	-13%
Portugal	76.1	46.9	62%
Spain	147.8	209.9	-30%
Supply	34.0	31.3	8.8%
Portugal ⁽¹⁾	6.7	9.2	-27%
Spain	27.3	22.1	24%
Operating costs	85.3	107.7	-21%
EBITDA	172.6	180.5	-4%
Depreciation and amortization	70.4	63.1	11.5%
EBIT	102.3	117.3	-13%

At Financial Results Level:

Hedging Gains (Losses) in Energy Markets	9.7	16.5	-41%
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Market Performance | 1H2008 | 1H2007 | Δ 08/07 | 1H2008 | 1H2007 | Δ 08/07

	Output (GWh)			Variable Cost (€/MWh)		
Generation Output	9,905	10,010	-1.1%	38.4	25.4	51%
CCGT	5,467	3,390	61%	53.8	40.7	32%
Coal	3,168	5,289	-40%	26.6	21.6	23%
Hydro	750	778	-3.6%	-	-	-
Nuclear	520	553	-6.0%	3.2	3.4	-4.8%
Electricity Purchases & Other	2,553	704	262%	59.9	30.4	97%
Electricity Sources	12,458	10,714	16%	42.8	26.3	63%

	Volume Sold (GWh)			Average Price (€/MWh)		
Grid Losses & Other	350	251	-			
Portugal	572	1,242	-53.9%	65.4	50.2	30.2%
Spain	5,625	4,905	14.7%	61.2	58.2	5.3%
Retail	6,197	6,147	0.8%	61.6	56.9	8.3%
Wholesale Spot Market	5,539	3,377	64.0%	74.1	51.1	44.9%
Wholesale Forward Market	371	939	-60.5%	64.8	43.8	47.8%
Total Volume	12,458	10,714	16.3%	67.4	52.6	28.1%

Load Factor | 1H2008 | 1H2007 | Δ 08/07

CCGT	63%	50%	12.7 pp
Coal	50%	80%	-30.3 pp
Hydro	19%	27%	-8.0 pp
Nuclear	77%	82%	-5.3 pp

Number of Supply Clients | 1H2008 | 1H2007 | Δ 08/07

Number of Clients (th)	281.6	163.5	72%
Portugal	170.2	72.8	134%
Spain	111.3	90.7	23%

⁽¹⁾ Excludes the monthly rent paid by EDP Produção to EDP Comercial which is the owner Belver hydro plant in Portugal until Dec-07

In 1H08, gross profit of liberalised electricity generation and supply in the Iberian market declined by 10% (-€30m) YoY, largely penalised by generation in Spain.

In Spain, gross margin from generation decreased by 30% YoY, to €148m. Our liberalized coal generation was penalized in 1Q08 by the outage for large maintenance works of our Soto 3 plant and, in 2Q08, by the sharp increase of coal marginal generation cost together with the decline of Spanish pool prices. The increase of gas marginal cost and the decrease of Spanish pool price justified the stabilization of the load factor of our CCGTs in Spain at 44%. The YoY decline in nuclear production was justified by a programmed outage for maintenance works. As a result of pool prices being below HC's marginal generation cost in Spain during a significant part of 2Q08, our electricity purchases in the Spanish pool increased substantially in 1H08 vs. 1H07. Note that EDP's low average coal generation cost showed in 1H08 is justified by: (1) consumption of coal purchased in 2007 at prices around USD90/ton, and (2) concentration of coal output in our most efficient plants (namely Aboño II, which benefits from the burn of syderurgic gases) following a decline in output and resulting decrease in the ratio CO2 allowances purchases / total CO2 emissions. Note that over 2Q08, given the unexpected decrease of coal load factors due to commercial conditions, EDP accumulated significant levels of coal purchased in 2007 but that was not consumed at our plants in 1H08. The gross profit of generation in Spain is also penalized by the reduction of capacity payments (-€8m vs. 1H07).

In Portugal, gross margin from liberalized generation grew by 62% YoY, to €76m. This activity includes mainly our Ribatejo 1,176MW CCGT, which showed a 74% load factor in 1H08, significantly above the Iberian average, as a result of the lower reserve margin in Portugal, low hydro production in 1Q08 and outage of 50% of Sines coal plant for maintenance in 2Q08. The bulk of our Ribatejo CCGT output in 1H08 was sold in the Portuguese pool, which in this period showed an average price €5.6/MWh higher than in Spain, at €67/MWh. This together with our competitive integrated gas sourcing allowed the achievement of realized spark spreads in 1H08 higher than in Spain.

In the supply business, our average selling price to clients in Spain (€61.2/MWh) was in line with the average Spanish pool price in the period (€61.4/MWh) and the volume sold rose 15% YoY. In Portugal, given the low generation price (€50/MWh including ancillary services) assumed by the regulator in 2008 retail tariffs, volume sold in supply fell significantly and is now concentrated in a few segments of residential consumers in which market prices are still competitive vs. tariffs.

For 2008 EDP has already contracted 91% of expected output of its liberalized generation plants in the Iberian market at an average price above €58/MWh through sales contracts with retail customers or in forward markets. For the volume already contracted for 2008, EDP has locked-in an average spark spread of €11/MWh and an average dark spread of €27/MWh (already considering CO2 emissions licences bought and the RD 11/07 impact).

Iberian Electricity Generation and Supply



Electricity Generation							Electricity Supply						Generation & Supply		
Income Statement (€ m)	Portugal			Spain			Portugal			Spain			Total ⁽¹⁾		
	1H2008	1H2007	Δ 08/07	1H2008	1H2007	Δ 08/07	1H2008	1H2007	Δ 08/07	1H2008	1H2007	Δ 08/07	1H2008	1H2007	Δ 08/07
Gross Profit	602.1	533.5	12.9%	164.6	222.0	-25.8%	6.7	9.2	-27.5%	27.3	22.1	23.9%	797.1	787.2	1.3%
Supplies and services	50.8	44.5	14.3%	26.1	25.9	1.0%	7.1	9.3	-23.0%	17.6	14.4	21.8%	96.9	95.1	2.0%
Personnel costs	42.6	43.3	-1.5%	17.4	17.0	2.3%	2.4	2.6	-6.7%	3.3	2.6	27.5%	65.8	65.5	0.4%
Costs with social benefits	10.5	11.4	-8.3%	0.8	0.7	21.7%	0.1	0.1	-19.6%	0.1	0.1	18.8%	11.5	12.3	-6.6%
Generation centre rentals	2.0	1.9	2.6%	-	-	-	-	0.0	-	-	-	-	2.0	2.0	2.0%
Other operating costs / (revenues)	(4.3)	(2.1)	-109.6%	20.6	35.5	-41.9%	(0.9)	0.6	-	(11.3)	(7.5)	49.9%	5.3	26.6	-80.1%
Operating Costs	101.6	99.1	2.6%	65.0	79.1	-17.8%	8.7	12.6	-30.5%	9.8	9.6	1.4%	181.5	201.4	-9.9%
EBITDA	500.5	434.4	15.2%	99.6	142.8	-30.3%	(2.0)	(3.3)	-39.0%	17.6	12.4	41.4%	615.7	585.8	5.1%
EBIT / Revenues	33.2%	51.2%	-18.0 pp	24.8%	34.8%	-10.0 pp	-2.2%	-2.1%	-0.1 pp	3.5%	3.2%	0.3 pp	-	-	-
Provisions for risks and contingencies	(0.0)	4.0	-	(0.0)	(0.4)	-100.0%	7.4	(0.6)	-	(0.2)	(2.4)	-91.0%	7.1	0.6	1187.1%
Depreciation and amortization	136.8	127.6	7.3%	50.6	53.3	-4.9%	0.5	2.5	-79.7%	0.6	1.2	-46.4%	188.6	184.5	2.2%
Comp. of subsidised assets' depr.	(1.8)	(1.8)	-	(0.2)	(0.2)	2.1%	-	-	-	-	-	-	(2.0)	(2.0)	0.2%
EBIT	365.5	304.7	20.0%	49.2	90.2	-45.5%	(9.9)	(5.2)	89.3%	17.2	13.7	25.6%	422.0	402.8	4.8%
EBIT / Revenues	24.3%	35.9%	-11.7 pp	12.3%	22.0%	-9.7 pp	-10.9%	-3.4%	-7.5 pp	3.4%	3.5%	-0.1 pp	-	-	-
Employees	1,592	1,580	0.8%	629	536	17.4%	82	83	-1.2%	87	92	-5.4%	2,390	2,338	2.2%

On an integrated basis, gross margin in generation and supply business in Iberia was grew by 1,3% YoY. Operating costs of integrated generation & supply decreased 10% YoY. Nevertheless, excluding non recurrent regulatory items in Spain, operating costs fell 4% YoY (-€7m). The major non-recurrent items are (1) the partial reversal by €13m in 1H08 of the €31m provision booked in Spain generation business in 1H07, related to potential deviation between EDP's interpretation of the RD 03/2006 and the final regulatory outcome and (2) a €31m negative impact from the RD 11/2007 regarding the CO2 clawback. The sum of supplies and services, personnel costs and social benefits increased 0.8% YoY, clearly below inflation and including the costs with new capacity additions.

