

ANNUAL REPORT 2007

FINANCIAL REPORT

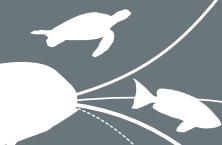
Waves are the largest,
most abundant source
of renewable energy.
Wave energy is the fruit
of the force of the sun
and the wind and is
available all over the globe.

07

ANNUAL REPORT 2007

FINANCIAL
REPORT

07



Contents

Financial Analysis	4
Financial Statements	30
Documents Issued by the Statutory Auditor, the Auditor Registered with the CMVM	122
Statement by those responsible on compliance of financial information presented	130

FINANCIAL
REPORT

07

Financial Analysis

EDP Group	6
Generation and Supply in the Iberian Peninsula	13
Renewable Energies in Europe	17
Renewable Energies in the United States	19
Distribution in the Iberian Peninsula	21
Gas in the Iberian Peninsula	25
Brazil	27



FINANCIAL
REPORT

Financial Analysis

1. EDP GROUP

The EDP Group net profit reached EUR 907.3 million in 2007, compared with EUR 940.8 million in 2006.

The yearly trend in net profits suffered from some one-off items, such as costs related to the human resources restructuring programme, and from a drop in financial profits which in 2006 included 148 million euros of extraordinary financial gains related to the derivative security contracted to cover the value of the CMEC and EUR 223 million relative to the consolidation input by the equity equivalence method of REN – Rede Eléctrica Nacional. These gains in 2006 were only partly offset by the capital gain of EUR 259 million reported in 2007 in relation to the sale of a 25% shareholding in REN.

Balance Sheet – EDP Group (EUR million)

Assets	2007	2006
Property, plant and equipment, net		
Intangible assets, net	18,669	15,082
Financial Investments, net	5,222	3,639
Deferred Tax asset	957	1,107
	687	898
Inventories	283	229
Accounts receivable – trade, net	1,759	1,593
Accounts receivable – other, net	2,993	2,051
Financial assets held for trading	49	116
Cash and cash equivalents	865	753
Total Assets	31,484	25,469
Equity		
Share capital	3,657	3,657
Treasury stock and share premium	436	487
Reserves and retained earnings	1,264	504
Consolidated net profit attributable to equity holders of the parent	907	941
Minority Interest	987	946
Total Equity	7,251	6,535
Liabilities		
Medium/ Long-term debt & borrowings	10,064	8,625
Short-term debt & borrowings	2,542	1,528
Provisions	376	388
Hydrological correction account	228	199
Deferred Tax liability	618	557
Accounts payable – net	10,406	7,637
Total Liabilities	24,233	18,934
Total Equity and Liabilities	31,484	25,469

Income Statement – EDP Group

EUR million	2007	2006	Δ 07/06
Electricity Sales	9,859.8	8,984.5	9.7%
Other Sales	990.7	1,065.6	-7.0%
Services Provided	160.3	299.8	-46.5%
Operating Revenues	11,010.8	10,349.8	6.4%
Electricity & Gas	4,748.1	4,380.7	8.4%
Fuel	1,021.2	967.4	5.6%
Materials and goods for resale	688.0	843.3	-18.4%
Direct Activity Costs	6,457.3	6,191.4	4.3%
Gross Profit	4,553.5	4,158.5	9.5%
Gross Profit/Revenues	41.4%	40.2%	1.2 pp
Supplies and services	684.2	741.4	-7.7%
Personnel costs	577.0	585.1	-1.4%
Costs with social benefits	289.4	162.3	78.3%
Concession fees	216.2	220.4	-1.9%
Other operating costs (or revenues)	158.4	143.9	10.1%
Operating costs	1,952.2	1,853.0	3.9%
EBITDA	2,628.3	2,305.4	14.0%
EBITDA/Revenues	23.9%	22.3%	1.6 pp
Provisions	42.1	94.6	-55.5%
Depreciation and amortisation	1,130.9	1,059.6	6.7%
Comp. of subsidised assets' depreciation	(105.0)	(101.8)	-3.2%
EBIT	1,560.3	1,253.0	24.5%
EBIT/Revenues	14.2%	12.1%	2.1 pp
Capital gains/(losses)	262.6	4.8	5,370.8%
Financial income/(expense)	(545.8)	(207.4)	-163.2%
Income/(losses) from group and associated companies	23.7	245.3	-90.3%
Pre-tax profit	1,300.8	1,295.8	0.4%
Income taxes	280.8	265.9	5.6%
Discontinued Activities	-	(12.8)	-100%
Profit of the period	1,019.9	1,017.1	0.3%
Equity holders of EDP	907.3	940.8	-3.6%
Minority interests	112.7	76.3	47.8%

In 2007 the Gross Operating Profit for the EDP Group amounted to EUR 2,628.3 million, which is a rise of 14.0% over the same period in the previous year.

This performance was due to an improvement in the EDP Group's liberalised electricity and gas businesses in Iberia and to an increase of 132% in gross installed wind power capacity in Europe and the USA. Excluding other non-recurring items, especially the tariff deviations accounted in Portugal and Brazil in relation to electricity distribution, a provision accounted in Energias do Brasil to reflect the reduction in the Enersul regulatory remuneration base and other costs related to the human resource restructuring exercise, the gross operating profit was 21% higher in the period, standing at EUR 2,749.0 million.

Gross Operating Profit – EDP Group

EUR million	2007	2006	Var.
Iberian Market*	2,009.2	1,871.5	7.4%
Generation & Supply	1,226.4	1,097.1	11.8%
Wind (Europe & US)	213.9	146.9	45.6%
Distribution	455.5	571.8	-20.3%
Gas	188.5	144.8	30.2%
Brazil	586.5	433.9	35.2%
Other & Adjustments	(42.5)	(89.0)	52.2%
Consolidated	2,628.3	2,305.4	14.0%

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

The integrated gross operating profit for the generation and supply businesses in Iberia rose 11.8% to EUR 1,226.4, in 2007. The gross operating profit for the liberalised generation and supply activity rose 37.3% to EUR 402.4 million in 2007, reflecting the success of the hedging strategy adopted in this area. Even though the variable average generation cost only increased 3.6%, electricity supply costs went up 6.7% in the period, because of an increase in the amount of electricity bought on the spot market, at higher prices. In terms of electricity sales on the Iberian market, the average distribution price on the liberalised market rose 30% in the period, to EUR 59/MWh. The gross operating profit for the contracted generation (under a Power Purchasing Agreement (PPA) / Costs for the Maintenance of Contractual Equilibrium (CMEC) system) grew 2.4% in the period, reflecting the gains achieved by using coal stocks valued at lower prices than those envisaged in the PPAs/CMECs and the high levels of availability in the hydroelectric and thermoelectric power stations, and this more than offset the high fuel prices that are not an object of pass-through.

The gross operating profit for the wind power generation business in Europe increased 29.3% in the period to EUR 189.9 million in 2007, reflecting a growth of 62.5% in consolidated installed capacity – an input to the Company's gross operating profit – to 1,776 MW in 2007 and higher usage factors (26.2% in 2007, compared with 25.9% in 2006). These effects were partly offset by a drop in the average wind tariff (-8.8%, to EUR 83/MWh in 2007). Horizon, an EDP subsidiary involved in developing and operating wind farms in the United States, began to be fully integrated in the second half of 2007. Horizon's input to gross operating profit in the second half of the year was EUR 23.9 million.

The gross operating profit for the distribution business in Portugal fell 27.3% in the period, to EUR 385.3 million in 2007. The gross margin fell 1.7% thanks to a significant rise in costs with the purchase of electricity in the fourth quarter of 2007, expressed in a tariff deviation of EUR 58.3 million, to be recovered in the tariffs in 2009. The efforts made to increase efficiency levels allowed the Company to successfully carry out its human resources restructuring exercise ahead of schedule (Staff Adjustment Programme – PAE), which is expressed in a non-recurring cost of EUR 127.3 million, relating to 512 retirement and early retirement agreements signed in the last quarter of 2007, of which 228 took effect in 2007, while the other 282 agreed and signed in 2007 will come into effect in 2008. Excluding these human resources costs (EUR 127.3 million in 2007 and EUR 24.7 million in 2006), the operating costs for the regulated distribution business in Portugal would have risen 3.0%, due to a rise in Operation and Maintenance and back-office costs. The gross operating profit for the regulated distribution business in Spain rose 71.3% in the period, to EUR 72.1 million in 2007. This reflects the end of the implementation of RD 03/2006, which fixed a provisional price of EUR 42.35/MWh for the power bought and sold by companies within the same business group, the implementation of RD 871/2007, of 30 June, which set the provision price mentioned in RD 03/2006 at EUR 49.23/MWh, and a 26.0% increase in regulated revenue from the distribution business in Spain.

The gross operating profit for the regulated distribution and transport of gas rose 16.8% in the period, to EUR 144.7 million in 2007. This reflects a rise of 5.0% in the number of supply points and a 5.8% expansion of the gas network. The gross operating profit for the liberalised gas business rose from EUR 20.9 million in 2006 to EUR 43.8 million in 2007 (the 2006 figure includes a negative impact of EUR 15 million relating to the extraordinary purchase of gas on the spot market), owing to increased turnover and a rise in the gross unit margin.

FINANCIAL
REPORT

Financial Analysis

The gross operating profit for Energias do Brasil rose 35.2% in the period, to EUR 586.5 million in 2007, thanks to a 3% appreciation of the Brazilian real against the euro between 2006 and 2007, and the strong performance of the generation and distribution businesses. The gross operating profit for distribution grew 23.5% in the period to stand at EUR 417.5 million in 2007. This was largely due to a growth in the demand for electricity and the recovery of accumulated regulatory sums through tariffs. The gross operating profit of the generation business rose 66% in the period, to EUR 167.6 million in 2007, mainly thanks to the 17.0% rise in production to 5,568 GWh in 2007, reflecting the rise in installed capacity (1,044 MWh in 2007, compared with 1,018 MWh in 2006), the gradual start-up of the Peixe Angical power station in the second and third quarters of 2006, the start-up of the fourth group of Mascarenhas generators (50 MWh) in the last quarter of 2006, and commissioning of the S. João mini-hydroelectric power station (25 MW) in 2007.

Financial Results – EDP Group

EUR million	2007	2006	Δ 07/06
Investment income	41.4	8.0	420.6%
Financial Investments Gains/(Losses)	41.4	8.0	420.6%
Net financial interest paid	(539.4)	(402.2)	-34.1%
Net foreign exchange differences	11.0	0.9	-
Other Financials	(58.8)	185.9	1,085.2%
Financing Gains/(Losses)	(587.3)	(215.3)	-172.7%
Financial results	(545.8)	(207.4)	-163.2%

The EDP Group **Financial Results** reflect:

- a. a rise of EUR 33.4 million in income from other equity investments, due to dividends received in 2007: i) from REN, in the sum of EUR 29.1 million; ii) from Ampla, in the sum of EUR 1.6 million; and iii) from BCP in the sum of EUR 8.4 million;
- b. an increase of 34.1% in net interest, from: i) a 1.1 p.p. rise in the average cost of the EDP Group debt (5.0% in 2007, compared with 3.9% in 2006), reflecting the interest rate increases in the period, and ii) from a rise in the level of net average debt;
- c. a marked drop in other financial gains and losses. 2006 includes a positive impact of EUR 180 million related to the derivative security contracted to cover the value of the CMEC. Furthermore, the 2007 figure includes: i) a loss of EUR 42 million relating to hedging instruments for fuel for 2007 and

2008, linked to our contracted generation business (losses on this scale did not occur in 2006); and a loss of EUR 2.8 million (vs. a gain of EUR 24.2 million in 2006) related to financial hedging operations on energy markets associated with the liberalised generation and supply business.

Gains from Group Companies and Associates totalled EUR 23.7 million in 2007, vs. EUR 245.3 million in 2006. Gains from group companies and associates in 2006 included: i) the input from the consolidation using the equity method of 30% to REN, which reflects the recovery in 2006 of tariff deviations from previous years, and the capital gain from the sale of the 18.3% shareholding that REN held in Galp; ii) a non-recurring provision related to guarantees provided for the financing of Electra; and iii) in 2007, a loss of EUR 12.5 million related to the input using the equity method from Edinfor. Attention is drawn to the announcement by EDP in February 2008 that it planned to exercise its option to sell its 40% holding in Edinfor for a pre-agreed minimum price of EUR 55 million. It is hoped that this deal will go through in March 2008, after which date Edinfor will no longer contribute to EDP's profit.

With respect to EDP's current shareholding in REN, it should be noted that, in the wake of the agreements to sell 20% of the share capital of REN (4 blocks of 5%) and to sell an extra 5% in July, with the Initial Public Offering, EDP's shareholding in REN will no longer be consolidated using the equity method. The sale of this 25% stake in REN is reflected in a capital gain of EUR 250 million in 2007.

Operating Investment – EDP Group			
EUR million	2007	2006	Δ 07/06
Existing Plants	62.2	36.5	70.7%
New Plants	384.0	44.3	767.5%
Emissions Improvement	61.4	57.8	6.2%
Supply	0.3	0.5	-43.7%
Portugal	507.9	139.0	265.4%
Existing Plants	23.7	18.5	28.1%
New Plants	163.1	175.1	-6.8%
Emissions Improvement	47.0	57.4	-18.0%
Supply	3.3	0.1	2,680.5%
Spain	237.1	251.1	-5.6%
Iberian Generation & Supply	745.0	390.1	91.0%
Europe – Neo	655.9	386.0	69.9%
USA – Horizon	732.7	-	-
Wind	1,388.6	386.0	259.7%
Distribution grid & Other	345.4	409.4	-15.6%
(-) Investment subsidies	112.4	140.8	-20.2%
Portugal	233.0	268.5	-13.2%
Distribution grid	58.9	49.9	18.1%
(-) Investment subsidies	28.6	11.8	141.9%
Spain	30.3	38.0	-20.4%
Iberian Distribution	263.3	306.6	-14.1%
Distribution network	15.8	14.1	11.4%
Other	8.9	4.8	84.1%
Portugal	24.7	19.0	29.9%
Distribution network	25.5	23.7	7.4%
Other	22.1	9.1	144.3%
Spain	47.6	32.8	45.2%
Iberian Gas	72.3	51.8	39.6%
Core Business	2,469.2	1,134.5	117.6%
Generation	40.5	104.2	-61.1%
Distribution	168.3	190.8	-11.8%
Supply & Other	0.4	0.2	189.6%
Brazil	209.3	295.1	-29.1%
Other	21.7	26.9	-19.5%
EDP Group	2,700.2	1,456.5	85.4%
Expansion Capex	1,935.7	679.9	184.7%
Maintenance Capex	764.5	776.6	-1.6%

Note: The total operating investment is shown for each company irrespective of the EDP group shareholding in the company and changes in internal ownership within the Group.

The EDP Group **Operating Investment** totalled EUR 2.7002 billion in 2007, which is a growth of 85.4%, reflecting the consolidation of Horizon, for the first time (EUR 732.7 million in 2007), and an increase of 53.3% in the “Iberian Core Business” to EUR 1.7065 billion in 2007. About 72% of the investment was channelled into expanding installed capacity, especially in wind power and new Natural Gas Combined Cycle Power Stations (CCGTs) in Spain and Portugal (Castejón3, Soto 4 and Lares 1). These investments will lead to business growth in the medium term. It should also be noted that nearly 75% of the group’s investment concerns regulated businesses and long-term contracted power generation, which benefit from a low risk on investment return (wind power, gas and electricity distribution in Iberia and contracted electricity generation under the PPA/CEMC system).

In 2007, investment in the generation business in Portugal was related to: a) the start of construction work on the Lares 1 CCGT (431 MW) – expected to be commissioned at the end of 2009; and b) boosting the capacity in the Bemposta II (231 MW) and Picote II (178 MW) hydroelectric power stations, which should come into operation in 2012. In Spain, EDP completed the construction of the Castejón 3 CCGT (418 MW) – experimental period in December 2007 – and the Soto 4 CCGT (418 MW) – scheduled to come into operation in the third quarter of 2008. In addition, EDP invested EUR 108.4 million in reducing SO₂ and NO_x emission in the coal-fired power stations, of which EUR 61.4 million were invested in the Sines power stations (remunerated under the PPA/CMEC system), with a view to complying with the European Directive on large combustion plants by December 2007.

In 2007, the Operating Investment in Horizon, an EDP subsidiary in the wind power business in the USA, amounted to USD 978 million (EUR 732.7 million). In December 2007 Horizon had a gross capacity under construction of 66 MW, and was scheduled to become operational in early 2008. It is hoped that Horizon will have around 500 MW of wind power capacity under construction by the end of the first quarter of 2008. In 2007, the operating investment of Neo Energía in wind power was EUR 655.9 million, which represents a growth of 69.9% in the period. In December 2007, NEO Energía had 597 MW gross capacity under construction, which should come into operation in 2008. The company is well on the way to meeting its target of 3.0 GW gross capacity for Europe and 2.2 GW for the USA.

In 2007, investment in the distribution business fell 14.1%, to EUR 263.3 million, because of the renegotiation of maintenance contracts for the network via a pre-contracting programme which enables the Company to optimise prices. In Portugal, recent investments aimed at improving the quality of service, plus good weather conditions are reflected in an Equivalent Interruption

FINANCIAL
REPORT

Financial Analysis

Time (EIT) of 111 minutes in 2007, compared with 203 minutes in 2006 (or 176 minutes, when adjusted for the impact of extraordinary factors). In Spain, the EIT fell from 106 minutes in 2006 to 59 minutes in 2007.

Operating investment in 2007 reached EUR 72.3 million, which is a growth of 39.6% in the period, of which almost 57% was invested in expanding the gas distribution network (+ 408 km, of which +271 km in Spain). The remainder was channelled into the transport network in Spain, advertising campaigns, meters and reducers for new consumption areas and adapting LPG facilities to NG.

Investment, in euros, in Energias do Brasil fell 29.1% in the period, basically due to the completion of construction work on the Peixe Angical hydroelectric power station, with the final group of generators coming into operation in the third quarter of 2006. In the second quarter of 2007, following the coming on stream of the São João hydroelectric power station in April 2007, Energias do Brasil increased its installed capacity by 25 MW (total investment of BRL 90 million). The construction of the Santa Fé hydroelectric power station will provide another 29 MW capacity in 2009. Investment in distribution amounted to 80% of the total investment of Energias do Brasil, and it related to the expansion and improvement of the distribution network in the Bandeirante, Escelsa and Enersul concession areas.

Consolidated and Unconsolidated Cash Flow Statements
as at 31 December 2007 and 2006

EUR million	2007	2006
Cash flows from operating activities		
Cash receipts from customers	10,807	10,219
Cash paid to suppliers	-7,244	-7,148
Cash paid to employees	-729	-735
Concession rents paid	-213	-213
Other receipts / (payments) relating to operating activities	-146	24
Net cash flows from operating activities	2,475	2,147
Income tax received / (paid)	-205	-129
Net cash flows from operating activities	2,270	2,018
Discontinued activities	-	34
Continuing activities	2,270	1,983
Cash flows from investing activities		
Cash receipts resulting from:		
Proceeds from sale of financial assets	552	805
Proceeds from sale of property, plant and equipment	10	11
Fixed assets subsidies received	144	183
Interest received	82	36
Dividends received	79	177
	866	1,212
Cash payments resulting from:		
Acquisition of financial assets	-2,345	-465
Acquisition of property, plant and equipment	-2,742	-1,589
Fixed assets subsidies received	-	-
	-5,087	-2,053
Net cash flows from investing activities	-4,221	-842
Discontinued activities	-	-21
Continuing activities	-4,221	-820
Cash flows from financing activities		
Receipts / (payments) from loans and interest	2,322	40
Interest and similar costs	-662	-429
Receipts / (payments) from derivative financial instruments	-1	38
Dividends paid	-401	-366
Treasury stock sale / (purchase)	-36	27
Anticipated proceeds from institutional partnership in US wind farms	775	-
Net cash flows from financing activities	1,997	-690
Discontinued activities	-	-48
Continuing activities	1,997	-642
Net increase / (decrease) in cash and cash equivalents	47	486
Effect of exchange rate fluctuations on cash held	-5	-29
Cash and cash equivalents at the beginning of the period	752	267
Cash and cash equivalents at the end of the period	793	724
Net increase in cash and cash equivalents resulting from perimeter variations	71	26
Discontinued activities	-	-2
Cash and cash equivalents from continuing activities at the end of the period (*)	865	752

Capital Debt

At the end of 2007, the Group's (nominal) consolidated debt rose to EUR 12.57 billion, roughly 83% of which was placed with EDP, S.A. and EDP Finance BV. In terms of the end of 2006, the Group's capital debt was nearly EUR 2.557 billion higher, mostly owing to financing for the acquisition of Horizon, explained in detail below.

The EDP Group's consolidated net debt at the end of 2007 stood at EUR 11.692 billion, due to the existence of cash and cash equivalents, in particular in Horizon (EUR 299 million), in the Group's Brazilian subsidiaries (EUR 276 million), in the NEO group (EUR 134 million) and in EDP SA (EUR 120 million).

Nominal Capital Debt (EDP Group)

EUR million	2007	2006	Δ 07/06
EDP S.A. e EDP Finance BV	10,393	8,044	29%
EDP Produção	19	24	-21%
NEO Energia	560	579	-3%
Portgás	106	113	-6%
HC Energia	433	213	103%
Energias do Brasil	1,059	1,019	4%
Outros	-	21	-100%
Nominal Financial Debt	12,570	10,013	26%

EDP kept up its policy of concentrating capital debt within EDP, S.A. and EDP Finance BV in 2007. The rest is basically composed of debt contracted by the Brazilian holdings, debt contracted as project finance in subsidiaries of the NEO Group and related to wind power generation partnership projects, as well as short term debt and borrowings contracted by Hidrocanábrico.

The purchase of Horizon (concluded on 2 July 2007) was financed through a loan of USD 3,000 million under a revolving credit facility (RCF) arrangement. The loan is in two tranches, with respective deadlines of 7 years and 1 year. EDP has an option to extend the period of the shorter tranche for a further year. The loan attracted considerable interest in international banking circles and was taken out with 23 banks.

In October 2007, EDP accessed the US debt capital markets for the first time with a bond issue 144A/Reg S in the sum of USD 2.0 billion, in two tranches for the same amounts and with repayment periods of 5 and 10 years. The issue was undertaken by EDP Finance BV under the EDP – Energias de Portugal SA EMTN (Euro Medium Term Notes) programme. The transaction attracted strong interest from investors, demand far exceeded the issuance

amount – about 75% of the issue was placed with US investors with the rest being placed in Europe, the Middle East and Asia. The yield from the issuance made it possible to cancel the shorter (1 year) tranche of the RCF, mentioned above, and to partly repay the 7-year tranche, which remains available to finance Horizon's needs.

It should also be noted that, under the annual updating of the EMTN programme, it was increased to allow issues up to the sum of EUR 12,500,000,000, thereby giving the Group the flexibility to go back to the capital markets to refinance its debt and fund its investment programme.

In Brazil, Escelsa launched a bond issue on the local market in the sum of BRL 250 million, which was liquidated at the start of July. The issue is for 7 years, with annual amortisations from year 5 onwards, and it was used to refinance the company's senior notes in USD, which matured in July 2007.

Attention is drawn to the long-term financing contracted with BNDES, in a total amount of BRL 150 million; part is for Bandeirante and part for Escelsa, and repayment starts at the beginning of 2008. The loans are for 6 years and are to fund the two distributors' Capex programme.

In terms of maturity, the EDP Group's consolidated debt breaks down into 20% in short-term debt and borrowings and 80% in medium- and long-term debt and borrowings.

IFRS Debt – EDP Group

EUR million	2007	2006	Δ 07/06
Short term debt and borrowings	2,441	1,394	75%
Bond loans	458	166	175%
Debts to Credit Institutions	649	410	58%
Other Loans	2	4	-40%
Commercial Paper	1,331	813	64%
Medium and long term debt and borrowings	10,129	8,620	18%
Bond loans	6,426	5,413	19%
Debts to Credit Institutions	3,643	3,161	15%
Other Loans	61	45	35%
Nominal Financial Debt	12,570	10,013	26%
Interest payable	101	135	
Fair Value Hedge for Debt	-65	5	
IFRS Financial Debt	12,606	10,153	24%

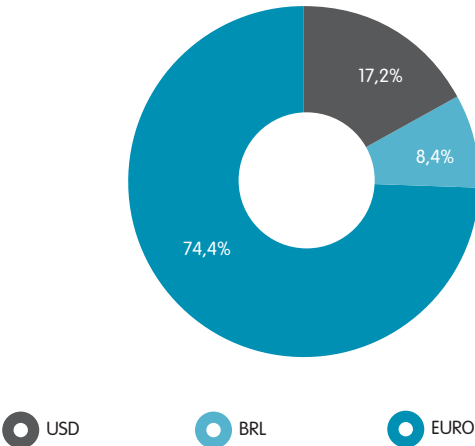
Financial Analysis

In relation to short-term financing and cash flow management, EDP, S.A. continues to favour recourse to issues of “Euro Commercial Paper” programmes, an instrument that provides it with access to an enlarged investor base at very competitive costs, ensuring the necessary flexibility for efficient cash flow management. In Spain, the Group also has a “pagarés” programme (domestic commercial paper) at its disposal through its HC subsidiary, in the sum of EUR 300 million, which affords it similar flexibility and efficiency in terms of cash flow management.

By maintaining a financial management policy based on prudence, by the end of 2007 EDP, S.A. had access to EUR 1.705 billion in unused credit facilities and EUR 650 million in commercial paper with underwriting commitment, EUR 360 million of which was available for use. The Group’s policy of maintaining these long-term credit facilities with several banks with a high credit rating ensures liquidity and financial flexibility.

By the end of 2007, the average interest rate, after hedging instruments, for the EDP, S.A. and EDP Finance BV capital debt was 5.0% per year and approximately 48.5% of its medium/long-term debt and borrowings was set at a fixed rate.

In terms of currencies, the USD financing contracted to fund the purchase of Horizon resulted in increased exposure to USD which had risen to 17.2% at year end, although the euro was still the main debt currency for the EDP Group (74.4%).



“Rating”

The announcement of the acquisition of Horizon led to the medium- and long-term rating of EDP, S.A. and EDP Finance BV as “credit watch negative” by the three credit rating agencies (S&P, Fitch and Moody’s). In July, once the acquisition process was completed, Fitch and S&P revised the EDP SA and EDP Finance BV to A-, while the first gave it a stable outlook and the second a negative outlook. In October, Moody’s also concluded the rating revision process, keeping it at A2 and changing the outlook to negative.

The rating assigned by Fitch to HC remained at A-, with a stable outlook, and the agency holding that the high level of integration of the company within the Group justified the assignment of the same rating as EDP, S.A. Moody’s also kept the A3 rating assigned to HC, but changed the outlook to negative, reflecting the action taken for EDP, SA.

Global Scale

	S&P	Last Update	Moody's	Last Update	Fitch	Last Update
EDP SA e EDP Finance BV	A-/Out-/A-2	18/7/07	A2/Out-/P1	19/10/07	A-/Stab/F2	3/7/07
HC			A3/Out-/P2	19/10/07	A-/Stab/F2	3/7/07
Bandeirante			Ba2/Stab	17/5/07		
Escelsa	BB-/Posit	13/6/07	Ba2/Stab	17/5/07		
Enersul			Ba2/Stab	17/5/07		
EDB			Ba2/Stab	17/5/07		

In the first half of 2007, reflecting the robustness of their operating and financial situation, the Group’s Brazilian subsidiaries saw their rating revised upwards by Moody’s and S&P.

Local Scale – Brazil

	S&P	Last Update	Moody's	Last Update	Fitch	Last Update
Bandeirante	brA/Posit	13/6/07	Aa3.br/Stab	17/5/07		
Escelsa	brA/Posit	13/6/07	Aa3.br/Stab	17/5/07		
Enersul	brA/Posit	13/6/07	Aa3.br/Stab	17/5/07		
EDB			Aa3.br/Stab	17/5/07		

By early 2008, in the wake of a tariff change applied to Enersul, Moody’s confirmed the rating assigned to the company.

2. GENERATION AND SUPPLY IN THE IBERIAN PENINSULA

Operating Profit for the integrated generation and supply business in the Iberian Peninsula showed an annual increase rise of 11.8% to EUR 1.2264 billion in 2007.

Statement of Operating Profit – Generation and Supply in the Iberian Peninsula

EUR million	2007	2006 ⁽¹⁾	Δ 07/06
Gross Profit	1,647.6	1,466.6	12.3%
Supplies and services	204.2	190.8	7.0%
Personnel costs	124.3	126.2	-1.5%
Costs with social benefits	59.5	39.5	50.6%
Generation centre rentals	3.9	3.8	3.8%
Other operating costs / (revenues)	29.4	9.3	217.2%
Operating Costs	421.3	369.5	14.0%
EBITDA	1,226.4	1,097.1	11.8%
Provisions	21.6	13.3	62.4%
Depreciation and amortization	388.1	348.6	11.3%
Comp. of subsidised assets' depr.	(4.0)	(3.0)	-35.9%
EBIT	820.8	738.2	11.2%

⁽¹⁾ 2006 financial figures including the cogeneration business, biomass and waste.

The integrated generation and supply business in Iberia saw a 12% growth in the gross profit, underpinned by the recovery of the EDP supply business, which compensated for the fact that the gross profit of the generation business remained stable. The gross operating profit also grew 12%, while operating costs increased 14%. On a formal basis, i.e. including the special regime generation contracted in 2006, and including hedging costs on the energy markets, the gross profit and gross operating profit would have risen 9.0% and 7.4%, respectively.

Statement of Operating Profit – Generation in the Iberian Peninsula

	Portugal			Spain		
EUR million	2007	2006	Δ 07/06	2007	2006	Δ 07/06
Operating Revenues	2,059.3	1,882.8	9.4%	801.6	772.6	3.8%
Custos Directos da Actividade	922.5	793.0	16.3%	397.7	328.0	21.2%
Gross Profit	1,136.8	1,089.8	4.3%	403.9	444.6	-9.1%
Gross Profit/Revenues	55.2%	57.9%	-2.7 pp	50.4%	57.5%	-7.2 pp
Supplies and services	102.9	89.7	14.7%	53.3	39.1	36.3%
Personnel costs	80.1	84.5	-5.1%	33.0	28.6	15.4%
Costs with social benefits	48.2	37.7	28.1%	10.9	1.3	730.8%
Generation centre rentals	3.9	3.7	4.0%	-	-	-
Other operating costs / (revenues)	(9.6)	1.5	740%	49.9	36.6	36.3%
Operating Costs	225.6	217.1	3.9%	147.1	105.6	39.3%
EBITDA	911.2	872.7	4.4%	256.7	338.9	-24.2%
EBITDA / Revenues	44.2%	46.4%	-2.1 pp	32.0%	43.9%	-11.8 pp
Provisions	1.5	20.5	-92.8%	13.8	(-1.0)	-
Depreciation and amortization	259.0	228.9	13.2%	122.1	97.1	25.7%
Comp. of subsidised assets' depr.	(3.6)	(2.5)	-44.7%	(0.4)	(0.1)	-200.6%
EBIT	654.4	625.8	4.6%	121.3	243.0	-50.1%
EBIT / Revenues	31.8%	33.2%	-1.6 pp	15.1%	31.5%	-16.3 pp

The gross operating profit for generation in Portugal grew 4.4%, reflecting a 15% rise in supplies and services, largely due to the maintenance costs of the Ribatejo power station, an increase of 28% in costs with social benefits, related to the human resources restructuring programme currently in progress in EDP. In 2007, EUR 25 million was accounted in relation to 66 staff leaving the company, compared with EUR 22 million accounted in 2006 when 89 staff left. There was, however, a 5% fall in personnel costs as a result of the cut in the permanent workforce. Below the gross operating profit, amortisations grew 13%, essentially due to the extension of water resources, which amounted to EUR 20 million. In Spain, operating costs largely rose because of the incorporation into the contracted generation business of the special regime activity of Neo Energía, and the impact of RD 03/2006, which was as significant in 2007 as it had been in 2006. Operating costs in 2006 included EUR 32 million related to RD 03/2006 reported in the item other operating costs / (revenues), and in 2007 these costs rose to EUR 42 million. Supplies and services rose 36%, reflecting some non-recurring costs related to the maintenance of Soto 3 power station, and an increase in other operating costs due to increases in municipal charges and some costs incurred with the removal of nuclear waste. The 15% rise in personnel

FINANCIAL
REPORT

Financial Analysis

costs is related to salary adjustments in December, but which are related to the whole of 2007. In relation to the increased costs with social benefits, these are due to the accounting of provisions for the 72 early retirements, the total cost of which rose to EUR 9.6 million, incurred under the HC Energía collective labour agreement – “Agreement”. Amortisations increased 26% reflecting, above all, the incorporation of the special regime business in Spain into the consolidation perimeter of contracted power generation, which used to be in Neo Energía. This meant that the operating profit fell 50%.

Statement of Operating Profit
– Supply in the Iberian Peninsula

EUR million	Portugal			Spain		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06
Operating Revenues	343.0	326.7	5.0%	838.2	538.3	55.7%
Direct Activity Costs	322.7	377.4	-14.5%	756.1	588.8	28.4%
Gross Profit	20.3	(50.7)	-	82.2	(50.5)	-
Gross Profit/Revenues	5.9%	-15.5%	21.4 pp	9.8%	-9.4%	19.2 pp
Supplies and services	18.2	15.3	19.3%	31.5	28.9	9.3%
Personnel costs	4.6	5.5	-17.1%	6.5	5.3	24.0%
Costs with social benefits	0.2	0.4	-47.5%	0.2	0.2	31.7%
Generation centre rentals	0.0	0.0	1.0%	-	-	-
Other operating costs / (revenues)	1.2	(0.5)	-	(18.3)	(15.4)	-18.8%
Operating Costs	24.2	20.7	17.3%	19.9	18.8	5.5%
EBITDA	(3.9)	(71.3)	94.5%	62.3	(69.3)	-
EBITDA / Revenues	-1.1%	-21.8%	20.7 pp	7.4%	-12.9%	20.3 pp
Provisions	15.4	(3.0)	-	(1.4)	(3.3)	58.1%
Depreciation and amortization	4.7	4.8	-1.0%	2.3	2.5	-7.4%
Comp. of subsidised assets' depr.	-	-	-	-	-	-
EBIT	(24.1)	(73.1)	67.0%	61.4	(68.5)	-
EBIT / Revenues	-7.0%	-22.4%	15.3 pp	7.3%	-12.7%	20.1 pp

In relation to the supply business, attention is drawn to the strong recovery of the gross profit in both Portugal and Spain, showing the success of the EDP policy of concentrating on profitability. In Portugal, the 19% increase in supplies and services is due to marketing costs to attract new customers. But the 17% fall in personnel costs is also stressed, mainly resulting from a cut in the number of employees. The gross profit in Spain benefited positively from a non-recurring EUR 27 million input related to the recovery of costs incurred by deviations in previous years. Operating costs rose 5.5% in the period owing to an increase in supplies and services that accompanied the growth of the

commercial side, and in personnel costs arising from the “Agreement”.

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

On 15 June, EDP and REN (which was the sole buyer of electricity from the regulated electricity market until 30 June) agreed on the early termination of the long-term PPAs between them. The PPAs were then replaced by the CMECs, to reconcile: i) the preservation of the current net value of the PPAs and a stable contracted gross profit for the next 10 years with a real return on assets of 8.5% before tax; and ii) the increase in the liquidity of the Iberian wholesale electricity market. In relation to EDP's Financial Statements, the gross profit resulting from the CMECs will maintain the same profile as the old PPAs for the next 10 years.

With respect to the gross profit, this now has 4 components: i) Revenues in the market: result from the sale of electricity on the Iberian wholesale electricity market, which also includes system services and, in the future, a guarantee of power; ii) Revisability of the CMECs: difference between the main assumptions of the CMECs (production, market prices and fuel costs) and the market – this difference must be paid or received by EDP through the regulated tariffs, with a one year grace period; iii) CMECs: reflect the annual difference in terms of cash flow between the former PPA regime and the present CMEC regime, assumed when the system began to be implemented – the sum of these difference should be nil at the end of the CMEC regime, ensuring the current worth of the old PPA regime; iv) CMEC annual payment: fixed monthly rent of EUR 6.5 million that EDP will receive through the regulated tariff for the 20.5-year lifetime of the CMEC system, unless securitised before.

Main Financial Indicators – Contracted Generation in the Iberian Market

EUR million	2007	2006	Δ 07/06
PPA Revenues (1H07 and 2006)	587.5	1,246.4	-52.9%
Capacity Charge	473.8	934.5	-49.3%
Energy Charge	113.7	311.9	-63.5%
PPA/CMEC Revenues (2H07)	681.1	-	-
Revenues in the market	469.2	-	-
Annual Deviation – Market vs. CMEC Assumptions	101.6	-	-
PPAs/CMECs Accrued Income	71.3	-	-
Base CMEC Fee	39.0	-	-
PPA/CMEC Direct Costs	291.8	311.2	-6.2%
Coal	184.4	186.3	-1.0%
Fuel Oil	91.2	116.3	-21.6%
Other Costs (Net)	16.3	8.6	88.4%
Gross Profit PPAs/CMECs	976.8	935.2	4.4%
Cogeneration, Waste & Biomass	46.0	47.5	-3.1%
Mini-Hydro	10.2	15.3	-33.0%
Gross Profit Special Regime	56.3	62.8	-10.4%
Gross Profit Other	14.1	14.5	-2.7%
Total Gross Profit	1,047.2	1,012.5	3.4%

The gross profit of the PPAs/CMECs in 2007 grew 4.4% compared with the same period the previous year, thanks to the gains achieved through the consumption of coal stocks bought at lower prices than provided for in the rules of the PPA/CMEC regimes, and the improved availability of the hydroelectric and thermoelectric power stations, which more than offset the high cost of fuel oil, which is not reflected in the final price. Yet the low water availability explains the 33% fall in the gross profit of the mini-hydroelectric power stations.

The 18% decline in thermal power generation was essentially due to the scheduled stoppages in Sines, for desulphurisation and maintenance, and the usage level fell from 93% to 77% in 2007. Hydroelectric power generation fell 6%, due to the dry weather in the fourth quarter of 2007. Even so, the availability of our power stations was well above 1.0.

2.2. Liberalised Generation and Supply on the Iberian Market

Generation on the liberalised market is managed in conjunction with supply business in the same market and takes into account the cost of generation and market demand. The energy generated on the liberalised market is sold on the liberalised wholesale and retail markets.

Main Financial Indicators – Liberalised Generation and Supply

EUR million	2007	2006	Δ 07/06
Generation in the market	497.4	555.2	-10.4%
Portugal	115.5	110.7	4.4%
Spain	381.8	444.6	-14.1%
Supply	102.5	(101.2)	-
Portugal	20.3	(50.7)	-
Spain	82.2	(50.5)	-
Gross profit	599.9	454.1	32.1%

In 2007, the gross profit in the liberalised Iberian market for electricity generation and supply grew 32%. This strong performance was achieved in adverse market conditions, with average prices of the pool falling 22% in the period. This result highlights the success of the hedging strategy implemented by EDP, in which around 68% of generation was hedged by the direct sale of electricity to retail customers at an average price EUR 6/MWh higher than the wholesale market price. In 2007, EUR 2.8 million were reported as financial losses related to hedging operations in energy markets associated with power generation and supply on the liberalised market, since the gains from hedging oil prices and exchange rates were not enough to offset the losses from the financial hedging of electricity and CO₂ prices.

EDP power generation in the liberalised Iberian market rose 2.9% in 2007, compared with the same period the previous year. This growth was supported by a 5.5% increase in generation by our CCGT plants, with use levels averaging 57% in 2007 (vs. 54% in 2006). The scheduled stoppages for desulphurisation in EDP's coal-fired power stations, and maintenance work on the interconnection network, which restricted imports, had to be offset by higher generation from our CCGTs. The output from our coal-fired power stations rose 2.7% in the period, despite a 9-week interruption in the Soto 3 plant for desulphurisation and maintenance which extended into the first quarter of 2008. Meanwhile, EDP's total installed capacity in the liberalised Iberian market went up 585 MW, due to: i) the commissioning of the

FINANCIAL REPORT

Financial Analysis

07 Castejón (Spain) CCGT at the end of December 2007 (418 MW);
ii) the award of the concession for the Alqueva hydroelectric power station at the end of October 2007 (240 MW); iii) the decommissioning of the Spanish Soto 1 coal-fired power station (63 MW) in December 2007.

In 2007, the power generated by our CCGTs was mostly sold at peak periods. The combination of this and the introduction of market splitting explains the EUR 52/MWh spot price (including the guarantee of power and system services). Despite generation costs only rising by 3.6% in the period, electricity supply prices went up 6.7%, due to an increase in spot market purchases at higher prices.

On the demand side, EDP managed to lift its average selling price for electricity by 30% compared with 2006, to EUR 59/MWh (including guarantee of power, system services and distribution margin), with volumes rising 13%, carried by the Spanish market, where there was a 29% growth in distribution volume compared with 2006, while in Portugal volumes sold declined 22%. In fact, the Spanish market benefited from a rise in tariffs on the retail market in January and July 2007, while tariff increases in Portugal were only 6.2%, in January 2007 (despite the regulator initially proposing a 12.4% increase), and they fell 3.0% in September 2007. Volumes sold in OMEL rose 51%, while volumes sold on the wholesale futures market declined 66%, due to the ending of the bilateral agreements with the regulated distribution sector in Spain.

In 2008, EDP's supply business will probably see a fall in volumes sold, since tariff increases of 2.9% in Portugal and 3.3% in Spain do not fully reflect the rise in generation costs. Nonetheless, the awaited end of the last-resort tariffs for medium voltage customers in Spain could lead to a recovery of market dynamics in the second half of 2008.

For 2008 EDP has already contracted 58% of its expected generation at an average price of more than EUR 56/MWh through agreements with retail customers or on futures markets. EDP has fixed an average spark spread of EUR 13/MWh for the volume so far contracted for 2008, and this price takes into account the costs of CO₂ and RD 11/2007.

3. RENEWABLE ENERGIES IN EUROPE

Neo Energía, a company in the EDP Group which generates electricity from renewable sources, has assets in Enernova (wind farms in Portugal – wholly held by NEO), Genesa (renewable energies in Spain – 80% held by NEO and 20% by Caja Madrid), Desa (wind farms in Spain – acquired in December 2005 – 80% held by NEO and 20% by Caja Madrid), Agrupación Eólica (wind farms in Spain and France – acquired in December 2006, wholly held by NEO) and GreenWind (wind farms in Belgium – partnership with local promoters in which NEO has a 70% holding).

In December 2007, EDP enhanced the visibility of its wind power generation portfolio in Europe by acquiring Relax Wind Parks, a group of projects to develop wind farms in Poland with a gross total capacity of 1,022 MW. These projects are at different stages of development – the first wind farm should provide installed capacity of 120 MW, and is set to come into operation at the end of 2009.

In December 2007, Neo Energía had a consolidated installed wind power generation capacity – with an input to the company's gross operating profit – in Europe of 1,776 MW, 595 MW more than in December 2006. Neo Energía increased its installed capacity quarterly by 32 MW in Portugal, 314 MW in Spain and 12 MW in France. In December 2007, Neo Energía had 597 MW of wind power capacity under construction and due to come into operation in 2008. Neo Energía met its target of 2.2 GW gross installed wind power capacity in 2007, and is well on the way to achieving its goal of 3.0 GW for 2008.

Neo Energía generated a total of 2,911 GWh of wind power in 2007, which is a growth of 53.0% in relation to the same period in 2006. This was due to increased installed capacity and an improvement in the average utilisation level of our wind farms (0.3 p.p. in the period, to 26.2% in 2007).

The wind power generated by Neo Energía in Spain rose 45% in the period and the average utilisation of our portfolio of wind farms remained steady at the high level of 27%, reflecting the good siting of our wind farms in terms of wind resources, compared with the average for the sector – for new farms and pre-2006 ones alike.

Statement of Operating Profit – Wind Power (Renewables in Europe)

EUR million	2007	2006	Δ 07/06
Gross Profit	247.1	201.8	22.4%
Gross Profit/Revenues	93.7%	81.0%	12.7 pp
Supplies and services	39.7	30.7	29.3%
Personnel costs	13.5	14.0	-3.8%
Generation centre rentals	3.5	1.3	168.9%
Other operating costs / (revenues)	0.5	8.9	-94.4%
Operating Costs	57.2	54.9	4.1%
EBITDA	189.9	146.9	29.3%
EBITDA / Revenues	72.0%	59.0%	13.1 pp
Provisions	-	12.1	-
Depreciation and amortization	91.3	77.6	17.5%
Compensation of subsidised assets' depreciation	(0.2)	(0.5)	68.1%
EBIT	98.8	57.7	71.4%
EBIT / Revenues	37.5%	23.1%	14.3 pp

Gross profit rose 22.4% in the period: i) in Spain, despite a decline of 13.5% in the average tariff, due to the fall in the pool price in relation to 2006, the gross profit benefited from higher installed capacity and utilisation levels; ii) in Portugal the gross margin benefited from an increase in installed capacity and from a higher average tariff, which latter is a reflection of lower utilisation in the last quarter of 2007 (in Portugal the annual average tariff per MWh is inversely related to the annual average utilisation level).

Gross Profit – Wind Power (Renewables in Europe)

EUR million	2007	2006	Δ 07/06
Portugal	72.5	46.6	55.4%
Spain	161.7	131.2	23.3%
France	9.7	-	-
Wind	243.9	177.8	37.1%
Other & Adjustments	3.2	24.0	-86.6%
Total	247.1	201.8	22.4%

Supplies and services and personnel costs rose 18.9% in the period, reflecting higher O&M costs (coming into operation and new capacity), increased operating activity and international expansion, and the resulting increase in the number of employees. Other operating costs in 2006 include EUR 4.1 million in non-recurring costs, basically related to the waste and biomass businesses which were transferred to HC Energía in January 2007.

Neo Energía's gross operating profit went up EUR 43.1 million in the period, to EUR 189.9 million, which corresponds to 72.0% of the income (13.1 p.p. up on 2006).

FINANCIAL
REPORT

Financial Analysis

4. RENEWABLE ENERGIES IN THE UNITED STATES

In July 2007 EDP completed its acquisition of Horizon, a leading company in the development, management and operating of wind farms in the USA, for USD 2.74 billion (enterprise value including investments made between December 2006 and July 2007). This operation was financed by a syndicated bank loan granted to EDP in the sum of USD 3.0 billion, split into a 1-year tranche of USD 1.5 billion and a second, 7-year tranche of USD 1.5 billion. In October 2007, EDP made a bond issue of USD 2.0 billion which was used to repay the first tranche of the debt contracted under the credit facilities used to fund the purchase of Horizon. This transaction took place in the context of EDP's strategic goals, placing the Company in one of the most attractive markets for renewable energies in terms of both growth and profitability.