Capex in generation & supply in the Iberian Peninsula amounted to €320m in 1H08, reflecting accelerating pace of investments in low CO2 emission technologies: CCGT and hydro. In 1H08, 74% of total capex referred to expansion projects (vs 49% in 1H07), the bulk of which in the liberalized market. In **CCGTs**, Soto 4 plant in Spain will start up operations in Aug-08 (€30m capex in 1H08) and the construction works of the Lares 1 and 2 plants in Portugal, representing a 862MW capacity and €458m total capex, continue on schedule to start operating in 3Q09 (€111m capex in 1H08). In **hydro**, expansion capex in 1H08 amounted to €78m including: (1) €53m payment for Foz Tua concession (312MW) and (2) €23m capex on the ongoing construction works of Picote II and Bemposta II repowering projects and the new Baixo Sabor hydro plant.

In Apr-08 EDP paid €759m for the extension of the hydro concession of the 4,095MW hydro plants currently under PPA/CMEC. EDP will operate these plants in the market after the end of PPA/CMEC regime. Latter in July, EDP won the international tender for the concession of the new Fridão and Alvito hydro plants in Portugal (total 392MW capacity) which will imply a payment in advance of €231.7m in 2008 for the concession rights and further €510m total construction capex until 2016.

Overall, accumulated capex on projects currently under construction amounted to €526m by the end of Jun-08. Thus, 60% of total capex of the current CCGT projects under construction was already made and 10% of total projects regarding the current hydro projects under construction.

Capex (€m)	1H2008	1H2007	Δ 08/07
Liberalized Generation	251.4	110.6	140.9
Expansion	222.6	74.7	147.9
CCGT	144.3	71.2	73.1
Hydro	78.3	3.5	74.8
Maintenance	28.8	35.9	-7.0
Recurrent	18.8	7.9	10.9
Non recurrent (environmental)	10.1	28.0	-17.9
PPA/CMEC Generation	38.6	30.5	8.1
Hydro Recurrent	3.5	3.3	0.2
Thermal Recurrent	13.7	11.5	2.2
Non recurrent (environmental)	21.4	15.7	5.7
Special Regime	11.7	0.3	11.4
Expansion	11.2	0.0	11.2
Maintenance	0.5	0.3	0.3
Supply Portugal & Spain	1.3	0.2	1.1
Other	16.5	10.3	6.2
Total	319.6	151.9	167.7
Expansion	233.8	74.7	159.0
Maintenance and other	85.8	77.2	8.6



€ million									
Income Statement	EUROPE (NEO)			USA (Horizon)			EDP Renováveis		
	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07
Gross Profit	192.3	121.3	58.6%	64.3	-	-	256.6	-	-
Supplies and services	26.9	18.6	45.1%	18.9	-	-	45.8	-	-
Personnel costs and soc. benefits	9.6	7.1	36.7%	7.8	-	-	17.1	-	-
Other operating costs/(revenues) ⁽¹⁾	4.5	2.8	62.9%	-38.1	-	-	-33.0	-	-
Operating Costs	41.1	28.4	44.7%	-11.5	-	-	29.9	-	-
EBITDA	151.3	92.9	62.8%	75.8	-	-	226.7	-	-
EBITDA / Gross Profit	78.6%	76.6%	0.0p.p.	117.8%	-	-	88.4%	-	-
Provisions for risks and contingencies	-	0.1	-	0.8	-	-	0.8	-	-
Depreciation and amortisation	55.1	46.2	19.3%	38.6	-	-	93.6	-	-
Comp.of subsidised assets' depreciation	-0.4	-0.1	-176.9%	-	-	-	(0.4)	-	-
EBIT	96.6	46.8	106.3%	36.4	-	-	132.7	-	-
EBIT / Gross Profit	50.2%	38.6%	0.3p.p.	56.6%	-	-	51.7%	-	-
Employees	302	265	+37	246	-	+246	548	-	-
Opex / MW (€ 000, annualized) ⁽²⁾	45.6	45.0	1.4%	35.2	-	-	45.6	-	-
Opex / MWh (€) ⁽²⁾	21.0	20.2	3.7%	10.9	-	-	21.0	-	-
EUROPE Gross Profit (€ m)	1H08	1H07	Δ 08/07	USA Adjusted Gross Profit (€ m)			1H08		
Portugal	51.2	36.4	40.7%	Electricity Revenues & RECs			64.4		
Spain	127.1	71.5	77.9%	Services Rendered & Other			(0.1)		
France	8.6	3.2	164.6%	Gross Profit			64.3		
Wind	186.9	111.1	68.2%	PTC Revenues & Other Related Revenues from Horizon Equity Partners ⁽³⁾			30.9		
Other & Adjustments	5.5	10.2	-46.5%	Adjusted Gross Profit			95.2		
Total	192.3	121.3	58.6%						

Since EDP Renováveis (EDPR) was only incorporated in Dec-07 and Horizon (US arm of the group) was only consolidated in EDP group as from Jul-07 onwards, there is no comparable data for in 1H07.

In Europe (NEO), gross profit increased by 59% YoY in 1H08, to €192m, boosted by: (1) capacity additions (+558MW, +41% YoY based on period end), (2) higher average tariffs (+16% YoY) propelled by higher pool prices in Spain, and (3) continuing high load factors resulting from EDPR's first class assets. In turn, EBITDA was 63% higher YoY, backed by slower growth of operational costs resulting in an OPEX/MWh growth broadly in line with inflation. In detail, strong growth in supplies and services and personnel costs was primarily driven by growing activity.

In US (Horizon), gross margin adjusted for revenues from production tax credits (PTC) and other revenues related to Horizon's institutional partners, reached €98m. Adjusted for these revenues related to institutional partners, operational costs stood at €19.4m, or €10.9/MWh.

EDPR is well on track to meet its 2008-12 target of capacity additions: +1.4GW/year. In line with EDPR's historical investment cycle, EDPR expects to concentrate the bulk of capacity additions in 4Q08. Year to June, EDPR brought on stream 206MW (140MW in Europe, 66MW in US) and has currently under construction 1,677MW, which will allow it to meet its annual target. By June 2008, EDPR's works in progress (on balance sheet) relative to capacity under construction and turbine deposits amounted €989.1m.

In 1H08, EDPR invested nearly €800m: (1) €748m of capex, €343m of which in Europe and €405m in US (\$622m); and 2) €44m in the acquisition of a wind portfolio in France, EOLE 76 and Eurocape. EOLE 76 and Eurocape comprise 3 operating wind farms located in the Normandy region, with a gross installed capacity of 35 MW and 560 MW of wind projects under development, mostly located in the Normandy and Rhône-Alpes regions.

(1) includes Generation centre rentals; (2) In USA, operational costs exclude PTC revenues and other revenues related to Horizon's Institutional partnership revenues grossed-up for taxes; calculation only includes projects once they are contributing to a tax equity portfolio



EBITDA Installed Capacity (MW)	1H08	1H07	Δ 08/07
Portugal	517	332	+185
Spain	1,277	951	+326
France	122	75	+47
USA	1321		
Total	3,237	1,359	+1,879

Electricity Output (GWh)	1H08	1H07	Δ 08/07
Portugal	509	359	41.7%
Spain	1,324	1,007	31.5%
France	124	36	240.4%
USA	2003	0	-
Total	3,960	1,403	182.3%

Avg. Load Factors (%)	1H08	1H07	Δ 08/07
Portugal	28.8%	25.3%	3.4 pp
Spain	27.6%	28.5%	(1.0 pp)
France	25.9%	27.4%	(1.4 pp)
USA	37.8%	n.a.	n.a.

Wind Average Tariffs (€/MWh)	1H08	1H07	Δ 08/07
Portugal	100.2	97.4	2.9%
Spain	96.1	77.4	24.1%
France	69.1	79.9	-13.6%
Europe Avg. Total Selling Price	95.5	82.6	15.6%

USA (in \$/MWh)			
Avg. electricity price (energy + REC)	48.7	n.a.	n.a.
Institutional partnership revenues ⁽ⁱ⁾	36.9	n.a.	n.a.
USA Avg. Total Selling Price (\$/MWh)	85.5	n.a.	n.a.

EDPR's portfolio of installed capacity (EBITDA) increased by 1,878MW YoY, to EBITDA 3,237MW on the back of (i) acquisition of Horizon (559MW), (ii) capacity additions in US (762MW); and (iii) 557MW in Europe.

Load factors in 1H08 confirm EDPR's top-quality assets. In spite of low wind blown in 2Q08, particularly in Spain and France, EDPR kept steady above-the-market average load factors in 1H08: 27.6% in Spain, 28.8% in Portugal, 25.9% in France and 37.8% in US.