In July 2007, Horizon, as part of a consortium of institutional investors, completed the sale of a holding in a series of wind power projects with a net installed capacity of 722 MW. The amount to be contributed by the investors totalled around USD 722 million. December 2007 saw the conclusion of a second, similar, transaction involving a portfolio of four wind farms due to come into operation in 2007 and early 2008, with a total installed capacity of 600 MW. In this second transaction, the consortium of investors will be investing USD 600 million, of which USD 342 million has already been forthcoming in 2007 (the rest will be invested in 2008).

Between December 2006 and December 2007, the US dollar depreciated 11% against the euro, and the average exchange rate in the second half of 2007 was 1.37 USD/EUR.

In 2007 Horizon increased its installed capacity by 913 MW and finished the year with a gross installed wind power capacity of 1,490 MW (of which 131 MW were fully constructed and due to be commissioned in early 2008) and 66 MW more are under construction, and should come into operation in the first months of 2008. So at the start of 2008, in keeping with its stated goals, Horizon had a total of 1,556 MW in operation.

In 2007 there was a 44% growth in installed wind power capacity in the USA, to 16.8 GW (Source: AWEA, EER January 2007, Horizon). Horizon's market share in terms of capacity was 7% at the year end. It is in second place with respect to constructed MWs in 2007.

The EDP Group started the consolidation of Horizon in July 2007, and the company generated 862 MW in the first six months of consolidation. In the last 12 months, Horizon's wind farms portfolio enjoyed a utilisation level of 30% (calculated for projects that were operating commercially). The annual utilisation level was affected

by reduced availability which is covered financially by guarantee agreements with the turbine suppliers.

In July 2007, Horizon signed an 18-year Power Purchase Agreement (PPA) with Constellation Energy related to the Twin Groves II wind farm, thereby ensuring that all the wind power generation projects for 2007 had their energy contracted through PPAs or hedges. In July and October 2007 Horizon signed two 20-year PPAs with the Empire District Electric Company and Westar Energy, Inc., for the Meridian Way wind power project (Kansas, 201 MW). Construction is due to start in 2008.

Statement of Operating Profit – Horizon

EUR million	2007
Gross Profit	31.6
Gross Profit/Revenues	97.7%
Supplies and services	9.2
Personnel costs	8.4
Generation centre rentals	-
Other operating costs / (revenues)	(10.0)
Operating Costs	7.6
EBITDA	23.9
EBITDA / Revenues	74.1%
Provisions	-
Depreciation and amortization	20.4
Compensation of subsidised assets' depreciation	-
EBIT	3.5
EBIT/Revenues	10.9%

The net benefits of the production tax credits (PTCs) and other income related to the partners in Horizon's equity in the second half of 2007 amounted to EUR 16.9 million (or EUR 12.3 million). Horizon's input to the gross profit in the second half of 2007 was EUR 31.6 million, or EUR 43.9 million, when adjusted to include the PTCs and deferred income linked to Horizon and institutional investors.

Adjusted Gross Profit – Horizon

EUR million	2007
Electricity Revenues & RECs	31.3
Services Rendered & Other	0.2
Gross Profit	31.6
PTC Revenues & Other ⁽¹⁾	12.3
Adjusted Gross Profit	43.9

(1) Related Revenues from Horizon Equity Partners. Includes accounting for the net benefit of accelerated depreciation allocated to Horizon and to the institutional investors

Horizon's contribution to the gross operating profit in the second half of 2007 amounted to EUR 23.9 million.

In February 2008 Horizon bought a portfolio of six wind power generation projects with an overall capacity of 1,050 MW to be installed. These projects are located in regions with some of the most attractive wholesale electricity markets, and it is anticipated that they will help Horizon to consolidate its leading position in these regions.

FINANCIAL
REPORT

Financial Analysis

5. DISTRIBUTION IN THE IBERIAN PENINSULA

The distribution business in the Iberian Peninsula includes EDP Distribuição, a subsidiary of the EDP Group which operates in the areas of electricity distribution and supply within the regulated system in Portugal, and the distribution company HC Energía, which operates in the Spanish electricity market.

The distribution business in the Iberian Peninsula showed an operating profit of EUR 183.8 million euros in 2007, representing 22.2% year-on-year decline.

Statement of Operating Profit
– Distribution in the Iberian Peninsula

EUR million	2007	2006	Δ 07/06
Gross Profit	1,370.0	1,374.6	-0.3%
Gross Profit/Revenues	28.6%	31.1%	-2.6 pp
Supplies and services	316.1	293.7	7.6%
Personnel costs	207.1	210.4	-1.6%
Costs with social benefits	233.8	98.3	137.8%
Concession fees	208.7	211.4	-1.3%
Other operating costs / (revenues)	(51.2)	(11.1)	-360.2%
Operating Costs	914.5	802.8	13.9%
EBITDA	455.5	571.8	-20.3%
EBITDA / Revenues	9.5%	12.9%	-3.5 pp
Provisions	(17.1)	61.1	-
Depreciation and amortization	377.2	360.7	4.6%
Compensation of subsidised assets' depreciation	(88.3)	(86.1)	-2.6%
EBIT	183.8	236.1	-22.2%
EBIT / Revenues	3.8%	5.3%	-1.5 pp

5.1. Distribution in Portugal

The volume of electricity distributed in Portugal grew 3.3%, to 46.9 TWh in 2007, compared with the ERSE (Energy Service Regulatory Body) estimate of 47.0 TWh. The 15% rise in the HV segment consumption reflects the impact of the cogenerators, whose consumption in 2007 was concentrated in the HV segment, and the shift of some MV segment customers to HV. Electricity consumption in the liberalised market declined 25% in the period, to 5.4 TWh, vs. 6.7 TWh, estimated by the ERSE.

Electricity sales include EUR 49 million related to the 2007 tariff shortfall for EDP Distribuição (DL 237-B/2006 recognises the

recovery of this amount, and the 2006 shortfall, which stood at EUR 125 million, without tax, for a 10-year period starting in 2008).

Allowed Revenues
– Distribution in Portugal

EUR million	2007	2006	Δ 07/06
Fixed component of the UDGr: HV and MV (€ m)	139.4	136.4	2.2%
Unit revenue for the UDGr: HV and MV (€ / MWh)	5.5	5.6	-1.8%
Electricity delivered to BES/NBES: HV and MV (GWh)	46,976	45,548	3.1%
Fixed component of the UDGr: LV (€ m)	272.1	266.2	2.2%
Unit revenue for the UDGr: LV (€ / MWh)	13.4	13.6	-1.2%
Electricity delivered to BES/NBES: LV (GWh)	24,724	24,132	2.5%
UDGr allowed revenues	1,002.1	986.0	1.6%
Average assets of the NS activity (net of amortisations)	248.9	246.2	1.1%
Annual Return on average assets of NS activity (%)	8.0	8.0	-
Assets' amortisation of NS activity	42.8	43.4	-1.5%
Annual structural commercial costs of NS activity	79.8	71.1	12.2%
Network Supply allowed revenues	142.5	134.2	6.1%
Average assets of SPS activity (net of amortisations)	18.2	15.9	14.6%
Annual Return on average assets of SPS activity (%)	8.0	8.0	-
Assets' amortisation of SPS activity	2.4	2.1	15.1%
Annual structural commercial costs of SPS activity	84.2	67.2	25.3%
Supply in Public System allowed revenues	88.1	70.6	24.8%
Incentives	11.6	15.9	-27.4%
t-2 tariff adjust. for UDGr, SPS and NS	84.0	36.7	128.8%
t-1 & t-2 tariff adjust. for Energy Aquisition	-100.1	86.5	-
HR Restructuring Costs Recovery	41.0	24.1	70.3%
Total Allowed Revenues	1,267.1	1,354.1	-6.4%

Allowed revenues fell 6.4%, reflecting a decrease in income related to the recovery of costs from previous years. Leaving these adjustments for previous years aside, allowed revenues would have grown 3.1%. The Distribution Network Use (URD) business accounts for around 80% of allowed revenues, and in spite of a 1.6% drop in average revenue per unit, the 2.2% increase in the fixed component (which cuts exposure to the risk of variations in the demand for electricity) and the 2.9% rise in distributed electricity were expressed in an increase of 1.6% in allowed revenues from this business.

**Statement of Operating Profit
– Distribution in Portugal**

EUR million	2007	2006	Δ 07/06
Gross Profit	1,226.1	1,247.2	-1.7%
Gross Profit/Revenues	26.3%	29.1%	-2.7 pp
Supplies and services	259.9	240.1	8.3%
Personnel costs	181.4	185.7	-2.3%
Costs with social benefits	199.8	97.2	105.6%
Concession fees	208.7	211.4	-1.3%
Other operating costs / (revenues)	(9.0)	(17.0)	47.2%
Operating Costs	840.8	717.4	17.2%
EBITDA	385.3	529.8	-27.3%
EBITDA / Revenues	8.3%	12.4%	-4.1 pp
Provisions for risks and contingencies	(6.8)	57.0	-
Depreciation and amortization	345.4	334.6	3.2%
Compensation of subsidised assets' depreciation	(85.5)	(83.9)	-1.9%
EBIT	132.2	222.0	-40.5%
EBIT / Revenues	2.8%	5.2%	-2.3 pp

The gross profit for electricity was EUR 58.3 million less than the allowed revenues for 2007. This negative tariff deviation, to be retrieved through tariffs in 2009, compares with an accumulated positive deviation of EUR 25.1 million in September 2007. These figures reflect a significant rise in the average cost with the purchase of electricity in the last quarter of 2007 (purchase price of electricity on the market of EUR 60/MWh in the fourth quarter of 2007 vs. the ERSE estimate of EUR 51/MWh).

**Tariff Difference
– Distribution in Portugal**

EUR million	2007	2006	Δ 07/06
Electricity Revenues	4,622.9	4,263.0	8.4%
Electricity Purchases	3,414.1	3,026.8	12.8%
Electricity Gross Profit	1,208.7	1,236.2	-2.2%
Total Allowed Revenues	1,267.1	1,354.1	-6.4%
Tariff Difference to Recover/(Return)	58.3	117.9	-50.5%

Supplies and services grew 8.3% in the period, due to higher external O&M and back-office costs, which more than outweighed the control achieved over other services' costs, such as marketing costs. Personnel costs fell 2.3% in the period, or 1.4%, if compensation and the capitalisation of personnel costs are excluded, reflecting the positive impact of savings achieved by cutting employee numbers.

Costs with social benefits costs more than doubled in the period – the effort undertaken to increase efficiency made it possible to bring the Staff Adjustment Programme (PAE) forward, which is translated for accounting purposes in 2007 as an extraordinary cost of EUR 127.3 million (vs. EUR 24.7 million in 2006) related to 512 retirement and early retirement agreements signed in the last quarter of 2007, of which 228 took effect in 2007, while the other 284 agreed and signed in 2007 will come into effect in 2008.

**Efficiency Ratios
– Distribution in Portugal**

	2007	2006	Δ 07/06
Employee/TWh	105	114	-7.8%
Clients / Employee	1,229	1,159	6.1%

As already mentioned, the smaller number of employees was basically achieved through the PAE initiated in 2006, which has so far led to 106 retirements and early retirements implemented in 2006 and 228 further retirements and early retirements occurring in 2007. Renewed efforts have permitted an improvement in efficiency ratios – Employee/TWh fell 7.8% to 105, closing the gap in best practices for the Iberian Peninsula.

5.2. Distribution in Spain

In 2007, the volume of distributed electricity increased in Asturias by just 0.8%, to 9.6 TWh, largely due to the fact that there was only a 0.2% increase in the HV segment consumption.

FINANCIAL REPORT

Financial Analysis

Statement of Operating Profit – Distribution in Spain

EUR million	2007	2006	Δ 07/06
Gross Profit	143.9	127.5	12.9%
Gross Profit/Revenues	99.8%	100.0%	-0.2 pp
Supplies and services	55.9	53.6	4.2%
Personnel costs	25.7	24.8	3.9%
Costs with social benefits	16.6	1.2	1,315.9%
Other operating costs / (revenues)	(26.3)	5.8	-
Operating Costs	71.9	85.4	-15.9%
EBITDA	72.1	42.1	71.3%
EBITDA / Revenues	50.0%	33.0%	17.0 pp
Provisions	(0.4)	4.1	-
Depreciation and amortization	31.9	26.1	22.1%
Compensation of subsidised assets' depreciation	(2.8)	(2.2)	-27.7%
EBIT	43.4	14.1	208.1%
EBIT / Revenues	30.1%	11.1%	19.1 pp

The gross profit for the distribution business in Spain rose 12.9% in the period to EUR 143.9 million in 2007, reflecting:

- a) an increase of EUR 23.2 euros in remuneration for regulated activities recognised in the 2007 tariff; b) the accounting in 2006 of the positive impact, in the sum of EUR 8.0 million from deviations in the cost of purchased electricity; and c) a EUR 1.2 million rise in the provision of services:

- a. Regulated income rose 20.3%, in accordance with what is recognised in RD 1634/2006, which establishes the income from regulated activities in the electricity business in Spain.
- b. In 2006 our distribution business in Spain reported revenues of EUR 8.0 million arising from two opposing effects of cost deviations with the purchase of electricity: i) the electricity needs of our Spanish distributor were greater than initially estimated, making it necessary to purchase electricity on secondary markets at higher prices than those of the daily market and giving rise to additional costs of EUR 10.0 million in 2006; this was more than offset by ii) a positive impact of EUR 18.0 million euros resulting from the fact that the average cost of electricity purchases by our distributor was lower than the average cost of electricity purchases from system distributors, which was the standard cost used for the settlement of regulated income/profit. Since June 2006, there has been a substantial increase in the amounts transacted on secondary markets at higher prices than those of the daily market, leading to cost deviations between system

distributors due their different business strategies on the wholesale electricity market;

Operating costs fell 15.9% in the period:

- a. The RD 3/2006 approved on 24 February 2006 established that sales of generated electricity and purchases of distributed electricity that are simultaneously made by the same business group are settled at a provisional price of EUR 42.35/MWh. In 2006, purchases of electricity from the distribution business of HC Energía which were settled by its own generation rose to 1,512 GWh and this is reflected in a cost of EUR 15.6 million reported in "other operating costs". RD 03/2006 no longer applies, however, and so these costs ceased to exist in 2007;
- b. More recently, RD 871/2007, of 30 June, set the provision price mentioned in RD 03/2006 at EUR 49.23/MWh, which is reflected in an operating income of EUR 11 million, accounted in 2007 as "other operating income";
- c. Supplies and services rose 4.2% in the period, essentially because of higher back-office costs. Personnel costs and costs with social benefits rose 63.2%, reflecting the reporting in 2007 of an extraordinary cost of EUR 16.0 million related to a wage review, resulting from the differences between the real and forecast inflation rates – as established in the wage agreement in force in HC Energía.

The operating gross profit grew 71.3% in the period to EUR 72.1 million in 2007. The effort made to improve efficiency led to a better performance of some benchmark ratios, such as that of Consumers/Employee, which improved 3.5% in the period, keeping abreast of the best practices in Iberia.

Efficiency Ratios – Distribution in Spain

	2007	2006	Δ 07/06
Employee/TWh	40.5	41.4	-2.0%
Consumers / Employee	1,581	1,527	3.5%

In 2007, final consumer tariffs were not enough to cover the cost of purchasing electricity, as is reflected in the tariff shortfall of EUR 53 million in HC Energía (reported as a receivable on the balance sheet for our generation business in Spain), which compares with a deficit of EUR 154 million in 2006. In the last quarter of 2007 the Spanish government was not able to conclude the securitisation of the EUR 1.5 billion shortfall for 2007.

6. GAS IN THE IBERIAN PENINSULA

EDP's gas business in Iberia is mainly focused on the regulated distribution segment. Naturgas has increased its presence in the Spanish liberalised market. EDP's assets in this business area include: Naturgas, in Spain (with an indirect shareholding of 63.5%), and in Portugal, Portgás (72%; fully consolidated) and Setgás (19.8%; consolidated using the equity method).

In 2007, the operating profit of our gas business in the Iberian Peninsula grew 31.6% compared with 2006, to EUR 145 million in 2007.

Statement of Operating Profit – Gas in the Iberian Peninsula

EUR million	2007	2006	Δ 07/06
Operating Revenues	994.2	1.128.4	-11.9%
Direct Activity Costs	719.4	902.2	-20.3%
Gross Profit	274.8	226.3	21.5%
Gross Profit/Revenues	27.6%	20.1%	7.6 pp
Supplies and services	52.1	44.5	16.9%
Personnel costs	25.6	27.1	-5.5%
Costs with social benefits	0.7	0.4	89.9%
Other operating costs / (revenues)	8.0	9.5	-15.9%
Operating Costs	86.4	81.5	5.9%
EBITDA	188.5	144.8	30.2%
EBITDA / Gross Profit	19.0%	12.8%	6.1 pp
Provisions	(0.2)	(2.7)	92.1%
Depreciation and amortization	46.6	40.0	16.6%
Comp. of subsidised assets' depr.	(3.0)	(2.8)	-8.7%
EBIT	145.0	110.2	31.6%
EBIT / Gross Profit	14.6%	9.8%	4.8 pp

6.1. Gas – Regulated Activity

EDP's activity in the regulated gas business includes Portgás (among others). This distribution company has a concession agreement (72% held by EDP), and Naturgas (63.51% held by EDP), a gas distribution and transport company, which operates mostly in the Basque country and Asturias. In the second quarter of 2007 EDP acquired 9.39% of Naturgas share capital for EUR 122 million, which raised its shareholding to 63.5%.

Statement of Operating Profit – Gas in the Iberian Peninsula

EUR million	2007	2006	Δ 07/06
Operating Revenues	288.2	320.0	-9.9%
Direct Activity Costs	80.8	132.7	-39.1%
Gross Profit	207.4	187.3	10.7%
Gross Profit/Revenues	72.0%	58.5%	13.4 pp
Supplies and services	38.6	35.1	9.9%
Personnel costs	23.1	24.8	-6.8%
Costs with social benefits	0.6	0.3	102.2%
Other operating costs / (revenues)	0.4	3.4	-87.4%
Operating Costs	62.7	63.5	-1.3%
EBITDA	144.7	123.8	16.8%
EBITDA / Gross Profit	69.8%	66.1%	3.7 pp
Provisions	(0.3)	(5.6)	-95.2%
Depreciation and amortization	45.5	41.1	10.5%
Comp. of subsidised assets' depr.	(3.0)	(2.7)	10.0%
EBIT	102.5	91.1	12.5%
EBIT / Gross Profit	49.4%	48.6%	0.8 pp

Statement of Operating Profit – Regulated Gas Activity in Portugal and Spain

EUR million	Portugal			Spain		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06
Operating Revenues	114.5	96.2	19.0%	173.7	223.8	-22.4%
Direct Activity Costs	61.9	52.4	18.1%	18.9	80.2	-76.4%
Gross Profit	52.6	43.8	20.0%	154.8	143.5	7.8%
Gross Profit/Revenues	45.9%	45.5%	0.4 pp	89.1%	64.1%	25.0 pp
Supplies and services	12.1	8.4	44.5%	26.5	26.7	-0.9%
Personnel costs	5.3	4.7	11.6%	17.8	20.1	-11.1%
Costs with social benefits	0.2	0.0	1712.9%	0.4	0.3	26.6%
Other operating costs / (revenues)	(0.0)	(0.5)	-89.5%	0.5	3.8	-87.7%
Operating Costs	17.6	12.6	38.9%	45.1	50.9	-11.3%
EBITDA	35.0	31.2	12.4%	109.6	92.7	18.3%
EBITDA / Gross Profit	66.6%	71.1%	-4.5 pp	70.8%	64.6%	6.3 pp
Provisions	0.3	(2.7)	-	(0.5)	(3.0)	-82.2%
Depreciation and amortization	12.9	8.1	60.3%	32.5	33.1	-1.6%
Comp. of subsidised assets' depr.	(1.4)	(1.2)	17.6%	(1.6)	(1.5)	4.1%
EBIT	23.3	27.0	(0.1)	79.2	64.1	0.2
EBIT / Gross Profit	44.2%	61.6%	-17.4 pp	51.2%	44.6%	6.5 pp

FINANCIAL REPORT

Financial Analysis

In all, the regulated gas business, compared with the same period in 2006, saw gross operating profit rise 16.8% to EUR 144.7 million, reflecting the 5.0% increase in the supply points to 844,900 customers (+40,000 contracted customers), the 5.8% expansion of the network to 8,456 km and the 3.6% growth of gas distributed.

Regulated Revenues – Regulated Gas Activity in Portugal and Spain

EUR million	2007	2006	Δ 07/06
Spain	142.8	136.2	4.8%
Transport	16.2	16.4	-1.3%
Distribution	118.2	110.5	6.9%
Regulated Supply	8.4	9.3	-9.9%
Portugal	52.6	43.8	20.0%
Regulated Revenues (€ m)	195.3	180.0	8.5%

In Spain, regulated revenues grew 4.8% year-on-year, to EUR 142.8 million, for the following reasons:

- Regulated revenues from distribution grew 6.9% to EUR 118.2 million, reflecting the 4.3% increase in supply points to 665,100 customers (+24,000 contracted customers) and the expansion of the network by 4.4%, to 5,161 km. The volume of distributed gas rose 2.7% in the period, and the demand for conventional gas on the Spanish market saw a 3.7% growth. Note that the year-on-year comparison is influenced positively by the acquisition of the remaining 50% of the capital of gas distributor Gasnalsa (fully consolidated since November 2006).
- The regulated revenues of the transportation business declined 1.3% to EUR 16.2 million, because the 2006 regulated revenues include a non-recurring positive impact related to the recognition in 2006 of Septentrional Gas as a primary gas network, with retroactive effect since 2004 (EUR 1.5 million). Note that not considering this non-recurring effect would see the regulated transmission revenues increasing 8.6%. The transport network grew 58 km to 307 km in 2007 (coming into operation of the Sória-Agreda pipeline, new investment in Santurtzi and Ziebanal);
- The regulated revenues from the supply business fell 9.9%, to EUR 8.4 million. Note that the tariff system for regulated gas supply is supposed to end in June 2008. But this might not have much impact on Naturgas's profit, since over 70% of the supply points are access customers. Furthermore Naturgas

will be the last-resort supplier in the Basque country and Asturias, and it hopes to keep most of the regulated supply customers in the liberalised market.

In Portugal, our regulated revenues increased 20.0%, to EUR 52.6 million, reflecting the increase: i) of supply points by 10.0%, to 179,800 customers; ii) in the volume of gas distributed by 11.4%; and iii) in the size of the network by 6.8%, to 2,987 km. Our strategy to increase penetration rates and efficiency ratios is yielding results, with a customer attraction rate higher than the previous year and a better customer/km ratio, from 58 to 60.

Supplies and services, personnel costs and costs with social benefits rose 3.5%, in line with the growth of the regulated gas business.

6.2. Gas – Liberalised Activity

The liberalised gas business consists of supplying liberalised gas in Spain. This business operates through the Naturgas/HC Energía commercial platforms and the supply of gas to the wholesale market. Gross operating Profit improved considerably, rising from EUR 20.9 million in 2006 to EUR 42.8 million in 2007

Supplying gas to liberalised customers is sustained by a long-term contract for 1 bcm/year with Trinidad & Tobago, over which EDP has a gas swap agreement with Gas Natural and by the agreement with ENI for 0.5 bcm/year. In addition, EDP has an agreement with Galp for 1.2 bcm/year to supply the 1,200 MW CCGT in Portugal and with Gas Natural, for 0.35 bcm/year to supply the 400 MW CCGT in Spain.

Statement of Operating Profit
– Liberalised Gas Activity in the Iberian Peninsula

EUR million	2007	2006	Δ 07/06
Operating Revenues	718.2	808.4	-11.2%
Direct Activity Costs	649.7	769.5	-15.6%
Gross Profit	68.5	39.0	75.7%
Gross Profit/Revenues	9.5%	4.8%	4.7 pp
Supplies and services	14.4	9.6	50.4%
Personnel costs	2.6	2.4	7.7%
Costs with social benefits	0.1	0.1	17.8%
Other operating costs / (revenues)	7.6	6.1	25.4%
Operating Costs	24.7	18.1	36.3%
EBITDA	43.8	20.9	109.9%
EBITDA / Gross Profit	6.1%	2.6%	3.5 pp
Provisions	0.1	3.0	-98.0%
Depreciation and amortization	1.2	0.4	168.0%
Comp. of subsidised assets' depr.	-	-	-
EBIT	42.6	17.5	143.6%
EBIT / Gross Profit	5.9%	2.2%	3.8 pp

At the end of October, EDP entered into a strategic partnership with Sonatrach that includes supplying up to 1.6 bcm per year of natural gas sourced in Algeria, under highly flexible long-term contracts suited to the demand profile of natural gas in Iberia. It is expected that this supply will start in the first half of 2008.

The partnership concerns the supply of an annual volume of natural gas that is sufficient for the operation of each CCGT in which Sonatrach has a minority holding representing 25% of the share capital of the operating companies.

The CCGT projects embraced by the partnership are the Soto 4 power station – which should be in industrial service by August 2008 – located in Asturias; the Lares 1 power station – which could start industrial operations by July 2009 – located in Figueira da Foz, and Lares 2 – which should come into service by August 2009.

The supply of natural gas by Sonatrach to EDP will include a maximum annual volume of 0.7 bcm, to enable the competitive expansion of EDP's liberalised natural gas supply business in Iberia.

In the first quarter of 2007 EDP created EDP Gás to operate in the free market in Portugal.

In the first quarter of 2006 the costs of supplying gas increased sharply, because of a strong demand for gas from our liberalised customers, which led to exceptional, non-recurring, purchases of gas on the spot market, at high prices. This extraordinary cost had a negative impact of EUR 15 million on the 2006 first quarter accounts.

The amount of gas sold by EDP on the liberalised gas market increased 32.3% (sustained by the ENI contract to supply gas, which began to be delivered in the second half of 2007) year-on-year. This increase is noteworthy seeing that the Spanish liberalised market grew 7.9%. Furthermore, the customer base grew from 248,200 in 2006 to 415,300 in 2007, explained by the success of Naturgas and HC Energía in their customer migration strategy vis-à-vis the regulated and liberalised markets (the end of the tariff system for regulated gas supply is expected in June 2008) and by the launch of the integrated electricity and gas supply for small customers. This increase in the market share, in terms of both volume and customer numbers, reflects the competitive portfolio of gas supply, and the strong commercial capacity of the Naturgas/HC Energía platform.

FINANCIAL
REPORT

Financial Analysis

7. BRAZIL

Energias do Brasil (62.7% held by EDP) made a positive contribution to the 2007 accounts from its generation and distribution businesses. The gross operating profit of Energias do Brasil in 2007 benefited from the value of the Brazilian real against the euro, with the average rate being BRL/EUR 2.66 in 2007, compared with 2.73 in 2006.

Statement of Operating Profit
– Energias do Brasil

R\$ million	2007	2006	Δ 07/06
Operating Revenues	4,931.9	4,713.9	4.6%
Direct Activity Costs	2,344.9	2,662.6	-11.9%
Gross Profit	2,587.0	2,051.3	26.1%
Gross Profit/Revenues	52.5%	43.5%	8.9 pp
Supplies and services	408.6	340.5	20.0%
Personnel costs and soc. benefits	316.2	346.9	-8.9%
Other operating costs/(revenues)	302.7	179.0	69.1%
Operating Costs	1,027.5	866.4	18.6%
EBITDA	1,559.5	1,184.8	31.6%
EBITDA/Revenues	31.6%	25.1%	6.5 pp
Provisions	43.3	19.4	123.5%
Depreciation and amortization	325.9	282.7	15.3%
Comp. of subsid. assets' depreciat.	(24.5)	(24.2)	-1.3%
EBIT	1,214.7	906.9	33.9%
EBIT/Revenues	24.6%	19.2%	5.4 pp

In 2007, the gross operating profit of Energias do Brasil rose 31.6% to BRL 1.56 billion. The gross operating profit from generation increased 62% compared with 2006, mostly thanks to increased installed capacity. The distribution side saw gross operating profit grow 20%, due to: i) growth in demand, ii) the recovery of regulatory assets accumulated in previous years, and the positive impact of the latest tariff readjustment for our distributors, and iii) lower costs of consumed electricity than those assumed by the regulator when establishing the tariff; which were partly offset iv) by reporting a reduction in the regulatory remuneration base for ANEEL (BRL 183.5 million – BRL 34.6 million reported in gross profit and BRL 148.9 million in other operating costs). Excluding other non-recurring effects, specifically tariff deviations, costs incurred by reducing employee numbers and the Enersul provision,

standardised gross operating profit rose 9.0%, from BRL 1.181 billion to BRL 1.287 billion. The gross operating profit for the supply business rose because of the greater amount of energy supplied and higher spot market prices.

Operating costs increased by 18.6%. Excluding non-recurring impacts, like costs incurred under the staff reduction programme and the provision for the revision of Enersul's regulatory remuneration base, operating costs rose 4.8%.

- Supplies and services increased 20.0%, as a result: i) of higher costs for conserving and maintaining distribution networks, arising from increased load due to market expansion; and ii) of costs incurred with the implementation of operating efficiency programmes, computer services' costs, call centres and customer service;
- Personnel costs fell 8.9% with the implementation of the staff reduction programme, reflecting the loss of 141 workers, leading to a saving of BRL 42 million. Note that if the non-recurring cost (BRL 52 million) from 2006 is excluded, personnel costs would have risen 7.1% due to higher average salaries.
- Other operating costs rose, due: i) to the reporting of a non-recurring provision for Enersul associated with the likely reduction of the regulatory remuneration base by the regulator (BRL 148.9 million); and ii) to the increased provisions for doubtful debts in the distribution business (+ BRL 37 million). There was an increase in the provision for potential loss in the supply business (BRL 12 million), due to a dispute with the regulator regarding the terms of the Ampla supply.

7.1. Generation and Supply in Brazil

In December 2007, Energias do Brasil had an installed capacity of 1,044 MW. The strong growth in the amount generated is explained by the increase in installed capacity, the gradual coming into operation of the Peixe Angical in the second and third quarters of 2006 and the entry into operation of the 4th turbine at Mascarenhas (50 MW). The strong growth of the gross profit included the input of BRL 123 million with the coming into operation of the Peixe Angical power station (452 MW) and BRL 44 million from Energest on the start-up of the fourth turbine in the Mascarenhas hydroelectric power station (50 MW) and the São João mini-hydroelectric power station, plus the rise in the average unit sales price.

In October 2007 Energias do Brasil and MPX Mineração e Energia, in a 50% partnership, contracted the long-term sale under

**Statement of Operating Profit by Business Area
- Energias do Brasil**

R\$ million	Distribution			Generation			Supply		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06	2007	2006	Δ 07/06
Operating Revenues	4,335.1	4,298.7	0.8%	582.0	457.5	27.2%	618.0	494.7	24.9%
Direct Activity Costs	2,335.9	2,649.7	-11.8%	66.0	109.7	-39.8%	544.4	437.8	24.4%
Gross Profit	1,999.2	1,649.0	21.2%	516.0	347.8	48.3%	73.6	56.9	29.2%
Gross Profit/Revenues	46.1%	38.4%	7.8 pp	88.7%	76.0%	12.6 pp	11.9%	11.5%	0.4 pp
Supplies and services	353.7	284.6	24.3%	30.8	36.5	-15.5%	5.5	6.8	-18.9%
Personnel costs and soc. benefits	259.1	303.2	-14.5%	26.5	15.5	71.5%	7.7	5.5	39.8%
Other operating costs/(revenues)	276.3	137.7	100.6%	12.1	19.7	-38.6%	13.4	41.1	-
Operating Costs	889.1	725.5	22.5%	69.4	71.6	-3.1%	26.5	53.4	-50.3%
EBITDA	1,110.1	923.4	20.2%	446.5	276.2	61.7%	47.0	3.6	1,224.3%
EBITDA/Revenues	25.6%	21.5%	4.1 pp	76.7%	60.4%	16.4 pp	7.6%	0.7%	6.9 pp
Provisions	43.4	19.3	124.5%	-0.1	0.0	-	-	-	-
Depreciation and amortization	228.8	228.6	0.1%	81.7	41.7	96.0%	0.3	0.3	-4.1%
Comp. of subsid. assets' depreciat.	(24.5)	(24.2)	-1.3%	-	-	-	-	-	-
EBIT	862.3	699.6	23.3%	364.9	234.5	55.6%	46.7	3.2	1344.1%
EBIT/Revenues	19.9%	16.3%	3,6 pp	62.7%	51.2%	11.5 pp	7.6%	0.7%	6.9 pp

a PPA system of electricity generated by the future coal-fired power station at Pecém, at an auction promoted by the Brazilian regulatory authorities. The conditions of the agreement include the availability of an installed capacity of 615 MW from January 2012 for a 15-year period and a gross profit of BRL 417.4 million per year (at 2007 prices, to be adjusted for inflation) with a pass-through of fuel costs. Under the turnkey contract already signed with the suppliers, the investment in this power station will rise to USD 1.3 billion. The project will be 75% financed through long-term debt and borrowings to be agreed with Brazil's BNDES development bank and on the markets.

Gross Profit – Power Generation in Brazil

R\$ million	2007	2006	Δ 07/06
Lajeado	94.1	94.0	0.2%
Enerpeixe (27,65%)	268.4	145.1	85.0%
Energist (13 Hydro plants)	153.4	108.8	41.1%
Total	516	348	48%

In relation to the new hydroelectric capacity, the installation licence to start construction of the Santa Fé mini-hydroelectric power station was issued at the start of October 2007. The Santa Fé mini-hydroelectric power station (PCH) will have an installed capacity of 29 MW (16 MW guaranteed energy) and it should come into operation in July 2009. The total investment estimated for constructing the Santa Fé mini-hydroelectric power station is BRL 135 million.

In addition, ANEEL ratified the 17.5 MW repowering of the Mascarenhas hydroelectric power station. The extra capacity should be fully operational in 2009. Still undergoing the ratification process is the repowering of the Suíça hydroelectric power station, which should add 2.3 MW to its installed capacity in 2009. The guaranteed power from the Mascarenhas and Suíça repowering projects (average of 11.7 MW) have been contracted on the free market at BRL 130.00/MWh.

Meanwhile, Energias do Brasil is studying the feasibility of new hydroelectric power stations. The studies include 12 power stations that have a total of around 1,022 MW of installed capacity. In addition, Energias do Brasil is embarking on 24 new feasibility studies for mini-hydroelectric power stations, totalling 538 MW,

FINANCIAL
REPORT

Financial Analysis

in the states of Goiás, Minas Gerais, Espírito Santo and Mato Grosso do Sul (6 of these projects, totalling 116 MW, have already been submitted to the regulator).

The amount of electricity sold to liberalised customers increased by 7.2%, reflecting the effort made by Enertrade to attract customers of the distribution subsidiaries of Energias do Brasil, which are changing from the regulated to the free market, thereby guaranteeing the company's customer base and increasing demand on the liberalised market (+50% customers).

The rise in volumes sold together with the improved unit profit and an increase in the spot market price (average rise of 21%) suggest a gross profit increase for Enertrade of 29.2%, resulting from the ending of some self-dealing agreements (regulatory change forbidding transactions in electricity between companies in the same business group) which were not fully offset by new contracts with final customers.

7.2. Distribution in Brazil

The gross profit of Energias do Brasil's distributors in 2007 was 21.7% higher, resulting from: i) a 4.5% increase in the volume distributed, compared with 2006; ii) recovery of regulatory assets accumulated in previous years through tariffs; and iii) lower costs of consumed electricity compared with those taken when computing the tariffs, with this gain being returned under the next tariff revisions. On a standardised basis, the gross profit fell 6% year-on-year.

Gross Profit – Distribution in Brazil

R\$ million	2007	2006	Δ 07/06
IFRS Gross Profit	1,999	1,649	21.2%
Rationing Losses and Parcela A	(102)	(149)	31.1%
Adjustments of Tariff Revisions	(174)	(81)	-114.6%
Tariff dev. in recuperation	(236)	(111)	-111.7%
Tariff dev. to be recovered	(6)	200	-
Others	6	76	-92.2%
Brazilian GAAP Margem Gross Profit	1,487	1,584	-6.1%
Regulatory Receivables	149	673	-77.8%

The 2007 gross profit for distribution was influenced by:

- A sustained growth of the gross profit for the distribution business: The amount of electricity distributed by Energias do Brasil grew 4.5% compared with the previous year, underpinned by a 3.0% rise in the number of customers and reflecting the strong economic growth in the regions of Escelsa and Enersul;
- A favourable tariff scheme: The gross profit for distribution in 2007 includes a BRL 6 million favourable tariff deviation, owing to energy purchases below the price set by the regulator computing the tariff. Note that, in 2006, the gross profit for

Gross Margin
– Distribution in Brazil per Subsidiary

R\$ million	Bandeirante			Escelsa			Enersul		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06	2007	2006	Δ 07/06
IFRS Gross Profit	914	688	32.9%	582	481	20.9%	504	480	4.9%
Rationing Losses and Parcela A	(29)	(70)	58.9%	(49)	(43)	-14.3%	(25)	(36)	31.0%
Adjustments of Tariff Revisions	(18)	76	-	-	-	-	(156)	(157)	0.3%
Tariff dev. in recuperation	(127)	(52)	-144.9%	(81)	(40)	-100.5%	(28)	(19)	-46.0%
Tariff dev. to be recovered	(26)	75	-	27	101	-73.6%	(7)	23	-
Others	24	(4)	-	24	(2)	-	(42)	82	-
Brazilian GAAP Margem Gross Profit	739	713	3.6%	502	498	0.9%	246	373	-34.1%
Regulatory Receivables	55	224	-75.4%	165	229	-27.8%	-71	220	-

distribution posted a negative tariff deviation of BRL 200 million. This non-recurring effect on the gross profit will be returned to the system through the tariff setting in the next tariff readjustment exercises;

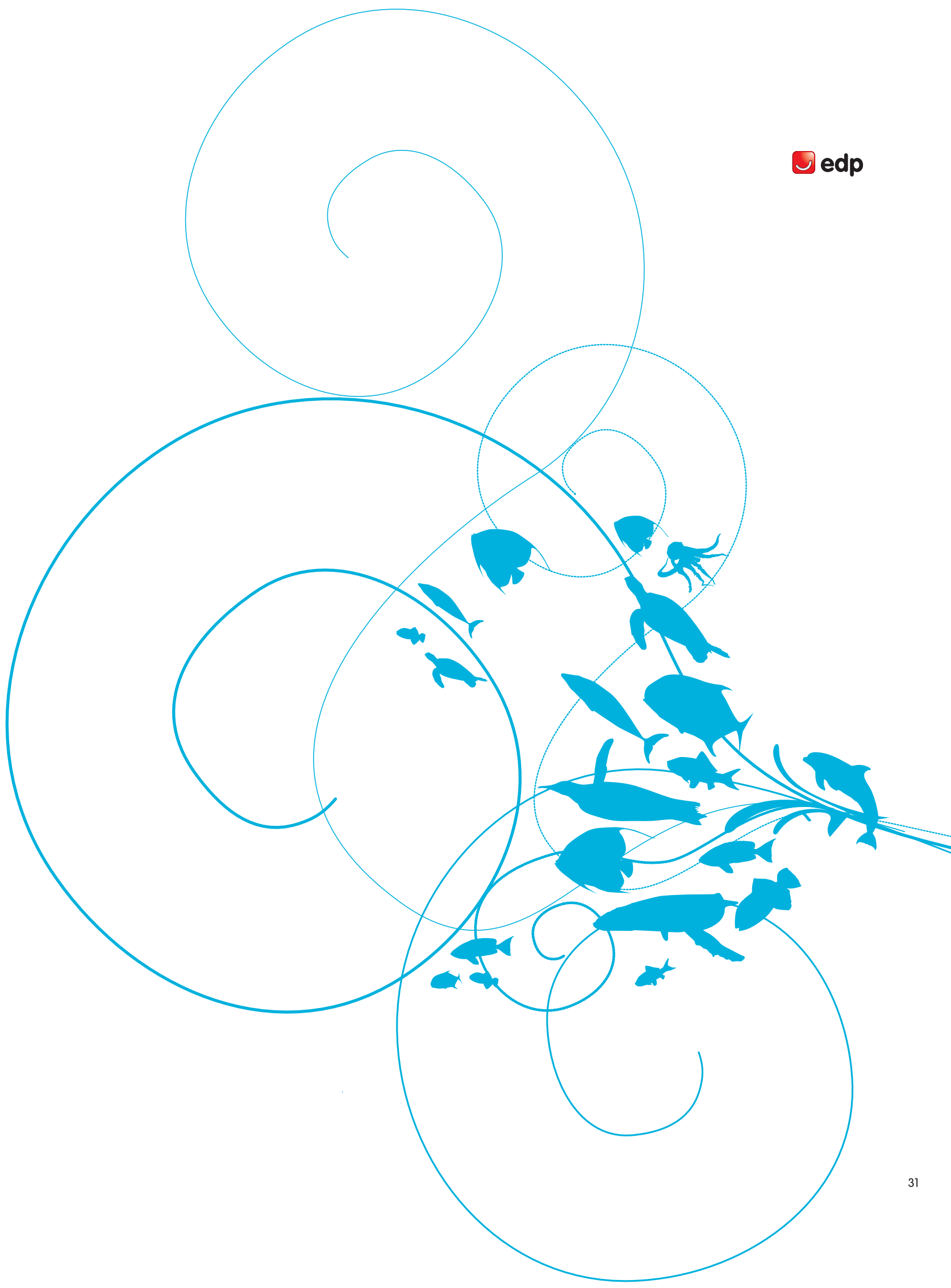
- C. The recovery through tariffs of regulatory assets accumulated in the past: In 2007, our distribution business recovered regulatory assets through tariffs in the sum of BRL 236 million. These amounts were owed by the system and had a negative impact on the company's gross profit in the past. In December 2007, the distribution business had a total of BRL 148 million in regulatory assets which should be recovered in the forthcoming quarters, and so it is hoped that Energias do Brasil will continue to have a positive input to this component.

ANNUAL REPORT 2007

**FINANCIAL
REPORT**

07

Financial Statements
31 December 2007



FINANCIAL
REPORTFinancial Statements
31 December 2007Consolidated Income Statement
for the years ended 31 December 2007 and 2006

	Notes	2007	2006		Total
		Continuing operations (Thousands of Euros)	Continuing operations	Discontinued operations (Thousands of Euros)	
Turnover	5	11,010,778	10,185,658	164,168	10,349,826
Cost of consumed electricity	5	-4,748,100	-4,380,703	-	-4,380,703
Cost of consumed gas	5	-585,227	-744,350	-	-744,350
Changes in inventories and cost of raw materials and consumables used	5	-1,123,983	-1,052,114	-14,205	-1,066,319
		4,553,468	4,008,491	149,963	4,158,454
Other operating income / (expenses)					
Other operating income	6	160,397	136,386	7,762	144,148
Supplies and services	7	-684,187	-621,674	-119,724	-741,398
Personnel costs	8	-576,963	-563,894	-21,192	-585,086
Employee benefits	8	-289,370	-162,201	-86	-162,287
Other operating expenses	9	-535,070	-498,188	-10,193	-508,381
		-1,925,193	-1,709,571	-143,433	-1,853,004
		2,628,275	2,298,920	6,530	2,305,450
Provisions	10	-42,095	-90,350	-4,214	-94,564
Depreciation and amortisation expense	11	-1,130,858	-1,018,851	-40,015	-1,058,866
Compensation of amortisation and depreciation	11	105,007	101,415	-399	101,016
		1,560,329	1,291,134	-38,098	1,253,036
Gain from the sale of financial assets	12	262,561	4,791	27	4,818
Other financial income	13	623,602	769,351	1,010	770,361
Other financial expenses	13	-1,169,421	-956,053	-21,685	-977,738
Share of profit of associates	19	23,708	245,329	-	245,329
Profit / (loss) before tax		1,300,779	1,354,552	-58,746	1,295,806
Income tax expense	14	-280,848	-266,457	542	-265,915
Profit after taxes and before gains/(losses) from discontinued operations		1,019,931	1,088,095	-58,204	1,029,891
Gains / (losses) on sale of discontinued operations	44	-	-	-12,808	-12,808
Net profit / (loss) for the year		1,019,931	1,088,095	-71,012	1,017,083
Attributable to:					
Equity holders of EDP		907,252	1,011,911	-71,088	940,823
Minority interests	31	112,679	76,184	76	76,260
Net profit / (loss) for the year		1,019,931	1,088,095	-71,012	1,017,083
Earnings per share (Basic and diluted) - Euros	28	0.25	0.28	0.02	0.26

LISBON, 6 MARCH 2008

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

Consolidated Balance sheet as at 31 December 2007 and 2006

	Notes	2007 (Thousands of Euros)	2006 (Thousands of Euros)
Assets			
Property, plant and equipment	15	18,669,477	15,081,728
Intangible assets	16	2,173,141	1,168,136
Goodwill	17	3,048,691	2,470,467
Investments in associates	19	251,807	285,227
Available-for-sale investments	20	705,260	822,148
Deferred tax assets	21	687,265	898,323
Trade receivables	23	136,748	117,651
Debtors and other assets	24	1,447,033	299,968
Total Non-Current Assets		27,119,422	21,143,648
Inventories	22	282,595	228,692
Trade receivables	23	1,622,428	1,475,202
Debtors and other assets	24	669,102	874,916
Tax receivable	25	834,129	620,840
Financial assets at fair value through profit or loss	26	49,034	116,439
Cash and cash equivalents	27	864,711	753,493
Assets classified as held for sale	38	42,386	255,681
Total Current Assets		4,364,385	4,325,263
Total Assets		31,483,807	25,468,911
Equity			
Share Capital	28	3,656,538	3,656,538
Treasury stock	29	-65,741	-14,542
Share premium	28	501,992	501,992
Reserves and retained earnings	30	1,264,105	504,424
Consolidated net profit attributable to equity holders of the parent		907,252	940,823
Total Equity attributable to equity holders of the parent		6,264,146	5,589,235
Minority interests	31	986,626	945,661
Total Equity		7,250,772	6,534,896
Liabilities			
Medium and long term loans	33	10,064,346	8,624,695
Employee benefits	34	1,715,377	1,770,560
Provisions for liabilities and charges	35	376,041	388,473
Hydrological correction account	32	227,686	198,596
Deferred tax liabilities	21	617,555	557,269
Trade and other payables	36	4,464,517	2,427,193
Total Non-Current Liabilities		17,465,522	13,966,786
Short term loans	33	2,541,646	1,528,355
Trade and other payables	36	3,649,890	2,757,669
Tax payable	37	575,977	521,107
Liabilities classified as held for sale	38	-	160,098
Total Current Liabilities		6,767,513	4,967,229
Total Liabilities		24,233,035	18,934,015
Total Equity and Liabilities		31,483,807	25,468,911

LISBON, 6 MARCH 2008

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

FINANCIAL
REPORTFinancial Statements
31 December 2007Consolidated statement of Recognised Income and Expense for the years ended
31 December 2007 and 2006

(Thousands of Euros)

	2007		2006	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Exchange differences on consolidation	56,930	57,393	-29,312	-17,130
Fair value reserve (cash flow hedge)	16,279	762	1,413	-
Tax effect from the fair value reserve (cash flow hedge)	-826	-16	20	-
Fair value reserve (available for sale investments)	-23,070	-	208,093	-
Tax effect from the fair value reserve (available for sale investments)	6,158	-	-30,179	-
Actuarial gains / (losses)	155,009	9,935	6,715	-2,435
Tax effect from the actuarial gains / (losses)	-6,928	-3,378	3,973	1,966
Net profit for the year recognised directly in equity	203,552	64,696	160,723	-17,599
Net profit for the year	907,252	112,679	940,823	76,260
Total gains and losses recognised in the year	1,110,804	177,375	1,101,546	58,661

**Statement of Changes in Consolidated Equity for the years ended
31 December 2007 and 2006**

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Minority interests
Balance at 31 December 2005	6,111,163	3,656,538	501,992	367,454	221,572	113,963	-38,119	4,823,400	1,287,763
Transfer to legal reserve	-	-	-	25,492	-25,492	-	-	-	-
Dividends paid	-365,638	-	-	-	-365,638	-	-	-365,638	-
Dividends attributable to minority interests	-31,964	-	-	-	-	-	-	-	-31,964
Purchase and sale of treasury stock	24,012	-	-	-	7,313	-	16,699	24,012	-
Capital increase - Enerpeixe	11,809	-	-	-	-	-	-	-	11,809
Share - based payments	5,805	-	-	-	-1,073	-	6,878	5,805	-
Minority interests resulting from acquisitions and changes in the method of consolidation	18,469	-	-	-	-	-	-	-	18,469
Fair value reserve (cash flow hedge)	1,433	-	-	-	1,433	-	-	1,433	-
Fair value reserve (available-for-sale financial assets) net of tax	177,914	-	-	-	177,914	-	-	177,914	-
Actuarial gains/(losses) net of tax	10,219	-	-	-	10,688	-	-	10,688	-469
Exchange differences arising on consolidation	-46,442	-	-	-	-	-29,312	-	-29,312	-17,130
Liability for purchase options over minority interest	-399,077	-	-	-	-	-	-	-	-399,077
Other reserves arising on consolidation	110	-	-	-	110	-	-	110	-
Profit for the year	1,017,083	-	-	-	940,823	-	-	940,823	76,260
Balance as at 31 December 2006	6,534,896	3,656,538	501,992	392,946	967,650	84,651	-14,542	5,589,235	945,661
Transfer to legal reserve	-	-	-	25,784	-25,784	-	-	-	-
Dividends paid	-401,385	-	-	-	-401,385	-	-	-401,385	-
Dividends attributable to minority interests	-27,086	-	-	-	-	-	-	-	-27,086
Purchase and sale of treasury shares	-38,065	-	-	-	13,770	-	-51,835	-38,065	-
Share - based payments	1,566	-	-	-	930	-	636	1,566	-
Minority interests resulting from acquisitions and changes in the method of consolidation	-93,415	-	-	-	-	-	-	-	-93,415
Fair value reserve (cash flow hedge)	16,199	-	-	-	15,453	-	-	15,453	746
Fair value reserve (available-for-sale financial assets) net of tax	-16,912	-	-	-	-16,912	-	-	-16,912	-
Actuarial gains/(losses) net of tax	154,638	-	-	-	148,081	-	-	148,081	6,557
Exchange differences arising on consolidation	114,323	-	-	-	-	56,930	-	56,930	57,393
Liability for purchase options over minority interest	-15,909	-	-	-	-	-	-	-	-15,909
Other reserves arising on consolidation	1,991	-	-	-	1,991	-	-	1,991	-
Profit for the year	1,019,931	-	-	-	907,252	-	-	907,252	112,679
Balance as at 31 December 2007	7,250,772	3,656,538	501,992	418,730	1,611,046	141,581	-65,741	6,264,146	986,626

FINANCIAL
REPORTFinancial Statements
31 December 2007Consolidated and Non-consolidated Cash Flow Statements for the years ended
31 December 2007 and 2006

(Thousands of Euros)

	Group		Company	
	2007	2006	2007	2006
Cash flows from Operating activities				
Cash receipts from customers	10,806,930	10,218,895	1,218,553	684,559
Cash paid to suppliers	-7,243,762	-7,147,672	-1,073,878	-666,117
Cash paid to personnel	-728,888	-734,973	-12,672	-11,535
Concession rents paid	-213,173	-213,099	-	-
Other receipts / (payments) relating to operating activities	-146,410	23,696	114,968	-187,196
Net cash from operations	2,474,697	2,146,847	246,971	-180,289
Income tax received / (paid)	-204,546	-129,324	188,731	116,605
Net cash from operating activities	2,270,151	2,017,523	435,702	-63,684
Discontinued activities	-	34,430		
Continuing activities	2,270,151	1,983,093		
Cash flows from Investing activities				
Cash receipts relating to:				
Financial assets	552,126	804,666	689,791	589,566
Property, plant and equipment and intangible assets	9,735	11,090	5,941	7,472
Investment grants	143,803	183,155	-	-
Interest and similar income	81,791	36,421	244,356	170,112
Dividends	78,966	176,643	439,252	725,168
	866,421	1,211,975	1,379,340	1,492,318
Cash payments relating to:				
Financial assets	-2,345,041	-464,940	-2,173,059	-473,308
Property, plant and equipment and intangible assets	-2,742,078	-1,588,536	-3,893	-1,449
Investment grants	-	-	-834	-1,253
	-5,087,119	-2,053,476	-2,177,786	-476,010
Net cash from investing activities	-4,220,698	-841,501	-798,446	1,016,308
Discontinued activities	-	-21,211		
Continuing activities	-4,220,698	-820,290		
Cash flow from Financing activities				
Receipts / (payments) relating to loans and interest	2,321,776	39,709	1,011,636	-364,216
Interest and similar costs	-661,643	-429,499	-369,357	-281,078
Receipts / (payments) relating to derivative financial instruments	-1,317	38,406	41,868	82,739
Dividends paid	-401,385	-365,638	-401,385	-365,638
Treasury stock sold / (purchased)	-35,643	27,351	-35,643	27,351
Advances received from wind activity institutional partnerships - Horizon	775,428	-	-	-
Net cash from financing activities	1,997,216	-689,671	247,119	-900,842
Discontinued activities	-	-47,799		
Continuing activities	1,997,216	-641,872		
Net increase in cash and cash equivalents	46,669	486,351	-115,625	51,782
Effect of exchange rate fluctuations on cash held	-5,498	-29,323	-	118
Cash and cash equivalents at the beginning of the year	752,231	267,358	235,234	183,334
Cash and cash equivalents at the end of the year	793,402	724,386	119,609	235,234
Net increase in cash and cash equivalents resulting from perimeter variations	71,309	25,568		
Discontinued activities	-	-2,277		
Cash and cash equivalents from continuing operations at the end of the year	(*) (*)	(*) (*)	864,711	752,231

(*) See details of "Cash and cash equivalents" in Note 27.

**Company Income Statement for the years ended
31 December 2007 and 2006**

	Notes	2007 (Thousands of Euros)	2006 (Thousands of Euros)
Turnover	5	1,240,047	682,261
Cost of consumed electricity	5	-878,792	-329,289
Changes in inventories and cost of raw materials and consumables used	5	-249,214	-243,841
		112,041	109,131
Other operating income / (expenses)			
Other operating income	6	19,294	12,051
Supplies and services	7	-101,784	-103,162
Personnel costs	8	-14,186	-13,272
Employee benefits	8	-103	-1,469
Other operating expenses	9	-57,995	-294,121
		-154,774	-399,973
		-42,733	-290,842
Provisions	10	-12,026	-2,424
Depreciation and amortisation expense	11	-5,716	-6,378
		-60,475	-299,644
Gains/(losses) on the sale of financial assets	12	231,985	-17,206
Other financial income	13	1,193,152	1,439,452
Other financial expenses	13	-870,519	-632,253
Share of profit of associates		113	-19,399
Net profit / (loss) before tax		494,256	470,950
Income tax expense	14	7,902	44,746
Net profit / (loss) for the year		502,158	515,696

LISBON, 6 MARCH 2008

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

FINANCIAL
REPORTFinancial Statements
31 December 2007

Company Balance Sheet as at 31 December 2007 and 2006

	Notes	2007	2006
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Property, plant and equipment	15	82,450	84,899
Intangible assets	16	56	1,763
Investments in subsidiaries	18	8,347,450	6,673,680
Investments in associates	19	66,988	97,919
Available-for-sale investments	20	198,857	399,805
Deferred tax assets	21	-	83,662
Debtors and other assets	24	5,939,598	3,351,059
Total Non-Current Assets		14,635,399	10,692,787
Trade receivables	23	40,458	66,396
Debtors and other assets	24	1,645,801	1,567,202
Tax receivable	25	88,334	50,017
Financial assets at fair value through profit or loss	26	3	1,693
Cash and cash equivalents	27	119,609	235,234
Assets classified as held for sale	38	44,500	-
Total Current Assets		1,938,705	1,920,542
Total Assets		16,574,104	12,613,329
Equity			
Share Capital	28	3,656,538	3,656,538
Treasury stock	29	-65,741	-14,542
Share premium	28	501,992	501,992
Reserves and retained earnings	30	1,668,108	1,527,942
Net profit / (loss) for the year		502,158	515,696
Total Equity		6,263,055	6,187,626
Liabilities			
Medium and long term loans	33	3,178,922	2,623,926
Provisions for liabilities and charges	35	29,580	19,910
Hydrological correction account	32	227,686	198,596
Deferred tax liabilities	21	53,253	-
Trade and other payables	36	3,155,911	12,740
Total Non-Current Liabilities		6,645,352	2,855,172
Short term loans	33	2,945,367	2,993,257
Trade and other payables	36	709,719	566,367
Tax payable	37	10,611	10,907
Total Current Liabilities		3,665,697	3,570,531
Total Liabilities		10,311,049	6,425,703
Total Equity and Liabilities		16,574,104	12,613,329

LISBON, 6 MARCH 2008

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

**Statement of Changes in Company's Equity for the years ended
31 December 2007 and 2006**

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Treasury stock
Balance at 31 December 2005	6,388,628	3,656,538	501,992	367,454	1,900,763	-38,119
Transfer to legal reserve	-	-	-	25,492	-25,492	-
Dividends paid	-365,638	-	-	-	-365,638	-
Purchase and sale of treasury shares	24,012	-	-	-	7,313	16,699
Share-based payments	5,805	-	-	-	-1,073	6,878
Fair value reserve (cash flow hedge), net of deferred tax	1,433	-	-	-	1,433	-
Fair value reserve (available for sale financial assets) net of tax	95,920	-	-	-	95,920	-
Reserve arising on the merger of EDP Internacional	-478,230	-	-	-	-478,230	-
Profit for the year	515,696	-	-	-	515,696	-
Balance as at 31 December 2006	6,187,626	3,656,538	501,992	392,946	1,650,692	-14,542
Transfer to legal reserve	-	-	-	25,784	-25,784	-
Dividends paid	-401,385	-	-	-	-401,385	-
Purchase and sale of treasury shares	-38,065	-	-	-	13,770	-51,835
Share-based payments	1,566	-	-	-	930	636
Fair value reserve (cash flow hedge), net of deferred tax	700	-	-	-	700	-
Fair value reserve (available for sale financial assets) net of tax	10,455	-	-	-	10,455	-
Profit for the year	502,158	-	-	-	502,158	-
Balance as at 31 December 2007	6,263,055	3,656,538	501,992	418,730	1,751,536	-65,741

Notes to the Financial Statements

31 December 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

1. Operations of the EDP Group

The Group's parent company, EDP — Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Praça Marquês de Pombal, 12, 6th floor. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split up of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A..

The Group's businesses are currently focused on the generation, distribution and supply of electricity and distribution and supply of gas. Although complementary, the Group operates as well in related areas such as engineering, laboratory tests, vocational training and property management.

The EDP Group operates essentially in the Iberian (Portugal and Spain) and American (Brazil and the United States of America) energy sectors.

Activity in the energy sector on the Iberian Peninsula

The National Energy Strategy changed significantly in 2006, following the implementation of the New Electricity Framework (SEN) pursuant to Decree-Laws 29/2006 of 15 February. The new legal framework provided progressive liberalisation of the national electricity sector with greater integration of the generation and supply of electricity and management of the organized electricity markets under free competition conditions. The transmission and distribution components of the electricity industry are provided through the award of public service concessions.

The activities of the New Electricity Framework can be summarized as follows:

- **Electricity generation** covers the generation of electricity under ordinary and a special regimes. Under the ordinary regime electricity is generated on a free market basis, being subject only to licensing. The special regime allows producers to deliver electricity to the network under bilateral contracts signed with the Supplier of Last Resort (CUR), being remunerated based on a cost savings basis, complemented by an environmental reward that reflects the benefits of using renewable energies.

- **Electricity transmission** activities are carried out through the National Transport Network (RNT), under an exclusive public service concession granted to REN - Rede Eléctrica Nacional, S.A. for a period of 50 years.

- **Electricity distribution** is carried out through the National Distribution Network (RND) and consists of a medium and high-voltage network and low voltage distribution networks, also under public service concessions.

- **Electricity supply** is open to competition, subject only to a licensing regime. Suppliers may openly buy and sell electricity. For this purpose, they have the right of access to the national transmission and distribution network upon payment of the access charges set by ERSE, an autonomous public entity.

- **The Management of Organised Markets** is free, subject to authorisation, and is the responsibility of the market operators. The Portuguese operators, OMIP — Operador do Mercado Ibérico de Energia (Pólo Português), S.A. and OMIClear, are responsible for the functioning of the MIBEL forward market, while OMEL (Spanish market) is responsible for the daily and intraday markets.

In January 2005, following the publication of Decree-Law 240/2004 of 27 December, the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPA's) related to the binding electricity production plants of the EDP Group. The Decree-Law established the creation of a compensation mechanism to maintain the contractual balance (CMEC) attributed to the bound producers, which includes a significant portion of the EDP Group's generation activity in Portugal. According to this legislation, the effects of the termination agreements were suspended until the launch of the Iberian Electricity Market (MIBEL), effective as of 1 July 2007.

On 16 February 2007 the Portuguese Government confirmed its decision to early terminate the PPA's and implement the CMEC's mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC's initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPA's, effective as of 1 July 2007. The new CMEC regulation sets the compensation due at 833,467 thousand Euros, which can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law extends the period on which the companies, owning the hydroelectric plants relating to the various dams, can operate the public hydric resources. The extension of the operating period, and the consequent extension of the useful life of the related hydraulic fixed assets, implied EDP having to pay approximately 759,000 thousand Euros for the extension of the period to operate the public hydric domain and the 26 hydroelectric plants with an installed capacity of 4,095 MW, for an average period of more than 26 years.

With the publication of Decree-law 29/2006, complemented by Decree-law 172/2006, a new legislative package for the electricity sector was approved, replacing the legislation issued in 1995 and transposing to Portuguese legislation, the European Directive 2003/54/CE. The concept of supplier of last resort, established in the European Directive, was also transposed to the Portuguese legislation, with EDP Distribuição being appointed to create an autonomous entity to ensure the provision of such service. Therefore, on 15 December 2006 EDP's Board of Directors decided to incorporate a new company, EDP Serviço Universal, S.A. As from 1 January 2007, EDP Distribuição has focused its activities in operating the distribution network and passed to EDP Serviço Universal the electricity sale activity. EDP Serviço Universal will ensure the energy supply to the consumers on a regulated tariff regime.

In the distribution and commercialization activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás. Additionally, EDP Group also has a shareholding in Setgás, S.A., an associated company of the Group.

Up to 30 June 2007, the supply and distribution of gas in Portugal was subject to a concessions regime, being the market tariffs determined under the terms of the concession agreements. From this date onwards, the regulation of tariffs became the responsibility of ERSE.

In compliance with the requirements of the energy sector regulations, Portgás has divided its operations, as from 1 January 2008, into two companies: Portgás - Sociedade de Produção e Distribuição de Gás, S.A. which distributes gas, becoming a Gas Distribution Operator (ORD), and Portgás - Serviço Universal, S.A., a new company incorporated in 2007 and that started operating on 1 January 2008, as a Last Resource Supplier (CURR). The new company, Portgás - Serviço Universal, S.A., is a fully owned subsidiary of Portgás - Sociedade de Produção e Distribuição de Gás, S.A..

In Spain, Hidroeléctrica del Cantábrico (Hidrocantábrico) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, Hidrocantábrico generates, transmits, distributes and supplies electricity. Production is based essentially on classic coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants. The transmission and distribution of electricity are regulated activities, as well as the supply of electricity to customers subject to tariffs, in contrast to commercialisation where prices are subject without restraints to market conditions.

Naturgás, a subsidiary of Hidrocantábrico which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The distribution of natural gas in Spain is a regulated activity.

Energy sector activity in Brazil

In Brazil, the EDP Group generates, distributes and supplies electric energy through its subsidiary Energias do Brazil, S.A. (Energias do Brazil).

In 2005 the Energias do Brazil Group was subject to a corporate reorganisation aimed at concentrating the share capital equity of its main subsidiaries in Energias do Brazil, S.A.. Therefore, the minority shareholders of these companies became shareholders of Energias do Brazil, S.A.

In the electricity generation sector, the EDP Group has holdings in Usina Hidroelétrica (UHE) Lajeado and, in partnership with Rede do Brazil Group, won in 2001 the concession for the construction and operation of Peixe Angical and Couto Magalhães hydroelectric power stations. During 2006, the construction works on Peixe Angical hydroelectric power station were concluded and this power station started its operating activity in the third quarter of the year.

Electric energy distribution in Brazil is carried out by Bandeirante Energia, S.A., Espírito Santo Centrais Elétricas, S.A. and Empresa Energética do Mato Grosso do Sul, S.A. in the States of São Paulo, Espírito Santo and Mato Grosso do Sul, respectively.

In the supply sector, in addition to the business carried out by the distribution companies, Energias do Brazil operates in the electricity trading market through its subsidiary Enertrade.

Activity in the Renewables energies sector

The EDP Group has been strengthening its position in the renewables energies sector, through the generation, distribution and supply of wind, hydroelectric, biomass and waste resource generated electricity.

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewables energies sector. As at 31 December 2007, EDP Renováveis held participations in Nuevas Energías de Occidente, S.L. (NEO) and Horizon Wind Energy, LLC (Horizon).

In wind energy infrastructures, NEO operates through holdings in entities in Portugal, Spain, France, Belgium and Poland. Its main subsidiaries are Enernova (wind farms in Portugal), Genesa (renewable energies in Spain), Agrupación Eólica (wind farms in Spain and France), GreenWind (wind farms in Belgium in partnership with local promoters) and Relax Wind Parks (wind farms in Poland, fully owned by NEO).

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of Horizon, which develops, manages and operates wind farms in the United States of America. Horizon holds a series of projects in operation and a pipeline of projects with a potential production capacity of approximately 9,000 MW.

As at 31 December 2007, the total installed capacity of the EDP Renováveis Group was 3,640 MW, of which 424 MW in Portugal, 1,639 MW in Spain, 87 MW in France and 1,490 MW in the USA.

Activity in the telecommunications sector

As at 31 December 2006 the EDP Group was the sole shareholder of ONI SGPS, which operated in the corporate and residential segments. On 9 November 2006, EDP S.A. signed a contract with Riverside Company to sell its 100% participation in ONI SGPS. The transaction was authorised by the Competition Authority in January 2007 and the sale was completed on 31 January 2007. As at 31 December 2006, the ONI Group was fully consolidated into EDP, S.A.'s financial statements, the corresponding assets and liabilities being presented as assets and liabilities held for sale.

Electric Energy Price Regime

According to Portuguese law, ERSE is responsible for regulating the sector, by preparing, issuing and applying regulations, as well as defining the tariffs for infrastructure utilization and electric energy supply to the regulated market customers. In Brazil, these functions are the responsibility of the regulating entity Agência Nacional de Energia Elétrica (ANEEL). In Spain electric energy prices are established by the government after consultation with or by proposal of the regulating entity Comisión Nacional de Energía (CNE).

Notes to the Financial Statements

31 December 2007

Low-tension Electricity Distribution Concession Regime

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, EDP is allowed to carry on this activity, under concession, by celebrating concession contracts generally with a 20 years term, which can be revoked with a 2 years previous notice. During the split process of EDP S.A. that took place in 1994, the revoking clauses were kept and still apply to the four electricity distribution companies set-up at that time and merged subsequently in 2000 into EDP Distribuição S.A. In respect to these concessions, a rent is paid to the concessor municipalities.

Public Domain Assets

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but can not dispose of them for private commerce purposes while they are related with public domain regime. In Brazil the fixed assets used for the distribution and supply of electricity are tied to these services and can not be withdrawn, sold, assigned or mortgaged without the prior express consent of the regulating entity (ANEEL).

2. Accounting policies

a) Bases of preparation

The accompanying consolidated financial statements of EDP - Energia de Portugal reflect the consolidated result of its operations and the financial position of the company and all of its subsidiaries (the EDP Group or the Group) and the Group's interest in its associated companies for the years ended 31 December 2007 and 2006.

EDP S.A.'s Executive Board of Directors approved these consolidated financial statements on 6 March 2008. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of 19 July 2002 of the European Council and Parliament, as transposed to Portuguese legislation through Decree-law 35/2005 of 17 February, the non-consolidated financial statements of EDP, S.A. and consolidated financial statements of the EDP Group are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

The EDP Group's consolidated financial statements for the years ended 31 December 2007 and 2006 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, except those for which fair value was not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposed groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The accounting principles presented were applied on a consistent basis by all Group companies for all the years presented in the consolidated financial statements.

The Group adopted IFRS 7 Financial Instruments - Disclosures in preparing the financial statements as of 31 December 2007. This standard, which is mandatory as from 1 January 2007, affected the disclosures but had no impact on the Group's equity. In compliance with the transition requirements of this standard, the comparative amounts are presented in accordance with the new disclosure requirements. In addition, in 2007 the Group adopted IFRIC 8 - Scope of Application of IFRS 2, IFRIC 9 - Revaluation of Embedded Derivatives and IFRIC 10 - Interim Financial Statements and Impairment. The adoption of these interpretations had no impact on the Group's financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are disclosed in Note 3 (Critical accounting estimates and judgments in preparing the financial statements).

b) Basis of consolidation

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (the Group or the EDP Group) and the equity and results of its associated companies attributable to the Group.

Subsidiaries

Investments in subsidiaries where the EDP Group has control are fully consolidated as of the date EDP assumes control over their financial and operating activities until the moment that control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Control also exists when the Group has direct or indirect power to manage the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its participation is less than 50%.

When the accumulated losses of a subsidiary attributable to minority interests exceed the minority interests in its equity, the excess is attributed to the Group and charged to the income statement as incurred. If the subsidiary subsequently reports profits, they are recognised as profits of the Group until the losses attributable to the minority interests previously recognised by the Group have been recovered.

Associates

Investments in associates are accounted for by the equity method from the date the Group acquires significant influence to the date it ceased. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies. Generally, when the Group holds more than 20% of the voting rights of the investee it is presumed to have significant influence. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee it is presumed not to have significant influence, except where such influence can be clearly demonstrated.

The significant influence by the EDP Group is normally demonstrated by one or more of the following ways:

- Representation on the Board of Directors or equivalent management committee;
- Participation in the policy making processes, including participation in decisions over dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and results of associated companies, accounted for under the equity method. Where the Group's share of losses exceeds its interest in an associate, the Group's book value is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Jointly controlled entities

Jointly controlled entities, which are consolidated under the proportionate consolidation method, are entities over which the Group has joint control defined by a contractual agreement. The consolidated financial statements include the Group's proportional share of the joint ventures' assets, liabilities, revenue and expenses, from the date the joint control begins and until it ceases.

Accounting of investments in the company's financial statements of subsidiaries and associates

Investments in subsidiary and associates not classified as held for sale or included in a group for sale which is classified as held for sale, are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests.

Goodwill

Following the transition to International Financial Reporting Standards (IFRS) as of 1 of January 2004 and as permitted under IFRS 1 - First-Time Adoption of International Finance Reporting Standards, the EDP Group opted to maintain the goodwill resulting from business combinations that occurred prior to transition date, calculated in accordance with the Group's previous accounting principles.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition.

As from the transition date to IFRS (1 of January 2004) goodwill is recognised as an asset carried at acquisition cost and is not subject to amortisation.

Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

The acquisition of Minority Interests through written put options signed with the Minority Interests result in the recognition of a liability measured at the fair value of the amount payable, against Minority Interests for the portion acquired, when there is a difference between the Minority Interests acquired and the fair value of the liability, the difference is recognised as goodwill.

Fair value is determined based on the price defined in the contract, which can be fixed or variable. In the case of variable price, the liability is adjusted against goodwill and the discount effect (unwinding) of the liability is recognised in the income statement.

The recoverable amount of the goodwill of subsidiaries is assessed annually, independently of the existence of any indicators of impairment. Impairment losses are recognised in the year's income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Negative goodwill arising on acquisition is recognised directly in the income statement in the period the business combination occurs.

Investments in foreign operations

The financial statements of the foreign subsidiary and associated companies of the Group, are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate prevailing at the balance sheet date.

In relation to the foreign subsidiaries consolidated using the full consolidation, proportionate or equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the year and the amount translated at the official exchange rates at the end of the year are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is restated at the official exchange rate at the balance sheet date directly in reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation into Euros of the results for the year, due to differences between the rates used for the income statement and those at the balance sheet date are booked in reserves.

On the sale of a foreign subsidiary, the related exchange differences previously recorded under reserves are recognized in the income statement.

Balances and transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between group companies, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associated and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Notes to the Financial Statements

31 December 2007

c) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates ruling at the balance sheet date. Exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary assets and liabilities accounted for historical cost are translated using the exchange rates ruling at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates ruling at the dates the fair value was determined.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, being the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the nature of the risk being hedged and of the hedge model used.

The fair value of derivative instruments corresponds to their market value when available, or is determined by external entities using valuation techniques.

Hedge accounting

The Group uses financial instruments to hedge interest rate and exchange rate risks and price risks resulting from its operational and financing activities. Derivating financial instruments that do not qualify for hedge accounting are recorded as for trading.

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the Group's hedge accounting model. A hedging relationship exists when:

- (i) At the inception of the hedge, the hedge relationship is identified and documented;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on a on-going basis and is considered to be highly effective over the reporting period;
- (v) The hedge of a forecasted transaction must be highly probable and must be exposed to changes in cash flows that could affect the income statement.

Fair value hedge

The changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the risk being hedged. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the remaining period.

Cash flow hedge

The effective portion of the changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognised in equity. The gains or losses on the ineffective part of the hedging relationship are recognised in the income statement in the moment they occur.

The cumulative gains or losses recognised in equity are reclassified to the income statement when the hedged item affects the income statement. However, when the forecast hedged transaction results in the recognition of a non-financial asset or liability, the gains or losses recorded in equity are included in the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gains or losses recognised in equity at that time remains recognised in equity until the hedged transaction also affects the income statement. When the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recorded in the income statement.

Net investment hedges

The net investment hedge model is applied on a consolidated basis to investments in subsidiaries in foreign currencies. This model permits that exchange differences recognised in the consolidated exchange reserves to be offset by the foreign exchange differences in foreign currency loans obtained to acquire the subsidiaries. The ineffective part of the hedging relationship is recognised in the income statement.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception dates as well as retrospective tests on an on-going basis to demonstrate the effectiveness at each balance sheet date, showing that any adjustments to the fair value of the hedged item are covered by adjustments to the hedging instrument attributable to the risk being hedged. Any ineffectiveness is recognised in the income statement when it occurs.

e) Other financial assets

The Group classifies its other financial assets at acquisition date, considering the underlying intention, in the following categories:

Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired for the purpose of being traded in the short term and (ii) financial assets designated at fair value through profit or loss at inception.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available for sale at initial recognition.

Initial recognition, measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale financial assets, are recognised on the trade date, that is the date on which the Group commits to purchase or sell the assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case the transaction costs are recognised directly in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all, the risks and rewards of ownership, the Group has transferred control over the assets.

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value, and gains or losses arising from changes in their fair value are included in the income statement.

Available-for-sale financial assets are also subsequently carried at fair value, however gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, and dividends are recognised in the income statement.

The fair value of quoted investments in active markets is based on current bid prices. The Group determines the fair value of unlisted securities through (i) valuation methodologies, such as the price of similar recent arm's length transactions and discounted cash flow techniques and (ii) valuation assumptions based on market information.

Financial instruments whose fair value cannot be reliably measured are stated at cost.

Reclassifications between categories

The Group does not reclassify, after initial recognition, a financial instrument into or out of the fair value through profit or loss category.

Impairment

At each balance sheet date an assessment is performed as to whether there is objective evidence of impairment namely, which resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets, and that can be reliably measured.

If there is objective evidence of impairment, the recoverable amount of the financial asset is determined, and the impairment loss is recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

If there is objective evidence of impairment on available-for-sale financial assets, the cumulative loss recognised in equity, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through to the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, the reversal of impairment is recognised in equity.

f) Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or other financial asset, independently of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, independently of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as deductions to the issuing amount. Amounts paid or received relating to purchases or sales of equity instruments, net of transaction costs, are recognised in equity.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when the Group has no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties are included under minority interests.

h) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS on 1 January 2004 the Group elected to consider as deemed cost, the revalued amount of property, plant and equipment in accordance with the Group's previous accounting policies, which was comparable in general terms to depreciated cost determined in accordance with IFRS. Acquisition cost includes expenses directly attributable to the acquisition of the assets.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Subsequent costs are recognised as separate assets only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged to the income statement as incurred.

The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the highest of net selling price and value in use, this being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of the other assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery	
Hydroelectric generation	32 to 60
Thermoelectric generation	25 to 30
Wind generation	20
Electricity distribution	10 to 30
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other equipment	10 to 25

Following confirmation by the Portuguese Government of the early termination of the PPA's, the EDP Group reviewed the useful lives of the electricity generating assets. The redefinition of the useful lives of the thermoelectric and hydroelectric power plants relating to the PPA agreements, was based on the equipment's technical capacity and the limitations imposed by the legislation, namely the need to make additional investments to comply with environmental restrictions. In accordance with Decree-Law 226A/2007 of 31 May, the fixed hydraulic works of the hydroelectric generating plants must be depreciated up to the end of the period of the public hydric domain.

Property, plant and equipment relating to EDP Distribuição's concessions and investment grants

Under the terms of Decree-law 344-B/82, low-tension electricity distribution concessions do not involve the sale of the assets by the entity that grants the concessions (Municipalities), who maintain the ownership of the property, without prejudice to their allocation to use by the Group. These assets are allocated to the concession and are recorded under Property and equipment, with an equivalent amount being recorded as medium and long-term liability under Creditors and other liabilities (Decree-law 344-B/82 Regularisation Account), Note 36.

The Property, plant and equipment allocated to the concessions is stated at cost less accumulated depreciation and impairment losses. Depreciation on these assets is calculated on the same basis and at the same rates as the Company's own Property, plant and equipment, using the straight-line method over their estimated useful lives. The depreciation charge of the year is compensated in the depreciation caption (Note 11), by the reduction, of an equal amount, of the medium and long-term liability recorded under Creditors and other liabilities.

The EDP Group is responsible for the maintenance and repair of these assets during the concession period. Maintenance and repair costs are charged to the income statement for the period in which they are incurred, in accordance with the accrual principle.

The same procedure is adopted for low tension electricity distribution assets acquired through investment grants.

II Intangible fixed assets

The Group's intangible assets are booked at cost less accumulated amortisation and impairment losses.

The Group assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement. The recoverable amount is the highest of net selling price and value in use, the latter being calculated based on the present value of the estimated future cash flows from the asset and sale at the end of its useful life.

Acquisition and development of software

The cost of purchasing computer software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the software.

Costs incurred by the Group directly related to the development of software, that is expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over the estimated period of useful life of the software.

Software maintenance costs are charged to the income statement when incurred.

Concession rights to distribute electricity and gas

The concession rights of the companies in Brazil, namely electricity distribution rights of Bandeirante, Escelsa and Enersul and gas distribution rights of Portgás and Setgás are recorded as intangible assets and amortised over the concession period, not exceeding 30 years.

Concession right to use the public hydric domain

Concession rights to use the public hydric domain are booked as intangible assets and amortised on a straight-line basis over the period of the concession, which is currently 45 years. In 2007 EDP booked concession rights relating to the transfer of the contractual position of REN over 26 electricity generating plants, the concession rights to use the public hydric domain of the Alqueva and Pedrógão plants granted by EDIA - Empresa de Desenvolvimento e Infra-Estruturas de Alqueva, S.A. and concession rights relating to the financial compensation for the use of the public assets relating to the concession contracts of Investco, S.A. and Enerpeixe, S.A. in Brazil.

Industrial property and other rights

Industrial property and other rights are amortised on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

j) Leases

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

Finance leases

Finance leases are recognised by the lessee, at the start of the lease term, as assets and liabilities at the fair value of the leased asset which is equivalent to the present value of the future lease payments.

Lease rents comprise interest charges and an amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance lease as leased capital, at the net amount invested in the lease.

Lease payments comprise the financial income and the amortisation of principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

Determining whether an Arrangement contains a Lease

Following the release of IFRIC 4 - Determining whether an arrangement contains a lease, applicable as from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, comply with the requirements defined in the interpretation.

k) Investment property

The Group classifies as investment property, property held for capital appreciation and/or for rental.

Investment property is recognised initially at cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure on investment property is only added to the acquisition cost when it is probable that it will give rise to additional future economic benefits.

l) Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. Acquisition cost comprises purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

Cost is determined on a weighted average basis.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently are measured at amortised cost less impairment losses.

Impairment losses are recorded based on the regular determination of the existence of objective evidence of impairment resulting from doubtful accounts receivable as of the balance sheet date. Impairment losses are recognised in the income statement, and can be reversed if the estimated losses decrease, in a later period.

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as early retirement pensions.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007*Defined benefit plans*

In Portugal, the defined benefit plan is funded through a restricted Pension Fund complemented by a specific provision. The Pension Fund covers the liabilities for retirement pension complements as well as for early retirement.

In Brazil, Bandeirante has two defined benefit plans managed by the CESP Foundation, a restricted complementary welfare entity with its own assets, segregated from those of its sponsors. Escelsa and Enersul have a defined benefit plan that grants complementary benefits for retirement due to age, disability and survival pensions. Escelsa also has a special complementary benefit plan for retired employees who served in the Brazilian army.

The Group's pension plans are defined benefit plans, since the criteria used to determine the amount of the pension to be received by employees on retirement is usually dependent on one or more factors such as age, years of service and salary level.

In compliance with IFRS 1, the Group decided, on the transition date as at 1 January 2004, to recognise the full amount of the deferred actuarial losses at that date against reserves.

The Group's pension liability for each plan is calculated annually at the balance sheet date, by independent experts, using the projected unit credit method. The discount rate used in the calculation is determined based on interest rates of high quality corporate bonds in the currency in which the benefits will be paid and that have similar terms to maturity to those of the related pension liability.

Actuarial gains and losses determined annually resulting from (i) differences between financial and actuarial assumptions used and actual amounts and (ii) changes in the actuarial assumptions, are recognised against equity, in accordance with the alternative method defined by IAS 19, revised on 16 December 2004.

The increase in past service costs arising from early retirements (retirements before the normal retirement age) is recognised in the income statement when incurred.

Annually the Group recognises as cost in the income statement the net amount of (i) current service cost, (ii) interest cost, (iii) estimated return of the fund assets and (iv) the effect of early retirements.

Defined contribution plans

In Portugal, Spain and Brazil, the companies EDP Estudos e Consultoria, Hidrocontábrico and Bandeirante have defined contribution social benefit plans that complement those granted by the social welfare system, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits*Medical benefits and other plans*

In Portugal and in Brazil (Escelsa) some EDP companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Welfare System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's balance sheet. Measurement and recognition of the medical benefits liabilities are similar to those of the defined benefit plans pension liabilities, explained above.

Bonus to employees

In accordance with by-laws of some Group companies, the shareholders approve in the Annual General Meeting a percentage of profits to be paid to the employees (bonus), following a proposal made by the Board of Directors. Bonus payments to employees are booked in the income statement which they relate.

o) Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

Provisions for dismantling and decommissioning

The Group accounts for provisions for dismantling and decommissioning of assets when there exists a legal or contractual obligation to dismantle and decommission the assets at the end of their useful lives. Therefore, such provisions have been accounted for assets related to wind and nuclear electricity generating plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the total expected future liability and are accounted for as part of the cost of the related asset (addition to property, plant and equipment) and are depreciated on a straight-line basis over the useful life of the assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

p) Recognition of costs and revenues

Costs and revenues are recognised in the year to which they refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding costs and revenue are recognised under other assets or other liabilities.

Revenue includes amounts invoiced on the sale of products or services rendered, net of value added tax, rebates and discounts, after elimination of intra-group sales.

The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on real meter reading or on estimated consumptions based on the historical data of each consumer. Revenues regarding the energy to be invoiced based on actual consumption not yet metered as at the balance sheet date is accrued on the basis of recent average consumptions.

Differences between estimated and actual amounts are recorded in subsequent periods.

q) Financial results

Financial results include interest cost on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, gains and losses on financial instruments and changes in the fair value of hedged risks.

Interest income is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive it is established.

Net financial results also include impairment losses on available-for-sale financial assets.

r) Income tax

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred taxes recognised in equity, arising from the remeasurement of available-for-sale financial assets and derivatives hedging cash flows, are recognised in the income statement in the period the results that originated the deferred taxes are recognised in the income statement.

Current tax is the tax expected to be paid on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, using the tax rates enacted or substantively enacted at the balance sheet date for each jurisdiction and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

s) Earnings per share

Basic earnings per share are calculated by dividing net income available to equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group.

For calculating diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all potential dilutive ordinary shares, such as those resulting from convertible debt and share options granted to employees. The dilutive effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

t) Stock options remuneration program

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is equal to the listed price of the shares at the grant date and, therefore, at that date no cost or liability is recognised.

The fair value of the options granted, fixed at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

u) Non-current assets held for sale and discontinued operations

Non-current assets or groups of assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale and the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively with a view to their subsequent sale, that are available for immediate sale and the sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is adjusted in accordance with the applicable IFRS. Subsequently, these assets or disposal groups are measured at the lower of their carrying amount, determined annually in accordance with the applicable IFRS, at fair value less costs to sell.

v) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits with banks.

w) Segment reporting

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Notes to the Financial Statements

31 December 2007

x) Tariff adjustments

In regulated activities, the regulator establishes, through tariff adjustments, the criteria to recognise revenues or expenses in future financial periods, which are classified as regulatory assets or liabilities. In accordance with IFRS, regulatory assets and liabilities are not recognised in the financial statements. Therefore, tariff adjustments are recorded in the income statement in the financial period in which they are actually charged to customers.

y) CO₂ licenses and greenhouse effect gas emission

The Group holds CO₂ licenses to face the gas emissions resulting from its operational activity and licenses acquired for trading. The CO₂ and greenhouse effect gas emission licenses for own use and attributed for free are booked as intangible assets against Deferred Income - Subsidies and valued at the quoted price on the grant date. Use of licenses is based on actual gas emissions occurred in the period, valued at the quoted price in the Powernext market on the date of attribution resulting at the beginning of the year.

Amortisation of subsidies is made in the year when the subsidy was granted and is based on the actual gas emissions. When the emissions exceed the CO₂ licenses attributed for free, a provision is booked to cover for the costs of acquiring the necessary additional licenses at the balance sheet date.

The licenses held by the group for trading purposes are booked at acquisition cost, subsequently adjusted to the respective fair value, calculated on the basis of the Powernext market quote in the last day of each month. Gains and losses resulting from these adjustments to fair value are recognised in the profit and loss of the period.

3. Critical accounting estimates and judgements in preparing the financial statements

IFRS set forth a range of accounting treatments and require the Board of Directors to use judgment and make estimates in deciding which treatment is most appropriate.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in Note 2 to the Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by the Executive Board of Directors, the Group's reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements are presented fairly, in all material respects, the Group's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available-for-sale financial assets

The Group determines that available-for-sale assets are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgment. In making this judgment, the Group assesses, among other factors, the normal share price volatility. In addition, valuations are generally obtained through market prices or valuation models that require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses being recognised with a consequent impact in the Group's income statement.

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions, or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgments in estimating fair values.

Consequently, the use of different methodologies or different assumptions or judgments in applying a particular model, could have produced different financial results from those reported.

Power Purchase Agreement (PPA) early termination

On 15 June 2007 EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007. Under the new legislation, the initial amount of the Contractual Stability Compensation (CMEC) is 833,467 thousand Euros, which can be subject to securitisation.

Compared to the previous legislation relating to the CMEC, the current legislation considers, in essence, an adjustment to the market reference price for the sale of electricity, to calculate the initial compensation due to early termination of the PPA.

The Executive Board of Directors believes that these adjustments are in line with the changes in the long term electricity market prices in the last two years. The Executive Board of Directors does not expect this adjustment to change the financial effect, for the EDP Group, of the start of CMECs as a result of the termination of the PPAs.

Contractual Stability Compensation (CMEC)

Following termination of the Power Purchasing Agreements (PPAs) and in accordance with current legislation, a contractual stability compensation (CMEC) was granted to the EDP Group. The mechanism for granting the compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated, and consists of an account receivable booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation.

Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year in relation to actual and is recognised as loss or gain in the year to which it relates.

Final compensation is calculated in accordance with the terms defined by the legislation relating to termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual stability compensation — Revisable mechanism

The revisable mechanism consists in connecting on an annual basis, for a period of 10 years after termination of the PPAs, the positive and negative variations between the estimates made to calculate the initial stability compensation for a period and the actual amounts incurred in the market for that period. This mechanism gives rise to compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period the EDP Group calculates the CMEC considering market prices and the actual quantities sold, using assumptions defined in the Valorágua model, according to the current legislation. Consequently, the use of different assumptions from the model used, could give rise to different results from those considered.

Review of the useful life of the generation (production) assets

In 2006, following the Portuguese Government's announcement of the early termination of PPA's, the Executive Board of Directors reviewed the useful lives of the electricity generating assets which, consequently, led to a change in the depreciation policy. The useful lives of the thermoelectric and hydroelectric power plants under the PPA agreements was based on an assessment of the corresponding equipment, considering its technological capacity and the limitations imposed by the legislation, namely the need to make additional investments in order to comply with environmental restrictions.

The review considered assumptions that require judgments and estimates to determine the useful lives of the related assets. In the case of the fixed hydraulic works of the hydroelectric plants, the operating license was considered to be extended until the end of the concession to operate the public hydric resources under the terms defined in Decree-Law 226A/2007 of 31 May.

Tariff adjustments

The Executive Board of Directors estimates the recovery of the regulatory assets and liabilities based on the future increase in tariffs determined annually by the regulator. In accordance with IFRS, these amounts are recognised as revenue or losses over the years in which the tariff adjustments are effectively supported by the customers. Consequently, the changes in estimates of the increase in future tariffs will have an impact on the future revenue and results of the Group.

Tariff deficit

In Portugal, the Decree-law 237-B/2006, of 19 December 2006, recognised the irrevocable right of the operators of the binding sector to recover the tariff deficit, independently of the form of its future payment or in situations of insolvency and cease of operations. The decree-law also allows the transfer of the tariff deficit collecting right to third parts.

In Spain, Royal Decree 1634/2006, published in December 2006, established the electricity tariff for the period starting on 1 January 2007. This Royal Decree established the method of recovering the 2006 deficit, the average tariff increase at 4.3%, and that as from 1 July 2007 tariffs for the sale of electric energy by distribution companies will be modified quarterly by Royal Decree. Order ITC/2794/2007 of 27 September, which revises electricity tariffs as from 1 October 2007 was issued in compliance with Royal Decree 1634/2006.

On 29 December 2007 Order ITC/3860/2007 of 28 December, which revises electricity tariffs as from 1 January 2008 was issued. This Order assumes a general increase in integral and access tariffs of approximately 3.3%, although with some exceptions.

The Executive Board of Directors believes, based on the legislation issued, that conditions exist for the Group to recognise the tariff deficits as receivables against the income statement.

Impairment of long term assets

Impairment test are performed, whenever there is an indication that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of assets.

The recoverable amount of goodwill resulting from the acquisition of investments in subsidiaries is assessed annually, regardless of the existence of indications of impairment. Impairment tests of goodwill relating to associated companies are performed whenever there are indications of the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment and intangible assets and goodwill as they are based on the best information available, changes in the assumptions can result in changes in the determination of the amount of impairment and, consequently, on the Group's results.

Doubtful debts

Impairment losses related to Doubtful debts are estimated by the Board of Directors based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of Doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgment. Changes in the estimates and judgments could change the impairment test results which could affect the Group's reported results.

Revenue recognition

Electricity sales revenue is recognised when the monthly electricity invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to electricity to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates which take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions can affect the Group's revenue and, consequently, its reported results.

Notes to the Financial Statements

31 December 2007

Income taxes

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount for income tax.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

In Portugal, the Tax Authorities are entitled to review the EDP, S.A., and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case of tax losses carried forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Executive Board of Directors of EDP, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, rates of discount and pension and salary growth and other factors that can impact the cost and liability of the pension and medical plans. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning

The Executive Board of Directors believes the Group has contractual obligations to dismantle and decommission assets relating to its wind and nuclear generated electricity operations. The Group has recorded provisions to cover the present value of the estimated cost to restore the locations and land on which the fixed assets are located. The calculation of the provisions is based on estimates of the present value of the liabilities.

The Executive Board of Directors believes, based on the regulatory framework of the Group's operations, that there are no contractual or constructive obligations for the EDP Group to record provisions for dismantling and decommissioning of its other electricity generation plants.

The existence of different assumptions in the estimates and judgements from those referred to can lead to different results of those considered.

4. Financial risk management policies

Financial risk management

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks derives essentially from its debt portfolio, resulting from the interest rate risk and exchange rate risk. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the Group's risk management policy. Financial instruments are used to minimise potential adverse effects on its financial performance, resulting from interest rate and/or foreign exchange rate risks.

The management of financial risks of EDP Energias de Portugal S.A., EDP Finance, B.V. and other Group entities is undertaken centrally by the Financial Department of EDP S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for defining general risk management principles and the establishment of exposure limits.

All transactions undertaken using derivative financial instruments require prior approval of the Executive Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of market risks deriving from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency loans/borrowings, seeking to mitigate the impact of currency exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on their consolidated results, through exchange rate financial derivative instruments and/or other hedging structures.

The EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP) and Brazilian Reals (BRL). Currently, the exposure to EUR/USD currency fluctuation risk results essentially from the acquisition of the subsidiary Horizon in July 2007. In order to finance this acquisition and its investment plan, EDP contracted USD loans with the objective of mitigating the exchange risk related to the net assets of Horizon.