Average tariffs in Europe rose by 16% YoY, ultimately fuelled by Spain's unit, helped by a 68% YoY increase in average pool prices, in Spain. Note that 16% of currently installed capacity in Spain is under the new RD 661/2007 regime, which mainly differs from the old regime on the application of a floor and cap to the premium paid to the operator the market option is chosen. Having said this, average tariff in France declined by 13.6% to €69.1/MWh explained by the trial period on the wind farms acquired from EOLE 76 and Eurocape, that started operations in 2Q08 with a total installed capacity of 35 MW. By law, wind farms in the trial period receive €17/MWh. The average final tariff corrected by this effect would be €83/MWh

Gross MW	Under Constr.	Pipeline				Prospects	Total
		Tier 1	Tier 2	Tier 3	Total		
Spain	750	557	636	1,707	2,900	2,911	6,560
Portugal	78	489	-	17	506	232	816
Rest of Europe	148	284	560	598	1,442	947	2,537
- France	71	127	92	312	530	726	1,327
- Belgium	57	57	13	33	102	29	188
- Poland	20	100	456	254	810	192	1,022
Europe	976	1,330	1,196	2,322	4,848	4,090	9,914
USA	701	430	3,038	7,937	11,405	4,843	16,949
Brazil	-	-	-	-	-	216	216
Total	1,677	1,760	4,234	10,259	16,253	9,149	27,079

Works in progress (€m)	Under Constr. MW	Turbine Deposits	Total
Total June 2008	780.5	208.7	989.1

CAPEX (€m)	1H08	1H07	Δ 08/07
Spain	301	93	223.4%
Portugal	32	87	-63.6%
Rest of Europe	10	12	-13.5%
USA	417	-	-
Total	760	192	295.3%

EDPR is on track to achieve the 1.4 GW of additional capacity targeted for FY 2008. The current construction process of more than 40 wind farms, with total capacity of 1,667 MW, provides clear evidence of the organization's ability to manage more than 1,900 MW under construction cumulative in one year. The bulk of the capacity currently under construction will start operations in 4Q08, in line with EDPR's historical investment cycle.

EDPR's projects portfolio increased by 2.8 GW year to date and by 1.0 GW versus March 2008, to a robust 27.1 GW. The enlarged pipeline gives visibility on future growth and its maturing gives confidence to meet annual targets: +1.4GW/year in 2008-12.

Capacity under construction due to start up operations in 2009 (483MW) already represents 35% of the group's target for that year. The company's strong commitment to deliver on its targets is evident when attaining the amount of works in progress. At the end of June 2008, EDPR has €989.1m invested in works in progress relative to capacity under construction and turbine deposits.

Distribution in Portugal



Electricity Consumers (thousand)	1H08	1H07	Δ 08/07
Regulated Supply	5,896	5,935	-38
Liberalized Market Supply	171	77	95
Total Electricity Consumers	6,067	6,011	56
Electricity Delivered to the Distribution Grid (GWh)	1H08	1H07	Δ 08/07
Regulated System	24,162	21,893	10.4%
Liberalised Market	826	2,808	-70.6%
Electricity Delivered to the Distribution Grid	24,988	24,701	1.2%
Electricity Sales & Gross Profit (€ m)	1H08	1H07	Δ 08/07
Electricity Sales & Tariff Deviations and Deficits Accounted as Reve	2,917.3	2,319.5	25.8%
Electricity Purchases	2,237.5	1,686.6	32.7%
Electricity Gross Profit	679.8	632.9	7.4%
(-) Tariff Deficit's Accounting Adjustment Reposition ⁽²⁾	(2.4)	-	-
Adjusted Electricity Gross Profit	682.2	632.9	7.8%
Total Allowed Revenues	682.3	629.0	8.5%
Capex and Quality of Service	1H08	1H07	Δ 08/07
Equivalent Interruption Time (min)	57	52	5
Capex (net of subsidies) €m	87	99	-12

Integrated gross profit from distribution grid and regulated last resource supplier rose 8.4% YoY to €693.3m in 1H08, of which electricity gross profit is in line with regulated revenues set by ERSE in Dec 07.

Electricity inflow into EDP Distribuição (EDPD) distribution grid in Portugal increased 1.2% YoY in 1H08, or 1.8% YoY adjusted for temperature and working days. These 25.0TWh distributed fell short of regulator's assumption input in the calculation of 2008 tariffs, reflecting the slowdown of Portuguese economy and higher energy efficiency. This lower consumption led to a €25m tariff deviation in distribution grid activity.

The volume of electricity supplied to regulated clients by EDP Serviço Universal, (EDP SU), the Portuguese regulated last resource electricity supplier, rose 10.4% YoY to 24.2TWh in 1H08, above the regulator's assumption in 2008 tariff's calculation, given the unexpected massive switching of clients from liberalized market to the regulated supplier, due to a significant increase in market prices compared to the 2008 tariffs set by the regulator. Note that in 1H08, the electricity procurement cost supported by EDP SU for the supply of regulated clients was €74/MWh, or €23/MWh higher than the regulator's assumption for 2008 tariffs' calculation of €50/MWh (including ancillary services). As a result of higher electricity procurement costs and volumes supplied, EDP SU had to support a tariff deviation of €454m in 1H08.

EDPD and EDP SU tariff deviations accumulated over 1H08, totalling €479m, were booked as electricity revenues of the period, as a result of the currently in course change in regulatory legislation which will determine the same regulatory/legal framework of tariff deviations and tariff deficits. Note that in Mar-08, EDP transferred without recourse to financial institutions €177m referent to the 2006 and 2007 tariff deficits, to be recovered through tariffs in a 10-year period. This deal implied the net debt reduction by a similar amount and had no impact on EBITDA as it had already been booked as revenues in 2006 and 2007. According to Portuguese regulation, tariff deficits and deviations are remunerated at a cost of carry of Euribor + 50bps.

Income Statement (€ m)	1H08	1H07	Δ 08/07
Gross Profit	693.3	639.4	8.4%
Supplies and services	131.4	128.3	2.4%
Personnel costs	91.3	97.1	-6.0%
Costs with social benefits	46.2	41.3	12.0%
Concession fees	113.9	104.0	9.4%
Other operating costs / (revenues)	2.7	2.6	5.3%
Operating Costs	385.6	373.4	3.3%
EBITDA⁽¹⁾	307.7	266.0	15.7%
EBITDA/Gross profit	44.4%	41.6%	2.8pp
Provisions for risks and contingencies	0.4	6.8	-94.6%
Depreciation and amortization	169.4	168.5	0.5%
Compensation of subsidised assets' depreciation	(43.2)	(42.4)	-1.8%
EBIT	181.1	133.1	36.0%
EBIT/Gross Profit	26.1%	20.8%	5.3pp
Number of Employees	1H08	1H07	Δ 08/07
Number of Employees	4,718	5,118	-400
Employee/TWWh	204	216	-5.7%
Clients / Employee	1,286	1,175	9.5%

Controllable operating costs (supplies & services and personnel costs) decreased 1.2% YoY. The growth in supplies and services costs was mainly driven by higher commercial costs, in the distribution grid activity, and to a lower extent by new costs with management of electricity purchases in the regulated supply activity, following the new rules of MIBEL from Jul-07 onwards. Personnel Costs decreased by 6.0% YoY (3.0% excluding severance payments and personnel costs capitalization), reflecting the 7.8% YoY decrease in the number of employees in the period. Recall that in the 4Q07 the company managed to anticipate its HR Restructuring Program, which translated into a total of 512 retirements and early retirements agreed and signed in the 4Q07, out of which 228 left the company in 2007, while the remaining 284 signed to leave in 2008 (some of these already left the company during the 1H08). Costs with social benefits increased 12.0% YoY, reflecting an increase in pension premiums as well as higher provisions for medical care. As a result, the efficiency ratio Clients/Employee improved 9.5% YoY to 1,286, converging to Iberian best practices.

In 1H08, capex decreased 12.4% YoY to €86.6m due to different scheduling of the investments in the distribution network, which will increase in the second half of the year in order to respond to regulatory requirements and the growth of electricity consumers. The quality of service of EDPD distribution grid remained clearly above the regulatory targets, with an Equivalent Interruption Time of 57 minutes in 1H08. Moreover, adjusted for non-recurring impacts in 1H08 (rainstorms and high winds), EIT decreased 5.3% YoY to 49 minutes.

Electricity distribution and regulated supply activities in Portugal will start in Jan-09 a new regulatory period: 2009-2011. The new regulatory assumptions and regulated revenues for these companies over the next 3 years should be proposed on a preliminary base by ERSE on 15-Oct-08, and final figures should be published until 15-Dec-08.