The Brazilian subsidiaries exposed to the USD/BRL currency fluctuation as a result of their USD debt use currency swaps to hedge this risk. Additionally, investments in the Brazilian subsidiaries, whose net assets are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Given the long term nature determined for the investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange rate risk on the investment in these subsidiaries.

The exchange and interest rate risks on the GBP bonds issued by EDP Finance B.V. under the Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for that contracted by the Brazilian subsidiaries and the above mentioned USD financing, is in Euros.

The policy implemented by the EDP Group consists of undertaking derivatives financial instruments only for the purpose of hedging risks with characteristics similar to those of the hedged liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Additionally, the EDP Group contracts derivative financial instruments (forwards) to acquire USD in the future, to be used in the purchase of the fuel needed for its thermoelectric plants, for which the reference market price is in USD (such as coal, petroleum, etc.).

Sensitivity analysis — Exchange rate

The operations that result in an exchange-rate risk exposure (exchange rate forwards), since they are booked in a trading portfolio, and although they are intended to fix the price of the exchange rate component of future fuel acquisitions, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2007 and 2006, would lead to an increase/(decrease) in the EDP Group results as follows:

	2007		2006	
	Euro'000		Euro'000	
	+10%	-10%	+10%	-10%
USD	-11,921	14,571	-10,668	13,027
BRL	9,912	-8,201	-	-
	<u>-2,009</u>	<u>6,370</u>	<u>-10,668</u>	<u>13,027</u>

This analysis assumes that all the other variables, especially interest rate, remain unchanged.

Interest rate risk management

The EDP Group's operating and financial cash flows are substantially independent of the fluctuation of the interest rate markets.

The aim of the interest-rate risk management policies is to reduce the financial charges and to reduce the exposure of debt cash flows from market fluctuations through the settlement of derivative financial instruments (swaps and collars) to fix the debt interest rates.

In the floating-rate financing context, the Group contracts interest-rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest-rate derivative financial instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are contracted, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

All these operations are undertaken on liabilities in the Group's debt portfolio and mainly involve effective hedging, through the effectiveness of changes in the fair value of the hedging instrument and the changes in fair value of the interest-rate risk or of future-cash flows.

The EDP Group has a portfolio of interest-rate derivatives with maturities between approximately 1 and 10 years. The Group's Financial Department undertakes sensitivity analyses of the fair value and cash flows of financial instruments to interest-rate fluctuations.

Sensitivity analysis — Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2007 and 2006 would lead to in the following increases / (decreases) in equity and results of the EDP Group:

	2007			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect				
Hedged debt	-20,674	20,674	-	-
Unhedged debt	-40,946	40,946	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	11,823	-11,883
Trading derivatives (accounting perspective)	-214	163	-	-
	<u>-61,834</u>	<u>61,783</u>	<u>11,823</u>	<u>-11,883</u>
	2006			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect				
Hedged debt	-17,474	17,474	-	-
Unhedged debt	-34,573	34,573	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	19,982	-21,477
Trading derivatives (accounting perspective)	-195	204	-	-
	<u>-52,242</u>	<u>52,251</u>	<u>19,982</u>	<u>-21,477</u>

This analysis assumes that all the other variables, namely exchange rates, remain unchanged.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007**Counterparty credit risk management**

The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial transactions are restricted to high quality credit institutions and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collateral are not required on these transactions.

The EDP Group has documented its financial operations in accordance with international standards. Therefore, generally, the majority of derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market.

Regarding the third-party debt generated by the Group's day-to-day business, the credit risks arise essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

Liquidity risk management

The EDP Group undertakes management of liquidity risk, through the contracting and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions of high credit rating notation, allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the Group's short-term financing sources to be diversified.

Energy market risk management

In its operations in the unregulated Iberian electricity market, EDP purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMEL and OMP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the unregulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP has a portfolio of operations relating to electric energy, carbon emissions (CO₂) and fuel (coal and gas). The portfolio is managed through the contracting of financial and physical operations on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal), options and the contracting of future operations to fix prices.

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring of the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred within a defined period, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the management objectives established.

Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular back testing and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the different risk factors (price of electricity and hydraulicity) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are used.

Brazil — Interest rate and exchange rate risk management

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

VaR is the maximum expected loss on the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The summary of VaR of the operations of the Brazilian subsidiaries at 31 December 2007 and 2006 is as follows:

	2007 Euro'000	2006 Euro'000
Exchange rate risk	1,343	3,530
Interest rate risk	8,175	2,039
Covariation	600	2,589
Total	8,918	2,980

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

5. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Revenue by business sector:				
Electricity	9,859,769	8,984,486	1,169,678	611,383
Gas	920,355	961,826	-	-
Steam and ashes	11,432	16,001	-	-
Telecommunications	-	15,686	-	-
Other	58,911	72,053	-	-
	<u>10,850,467</u>	<u>10,050,052</u>	<u>1,169,678</u>	<u>611,383</u>
Services rendered by business sector:				
Associated with electricity sales	32,304	27,694	12,926	19,793
Gas	66,981	61,352	-	-
Energetic Availability contracts	8,659	-	-	-
Telecommunications	-	148,648	-	-
Advisory and services	5,362	5,773	-	-
Other	47,005	56,307	57,443	51,085
	<u>160,311</u>	<u>299,774</u>	<u>70,369</u>	<u>70,878</u>
	<u>11,010,778</u>	<u>10,349,826</u>	<u>1,240,047</u>	<u>682,261</u>
Total turnover:				
Electricity	9,892,073	9,012,180	1,182,604	631,176
Gas	987,336	1,023,178	-	-
Telecommunications	-	164,334	-	-
Steam and ashes	11,432	16,001	-	-
Advisory and services	5,362	5,773	-	-
Energetic Availability contracts	8,659	-	-	-
Others	105,916	128,360	57,443	51,085
	<u>11,010,778</u>	<u>10,349,826</u>	<u>1,240,047</u>	<u>682,261</u>

On a Company basis, the caption "Electricity" includes in 2007, an increase in electricity sales, in relation to 2006, as a result of a management purchase and resale of energy agreement, established between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Sales for the Group by geographical market are analysed as follows:

	Dec 2007				
	USA	Portugal	Spain	Brazil	Total
Electricity	31,329	6,624,599	1,359,623	1,844,218	9,859,769
Gas	-	100,314	820,041	-	920,355
Steam and ashes	-	11,432	-	-	11,432
Other	-	17,226	41,685	-	58,911
	<u>31,329</u>	<u>6,753,571</u>	<u>2,221,349</u>	<u>1,844,218</u>	<u>10,850,467</u>
	Dec 2006				Total
	Portugal	Spain	Brazil		
Electricity	5,957,835	1,317,506	1,709,145		8,984,486
Gas	94,112	867,714	-		961,826
Steam and ashes	16,001	-	-		16,001
Telecommunications	15,686	-	-		15,686
Other	72,053	-	-		72,053
	<u>6,155,687</u>	<u>2,185,220</u>	<u>1,709,145</u>		<u>10,050,052</u>

As at 31 December 2007, the caption "Electricity", for Portugal includes 211,843 thousand Euros related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. The amount includes 110,279 thousand Euros related to the initial CMEC for the period and 101,564 thousand Euros resulting from the re-visible mechanism, as established by the current legislation.

As at 31 December 2007, the caption "Electricity" for Brazil includes a deduction of 12,735 thousand Euros (33,863 thousand Reais) due to cancellation of invoices of the year, as a result of the ANEEL review in 2007 of the Regulatory Remuneration Base (Note 9).

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Turnover for the group by geographical market is as follows:

	Dec 2007				
	USA	Portugal	Spain	Brazil	Total
Electricity	31,329	6,641,615	1,374,911	1,844,218	9,892,073
Gas	-	102,352	884,984	-	987,336
Steam and ashes	-	11,432	-	-	11,432
Advisory and services	-	5,362	-	-	5,362
Energetic Availability contracts	-	8,659	-	-	8,659
Other	985	47,551	46,621	10,759	105,916
	<u>32,314</u>	<u>6,816,971</u>	<u>2,306,516</u>	<u>1,854,977</u>	<u>11,010,778</u>

	Dec 2006			
	Portugal	Spain	Brazil	Total
Electricity	5,971,431	1,331,604	1,709,145	9,012,180
Gas	96,214	926,964	-	1,023,178
Telecommunications	164,334	-	-	164,334
Steam and ashes	16,001	-	-	16,001
Advisory and services	5,773	-	-	5,773
Other	38,257	72,951	17,152	128,360
	<u>6,292,010</u>	<u>2,331,519</u>	<u>1,726,297</u>	<u>10,349,826</u>

The captions **Cost of consumed electricity** and **Changes in inventories and cost of raw materials and consumables**, are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Cost of consumed electricity	4,748,100	4,380,703	878,792	329,289
Cost of consumed gas	585,227	744,350	-	-
Changes in inventories and cost of raw materials and consumables				
Fuel, steam and ashes	522,669	514,094	-	-
Gas	524,166	422,619	249,214	241,105
Cost of consumables used	327,099	214,506	-	-
CO2 licenses				
Consumption	66,883	250,970	-	-
Government grants	-66,873	-251,070	-	-
Other	103,296	163,368	-	2,736
Own work capitalised	-353,257	-248,168	-	-
	<u>1,123,983</u>	<u>1,066,319</u>	<u>249,214</u>	<u>243,841</u>
	<u>6,457,310</u>	<u>6,191,372</u>	<u>1,128,006</u>	<u>573,130</u>

On a Company basis, the caption "Cost of consumed electricity" includes in 2007 an increase, in relation to 2006, as a result of a management, purchase and resale energy agreement established between EDP, S.A. and EDP Gestão da Produção de Energia, S.A..

6. Other operating income

"Other operating income" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Supplementary income	19,310	10,836	1,171	385
Operating Government grants	1,859	807	-	-
Gains on fixed assets	13,259	10,245	673	5,780
Reversal of impairment losses				
- For customer debt	14,606	17,216	457	1,822
- For debtors and other assets	19,076	10,223	15,641	1,027
Own work capitalised	14,579	25,552	-	-
Excess amount over customers contributions	6,489	6,932	-	-
Insurance premiums - Energia RE	6,307	4,369	-	-
Income from sale of interests in institutional partnerships - Horizon	12,318	-	-	-
Other operating income	52,594	57,968	1,352	3,037
	<u>160,397</u>	<u>144,148</u>	<u>19,294</u>	<u>12,051</u>

7. Supplies and services

"Supplies and services" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Subcontracts:				
Subcontracts (Telecommunications)	-	79,664	-	-
Other subcontracts	4,542	6,186	-	-
Supplies and services:				
Water, electricity and fuel	13,318	12,126	843	883
Tools and office material	5,762	5,059	441	338
Rents and leases	76,912	82,238	7,913	5,674
Communications	37,553	30,302	1,948	1,449
Insurance	29,667	27,101	869	676
Transportation, travelling and representation	19,946	21,925	1,340	1,295
Commission and fees	3,522	9,624	355	1,305
Maintenance and repairs	187,302	128,471	2,731	2,735
Advertising	21,786	33,914	6,170	7,252
Surveillance and security	9,846	10,186	510	487
Specialised works				
- Commercial activity	62,534	44,966	4,561	4,091
- IT services	51,432	49,095	6,632	7,879
- Legal fees	12,515	4,925	928	-
- Advisory fees	46,925	84,056	19,179	19,369
- Other services	78,290	80,821	16,944	18,835
Personnel transfers	-	-	4,561	27,708
Other supplies and services	37,635	30,739	25,859	3,186
Own work capitalised	-15,300	-	-	-
	<u>684,187</u>	<u>741,398</u>	<u>101,784</u>	<u>103,162</u>

8. Personnel costs and employee benefits expense

"Personnel costs" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Management remuneration	19,026	13,676	5,596	4,293
Employees remuneration	443,028	454,237	533	542
Social charges on remuneration	109,451	107,035	291	284
Performance bonus	61,074	52,315	6,978	1
Share-based remuneration plan	-	5,700	-	5,700
Other costs	30,025	40,942	788	2,452
Own work capitalised	-85,641	-88,819	-	-
	<u>576,963</u>	<u>585,086</u>	<u>14,186</u>	<u>13,272</u>

The breakdown by management positions and category of professional permanent staff as at 31 December 2007 and 2006 is as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Board members and senior officers	84	80	21	13
Senior management	420	396	-	-
High management	1,954	2,078	-	-
Middle management	639	682	-	-
Intermediate management	640	598	-	-
Highly-skilled and skilled workers	6,777	7,021	1	1
Semi-skilled workers	2,348	2,437	-	-
Unskilled workers	38	41	-	-
Temporary workers	104	110	-	-
Other	93	-	-	-
	<u>13,097</u>	<u>13,443</u>	<u>22</u>	<u>14</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

"Employee benefits" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Pension plans costs	59,539	49,629	74	830
Medical plans costs and other benefits	45,709	41,301	29	567
Cost of rationalising human resources and other costs	183,421	65,694	-	-
Other	701	5,663	-	72
	<u>289,370</u>	<u>162,287</u>	<u>103</u>	<u>1,469</u>

Pension plans costs include 35,175 thousand Euros (35,227 thousand Euros for 2006) related to defined benefit plans and 24,364 thousand Euros (14,402 thousand Euros for 2006) related to defined contribution plans.

The cost of rationalising human resources results from the implementation of the PAE Plan (Plan to Adjust the Workforce in Portugal), through which 620 employees left the Group under early retirement plans (153,917 thousand Euros) and revision of the collective labour agreement of the Hidrocarbónica Group in Spain (29,504 thousand Euros).

9. Other operating costs

"Other operating costs" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Concession rents paid to local authorities	208,761	211,452	-	-
Electricity generating centres rents	7,400	8,901	-	-
Direct taxes	3,700	778	245	273
Indirect taxes	41,793	47,319	786	612
Impairment loss on trade debtors	67,100	55,489	385	726
Impairment loss on debtors and other assets	2,400	15,362	467	248,491
Uncollectible debts	6,817	5,687	-	3,500
Losses on fixed assets	14,071	8,866	261	492
Regulation costs	4,711	3,783	-	-
Return of CO2 licenses (Royal Decree -Law 03/06)	43,238	32,352	-	-
Price difference on the purchase of energy (Royal Decree -Law 03/06)	-	15,560	-	-
Research and development and energy efficiency (Brazil)	-	17,956	-	-
Tariff revision - Enersul	55,973	-	-	-
Operating indemnities	2,214	1,786	-	-
Donations	12,912	9,879	9,828	9,810
Other losses relating to the energy management operations	-	-	26,973	22,299
Other operating costs	<u>63,980</u>	<u>73,211</u>	<u>19,050</u>	<u>7,918</u>
	<u>535,070</u>	<u>508,381</u>	<u>57,995</u>	<u>294,121</u>

The caption "Return of CO2 licenses" reflects the amount of the licenses that the Group expects to return to the Spanish government as a result of the publication of Royal Decree -Law 03/06, which establishes that the cost relating to CO2 emission licenses granted free of charge by the Spanish State will be deducted from the sector's tariff deficit for 2006.

In 2007 Enersul received from the regulator of the Brazilian energy sector (ANEEL), a notification relating to re-analysis of the regulatory remuneration basis (BRR) corresponding to the revision of the tariffs for 2003. The re-analysis resulted in a ANEEL decision to reduce Enersul's BRR, consequently, the tariff was reduced for the periods in question and determined the return to consumers of the amount of energy invoiced in excess in the period from April 2003 to December 2007. As a result of this decision Enersul recognised a liability of 70,538 thousand Euros, corresponding to approximately 183,000 thousand Reals (Note 36) to cover for this obligation, against a decrease in Sales — Electricity, of the part corresponding to 2007, in the amount of 12,735 thousand Euros (Note 5), an increase in the caption "Other operating costs — Tariff revision — Enersul" in the amount of 55,973 thousand Euros and the currency translation effect of 1,830 thousand Euros.

Impairment losses on trade debtors, and debtors and other assets are analysed in Notes 23 and 24, respectively.

On a company basis for 2006, impairment loss on debtors and other assets in the amount of 248,491 thousand Euros includes 278,312 thousand Euros relating to receivables from the ONI Group (Note 24) less 29,821 thousand Euros corresponding to gain on the acquisition of these receivables by an amount below their nominal value.

10. Provisions

This caption is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Charge for the year	81,167	121,732	17,439	5,886
Write-back for the year	-39,072	-27,168	-5,413	-3,462
	<u>42,095</u>	<u>94,564</u>	<u>12,026</u>	<u>2,424</u>

11. Net depreciation and amortisation expense

The caption "Net depreciation and amortisation expense" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Property, plant and equipment:				
Property, plant and equipment under concession DL 344-B/82	1,017	1,354	-	-
Buildings and other constructions	16,944	12,576	555	568
Plant and machinery:				
Hydroelectricity generation	134,616	131,328	8	8
Thermoelectric generation	219,521	208,150	-	-
Renewables generation	100,646	66,133	-	-
Electricity distribution	470,240	436,016	-	-
Gas distribution	36,807	33,360	-	-
Other plant and machinery	2,719	38,050	15	15
Transport equipment	9,161	8,091	613	563
Office equipment	41,462	49,411	3,092	3,792
Impairment loss	8,767	-	-	-
Other	4,450	2,117	1,424	1,424
	<u>1,046,350</u>	<u>986,586</u>	<u>5,707</u>	<u>6,370</u>
Intangible assets				
Industrial property and other rights	18,300	20,928	9	8
Concession rights	66,208	41,052	-	-
Utilisation rights on telecommunications business	-	3,289	-	-
Impairment loss	-	7,011	-	-
	<u>84,508</u>	<u>72,280</u>	<u>9</u>	<u>8</u>
	<u>1,130,858</u>	<u>1,058,866</u>	<u>5,716</u>	<u>6,378</u>
Amortisation of deferred income				
Partially-funded fixed assets	-105,007	-101,764	-	-
Other adjustments	-	748	-	-
	<u>-105,007</u>	<u>-101,016</u>	<u>-</u>	<u>-</u>
	<u>1,025,851</u>	<u>957,850</u>	<u>5,716</u>	<u>6,378</u>

The assets partially-funded by third parties are amortised, on the same basis and at the same depreciation rates as the Group's remaining assets, the corresponding cost being compensated through amortisation of the amounts received (registered in the caption Payables and other liabilities) on the same basis and at the same rates as the corresponding assets.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

12. Gains/ (losses) on the sale of financial assets

The caption "Gains / (losses) on the sale of financial assets" for the group is analysed as follows:

	Dec 2007		Dec 2006	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available-for-sale financial assets				
REN, S.A.	25.0%	259,329	-	-
Sonaeocom, S.A.	-	-	7.9%	-14,010
Optep/Optimus	-	-	25.7%	-12,034
Held for sale assets:				
ONI SGPS, S.A.	100.0%	1,647	-	-
Investments in subsidiaries and associates:				
LBC Tanquipor, S.A.	28.9%	687	-	-
Affinis, S.A.	45.0%	-54	-	-
EDP Produção Bioelétrica, S.A.	-	-	50.0%	-102
Electra, S.A.	-	-	10.2%	-5,398
Telecable, S.A.	-	-	44.5%	35,451
Other	-	952	-	911
		<u>262,561</u>		<u>4,818</u>

The caption "Gains / (losses) on the sale of financial assets" in a company basis is analysed as follows:

	Dec 2007		Dec 2006	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available-for-sale financial assets				
REN, S.A.	25.0%	228,177	-	-
Optep/Optimus	-	-	25.7%	-12,034
Held for sale assets:				
ONI SGPS, S.A.	100.0%	1,647	-	-
Investments in subsidiaries and associates:				
Patrimonial de la Ribera del Ebro	30.0%	2,048	-	-
EDP Produção Bioelétrica, S.A.	10.0%	149	50.0%	-2,991
Electra, S.A.	-	-	10.2%	-5,398
Other	-	-36	-	3,217
		<u>231,985</u>		<u>-17,206</u>

During the second half of 2007, the selling price of ONI was adjusted from the 95,261 thousand Euros initially established to 96,908 thousand Euros, resulting in an adjustment to the loss determined in 2006 of 1,647 thousand Euros.

In 2006 and 2007, EDP,S.A. signed contracts to sell 20% of the investment in REN in order to comply with the requirements of Decree-Law 172/2006 of 23 August. The operation was completed on 26 October 2007 after the conclusion of the adjusting period, which depended on the evolution of the listed price of the shares (Aftermarket share price). In addition, during the IPO of REN, which took place in the first half of 2007, EDP, S.A. sold in the market 26,700,000 shares of REN, corresponding to 5% of the investment held. Following these transactions, corresponding to the sale of 25% of the share capital of REN, EDP,SA recognised in the consolidated and company accounts gains of 228,177 thousand Euros and 259,329 thousand Euros, respectively.

13. Other financial income and expenses

"Other financial income and expenses" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Other financial income				
Interest income	53,255	40,498	246,758	173,859
Derivative financial instruments				
Interest	146,130	145,306	125,889	124,816
Fair value	164,548	385,300	198,068	358,120
Other interest income	47,155	46,603	904	131
Income from equity investments	41,442	7,960	439,252	722,355
Favourable foreign exchange differences	75,089	37,881	164,945	3,111
Contractual stability compensation - CMEC	38,608	-	-	-
Reversal in impairment of financial investments	-	-	112	13,002
Gains on the sale of CO2 licenses	11,640	41,785	11,640	41,785
Other financial income	45,735	65,028	5,584	2,273
	<u>623,602</u>	<u>770,361</u>	<u>1,193,152</u>	<u>1,439,452</u>
Other financial expenses:				
Interest expense	569,904	475,235	323,796	259,779
Derivative financial instruments				
Interest	124,358	99,205	99,246	83,257
Fair value	199,501	230,871	210,910	165,917
Other interest expense	12,076	10,594	53,946	24,541
Impairment of available-for-sale financial assets	57,717	-	-	-
Banking services	25,225	25,210	3,370	4,189
Unfavourable foreign exchange differences	64,070	36,951	139,732	18,706
Contractual stability compensation - CMEC	17,260	-	-	-
Impairment of financial investments	155	137	-	748
Loss on the sale of CO2 licenses	4,242	24,145	4,242	24,145
Other financial expenses	94,913	75,390	35,277	50,971
	<u>1,169,421</u>	<u>977,738</u>	<u>870,519</u>	<u>632,253</u>
Financial income / (expenses)	<u>-545,819</u>	<u>-207,377</u>	<u>322,633</u>	<u>807,199</u>

The caption "Other financial income Contractual stability compensation - CMEC" includes 30,891 thousand Euros related to interest of the initial CMEC included in the annuity for 2007, 2,898 thousand Euros related to the financial effect considered in the calculation of the initial CMEC and 4,819 thousand Euros relating to the financial component of the re-visible mechanism of CMEC for 2007. "Other financial expenses Contractual stability compensation - CMEC" includes 17,260 thousand Euros related to cost on the updating of the initial CMEC, booked against Deferred Income (Note 36).

During 2007, in a group basis, "Impairment of available-for-sale financial assets" reflects an impairment loss of 57,717 thousand Euros on the Sonaecom investment, considering a significant and permanent devaluation of the listed market price of the security.

"Income from equity investments" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Group companies	-	-	393,516	587,500
Associated companies				
DECA II	-	-	14,645	2,218
REN	-	-	-	132,614
Tanquipor	50	87	-	-
Other	2	2	-	-
Other companies				
Ampla Energia e Serviços	1,601	-	1,601	-
EDA - Electricidade dos Açores	315	-	-	-
BCP	8,370	6,250	390	-
Tejo Energia	1,528	1,111	-	-
REN	29,100	-	29,100	-
Other	476	510	-	23
	<u>41,442</u>	<u>7,960</u>	<u>439,252</u>	<u>722,355</u>

Following the publication of Decree-Law 172/2006 and since 31 December 2006, the voting rights in REN were limited to a maximum of 5%. Consequently, EDP Group lost its significant influence over this investment that was reclassified as at 31 December 2006 to the "Available-for-sale investments" portfolio (see Note 20).

Notes to the Financial Statements

31 December 2007

14. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, the last year considered as definitively settled by the tax administration being 2002. In the United States the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent years (6 years in Portugal, 15 years in Spain, 20 years in the United States and without an expiry date in Brazil, but limited to 30% of the taxable income of each year). Details of the tax losses carried forward and their respective expiration dates are presented in Note 21. The EDP Group companies are taxed, whenever possible, on a consolidated basis allowed by the tax legislation of the respective countries.

The "income tax provision" is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Current tax				
Current year	-104,519	-252,330	136,280	84,944
Change in estimate for prior years	16,171	-7,352	6,332	-8,416
Total current tax	-88,348	-259,682	142,612	76,528
Deferred tax				
	-192,500	-6,233	-134,710	-31,782
	-280,848	-265,915	7,902	44,746

The reconciliation between the nominal and the effective income tax rate for the Group as at 31 December 2007, is analysed as follows:

	Rate %	Dec 2007	
		Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,300,779	344,706
Non deductible provisions for tax purposes	1.0%	46,701	12,376
Unrecognised deferred tax assets related to tax losses generated in the year	2.1%	101,022	26,771
Tax exempt dividends	-1.8%	-90,368	-23,947
Tax benefits	-1.8%	-86,151	-22,830
Fair value of financial instruments and financial investments	-0.7%	-32,469	-8,604
Difference between tax and accounting gains/losses	-2.4%	-119,584	-31,690
Financial investments in associates and subsidiaries	0.0%	-1,159	-307
Autonomous taxation and tax benefits	0.0%	-21	-6
Change in estimates	-0.1%	-4,391	-1,164
Change in tax rate	-0.6%	-27,502	-7,288
Tax differential and other adjustments	-0.6%	-27,055	-7,169
Effective tax rate and total income tax	21.6%	1,059,802	280,848

The reconciliation between the nominal and the effective income tax rates for the Group as at 31 December 2006, is analysed as follows:

	Rate %	Dec 2006	
		Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	27.5%	1,295,806	356,347
Non deductible provisions for tax purposes	1.4%	66,037	18,160
Unrecognised deferred tax assets related to tax losses generated in the year	2.8%	130,474	35,880
Tax exempt dividends	-0.6%	-26,545	-7,300
Tax benefits	-0.9%	-42,266	-11,623
Fair value of financial instruments and financial investments	-0.1%	-6,404	-1,761
Difference between tax and accounting gains/losses	1.4%	65,520	18,018
Financial investments in associates and subsidiaries	-4.6%	-215,948	-59,386
Autonomous taxation and tax benefits	0.3%	12,816	3,524
Change in estimates	-5.5%	-261,509	-71,915
Change in tax rate	-1.1%	-53,165	-14,620
Tax differential and other adjustments	0.0%	2,147	590
Effective tax rate and total income tax	20.5%	966,963	265,915

The reconciliation between the nominal and the effective income tax rates for the company as at 31 December 2007, is analysed as follows:

	Dec 2007		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	494,256	130,978
Non deductible provisions for tax purposes	0.4%	7,826	2,074
Fair value of financial instruments and financial investments	0.0%	44	12
Difference between tax and accounting gains/losses	-6.2%	-116,270	-30,812
Tax exempt dividends	-21.6%	-403,021	-106,801
Change in rate	-	-	-
Change in estimates	-0.2%	-3,310	-877
Other adjustments	-0.5%	-9,343	-2,476
Effective tax rate and total income tax	-1.6%	-29,818	-7,902

The reconciliation between the nominal and the effective income tax rates for the company as at 31 December 2006, is analysed as follows:

	Dec 2006		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	27.5%	470,951	129,512
Non deductible provisions for tax purposes	18.0%	307,708	84,620
Tax exempt dividends	-40.0%	-685,702	-188,568
Fair value of financial instruments and financial investments	-1.0%	-17,829	-4,903
Difference between tax and accounting gains/losses	-0.3%	-5,210	-1,433
Change in rate	0.2%	3,892	1,070
Change in estimates	-13.7%	-234,604	-64,516
Other adjustments	-0.1%	-1,919	-528
Effective tax rate and total income tax	-9.5%	-162,713	-44,746

15. Property, plant and equipment

This caption analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Cost:				
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420	-	-
Land and natural resources	132,009	125,166	46,727	46,735
Buildings and other constructions	785,132	521,316	25,665	25,797
Plant and machinery:				
Hydroelectric generation	7,575,926	7,475,125	254	254
Thermoelectric generation	5,702,104	5,666,532	-	-
Renewables generation	2,589,318	1,314,300	-	-
Electricity distribution	14,765,772	13,723,640	-	-
Gas distribution	1,047,850	837,332	-	-
Other plant and machinery	37,575	336,342	148	148
Transport equipment	87,960	83,400	3,224	3,153
Office equipment and tools	492,160	461,626	75,969	72,872
Other	157,633	97,347	14,246	14,246
Assets under construction	3,724,484	1,706,086	6,084	6,203
	37,321,343	32,571,632	172,317	169,408
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,037,583	-986,586	-5,707	-6,370
Accumulated depreciation in previous years	-17,605,516	-16,503,318	-84,160	-78,139
Impairment losses	-8,767	-	-	-
	-18,651,866	-17,489,904	-89,867	-84,509
Carrying amount	18,669,477	15,081,728	82,450	84,899

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Property, plant and equipment held under the Decree-law 344-B/82 regime are those assets allocated to low tension electricity distribution transferred from the local authorities ("Municipalities") under the concession regime. These assets, although operated by the Group, continue to be the property of the local authorities and are analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420
Accumulated depreciation	-222,202	-221,185
Net amount	1,218	2,235

Part of these assets may be transferred to EDP Group for settlement, by offset of accounts, of outstanding debts of the respective Municipalities (Note 23), which have not yet been regularised.

The movement in "Property, Plant and equipment", for the Group, for 2007 is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Property, plant and equipment held under the DL 344-B82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	125,166	477	-90	905	3,478	2,073	132,009
Buildings and other constructions	521,316	669	-4,829	248,288	5,498	14,190	785,132
Plant and machinery	29,353,271	206,678	-42,271	1,153,676	179,015	868,176	31,718,545
Transport equipment	83,400	7,346	-9,986	2,456	2,093	2,651	87,960
Office equipment and tools	461,626	5,634	-626	22,513	1,736	1,277	492,160
Other	97,347	59,090	-8,426	11,249	-976	-651	157,633
Assets under construction	1,706,086	2,663,660	-15,228	-1,410,032	-106,894	886,892	3,724,484
	32,571,632	2,943,554	-81,456	29,055	83,950	1,774,608	37,321,343

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses Euro'000	Disposals Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
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**Accumulated depreciation and
impairment losses:**

Property, plant and equipment held under the DL 344-B82 regime	221,185	1,017	-	-	-	-	222,202
Buildings and other constructions	201,389	16,944	-	-3,189	7,281	453	222,878
Plant and machinery	16,658,082	964,549	8,479	-21,150	112,032	19,760	17,741,752
Transport equipment	60,240	9,161	28	-9,453	1,877	2,078	63,931
Office equipment and tools	317,725	41,462	-	-594	1,744	-2,904	357,433
Other	31,283	4,450	260	-222	-52	7,951	43,670
	17,489,904	1,037,583	8,767	-34,608	122,882	27,338	18,651,866

The amounts shown under Perimeter Variations/ Regularisations correspond mainly to the effect of Horizon consolidation, which was acquired on 2 July 2007.

The movement in "Property, Plant and equipment", for the Group, for 2006 is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Property, plant and equipment held under the DL 344-B82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	134,145	1,608	-942	4,834	-1,042	-13,437	125,166
Buildings and other constructions	411,234	406	-5,130	114,532	-7,339	7,613	521,316
Plant and machinery	27,707,781	63,805	-25,620	1,758,203	-79,540	-71,358	29,353,271
Transport equipment	80,037	11,408	-9,105	2,095	-619	-416	83,400
Office equipment and tools	394,370	16,940	-15,005	18,742	-544	47,123	461,626
Other	31,981	33,229	-13,696	-8,532	-	54,365	97,347
Assets under construction	1,555,744	1,429,245	-10,205	-1,324,215	-3,797	59,314	1,706,086
	30,538,712	1,556,641	-79,703	565,659	-92,881	83,204	32,571,632

In 2006, the amounts in the Transfers column include the effect of allocating the definitive acquisition price of Nuon, acquired in 2005, to the respective identifiable assets, liabilities and contingent liabilities.

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation:						
Property, plant and equipment held under the DL 344-B82 regime	219,831	1,354	-	-	-	221,185
Buildings and other constructions	191,973	12,576	-3,455	-2,196	2,491	201,389
Plant and machinery	15,934,636	913,037	-13,102	-33,561	-142,928	16,658,082
Transport equipment	61,410	8,091	-8,432	-549	-280	60,240
Office equipment and tools	248,706	49,411	-2,117	-519	22,244	317,725
Other	18,010	2,117	-471	-	11,627	31,283
	<u>16,674,566</u>	<u>986,586</u>	<u>-27,577</u>	<u>-36,825</u>	<u>-106,846</u>	<u>17,489,904</u>

Following the Portuguese Government announcement of the early termination of the PPAs, EDP Group reviewed the useful lives of the electricity generating assets which, consequently, lead to the change in the depreciation policy. The redefinition of the useful lives of the thermoelectric and hydroelectric power plants allocated to the PPA agreements was based on a review of the related equipment, considering their technologic capability and the legislation restrictions affecting them, namely the need to perform additional investments to comply with environmental restrictions. In accordance with Decree-Law 226A/2007 of 31 May, the fixed hydraulic components of the hydroelectric generation plants are depreciated until the end of the concession to use the public hydric domain. The impact of this change on the Group financial statements corresponds to an increase in depreciation for 2007 of 12,641 thousand Euros (12,987 thousand Euros for 2006).

As at 31 December 2007, Property, plant and equipment financed through lease contracts for the Group, amounts to 9,796 thousand Euros (15,008 thousand Euros at 31 December 2006), with accumulated depreciation of 4,011 thousand Euros (4,124 thousand Euros at 31 December 2006) and, the respective lease instalments payable amount to 5,419 thousand Euros (10,203 thousand Euros as at 31 December 2006).

	Dec 2007			Dec 2006		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2,283	205	2,488	2,165	197	2,362
Between one and five years	<u>2,767</u>	<u>164</u>	<u>2,931</u>	<u>7,400</u>	<u>441</u>	<u>7,841</u>
	<u>5,050</u>	<u>369</u>	<u>5,419</u>	<u>9,565</u>	<u>638</u>	<u>10,203</u>

During 2007, the costs incurred related to these assets amounted to 322 thousand Euros (575 thousand Euros as at 31 December 2006) and are booked in the income statement under Maintenance and repairs (Note 7).

The movement in "Property, Plant and Equipment", for the Company, and for the year 2007 is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,735	-	-8	-	-	46,727
Buildings and other constructions	25,797	312	-444	-	-	25,665
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,153	552	-481	-	-	3,224
Office equipment and tools	72,872	977	-	2,120	-	75,969
Other	14,246	-	-	-	-	14,246
Assets under construction	6,203	2,001	-	-2,120	-	6,084
	<u>169,408</u>	<u>3,842</u>	<u>-933</u>	<u>-</u>	<u>-</u>	<u>172,317</u>
	<u>Balance at 1 January Euro'000</u>	<u>Charge for the year Euro'000</u>	<u>Disposals Euro'000</u>	<u>Transfers Euro'000</u>	<u>Regularisations Euro'000</u>	<u>Balance at 31 December Euro'000</u>
Accumulated depreciation:						
Buildings and other constructions	16,687	555	-395	-	308	17,155
Plant and machinery	53	23	-	-	-	76
Transport equipment	1,274	613	-261	-	-	1,626
Office equipment and tools	62,052	3,092	-1	-	-	65,143
Other	4,443	1,424	-	-	-	5,867
	<u>84,509</u>	<u>5,707</u>	<u>-657</u>	<u>-</u>	<u>308</u>	<u>89,867</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The movement in "Property, Plant and Equipment", for the Company, and for the year 2006 is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	47,654	-	-919	-	-	46,735
Buildings and other constructions	27,420	-	-1,623	-	-	25,797
Plant and machinery	402	-	-	-	-	402
Transport equipment	2,986	819	-709	-	57	3,153
Office equipment and tools	70,576	1,036	-	1,007	253	72,872
Other	14,142	-	-	-	104	14,246
Assets under construction	12,087	4,423	-9,300	-1,007	-	6,203
	<u>175,267</u>	<u>6,278</u>	<u>-12,551</u>	<u>-</u>	<u>414</u>	<u>169,408</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation:						
Buildings and other constructions	17,625	568	-1,506	-	-	16,687
Plant and machinery	30	23	-	-	-	53
Transport equipment	1,118	563	-441	-	34	1,274
Office equipment and tools	58,015	3,792	-	-	245	62,052
Other	2,943	1,424	-	-	76	4,443
	<u>79,731</u>	<u>6,370</u>	<u>-1,947</u>	<u>-</u>	<u>355</u>	<u>84,509</u>

As at 31 December 2007 and for the Company, the Property, plant and equipment financed by leasing contracts amount to 2,760 thousand Euros (2,598 thousand Euros at 31 December 2006), with accumulated depreciation of 1,266 thousand Euros (871 thousand Euros at 31 December 2006) and the respective lease instalments payable amounting to 1,334 thousand Euros (1,606 thousand Euros at 31 December 2006). The property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2007			Dec 2006		
	Principal Euro'000	Interest Euro'000	Total Euro'000	Principal Euro'000	Interest Euro'000	Total Euro'000
Less than one year	624	49	674	611	48	659
Between one and five years	620	40	660	910	37	947
	<u>1,244</u>	<u>89</u>	<u>1,334</u>	<u>1,521</u>	<u>85</u>	<u>1,606</u>

During 2007, the costs incurred related to these assets amounts to 85 thousand Euros (29 thousand Euros as at 31 December 2006) and are booked under Maintenance and repairs in the income statement (Note 7).

16. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Cost:				
Industrial property, other rights and other intangibles	141,644	87,792	100	50
Concession rights	2,301,360	1,080,870	-	-
CO2 licenses	86,855	266,063	-	1,748
Intangible assets in progress	40,249	20,313	-	-
	<u>2,570,108</u>	<u>1,455,038</u>	<u>100</u>	<u>1,798</u>
Accumulated amortisation:				
Amortisation of concession and utilisation rights during the year	-66,208	-44,341	-	-
Amortisation of industrial property and other intangibles during the year	-18,300	-20,928	-9	-8
Accumulated amortisation in previous years	-312,459	-221,633	-35	-27
	<u>-396,967</u>	<u>-286,902</u>	<u>-44</u>	<u>-35</u>
Carrying amount	<u>2,173,141</u>	<u>1,168,136</u>	<u>56</u>	<u>1,763</u>

In 2007 the following amounts were booked in the caption "Concession rights": 759,000 thousand Euros relating to the amount payable by the EDP Group to extend the period of the concession of the public hydric domain, 393,136 thousand Euros relating to the financial compensation of the concession contract to use and sub-concession of the public hydric domain of the Alqueva and Pedrógão generation plants entered into between the EDP Group and EDIA — Empresa de Desenvolvimento e Infra-Estruturas de Alqueva, S.A. (amortised over the period established contractually — 35 years) and 59,246 thousand Euros relating to the financial compensation to use the public assets relating to the concession contracts of the subsidiaries Investco, S.A. and Enerpeixe, S.A.

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo), Escelsa (State of Espírito Santo) and Enersul (State of Mato Grosso do Sul) are amortised on a straight-line basis over the period of the concession until 2025, 2030 and 2030, respectively. The concession rights in Portugal relate to the natural gas distribution network in the North of the country, being amortised on a straight-line basis over the period of the concession, until 2028.

The caption "CO2 licenses" as at 31 December 2007 includes 86,855 thousand Euros (264,315 thousand Euros as at 31 December 2006) relating to CO2 emission licenses granted free of charge to plants operating in the free market for 2007 and 2006, respectively. This caption at 31 December 2006 also includes 1,748 thousand Euros relating to carbon funds. In Portugal, the CO2 licenses market is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) which covers the period 2005-2007. PNALE policies for granting greenhouse effect gas emission licenses for facilities in the Portuguese territory are based on an estimate of the emission licenses necessary up to the end of that period, considering historical data on emissions or forecasting of such emissions. PNALE foresees that the licenses for the existing production facilities, for the 2005-2007 period, will be attributed for free, limiting their use until the end of that period, after which they will be cancelled and will not be transferred for use in the European emission licenses market.

The movement in Intangible assets during 2007, for the Group, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles	87,792	745	-	25,689	5,243	22,175	141,644
CO2 licenses	266,063	53,651	-232,859	-	-	-	86,855
Intangible assets in progress	20,313	23,710	-	-5,541	1,767	-	40,249
Concession rights							
Concession rights - Brazil	928,638	59,246	-	-	9,108	-	996,992
Concession rights - gas	152,232	-	-	-	-	-	152,232
Use rights Alqueva/Pedrógão	-	393,136	-	-	-	-	393,136
Extension of the public hydric domain	-	759,000	-	-	-	-	759,000
	<u>1,455,038</u>	<u>1,289,488</u>	<u>-232,859</u>	<u>20,148</u>	<u>16,118</u>	<u>22,175</u>	<u>2,570,108</u>

In 2007 the EDP Group valued the assets, liabilities and contingent liabilities acquired from the Naturgás subgroup with the objective of allocating the purchase price (Purchase Price Allocation). Based on this valuation, the amount of 20,148 thousand Euros was transferred to industrial property, other rights and other intangibles.

Perimeter variation include increases resulting from the acquisition of Horizon, Levante and Malhadizes.

Disposals of CO2 licenses in the amount of 232,859 thousand Euros corresponds to the amount of CO2 licenses consumed in 2006 and delivered to "Instituto do Ambiente" (Environmental Institute) in 2007.

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:							
Industrial property and other rights	45,672	18,300	-	-	3,598	534	68,104
Concession rights	241,230	66,208	-	-	619	20,806	328,863
	<u>286,902</u>	<u>84,508</u>	<u>-</u>	<u>-</u>	<u>4,217</u>	<u>21,340</u>	<u>396,967</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The movement in Intangible assets in 2006, for the Group, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles	269,323	776	-263	13,903	-1,910	-194,037	87,792
CO2 licenses	99,381	299,741	-105,790	-27,989	-	720	266,063
Intangible assets in progress	7,281	20,569	-2,339	-13,903	-456	9,161	20,313
Utilisation rights (telecommunications)	32,890	-	-	-	-	-32,890	-
Concession rights							
Concession rights - Brazil	930,925	-	-	-	-2,287	-	928,638
Concession rights - Portugal	-	45,218	-	107,014	-	-	152,232
Operating rights and wind generation licenses	482,438	-	-	-482,438	-	-	-
	<u>1,822,238</u>	<u>366,304</u>	<u>-108,392</u>	<u>-403,413</u>	<u>-4,653</u>	<u>-217,046</u>	<u>1,455,038</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Losses/ Reversal of Impairment Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	144,526	20,928	-201	-	-	-1,053	-118,528	45,672
Utilisation rights (telecommunications)	16,254	3,289	-	-	-	-	-19,543	-
Concession rights	199,455	41,052	-	-	-	-151	874	241,230
	<u>360,235</u>	<u>65,269</u>	<u>-201</u>	<u>-</u>	<u>-</u>	<u>-1,204</u>	<u>-137,197</u>	<u>286,902</u>

The movement in Intangible assets in 2007, for the Company, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	50	50	-	-	-	100
CO2 licenses	1,748	1,010	-	-2,758	-	-
	<u>1,798</u>	<u>1,060</u>	<u>-</u>	<u>-2,758</u>	<u>-</u>	<u>100</u>
	<u>Balance at 1 January Euro'000</u>	<u>Charge for the year Euro'000</u>	<u>Disposals Euro'000</u>	<u>Transfers Euro'000</u>	<u>Regularisations Euro'000</u>	<u>Balance at 31 December Euro'000</u>
Accumulated amortisation:						
Industrial property and other rights	35	9	-	-	-	44
	<u>35</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44</u>

The movement in Intangible assets in 2006, for the Company, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	349	-	-	-	-299	50
CO2 licenses	-	1,449	-	-	299	1,748
	<u>349</u>	<u>1,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,798</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:						
Industrial property and other rights	27	8	-	-	-	35
	<u>27</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>

17. Goodwill

Goodwill for the Group, resulting from the difference between the cost of investments and the corresponding share of the fair value of the net assets acquired, is analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Electricity business:		
Hidroantábrico Group	1,002,660	1,009,891
Neo Energia Group	704,820	658,518
Horizon Group	539,353	-
Brazil Group	64,511	64,511
Other	523	-
	<u>2,311,867</u>	<u>1,732,920</u>
Gas distribution business:		
Naturgás Group	736,824	737,547
	<u>3,048,691</u>	<u>2,470,467</u>

For financial statements presentation purposes, "Goodwill" resulting from the acquisition of associated companies, in the amount of 100,928 thousand Euros (83,364 thousand Euros at 31 December 2006), is presented in "Investments in associates".

The movements in Goodwill in 2007, by business segment, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Electricity business:							
Hidroantábrico Group	1,009,891	8,627	-	-	-	-15,858	1,002,660
Neo Energia Group	658,518	223,044	-192,600	-	-	15,858	704,820
Horizon Group	-	583,264	-	-	-43,911	-	539,353
Brazil Group	64,511	-	-	-	-	-	64,511
Others	-	523	-	-	-	-	523
	<u>1,732,920</u>	<u>815,458</u>	<u>-192,600</u>	<u>-</u>	<u>-43,911</u>	<u>-</u>	<u>2,311,867</u>
Gas distribution business:							
Naturgás Group	737,547	30,364	-31,087	-	-	-	736,824
	<u>737,547</u>	<u>30,364</u>	<u>-31,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,824</u>
	<u>2,470,467</u>	<u>845,822</u>	<u>-223,687</u>	<u>-</u>	<u>-43,911</u>	<u>-</u>	<u>3,048,691</u>

The movements in Goodwill in 2006, by business segment, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Electricity business:							
Hidroantábrico Group	1,191,889	-	-	-	-	-181,998	1,009,891
Neo Energia Group	-	457,545	-	-	-	200,973	658,518
Brazil Group	64,511	-	-	-	-	-	64,511
	<u>1,256,400</u>	<u>457,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,975</u>	<u>1,732,920</u>
Gas distribution business:							
Naturgás Group	591,993	125,142	-	-	-	20,412	737,547
Portgás, S.A.	107,014	-	-	-	-	-107,014	-
	<u>699,007</u>	<u>125,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-86,602</u>	<u>737,547</u>
	<u>1,955,407</u>	<u>582,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-67,627</u>	<u>2,470,467</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

According to IFRS 3, goodwill arising on business combination is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that it might be impaired.

The increase in goodwill relating to Hidrocontábrico results from the revaluation of the liability relating to the anticipated acquisition of minority interests.

During 2007, Neo — Nuevas Energías de Occidente, S.L. booked an increase in goodwill of 142,112 thousand Euros resulting from the anticipated acquisition of minority interests from Caja Madrid.