⁽¹⁾ Normalized EBITDA (i.e. excluding tariff differences and t-2 and t-1 tariff adjustments) is €269.4m for the 1H08 and €264.8m for the 1H07

⁽²⁾ Related to reversal of previously accounted tariff deficit

Distribution in Spain



Electricity Consumers (thousand)	1H08	1H07	Δ 08/07
Regulated Supply	548	558	-1.7%
Liberalized Market Supply	74	52	43.7%
Total Electricity Consumers	623	610	2.2%

Electricity Distribution (GWh)	1H08	1H07	Δ 08/07
High Voltage	2,939	2,946	-0.2%
Medium Voltage	626	598	4.7%
Low Voltage	1,346	1,283	4.9%
Electricity Distributed	4,911	4,827	1.7%
o/w Third-Party Access	942	730	29.0%

Regulated Revenues (€ m)	1H08	1H07	Δ 08/07
Transmission	2.1	3.0	-31.3%
Distribution	66.8	63.2	5.6%
Supply	4.0	3.9	3.3%
Electricity Regulated	72.8	70.1	3.9%

Capex and Quality of Service	1H08	1H07	Δ 08/07
Equivalent Interruption Time (min)	35	39	-3
Capex (net of subsidies) €m	19	5	15

In the 1H08, the volume of electricity distributed in Asturias increased 1.7% YoY (vs. a X increase in Spain). Our electricity distribution activity in Spain showed a gross profit increase of 11.8% YoY to €81.7m in the 1H08, reflecting a 3.9% YoY increase of regulated revenues recognized in the 2008 tariffs and a €5.1m increase in services rendered due to non-recurrent regulatory revenues from previous years.

Operating costs increased 22% YoY, or +€6.4m, to €35.3m in 1H08. Excluding the impact from the €3m capital gain in 1H07 with the disposal of two substations to REE (Quart and Elche), booked at the level of other operating costs, operating costs rose 11% YoY mainly due to a decrease in own work capitalized expenses.

All in all, EBITDA from our Spanish distribution activity improved 4.9% YoY to €46.4m in 1H08.

Capex in this division rose €15m YoY to €19m in 1H08, on the back of higher investments at our distribution grid. The quality of service of our grid increased on a YoY base with Equivalent Interruption Time (EIT) decreasing 9% YoY to 35 minutes.

Electricity tariffs in Spain were not enough to cover for electricity procurement costs, reflecting into a €79m 1H08 tariff deficit for HC Energia, which compares with a €74m tariff deficit in 2007.

Income Statement (€ m)	1H08	1H07	Δ 08/07
Gross Profit	81.7	73.1	11.8%
Supplies and services	28.1	26.5	6.2%
Personnel costs	11.4	12.7	-10.1%
Costs with social benefits	1.3	0.5	158.0%
Other operating costs / (revenues)	(5.5)	(10.8)	48.6%
Operating Costs	35.3	28.9	22.2%
EBITDA	46.4	44.2	4.9%
EBITDA / Gross Profit	56.8%	60.4%	-3.7 pp
Provisions for risks and contingencies	0.1	-	-
Depreciation and amortization	13.8	15.2	-9.5%
Compensation of subsidised assets' depreciation	(1.6)	(1.2)	-30.4%
EBIT	34.1	30.2	13.0%
EBIT / Gross Profit	41.8%	41.3%	0.4 pp

Number of Employees	1H08	1H07	Δ 08/07
Number of Employees	391	391	0
Employee/TWh ⁽¹⁾	19.9	20.3	-1.7%
Consumers / Employee	1,593	1,559	2.2%

Although 2007 tariff deficit ex ante was €1.5bn, the real 2007 tariff deficit was €1.3bn. On top of this, the 1Q08 the tariff deficit ex ante was set at €1.2bn. In June 2008, the Spanish government's attempt to close the securitization of €2.7bn tariff deficit (2007 and 1Q08) was closed with an amount of €1.3bn, which only correspond to the real 2007 tariff deficit. The cash proceed received by HC in July due to this deal was €79m.

As mentioned below, the increase in Spanish regulated electricity tariffs in the 2H08 results in a tariff deficit ex-ante defined for the period April-September of €2.7bn. This amount will be added to the €1.4.bn (that were not securitized in June) being expected another attempt to close the securitization of €4.1bn tariff deficit in the end of September.

In what regards the 2006 tariff deficit, even though the final amount to be recovered was not defined yet, a provisional amount is being recovered through the tariffs, during a 15 years period that started in 2007.

In Jan-08, electricity tariffs in Spain have been increased 3.3% and an additional 5.6% in July, assuming a 61.1€/MWh average wholesale price of electricity during the lasts six months of the year (excluding ancillary services). From July onwards, the Spanish government approved the transfer of high voltage industrial users, excluding the users of the G4 tariff, to the liberalized market, with no possibility of coming back to the regulated price and with a transitional price until they sign new contracts with the supply companies.

Gas - Regulated Activity



Income Statement (€ m)	Portugal			Spain			Total		
	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07
Gross Profit	27.0	27.2	-0.7%	83.1	79.4	4.6%	110.1	106.6	3.3%
Supplies and services	5.6	3.9	40.8%	11.4	13.6	-16.4%	16.9	17.6	-3.5%
Personnel costs	2.9	2.6	8.0%	9.2	8.1	13.4%	12.1	10.8	12.1%
Costs with social benefits	0.0	0.0	-	0.2	0.2	18.0%	0.2	0.2	23.2%
Other operating costs / (revenues)	(0.3)	0.9	-	(3.1)	1.2	-	(3.3)	2.0	-
Operating Costs	8.2	7.5	9.1%	17.8	23.1	-23.0%	25.9	30.6	-15.1%
OPEX / Gross Profit	30.3%	27.6%	2.7 pp	21.4%	29.1%	-7.7 pp	23.6%	28.7%	-5.1 pp
EBITDA	18.8	19.7	-4.5%	65.3	56.3	16.0%	84.1	76.0	10.7%
EBITDA / Gross Profit	69.7%	72.4%	-2.7 pp	78.6%	70.9%	7.7 pp	76.4%	71.3%	5.1 pp
Provisions risks and contingencies	2.0	0.1	-	0.2	0.2	28.7%	2.3	0.3	762.8%
Depreciation and amortization	6.7	6.3	7.0%	16.6	15.3	8.7%	23.3	21.6	8.2%
Comp. of subsidised assets' depr.	(0.8)	(0.7)	20.4%	(1.4)	(0.8)	77.3%	(2.2)	(1.5)	50.3%
EBIT	10.9	14.0	-22.3%	49.8	41.6	19.7%	60.8	55.7	9.1%
EBIT / Gross Profit	40.4%	51.7%	-11.2 pp	60.0%	52.4%	7.6 pp	55.2%	52.2%	3.0 pp

Our gas regulated activity includes the EDP Gás' (ex-Portgás) gas distribution concession in the north of Portugal (72% owned by EDP), and Naturgas gas distribution and transmission networks in the Basque Country and Asturias in Spain (63.51% owned by EDP). Overall, our gas regulated activity showed a 10.7% YoY growth of EBITDA to €84.1m, reflecting the 3.7% increase in the number of supply points to 863,000 customers (+31,000 customers connected), a 4.6% increase in the extension of our networks to 8,635 Kms and 3.9% increase on volume of gas distributed.

In Spain, our gas regulated revenues remained flat at €75.7m in 1H08:

- **Gas distribution regulated** revenues grew by 4.0% to €64.0m reflecting 2.1% YoY increase in the number of supply points in our distribution network to 675,000 customers (14,000 additional customers connected), and a 4.0% YoY increase in the extension of our gas distribution network to 5,280 kms. The volume of gas distributed grew 3.9% YoY comparing with a 0.6% grow of conventional gas demand in the Spanish market.
- **Gas transmission regulated** revenues fell by 1.3% YoY to €8.1m, penalised by €0.3m non-recurrent revenue in 1H07.
- **Regulated supply revenues** fell 42% YoY to €3.5m, reflecting the massive transfer of gas consumers from the regulated tariffs to liberalized suppliers, anticipating the end of gas tariffs by Jun-08. From Jul-08 onwards Naturgas became the last resource regulated gas supplier in the Basque and Asturias regions and will continue to supply final clients that opt for continuing to pay the regulated last resource supply tariff based on the CMP reference gas sourcing tariff.

Gross profit in Spain had a positive contribution from other activities not included in regulated revenues, like inspections services and meter rentals reflecting 2x increase from €3.6m in 1H07 to €7.4m in 1H08, following a change in legislation which allowed the pass-through of the cost of this services from distribution companies to distribution clients, from 2007 onwards.

In Portugal, our gas regulated revenues decreased by 0.7% YoY to €27.0m, reflecting a provision accounted due to potential accumulated gas losses in meters. This fact offset the good performance in terms of operating figures with a 9.7% YoY increase in the number of supply points to 188,000, the 3.2% growth of gas volumes distributed and a 6.2% increase of the extension of our network to 3,046 kms. Penetration rates and efficiency ratios improved significantly in the period as shown by the ratio clients/Kms, up to 62 in 1H08 from 60 in 1H07.

In Apr-2008, EDP Gás concluded the renegotiation of its concession contract with the Portuguese State, extending the concession period to 40 years (starting in January 1st 2008) and ensuring the maintenance of the concession's economic and financial balance, the remuneration of the distribution activity and the periodic valuation of the respective assets, according to the terms and conditions established by the Portuguese regulator ERSE and considering the regulatory change in the gas distribution sector, which became effective from Jul-08 onwards. Following the release of the regulated revenues for the Jul-08/Jun-09 period, there are still some pending issues regarding the pass-through to tariffs of some assumptions agreed in the new concession contract which are expected to be clarified over the current regulatory year. The main assumptions by ERSE regarding the Jul-08 to Jun-11 regulatory period include the setting of a Regulated Return on Assets of 9%.

Operating costs decreased by 15.1% helped by a €5.9m non-recurrent capital gain with real estate disposals in Spain included in other operating costs/revenues in 1H08.

Capex in 1H08 amounted to €26.7m, up 20% YoY, largely devoted to the expansion of our network (+380 Km YoY in Jun-08). Transmission network in Spain represented almost 50% of capex in the period, following the ongoing construction of the Bergara-Irun pipeline (88 kms extension, €67.5m expected total capex, to be fully operational by 2008YE). The new remuneration model for gas transmission in Spain improved significantly the rates of return of this pipeline, which has a higher investment cost per km than the average cost in the Spanish transmission network due to its location in a mountain region.

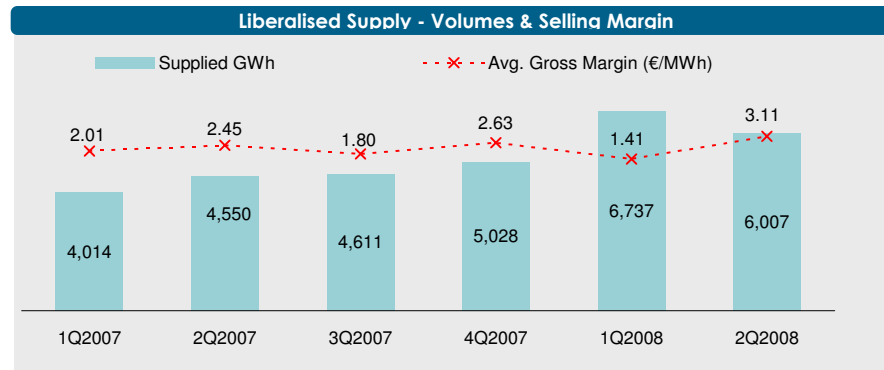
Regulated Activity	1H08	1H07	% Δ	Abs. Δ
Number of supply points (th)	863.0	832.4	3.7%	+31
Portugal	188.0	171.3	9.7%	+17
Spain	675.0	661.1	2.1%	+14
Final Clients	123.9	284.2	-56.4%	-160
Access Clients	551.1	376.9	46.2%	+174
Gas Distributed (GWh)	13,187	12,696	3.9%	+491
Portugal	1,412	1,369	3.2%	+43
Spain	11,775	11,328	3.9%	+447
Final Clients	1,456	3,606	-59.6%	-2,151
Access Clients	10,319	7,722	33.6%	+2,598
Regulated Revenues (€ m)	102.6	103.0	-0.3%	-0.3
Portugal	27.0	27.2	-0.7%	-0.2
Spain	75.7	75.8	-0.2%	-0.1
Transmission	8.1	8.2	-1.3%	-0.1
Distribution	64.0	61.6	4.0%	+2.5
Regulated Supply	3.5	6.0	-41.8%	-2.5
Network (Km)	8,635	8,252	4.6%	+382
Portugal - Distribution	3,046	2,866	6.2%	+179
Spain - Distribution	5,280	5,079	4.0%	+201
Spain - Transmission	309	307	0.5%	+2
Capex (€m)	26.7	22.3	19.8%	+4
Gas Distribution Portugal	6.6	8.3	-20.0%	-2
Gas Transmission Spain	12.6	1.4	798.0%	+11
Gas Distribution Spain	7.4	12.6	-40.9%	-5

Gas - Liberalized Activity



Income Statement (€ m)	1H08	1H07	Δ 08/07
Gross Profit	42.9	35.0	22.5%
Supplies and services	8.7	5.5	58.7%
Personnel costs	1.5	1.2	28.3%
Costs with social benefits	0.0	0.0	4.3%
Other operating costs / (revenues)	4.5	4.9	-9.1%
Operating Costs	14.7	11.6	26.8%
OPEX / Gross Profit	34.4%	33.2%	1.1 pp
EBITDA	28.2	23.4	20.4%
EBITDA / Gross Profit	65.6%	66.8%	-1.1 pp
Provisions for risks and contingencies	-	0.1	-
Depreciation and amortization	0.2	0.3	-21.0%
Compensation of subsidised assets' depreciation	-	-	-
EBIT	27.9	23.0	21.3%
EBIT / Gross Profit	65.1%	65.8%	-0.7 pp

Supply Activity	1H08	1H07	Δ 08/07
Number of Clients	495.9	322.5	53.8%
Gas Supplied (GWh)	12,743	8,564	48.8%
Industrial	9,804	6,564	49.4%
Residencial/Commercial	2,940	2,000	47.0%
Avg. Gross Margin (€/MWh)	2.09	2.23	-6.3%



Our gas liberalised activity includes gas supply business (through Naturgas and HC Energia in Spain and EDP Gás.Com in Portugal) and wholesale gas sourcing activities. EBITDA from gas liberalized activity grew 20.4% YoY, to €28.2m.

Our **gas sourcing activity** is currently based on an existing 4.8bcm/year portfolio of long term contracts which include 4 contracts currently at cruise speed in terms of deliveries (1bcm/year with Trinidad & Tobago, currently swapped with Gas Natural, 0.5bcm/year with ENI, 1.2bcm/year with Galp and 0.5bcm/year with Gas Natural) and a new contract of 1.6bcm/year with Sonatrach, signed in 2007, with deliveries starting in Apr-08, which is expected to reach cruise speed by 2010. This portfolio of gas sourcing contracts is managed on an integrated way taking into consideration the fuel needs of our current 2,000 MW CCGT fleet, the 1,200 MW CCGT capacity currently under construction and other retail gas supply activity in Spain and Portugal. The 49% YoY increase in the volume of gas sourced in 1H08 is related with an integrated management of the existing contracts and the delivery of the first gas volumes by Sonatrach in April 2008.

The volume of gas sold to **clients in the retail liberalized market** grew by 49% YoY vs. a 11.7% YoY increase of conventional gas demand in the Spanish gas liberalized market. This growth rate clearly above market average was similar both in the industrial segment, with the closing of new contracts with some large clients, and in the residential segment, following a 54% increase in the number of clients. Note that gas supply tariffs ended in Spain by Jun-08, and this fact has been a key driver from the massive switching of clients from the regulated tariff system to the liberalized market. This increase of market share both in terms of volumes and number of customers reflects the growth of our competitive gas sourcing portfolio and the strong commercial capabilities of our Naturgas/HC Energia commercial platforms in Spain.

Our **average gross margin per MWh** sold in gas supply decreased by 6.3% YoY, due to an increase in the average purchase cost in line with the movement of CMP. The increase of operating costs, mainly in supplies and services, is related to the reinforcement of commercial platform in Spain, namely through higher marketing and commercial team costs.