Additionally, Neo — Nuevas Energías de Occidente, S.L., recorded 57,918 thousand Euros in goodwill resulting from the acquisition of the Relax Wind Parks Group. During 2008, the EDP Group will complete its analysis to determine the fair value of the assets and liabilities acquired and the corresponding allocation, of the purchase price to the related assets, liabilities and contingent liabilities.

In 2007 the NEO Group also recognised goodwill of 23,014 thousand Euros resulting from the acquisition of the following wind generating companies: Malhadizes, S.A.; Levante, Lda.; Delugo, S.A.U.; D. E. Rabosera, S.A., among others.

In 2006 the NEO subgroup recorded 292,196 thousand Euros in goodwill resulting from the acquisition of 100% of the share capital of the companies Tarcan, Greenwind, Ceasa and Agrupación Eólica. In 2007 the NEO subgroup performed the purchase price allocation of the business combination to the identifiable assets, liabilities and contingent liabilities based on a valuation performed by an independent entity, and recognised a decrease in goodwill of 189,137 thousand Euros.

The increase in goodwill of the Naturgás subgroup includes 9,970 thousand Euros resulting from the acquisition by Hidrocontábrico of an additional participation of 9.39% in Naturgás Energía Grupo, S.A. and an increase of 20,394 thousand Euros resulting from revaluation of the liability relating to anticipated acquisition of minority interests corresponding to 30.4% of the Naturgás subgroup.

The purchase price of the acquisitions recorded at the end of 2006 (Bilbogás, Gás Natural de Alava, Gás Hernani and Gás Pasaia) was allocated in 2007 to the related assets, liabilities and contingent liabilities based on their fair value, and the goodwill initially recorded in 2006 was reduced by 31,087 thousand Euros.

On 2 July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of Horizon Wind Energy, LLC (Horizon), the parent company of a subgroup of companies that operate in the development, management and operation of wind farms facilities in the United States of America. The acquisition cost, amounts to 1,950,184 thousand Euros (including transaction costs) includes goodwill of 583,264 thousand Euros, calculated after the fair value allocation to the assets, liabilities and contingent liabilities.

This acquisition was financed through bonds and bank loans in USD obtained by the companies EDP Finance, B.V. and EDP, S.A. The EDP Group adopted a net investment hedge accounting, recording exchange variations on the loans and of the related investment, against consolidated exchange reserves.

At the acquisition date, a valuation of the assets and liabilities related to the acquisition of Horizon was made by an external entity. The most significant amounts are detailed as follows:

	Book value at acquisition date Euro'000	Fair value adjustments Euro'000	Assets and liabilities at fair value Euro'000
Assets			
Property, plant and equipment	1,219,668	417,230	1,636,898
Intangible assets	12,939	-1,164	11,775
Investments in associates	609	2,556	3,165
Receivables and other assets	17,389	14,693	32,082
Total non-current assets	1,250,605	433,315	1,683,920
Receivables and other assets	20,083	-	20,083
Cash and cash equivalents	88,892	-	88,892
Total current assets	108,975	-	108,975
Total assets	1,359,580	433,315	1,792,895
Liabilities			
Energy sales contracts	128	140,124	140,252
Payables and other liabilities	21,557	-	21,557
Total non-current liabilities	21,685	140,124	161,809
Total current liabilities	264,166	-	264,166
Total liabilities	285,851	140,124	425,975
Assets and liabilities identified in the acquisition			1,366,920
Purchase price			1,950,184
Goodwill			583,264

The amount of 1,636,898 thousand Euros, resulting from recognition of the fair value of the projects operating and in development as of the acquisition date, was recognised under Property, plant and equipment. No value was attributed to projects in the research phase.

In the process of identifying intangible assets, an amount of 11,775 thousand Euros was recognised from: 1) energy sales contracts with fixed future amounts (favourable contracts recognised as intangible assets) and 2) turbine purchase contracts with amounts fixed in advance.

The energy sales contracts which have negative amounts, were recognised as liabilities as they were unfavourable to Horizon on the acquisition date.

Receivables and other assets includes 32,082 thousand Euros relating to the following: 1) royalty contract entered into with a third party entity, and 2) maintenance contract at a fixed price.

Development of Horizon's operations was made with institutional equity investors that financed Horizon's subsidiaries Vento I and Vento II in direct corporate partnership in the specified wind farms projects. The investors made an advance payment of 733,273 thousand Euros to Horizon to obtain and benefit from the production tax credits (PTC) and accelerated depreciation of the property, plant and equipment, as well as a contractually defined percentage of the free financial cash flows generated.

18. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Historical acquisition cost	9,528,756	8,312,773
Effect of equity method (transition to IFRS)	-1,165,796	-1,468,191
Equity investments in subsidiaries	8,362,960	6,844,582
Impairment losses on equity investments in subsidiaries	-15,510	-170,902
	<u>8,347,450</u>	<u>6,673,680</u>

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

During 2007, following an internal review of the recoverable amount of its investments, EDP, S.A. recognised an impairment loss of 15,510 thousand Euros on EDP Investimentos, S.G.P.S., S.A..

Following the completion of the sale of the investment in ONI, S.G.P.S., S.A. in January 2007, the impairment loss of 170,765 thousand Euros recognised up to that date was used.

"Investments in subsidiaries" is analysed as follows:

	Company	
	Dec 2007 Net amount Euro'000	Dec 2006 Net amount Euro'000
Investments in subsidiaries companies:		
EDP Distribuição de Energia, S.A.	1,591,145	1,591,145
EDP Comercial, S.A.	163,463	99,702
EDP Gestão de Produção de Energia, S.A.	2,155,304	2,067,565
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,795	342,795
Enernova, S.A.	-	882
EDP Produção Bioelétrica, S.A.	6,595	6,600
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	6,550
Edalpro - Imobiliária, Lda.	748	748
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brazil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance Company, Ltd.	2,001	2,001
Neo-Nuevas Energías de Occidente S.A.	-	60,095
Sávida, S.A.	2,552	2,552
EDP Investimentos, S.G.P.S., S.A.	47,251	62,761
EDP Imobiliária e Participações, S.A.	4,458	4,458
Balwerk, S.A.	1,686	1,686
Patrimonial de la Ribera del Ebro, S.L.	-	4,000
EDP Renováveis S.L.	1,899,889	-
Others	2,512	2,639
	<u>8,347,450</u>	<u>6,673,680</u>

The movement for the year in 2007 in relation to Investments in subsidiaries is analysed as follows:

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

In September 2007 EDP, S.A. acquired an additional 40% participation in EDP Comercial, S.A. (EDP Comercial) from EDP Gestão da Produção, S.A. (EDP Produção) for 61,500 thousand Euros, becoming its single shareholder. Subsequently, in compliance with the Group's strategy, a partial spin-off of EDP Comercial was carried out with a view to transfer the assets and liabilities relating to the electricity generation in mini hydroelectric plants and the subsequent merger into EDP Produção. As a result of this operation, the share capital of EDP Comercial was decreased by 87,739 thousand Euros, resulting in a reduction of the EDP, S.A.'s investment in EDP Comercial and an increase in the investment in EDP Produção by the same amount. In addition, EDP Energias de Portugal made a supplementary capital contribution of 90,000 thousand Euros in EDP Comercial.

EDP Gás, SGPS, S.A. and EDP Valor, S.A. repaid supplementary capital contributions in the amount of 295,000 thousand Euros and 2,000 thousand Euros, respectively.

EDP, S.A. performed a capital increase in Neo - Nuevas Energías de Occidente, S.A. in kind through the transfer of its 10% participation in Enernova, S.A.

EDP sold a 5% participation in EDP Bioeléctrica, S.A. to EDP Produção and a 5% participation to Enernova.

The 30% participation in Patrimonial de la Ribera del Ebro, S.L. was sold to EDP Gestão de Produção de Energia, S.A. generating a gain of 2,048 thousand Euros.

During 2007, EDP Energias de Portugal S.A. incorporated a branch in Spain - EDP Energias de Portugal Sucursal em España, S.A. (EDP Sucursal), and transferred the participations in Nuevas Energías de Occidente, S.L., Horizon Wind Energy, LLC and Iberenergia, S.A. to this branch.

EDP Renováveis was incorporated on 4 December 2007 with share capital of 15 thousand Euros consisting of 1,500 shares of 10 Euros each, fully subscribed for and paid up by EDP Energias de Portugal Sucursal em España, S.A. On 18 and 21 December 2007 EDP Sucursal performed a capital increase in EDP Renováveis through the incorporation of its participations of 60% in Nuevas Energías de Occidente, S.L. and 100% in Horizon Wind Energy LLC.

The subsidiary companies consolidated under the full consolidation method as at 31 December 2007 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Portugal									
Group Parent Company and Related Activities									
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715 EUR	16,574,107	10,311,049	6,263,055	2,684,478	502,158	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	289,686	283,197	6,489	7,112	4,376	100.00%	100.00%
Edalpro - Imobiliária, Lda.	Lisbon	748,197 EUR	341	10	331	280	189	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	7,141	6,907	234	20,224	-381	100.00%	100.00%
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000 EUR	214,752	13,682	201,070	18,017	10,977	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	530,598	332,012	198,586	122,182	-66,763	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	5,431	5,795	-364	4,116	-414	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006 EUR	262,058	215,775	46,283	10,702	8,212	100.00%	-
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	41,942	52,103	-10,161	65,286	7,567	100.00%	100.00%
EDP Internacional S.A.	Lisbon	50,000 EUR	3,361	3,293	68	1,784	-117	100.00%	100.00%
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavém	2,200,000 EUR	14,303	12,464	1,839	13,560	1,406	100.00%	100.00%
MRH - Mudança e Recursos Humanos, S.A.	Lisbon	750,000 EUR	1,475	707	767	1,232	320	100.00%	-
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	14,410	21,330	-6,920	38,866	1,111	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	159	183	-25	77	-80	100.00%	-
Electricity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	6,873,010	4,672,999	2,200,012	1,504,594	411,633	100.00%	100.00%
Energim, S.A.	Lisbon	50,000 EUR	47,689	42,865	4,823	9,195	3,780	65.00%	-
Hidrabasto, Lda.	Cabeceiras	100,000 EUR	105	-	105	1	1	60.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortágua	500,000 EUR	7,749	7,629	121	10,157	-100	60.00%	-
Soporgem, S.A.	Lisbon	50,000 EUR	37,710	29,253	8,457	43,996	3,497	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoelectricas, S.A.	Carregado	250,000 EUR	1,255	904	351	1,377	33	80.00%	-
Renewable Energies:									
Bolores-Energia Eólica, S.A.	Lisbon	200,000 EUR	17,865	18,112	-247	3,196	-46	98.74%	-
Enerallius-Produção de Energia Electrica, S.A.	Lisbon	1,505,000 EUR	50,490	46,754	3,735	8,127	119	98.74%	-
Enernova - Novas Energias, S.A.	Lisbon	7,500,000 EUR	558,631	504,713	53,918	58,756	9,861	98.74%	-
Eólica da Alagôa, S.A.	Arcos Valdevez	50,000 EUR	16,030	12,922	3,108	3,459	937	59.24%	-
Eólica da Serra das Alturas, S.A.	Porto	50,000 EUR	1,748	1,723	25	-	-17	49.47%	-
Eólica de Montenegro, Lda	Vila Pauca de Aguiar	50,000 EUR	3,408	3,358	50	-	-	49.46%	-
Levante - Energia Eólica, Unipessoal, Lda	Porto Salvo	5,000 EUR	47,039	46,186	853	6,265	656	98.74%	-
Malhadizes, S.A.	Porto Salvo	50,000 EUR	32,807	32,733	74	926	26	98.74%	-
Safra - Energia Eólica, S.A.	Leiria	50,000 EUR	60,453	58,622	1,831	7,665	1,781	98.74%	-
Electricity Transmission:									
EDP Distribuição de Energia, S.A.	Lisbon	1,014,500,000 EUR	5,700,434	5,334,346	366,088	2,487,043	230,878	100.00%	100.00%
EDP Powerline, Infraestruturas de Comunicação, S.A.	Lisbon	50,000 EUR	452	4,395	-3,944	180	-1,321	100.00%	-
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	1,296,921	1,443,839	-146,917	4,515,296	-157,017	100.00%	-
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	89,215	73,723	15,492	143,016	8,600	100.00%	100.00%
Gas Distribution:									
EDP GÁS Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	11,625	10,358	1,266	11,575	1,216	100.00%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	13,169	12,644	526	520	80	60.00%	-
EDP Investimentos, S.G.P.S., S.A.	Lisbon	5,489,000 EUR	61,283	16,485	44,798	19	-91	100.00%	100.00%
EDP Gás III S.G.P.S., S.A.	Lisbon	5,500,000 EUR	62,436	32,145	30,292	9	-34	100.00%	-
NQF-Gás, S.G.P.S., SA	Lisbon	5,000,000 EUR	54,759	20,210	34,549	1,231	-196	100.00%	-
PORTGÁS - Serviço Universal, S.A.	Porto	50,000 EUR	50	-	50	-	-	71.97%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Porto	7,909,150 EUR	319,630	257,255	62,375	108,466	15,187	71.97%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Electricity Commercialisation:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695 EUR	113,048	109,797	3,251	349,857	-28,638	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000 EUR	3,271	3,328	-57	5,329	419	100.00%	100.00%
QEngenharia - Sistemas para a Qualidade e Gestão da Energia, S.A.	Massamá	50,000 EUR	622	234	388	208	-18	55.00%	-
Telecommunications:									
093X - Telecomunicações Celulares, S.A.	Lisbon	1,996,000 EUR	172,213	188,749	-16,536	3,761	-66,964	100.00%	-
FCTE - Forum do Comércio, Transações Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000 EUR	12	519	-506	-	-6	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000 EUR	1,151	65,201	-64,049	201	110	100.00%	-
OPTIP SGP, S.A.	Lisbon	5,500,000 EUR	218,099	96,660	121,439	130,510	129,955	100.00%	100.00%
U Call - Atendimento a Clientes e Telemarketing, S.A.	Lisbon	50,000 EUR	149	822	-674	32	-48	60.00%	-
Spain									
Parent Company and Related Activities:									
EDP Renováveis S.L.	Oviedo	18,872,980 EUR	1,912,742	11,487	1,901,255	37,994	44	100.00%	100.00%
Hidroeléctrica del Cantábrico, S.A.	Oviedo	421,739,790 EUR	4,717,462	2,870,534	1,846,927	949,344	96,427	96.86%	96.86%
Hidrocantábrico Gestión de la Energía S.A.	Oviedo	5,078,029 EUR	483,025	578	482,447	5,025	2,036	96.86%	-
Hidrocantábrico Servicios S.A.	Oviedo	60,150 EUR	10,237	5,024	5,212	21,812	1,267	96.86%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	17,962	17,181	780	15,896	634	63.51%	-
Nuevas Energías de Occidente, S.L.	Oviedo	30,000,000 EUR	2,328,148	2,102,722	225,426	61,649	-16,865	98.74%	-
Electricity - Spain:									
Electricity Generation:									
Ambitec Laboratorio Medioambiental ITSEMAPI, S.A.	Madrid	1,021,700 EUR	1,216	946	270	873	-240	96.86%	-
Ceprastur AIE	Oviedo	360,607 EUR	412	2	410	11	3	44.84%	-
Cerámica Técnica de Illescas Cogeneración, S.A.	Madrid	62,247 EUR	1,211	1,719	-507	1,092	-300	87.17%	-
Cogeneración del Esla, S.A.	Madrid	1,081,800 EUR	1,475	3,528	-2,053	2,016	-3,110	87.17%	-
Eléctrica de la Ribera del Ebro S.A.	Pamplona	5,000,000 EUR	715,371	644,116	71,256	121,330	6,035	97.68%	-
Energía e Industria de Toledo, S.A.	Madrid	2,139,603 EUR	4,799	8,460	-3,662	3,692	-4,425	87.17%	-
HDC Explotación Centrales, S.A.	Oviedo	60,150 EUR	52,401	67,672	-15,271	3,212	-15,504	96.86%	-
Mazarrón Cogeneración, S.A.	Madrid	70,000 EUR	744	5,246	-4,502	1,796	-3,396	87.17%	-
Patrimonial de la Ribera del Ebro, S.L.	Pamplona	150,000,000 EUR	594,013	293	593,720	889	598	97.68%	-
Rasocal Cogeneración S.A.	Madrid	60,200 EUR	7	423	-416	-	-	47.40%	-
Renovamed S.A.	Madrid	60,200 EUR	1,063	1,584	-521	742	-195	72.64%	-
Renewable Energies:									
Acampo Arias,S.L.	Zaragoza	3,314,300 EUR	19,115	15,800	3,315	320	-	96.96%	-
Agrupación Eólica, SLU	Zaragoza	772,404 EUR	65,052	19,882	45,171	1,882	-301	98.74%	-
Casasa Promociones Eólicas, SLU	Zaragoza	1,205,029 EUR	2,890	2,293	597	1,233	-523	98.74%	-
Cia. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	69,116 EUR	66	12	55	-	-	98.74%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,384	264	1,120	579	181	74.88%	-
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	86,480 EUR	85	1	85	-	-	98.74%	-
Desarrollos Eólicos Promocion, S.A.	Sevilla	8,061,000 EUR	40,835	14,796	26,038	11,240	10,494	78.99%	-
Desarrollo Eólico Almarchal, SAU	Cádiz	2,061,190 EUR	21,632	18,910	2,722	2,777	228	78.99%	-
Desarrollo Eólico Buenavista, SAU	Cádiz	1,712,369 EUR	12,904	9,183	3,722	2,563	623	78.99%	-
Desarrollo Eólico de Corme, S.A.	La Coruña	3,666,100 EUR	12,684	4,899	7,786	3,696	1,234	75.04%	-
Desarrollo Eólico de Lugo, SAU	Lugo	7,761,000 EUR	79,946	62,994	16,952	18,505	6,345	78.99%	-
Desarrollo Eólico de Tarifa, SAU	Cádiz	5,799,650 EUR	16,836	7,954	8,883	4,952	1,457	78.99%	-
Desarrollo Eólico Dumbria, SAU	La Coruña	61,000 EUR	84,697	82,439	2,258	9,082	1,739	78.99%	-
Desarrollo Eólico REBOSERA, S.L.	Huesca	7,560,950 EUR	40,192	28,300	11,891	8,039	2,725	75.04%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	28,830	19,090	9,740	6,459	2,037	46.08%	-
Desarrollos Catalanes Del Viento,S.L	Barcelona	794,000 EUR	4,344	3,554	791	149	8	59.25%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruña	6,130,200 EUR	12,635	4,119	8,516	4,121	1,303	76.36%	-
Desarrollos Eolicos, S.A.	Sevilla	1,056,225 EUR	99,166	80,340	18,826	104,811	-301	78.99%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	36,036	36,026	10	848	-	78.99%	-
ELC-ALFOZ	Madrid	10,000 EUR	10,000	27,847	10	246	-	71.08%	-
Eneroliva S.A.	Sevilla	75,120 EUR	126	57	68	-	-	78.99%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	31,515	24,585	6,930	6,107	1,518	61.22%	-
Eólica Campollano S.A.	Madrid	6,559,994 EUR	109,675	96,168	13,507	19,323	3,059	59.25%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	59,208	59,159	49	4,662	46	78.99%	-
Eólica Mare Nostrum, S.A.	Valencia	60,120 EUR	-	42	-	-	-	47.40%	-
Eólica Sierra de la Peña S.A.	Madrid	3,294,000 EUR	78,534	71,711	6,823	11,223	1,435	67.07%	-
Eólica Sierra de la Peña S.L.	Albacete	1,141,900 EUR	27,940	25,841	2,099	4,063	729	78.99%	-
Genesa I S.L.	Madrid	28,562,170 EUR	489,911	304,768	185,143	270,578	18,494	78.99%	-
Guadaleba	Sevilla	10,000 EUR	10	1	10	-	-	78.99%	-
Hidrocantábrico Congeneracion S.L.	Oviedo	2,914,650 EUR	54,638	30,668	23,969	22,097	-12,263	96.86%	-
Hidroeléctrica del Rumberal, S.L.	Madrid	276,460 EUR	899	772	127	6	-100	63.20%	-
Hidroeléctrica Fuentetormosa, S.L.	Oviedo	77,036 EUR	339	110	249	89	30	71.05%	-
Hidroeléctrica Gornaz S.A.	Salamanca	60,701 EUR	543	519	23	66	7	59.25%	-
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	1,918,728 EUR	36,491	33,996	2,495	3,348	621	98.74%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	71.10%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Madrid	2,996,022 EUR	15,187	16,254	-1,067	8,597	-1,389	96.86%	-
Investigación y Desarrollo de Energías Renovables, S.L.	León	8,686,145 EUR	119,963	111,536	8,427	3,030	127	62.87%	-
Lajanda	Madrid	10,000 EUR	26,824	26,815	9	575	-1	78.99%	-
Lanavica	Madrid	10,000 EUR	20,233	20,223	10	420	-	78.99%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300 EUR	716	575	141	179	16	78.99%	-
NEO Catalunya SL	Barcelona	10,000 EUR	10	-	10	-	-	98.74%	-
NEO Energía Aragón SL	Madrid	10,000 EUR	10	-	10	-	-	98.74%	-
Neomal Inversiones SICAV, SA	Madrid	33,358,370 EUR	39,932	125	39,807	3,533	3,371	98.74%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	55,043	48,438	6,605	9,241	2,285	78.99%	-
Parque Eólico la Solanera, S.L.	Zaragoza	2,000,000 EUR	23,126	18,958	4,168	4,781	1,507	51.23%	-
Parque Eólico Los Cantales, SLU	Zaragoza	1,963,050 EUR	32,723	30,771	1,952	880	-	98.74%	-
Parque Eólico Montes de Castejón, S.L.	Zaragoza	12,024 EUR	49	40	9	-	-	98.74%	-
Parque Eólico Plano de Artajona, SLU	Zaragoza	12,024 EUR	67	58	9	-	-	98.74%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000 EUR	8,041	5,772	2,268	1,759	91	59.25%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	57,934	38,132	19,803	11,810	1,980	78.99%	-
Renovables Castilla la Mancha, S.A.	Albacete	15,026 EUR	40,959	40,944	15	717	-	71.10%	-
Sierraavila	Madrid	10,000 EUR	16,658	16,648	10	147	-	75.04%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	2	1	1	-	-1	78.99%	-
Sinova Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	83,437	69,758	13,680	10,197	5,272	78.99%	-
Sinova Medioambiental, S.A.	Soria	2,687,364 EUR	17,591	16,168	1,423	9,309	-389	81.36%	-
Sotromal, S.A.	Soria	112,880 EUR	29	196	-166	-	-	71.10%	-
Tratamientos Ambientales Sierra de la Tercia, S.A.	Madrid	3,731,202 EUR	13,407	8,040	5,367	12,722	-1,460	85.24%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	64	-	64	1	-	63.20%	-
Tratamientos Medioambientales Río Solón, S.A.	Madrid	60,200 EUR	72,770	72,587	183	5,531	122	78.99%	-
Valle del Ebro Ingeniería y Consultoría, S.L.	Zaragoza	188,047 EUR	3,352	87	3,265	670	498	78.99%	-
Veinco Energía Limpia SLU	Zaragoza	3,043 EUR	5,076	4,733	343	147	146	78.99%	-

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Electricity Transmission:									
Electra de Llobregat Energía, S.L.	Oviedo	150,000 EUR	150	-	150	-	-	72.64%	-
Hidroantabrico Distribución Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	679,305	488,232	191,073	608,952	21,834	96.86%	-
Hidroantabrico Explotación Redes, S.A.	Oviedo	70,000 EUR	927	1,132	-204	2,357	-464	96.86%	-
Gas:									
Gas de Euskadi Transporte de Gas, S.A.U.	Bilbao	12,880,200 EUR	106,922	54,145	52,777	53,508	3,001	63.51%	-
Naturgas Comercializadora, S.A.	Bilbao	3,185,300 EUR	175,675	171,302	4,372	650,203	9,916	63.51%	-
Naturgás Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,377,185	234,213	1,142,973	252,454	69,409	63.51%	-
Naturgás Energía Grupo, S.A.	Bilbao	316,516,400 EUR	1,382,220	337,386	1,044,833	513,198	47,490	63.51%	-
Naturgas Participaciones, S.A.U.	Bilbao	300,500 EUR	3,728	3,149	579	491	269	63.51%	-
Septentrional de Gas, S.A.	León	5,105,000 EUR	32,204	23,441	8,763	4,233	1,443	44.46%	-
Electricity Commercialisation:									
EDP Energía Ibérica, S.A.	Madrid	60,200 EUR	2,172	15,537	-13,365	171	120	100.00%	-
Hidroantabrico Energía Verde, S.A.U.	Oviedo	60,300 EUR	11,132	5,425	5,707	24,139	3,583	96.86%	-
Hidroantabrico Energía, S.A.U.	Oviedo	500,000 EUR	186,059	350,972	-164,913	732,115	33,011	96.86%	-
Brazil									
Parent Company and Related Activities:									
EDP Energias do Brasil, S.A.	São Paulo	3,182,715,954 BRL	1,739,942	91,916	1,648,025	351,732	273,138	62.69%	24.21%
Energest, S.A.	São Paulo	120,480,870 BRL	122,825	48,702	74,123	49,135	32,311	62.69%	-
Escelsapar	Espirito Santo	2,800,000 BRL	2,203	2,280	-77	990	51	62.69%	-
Santa-Fé Energia, S.A.	Espirito Santo	1,000 BRL	174	173	-	-	-	62.69%	-
Electricity - Brazil:									
Electricity Generation:									
CESA - Castelo Energética, S.A.	São Paulo	19,170,679 BRL	84,656	60,382	24,274	23,331	12,938	62.69%	-
Costa Rica Energética, Lda.	Mato Grosso Sul	14,318,185 BRL	8,688	2,111	6,576	5,348	4,039	31.97%	-
EDP Lajeado Energia, S.A.	São Paulo	243,055,841 BRL	189,365	10,977	178,389	46,671	12,462	37.57%	-
Enercoito, S.A.	São Paulo	1,000 BRL	1,238	1,381	-143	-	-4	62.69%	-
Enerpeixe, S.A.	São Paulo	807,322,038 BRL	835,089	457,740	377,349	121,686	33,744	37.61%	-
Pantanal	São Paulo	25,932,044 BRL	32,267	14,059	18,207	7,722	4,400	62.69%	-
Electricity Transmission:									
Bandeirante Energia, S.A.	São Paulo	254,628,684 BRL	915,770	556,498	359,273	834,128	136,685	62.69%	-
Enersul - Empresa Energética de Mato Grosso do Sul, S.A.	Mato Grosso Sul	463,412,296 BRL	711,066	446,752	264,315	375,806	7,892	62.69%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630 BRL	782,421	472,771	309,651	519,429	62,667	62.69%	-
Electricity Commercialisation:									
Enertrade - Comercializadora de Energia, S.A.	São Paulo	26,284,758 BRL	54,545	32,940	21,605	235,256	13,069	62.69%	-
Electricity - France:									
Renewable Energies:									
Bourbriac	Paris	50,000 EUR	2,553	2,507	47	6	-3	98.74%	-
C.E. Aysse-les-Truel	Paris	150,000 EUR	3,330	3,188	143	28	-7	98.74%	-
C.E. Beaurevoir, SAS	Paris	50,000 EUR	1,382	1,345	38	39	-2	98.74%	-
C.E. Calanhel Lohuec, SAS	Paris	80,000 EUR	73	1	72	-	-4	98.74%	-
C.E. Canet-Pont de Salars	Paris	125,000 EUR	8,506	8,418	89	113	-21	98.74%	-
C.E. Gueltas Noyal-Pontivy	Paris	2,261,000 EUR	10,669	7,513	3,156	2,062	777	98.74%	-
C.E. Les Vieilles, SAS	Paris	300,000 EUR	38	1	37	-	-3	98.74%	-
C.E. Potay, SAS	Paris	1,640,000 EUR	16,970	14,790	2,179	1,780	-6,421	98.74%	-
C.E. Pont d'Yeu, SAS	Paris	150,000 EUR	9	1	8	-	-3	98.74%	-
C.E. Saint Alban-Henansal	Paris	50,000 EUR	3,173	3,136	38	22	-3	98.74%	-
C.E. Saint Barnabe, SAS	Paris	1,600,000 EUR	16,626	14,771	1,855	1,406	-5,791	98.74%	-
C.E. Segur, SAS	Paris	1,615,000 EUR	16,024	14,057	1,967	1,594	-6,837	98.74%	-
Kerantouler, S.A.S.	Carhaix	37,000 EUR	11,955	11,902	52	1,383	-7,932	98.74%	-
Le Gallot, S.A.S.	Carhaix	37,000 EUR	13,339	13,352	-13	1,522	-9,256	98.74%	-
Parc Eolien Les Bles D'Or S.A.R.L.	Toulouse	1,000 EUR	1,025	1,031	-5	-	-	98.74%	-
Pieces de Vigne S.A.R.L.	Toulouse	1,000 EUR	1	5	-4	-	-	98.74%	-
Pluvien Breiz, S.A.S.	Carhaix	40,000 EUR	15,557	16,275	-718	539	-4,702	98.74%	-
Prouville	Paris	37,500 EUR	3,324	3,290	34	9	-3	98.74%	-
Recherches et Dével. Eoliennes	Paris	750,000 EUR	8,628	7,353	1,275	3,423	50	98.74%	-
Saint Jacques, S.A.R.L.	Toulouse	1,000 EUR	626	627	-1	-	-	98.74%	-
Truc L'horne	Paris	37,500 EUR	38	4	34	-	-3	98.74%	-
Electricity - Poland:									
Renewable Energies:									
Chodow Wind Park	Varsóvia	13,939 EUR	14	-	14	-	-	98.74%	-
Kip Wind Park I	Varsóvia	13,939 EUR	14	-	14	-	-	98.74%	-
Kip Wind Park II	Varsóvia	13,939 EUR	14	-	14	-	-	98.74%	-
Relax Wind Park I	Varsóvia	211,876 EUR	2,201	2,096	105	-	-	72.38%	-
Relax Wind Park III	Varsóvia	117,089 EUR	198	82	116	-	-	50.36%	-
Relax Wind Park V	Varsóvia	142,180 EUR	145	4	141	-	-	98.74%	-
Relax Wind Park VI	Varsóvia	13,939 EUR	11	-	11	-	-	98.74%	-
SK Wind Park	Varsóvia	13,939 EUR	14	-	14	-	-	98.74%	-
Sokolowo Wind Park	Varsóvia	13,939 EUR	312	331	-19	-	-	98.74%	-
Zulawy Wind Park II	Varsóvia	13,939 EUR	11	-	11	-	-	98.74%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
United States of America									
Parent Company:									
Horizon Wind Energy LLC	Houston, Texas	2,632,620,908 USD	2,325,503	541,083	1,784,420	4,548	-12,205	100.00%	-
Electricity - United States of America:									
Renewable Energies:									
2007 Vento I LLC	Houston, Texas	1,334,380,971 USD	924,504	18,140	906,364	534	-83	100.00%	-
Arlington Wind Power Project LLC	Houston, Texas	13,149,501 USD	12,649	3,721	8,928	-	-5	100.00%	-
Aroostook Wind Energy LLC	Houston, Texas	1,257,610 USD	1,605	754	851	-	-3	100.00%	-
BC2 Maple Ridge Wind LLC	Houston, Texas	484,926,825 USD	341,674	12,578	329,097	3,492	-315	100.00%	-
Blue Canyon Windpower II LLC	Houston, Texas	227,042,507 USD	174,011	18,549	155,463	4,985	1,233	100.00%	-
Chocolate Bayou Windpower I, LP	Houston, Texas	3,438,824 USD	2,432	96	2,336	-	-	100.00%	-
Clinton County Wind Farm, LLC	Houston, Texas	18,335,120 USD	25,643	13,193	12,450	-	-5	100.00%	-
High Prairie Wind Farm II, LLC	Houston, Texas	3,505,536 USD	124,801	122,176	2,625	472	244	100.00%	-
High Trail Wind Farm, LLC	Houston, Texas	459,409,684 USD	324,913	12,991	311,922	9,851	-156	100.00%	-
Horizon Wind Energy Company LLC	Houston, Texas	- USD	491,086	489,893	1,192	1,871	1,192	100.00%	-
Horizon Wind Energy International	Houston, Texas	5,691,290 USD	4,140	181	3,958	99	92	100.00%	-
Horizon Wind Ventures I, LLC	Houston, Texas	808,287,339 USD	1,053,521	493,410	560,111	12,150	11,040	100.00%	-
Horizon Wind Ventures II, LLC	Houston, Texas	- USD	232,904	232,665	239	-	239	100.00%	-
Jericho Rise Wind Farm LLC	Houston, Texas	1,600,290 USD	2,285	1,199	1,086	-	-2	100.00%	-
Madison Windpower LLC	Houston, Texas	10,564,773 USD	8,177	971	7,206	663	29	100.00%	-
Marble River, LLC	Houston, Texas	22,164,687 USD	15,188	132	15,056	-	-1	100.00%	-
Marlinsdale Wind Farm LLC	Houston, Texas	3,196,368 USD	2,407	235	2,171	-	-0	100.00%	-
Mesquite Wind, LLC	Houston, Texas	280,000,541 USD	252,581	61,369	191,212	5,070	1,007	100.00%	-
Old Trail Wind Farm, LLC	Houston, Texas	75,841,969 USD	303,517	251,823	51,694	452	174	100.00%	-
OPQ Property LLC	Houston, Texas	17,838 USD	2,642	2,620	22	11	10	100.00%	-
Post Oak Wind, LLC	Houston, Texas	58,368,155 USD	246,106	206,364	39,743	122	93	100.00%	-
Signal Hill Wind Power Project LLC	Houston, Texas	- USD	1	17	-16	-	-	100.00%	-
Telocaset Wind Power Partners, LLC	Houston, Texas	21,022,923 USD	143,505	128,327	15,178	539	898	100.00%	-
Tumbleweed Wind Power Project LLC	Houston, Texas	- USD	-	3	-2	-	-1	100.00%	-
Viento Grande Wind Power Project LLC	Houston, Texas	860,990 USD	1,326	741	585	-	-	100.00%	-
Wind Turbine Prometheus, LP	Houston, Texas	- USD	-	389	-389	-	-3	100.00%	-

Other Countries									
Related Activities:									
EDP Finance BV	Amsterdão	2,000,000 EUR	6,241,623	6,215,801	25,821	259,746	3,655	100.00%	100.00%
EDP Finance Company Ltd.	Dublin	1,000,001 EUR	834	360	474	6	-61	100.00%	100.00%
EDP Investimento, Gestão de Participações e Assistência Técnica, Lda.	Macau	200,000 MOP	56,994	21	56,973	10,011	8,736	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxemburgo	1,239,468 EUR	35,598	23,270	12,328	7,540	1,251	100.00%	100.00%
Heralds Securities Inc.	Bahamas	1 USD	16,818	13	16,805	1,213	1,025	100.00%	-

Electricity - Other Countries:									
Renewable Energies:									
Greenwind, S.A.	Louvain-la-Neuve	402,000 EUR	14,823	15,159	-336	248	-279	69.12%	-
Tarcan, BV	Amsterdam	20,000 EUR	24,000	23,874	126	668	-361	98.74%	-

The main financial data of the companies included in the consolidation using the proportionate method as at 31 December 2007 are as follows:

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-07 Euro'000	Current Assets 31-Dec-07 Euro'000	Non-current Liabilities 31-Dec-07 Euro'000	Current Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Total Costs 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101	15	2,094	-	1,251	857	3,696	-2,994	703	48.43%	-
Cogeneración y Mantenimiento AIE	Oviedo	1,208,010	795	3,900	-	1,815	2,880	6,248	-6,620	-372	48.43%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	119,091	14,388	82,383	15,056	36,040	33,924	-24,238	9,685	49.37%	-
Desarrollos Energéticos Canarias, S.A.	Las Palmas	15,025	-	8	-	18	-10	-	-	-	39.42%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000	46,731	2,807	31,924	10,447	7,167	6,609	-7,463	-854	49.94%	40.00%
Evolución 2000, S.L.	Albacete	117,994	56,929	7,909	50,170	5,244	9,424	5,851	-5,325	526	38.83%	-
Flat Rock Windpower II LLC	Portland	207,447,187	135,514	5,424	646	1,157	139,134	4,485	-3,989	496	50.00%	-
Flat Rock Windpower LLC	Portland	525,479,601	341,239	10,357	1,751	1,013	348,832	14,573	-10,668	3,904	50.00%	-
Horta Medioambiental S.A.	Madrid	60,200	-	22	-	135	-113	-	-1	-1	39.50%	-
Ibersol E. Solar Ibérica, S.A.	Almería	65,000	1,915	22	-	1,872	65	12	-12	-	39.50%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006	1,723	6,399	431	3,751	3,940	2,649	-1,832	816	31.76%	-
Investco, S.A.	São Paulo	756,206,125	549,109	10,383	207,443	52,337	299,711	77,714	-58,959	18,754	10.33%	-
Le Mee, S.A. R.L.	Toulouse	1,000	882	174	-	1,055	1	-	-	-	48.38%	-
Marquesado Solar S.A.	Almería	65,000	16,192	1,442	5,170	12,427	37	253	-253	-	39.50%	-
Millenium Energy, S.A.	Bilbao	6,500,000	20,095	3,768	12,244	3,810	7,809	9,242	-8,575	667	31.76%	-
Murciasol I Sola Térmica, S.L.	Almería	3,340	117	65	-	179	3	11	-11	-	39.50%	-
Pettite Piece, S.A.R.L.	Toulouse	1,000	-	1	-	-	1	-	-	-	48.38%	-
Proenercam, S.L.	Ruiloba	240,400	121	250	160	254	-43	306	-908	-602	48.43%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	248	-	-	299	50	-	-	-	48.38%	-
Tébor Eólica, S.A.	Cuenca	4,720,400	40,317	9,664	37,633	3,743	8,804	8,340	-6,670	1,670	39.50%	-

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-07 Euro'000	Current Assets 31-Dec-07 Euro'000	Non-current Liabilities 31-Dec-07 Euro'000	Current Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Total Costs 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101	29	1,990	506	1,103	410	3,173	-2,778	395	48.43%	-
Cogeneración la Espina, S.L.	Salas	228,380	919	286	158	798	249	777	-763	14	39.47%	-
Cogeneración y Mantenimiento AIE	Oviedo	1,208,010	1,414	3,754	41	1,875	3,252	5,498	-5,073	425	39.47%	-
Desarrollos Energéticos Canarias, S.A.	Las Palmas	60,101	45	8	18	-	35	-	-	-	39.39%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000	29,634	3,605	20,041	5,177	8,021	8,261	-7,662	599	50.00%	50.00%
Evolución 2000, S.L.	Albacete	117,994	44,635	7,446	22,400	20,983	8,898	131	-248	-33	38.80%	-
Horta Medioambiental S.A.	Madrid	60,200	3	131	-	242	-108	-	-14	-14	39.47%	-
Ibersol	Almería	65,000	150	91	-	176	65	93	-93	-	39.47%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006	3,346	3,791	160	3,551	3,426	756	-486	270	27.21%	-
Investco, S.A.	São Paulo	756,206,125	508,313	9,384	204,852	38,473	274,372	67,180	-55,826	11,353	10.33%	-
Marquesado Solar	Almería	65,000	2,324	323	-	2,610	37	337	-337	-	39.47%	-
Millenium Energy, S.A.	Bilbao	6,500,000	21,471	3,355	14,858	3,765	6,183	6,620	-6,945	-325	27.21%	-
Murciasol I	Almería	3,340	83	118	-	198	3	65	-65	-	39.47%	-
Proenercam, S.L.	Ruiloba	240,400	562	544	241	307	558	425	-385	40	39.47%	-
Tébor Eólica, S.A.	Cuenca	4,720,400	43,552	7,540	39,942	5,057	6,093	8,858	-7,022	1,836	39.47%	-

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The associated companies included in the consolidation under the equity method as at 31 December 2007 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net results 31-Dec-07 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	432	25	407	1	-	23.70%	-
Carriço Cogeração, S.A.	Vila Rei	50,000 EUR	21,986	18,489	3,497	23,215	1,708	35.00%	-
CEM, S.A.	Macau	580,000,000 MOP	374,794	163,124	211,670	328,529	40,182	21.19%	-
Central E - Informação e Comércio Electrónico,	Lisbon	227,275 EUR	964	737	227	1,154	-447	34.00%	-
Cogeneration la Espina, S.L.	Salas	228,380 EUR	1,340	1,340	-	-	-	48.43%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	62	-	62	-	-	23.70%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140 EUR	10,243	419	9,824	3,835	1,122	35.35%	-
DECA - Distribución Eléctrica Centroamericana Dos III, S.A.	Guatemala	2,077,092,000 GTQ	597,377	371,804	225,573	515,629	41,162	21.00%	21.00%
Ecogen - Serviços de Energia Descentralizada,	Laoures	100,000 EUR	323	4	319	53	-412	34.99%	34.99%
EDEL - Empresa Editorial Electroécnica, Lda.	Portugal	1,798 EUR	19	32	-13	-	-	47.77%	47.77%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000 EUR	993	5	988	-	-12	25.00%	-
Enercem, S.L.	Oviedo	210,350 EUR	629	108	521	409	-103	19.37%	-
Geoterceira - S. Geo. Terceira, S.A.	Açores	1,000,000 EUR	14,877	13,884	993	1,205	-2	49.90%	-
Hidráulica Rio Lena, S.A.	Oviedo	901,518 EUR	9,164	6,887	2,277	-	-	6.82%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	9,188	705	8,483	1,809	-	19.74%	-
Hidroeléctrica de Janeiro de Baixo, Lda	Lisbon	5,000 EUR	13	18	-5	-	-5	20.00%	20.00%
Inkolán, A.I.E.	Bilbao	84,142 EUR	214	161	53	9,239	-17	27.22%	-
Inverasturias - Fondo Capital Riesgo	Coruña	5,384,132 EUR	5,265	49	5,216	-	-127	19.37%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500 EUR	10,109	6,807	3,302	347	1,500	15.88%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	7,813,157 EUR	46,258	35,673	10,585	9,240	2,353	24.47%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	43,936	40,979	2,957	5,542	97	23.60%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	29,537	18,724	10,813	11,097	3,143	33.16%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Oeiras	5,100 EUR	136,355	135,194	1,161	13,661	-86	20.00%	20.00%
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	23,041	5,317	17,724	10,017	555	39.60%	-
Portugen	Porto	250,000 EUR	3,700	899	2,801	6,295	2,481	26.67%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charmeca da Caparica	9,000,000 EUR	116,458	93,624	22,834	38,587	5,256	19.83%	-
Sodecoan, S.L.	Sevilla	6,010 EUR	-	3	-3	-	-	39.47%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	69	-	69	-	-	19.74%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,841	740	2,101	2,114	503	25.40%	-
Turbogás - Produtos Energéticos, S.A.	Porto	13,308,330 EUR	507,562	458,608	48,954	333,469	32,165	40.00%	-
Yedesa Cogeneración, S.A.	Sevilla	234,390 EUR	44	-	44	-	-	7.89%	-

The associated companies included in the consolidation under the equity method as at 31 December 2006 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net results 31-Dec-07 Euro'000	% Group	% Company
Affinis - Serviços de Assistência e Manutenção Global, S.A.	Lisbon	1,361,100 EUR	4,090	2,858	1,233	4,567	-38	45.00%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	105	55	50	-	-	23.68%	23.26%
Carriço Cogeração, S.A.	Vila Rei	50,000 EUR	25,432	22,998	2,434	23,019	1,436	35.00%	-
CEM, S.A.	Macau	580,000,000 MOP	363,334	132,359	230,975	327,987	39,390	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	457	180	277	-	-	23.68%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140 EUR	N/D	N/D	8,703	1,790	1,790	44.16%	-
DECA - Distribución Eléctrica Centroamericana Dos III, S.A.	Guatemala	2,077,092,000 GTQ	695,256	419,654	275,602	594,101	54,134	21.00%	21.00%
Ecogen - Serviços de Energia Descentralizada,	Laoures	100,000 EUR	771	39	732	66	-244	34.99%	34.99%
EDEL - Empresa Editorial Electroécnica, Lda.	Portugal	1,798 EUR	19	32	-13	-	-	47.77%	47.77%
Edinfor - Sistemas Informáticos, SA	Portugal	17,000,000 EUR	217,501	109,815	107,686	191,738	4,951	40.00%	40.00%
Enercem, S.L.	Oviedo	210,350 EUR	762	124	638	-	-23	15.79%	-
Eólica da Alagoa, S.A.	Arcoos Valdevez	50,000 EUR	16,789	14,618	2,171	3,011	349	39.52%	-
Geoterceira - S. Geo. Terceira, S.A.	Açores	1,000,000 EUR	10,488	9,493	995	707	-1	49.90%	-
Giroaga, A.I.E.	S. Sebastião	300,510 EUR	477	66	411	288	49	5.44%	-
Hidráulica Rio Lena, S.A.	Oviedo	901,518 EUR	5,389	2,880	2,509	-	-	6.82%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	9,470	958	8,512	479	479	19.74%	-
Inkolán, A.I.E.	Bilbao	84,142 EUR	202	63	139	285	-	23.32%	-
Inverasturias - Fondo Capital Riesgo	Coruña	5,384,132 EUR	5,392	49	5,343	159	-121	19.37%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500 EUR	10,931	8,170	2,761	742	742	13.60%	-
LBC Tanquijip - Movimentação e Armazenagem de Líquidos, S.A.	Barreiro	1,350,000 EUR	8,620	4,991	3,629	4,212	344	28.89%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	7,813,157 EUR	56,181	44,166	12,015	3,397	3,397	24.47%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	-	-	-	-	-	23.60%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	35,901	23,909	11,992	3,927	3,927	33.16%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	27,541	8,218	19,323	15,792	2,318	39.60%	-
Portugen	Porto	250,000 EUR	3,688	837	2,831	6,277	2,531	26.67%	-
REN - Rede Eléctrica Nacional, S.A.	Lisbon	534,000,000 EUR	3,969,202	2,929,612	1,039,590	3,772,119	550,555	30.00%	30.00%
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charmeca da Caparica	9,000,000 EUR	107,942	90,364	17,578	38,213	6,008	19.83%	-
Sodecoan, S.L.	Sevilla	6,010 EUR	-	-	-	-	-	39.47%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	65	-	65	-	-	19.74%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,718	667	2,051	2,105	454	21.77%	-
Turbogás - Produtos Energéticos, S.A.	Porto	13,308,330 EUR	500,516	456,033	44,483	314,434	28,500	40.00%	-
Yedesa Cogeneración, S.A.	Sevilla	234,390 EUR	-	-	-	-	-	7.89%	-

During 2007, the changes in the consolidation perimeter of the EDP Group are as follows:

Companies acquired:

- Hidrocontábrico Explotación Centrales, S.A. acquired from Generaciones Especiales I, S.L. the share capital of the companies Cerámica Técnica de Illescas Cogeneración, S.A., Cogeneración del Esla, S.A., Cogeneración Y Mantenimiento, AIE, Cogeneración la Espina, S.L., Enercen, S.L., Energía e Indústria de Toledo, S.A., Iniciativa Tecnológicas de Valorización Energética de Resíduos, S.A., Mazarrón Cogeneración, S.A., Proenercam, S.L., Renovamed, S.A., Sinova Medoambiental, S.A. and Tratamientos Ambientales Sierra de la Tercia, S.A.;
- Enernova - Novas Energias, S.A., acquired 100% of the share capital of Levante - Energia Eólica, Lda, 100% of the share capital of Malhadizes-Energia Eólica, S.A. and 20% of the share capital of Eólica da Alagoa, S.A., increasing its participation in the latter company to 60%;
- Desarrollos Eólicos Promoción, S.A. purchased all the share capital of Lajanda, S.A.;
- Sinae Inversiones Eólicas, S.A. acquired 100% of the share capital of Lanavica, S.A.;
- Hidroeléctrica del Cantábrico, S.A. acquired 9.39% of the share capital of Naturgás Energia Grupo, S.A., increasing its participation to 65.57%;
- EDP Energias de Portugal, Sucursal em Espanha, S.A. acquired 100% of the share capital of Horizon Wind Energy, L.L.C. This participation was subsequently transferred to EDP Renováveis S.L. in payment in kind of a capital increase in that company;
- NEO - Nuevas Energías del Occidente, S.L. acquired the group of companies Relax Wind Parks in Poland and received, through a capital increase in kind subscribed for by EDP, S.A., an additional participation of 10% of Enernova. S.A., becoming the sole shareholder of that company;
- EDP-Energias de Portugal Sucursal em Espanha, S.A. became holder of 60% of the share capital of NEO - Nuevas Energías de Occidente S.A. through a capital increase paid up in kind. This participation was subsequently transferred to EDP Renováveis, S.L., also through a capital increase paid up in kind;
- EDP Gestão de Produção de Energia, S.A. acquired 26% of the share capital of Patrimonial de la Ribera del Ebro, S.L. from EDP, S.A.;
- Hidrocontábrico Distribuição Eléctrica, S.A.U. acquired 75% of the share capital of Electra de Llobregat Energia, S.L.;
- EDP Comercial - Comercialização de Energia, S.A. acquired 55% of the share capital of QE-Engenharia, S.A.;
- EDP, S.A. acquired 20% of the share capital of Pebble Hydro - Consultoria, Investimentos e Serviços, Lda. and Hidroeléctrica de Janeiro de Baixo, Lda.