Brazil: Energias do Brasil



	RS million												€ million		
Income Statement	Distribution			Generation			Supply			Consolidated			Consolidated		
	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07
Gross Profit	823.9	1,097.5	-24.9%	330.8	239.7	38.0%	41.1	37.0	11.2%	1,195.8	1,373.1	-12.9%	457.6	505.0	-9.4%
Supplies and services	170.8	165.4	3.3%	15.9	16.8	-5.3%	2.4	2.1	13%	201.4	191.4	5.2%	77.1	70.4	9.5%
Personnel costs and soc. benefits	138.9	125.6	10.6%	12.4	14.2	-12.4%	2.4	4.2	-42%	160.3	156.1	2.7%	61.4	57.4	6.9%
Other operating costs/(revenues)	41.6	126.1	-67.0%	8.3	12.2	-31.8%	7.5	6.4	-	56.2	147.3	-61.8%	21.5	54.2	-60.3%
Operating Costs	351.3	417.0	-15.8%	36.7	43.2	-15.1%	12.4	12.7	-2.6%	417.9	494.8	-15.5%	159.9	182.0	-12.1%
EBITDA	472.6	680.5	-30.5%	294.1	196.5	49.7%	28.7	24.3	18%	777.9	878.3	-11.4%	297.7	323.0	-7.9%
EBITDA / Gross Profit	57.4%	62.0%	-4.6p.p.	88.9%	82.0%	6.9p.p.	69.9%	65.6%	4.3p.p.	65.0%	64.0%	1p.p.	65.0%	64.0%	1p.p.
Prov. for risks and contingencies	11.4	19.6	-41.9%	0.5	0.0	-	-	-	-	11.9	19.6	-39.6%	4.5	7.2	-37.1%
Depreciation and amortization	128.6	111.7	15.1%	40.1	34.1	18%	0.1	0.2	-6.6%	306.5	153.5	99.7%	117.3	56.5	107.7%
Comp. of subsid. assets' depreciat	(12.9)	(13.3)	3.6%	-	-	-	-	-	-	(12.9)	(13.3)	3.6%	(4.9)	(4.9)	-0.3%
EBIT	345.4	562.5	-38.6%	253.6	162.4	56.2%	28.6	24.1	18.7%	472.4	718.5	-34.3%	180.8	264.3	-31.6%
EBIT / Gross Profit	41.9%	51.2%	-9.3p.p.	76.7%	67.7%	8.9p.p.	69.5%	65.2%	4.4p.p.	39.5%	52.3%	-13p.p.	39.5%	52.3%	-13p.p.
Capex	223	173	28%	114	20	479%	0	0	54%	339	193	75%	130	80	63%
Employees	2,729	2,876	-147	230	238	-8	14	14	-	3,033	3,128	-95			

EDP's activities in Brazil, through Energias do Brasil (owned 64.8% by EDP), where negatively affected by the reduction of the amount of regulatory receivables recovered in 1H08 and the adverse tariff revisions for the new regulatory periods. In 1H08, Energias do Brasil's contribution to consolidated EBITDA benefited from 4.0% appreciation of the Real against the Euro, with an average BRL/Euro rate of 2.72 in 1H07 evolving to 2.61 in 1H08 (+€12m impact at the EBITDA level).

In 1H08, Energias do Brasil's EBITDA decreased by 11.4% to R\$777.9m. EBITDA in generation activity increased by 49.7% YoY impacted by a one-off increase in electricity sales by Enerpeixe in 1Q08, taking advantage of higher prices in the residual market, and by an increase in the average selling price due to the readjustment of some contracts and the start of new contracts with higher prices. In distribution, EBITDA decreased by 30.5% driven essentially by: i) impact of tariff revisions occurred in our distribution companies (see table in next page), ii) energy costs higher than the ones considered on tariff assumptions and iii) the decrease in receivement through tariffs of regulatory receivables accumulated in previous years which was partially offset by iv) demand growth. Excluding non recurrent tariff deviations normalized EBITDA in distribution would have decreased 22.1%, to R\$503.6m. EBITDA of liberalized supply increased by 18% YoY, following an increase by 29% in the average selling price of supply market.

Operating costs of Energias do Brasil decreased by 15.5%. Excluding one-offs (regulatory costs which in 1H07 are compensated at the gross profit level), operating costs decreased by 3.4% bellow inflation 13.4% (IGP-M 12 months):

- a) supplies and services' increase of 5.2%, essentially due to: i) the increase in expenditure with maintenance of distribution networks due to market expansion and ii) operating efficiency programs, IT expenses, call centers and customer services;
- b) a 61.8% decrease in "Other operating costs" is explained by: i) one-off regulatory costs which in 1H07 had been compensated at the gross profit level and ii) a decrease in provisions for doubtful clients in distribution. Excluding the one-off cost booked in 1H07, "Other operating costs" would have decreased by 35%.

Depreciation and amortization of Energias do Brasil increased by 100% due to an accelerated amortization (impairment) of Enersul (R\$130m) as a result of regulatory imports.

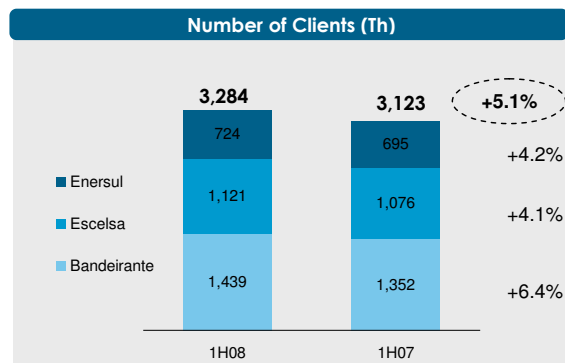
In June 2008, Energias do Brasil and Grupo Rede agreed to an asset exchange which object consists in a swap of Enersul by the company shareholdings owned on Rede Lajeado which assure a managing control position in Lajeado Hydro plant (902.5 MW). This operation's closing will be subject to approval by the Brazilian energy sector regulator.

Capex increased 75% YoY, to R\$339m in the 1H08, mostly related to the repowering of Suiça and Mascarenhas hydro power plants (+2.3MW and +17.5MW, respectively) and to the start of construction of the new Santa Fé hydro power plants (+29MW), all to start operations in 2009.

Brazil: Distribution



Distribution Activity		Bandeirante			Escelsa			Enersul			Distribution		
		1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07	1H08	1H07	Δ 08/07
GWh	Final Clients	4,162	3,980	4.6%	2,587	2,463	5.0%	1,419	1,420	-0.1%	8,168	7,863	3.9%
	Third-party access	2,565	2,563	0.1%	1,767	1,771	-0.2%	231	215	7.5%	4,563	4,548	0.3%
	Electricity Distributed	6,727	6,543	2.8%	4,353	4,234	2.8%	1,650	1,635	0.9%	12,731	12,411	2.6%
Losses/EIT	Capex (R\$ million)	56.2	52.9	6.2%	93.0	68.7	35.3%	73.5	51.9	41.8%			
	Equiv. Interrupt. Time (Hours)	11.9	7.8	51.9%	12.3	9.1	34.8%	12.1	13.8	-12.1%			
	Technical Losses	5.19%	5.05%	0.14 pp	8.24%	7.64%	0.60 pp	14.51%	13.95%	0.56 pp	7.59%	6.00%	1.59 pp
	Commercial Losses	5.65%	5.79%	-0.14 pp	5.79%	5.37%	0.42 pp	8.89%	7.84%	1.06 pp	6.17%	7.20%	-1.03 pp
	Total Electricity Losses	10.84%	10.84%	0.00 pp	14.04%	13.01%	1.03 pp	23.40%	21.78%	1.62 pp	13.76%	13.20%	0.56 pp
R\$ million	IFRS Gross Profit	336	469	-28.4%	265	353	-25.0%	224	276	-18.9%	824	1,098	-24.9%
	Rationing Losses and Parcela A	33	(44)	-	(9)	(25)	66.3%	(35)	(25)	-35.6%	(11)	(94)	88.9%
	Adjustments of Tariff Revisions	-	(8)	-	-	(1)	-	-	(29)	-	-	(39)	-
	Tariff dev. in recuperation	(49)	(32)	-56.3%	(38)	(36)	-7.0%	(25)	(7)	-239.5%	(113)	(75)	-51.0%
	Tariff dev. to be recovered	4	(25)	-	3	(6)	-	24	(4)	-	31	(34)	-
	Others	9	(1)	-	8	(19)	-	21	(0)	-	38	(20)	-
	Brazilian GAAP Gross Profit	332	359	-7.6%	229	266	-14.2%	209	210	-0.3%	770	835	-7.9%
	Regulatory Receivables	46	111	-59.0%	128	152	-15.7%	(60)	161	-	115	425	-73.1%



PERFORMANCE OF DISTRIBUTION GROSS PROFIT:

The gross profit of the DisCos in 1H08 decreased 24.9% impacted by: (3) higher than expected energy costs vs. the ones assumed in tariffs' calculation which will be recover in the next annual tariff revisions, (2) tariff revisions occurred in our distribution companies and (4) the decrease YoY in cash-in through tariffs of regulatory receivables accumulated in previous years which were partially offset by (1) a 2.6% YoY growth of electricity distributed volumes. On a normalized base, gross profit decrease by 7.9% YoY.

1. Recurrent growth of electricity distribution gross profit: Total electricity distributed by Energias do Brasil increased 2.6% YoY supported by an increase in the number of clients (5.1%), an increase of consumption per capita and reflecting a strong economic growth namely at Bandeirante and Escelsa regions.

2. Tariff revisions: New regulatory period for all distribution companies set a decrease in tariffs (see table).

3. Negative tariff deviation: Distribution gross profit in 1H08 includes a R\$31m negative tariff deviation from energy procurement costs higher than the ones set in the regulator's assumptions for tariff calculation. Note that in 1H07 distribution gross profit recorded a R\$34m positive tariff deviation. These non recurrent component of gross profit will be recovered to the system through a positive impact in the next annual tariff adjustment.