Companies merged:

- Gás Natural de Álava, S.A., was merged into Naturgás Energia Distribución, S.A.;
- Dómus Eólica - Produção de Energia Renováveis, Lda, Parque Eólico do Candedo, Lda, Ortiga-Energia Eólica, S.A. and Parque Eólico Serra Dêl Rei-Energias Renováveis, S.A. were merged into Enernova - Novas Energias, S.A.;
- Biogas y Energía, S.A.U., Sidergas Energía, S.A.U., Sevares Cogeneración, S.A.U. and Uniener S.A.U. were merged into Hidrocontábrico Cogeneración, S.L.U.;
- Neo Desa, S.L. was merged into Generaciones Especiales I, S.L.;
- EDP Produção EM - Engenharia e Manutenção, S.A., was merged into EDP-Gestão da Produção de Energia, S.A..

Companies sold and liquidated:

- EDP, S.A. sold 25% of REN - Redes Energéticas Nacionais, SGPS, S.A.;
- EDP Imobiliária e Participações, S.A. sold 28.89% of LBC Tanquapor - Movimentação e Armazenagem de Líquidos, S.A. and 45% of the company Affinis - Serviços de Assistência e Manutenção Global, S.A.;
- Enerfin, Sociedade de Eficiência Energética, S.A. was liquidated;
- EDP Trader Internacional - Comércio, Consultoria e Serviços, Sociedade Unipessoal, Lda. was liquidated.

Companies incorporated:

- EDP - Energias de Portugal, Sucursal em Espanha, S.A.;
- EDP Renováveis, S.L.;
- EDP Inovação, S.A.;
- EDP GÁS.Com - Comércio de Gás Natural, S.A.;
- Eólica de Montenegro, Lda.;
- PORTGÁS - Serviço Universal, S.A.;
- Hidrocontábrico Gestión de la Energía S.A.;
- Santa-Fé Energia, S.A.

19. Investments in associates

Investments in associates is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Associated companies:				
Investments in associates	252,099	285,364	67,762	112,274
Adjustments in investments in associates	-292	-137	-774	-14,355
Net Book Value	251,807	285,227	66,988	97,919

For financial statement presentation purposes, goodwill arising from the purchase of associated companies of 100,928 thousand Euros (83,364 thousand Euros as at 31 December 2006) is included under "Investments in associates".

Notes to the Financial Statements

31 December 2007

Associated companies:

Group			
Dec 2007		Dec 2006	
Investment Euro'000	Impairment Euro'000	Investment Euro'000	Impairment Euro'000
53,116	-	58,182	-
10,875	-	10,373	-
47,370	-	57,877	-
-	-	41,557	-
-	-	1,008	-
2,121	-	1,765	-
-	-	1,048	-
2,610	-	2,095	-
3,281	-	3,034	-
4,542	-	3,424	-
14,638	-	-	-
5,255	-	5,340	-
7,019	-	7,591	-
7,547	-	5,810	-
80,918	-	79,129	-
12,807	-292	7,131	-137
252,099	-292	285,364	-137

As at December 2007, EDP and Banco Espírito Santo de Investimento ("BESI") signed a purchase and sale agreement with Babcock & Brown Hydro Holdings S.A.R.L. ("B&B") to purchase 100% the capital of Pebble Hydro — Consultoria, Investimentos e Serviços, Lda ("Pebble Hydro"). The purchase price amounts to 71,853 thousand Euros plus transaction costs, having EDP acquired a 20% participation and BESI the remaining 80%. At the same time EDP signed a promissory purchase and sale agreement with BESI relating to its 80% participation, however, the completion of this transaction is subject to approval from the Competition Authority. On this basis, EDP booked its 20% participation in Pebble Hydro as an investment in associates and the remaining 80%, in the amount of 57,482 thousand Euros, under Other debtors.

Balance as at 1 January

Group	
Dec 2007 Euro'000	Dec 2006 Euro'000
285,364	351,302
15,381	2,542
-1,405	-17,559
36,117	245,329
-12,409	-
-37,751	-157,410
-9,996	-12,917
-23,202	-125,923
252,099	285,364

Investments in associates on a company basis are analysed as follows:

	Company			
	Dec 2007		Dec 2006	
	Investment Euro'000	Impairment Euro'000	Investment Euro'000	Impairment Euro'000
sociated companies:				
DECA - Distribucion Eléctrica Centroamerica, S.A.	52,220	-	52,220	-
Ecogen - Serviços de Energia Descentralizada, S.A.	749	-637	-	-
Edinfor - Sistemas Informáticos, S.A.	-	-	59,978	-14,279
Pebble Hydro - Consultoria, Investimentos e Serviços, LDA	14,656	-	-	-
Other	137	-137	76	-76
	67,762	-774	112,274	-14,355

The movements in impairment on Investments in associates, for the company in 2007, are analysed as follows:

	Balance at 1 January Euro'000	Impairment losses for the year Euro'000	Perimeter variations Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
Impairment on Investments in associates:						
Edinfor, S.A.	-14,279	-	-	-	14,279	-
Other	-76	-	-	112	-810	-774
	<u>-14,355</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>13 469</u>	<u>- 774</u>

The movements in impairment on Investments in associates, for the company in 2006, are analysed as follows:

	Balance at 1 January Euro'000	Impairment losses for the year Euro'000	Perimeter variations Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
Impairment in investments in associates:						
DECA, S.A.	-13,002	-	-	13,002	-	-
REN - Rede Eléctrica Nacional, S.A.	-60,891	-	-	-	60,891	-
Edinfor, S.A.	-14,279	-	-	-	-	-14,279
Other	-139	-748	-	-	811	-76
	<u>-88,311</u>	<u>-748</u>	<u>-</u>	<u>13,002</u>	<u>61,702</u>	<u>-14,355</u>

Following the publication of Decree-law 172/2006, and since 31 December 2006, the voting rights in REN are limited to a maximum of 5%. As a result, EDP Group lost its significant influence over this investment, which was transferred, as at 31 December 2006, to Available-for-sale investments (Note 20).

During 2006, the shareholders' equity of DECA — Distribuição Eléctrica Centro América, S.A. increased and this associated company paid dividends and reimbursed accessory capital contributions. As a result, the impairment recorded in the financial statements of EDP S.A. of 13,002 thousand Euros was reversed.

20. Available-for-sale Investments

Available-for-sale Investments is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Ampla Energia e Serviços, S.A.	93,907	72,799	93,907	72 799
Ampla Investimentos e Serviços, S.A.	5,575	5,575	5,575	5 575
Banco Comercial Português, S.A.	340,699	235,632	-	-
EDA - Eléctrica dos Açores, S.A.	5,100	5,100	-	-
REN - Rede Eléctrica Nacional, S.A.	95,586	320,400	95,586	320 400
Sonaeom, S.A.	95,904	146,624	-	-
Tagusparque, S.A.	1,097	1,097	-	-
Tejo Energia, S.A.	19,998	19,998	-	-
ValorSul, S.A.	3,878	3,878	-	-
Other	43,516	11,045	3,789	1,031
	<u>705,260</u>	<u>822,148</u>	<u>198,857</u>	<u>399,805</u>

In 2007 EDP, S.A., through its subsidiary companies 093X and EDP Imobiliária, acquired 32,221,693 shares in BCP for 116,315 thousand Euros, increasing its share to 3.23% of the voting rights of that entity.

In 2006 and 2007 the EDP Group entered into purchase and sale agreements over its 20% participation in REN — Rede Eléctrica Nacional, S.A. ("REN"). These agreements refer to four blocks of shares, representing each 5% of REN's capital, and were signed with Gestmin, SGPS, S.A., Logoenergia, SGPS, S.A., Oliren, SGPS, S.A. and REE-Red Eléctrica de España and were implemented until October 2007 for a total sales price of 370,334 thousand Euros. In addition, in July 2007 EDP sold 5% of its share in REN through a stock exchange operation under an Initial Public Offering, at the price of 2.75 Euros per share (reference price of the IPO), totaling 73,425 thousand Euros. As a result of these operations EDP, S.A. realised an accounting gain of 259,329 thousand Euros in its consolidated financial statements and 228,177 thousand Euros in its company financial statements. As at 31 December 2007 EDP held a participation of 5% in REN, with a fair value of 95,586 thousand Euros.

The caption "Other" at 31 December 2007 includes income on bonds and securities investments held by Energia RE. The securities include variable yield and fixed income securities, the fair value of which at 31 December 2007 amounted to 11,960 thousand Euros and 11,412 thousand Euros, respectively, on which a fair value variation of 453 thousand Euros was recognised in the income statement.

In 2007 an impairment loss of 57,717 thousand Euros was recognised on the Sonaeom, S.A investment considering the significant and permanent decrease in the market price of the shares.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The most significant available-for-sale financial assets in 2007 are as follows:

	Dec 2007					
	Balance at 1 January Euro'000	Acquisitions / Transfers Euro'000	Disposals Euro'000	Impairment Euro'000	Change in Fair value reserve Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	72,799	-	-	-	21,108	93,907
Ampla Investimentos e Serviços, S.A.	5,575	-	-	-	-	5,575
Banco Comercial Português, S.A.	235,632	116,310	-	-	-11,243	340,699
EDA - Electricidade dos Açores, S.A.	5,100	-	-	-	-	5,100
REN - Rede Eléctrica Nacional, S.A.	320,400	-	-443,759	-	218,945	95,586
Sonaecom, S.A.	146,624	-	-	-57,717	6,997	95,904
Tagusparque, S.A.	1,097	-	-	-	-	1,097
Tejo Energia, S.A.	19,998	-	-	-	-	19,998
ValorSul, S.A.	3,878	-	-	-	-	3,878
Other	11,045	32,018	-	-	453	43,516
	822,148	148,328	-443,759	-57,717	236,260	705,260

The most significant available-for-sale financial assets in 2006 are as follows:

	Dec 2006					
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in Fair value reserve Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	75,513	-5,575	-	-	2,861	72,799
Ampla Investimentos e Serviços, S.A.	-	5,575	-	-	-	5,575
Banco Comercial Português, S.A.	196,783	-	-	-	38,849	235,632
EDA - Electricidade dos Açores, S.A.	6,891	-	-	-	-1,791	5,100
Elcogás, S.A.	4,720	-	-	-4,720	-	-
Optimus, S.A.	259,500	-	-259,500	-	-	-
REN - Rede Eléctrica Nacional, S.A.	-	221,316	-	-	99,084	320,400
Sonaecom, S.A.	-	307,241	-153,621	-	-6,996	146,624
Tagusparque, S.A.	1,097	-	-	-	-	1,097
Tejo Energia, S.A.	11,445	-	-	-	8,553	19,998
ValorSul, S.A.	3,878	-	-	-	-	3,878
Other	6,619	4,426	-	-	-	11,045
	566,446	532,983	-413,121	-4,720	140,560	822,148

The available-for-sale financial assets are booked at fair value and the variation from the date of acquisition is recorded against the fair value reserve (Note 30). The fair value reserve as at 31 December 2007 and 2006 is analysed as follows:

	Dec 2007 Euro'000	Dec 2006 Euro'000
Ampla Energia e Serviços, S.A.	4,432	-16,676
Banco Comercial Português, S.A.	59,851	71,094
REN - Rede Eléctrica Nacional, S.A.	58,700	99,084
Sonaecom, S.A.	-	-6,997
Tejo Energia, S.A.	13,643	13,643
Other	-1,338	-1,790
	<u>135,288</u>	<u>158,358</u>

21. Deferred tax assets and liabilities

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Tax losses brought forward	50,808	92,594	-	-	50,808	92,594
Provisions	669,378	579,760	-	-	669,378	579,760
Derivative financial instruments	97,959	56,314	94,883	59,374	3,076	-3,060
Available for sale Investments	21,476	34,269	6,195	-	15,281	34,269
Property, plant and equipment	230,678	221,284	2,282	-	228,396	221,284
Reinvested gains	-	-	18,712	11,418	-18,712	-11,418
Other financial investments	-	62,189	61,793	-	-61,793	62,189
Reversal of regulatory assets and liabilities	96,119	81,051	104,343	77,515	-8,224	3,536
Allocation of fair value to assets and liabilities	-	-	450,279	297,316	-450,279	-297,316
Accounting revaluations	15,825	6,921	297,566	330,881	-281,741	-323,960
Deferred income relating to CMEC	-	-	52,287	-	-52,287	-
Exchange differences and others	20,631	38,440	44,824	55,264	-24,193	-16,824
Assets/liabilities compensation of deferred taxes	-515,609	-274,499	-515,609	-274,499	-	-
	<u>687,265</u>	<u>898,323</u>	<u>617,555</u>	<u>557,269</u>	<u>69,710</u>	<u>341,054</u>

EDP, S.A. on a company basis, records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Provisions	17,504	13,351	-	-	17,504	13,351
Derivative financial instruments	50,222	34,035	59,095	49,442	-8,873	-15,407
Available for sale Investments	6,012	21,497	6,195	-	-183	21,497
Other financial investments	-	62,189	61,793	-	-61,793	62,189
Accounting revaluations	8,265	7,790	12,071	12,100	-3,806	-4,310
Exchange differences and other	4,508	6,780	610	438	3,898	6,342
	<u>86,511</u>	<u>145,642</u>	<u>139,764</u>	<u>61,980</u>	<u>-53,253</u>	<u>83,662</u>

The deferred taxes movement, for the Group and for the Company, in 2007 and 2006 are analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
	Dec 2007 Euro '000	Dec 2006 Euro '000	Dec 2007 Euro '000	Dec 2006 Euro '000
Balance at 1 January	341,054	522,931	83,662	53,317
Charges to the profit and loss account	-192,500	-6,233	-134,710	-31,782
Charges against reserves	-7,820	-23,279	-2,201	-16,351
Foreign exchange differences, changes in perimeter variations and transfers	-71,024	-152,365	-4	78,478
Balance at 31 December	<u>69,710</u>	<u>341,054</u>	<u>-53,253</u>	<u>83,662</u>

Taxes recorded against reserves are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Current tax				
Reserves arising on mergers	-	-	-	12,942
Changes in fair value of derivative financial instruments	-393	-	-	-
Gains on the sale of treasury stock	-2,421	-3,559	-2,421	-3,559
	<u>-2,814</u>	<u>-3,559</u>	<u>-2,421</u>	<u>9,383</u>
Deferred tax				
Financial instruments and fair value	5,709	-30,159	-2,201	-16,616
Actuarial gains and losses	-10,306	5,939	-	-
Other	-3,223	941	-	265
	<u>-7,820</u>	<u>-23,279</u>	<u>-2,201</u>	<u>-16,351</u>
	<u>-10,634</u>	<u>-26,838</u>	<u>-4,622</u>	<u>-6,968</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The Group tax losses and tax credits carried forward are analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Expiration date:		
2007	-	443
2008	25	55,023
2009	67	760
2010	128	1,021
2011	354	3,466
2012	201	911
2013	849	122
2014 to 2027	94,508	63,219
Without expiration date but limited to 30% of taxable income of each year	852,583	960,461
	<u>948,715</u>	<u>1,085,426</u>

22. Inventories

Inventories are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Merchandise	10,190	6,073	-	-
Advances on account of purchases	35,190	9,794	-	-
Finished and intermediate products	29,325	8,513	-	-
Sub-products, waste, residues and scrap	8,610	8,860	-	-
Raw and subsidiary materials and consumables:				
Coal	79,585	80,893	-	-
Fuel	36,152	63,582	-	-
Other consumables	83,543	50,977	-	-
	<u>282,595</u>	<u>228,692</u>	<u>-</u>	<u>-</u>

23. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Short-term trade receivables - Current:				
Resident customers:				
State and official entities	23,427	27,751	-	-
Local government	25,915	27,184	284	-
Corporate sector and individuals	742,997	747,451	40,174	66,396
Trade accounts - Bills receivable	14	50	-	-
	<u>792,353</u>	<u>802,436</u>	<u>40,458</u>	<u>66,396</u>
Non-resident customers:				
State and official entities	2,738	1,752	-	-
Local government	15,926	19,184	-	-
Corporate sector and individuals	811,411	651,830	-	-
	<u>830,075</u>	<u>672,766</u>	<u>-</u>	<u>-</u>
	<u>1,622,428</u>	<u>1,475,202</u>	<u>40,458</u>	<u>66,396</u>
Doubtful debts	257,516	214,472	9,941	10,013
Impairment losses	-257,516	-214,472	-9,941	-10,013
	<u>1,622,428</u>	<u>1,475,202</u>	<u>40,458</u>	<u>66,396</u>

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Medium and long-term trade receivables - Non current:				
Resident customers:				
Local government	156,257	160,077	-	-
Corporate sector and individuals	298	-	-	-
	<u>156,555</u>	<u>160,077</u>	<u>-</u>	<u>-</u>
Non-resident customers:				
Local government	19,252	-	-	-
Corporate sector and individuals	24,889	22,134	-	-
	<u>200,696</u>	<u>182,211</u>	<u>-</u>	<u>-</u>
Impairment losses	<u>-63,948</u>	<u>-64,560</u>	<u>-</u>	<u>-</u>
	<u>136,748</u>	<u>117,651</u>	<u>-</u>	<u>-</u>
	<u>1,759,176</u>	<u>1,592,853</u>	<u>40,458</u>	<u>66,396</u>

The movement in impairment losses, in 2007, for the Group is analysed as follows:

	Balance at 1 January Euro'000	Exchange difference Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Utilisation Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	214,472	5,055	67,100	-11,190	-12,488	-5,433	257,516
Local government	64,560	60	-	-3,416	-	2,744	63,948
	<u>279,032</u>	<u>5,115</u>	<u>67,100</u>	<u>-14,606</u>	<u>-12,488</u>	<u>-2,689</u>	<u>321,464</u>

The movement in impairment losses, in 2006, for the Group is analysed as follows:

	Balance at 1 January Euro'000	Exchange difference Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Utilisation Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	207,338	-26,378	55,489	-17,216	-4,761	-	214,472
Local government	63,730	830	-	-	-	-	64,560
	<u>271,068</u>	<u>-25,548</u>	<u>55,489</u>	<u>-17,216</u>	<u>-4,761</u>	<u>-</u>	<u>279,032</u>

The movement in impairment losses, in 2007, for the Company is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	10,013	385	-457	-	9,941
	<u>10,013</u>	<u>385</u>	<u>-457</u>	<u>-</u>	<u>9,941</u>

The movement in impairment losses, in 2006, for the Company is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	10,822	726	-1,822	287	10,013
	<u>10,822</u>	<u>726</u>	<u>-1,822</u>	<u>287</u>	<u>10,013</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

24. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	423,856	19,997
Dividends	-	-	-	337,750
Other related companies	3,853	9,770	-	-
Advances to suppliers	1,171	3,397	250	-
Other debtors:				
- Current account with the Pension Fund	217	218	220	220
- Advances to pensioners on account of the Social Security	2,377	4,895	-	1
- Amounts owed to staff	2,574	2,190	3	1
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Brazilian tariff expenses	1,056	1,057	-	-
- Amounts receivable from Spanish tariff expenses	52,617	25,554	-	-
- Amounts receivable from Portuguese tariff expenses	14,387	124,932	-	-
- Receivables from the State and concessors	20,344	5,935	139,795	5,828
- Receivables relating to other goods and services	53,777	67,917	6,760	6,083
- Receivables on account of the energy efficiency program (Brazil)	4,761	5,907	-	-
- Amount receivable from the sale of 60% of Edinfor	-	1,903	-	1,903
- Amount receivable from the sale of EDP Brazil shares	-	2,055	-	2,055
- Amount receivable from the sale of Fafen	-	8,944	-	-
- Derivative financial instruments	106,520	121,216	121,589	121,229
- ONI bank credits acquisition	-	-	-	333,868
- Subsidiaries companies	-	-	791,428	839,262
- Amounts receivable relating to power management activity	14,764	14,764	14,764	14,764
- Amounts receivable relating to gas sales operations	26,113	15,404	-	-
- Amounts receivable relating to steam sales operations	-	1,754	-	-
- Amounts receivable relating to insurance and reinsurance	7,507	10,921	-	-
- Amounts receivable relating to the renewables operation	10,216	-	-	-
- Other tax receivable	-	13,673	-	-
- Debtors related to plants generation maintenance and repairs	27,333	19,583	-	-
- Advance payment of investments	-	11,395	-	-
- Expenditure on concessions	5,942	7,094	-	-
- Rents	1,221	1,237	445	323
- Insurances	12,157	6,503	10,905	5,490
- Deferred costs	46,986	16,381	184	150
- Energin finance lease (IFRIC 4)	28,124	29,105	-	-
- Hydraulicity receivable	-	31,551	-	31,551
- OMIIP Futures	3,472	23,918	3,472	5,469
- Deposits in guarantee to OMEL	-	10,000	-	-
- Energy sales on the liberalised market	28,225	5,895	-	-
- Production deviations - Tejo unit	-	1,458	-	-
- National electric system participation deviations	6,627	-	-	-
- CO2 licenses - regulated market	27,980	244,357	-	-
- Amounts receivable from electric energy transactions in the MIBEL	39,956	-	39,956	-
- Amounts receivable relating to CMEC	18,935	-	-	-
- Amounts to be invoiced to REN	12,699	-	-	-
Accrued income relating to energy services rendered	3,260	-	-	-
Accrued income relating to energy management activity	6,140	-	6,140	-
Sundry debtors	88,386	51,639	86,903	120,287
	<u>735,337</u>	<u>958,162</u>	<u>1,646,670</u>	<u>1,846,231</u>
Impairment losses on short-term debtors - Current	-66,235	-83,246	-869	-279,029
	<u>669,102</u>	<u>874,916</u>	<u>1,645,801</u>	<u>1,567,202</u>

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Medium and long term debtors - Non Current:				
Other related companies	14,961	27,935	13,957	21,191
Loans to subsidiaries	-	-	5,838,066	3,324,941
Loans to participated companies	10,480	8,603	-	-
Other debtors				
- Amount receivable from regulatory entities	2,894	2,894	-	-
- Amounts receivable from Spanish tariff expenses	144,045	144,045	-	-
- Amounts receivable from Portuguese tariff expenses	163,855	-	-	-
- Expenditure on concessions	13,625	-	-	-
- Advance payment related to the purchase of 80% of Pebble Hydro	57,482	-	57,482	-
- Guarantees and linked deposits	185,660	104,023	30,093	4,927
- Amounts receivable relating to CMEC	805,569	-	-	-
Sundry debtors	51,199	15,121	-	-
	<u>1,449,770</u>	<u>302,621</u>	<u>5,939,598</u>	<u>3,351,059</u>
Impairment losses on medium and long term debtors - Non current	<u>-2,737</u>	<u>-2,653</u>	<u>-</u>	<u>-</u>
	<u>1,447,033</u>	<u>299,968</u>	<u>5,939,598</u>	<u>3,351,059</u>
	<u>2,116,135</u>	<u>1,174,884</u>	<u>7,585,399</u>	<u>4,918,261</u>

The amount of 27,980 thousand Euros relating to "CO2 licenses — regulated market" corresponds to CO2 licenses receivable from REN.

The non-current and current receivables relating to the CMEC in the amounts of 805,569 thousand Euros and 18,935 thousand Euros, respectively, correspond to the initial CMEC granted to EDP (833,467 thousand Euros), less the annuity for 2007 (8,963 thousand Euros).

The non-current caption amount receivable from regulatory entities receivable is related to the compensated fixed assets undergoing integration and corresponds to the net amounts, at the integration date, of the debts of Municipalities at 31 December 1988, compensated by the corresponding assets undergoing integration (Property, plant and equipment held under the Decree-law 344-B/82 regime). The transfer of these amounts to Property, plant and equipment is dependent upon the celebration of the concession agreements or debt regularization protocols to be signed between EDP and the Municipalities.

The amounts receivables from Spanish tariff expenses includes a non-current receivable of 144,045 thousand Euros and a current receivable of 52,617 thousand Euros relating to the Spanish electricity system tariff deficit for 2006.

In Portugal, Decree-law 237-B/2006 of 19 December 2006 recognised the irrevocable right of the operators of the regulated sector to recover tariff deficits, independently of the form of their future settlement, or in situations of insolvency and cease of operations. In addition, the Decree-law allows the right of the transfer of the tariff deficit collecting right to third parties. Therefore, as at 31 December 2007 the tariff deficit of 178,242 thousand Euros relating to the Distribution operations was recorded in the caption "Amounts receivables from Portuguese tariff expenses" of which 14,387 thousand Euros were recorded under current debtors.

The Group adopted the interpretation IFRIC 4, with reference to 1 January 2006, with respect to the agreement relating Energin's co-generating plant, which resulted in the recognition of rents receivable of 28,124 thousand Euros (29,105 thousand Euros in 2006).

The movements in **impairment losses on short-term debtors - Current** in 2007, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	83,246	15	2,317	-19,076	-	-267	66,235
	<u>83,246</u>	<u>15</u>	<u>2,317</u>	<u>-19,076</u>	<u>-</u>	<u>-267</u>	<u>66,235</u>

The movements in **impairment losses on short-term debtors - Current** in 2006, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	80,461	-2,354	15,362	-10,223	-	-	83,246
	<u>80,461</u>	<u>-2,354</u>	<u>15,362</u>	<u>-10,223</u>	<u>-</u>	<u>-</u>	<u>83,246</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The movements in **impairment losses on short-term debtors - Current** in 2007, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	279,029	467	-15,641	-	-262,986	869
	<u>279,029</u>	<u>467</u>	<u>-15,641</u>	<u>-</u>	<u>-262,986</u>	<u>869</u>

The movements in **impairment losses on short-term debtors - Current** in 2006, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	1,213	278,312	-1,027	531	-	279,029
	<u>1,213</u>	<u>278,312</u>	<u>-1,027</u>	<u>531</u>	<u>-</u>	<u>279,029</u>

Impairment losses on short term debtors - Current, for the company, at 31 December 2006 includes 263,003 thousand Euros corresponding to the difference between the purchase price of ONI's bank debts from its main creditors and their corresponding selling price to Win Reason, S.A. in accordance with the signed agreement. In the first quarter of 2007 the sale of ONI to Win Reason, S.A. was completed and, consequently, the provision was reversed by EDP in its company accounts.

The movements in **impairment losses on Medium and long term debtors - Non current** in 2007, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,653	-	84	-	-	-	2,737
	<u>2,653</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,737</u>

The movements in **impairment losses on Medium and long term debtors - Non current** in 2006, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,550	103	-	-	-	2,653
	<u>2,550</u>	<u>103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,653</u>

25. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
State and other public entities				
- Income tax	385,844	221,872	39,069	4,179
- Value added tax	376,078	329,110	49,265	45,838
- Turnover tax (Brazil)	37,541	29,802	-	-
- Social tax (Brazil)	13,865	18,476	-	-
- Other taxes	20,801	21,580	-	-
	<u>834,129</u>	<u>620,840</u>	<u>88,334</u>	<u>50,017</u>

26. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Debt securities:				
Listed bonds	31,365	56,396	-	-
Other debt securities:				
Listed	-	37,927	-	-
Unlisted	4,092	3,560	-	-
	35,457	97,883	-	-
Equity securities:				
Shares	13,574	16,863	-	-
Other equity securities	3	1,693	3	1,693
	13,577	18,556	3	1,693
	49,034	116,439	3	1,693

27. Cash and cash equivalents

Cash and cash equivalents is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Cash:				
- Cash in hand	91	310	-	-
Bank deposits:				
- Current deposits	565,168	390,357	2,795	82,619
- Term deposits	3,747	91,248	2,320	2,320
- Other deposits	5,290	11,202	-	-
	574,205	492,807	5,115	84,939
Other short term investments:				
- Domestic banks	114,200	156,000	114,199	150,000
- Foreign banks	176,215	104,376	295	295
	290,415	260,376	114,494	150,295
Cash and cash equivalents (asset)	864,711	753,493	119,609	235,234
Cash equivalents				
- Bank overdrafts (Note 33)	-	-1,262	-	-
Cash and cash equivalents in the Cash Flow Statement	864,711	752,231	119,609	235,234

28. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The State now holds directly and indirectly approximately 25% of the share capital.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euros each.

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2006	3,656,538	501,992
Movements during the year	-	-
Balance as at 31 December 2007	3,656,538	501,992

Notes to the Financial Statements

31 December 2007

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2007	Dec 2006	Dec 2007	Dec 2006
Net profit attributable to the equity holders of the parent in Euros	907,252,152	940,823,362	502,158,262	515,696,421
Net profit from continuing operations attributable to the equity holders of the parent in Euros	907,252,152	1,011,911,000		
Weighted average number of ordinary shares outstanding	3,643,570,342	3,647,586,639	3,643,570,342	3,647,586,639
Weighted average number of diluted ordinary shares outstanding	3,645,490,307	3,649,816,126	3,645,490,307	3,649,816,126
Basic earnings per share attributable to equity holders of the parent in Euros	0.25	0.26		
Diluted earnings per share attributable to equity holders of the parent in Euros	0.25	0.26		
Basic earnings per share from continuing operations in Euros	0.25	0.28		
Diluted earnings per share from continuing operations in Euros	0.25	0.28		

The EDP Group calculates basic and diluted earnings per share attributable to equity holders of the parent using the weighted average number of ordinary shares outstanding during the year, net of changes in treasury shares during the year.

The average number of shares was determined as follows:

	Group and Company	
	Dec 2007	Dec 2006
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-
Average number of realised shares	3,656,537,715	3,656,537,715
Effect of treasury stock	-12,967,373	-8,951,076
Average number of shares during the year	3,643,570,342	3,647,586,639
Effect of stock options	1,919,965	2,229,487
Diluted average number of shares during the year	3,645,490,307	3,649,816,126

29. Treasury stock

This caption is analysed as follows:

	Group and Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Book value of EDP, S.A. treasury stock	65,741	14,542
Number of shares	15,511,685	7,084,793
Market value per share	4.47 euros	3.84 euros
Market value of EDP, S.A.'s treasury stock	69,337	27,206

The treasury stock held by EDP, S.A., is within the limits established by the Company's articles of association and by the 'Código das Sociedades Comerciais' (Company Code). The treasury stock is stated at acquisition cost.

30. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Legal reserve	418,730	392,946	418,730	392,946
Fair value reserve (cash flow hedge)	2,014	-14,265	-12,780	-14,265
Tax effect of fair value reserve (cash flow hedge)	3,018	3,844	3,059	3,844
Fair value reserve (available-for-sale financial assets)	135,288	158,358	56,903	45,027
Tax effect of fair value reserve (available-for-sale financial assets)	-13,502	-19,660	-7,542	-6,121
Exchange difference arising on consolidation	141,581	84,651	-	-
Other reserves and retained earnings	576,976	-101,450	1,209,738	1,106,511
	<u>1,264,105</u>	<u>504,424</u>	<u>1,668,108</u>	<u>1,527,942</u>

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Company Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in fair value of the cash flow hedging instruments. Changes in this reserve related to derivative financial instruments classified as hedging instruments in the cash flow hedge model are analysed in Note 39.

Fair value reserve (available-for-sale financial assets)

This reserve includes the accumulated net change in the fair value of available-for-sale financial assets as at the balance sheet. The changes in this consolidated caption are as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2005	151,474	-201,209
Changes in fair value	196,510	-22,797
Transfer to profit or loss	-	34,380
Balance as at 31 December 2006	347,984	-189,626
Changes in fair value	240,506	-61,964
Transfer of impairment to profit or loss	-	57,717
Transfer to the income statement relating to assets sold	-259,329	-
Balance as at 31 December 2007		<u>135,288</u>

The decrease of 61,964 thousand Euros in fair value as at 31 December 2007 includes 50,720 thousand Euros relating to an impairment of Sonaecom.

Dividends

The dividend proposed, prior to approval of the accounts and not yet recognised as a distribution, amounts to 457,067 thousand Euros for the year ended 31 December 2007 and corresponds to 0.125 Euros per share.

Exchange difference on consolidation

Exchange difference on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary and associated companies resulting from changes in the exchange rates. The exchange rates used in preparing the financial statements are as follows:

Currency		Exchange rates at 31 Dec 2007		Exchange rates at 31 Dec 2006	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.472	1.372	1.317	1.259
Brazilian Real	BRL	2.596	2.659	2.812	2.731
Macao Pataca	MOP	11.824	11.025	10.548	10.069
Quetzal	GTQ	11.232	10.546	10.036	9.554

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

31. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Minority interests in income statement	112,679	76,260
Minority interests in reserves	873,947	869,401
	<u>986,626</u>	<u>945,661</u>

Minority interests, by company, is made up as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Brazil Group	872,613	743,519
Hidroantábrico Group	26,433	154,134
NEO Group	66,089	33,387
Other minority interests	21,491	14,621
	<u>986,626</u>	<u>945,661</u>

In 2007 the EDP Group generated profit of 112,679 thousand Euros attributable to minority interests (76,260 thousand Euros for 2006).

Other minority interests includes 17,482 thousand Euros relating to Portgás (13,181 thousand Euros for 2006), which has been consolidated using the full consolidation method after the acquisition of the remaining 49% of NQF-Gás in 2006.

The increase in minority interests in the Energias do Brazil Group in the current year includes essentially 97,846 thousand Euros relating to profit attributable to minority interests, 57,396 thousand Euros relating to gains on translation and a decrease of 22,577 thousand Euros relating to dividends distributed.

The decrease in minority interests in the Hidroantábrico Group includes essentially 6,253 thousand Euros relating to profit attributable to minority interests, a decrease of 112,029 thousand Euros resulting from the acquisition of an additional participation of 9.39% in Naturgás Energia Grupo, S.A. and a decrease of 4,509 thousand Euros relating to dividends distributed.

In 2007 the EDP Group, through its subsidiary Nuevas Energías del Occidente, contracted a put option with the minority shareholder of Genesa I S.L. relating to the shares held by this minority interest, which was booked as an anticipated acquisition of minority interests, resulting in a decrease of 14,759 thousand Euros in minority interest in the NEO Group. In addition to the profit of 1,528 thousand Euros attributable to the minority interests and other changes in the consolidation perimeter, the increase in minority interest in the NEO Group also includes 36,679 thousand Euros resulting from completion of the purchase price allocation of the Agrupación Eólica subgroup.

32. Hydrological account

The movements in the hydrological account were as follows:

	Group and Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	198,596	169,967
Amounts received during the year	37,683	32,151
Financial charges	-8,593	-3,522
Balance at the end of the year	<u>227,686</u>	<u>198,596</u>

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up mainly in 1994 when the present EDP Group was owned by the State, through a charge against the income statement following the incorporation of REN in 2000 by spin-off from EDP. New regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's balance sheet.

As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the separation of REN in June 2000, EDP, S.A. (the Group parent company) has paid or received cash from REN, which is booked against the hydrological correction account in the balance sheet and the financial changes are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above. Therefore, REN is effectively a flow-through entity for purposes of the hydrological correction account.

In 2004, Decree-law 240/2004 was issued which establishes that, in respect to the free electricity market, the government must publish specific regulations applicable to the hydrological correction account. Based on these regulations and due to the government announcement mentioned above, the EDP Group's Executive Board of Directors expects with a high probability that the recorded liability, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

33. Loans

This caption is analysed as follows:

Short term debt and borrowings - Current

Bank overdrafts
- NEO Group

Bank loans:

- EDP, S.A.
- EDP Finance B.V.
- Brazil Group
- Hidroantábrico Group
- NEO Group
- Produção Group
- Others

Non convertible bond loans:

- EDP, S.A.
- EDP Finance B.V.
- Brazil Group

Commercial paper

- EDP, S.A.
- Hidroantábrico Group

Other loans:

- NEO Group
- Others

Accrued interest

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Bank overdrafts	-	1,262	-	-
- NEO Group	-	1,262	-	-
Bank loans:				
- EDP, S.A.	127,679	104,081	127,679	104,081
- EDP Finance B.V.	240,000	-	-	-
- Brazil Group	94,103	170,073	-	-
- Hidroantábrico Group	84,940	8,634	-	-
- NEO Group	80,016	103,877	-	-
- Produção Group	4,718	4,718	-	-
- Others	17,909	18,951	-	-
	649,365	410,334	127,679	104,081
Non convertible bond loans:				
- EDP, S.A.	99,361	99,959	99,361	99,959
- EDP Finance B.V.	355,024	-	-	-
- Brazil Group	3,772	66,469	-	-
	458,157	166,428	99,361	99,959
Commercial paper				
- EDP, S.A.	1,012,500	636,000	2,693,800	2,760,400
- Hidroantábrico Group	318,600	176,807	-	-
	1,331,100	812,807	2,693,800	2,760,400
Other loans:				
- NEO Group	2,333	2,667	-	-
- Others	138	188	-	-
	2,471	2,855	-	-
Accrued interest	100,553	134,669	24,527	28,817
	2,541,646	1,528,355	2,945,367	2,993,257

Medium and long term debts and borrowings - Non current

Bank loans:

- EDP, S.A.
- EDP Finance B.V.
- Brazil Group
- NEO Group
- Hidroantábrico Group
- Produção Group
- Others

Non convertible bond loans:

- EDP, S.A.
- EDP Finance B.V.
- Brazil Group

Other loans:

- Preference shares of Investco
- NEO Group
- Others

Other liabilities:

- Fair value of the issued debt hedged risk

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Bank loans:				
- EDP, S.A.	1,316,994	616,256	1,316,994	616,256
- EDP Finance B.V.	1,250,000	1,490,000	-	-
- Brazil Group	511,043	466,649	-	-
- NEO Group	432,733	439,871	-	-
- Hidroantábrico Group	29,542	27,817	-	-
- Produção Group	14,153	18,870	-	-
- Others	88,365	101,770	-	-
	3,642,830	3,161,233	1,316,994	616,256
Non convertible bond loans:				
- EDP, S.A.	1,897,352	2,007,034	1,897,352	2,007,034
- EDP Finance B.V.	4,094,415	3,090,836	-	-
- Brazil Group	434,253	315,543	-	-
	6,426,020	5,413,413	1,897,352	2,007,034
Other loans:				
- Preference shares of Investco	15,507	11,825	-	-
- NEO Group	44,995	32,846	-	-
- Others	127	264	-	-
	60,629	44,935	-	-
	10,129,479	8,619,581	3,214,346	2,623,290
Other liabilities:				
- Fair value of the issued debt hedged risk	-65,133	5,114	-35,424	636
	-65,133	5,114	-35,424	636
	10,064,346	8,624,695	3,178,922	2,623,926
	12,605,992	10,153,050	6,124,289	5,617,183

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

EDP, S.A. has short-term credit facilities of 212,386 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 187,414 thousand Euros have a firm underwriting commitment; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, of which 290,000 thousand Euros are in use. EDP, SA has a medium term Revolving Credit Facility (RCF) of 1,300,000 thousand Euros, with a firm underwriting commitment, also indexed to Euribor under previously agreed conditions; and an RCF of 1,500,000 thousand dollars of which 1,180,000 thousand dollars have been drawn.

The bank loans in Euros bear floating-rate interest indexed to the three or six month Euribor rates. The bank loans in Brazil bear Brazilian Real (BRL) floating-rate interest, mostly indexed to CDI (Interbank Deposit Certificates) rate.

The Group also has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2007 and 2006 these loans amounted to 565,000 thousand Euros and 601,000 thousand Euros, respectively (included in the Group's consolidated debt).

The preference shares of Investco are non-convertible and non-voting and have a fixed dividend of 1% over the amount of the contribution to capital, and therefore are considered as debt rather than equity securities.

Bond loans issued and outstanding as at 31 December 2007 are analysed as follows:

Issuer		Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.							
EDP, S.A.	25th Issue	23-Nov-98	Euribor 6 months + 0.225%	n.a.	(ii)	99,361	99,361
EDP, S.A.	26th Issue	26-Mar-03	Euribor 6 months + 0.5%	n.a.	26-Mar-13	150,000	150,000
						249,361	249,361
Issued under the Euro Medium Term Notes program							
EDP, S.A.	1st Issue	29-Oct-99	Fixed rate EUR 6.40%	Fair Value	29-Oct-09	1,000,000	1,000,000
EDP, S.A.	2nd Issue	28-Mar-01	Fixed rate EUR 5.875%	Fair Value	28-Mar-11	747,352	747,352
EDP Finance B.V.	4th Issue	26-Nov-01	Zero coupon	n.a.	27-Nov-09	22,455	-
EDP Finance B.V.	6th Issue (*)	9-Aug-02	Fixed rate GBP 6.625%	Fair Value	9-Aug-17	320,000	-
EDP Finance B.V.	7th Issue	16-Dec-02	Fixed rate EUR 5.00%	n.a.	20-Mar-08	355,024	-
EDP Finance B.V.	8th Issue	23-Dec-02	Fixed rate EUR 2.661%	n.a.	23-Dec-22	93,357	-
EDP Finance B.V.	9th Issue	22-Jun-05	Fixed rate EUR 3.75%	n.a.	22-Jun-15	500,000	-
EDP Finance B.V.	10th Issue	29-Jun-05	Fixed rate EUR 4.125%	n.a.	29-Jun-20	300,000	-
EDP Finance B.V.	11th Issue	12-Jun-06	Euribor 3 months + 0.15%	n.a.	14-Jun-10	500,000	-
EDP Finance B.V.	12th Issue	12-Jun-06	Fixed rate EUR 4.25%	n.a.	12-Jun-12	500,000	-
EDP Finance B.V.	13th Issue	12-Jun-06	Fixed rate EUR 4.625%	n.a.	13-Jun-16	500,000	-
EDP Finance B.V.	14th Issue	2-Nov-07	Fixed rate USD 5.375 %	Net Investment	2-Nov-12	679,302	-
EDP Finance B.V.	15th Issue	2-Nov-07	Fixed rate USD 6.00 %	Net Investment	2-Feb-18	679,302	-
						6,196,791	1,747,352
Issued by the Brazil Group in the Brazilian domestic market							
Investco	1st Issue	1-Nov-01	IGPM + 10.50%	n.a.	1-Nov-11	13,768	-
Bandeirante	3rd Issue	1-Apr-06	104.4% of CDI	n.a.	1-Mar-11	96,291	-
Enersul	6th Issue	2-May-06	104.3% of CDI	n.a.	2-May-11	129,993	-
Escelsa	1st Issue	1-Jun-06	104.4% of CDI	n.a.	1-Jun-11	101,682	-
Escelsa	2nd Issue	2-Jul-07	105.0% of CDI	n.a.	2-Jul-14	96,291	-
						438,025	-
						6,884,177	1,996,713

(i) These issues by EDP Finance BV have associated interest rate and currency swaps.

(ii) 6 semi-annual payments beginning on 23 May, 2006.

Loans are analysed as follows, by maturity:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Bank loans and overdrafts:				
Up to 1 year	739,462	475,017	132,239	96,362
From 1 to 5 years	885,643	1,187,555	156,187	229,516
More than 5 years	<u>2,757,187</u>	<u>1,973,678</u>	<u>1,160,807</u>	<u>386,740</u>
	4,382,292	3,636,250	1,449,233	712,618
Bond loans:				
Up to 1 year	467,788	185,926	121,406	136,210
From 1 to 5 years	3,819,168	3,013,457	1,747,352	1,857,034
More than 5 years	<u>2,557,227</u>	<u>2,399,956</u>	<u>114,576</u>	<u>150,000</u>
	6,844,183	5,599,339	1,983,334	2,143,244
Commercial paper:				
Up to 1 year	<u>1,329,022</u>	<u>813,728</u>	<u>2,691,722</u>	<u>2,761,321</u>
	1,329,022	813,728	2,691,722	2,761,321
Other loans:				
Up to 1 year	5,374	58,798	-	-
From 1 to 5 years	16,278	12,089	-	-
More than 5 years	<u>28,843</u>	<u>32,846</u>	<u>-</u>	<u>-</u>
	50,495	103,733	-	-
	<u>12,605,992</u>	<u>10,153,050</u>	<u>6,124,289</u>	<u>5,617,183</u>

The fair value of the EDP Group's debt is analysed as follows:

	Dec 2007		Dec 2006	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	2,541,646	2,541,646	1,528,355	1,528,355
Medium/Long term debt and borrowings - Non current	<u>10,064,346</u>	<u>11,221,045</u>	<u>8,624,695</u>	<u>8,619,581</u>
	12,605,992	13,762,691	10,153,050	10,147,936

The financial liability risks that are hedged by financial instruments that comply with the hedge accounting requirements are stated at fair value. However, the remaining financial liabilities are stated at amortised cost or historical cost.