4. Recovery through tariffs of regulatory receivables accumulated in the past: The regulatory receivables which the system owed us due to lower than expected gross profit in past periods and that our distribution activity is recovering through tariffs decreased 55% YoY from R\$229m to R\$103m. In 1H08, our distribution activity had total regulatory receivables of R\$115m, which should be recovered over the next quarters, meaning that Energias do Brasil distribution gross profit is expected to continue to be positively impacted by the cash-in through tariffs of these receivables.

Capex in distribution activity relates to the extension and improvement in the distribution network of the concession areas of Bandeirante, Escelsa and Enersul.

REGULATORY UPDATE:

New regulatory periods of 4 years, 3 years and 5 years started for Bandeirante in Oct-07, for Escelsa in Aug-07 and for Enersul in Apr-08 respectively. The Brazilian regulator, ANEEL, set a return of RAB after taxes of 9.95% for the new regulatory periods, established new regulatory asset bases (Bandeirante's RAB still on a preliminary basis) and accepted controllable costs (still on a preliminary basis) which are in line with the company's expectations.

Last Tariff Revisions and Readjustments			
	Bandeirante Out/07 Revision	Escelsa Aug-08 Revision	Enersul Apr-08 Revision
Part A	-5.87%	-4.88%	4.10%
Part B	-2.35%	-1.73%	-9.65%
Readjust. Index	-8.22%	-6.61%	-5.55%
Past Costs	-3.67%	-2.70%	-2.08%
Other	-0.58%	-0.31%	0.45%
Financial Items	-4.25%	-3.01%	-1.63%
Total Index	-12.47%	-9.62%	-7.18%

Notes:

Part A: Non-controllable costs, which is a pass-through to the tariff
Part B: Controllable costs, depreciation and return on invested capital, which are updated to inflation (IGP-M) and adjusted by an X factor.
Readjustment Index: Gives the total increase to be applied to electricity base revenues
Financial Items: Recovery (or return) of past costs (or revenues) for a period of 12 months

Brazil: Generation and Supply



Generation

Hydro Installed Capacity (MW)	1H08	1H07	Δ 08/07
Lajeado (27.65%)	250	250	-
Peixe Angical	452	452	-
Energest (13 Hydro plants)	342	342	+0
Total	1,044	1,043	+0

Electricity Generated (GWh)	1H08	1H07	Δ 08/07
Lajeado (27.65%)	694	504	37.8%
Enerpeixe	1,111	1,020	8.9%
Energest (13 Hydro plants)	849	885	-4.1%
Total	2,654	2,409	10.1%

Electricity Sold (GWh)	1H08	1H07	Δ 08/07
Lajeado (27.65%)	590	562	5.1%
Enerpeixe	1,306	1,128	15.8%
Energest (13 Hydro plants)	1,070	966	10.7%
Total	2,966	2,655	11.7%

Gross Profit (R\$ million)	1H08	1H07	Δ 08/07
Lajeado (27.65%)	42.1	44.5	-5.4%
Enerpeixe	181.0	124.3	45.6%
Energest (13 Hydro plants)	107.8	70.9	52.0%
Total	331	240	38.0%

Average Selling Price (R\$/MWh)	1H08	1H07	Δ 08/07
Lajeado	93.4	85.8	8.9%
Peixe Angical	133.7	126.4	5.8%
Energest (13 Hydro plants)	109.9	81.2	35.3%
Total	119.7	101.5	17.9%

Capex (R\$ million)	1H08	1H07	Δ 08/07
Lajeado	1.9	3.1	-40.3%
Peixe Angical	6.5	1.5	328.7%
Energest (13 Hydro plants)	12.0	15.1	-20.2%
New Capacity	93.7	0.0	-
Total	114.1	19.7	479.2%

GENERATION CAPACITY IN OPERATION:

In 1H08, Energias do Brasil had an installed capacity of 1,044 MW. The generation volumes sold increased by 11.7% is explained by higher energy availability in the Group's power plants and a seasonal increase of energy sales in the 1Q08 by Enerpeixe which allowed it to take advantage of higher prices in the residual electricity market in 1Q08. As referred in 1Q07 results release, this effect will be smoothed in the following quarters. The electricity generated increased by 10.1% due to maintenance works in Lajeado during 1H07.

GENERATION CAPACITY UNDER DEVELOPMENT:

On July 2008, Energias do Brasil announced that the construction of Pecém coal plant has started, project in which it holds a 50% stake in partnership with MPX Mineração e Energia. The conditions contracted in the electricity auction promoted by the Brazilian regulatory authorities include the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross margin of R\$417.4m per year (amount at 2007 nominal prices to be updated at inflation) with the full pass through of fuel costs. According to the engineering and procurement signed with suppliers, the new plant will represent a USD1.2bn capex. The project should be financed with 75% of long term debt with the Brazilian development bank BNDES and in the market. Until the end of 2008, we expect an estimated capex to the construction of Pecém around R\$300m.

This year, Energias do Brasil has established a new business unit, EDP Renováveis Brasil (EDP Renováveis 55%; Energias do Brasil 45%), which will hold the company's investments in renewable sources of energy in South America. In June 2008, EDPRB acquired 100% of CENAEEL for R\$ 51.3 million (Enterprise Value). CENAEEL has 2 wind farms currently in operation with an installed capacity of 13.8MW. The energy is contracted through Proinfa (9 MW) and a bilateral agreement (4.8 MW). Besides the operating sites, there is also a 70 MW expansion project that could be developed.

EDPRB is developing feasibility studies in partnership with Cemig to analyze the potential implementation of 500 MW wind farms in the States of Minas Gerais and Espírito Santo. Energias do Brasil has also entered into a Memorandum of Understanding with the Government of Espírito Santo that foresees the analysis of projects with a combined capacity of more than 200 MW.

On April 2008, Energias do Brasil signed an agreement with Petrobras for the supply of natural gas to UTE Resende and UTE Norte Capixaba projects (1000MW). However, the actual sale of the energy to be generated by the two CCGT's projects will depend on the commercial and financial terms attained in the auction.

Regarding new hydro capacity, the installation license to begin the construction of Santa Fé mini-hydro was issued in the beginning of October 2007. Santa Fé will have an installed capacity of 29 MW (assured energy of 16 MW) and should start-up in Jul-09. The total estimated investment for the construction is R\$120 million.

Additionally, ANEEL ratified a 17.5 MW and a 5 MW power upgrade in the Mascarenhas and Rio Bonito Hydro Plant. The additional capacity should be fully operational by the end of 2009. The ratification process for the 2.3 MW power upgrade to Suíça Hydro Plant is currently in progress, and should be operational in 2009. Assured energy from both power upgrades (11.7 average MW) has been contracted in the liberalised market at R\$ 130/MWh.

Moreover, Energias do Brasil is also carrying out feasibility studies for new hydro projects with a total installed capacity of 1,439 MW.

Trading and Supply

Financial and Operating Data	1H08	1H07	Δ 08/07
Number of clients	64	64	-
Electricity Sales (GWh)	3,579	3,628	-1.4%
Gross Profit / GWh	11.5	10.2	12.8%

Electricity volumes sold to liberalized customers decreased 1.4% YoY but the electricity spot market price had an average increase of 29% which allowed a margin improvement supported by a growth in the gross profit of Enertrade of 11.2%.



Income Statements

Income Statement by Business Area



1H08 (€ m)	Generation Iberia	Supply Iberia	EDP Renováveis	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	1,852.6	568.9	251.4	2,980.1	0.4	934.2	(546.2)	6,041.4
Gas Sales	0.1	-	-	-	592.7	-	(2.5)	590.3
Other Sales	19.5	0.0	5.7	1.6	0.1	-	0.5	27.3
Services Provided	17.1	24.3	1.5	35.9	10.9	4.9	(33.4)	61.3
Operating Revenues	1,889.4	593.2	258.5	3,017.6	604.0	939.1	(581.6)	6,720.2
Electricity	574.5	549.8	0.3	2,237.5	0.4	476.2	(581.4)	3,257.3
Gas	-	3.2	-	-	451.2	-	(68.8)	385.7
Fuel	540.9	3.5	-	-	0.0	-	62.3	606.7
Materials and goods for resale	10.8	2.8	1.5	5.1	0.1	5.3	(0.1)	25.5
Direct Activity Costs	1,126.2	559.2	1.8	2,242.6	451.7	481.5	(587.9)	4,275.2
Gross Profit	763.1	34.0	256.6	775.0	152.3	457.6	6.3	2,445.0
Gross Profit/Revenues	40.4%	5.7%	99.3%	25.7%	25.2%	48.7%	-1.1%	36.4%
Supplies and services	72.2	24.7	45.8	159.5	25.0	77.1	(49.1)	355.2
Personnel costs	60.1	5.7	16.6	102.8	13.6	51.9	50.9	301.5
Costs with social benefits	11.3	0.2	0.5	47.6	0.3	9.5	(11.4)	57.9
Concession fees	2.0	-	2.2	113.9	-	-	(0.5)	117.6
Other operating costs (or revenues)	17.4	(12.1)	(35.2)	(2.8)	1.2	21.5	38.3	28.3
Operating costs	163.0	18.5	29.9	420.9	40.0	159.9	28.3	860.5
EBITDA	600.1	15.5	226.7	354.1	112.3	297.7	(21.9)	1,584.5
EBITDA/Revenues	31.8%	2.6%	87.7%	11.7%	18.6%	31.7%	3.8%	23.6%
Provisions for risks and contingencies	(0.0)	7.1	0.8	0.4	2.3	4.5	2.3	17.5
Depreciation and amortisation	187.5	1.1	93.6	183.1	23.5	117.3	41.9	648.1
Comp. of subsidised assets' depreciation	(2.0)	-	(0.4)	(44.8)	(2.2)	(4.9)	(0.1)	(54.4)
EBIT	414.7	7.3	132.7	215.3	88.7	180.8	(66.0)	973.4
EBIT/Revenues	21.9%	1.2%	51.3%	7.1%	14.7%	19.2%	11.3%	14.5%