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

Scheduled repayments of the Group's debt are as follows:

	Total Euro'000	2008 Euro'000	2009 Euro'000	2010 Euro'000	2011 Euro'000	2012 Euro'000	Following years Euro'000
Medium/long term debt and borrowings	10,064,346	-	1,370,271	796,912	1,181,368	1,372,538	5,343,257
Short term debt and borrowings	<u>2,541,646</u>	<u>2,541,646</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	12,605,992	2,541,646	1,370,271	796,912	1,181,368	1,372,538	5,343,257

Guarantees are detailed in Note 40 to the financial statements.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Debt and borrowings, by currency, are analysed as follows:

	2008 Euro'000	2009 Euro'000	2010 Euro'000	2011 Euro'000	2012 Euro'000	Following years Euro'000	Total Euro'000
Bank loans and overdrafts:							
Euro	646,446	140,218	91,187	238,084	84,435	1,776,288	2,976,658
Brazilian Real	37,410	27,867	27,391	26,225	22,383	40,820	182,096
US Dollar	1,640	574	438	438	322	806,011	809,423
Other	55,054	61,334	61,168	52,583	50,997	134,068	415,204
	<u>740,550</u>	<u>229,993</u>	<u>180,184</u>	<u>317,330</u>	<u>158,137</u>	<u>2,757,187</u>	<u>4,383,381</u>
Bond loans:							
Euro	464,016	1,022,455	500,000	747,352	500,000	1,478,224	4,712,047
Brazilian Real	3,772	112,434	112,764	112,764	32,097	79,701	453,532
US Dollar	-	-	-	-	679,302	679,302	1,358,604
British Pounds	-	-	-	-	-	320,000	320,000
	<u>467,788</u>	<u>1,134,889</u>	<u>612,764</u>	<u>860,116</u>	<u>1,211,399</u>	<u>2,557,227</u>	<u>6,844,183</u>
Commercial paper:							
Euro	<u>1,329,022</u>	-	-	-	-	-	<u>1,329,022</u>
	<u>1,329,022</u>	-	-	-	-	-	<u>1,329,022</u>
Other loans:							
Euro	<u>4,286</u>	<u>5,389</u>	<u>3,964</u>	<u>3,922</u>	<u>3,002</u>	<u>28,843</u>	<u>49,406</u>
	<u>4,286</u>	<u>5,389</u>	<u>3,964</u>	<u>3,922</u>	<u>3,002</u>	<u>28,843</u>	<u>49,406</u>
	<u>2,541,646</u>	<u>1,370,271</u>	<u>796,912</u>	<u>1,181,368</u>	<u>1,372,538</u>	<u>5,343,257</u>	<u>12,605,992</u>

34. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Provisions for social liabilities and benefits	935,593	1,010,100	-	-
Provisions for medical liabilities	779,784	760,460	-	-
	<u>1,715,377</u>	<u>1,770,560</u>	<u>-</u>	<u>-</u>

Provision for social liabilities and benefits as at 31 December 2007 includes 827,354 thousand Euros relating to retirement pension defined benefit plans (930,275 thousand Euros at 31 December 2006), 90,952 thousand Euros (60,693 thousand Euros at 31 December 2006) relating to human resources rationalisation programs and liabilities similar to pensions of the Hidrocarbúrico Group and 17,287 thousand Euros (19,132 thousand Euros at 31 December 2006) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	1,010,100	1,099,604	-	10,693
Charge for the year	65,811	28,099	-	-
Pre-retirements (curtailments)	143,002	44,832	-	-
Actuarial (gains)/losses	-155,647	-1,374	-	-
Charge-off	-145,353	-176,435	-	-
Transfers and reclassifications	17,680	15,374	-	-10,693
Balance at the end of the year	<u>935,593</u>	<u>1,010,100</u>	<u>-</u>	<u>-</u>

The movement in Provisions for Medical and other benefits is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	760,460	743,642	-	6,394
Charge for the year	45,709	44,097	-	573
Pre-retirements (curtailments)	10,915	2,391	-	-
Actuarial (gains)/losses	-9,297	-2,906	-	-
Charge-off	-32,996	-33,939	-	-
Transfers and reclassifications	4,993	7,175	-	-6,967
Balance at the end of the year	<u>779,784</u>	<u>760,460</u>	<u>-</u>	<u>-</u>

As mentioned in the accounting policy presented in Note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2006 and 2007, respectively, gains of 4,280 thousand Euros and 164,944 thousand Euros.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare care is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a restricted Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesger being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, a restricted supplementary welfare entity with its own assets, segregated from those of its Sponsors (Bandeirante and other Brazilian electricity companies) and with no common for contributions or fundings between these funds

- BD Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion of accumulated past service up to that date, as from compliance with the regulatory granting requirements. The company is fully liable to fund this plan.

- the BD plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante, Energest and Enersul have Defined Benefit Plans that grant complementary pensions for retirement due to age, disability, and survivor pensions. Escelsa also has a special complementary retirement pension plan for former combatants.

As at 31 December 2007 and 2006 the number of participants covered by the pension plans was as follows:

	Portugal	Brazil	Portugal	Brazil
	2007	2007	2006	2006
Number of participants				
Retirees and pensioners	18,148	1,860	18,283	1,815
Active workers	7,476	2,914	8,373	3,236
	<u>25,624</u>	<u>4,774</u>	<u>26,656</u>	<u>5,051</u>

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans:

Assumptions	Dec 2007			
	Portugal	Bandeirante	Brazil Escelsa	Enersul
Expected return of plan assets	6.00%	11.25%	11.50%	11.00%
Discount rate	5.30%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	5.55%	5.55%	5.55%
Pension increase rate	2.90%	4.50%	4.50%	4.50%
Social Security salary appreciation	2.10%	4.50%	4.50%	4.50%
Inflation rate	2.20%	4.50%	4.50%	4.50%
Mortality table	TV 88/90	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	TASA 27	TASA 27	TASA 27
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

	Dec 2006			
	Portugal	Bandeirante	Brazil Escelsa	Enersul
Assumptions				
Expected return of plan assets	7.50%	12.20%	12.45%	12.00%
Discount rate	4.75%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	5.55%	5.55%	5.55%
Pension increase rate	3.00%	4.50%	4.50%	4.50%
Social Security salary appreciation	2.20%	4.50%	4.50%	4.50%
Inflation rate	2.20%	4.50%	4.50%	4.50%
Mortality table	TV 88/90	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	TASA 27	TASA 27	TASA 27
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service with any age).

The liability for retirement pensions and related coverage for the Group, as at 31 December 2007 and 2006 are as follows:

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans						
Liability at the end of the year	1,987,010	230,341	2,217,351	2,041,221	205,802	2,247,023
Fair value of plan assets at the end of the year	-1,178,536	-211,461	-1,389,997	-1,151,648	-165,100	-1,316,748
Provision at the end of the year	<u>808,474</u>	<u>18,880</u>	<u>827,354</u>	<u>889,573</u>	<u>40,702</u>	<u>930,275</u>

The evolution of the present value of the liability for pensions and fair value of the assets of the related Funds is as follows:

	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000
Provision for Pension Plans				
Liability at the end of the year	2,217,351	2,247,023	2,231,598	2,123,333
Fair value of plan assets at the end of the year	-1,389,997	-1,316,748	-1,207,121	-929,008
Provision at the end of the year	<u>827,354</u>	<u>930,275</u>	<u>1,024,477</u>	<u>1,194,325</u>

The past service liability of the pension plans for the Group, as at 31 December 2007 and 2006 is as follows:

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability						
Liability at the beginning of the year	2,041,221	205,802	2,247,023	2,053,310	178,288	2,231,598
Current service cost	14,640	645	15,285	13,943	688	14,631
Interest cost	92,963	22,884	115,847	90,592	20,247	110,839
Benefits paid	-167,478	-11,691	-179,169	-163,342	-11,437	-174,779
Curtailments / Settlements	143,002	-	143,002	44,832	-	44,832
Actuarial losses and gains	-138,993	-7,129	-146,122	1,886	9,876	11,762
Currency fluctuation	-	17,257	17,257	-	-5,258	-5,258
Other	1,655	2,573	4,228	-	13,398	13,398
Liability at the end of the year	<u>1,987,010</u>	<u>230,341</u>	<u>2,217,351</u>	<u>2,041,221</u>	<u>205,802</u>	<u>2,247,023</u>

The components of consolidated net cost of the plans recognised in the year were as follows:

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	14,640	645	15,285	13,943	688	14,631
Interest cost	92,963	22,884	115,847	90,592	20,247	110,839
Expected return on plan assets	-69,099	-25,848	-94,947	-79,473	-21,627	-101,100
Curtailments / Settlements	143,002	-	143,002	44,832	-	44,832
Plan participants contributions	-	-1,010	-1,010	-	-1,028	-1,028
Other	-	-	-	11,019	-	11,019
Net cost for the year	<u>181,506</u>	<u>-3,329</u>	<u>178,177</u>	<u>80,913</u>	<u>-1,720</u>	<u>79,193</u>

The change in the fair value of the consolidated assets of the Plans is analysed as follows:

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Pension funds						
Fair value of plan assets at the beginning of the year	1,151,648	165,100	1,316,748	1,070,656	136,465	1,207,121
Group contribution	23,178	6,214	29,392	53,336	6,712	60,048
Plan participants contributions	-	1,010	1,010	-	1,028	1,028
Benefits paid	-53,361	-11,691	-65,052	-53,336	-11,437	-64,773
Actual return on plan assets	69,099	25,848	94,947	79,473	21,627	101,100
Actuarial gains/(losses)	-12,028	17,372	5,344	12,538	11,245	23,783
Currency fluctuation	-	16,502	16,502	-	-5,093	-5,093
Other	-	-8,894	-8,894	-11,019	4,553	-6,466
Value of the assets at the end of the year	1,178,536	211,461	1,389,997	1,151,648	165,100	1,316,748

"Other" includes the effect of the Asset Ceiling in the year, in the amount of 44,164 thousand Euros for 2007 (35,270 thousand Euros for 2006).

The assets of the pension fund in Portugal as at 31 December 2007 and 2006 are analysed as follows:

	Assets of the Fund by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Properties Euro'000	Other Euro'000	Total Euro'000
31 December 2007	29,463	584,554	291,098	209,779	63,641	1,178,536
31 December 2006	23,033	529,758	380,044	207,297	11,516	1,151,648

	Assets of the Fund by nature					
	Cash %	Bonds %	Shares %	Properties %	Other %	Total %
31 December 2007	2.50%	49.60%	24.70%	17.80%	5.40%	100.00%
31 December 2006	2.00%	46.00%	33.00%	18.00%	1.00%	100.00%

Properties included in the fund, that are being used by the Group amount to 133,988 thousand Euros.

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods the benefits are expected to be paid.

The expected return rate of assets of 5.5% for 2008 and subsequent years, in accordance with expectations in January 2008, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2007		Expected return rate for 2008 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	49.6%	1.5%	52.1%	4.3%
European shares	23.4%	4.9%	6.3%	4.8%
Global shares	1.3%	-25.3%	18.6%	7.7%
Hedge Funds	5.5%	3.4%	4.5%	6.0%
Property	17.9%	2.9%	18.5%	5.7%
Liquidity	2.3%	-	-	-
Total	100.0%	4.9%	100.0%	5.5%

A new defined benefit Pension Fund asset management model was implemented in the second semester of 2007, detailed by the above referred asset allocation.

Notes to the Financial Statements

31 December 2007

As at 31 December 2007 the amount of future benefits expected to be paid, relating to the activity in Portugal, was as follows:

Expected future benefits to be paid				
	Pensions	Medical plans	Other benefits	Total
2008	182,020	22,397	14,750	219,167
2009	178,507	22,888	14,352	215,747
2010	175,151	23,384	14,413	212,948
2011	169,814	23,870	14,615	208,299
2012	165,160	24,364	15,059	204,583
2013	159,305	24,943	15,497	199,745
2014	154,083	25,555	16,010	195,648
2015	146,878	26,264	16,778	189,920
2016	140,437	27,017	17,314	184,768
2017	136,513	27,937	18,229	182,679

The contributions made to the pension Funds in 2007 amounted to 29,392 thousand Euros (60,048 thousand Euros in 2006) and were fully paid in cash.

The pensions paid by the Funds in 2007 totalled to 65,052 thousand Euros (64,773 thousand Euros in 2006).

The amount of 90,952 thousand Euros relating to the Hidrocontábrico Group, included under Provisions for social welfare and benefits, includes 29,504 thousand Euros relating to provisions for revision of the collective labour agreement of the Hidrocontábrico Group ("Convénio Colectivo"), signed in December 2007. This agreement regulates, among other matters, the pre-retirement regime. The liability under the agreement was determined based on an actuarial study considering, among other assumptions, a discount rate of 5%, PERM/F-2000P mortality tables, long term salary increase rate of 3% and an inflation rate of 2.5%.

II. Defined contribution pension plan

Hidrocontábrico in Spain, Bandeirante in Brazil and EDP Estudos e Consultoria in Portugal have social benefit defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa and Energest in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

Assumptions	Dec 2007		Dec 2006	
	Portugal	Brazil	Portugal	Brazil
Discount rate	5.30%	10.75%	4.75%	10.75%
Annual increase rate of medical service costs	4.50%	10% (b)	4.50%	10% (b)
Estimated administrative expenses per beneficiary per year (Euros)	150	not applicable	233	not applicable
Mortality table	TV 88/90	RP-2000 Geracional adjusted	TV 88/90	RP-2000 Geracional adjusted
Disability table	50% EKV 80	TASA 27	50% EKV 80	TASA 27
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service with any age).

(b) 10% in the first year, decreasing to 5.5% in 10 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2007 and 2006 is as follows

	Portugal	Brazil	Portugal	Brazil
	2007	2007	2006	2006
Number of participants				
Retirees and pensioners	17,962	865	18,097	801
Current employees	7,476	1,275	7,860	1,462
	<u>25,438</u>	<u>2,140</u>	<u>25,957</u>	<u>2,263</u>

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000
Provision for medical				
Liability at the end of the year	<u>779,784</u>	<u>760,460</u>	<u>743,462</u>	<u>725,575</u>
Provision at the end of the year	<u>779,784</u>	<u>760,460</u>	<u>743,462</u>	<u>725,575</u>

The evolution of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability						
Liability at the beginning of the year	736,104	24,356	760,460	727,105	16,357	743,462
Current service cost	8,517	305	8,822	8,738	329	9,067
Current interest cost	34,282	2,605	36,887	32,811	2,219	35,030
Benefits paid	-31,356	-1,640	-32,996	-31,485	-2,454	-33,939
Curtailments / Settlements	10,915	-	10,915	2,391	-	2,391
Actuarial gains and losses	-7,177	-2,120	-9,297	-5,893	2,987	-2,906
Currency fluctuation	-	2,001	2,001	-	-442	-442
Other	3,003	-11	2,992	2,437	5,360	7,797
Liability at end of the year	754,288	25,496	779,784	736,104	24,356	760,460
Provision at end of the year	754,288	25,496	779,784	736,104	24,356	760,460

The Medical Plan liability is recognised in the Group's accounts through provisions that totally cover the liability.

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

	Dec 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	8,517	305	8,822	8,738	329	9,067
Interest cost	34,282	2,605	36,887	32,811	2,219	35,030
Curtailment	10,915	-	10,915	2,391	-	2,391
Net cost for the year	53,714	2,910	56,624	43,940	2,548	46,488

35. Provisions for liabilities and charges

Provision for liabilities and charges is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Provision for legal and labour matters and other contingencies	152,428	153,985	-	-
Provision for customer guarantees under current operations	8,093	17,579	-	-
Provision for other liabilities and charges	215,520	216,909	29,580	19,910
	376,041	388,473	29,580	19,910

Provision for legal and labour matters and other contingencies of 152,428 thousand Euros includes provisions for tax matters of 79,261 thousand Euros and litigations in progress and other labour contingencies of 73,167 thousand Euros, the main liabilities being as follows:

- The Group's subsidiaries in Brazil, Bandeirante, Energias do Brazil, Enersul, Escelsa and Escelsapar have booked provisions of 69,666 thousand Euros for tax matters for the period from 1998 to 2006. The matters inherent to these contingencies are being legally questioned by the respective subsidiaries. The most significant contingencies are as follows: (i) COFINS tax for 1998 of the subsidiary Bandeirante of 20,528 thousand Euros including interest; (ii) PIS tax of 17,878 thousand Euros being questioned by Enersul and (iii) COFINS and PIS tax over equity interests of the subsidiary EDP Energias do Brasil of 14,426 thousand Euros.

- The subsidiary Naturgás Distribución booked a provision of 9,564 thousand Euros relating to taxes to be returned to the State for specific deductions made in the Basque Country under Norma Foral 7/1996 of 4 July, which establishes that 45% of the amounts invested in new fixed assets by residents in the Basque Country can be considered as a tax deductible. The subsidiary applied the deductions, however, following a court decision issued resulting from a process brought by the European Community Authorities, under which the entities making such deductions should return them to the State. The company booked a provision in the amount of the deductions to be returned and awaits the final decision.

- The Brazilian subsidiaries have several labour contingencies totalling 23,779 thousand Euros relating to: (i) several actions brought up by employees of the subsidiaries Enersul, Energest, Escelsa and Cesa regarding overtime, risk subsidies and re-employment of 19,181 thousand Euros and (ii) labour claims of 4,598 thousand Euros resulting from the partial spin-off protocol of Electropaulo - Electricidade de S. Paulo S.A. on 1 October 2001.

- There are several legal actions in process against subsidiaries of the EDP Group, for which provisions totalling 49,387 thousand Euros have been booked. The main actions are as follows:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante, Enersul e Escelsa in the amount of 28,397 thousand Euros. The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986.

ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of 11,200 thousand Euros.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

iii) There is litigation with the Municipal Council of Seixal relating to differences regarding rates for occupation rates of the public thoroughfare for the years 2004 and 2005, in the amount of 3,172 thousand Euros.

The remaining legal processes, totalling 12,115 thousand Euros, correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for damages caused.

The changes in the provisions for legal and labour matters and other contingencies were as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	153,985	88,004	-	-
Changes in the consolidation perimeter	-	12	-	-
Charge for the year	18,568	11,359	-	-
Write back for the year	-455	-111	-	-
Charge off for the year	-21,265	-	-	-
Other and exchange differences	1,595	54,721	-	-
Balance at the end of the year	152,428	153,985	-	-

Provisions for customer guarantees under current operations of 8,093 thousand Euros corresponds mainly to provisions for commercial costs and client loyalty programs.

The movements in Provisions for customer guarantees under current operations are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	17,579	26,821	-	-
Changes in the consolidation perimeter	-949	-	-	-
Charge for the year	257	5,706	-	-
Write back for the year	-235	-10,605	-	-
Charge off for the year	-314	-	-	-
Other and exchange differences	-8,244	-4,343	-	-
Balance at the end of the year	8,093	17,579	-	-

Provision for other liabilities and charges of 215,520 thousand Euros at 31 December 2007 mainly includes the following situations:

i) A Provision for investments of 33,341 thousand Euros to cover the negative equity of associated companies and contingencies of companies sold, under the terms of the sales contracts.

ii) The Group has booked a provision of 20,725 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down to its transfer to Enersa, the company that will dismantle it.

iii) Provisions for dismantling of wind farms of 20,280 thousand Euros to cover the costs of returning the locations and land to their original state, of 13,589 thousand Euros referring to the wind farms of the Horizon Group and the remaining balance to cover the wind farms of the NEO Group.

iv) Provision for disasters relating to the subsidiary Energia RE - Sociedade Cativa de Resseguro (reinsurance business) of 18,440 thousand Euros.

The movements in Provision for other liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	216,909	154,424	19,910	14,754
Changes in the consolidation perimeter	165	1,095	-	-
Charge for the year	62,342	104,667	17,439	5,886
Write back for the year	-38,382	-16,452	-5,413	-3,462
Charge off for the year	-11,444	-90,526	-2,162	-
Other and exchange differences	-14,070	63,701	-194	2,732
Balance at the end of the year	215,520	216,909	29,580	19,910

36. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Trade and other payables - Current:				
Suppliers	785,649	854,337	212,869	98,536
Property, plant and equipment suppliers	464,706	431,038	3,765	69
Other shareholders of Group companies	33,751	23,064	13,468	-
Advances from customers	44,049	10,835	46	55
Payables - subsidiary companies	-	-	-	192,562
Other payables:				
- Employees	49,893	40,212	2,358	-
- Supply of other goods and services	1,026	-	9,746	4,233
- Concession rents	4,183	6,530	-	-
- Amount payable to the Regulatory Entity in Brazil	13,274	20,563	-	-
- Amount to be invested in research and development (Brazil)	17,668	15,307	-	-
- Advance received for the sale of 15% of the share capital of REN	-	160,200	-	160,200
- Purchase of 80% of Pebble Hydro	57,482	-	57,482	-
- Group companies	-	-	80,265	-
Payables - associated companies	-	-	117,089	7,903
Energetic efficiency program	18,377	16,693	-	-
Holiday pay, bonus and other charges	93,504	76,882	942	753
Derivative financial instruments	111,825	88,127	114,874	55,832
Government grants and co-participation in investment in fixed assets	179,954	-	-	-
Extension of the period of the public hydric domain concession	759,000	-	-	-
Accrued costs - Energy management business	37,175	15,622	37,175	15,622
Accrued costs - Energy purchase (PRE)	63,787	38,676	-	-
Accrued costs - Overhauls	15,031	-	-	-
Accrued costs - Supply of energy	51,952	33,060	-	-
Accrued costs relating to CMEC revisable mechanism	20,576	-	-	-
Accrued costs to purchase of coal	26,203	-	-	-
CO2 emission licenses	197,905	541,309	-	-
Deferred income	27,686	73,668	-	-
Deferred income - CMEC	151,330	-	-	-
OMIP futures	10,360	-	-	-
Costs relating to the sale of ONI	-	4,350	-	4,350
Tariff refund - Enersul	70,538	-	-	-
Other creditors and sundry operations	343,006	307,196	59,640	26,252
	3,649,890	2,757,669	709,719	566,367

The caption "CO2 emission licenses" includes 43,185 thousand Euros relating to licenses granted in Portugal to be refunded to the Instituto do Ambiente (Institute of Environment) and 71,520 thousand Euros of the Hidroantábrico Group in Spain relating to consumption of CO2 during the year. The caption also includes 83,200 thousand Euros relating to licenses that the Hidroantábrico Group expects to return to the Spanish State as a result of application of Royal Decree-Law 03/06 (Note 9).

The amount of 759,000 thousand Euros relating to extension of the period of the public hydric domain concession refers to the amount payable by the EDP Group for extension of the public hydric domain concession (Note 16).

In 2007 Enersul received from the regulator of the Brazilian energy sector (ANEEL), a notification relating to the re-analysis of the regulatory remuneration basis (BRR) corresponding to a revision of the tariffs for 2003. The re-analysis resulted in a ANEEL decision to reduce Enersul's BRR, consequently the tariffs was reduced for doubtful periods and determined the return to consumers of the amount of energy invoiced in excess in the period from April 2003 to December 2007. As a result of this decision Enersul recognised a liability of 70,538 thousand Euros, corresponding to approximately 183,000 thousand Reais to cover this obligation, against a decrease in Sales — Electricity of the part corresponding to 2007, in the amount of 12,735 thousand Euros (Note 5), an increase in the caption "Other operating costs — Tariff revision — Enersul" in the amount of 55,973 thousand Euros and a currency translation effect of 1,830 thousand Euros.

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Trade and other payables - Non-current				
Regularisation account - (Reg. DL 344-B/82)	1,218	2,235	-	-
State participation in Multipurpose hydroelectric power stations	9,671	10,386	9,665	10,386
Deposits received from customers and other debtors	45,383	47,424	4	4
Payables to related companies	44,104	30,931	-	-
Suppliers of property, plant and equipment	51,914	6,041	1,245	1,521
Government grants for investment in fixed assets	1,713,165	1,841,904	563	829
Put options over minority interests liabilities	800,391	460,868	-	-
Deferred income	71,038	-	-	-
Energy sales contracts - Horizon	125,735	-	-	-
Deferred income - CMEC	581,401	-	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	733,273	-	-	-
Amounts payable for concessions	264,763	-	-	-
Payables - Group companies (EDP Finance BV)	-	-	3,144,434	-
Other creditors and sundry operations	22,461	27,404	-	-
	4,464,517	2,427,193	3,155,911	12,740

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Energy sales contracts — Horizon corresponds to the fair value of contracts entered by Horizon with its customers, determined under the Purchase Price Allocation.

The current and non-current captions Deferred income — CMEC of 732,731 thousand Euros refer to the initial CMEC (833,467 thousand Euros) less the amortisation for 2007 (110,279 thousand Euros) booked against Sales — Electricity (Note 5) and financial income relating to gain on the calculation of the revisable mechanism CMEC (7,717 thousand Euros), plus financial costs (17,260 thousand Euros) referred to in Note 13.

Liability to institutional investors in corporate partnership in wind farms in the USA (Horizon) of 733,273 thousand Euros relates to the initial payments made by the equity investors (Note 17).

The non-current Amounts payable for concessions corresponds to the medium and long term amounts payable for the concession to exploit the hydric domain of the Alqueva and Pedrógão plants ceded by EDIA (199,909 thousand Euros) and financial compensation for use of the public assets relating to concession contracts of the companies Investco, S.A. and Enerpeixe, S.A. in Brazil (64,854 thousand Euros).

Payables — Group companies (EDP Finance B.V.) in the company accounts, in the amount of 3,144,434 thousand Euros, refers to funding obtained through EDP Finance B.V. and passed to the EDP, S.A. Branch in Spain for the acquisition of Horizon and financing of the investments of the Horizon Group and the NEO Group.

37. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
State and other public entities				
- Income tax	378,173	357,424	10,123	10,493
- Withholding tax	28,620	26,613	467	402
- Social security contributions	8,384	8,125	21	12
- Value added tax	23,573	5,268	-	-
- Turnover tax (Brazil)	49,133	46,627	-	-
- Social tax (Brazil)	16,913	20,079	-	-
- Other taxes	71,181	56,971	-	-
	<u>575,977</u>	<u>521,107</u>	<u>10,611</u>	<u>10,907</u>

Other taxes as at 31 December 2007 include foreign taxes, namely from Spain - Hidrocarbúrico Group, of 38,119 thousand Euros (42,050 at 31 December 2006).

38. Assets and liabilities classified as held for sale and discontinued operations

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, are explained under accounting policies paragraph 2 u).

Assets classified as held for sale

This caption is analysed as follows:

	Group	Company
	Dec 2007 Euro'000	Dec 2007 Euro'000
Investment held in Edinfor	39,745	44,500
Other assets held for sale	2,641	-
	<u>42,386</u>	<u>44,500</u>

In December 2007 the Executive Board of Directors of EDP, S.A. notified LogicaCMG Corporate Holdings Limited ("LogicaCMG") of its decision to exercise its sales option over 40% of the share capital of Edinfor — Sistemas Informáticos, S.A. ("Edinfor") in 2008. As a result of this decision, the investment in Edinfor was classified in the consolidated and company financial statements as "Assets classified as held for sale", being booked at the lower of book value and fair value less costs to sell.

The sales option has a minimum exercise price of 54,964 thousand Euros up to April 2009 and is subject to the conditions and obligations of the shareholders agreement entered in 2005 between EDP and LogicaCMG.

Discontinued operations - ONI

In November 2006 EDP, S.A. entered into a contract to sell 100% of the share capital of ONI SGPS, S.A. to Win Reason, S.A.. Before entering into the contract, EDP acquired the remaining 44% of ONI's share capital from the other shareholders (BCP, BRISA, GALP), as well as the supplementary capital contributions held by these companies, for 1 Euro for each part. EDP also acquired ONI's bank loans from its main creditors.

As at 31 December 2006 this transaction was dependent upon obtaining the necessary regulatory authorisations from the Competition Authority and ANACOM. In January 2007 EDP booked the sale of 100% of ONI's share capital (together with the supplementary capital contributions and EDP's receivable from ONI) for an estimated amount of 95,261 thousand Euros. The EDP Group's financial statements as of 31 December 2006 included a provision of 12,808 thousand Euros to cover the loss on the sale of its investment in ONI, to be booked in 2007.

In the second half of 2007 the sales price of ONI was adjusted to 96,908 thousand Euros compared to 95,261 thousand Euros established initially. This change in the sales price had a positive impact in the 2007 net profit of 1,647 thousand Euros.

The assets and liabilities classified as held for sale and discontinued operations presented in the financial statements as of 31 December 2006 related to ONI are as follows:

	Dec 2006 Euro'000 ONI
Assets classified as held for sale	
Property, plant and equipment	128,552
Intangible assets	66,134
Total Non-Current Assets	194,686
Inventories	1,601
Trade receivables	39,854
Debtors and other assets	10,995
Tax receivable	1,894
Cash and cash equivalents	6,651
Total Current Assets	60,995
Total Assets	255,681
	Dec 2006 Euro'000 ONI
Liabilities classified as held for sale	
Employee benefits	427
Provisions for liabilities and charges	16,401
Deferred tax liabilities	29,030
Total Non-Current Liabilities	45,858
Short term loans	8,926
Trade and other payables	104,742
Tax payable	572
Total Current Liabilities	114,240
Total Liabilities	160,098

39. Derivative financial instruments

The Group classifies derivative financial instruments as fair value hedges of a recognised asset or liability ("fair value hedge") and as cash flow hedges of recognised liabilities and highly probable future transactions ("cash flow hedge"), in accordance with IAS 39.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Risk hedged	2007		2006	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	-40,487	40,487	-90,954	90,954
- Fair value	Interest rate and exchange rate swap	Interest rate and exchange rate	-29,037	29,037	-2,504	2,504
- Cash flow hedge	Interest rate swap	Interest rate	14,794	-	-75	-
			-54,730	69,524	-93,533	93,458

The changes in the fair value reserve relating to cash flow hedges in 2007 and 2006 were as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the year	-14,265	-15,678
Fair value changes	14,794	-75
Transfers to results	1,485	1,488
Balance at the end of the year	2,014	-14,265

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Fair value reserve (cash-flow hedge) includes 12,776 thousand Euros relating to future cash flow hedges. This amount is being amortised over the same period that the cash flows will affect the income statement.

The valuation of the financial instruments is recorded under Debtors and other assets and Trade and other payables in accordance with its nature.

The gains and losses on the financial instruments portfolio booked in the income statements in 2007 and 2006 are as follows:

	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Derivatives held for trading	-33,468	155,917	-11,357	193,691
Fair value hedges				
- Derivatives	-69,524	-93,458	-40,487	-90,954
- Hedged liabilities	69,524	93,458	40,487	90,954
Cash flow hedges				
- Derivatives	-1,485	-1,488	-1,485	-1,488
	<u>-34,953</u>	<u>154,429</u>	<u>-12,842</u>	<u>192,203</u>

Maturities of the derivative financial instruments relating to financing operations at 31 December 2007 are as follows:

	Group				
	Up to 3 months Euro'000	From 3 months 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Interest rate contracts					
Interest rate swaps	2,198	66,911	1,915,845	162,741	2,147,695
Options purchased and sold	9,182	7,268	1,571,375	2,627	1,590,452
	<u>11,380</u>	<u>74,179</u>	<u>3,487,221</u>	<u>165,368</u>	<u>3,738,147</u>
Interest rate and exchange rate contracts					
CIRS (currency interest rate swaps)	-	-	359,940	-	359,940
	<u>11,380</u>	<u>74,179</u>	<u>3,847,161</u>	<u>165,368</u>	<u>4,098,088</u>

Maturities of the derivative financial instruments relating to financing operations at 31 December 2006 are analysed as follows:

	Group				
	Up to 3 months Euro'000	From 3 months 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Interest rate contracts					
Interest rate swaps	-	-	2,253,174	512,640	2,765,813
Options purchased and sold	-	250,000	547,963	7,668	805,631
	<u>-</u>	<u>250,000</u>	<u>2,801,137</u>	<u>520,308</u>	<u>3,571,444</u>
Interest rate and exchange rate contracts					
CIRS (currency interest rate swaps)	-	-	-	320,000	320,000
	<u>-</u>	<u>250,000</u>	<u>2,801,137</u>	<u>840,308</u>	<u>3,891,444</u>

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2007 are as follows:

	Group	
	Currency	EDP Pays EDP Receives
Interest rate contracts		
Interest rate swaps	EUR	[5,41% - 3,0%] [6,40% - 3,78%]
Interest rate and exchange rate contracts		
CIRS (currency interest rate swaps)	EUR / GBP	5.73% 6.63%
CIRS (currency interest rate swaps)	USD / BRL	[13,22% - 10,89%] [4,38% - 4,0%]
Nominal value	Euro'000	Group
Interest rate contracts		
Options purchased on interest rates (CAP purchases)	551,753	[5,75% - 4,00%]
Options sold on interest rates (CAP sale)	500,000	[5,30% - 5,20%]
Options sold on interest rates (FLOOR sale)	538,699	[4,27% - 3,00%]

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2006 are analysed as follows:

	Group	
	Currency	EDP Pays EDP Receives
Interest rate contracts		
Interest rate swaps	EUR	[5,15% - 3,0%] [6,40% - 3,70%]
Interest rate and exchange rate contracts		
CIRS (currency interest rate swaps)	EUR / GBP	4.76% 6.63%
	Nominal value	Group
	Euro'000	
Interest rate contracts		
Options purchased on interest rates (CAP purchases)	805,631	[5,75% - 4,00%]
Options sold on interest rates (CAP sale)	750,000	[5,30% - 4,75%]
Options sold on interest rates (FLOOR sale)	793,661	[4,27% - 3,00%]

40. Commitments

Financial and real guarantees granted by EDP Group, not included in the balance sheet as of 31 December 2007 and 2006, are analysed as follows:

Type	Group		Company	
	Dec 2007 Euro'000	Dec 2006 Euro'000	Dec 2007 Euro'000	Dec 2006 Euro'000
Guarantees of a financial nature				
EDP, S.A.	528,494	569,811	528,494	569,811
Hidroantábrico Group	52,364	61,864	-	-
Brazil Group	104,397	88,580	-	-
NEO Group	26,306	122,543	-	-
Horizon Group	3,057	-	-	-
Other	10	-	-	-
	<u>714,628</u>	<u>842,798</u>	<u>528,494</u>	<u>569,811</u>
Guarantees of an operating nature				
EDP, S.A.	1,243,985	254,863	1,243,985	254,863
Hidroantábrico Group	300,134	300,613	-	-
Brazil Group	131,822	45,349	-	-
NEO Group	40,034	8,687	-	-
Horizon Group	542,564	-	-	-
Other (Portugal)	10,262	15,871	-	-
	<u>2,268,801</u>	<u>625,383</u>	<u>1,243,985</u>	<u>254,863</u>
Total	<u><u>2,983,429</u></u>	<u><u>1,468,181</u></u>	<u><u>1,772,479</u></u>	<u><u>824,674</u></u>
Real guarantees	<u>36,800</u>	<u>16,017</u>	<u>-</u>	<u>-</u>

The financial guarantees contracted at 31 December 2007 and 2006 include 548,839 thousand Euros and 731,648 thousand Euros, respectively, relating to loans contracted by Group companies and included in their consolidated debt. These include guarantees for loans of 398,115 thousand Euros at 31 December 2007 (341,418 thousand Euros at 31 December 2006) contracted by the Energias do Brazil Group to finance the construction of hydro electrical plants, having associated counter-guarantees of 175,587 thousand Euros (136,567 thousand Euros at 31 December 2006) received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current power generation and current distribution activities. The total operating guarantees of 429,474 thousand Euros and 239,816 thousand Euros at 31 December 2007 and 2006, respectively, include guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2007 and 2006 these loans amounted to 565,446 thousand Euros and 600,555 thousand Euros, respectively and are included in the Group's consolidated debt.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The commitments relating to short and medium/long term debt, finance lease instalments and other long term liabilities (included in the balance sheet) and other liabilities relating to purchases and operating lease instalments not yet due (not included in the balance sheet) are disclosed at 31 December 2007 and 2006, separated by maturity:

Dec 2007					
Principal					
Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000	
Short and long term debt	12,605,992	2,541,646	2,167,183	2,553,906	5,343,257
Finance lease instalments payable	10,125	5,655	4,259	211	-
Operating lease liability	4,057	2,640	1,178	238	-
Purchase obligations	43,119,978	5,395,359	7,405,281	5,860,035	24,459,302
Other long term liabilities	2,155,810	224,238	439,022	423,068	1,069,482
	<u>57,895,962</u>	<u>8,169,539</u>	<u>10,016,923</u>	<u>8,837,458</u>	<u>30,872,041</u>

Dec 2006					
Principal					
Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000	
Short and long term debt	10,153,050	1,528,355	2,326,416	1,897,681	4,400,598
Finance lease instalments payable	10,203	2,362	4,584	3,257	-
Operating lease liability	7,665	4,560	2,922	183	-
Purchase obligations	33,122,815	3,227,845	4,451,318	4,031,407	21,412,245
Other long term liabilities	2,075,382	258,413	385,582	374,381	1,057,006
	<u>45,369,115</u>	<u>5,021,535</u>	<u>7,170,822</u>	<u>6,306,909</u>	<u>26,869,849</u>

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Iberian Peninsula and Brazil.

The short and long term debt correspond to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Details of the amounts, by Group entity, are shown in Note 33 — Loans.

Finance lease instalments payable relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include accrued interest.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term liabilities relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated balance sheet (Note 34 — Employees benefits).

As at 31 December 2007 the Group has the following contingent liabilities/rights relating to call and put options on investments:

- EDP has a put option for 40% of the share capital of Edinfor over LogicaCMG up to April 2009, by the highest of the following amounts:

- Fair value of the asset determined based on a valuation performed by investment banks;
- Floor determined based on a valuation of the Edinfor Group at the sale date of the 60% LogicaCMG;

After April 2009 the exercise price of the option corresponds to the fair value of the asset determined by a valuation by investment banks;

- LogicaCMG has a call option over EDP for 40% of Edinfor at fair value of the asset as from 2009, determined by a valuation made by investment banks;

- Put option of Cajastur over EDP for 3.13% of the capital of Hidrocarbón;

- Put option of Ente Vasco de la Energía over HC of 30.4% of Naturgás, for the highest of the following amounts:

- Initial price discounted to the put option exercise date, considering the dividends distributed up to date;
- Fair value of the asset, determined by investment banks;

- Put option of Caja Madrid over NEO for 20% of its participated company Genesa. The option can be exercised between January 2010 and 1 January 2011, the price of exercising the option being determined by an investment bank valuation process.

- EDP has a put option over Endesa and Endesa has a call option over EDP for 7.7% of Ampla investment, at the fair value of the asset, determined under an investment bank valuation process. However, the exercise period of the option can be extended up to March or September 2008, depending on the accomplishment of the existing suspensive conditions.

- EDP has a put option over Mercado Electrónico and Mercado Electrónico has a call option over EDP for 34% of the investment in Central E, S.A.. The price of the options will be determined based on the last 12 months invoicing and the exercise period of the options starts in June 2010 and ends in June 2015.

41. Stock option plan

EDP implemented a stock option program applicable to senior management and directors, under the terms approved by the General Meeting, in order to provoke value enhancement.

EDP Group has the three following stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised lapse eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.

The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euro)
Balance as at 31 December 2005	2,043,144	2.27
Options exercised	1,044,621	
Options granted	1,461,497	
Balance as at 31 December 2006	2,460,020	2.22
Options exercised	849,687	
Options granted	-	
Balance as at 31 December 2007	1,610,333	2.21

Stock options in 2007 can be analysed as follows:

Options outstanding	Weighted average exercise price (Euro)	Weighted average remaining contractual life (Years)	Options exercisable	Fair value of options Eur'000
1,610,333	2.21	6.03	325,230	1,261

In 2007 no cost was recognised related to stock options as the past service cost was recognised in prior years.

In addition to the options granted, the EDP Group granted a group of treasury shares to employees (390,592 shares acquired at the price of 4.01 Euros) totalling 1,566 thousand Euros in 2007.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

42. Related parties

The main transactions with related parties and balances with subsidiaries and associates eliminated in the consolidation process in the year ended 31 December 2007 were as follows:

Main shareholders and shares held by company officers:

EDP, S.A.'s shareholder structure as at 31 December 2007 is analysed as follows:

	N.º of Shares	% Capital	% Voting rights
Parpública - Participações Públicas, SGPS, S.A.	749,323,856	20.49%	20.41%
Iberdrola - Participações, SGPS, S.A.	347,371,083	9.50%	5.00%
Caja de Ahorros de Asturias	202,250,158	5.53%	5.00%
Caixa Geral de Depósitos, S.A.	192,149,288	5.25%	5.00%
José de Mello - SGPS, S.A.	181,975,120	4.98%	5.00%
Grupo Banco Comercial Português e Fundo de Pensões Grupo BCP	124,347,479	3.40%	3.42%
Picket Asset Management	104,396,422	2.86%	2.87%
Banco Espírito Santo, S.A.	84,831,095	2.32%	2.33%
Sonatrach	81,713,076	2.23%	2.25%
EDP (Treasury stock)	15,511,685	0.42%	-
Other shareholders	1,572,668,453	43.01%	
	3,656,537,715	100.00%	

The number of shares held by company officers in 2007 and 2006 were as follows:

	2007 N.º of shares	2006 N.º of shares
Board of the General Meeting		
Rui Eduardo Ferreira Rodrigues Pena	1,445	-
Maria Teresa Isabel Pereira	6,192	3,962
	7,637	3,962
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
António Francisco Barroso de Sousa Gomes	4,135	4,135
Carlos Jorge Ramalho dos Santos Ferreira	24,400	24,400
Diogo Campos Barradas de Lacerda Machado	260	260
Paulo Jorge Assunção Rodrigues Teixeira Pinto	1,388	1,388
Vital Martins Moreira	21,870	21,870
Vitor Fernando da Conceição Gonçalves	3,465	6,035
	60,096	62,666
Executive Board of Directors		
António Luís Guerra Nunes Mexia	1,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,074	34,074
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	12,497	12,497
	62,138	62,138

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration attributed to the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2007 was as follows:

	EBD Euro'000	GSC Euro'000
President	1,286	682
Members	6,112	948
	7,398	1,630

The remuneration of the members of the Executive Board of Directors includes a variable component of 3,432 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

Strategic partnership with Sonatrach

On 26 March 2007 Sonatrach acquired 1,639,699 shares of EDP, S.A. corresponding to 2.039% of the company's voting rights. On 31 October 2007 EDP signed several agreements with Sonatrach to establish the terms of a strategic partnership relating to the supply of natural gas. The partnership establishes future supply of natural gas for the combined cycle natural gas plants. The agreements establish that the supply of natural gas will start in the first half of 2008.