Income Statement by Business Area



1H07 (€ m)	Generation Iberia	Supply Iberia	NEO - Renwables	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	1,225.5	517.7	115.9	2,572.5	(0.0)	918.3	(518.5)	4,831.2
Gas Sales	-	-	-	-	687.7	-	(7.4)	680.3
Other Sales	34.0	0.0	0.0	3.6	0.3	-	3.5	41.4
Services Provided	(3.0)	25.0	2.4	27.2	29.8	4.8	(11.6)	74.6
Operating Revenues	1,256.4	542.7	118.3	2,603.2	717.8	923.1	(533.9)	5,627.5
Electricity	69.8	506.5	0.2	1,881.3	(0.0)	412.3	(528.6)	2,341.4
Gas	-	2.9	-	-	557.6	-	(42.7)	517.8
Fuel	406.6	2.0	0.1	0.3	18.5	-	40.4	467.8
Materials and goods for resale	24.1	0.0	(1.1)	9.1	0.1	5.7	(0.1)	37.8
Direct Activity Costs	500.5	511.4	(0.9)	1,890.7	576.2	418.0	(531.0)	3,364.8
Gross Profit	755.9	31.3	119.2	712.6	141.6	505.0	(2.9)	2,262.6
Gross Profit/Revenues	60.2%	5.8%	100.8%	27.4%	19.7%	54.7%	0.5%	40.2%
Supplies and services	71.4	23.7	17.9	147.1	23.1	70.4	(29.3)	324.2
Personnel costs	60.3	5.2	5.7	109.8	11.9	53.4	52.1	298.4
Costs with social benefits	12.1	0.2	0.0	49.8	0.2	4.0	(12.6)	53.7
Concession fees	1.9	0.0	-	104.0	-	-	3.3	109.3
Other operating costs (or revenues)	33.5	(6.9)	3.0	(8.2)	7.0	54.2	41.9	124.3
Operating costs	179.2	22.2	26.6	402.6	42.2	182.0	55.3	910.1
EBITDA	576.7	9.1	92.6	310.0	99.4	323.0	(58.2)	1,352.6
EBITDA/Revenues	45.9%	1.7%	78.3%	11.9%	13.8%	35.0%	10.9%	24.0%
Provisions for risks and contingencies	3.5	(3.0)	0.1	6.8	0.3	7.2	27.4	42.3
Depreciation and amortisation	180.8	3.6	46.7	183.7	21.8	56.5	41.8	534.9
Comp. of subsidised assets' depreciation	(2.0)	-	(0.1)	(43.6)	(1.5)	(4.9)	(0.1)	(52.2)
EBIT	394.4	8.4	46.0	163.1	78.7	264.3	(127.4)	827.5
EBIT/Revenues	31.4%	1.6%	38.9%	6.3%	11.0%	28.6%	23.9%	14.7%



Annex

EDP installed capacity & electricity generation



Installed Capacity - MW ⁽¹⁾	1H08	1H07	Δ MW
Europe	13,733	12,745	987
LT Contracted Generation (PPAs/CMECs)	6,987	7,164	-177
Hydro	4,094	4,094	-
Run off the river	1,860	1,860	-
Reservoir	2,234	2,234	-
Coal	1,180	1,192	-12
Sines	1,180	1,192	-12
Fuel oil	1,713	1,878	-165
Setúbal	946	946	-
Carregado	710	710	-
Barreiro	56	56	-
Tunes	-	165	-165
Special Regime	2,233	1,670	563
Small-Hydro	79	69	10
Cogeneration+Waste	226	231	-5
Biomass	11	11	-
Wind	1,916	1,359	558
Portugal	517	332	185
Spain	1,277	951	326
France	122	75	47
Liberalised Electricity Generation	4,513	3,911	602
Hydro	910	670	240
Portugal	484	244	240
Spain	426	426	-
Coal	1,460	1,523	-63
Aboño I	342	342	-
Aboño II	536	536	-
Soto Ribera I	-	63	-63
Soto Ribera II	236	236	-
Soto Ribera III	346	346	-
CCGT	1,987	1,563	425
Ribatejo (3 groups)	1,176	1,176	-
Castejón I (1 group)	393	387	6
Castejón III (1 group)	418	-	418
Nuclear	156	156	-
Trillo	156	156	-
Brazil	1,044	1,044	-
Hydro	1,044	1,044	-
USA	1,321	-	1,321
Wind	1,321	-	1,321
TOTAL	16,097	13,789	2,308

Electricity Generation	1H08	1H07	Δ GWh
Europe	19,057	22,440	-3,383
LT Contracted Generation (PPAs/CMECs)	6,398	10,307	-3,908
Hydro	3,396	6,009	-2,613
Run off the river	2,404	3,961	-1,557
Reservoir	990	2,048	-1,058
Coal	2,822	3,681	-859
Sines	2,822	3,681	-859
Fuel oil	180	617	-437
Setúbal	139	457	-318
Carregado	-5	99	-104
Barreiro	47	61	-14
Tunes	-	0	-0
Special Regime	2,754	2,133	621
Small-Hydro	106	107	-2
Cogeneration+Waste	674	604	70
Biomass	17	19	-1
Wind	1,957	1,403	554
Portugal	509	359	150
Spain	1,324	1,007	317
France	124	36	88
Liberalised Electricity Generation	9,905	10,001	-96
Hydro	750	779	-30
Portugal	305	195	111
Spain	444	585	-140
Coal	3,168	5,289	-2,121
Aboño I	840	1,247	-407
Aboño II	1,705	2,072	-367
Soto Ribera I	-	-2	2
Soto Ribera II	287	775	-487
Soto Ribera III	335	1,197	-862
CCGT	5,467	3,380	2,088
Ribatejo (3 groups)	3,896	2,595	1,300
Castejón I (1 group)	987	784	202
Castejón III (1 group)	585	-	585
Nuclear	520	553	-33
Trillo	520	553	-33
Brazil	2,654	2,361	293
Hydro	2,654	2,361	293
USA	2,003	-	2,003
Wind	2,003	-	2,003
TOTAL	23,714	24,801	-1,087

⁽¹⁾ Installed capacity that contributed to the revenues in the period.

EDP Wind Capacity and CO2 Emissions



Wind Farms in 1H08	Installed Capacity		
	100%	% Held ⁽¹⁾	EBITDA
SPAIN	1,651	1,228	1,277
under RD 436/2004	1440	1057	1066
under RD 661/2007	211	170	211
PORTUGAL	517	512	517
under old remuneration	517	512	517
under new remuneration	0	0	0
FRANCE	122	122	122
under old remuneration	9	9	9
under new remuneration	113	113	113
TOTAL EUROPE	2,290	1,861	1,916
USA	1,556	1,339	1,321
PPA	1,223	1,167	1,149
Hedged	264	138	138
Merchant	69.3	34.65	34.65
TOTAL EUROPE AND USA	3,846	3,201	3,237

CO2 Emissions	CO2 Emissions (absolute, MtCO2)		Specific (tones/GWh)		Gross Production (GWh)	
	1H08	1H07	1H08	1H07	1H08	1H07
TOTAL PPA's/CMECs	2,883	3,857			3,470	4,807
Coal	2,509	3,277	0.83	0.84	3,026	3,898
Fuel Oil + Natural Gas	375	581	0.84	0.64	444	909
TOTAL LIBERALISED GENERATION	5,851	7,015			9,009	9,060
Coal	3,928	5,789	1.16	1.03	3,400	5,603
CCGT	1,923	1,227	0.34	0.35	5,608	3,457
SPECIAL REGIME	487	451	0.37	0.29	1,300	1,568
TOTAL PRODUCTION THERMAL	9,220	11,324	0.67	0.73	13,779	15,436
CO₂ FREE GENERATION					11,042	11,280
TOTAL PRODUCTION			0.37	0.42	24,820	26,716

(1) MW not adjusted for the fact that Neo has an 80% stake in Genesa and Desa.