Balances and transactions with subsidiaries and associates

As at 31 December 2007, credits over subsidiaries and associates, for the Company, and eliminated in the consolidated financial statements are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other receivables Euro'000	Total Euro'000
Companies				
Balwerk	843	279,878	658	281,379
Edinfor	-	11,108	743	11,851
EDP Brazil	-	-	9,455	9,455
EDP Comercial	4,321	-	44,062	48,383
EDP Distribuição	510,132	1,343,125	64,919	1,918,176
EDP Estudos e Consultoria	344	-	168	512
EDP Finance	-	200,663	17,735	218,398
EDP Gás	4,643	-	2,197	6,840
EDP Imobiliária e Participações	4,653	297,622	2,242	304,517
EDP Inovação	-	-	1,212	1,212
EDP Powerline	4,332	-	50	4,382
EDP Produção	177,418	1,837,269	62,584	2,077,271
EDP Produção Bioelétrica	-	13,867	263	14,130
EDP Serviço Universal	117,602	-	25,943	143,545
EDP Serviner	-	-	153	153
EDP Soluções Comerciais	14,153	-	17,575	31,728
EDP Valor	-	-	5,092	5,092
Electra	-	-	169	169
Elétrica Ribera del Ebro	-	-	63	63
Enagás	116	-	-	116
Enernova	-	98,239	2,357	100,596
Hidroelétrica del Cantábrico	1,185	-	9,095	10,280
Horizon Wind Energy	-	319,951	19,626	339,577
Labelec	-	-	562	562
MRH	-	-	24	24
NEO	-	1,866,095	5,830	1,871,925
NQF Gás III SGPS (NQF Energia)	-	-	2,001	2,001
NQF Investimentos, SGPS (NQF SGPS)	77	1,400	15,000	16,477
O&M Serviços	-	-	11	11
OPTEP	-	-	1,878	1,878
Pebble Hydro	-	-	1,205	1,205
Portgás	-	-	252	252
Sávida	-	-	305	305
SCS	41	-	48	89
Other	-	90	1,022	1,112
	<u>839,860</u>	<u>6,269,307</u>	<u>314,499</u>	<u>7,423,666</u>

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

As at 31 December 2006, credits over subsidiaries and associates, for the Company, and eliminated in the consolidated financial statements are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other receivables Euro'000	Total Euro'000
Companies				
Balwerk	10,100	266,078	355	276,533
Edalpro	243	-	12	255
Edinfor	-	-	6,024	6,024
EDP Brazil	-	-	12,370	12,370
EDP Comercial	127,508	-	13,471	140,979
EDP Distribuição	670,176	1,228,125	40,877	1,939,178
EDP Estudos e Consultoria	-	-	74	74
EDP Finance	-	285,938	7,342	293,280
EDP Gás	-	-	1,035	1,035
EDP Imobiliária e Participações	301,655	2,692	264	304,611
EDP Powerline	4,328	-	11	4,339
EDP Produção	61,877	1,381,912	11,717	1,455,506
EDP Produção Bioelétrica	32	9,992	171	10,195
EDP Produção EM	-	-	3,436	3,436
EDP Serviner	-	-	69	69
EDP Soluções Comerciais	13,874	-	11,563	25,437
EDP Trader Internacional	-	25	-	25
EDP Valor	-	125	4,934	5,059
Enernova	-	112,091	2,031	114,122
Hidroelétrica del Cantábrico	836	-	12,200	13,036
Labelec	-	-	344	344
NEO	-	30,460	3,072	33,532
NQF Gás III SGPS	-	-	1,814	1,814
NQF Investimentos, SGPS (NQF SGPS)	-	-	15,018	15,018
ONI SGPS	-	24,397	296,115	320,512
ONI Telecom	-	-	40,577	40,577
Sávida	-	-	361	361
SCS	51	-	-	51
Other	680	11,198	43,155	55,033
	<u>1,191,360</u>	<u>3,353,033</u>	<u>528,412</u>	<u>5,072,805</u>

As at 31 December 2007, the debts to subsidiaries and associates, for the Company and eliminated in the consolidated financial statements are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other payables Euro'000	Total Euro'000
Companies				
Balwerk	-	-	2,357	2,357
Edalpro	131	-	-	131
Edinfor	-	-	11,418	11,418
EDP Comercial	-	-	7,324	7,324
EDP Distribuição	-	-	31,873	31,873
EDP Estudos e Consultoria	-	-	5,501	5,501
EDP Finance	-	-	3,238,285	3,238,285
EDP Imobiliária e Participações	-	-	196	196
EDP Inovação	1,841	-	2,904	4,745
EDP Produção	-	-	282,406	282,406
EDP Produção Bioelétrica	-	-	96	96
EDP Renováveis	-	-	37,994	37,994
EDP Serviço Universal	-	-	153	153
EDP Serviner	2,622	-	88	2,710
EDP Soluções Comerciais	-	-	3,821	3,821
EDP Valor	21,526	-	2,176	23,702
Electrica Ribera del Ebro	-	-	9,412	9,412
Enernova	22,739	-	16	22,755
Hidrocantábrico Energia	-	-	2,355	2,355
Hidroelétrica del Cantábrico	-	-	27,301	27,301
EDP Internacional	371	-	78	449
Labelec	579	-	1,437	2,016

	Intra-group financial mov. Euro'000	Loans Euro'000	Other payables Euro'000	Total Euro'000
MRH	1,075	-	-	1,075
NQF Gás	34	-	-	34
NQF Gás III SGPS (NQF Energia)	63,628	-	83	63,711
NQF Investimentos, SGPS (NQF SGPS)	-	-	10	10
O&M Serviços	1,091	-	-	1,091
Others	2	-	399	401
Portgás	-	-	809	809
Sávida	6,865	-	2	6,867
Tergen	715	-	-	715
	123,219	-	3,668,494	3,791,713

As at 31 December 2006, the debts to subsidiaries and associates, for the Company and eliminated in the consolidated financial statements are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other payables Euro'000	Total Euro'000
Companies				
Edinfor	-	-	8,918	8,918
EDP Comercial	-	-	18,253	18,253
EDP Distribuição	-	-	4,138	4,138
EDP Estudos e Consultoria	38	-	4,331	4,369
EDP Finance	-	-	276	276
EDP Gás	530,110	-	364	530,474
EDP Imobiliária e Participações	-	-	182	182
EDP Produção	-	-	19,174	19,174
EDP Produção Bioelétrica	-	-	495	495
EDP Produção EM	8,588	-	644	9,232
EDP Serviner	2,301	-	-	2,301
EDP Soluções Comerciais	-	-	121	121
EDP Valor	17,145	-	669	17,814
Enernova	25,534	-	-	25,534
Hidroelétrica del Cantábrico	-	-	2,087	2,087
EDP Internacional	1,960	-	-	1,960
Labelec	643	-	226	869
MRH	223	-	277	500
NQF Gás	-	-	302	302
NQF Gás III SGPS (NQF Energia)	63,628	-	-	63,628
O&M Serviços	960	-	-	960
Oni Telecom	-	-	400	400
Sávida	2,767	-	85	2,852
SCS	-	-	20	20
Tergen	548	-	-	548
Other	-	-	2,482	2,482
	654,445	-	63,444	717,889

Expenses related to intra-Group transactions for the year ended 31 December 2007 based on the company financial statements, eliminated on consolidation are as follows:

	Interest on Intra-Group financial mov. Euro'000	Interest on loans obtained Euro'000	Other costs Euro'000	Total Euro'000
Companies				
Edinfor	-	-	80,329	80,329
EDP Comercial	-	-	42,543	42,543
EDP Distribuição	9,246	-	8,383	17,629
EDP Estudos e Consultoria	41	-	13,801	13,842
EDP Finance	-	-	16,791	16,791
EDP Gás	14,236	-	-	14,236
EDP Inovação	25	-	1,300	1,325
EDP Produção	733	-	569,334	570,067
EDP Renováveis	-	-	37,994	37,994
EDP Serviço Universal	18,484	-	492	18,976
EDP Valor	679	-	3,221	3,900
Elétrica Ribera del Ebro	-	-	14,830	14,830
Hidroelétrica del Cantábrico	-	-	36,703	36,703
Hidrocantábrico Energia S.A.U.	-	-	10,856	10,856
Labelec	56	-	1,165	1,221
Other	889	-	500	1,389
	44,389	-	838,242	882,631

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

Expenses related to intra-Group transactions for the year ended 31 December 2006 based on the company financial statements, eliminated on consolidation are as follows:

	Interest on intra-Group financial mov. Euro'000	Interest on loans obtained Euro'000	Other costs Euro'000	Total Euro'000
Companies				
Edinfor	-	-	79,330	79,330
EDP Comercial	-	-	54,762	54,762
EDP Distribuição	-	-	9,042	9,042
EDP Estudos e Consultoria	11	-	12,881	12,892
EDP Gás	12,434	-	-	12,434
EDP Produção	5,999	-	93,720	99,719
EDP Valor	432	-	4,800	5,232
Hidroelétrica del Cantábrico	-	-	2,277	2,277
Hidrocantábrico Energia S.A.U.	-	-	4,284	4,284
Other	789	-	1,556	2,345
	<u>19,665</u>	<u>-</u>	<u>262,652</u>	<u>282,317</u>

Income related to intra-Group transactions for the year ended 31 December 2007 based on the company financial statements, eliminated on consolidation are as follows:

	Interest on intra-Group financial mov. Euro'000	Interest on loans granted Euro'000	Other income Euro'000	Total Euro'000
Companies				
Balwerk	581	117	215	913
EDP Comercial	5,818	-	129,664	135,482
EDP Distribuição	30,872	59,250	16,240	106,362
EDP Finance	-	10,665	1,713	12,378
EDP Imobiliária e Participações	13,544	1,420	136	15,100
EDP Produção	10,060	66,940	64,772	141,772
EDP Serviço Universal	27,361	-	22,515	49,876
EDP Soluções Comerciais	1,156	-	7,256	8,412
EDP Valor	-	-	2,277	2,277
Enernova	-	5,256	503	5,759
Hidroelétrica del Cantábrico	-	-	11,239	11,239
Hidrocantábrico Distribuição Elétrica, S.A.U.	-	-	5,153	5,153
Hidrocantábrico Energia S.A.U.	-	-	7,294	7,294
Horizon Wind Energy, LLC	-	-	2,037	2,037
NEO	-	6,103	3,066	9,169
Other	292	314	2,030	2,636
	<u>89,684</u>	<u>150,065</u>	<u>276,110</u>	<u>515,859</u>

Income related to intra-Group transactions for the year ended 31 December 2006 based on the company financial statements, eliminated on consolidation are as follows:

	Interest on intra-Group financial mov. Euro'000	Interest on loans granted Euro'000	Other income Euro'000	Total Euro'000
Companies				
Balwerk	420	-	275	695
EDP Comercial	7,380	-	241,269	248,649
EDP Distribuição	19,911	49,995	143,550	213,456
EDP Finance	-	11,145	1,278	12,423
EDP Gás	-	-	1,036	1,036
EDP Imobiliária e Participações	2,266	14	241	2,521
EDP Produção	-	65,516	4,822	70,338
EDP Soluções Comerciais	1,157	-	5,130	6,287
EDP Valor	13	81	1,733	1,827
Enernova	662	5,505	196	6,363
Hidroelétrica del Cantábrico	-	-	30,358	30,358
Hidrocantábrico Energia S.A.U.	-	-	16,114	16,114
NEO	-	446	1,266	1,712
Portgas	-	-	718	718
Other	295	159	1,652	2,106
	<u>32,104</u>	<u>132,861</u>	<u>449,638</u>	<u>614,603</u>

43. Fair value of financial assets and liabilities

	Group Dec 2007			Group Dec 2006		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Financial assets						
Available-for-sale financial assets	705,260	705,260	-	822,148	822,148	-
Trade receivables	1,759,176	1,759,176	-	1,592,853	1,592,853	-
Derivative financial instruments	106,520	106,520	-	121,216	121,216	-
Financial assets at fair value through profit or loss	49,034	49,034	-	116,439	116,439	-
Cash and cash equivalents	864,711	864,711	-	753,493	753,493	-
	<u>3,484,701</u>	<u>3,484,701</u>	<u>-</u>	<u>3,406,149</u>	<u>3,406,149</u>	<u>-</u>
Financial liabilities						
Loans	12,605,992	13,762,691	1,156,699	10,153,050	10,147,936	-5,114
Trade payables	1,250,355	1,250,355	-	1,285,375	1,285,375	-
Derivative financial instruments	111,825	111,825	-	88,127	88,127	-
	<u>13,968,172</u>	<u>15,124,871</u>	<u>1,156,699</u>	<u>11,526,552</u>	<u>11,521,438</u>	<u>-5,114</u>

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost is essentially short term, the effect of changes in the fair value has not been considered. Fair value of the EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

44. Gains or losses on the sale of discontinued operations

In compliance with IFRS 5, the assets and liabilities of ONI are presented in the consolidated balance sheet as at 31 December 2006 by the total of assets and liabilities acquired in separate captions. The loss on the sale of discontinued operations for the year ended 31 December 2006 refers to the results of ONI's operations.

A breakdown of the discontinued operations is presented in Note 38 — Assets and liabilities classified as held for sale and discontinued operations.

The financial participation in ONI at 31 December 2006 was reclassified to the discontinued operations caption "Assets classified as held for sale" in accordance with IFRS 5. Therefore, the participation was recognised at the lower of book value and expected sales value and a loss of 12,808 thousand Euros was accounted for in the consolidated financial statements.

In January 2007 the EDP Group sold 100% of the share capital of Oni SGPS, S.A. (Oni), a company that operates in the telecommunications sector. The sale, in the amount of 95,261 thousand Euros, includes the value of shares and shareholders' credits. In 2007 the sales price of ONI was adjusted from the amount of 95,261 thousand Euros initially established to 96,908 thousand Euros, resulting in a gain of 1,647 thousand Euros for the year ended 31 December 2007.

45. CO2 licenses

The movements in the portfolio of CO2 licenses available for consumption are analysed as follows:

	Group Dec 2007 CO ₂ (ton)	Group Dec 2006 CO ₂ (ton)
CO2 licenses as at 1 January	-57,292	-1,125,149
Licenses granted free of charge	18,350,203	12,450,838
Licenses acquired in the market	4,017,195	1,530,210
Licenses transferred (from own consumption to trading)	<u>-1,395,492</u>	<u>-1,373,626</u>
	20,914,614	11,482,273
Licenses to be returned (consumed)	<u>20,094,445</u>	<u>11,539,565</u>
Excess/(Lack) of licenses	<u>820,168</u>	<u>-57,292</u>

Licenses corresponding to emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year.

FINANCIAL
REPORTNotes to the Financial Statements
31 December 2007

The movements in the CO₂ licenses held for trading are analysed as follows:

	Consolidated Dec 2007 CO ₂ (Ton)	Consolidated Dec 2006 CO ₂ (Ton)
CO ₂ licenses held for trade on 1 January	258,416	20,000
Licenses acquired in the market	1,034,500	537,000
Emission licenses transferred to the trading portfolio	1,395,492	1,373,626
Licenses sold	-2,539,500	-1,672,210
	<u>148,908</u>	<u>258,416</u>
Fair value at 31 December	0.02	6.55
CO ₂ licenses held for trading (in thousand Euros)	<u>3</u>	<u>1,693</u>

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolio are those in excess of requirements due to lower emissions in relation to the quantity of licenses received free of charge.

Fair value corresponds to the market value as at 31 December 2007 and 2006.

46. Subsequent events

EDP started preparing for a possible IPO of EDP Renováveis

On 28 January 2008, EDP, S.A. informed the market and the general public of the decision by the EDP Board of Directors, following an opinion issued by the General Supervisory Board, to start preparing an initial public offer for EDP Renováveis S.L., a holding of the EDP Group which specialises in renewable energies and controls the subsidiaries NEO Energia and Horizon Wind Energy.

Acquisition of the capacity to generate 1,050MW from Hydra Energy, LLC

On 19 February 2008 EDP, through Horizon Wind Energy, LLC (Horizon), acquired a portfolio of six wind generating projects with an overall capacity of 1,050 MW, located in Illinois, Indiana and Ohio of the United States of America.

EDP exercises put option over its 40% participation in Edinfor

On 26 February 2008 EDP notified LogicaCMG Corporate Holdings Limited ("LogicaCMG") of its intention to exercise its put option of its 40% participation in Edinfor - Sistema Informáticos, S.A. for 54,964 thousand Euros. The minimum agreed in advance is subject to the conditions and obligations of the shareholders' agreement signed in 2005 between EDP and LogicaCMG.

47. Recent accounting standards and interpretations issued

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed below:

IAS 1 (Amended) - Presentation of financial statements

The International Accounting Standards Board (IASB) issued the Amended IAS 1 - Presentation of Financial Statements, in September 2007. The standard is effective for fiscal years beginning on or after 1 January 2009, early adoption permitted. The approval of the European Commission is being analysed by the European Financial Reporting Advisory Group - EFRAG

The Amended IAS 1 establishes the following changes:

- Balance sheet presentation its required for the current and comparative period. According to Amended IAS1, a balance sheet should also be presented for the beginning of the comparative period, when an entity restates the comparatives as a consequence of an accounting policy change, an adjustment or reclassification of an item in the financial statements. Three balance sheets would be presented, compared to the two already required, if necessary.

- With the changes required by this standard financial statements users can distinguish changes in Group equity related to transactions with shareholders (ex. dividends, own shares) and transactions with third parties, these being summarized in the comprehensive income statement.

The effects on the EDP group consolidated financial statements are currently being assessed.

IAS 23 (Amended) - Borrowing costs

The International Accounting Board (IASB) issued the Amended IAS 23 - Borrowing Costs, in March 2007. The standard is effective for fiscal years beginning on or after 1 January 2009, early adoption permitted. Approval of the European Commission is being analysed by the Accounting Regulatory Committee (ARC).

This standard defines that borrowing costs obtained, directly attributable to acquisition cost, construction or production of an asset (eligible asset) are included in cost. Therefore, the option to recognise these costs directly in the profit or loss is eliminated.

The changes are assessed by the group and are not expected to have any material effect on the EDP group consolidated financial statements, taking into consideration that the Group presently records borrowing costs according to alternative criteria allowed by the present version of IAS 23.

IFRS 2 (Amended) - Share-based payment: Acquisition conditions

The International Accounting Standards Board (IASB) issued the Amended IFRS 2 - Share-based payment - Acquisition conditions, on January 2008. The standard is effective for fiscal years beginning on or after 1 January 2009, early adoption permitted. The approval of the European Commission is being analysed by EFRAG.

The change of IFRS 2 defines that (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any termination of such program, by the entity or third parties, has the same accounting treatment.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IFRS 3 (Reviewed) - Business Combinations and IAS 27 (Amended) - Consolidate and Separate Financial Statements

The International Accounting Standards Board (IASB) issued, in January 2008, the reviewed IFRS 3 - Business Combinations and also the Amended IAS 27 - Consolidate and Separate Financial Statements. The standard is effective for fiscal years beginning on or after 1 July 2009, early adoption permitted. The approval of the European Commission is being analysed by EFRAG. The main impacts of these changes are:

- (i) partial acquisitions, whereby non-controlling interests (previously named minority interests) can be measured either at fair value (implying full goodwill recognition against non-controlling interests) or at their proportionate interest in the fair value of the net identifiable assets acquired (which is the original IFRS 3 requirement);
- (ii) under step acquisitions whereby, upon acquisition of a subsidiary and in determining the resulting goodwill, any investment in the business held before the acquisition is measured at fair value against the income statement;
- (iii) acquisition-related costs, generally, recognised as expenses (rather than included in goodwill);
- (iv) contingent consideration which must be recognised and measured at fair value at the acquisition date, subsequent changes in fair value being recognised in profit or loss (rather than adjusting goodwill);
- (v) changes in a parent's ownership interest in a subsidiary that do not result in the loss of control which are required to be accounted for as equity transactions.

Additionally, IAS 27 was amended to require that an entity attributes a share of the accumulated loss of a subsidiary to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance, and to specify that, upon losing control of a subsidiary, an entity measures any non-controlling interest retained in the former subsidiary at its fair value, determined at the date the control is lost.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IFRS 8 — Operating Segments

The International Accounting Standards Board (IASB) issued the IFRS 8 - Operating Segments, on 30 November 2006, approved by European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments as well as services and products, geographical areas where the entity operates and the main customers. This standard specifies disclosures in the annual financial statements and, as a result of amendment to IAS 34 Interim Financial Reporting, regarding information disclosed in the interim financial reporting. Each entity should also provide a description of the segmental information disclosed namely of profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IFRIC 11 — IFRS 2 — Group and Treasury Share Transactions

The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions, on 2 November 2006. The standard is effective for fiscal years beginning on or after 1 January 2008, early adoption permitted. IFRIC 11 determines in which conditions a share based payment with treasury shares or shares of another group company should be classified in the subsidiaries financial statements as an equity settled or cash settled share based payment.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IFRIC 12 Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued the IFRIC 12 - Service Concession Arrangements, in July 2007. The standard is effective for fiscal years beginning on or after 1 January 2008, early adoption permitted. The approval of the European Commission is being analysed by ARC.

IFRIC 12 applies to public-to-private service concession arrangements. This interpretation will be applicable only when a) the grantor controls or regulates the services the operator must provide and b) the grantor controls any significant residual interest in infrastructure at the end of the term of the arrangement.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IFRIC 13 Customer Loyalty Programmes

The International Financial Reporting Interpretations Committee (IFRIC) issued the IFRIC 13 - Customer Loyalty Programmes, in July 2007. The standard is effective for fiscal years beginning on or after 1 July 2008, early adoption permitted. The approval of the European Commission is currently being analysed by ARC.

This interpretation addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services at the time customers redeem the points.

The changes are assessed by the group and are not expected to have any material effect on the EDP Group consolidated financial statements.

Notes to the Financial Statements

31 December 2007

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The International Financial Reporting Interpretations Committee (IFRIC), issued the IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, in July 2007. The standard is effective for fiscal years beginning on or after 1 January 2008. Approval of the European Commission is being analysed by EFRAC.

This interpretation addresses how entities should determine the limit placed by paragraph 58 of IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset and discusses how a minimum funding requirement affects that limit and the relation between these rules with minimum funding requirements established legally or contractually.

The effects on the EDP Group consolidated financial statements are currently being assessed.

IAS 32 (Review — Financial Instruments: Presentation - Deemed financial instruments and obligations from liquidation

The International Accounting Board (IASB) issued in February 2008, the reviewed IAS 32 - Financial Instruments: Presentation - Deemed financial instruments and obligations from liquidation. The standard is effective for fiscal years beginning on or after 1 January 2009.

According the current requirements of IAS 32, an issuer can be required to pay cash or another financial asset in return for redeeming or repurchasing a financial instrument. If so, the instrument is classified as a financial liability. As a result of the amendments, some financial instruments that currently meet the definition of a financial liability will be classified as equity because they represent the last residual interest in the net assets of the entity.

IAS 1 has been also amended to add a new deemed financial instrument presentation requirement and obligations resulting from the liquidation.

The effects on the EDP Group consolidated financial statements are currently being assessed.

48. Environmental matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except being qualified for capitalization according to IAS 16.

Investments of an environmental nature recorded as property, plant and equipment assets are analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Air and climate protection	119,556	117,212
Biodiversity and landscape protection	8,238	16,308
Waste management	2,627	2,177
Research and development in the environmental area	862	-
Soil, subterranean and superficial water protection	8,568	1,676
Other environmental management and protection activities	2,860	13,071
	<u>142,711</u>	<u>150,444</u>

Environmental income recognised in 2007 corresponds to the sale of environmental subproducts in the amount of 4,062 thousand Euros (5,277 thousand Euros in 2006), the sale of environmental waste in the amount of 6,252 thousand Euros (5,188 thousand Euros in 2006) and public environmental protection incentives of 229 thousand Euros (261 thousand Euros in 2006).

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2007 Euro'000	Dec 2006 Euro'000
Air and climate protection	1,224	1,157
Biodiversity and landscape protection	696	527
Waste management	3,123	2,702
Soil, subterranean and superficial water protection	721	1,358
Other environmental management and protection activities	7,717	2,532
Environmental means taxes - Trillo	-	2,226
Other expenses	1,756	2,525
	<u>15,237</u>	<u>13,027</u>

49. Segmental reporting

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

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

50. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union, some of which may not conform to Generally Accepted Accounting Principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

FINANCIAL
REPORTFinancial Statements
31 December 2007

EDP Group Activity by Business Segment

Information by business segment – December 2007 (Amounts in thousand of Euros)

	Iberian Peninsula *						Electricity			Europe+U.S.A.		
	Generation			Distribution			Supply			Renewable		
	Portugal	Spain	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Total
Turnover	2,059,334	801,571	2,860,905	4,653,244	144,199	4,797,443	343,031	838,249	1,181,280	264,172	32,313	296,485
Cost of consumed electricity	-320,492	-25,333	-345,825	-3,414,129	-	-3,414,129	-312,924	-738,548	-1,051,472	-206	-739	-945
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-602,049	-372,355	-974,404	-13,035	-279	-13,314	-9,796	-17,508	-27,304	-16,363	-	-16,363
	<u>1,136,793</u>	<u>403,883</u>	<u>1,540,676</u>	<u>1,226,080</u>	<u>143,920</u>	<u>1,370,000</u>	<u>20,311</u>	<u>82,193</u>	<u>102,504</u>	<u>247,603</u>	<u>31,574</u>	<u>279,177</u>
Other operating income / (expenses)												
Other operating income	12,683	3,180	15,863	51,682	38,931	90,613	213	29,536	29,749	6,292	13,085	19,377
Supplies and services	-102,923	-53,322	-156,245	-260,218	-55,859	-316,077	-18,203	-31,542	-49,745	-40,124	-9,187	-49,311
Personnel costs	-80,139	-33,007	-113,146	-181,368	-25,734	-207,102	-4,590	-6,532	-11,122	-13,414	-8,180	-21,594
Employee benefits	-48,232	-10,877	-59,109	-217,188	-16,610	-233,798	-195	-199	-394	-101	-215	-316
Other operating expenses	-6,948	-53,109	-60,057	-235,569	-12,585	-248,154	-1,458	-11,136	-12,594	-10,337	-3,133	-13,470
	<u>-225,559</u>	<u>-147,135</u>	<u>-372,694</u>	<u>-842,661</u>	<u>-71,857</u>	<u>-914,518</u>	<u>-24,233</u>	<u>-19,873</u>	<u>-44,106</u>	<u>-57,684</u>	<u>-7,630</u>	<u>-65,314</u>
Provisions	911,234	256,748	1,167,982	383,419	72,063	455,482	-3,922	62,320	58,398	189,919	23,944	213,863
Depreciation and amortisation expense	-1,476	-13,839	-15,315	16,763	371	17,134	-15,433	1,392	-14,041	-	-	-
Compensation of amortisation and depreciation	-258,983	-122,053	-381,036	-345,306	-31,853	-377,159	-4,730	-2,333	-7,063	-91,252	-20,430	-111,682
	<u>3,596</u>	<u>444</u>	<u>4,040</u>	<u>85,498</u>	<u>2,840</u>	<u>88,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156</u>	<u>-</u>	<u>156</u>
Gain from the sale of financial assets	654,371	121,300	775,671	140,374	43,421	183,795	-24,085	61,379	37,294	98,823	3,514	102,337
Other financial income	-7,490	-	-7,490	-	-	-	-	-	-	6,596	-	6,596
Other financial expenses	105,719	50,217	155,936	40,899	519	41,418	1,716	1,584	3,300	67,745	5,074	72,819
Share of profit of associates	-189,733	-35,951	-225,684	-105,126	-12,094	-117,220	-19,687	-15,425	-35,112	-130,632	-5,236	-135,868
	<u>13,886</u>	<u>375</u>	<u>14,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,046</u>	<u>-98</u>	<u>2,948</u>
Profit / (loss) before tax	576,753	135,941	712,694	76,147	31,846	107,993	-42,056	47,538	5,482	45,578	3,254	48,832
Income tax expense	-137,142	-48,994	-186,136	11,918	-10,467	1,451	13,099	-15,506	-2,407	-4,101	-	-4,101
Profit after taxes and before gains/(loss) from discontinued operations	439,611	86,947	526,558	88,065	21,379	109,444	-28,957	32,032	3,075	41,477	3,254	44,731
Gains / (losses) on sale of discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-
Net profit / (loss) for the year	439,611	86,947	526,558	88,065	21,379	109,444	-28,957	32,032	3,075	41,477	3,254	44,731
Attributable to:												
Equity holders of EDP	437,514	84,952	522,466	88,065	20,707	108,772	-28,949	31,529	2,580	39,996	3,254	43,250
Minority interest	<u>2,097</u>	<u>1,995</u>	<u>4,092</u>	<u>-</u>	<u>672</u>	<u>672</u>	<u>-8</u>	<u>503</u>	<u>495</u>	<u>1,481</u>	<u>-</u>	<u>1,481</u>
Net profit / (loss) for the year	439,611	86,947	526,558	88,065	21,379	109,444	-28,957	32,032	3,075	41,477	3,254	44,731
Other information:												
Property, plant and equipment	3,695,453	1,856,403	5,551,856	4,291,344	587,257	4,878,601	2,587	5,113	7,700	2,665,755	2,175,843	4,841,598
Intangible assets	1,123,857	533,358	1,657,215	-	235,501	235,501	523	7	530	659,711	536,971	1,196,682
Current assets	753,665	441,263	1,194,928	957,656	68,191	1,025,847	81,499	188,980	270,479	497,988	333,636	831,624
Equity and minority interest	358,494	1,475,559	1,834,053	356,886	220,949	577,835	209	398,177	398,386	123,618	1,799,685	1,923,303
Current liabilities	2,669,049	756,235	3,425,284	2,498,084	327,773	2,825,857	71,164	144,421	215,585	560,674	400,363	961,037

* Excludes Renewables

Brazil				Gas Iberian Peninsula			Other operations	Consolidation adjustments	EDP Group
Generation	Distribution	Supply	Total	Portugal	Spain	Total			
218,909	1,630,507	232,427	2,081,843	114,488	891,845	1,006,333	260,795	-1,474,306	11,010,778
-24,152	-868,298	-204,757	-1,097,207	-	-4	-4	-126	1,161,608	-4,748,100
-	-	-	-	-61,908	-544,375	-606,283	-	21,056	-585,227
-684	-10,267	-2	-10,953	-8	-124,211	-124,219	-96,729	139,303	-1,123,983
194,073	751,942	27,668	973,683	52,572	223,255	275,827	163,940	-152,339	4,553,468
157	13,918	-	14,075	4,071	6,909	10,980	77,686	-97,946	160,397
-11,595	-133,051	-2,060	-146,706	-12,103	-40,857	-52,960	-138,921	225,778	-684,187
-9,570	-81,737	-2,835	-94,142	-5,250	-20,400	-25,650	-104,207	-	-576,963
-400	-15,712	-51	-16,163	-247	-428	-675	-10,820	31,905	-289,370
-5,049	-117,826	-5,038	-127,913	-4,023	-15,029	-19,052	-46,782	-7,048	-535,070
-26,457	-334,408	-9,984	-370,849	-17,552	-69,805	-87,357	-223,044	152,689	-1,925,193
167,616	417,534	17,684	602,834	35,020	153,450	188,470	-59,104	350	2,628,275
48	-16,336	-	-16,288	-256	467	211	-16,447	2,651	-42,095
-30,737	-86,070	-114	-116,921	-12,912	-33,725	-46,637	-46,843	-43,517	-1,130,858
-	9,201	-	9,201	1,401	1,604	3,005	267	-	105,007
136,927	324,329	17,570	478,826	23,253	121,796	145,049	-122,127	-40,516	1,560,329
-	-	-	-	-	-	-	262,741	714	262,561
8,698	75,652	2,829	87,179	18,015	9,626	27,641	684,357	-449,048	623,602
-59,277	-122,063	-1,376	-182,716	-8,385	-9,791	-18,176	-900,256	445,611	-1,169,421
24,272	-	-	24,272	1,737	183	1,920	4,579	-24,272	23,708
110,620	277,918	19,023	407,561	34,620	121,814	156,434	-70,706	-67,511	1,300,779
-7,891	-75,541	-6,261	-89,693	-9,977	-26,675	-36,652	21,323	15,367	-280,848
102,729	202,377	12,762	317,868	24,643	95,139	119,782	-49,383	-52,144	1,019,931
-	-	-	-	-	-	-	-	-	-
102,729	202,377	12,762	317,868	24,643	95,139	119,782	-49,383	-52,144	1,019,931
102,729	202,377	12,762	317,868	19,660	85,767	105,427	-27,325	-165,786	907,252
-	-	-	-	4,983	9,372	14,355	-22,058	113,642	112,679
102,729	202,377	12,762	317,868	24,643	95,139	119,782	-49,383	-52,144	1,019,931
979,478	1,229,994	183	2,209,655	277,433	496,549	773,982	118,956	287,129	18,669,477
139,210	69,662	336	209,208	88,028	720,834	808,862	1,106,853	6,981	5,221,832
123,059	626,435	43,320	792,814	55,696	461,418	517,114	3,617,527	-3,885,948	4,364,385
761,645	933,238	21,605	1,716,488	390,624	239,240	629,864	5,850,564	-5,679,721	7,250,772
127,307	680,658	31,569	839,534	102,125	213,356	315,481	610,787	-2,426,052	6,767,513

FINANCIAL
REPORTFinancial Statements
31 December 2007

EDP Group Activity by Business Segment

Information by business segment – December 2006 (Amounts in thousand of Euros)

	Iberian Peninsula *												
	Electricity												
	Generation			Renewables				Distribution			Supply		
	Portugal	Spain	Total	Portugal	Spain	France	Total	Portugal	Spain	Total	Portugal	Spain	Total
Turnover	1,882,809	772,594	2,655,403	44,167	204,892	-	249,059	4,288,978	127,490	4,416,468	326,705	538,337	865,042
Cost of consumed electricity	-234,443	-23,832	-258,275	-115	-41	-	-156	-3,026,849	-	-3,026,849	-357,640	-555,043	-912,683
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-558,567	-304,210	-862,777	2,002	-49,111	-	-47,109	-14,964	-36	-15,000	-19,733	-33,795	-53,528
	1,089,799	444,552	1,534,351	46,054	155,740	-	201,794	1,247,165	127,454	1,374,619	-50,668	-50,501	-101,169
Other operating income / (expenses)													
Other operating income	9,937	3,884	13,821	534	2,479	1	3,014	42,321	19,639	61,960	18,965	26,257	45,222
Supplies and services	-89,743	-39,111	-128,854	-5,844	-24,676	-166	-30,686	-240,079	-53,613	-293,692	-15,260	-28,863	-44,123
Personnel costs	-84,475	-28,593	-113,068	-2,127	-11,842	-1	-13,970	-185,678	-24,769	-210,447	-5,537	-5,270	-10,807
Employee benefits	-37,666	-1,309	-38,975	-33	-41	-	-74	-97,155	-1,173	-98,328	-371	-151	-522
Other operating expenses	-15,155	-40,507	-55,662	-2,833	-10,385	-1	-13,219	-236,787	-25,479	-262,266	-18,454	-10,819	-29,273
	-217,102	-105,636	-322,738	-10,303	-44,465	-167	-54,935	-717,378	-85,395	-802,773	-20,657	-18,846	-39,503
	872,697	338,916	1,211,613	35,751	111,275	-167	146,859	529,787	42,059	571,846	-71,325	-69,347	-140,672
Provisions	-20,513	1,018	-19,495	-50	-12,005	-	-12,055	-57,032	-4,100	-61,132	3,015	3,326	6,341
Depreciation and amortisation expense	-228,852	-97,097	-325,949	-14,723	-62,916	-	-77,639	-334,629	-26,094	-360,723	-4,775	-2,521	-7,296
Compensation of amortisation and depreciation	2,485	148	2,633	-	488	-	488	83,878	2,224	86,102	-	-	-
	625,817	242,985	868,802	20,978	36,842	-167	57,653	222,004	14,089	236,093	-73,085	-68,542	-141,627
Gain / (loss) from the sale of financial assets	8	-	8	-	39	-	39	-	-	-	-	-	-
Other financial income	147,125	9,660	156,785	602	1,977	-	2,579	10,977	257	11,234	1,910	978	2,888
Other financial expenses	-171,936	-23,871	-195,807	-10,691	-58,382	-305	-69,378	-59,433	-11,233	-70,666	-20,028	-1,590	-21,618
Share of profit of associates	11,920	-	11,920	-	3,763	-	3,763	-	-	-	-	-	-
Profit / (loss) before tax	612,934	228,774	841,708	10,889	-15,761	-472	-5,344	173,548	3,113	176,661	-91,203	-69,154	-160,357
Income tax expense	-144,458	-78,264	-222,722	-2,978	29,186	-	26,208	-35,947	-1,951	-37,898	22,896	21,982	44,878
Profit after taxes and before gains/(loss) from discontinued operations	468,476	150,510	618,986	7,911	13,425	-472	20,864	137,601	1,162	138,763	-68,307	-47,172	-115,479
Gains / (losses) on sale of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit / (loss) for the year	468,476	150,510	618,986	7,911	13,425	-472	20,864	137,601	1,162	138,763	-68,307	-47,172	-115,479
Attributable to:													
Equity holders of EDP	468,432	149,146	617,578	7,911	12,631	-472	20,070	137,601	1,162	138,763	-68,307	-47,172	-115,479
Minority interest	44	1,364	1,408	-	794	-	794	-	-	-	-	-	-
Net profit / (loss) for the year	468,476	150,510	618,986	7,911	13,425	-472	20,864	137,601	1,162	138,763	-68,307	-47,172	-115,479
Other information:													
Property, plant and equipment	3,497,766	1,635,926	5,133,692	303,771	1,469,566	55,982	1,829,319	4,283,155	573,648	4,856,803	90,517	4,158	94,675
Intangible assets	187,095	209,183	396,278	4,647	621,551	39,560	665,758	-	-	-	-	13	13
Current assets	585,609	157,496	743,105	43,458	285,591	13,311	342,360	1,136,955	105,737	1,242,692	104,755	189,047	293,802
Equity and minority interest	1,947,891	1,067,959	3,015,850	24,806	211,653	14,869	251,328	156,289	215,986	372,275	19,114	-191,897	-172,783
Current liabilities	739,150	671,548	1,410,698	20,048	939,985	7,807	967,840	1,388,105	335,729	1,723,834	169,680	171,646	341,326

* Excludes Renewables

Gas			Brazil			Continuing				
Distribution			Electricity			business				
Portugal	Spain	Total	Generation	Distribution	Supply	Other operations	Consolidation adjustments	EDP Group	Discontinuing operations	EDP Group
96,217	1,032,208	1,128,425	167,549	1,574,267	181,174	451,310	-1,503,039	10,185,658	164,168	10,349,826
-	-104,553	-104,553	-39,227	-958,092	-160,296	-12,944	1,092,372	-4,380,703	-	-4,380,703
-52,398	-691,952	-744,350	-	-	-	-	-	-744,350	-	-744,350
-57	-53,191	-53,248	-934	-12,289	-29	-290,264	283,064	-1,052,114	-14,205	-1,066,319
43,762	182,512	226,274	127,388	603,886	20,849	148,102	-127,603	4,008,491	149,963	4,158,454
2,691	5,352	8,043	43	5,871	11	71,156	-72,755	136,386	7,762	144,148
-8,273	-36,269	-44,542	-13,351	-104,240	-2,474	-131,184	171,472	-621,674	-119,724	-741,398
-4,704	-22,440	-27,144	-4,608	-88,315	-2,008	-92,991	-536	-563,894	-21,192	-585,086
-14	-342	-356	-1,051	-22,713	-1	-8,835	8,654	-162,201	-86	-162,287
-2,243	-15,275	-17,518	-7,270	-56,309	-15,077	-288,647	247,053	-498,188	-10,193	-508,381
-12,543	-68,974	-81,517	-26,237	-265,706	-19,549	-450,501	353,888	-1,709,571	-143,433	-1,853,004
31,219	113,538	144,757	101,151	338,180	1,300	-302,399	226,285	2,298,920	6,530	2,305,450
2,683	-	2,683	-14	-7,084	-	-11,360	11,766	-90,350	-4,214	-94,564
-6,469	-33,515	-39,984	-15,272	-83,728	-115	-14,575	-93,570	-1,018,851	-40,015	-1,058,866
1,224	1,541	2,765	-	8,846	-	982	-401	101,415	-399	101,016
28,657	81,564	110,221	85,865	256,214	1,185	-327,352	144,080	1,291,134	-38,098	1,253,036
105,255	-	105,255	-	-	-	188,302	-288,813	4,791	27	4,818
23,923	7,744	31,667	3,661	69,702	3,877	604,580	-117,622	769,351	1,010	770,361
-6,245	-1,740	-7,985	-28,728	-146,300	-822	-658,294	243,545	-956,053	-21,685	-977,738
1,754	182	1,936	-	-	-	137,210	90,500	245,329	-	245,329
153,344	87,750	241,094	60,798	179,616	4,240	-55,554	71,690	1,354,552	-58,746	1,295,806
-12,428	-42,801	-55,229	-13,733	-49,673	-801	8,439	34,074	-266,457	542	-265,915
140,916	44,949	185,865	47,065	129,943	3,439	-47,115	105,764	1,088,095	-58,204	1,029,891
-	-	-	-	-	-	-	-	-	-12,808	-12,808
140,916	44,949	185,865	47,065	129,943	3,439	-47,115	105,764	1,088,095	-71,012	1,017,083
134,517	34,782	169,299	38,393	129,943	3,439	-47,926	57,831	1,011,911	-71,088	940,823
6,399	10,167	16,566	8,672	-	-	811	47,933	76,184	76	76,260
140,916	44,949	185,865	47,065	129,943	3,439	-47,115	105,764	1,088,095	-71,012	1,017,083
262,092	474,674	736,766	893,265	1,037,143	190	182,892	316,983	15,081,728	-	15,081,728
-4,148	702,533	698,385	76,067	50,661	221	750,549	1,000,671	3,638,603	-	3,638,603
564,422	365,322	929,744	77,585	528,188	45,455	573,096	-706,445	4,069,582	255,681	4,325,263
129,596	814,337	943,933	530,488	679,417	10,748	9,054,014	-8,245,957	6,439,313	95,583	6,534,896
293,563	272,951	566,514	153,189	618,604	23,252	388,064	-1,386,190	4,807,131	160,098	4,967,229

**FINANCIAL
REPORT**

07

**Documents Issued by the Statutory Auditor,
the Auditor Registered with the CMVM**



FINANCIAL
REPORT

Documents Issued by the Statutory Auditor,
the Auditor Registered with the CMVM



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

EDP – Energias de Portugal, S.A.

**AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS**
(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

Introduction

1. In accordance with the applicable legislation, we present our Audit Report on the consolidated financial information for the year ended 31 December, 2007 included in the Executive Board of Directors consolidated report, and presented in the Institutional and Financial Reports, and in the consolidated financial statements, included in the Financial Report of **EDP – Energias de Portugal, S.A.**, which comprise: the consolidated balance sheet (showing total assets of Euro 31,483,807 thousand and shareholders' equity attributable to the equity holders of EDP of Euro 6,264,146 thousand, including a profit for the year attributable to equity holders of EDP of Euro 907,252 thousand), the consolidated statements of income, of cash flows, and of changes in equity for the year then ended, and the corresponding Notes to the accounts.
2. The amounts of the financial statements and the financial information were derived from the accounting records.

Responsibilities

3. The Executive Board of Directors is responsible for:
 - a) the preparation of the consolidated financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which presents fairly the consolidated financial position and the results of its operations and its cash flows;
 - b) the preparation of financial information that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code ("Código dos Valores Mobiliários");
 - c) the adoption of adequate accounting policies and criteria;
 - d) maintaining an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.
4. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ("Código dos Valores Mobiliários"), in order to issue a professional and independent report based on our audit.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.L.C., S.A.
Capital Social: 511.700 Euros
Pessoa Colectiva N.º PT 502 161 078
Inscrito na O.R.D.C. N.º 169
Inscrito na C.M.V.M. N.º 9593

Meticulada na
Conservatória do registo
Comercial de Lisboa sob
o n.º 715, fls. 178 do Livro
C - 2/9



Scope

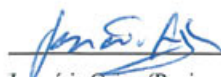
5. Our audit was performed in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial information are free of material misstatement. Accordingly our audit included:
 - verification of the financial statements of the companies included in the consolidation, verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - verification of the application of the going concern principle;
 - assessment of the appropriateness the overall presentation of the financial statements; and
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
6. Our audit also included the verification of the consistency of the consolidated financial information included in Executive Board of Directors report with the financial statements.
7. We believe that our audit provides a reasonable basis for our opinion.

Opinion

8. In our opinion, the consolidated financial information referred to above presents fairly, in all material respects, the consolidated financial position of EDP – Energias de Portugal, S.A., as at 31 December, 2007, the consolidated results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 6 March 2008

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
represented by



Jean-éric Gaign (Revisor Oficial de Contas nº 1013)

FINANCIAL
REPORT

Documents Issued by the Statutory Auditor,
the Auditor Registered with the CMVM



KPMG & Associados - Sociedade de Revisores
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Fax: +351 210 110 121
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EDP – Energias de Portugal, S.A.

AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

Introduction

1. In accordance with the applicable legislation, we present our Audit Report on the financial information for the year ended 31 December, 2007 included in the Executive Board of Directors report, and presented in the Institutional and Financial Reports, and in the statutory financial statements, included in the Financial Report of **EDP – Energias de Portugal, S.A.**, which comprise: the balance sheet (showing total assets of Euro 16,574,104 thousand and shareholders' equity of EDP of Euros 6,263,055 thousand, including a profit for the year of Euros 502,158 thousand), the statements of income, of cash flows and of changes in equity for the year then ended, and the corresponding Notes to the accounts.
2. The amounts of the financial statements and the financial information were derived from the accounting records.

Responsibilities

3. The Executive Board of Directors is responsible for:
 - a) the preparation of the financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which presents fairly the financial position of EDP, the results of its operations and its cash flows;
 - b) the preparation of financial information that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code ("Código dos Valores Mobiliários");
 - c) the adoption of adequate accounting policies and criteria;
 - d) maintaining an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of EDP, its financial position or results.
4. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ("Código dos Valores Mobiliários"), in order to issue a professional and independent report based on our audit.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: \$11.700 Euros
Pessoa Colectiva N.º PT 902 161 078
Inscrito na O.R.O.C. N.º 189
Inscrito na C.M.V.M. N.º 9093

Matriculada na
Conservatória do registo
Comercial de Lisboa sob
o n.º 715, fls. 178 do Livro
C - 2/3



Scope

5. Our audit was performed in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial information are free of material misstatement. Accordingly our audit included:
 - verification, on a test basis, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - assessment of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - verification of the application of the going concern principle;
 - assessment of the appropriateness the overall presentation of the financial statements; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
6. Our audit also included the verification of the consistency of the financial information included in Executive Board of Directors report with the financial statements.
7. We believe that our audit provides a reasonable basis for our opinion.

Opinion

8. In our opinion, the financial information referred to above presents fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2007, the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 6 March 2008

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
represented by


Jean-éric Gaign (Revisor Oficial de Contas nº 1013)

FINANCIAL
REPORT

Documents Issued by the Statutory Auditor,
the Auditor Registered with the CMVM



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
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REPORT AND OPINION OF THE STATUTORY AUDITOR

**Consolidated Accounts
Year ended 31 December, 2007**

To the Shareholders of

EDP – Energias de Portugal, S.A.

1. In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report, included in the Institutional Report, and on the consolidated financial statements, included in the Financial Report, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2007.
2. Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
3. As a consequence of the work carried out, we have issued the attached Auditors' Report as well as the Report on the Work Carried Out sent to the Executive Board of Directors, as required by line a) of point 1 of article 52 of Decree-Law n° 487/99, of November 16.
4. Within the scope of our mandate, we have verified that:
 - i) the consolidated balance sheet, the consolidated statements of income, of cash flows and of changes in equity, and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.
5. As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the consolidated financial statements.

Lisbon, 6 March 2008

THE STATUTORY AUDITOR

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
represented by
Jean-éric Gaign (Revisor Oficial de Contas n° 1013)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., is Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 511.700 Euros
Pessoa Colectiva N° PT 502 161 078
Inscrito na C.R.D.C. N° 189
Inscrito na C.M.V.M. N° 9093

Metriculada na
Conservatória do registo
Comercial de Lisboa sob
o n° 718, fls. 178 do Livro
C - 29



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
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1069-006 Lisboa
Portugal

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Fax: +351 210 110 121
Internet: www.kpmg.pt

REPORT AND OPINION OF THE STATUTORY AUDITOR

Year ended 31 December, 2007

To the Shareholders of

EDP – Energias de Portugal, S.A.

1. In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report, included in the Institutional Report, and on the financial statements, included in the Financial Report, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2007.
2. Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
3. As a consequence of the work carried out, we have issued the attached Auditors' Report as well as the Report on the Work Carried Out sent to the Executive Board of Directors, as required by line a) of point 1 of article 52 of Decree-Law n° 487/99, of November 16.
4. Within the scope of our mandate, we have verified that:
 - i) the balance sheet, the statements of income, of cash flows and of changes in equity and the related notes, present adequately the financial position and the results of EDP;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP.
5. As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the financial statements.

Lisbon, 6 March 2008

THE STATUTORY AUDITOR



KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
represented by
Jean-éric Gaign (Revisor Oficial de Contas n° 1013)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 511.700 Euros
Pessoa Colectiva N° PT 802 161 078
Inscrito na O.R.C.C. N° 189
Inscrito na C.M.V.M. N° 9089

Matriculada na
Conservatória do registo
Comercial de Lisboa sob
o nº 215, fls. 178 do Livro
C - 2/3

**FINANCIAL
REPORT**

07

**Statement by those responsible on compliance
of financial information presented**



FINANCIAL
REPORT

Statement by those responsible on compliance
of financial information presented



EDP - Energias de Portugal, S.A.
António Luís Guerra Nunes Mexia
President
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008

A handwritten signature in dark ink, appearing to read 'António', is located below the date. The signature is stylized and written in a cursive-like manner.



EDP - Energias de Portugal, S.A.
Ana Maria Machado Fernandes
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, n.º 1 a) of Decree-Law n.º 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008



FINANCIAL
REPORT

Statement by those responsible on compliance
of financial information presented



EDP - Energias de Portugal, S.A.
Nuno Maria Pestana de Almeida Alves
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008

A handwritten signature in dark ink, appearing to be 'N. Pestana', written over a light blue horizontal line.



EDP - Energias de Portugal, S.A.
Jorge Manuel Pragana da Cruz Morais
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008



FINANCIAL
REPORT

Statement by those responsible on compliance
of financial information presented



EDP - Energias de Portugal, S.A.
João Manuel Manso Neto
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008

A handwritten signature in blue ink, which appears to read 'João Manuel', is positioned below the date. The signature is written in a cursive, flowing style.



EDP - Energias de Portugal, S.A.
António Manuel Barreto Pita de Abreu
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008



FINANCIAL
REPORT

Statement by those responsible on compliance
of financial information presented



EDP - Energias de Portugal, S.A.
António Fernando Melo Martins da Costa
Board Member
Executive Board of Directors

DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008

A handwritten signature in blue ink, appearing to be 'F. Melo Martins da Costa', written over a faint, light blue rectangular stamp.



EDP - Energias de Portugal, S.A.
Miguel Tiago Perestrello Câmara Ribeiro Ferreira
Senior Accounting Officer
Corporate Centre

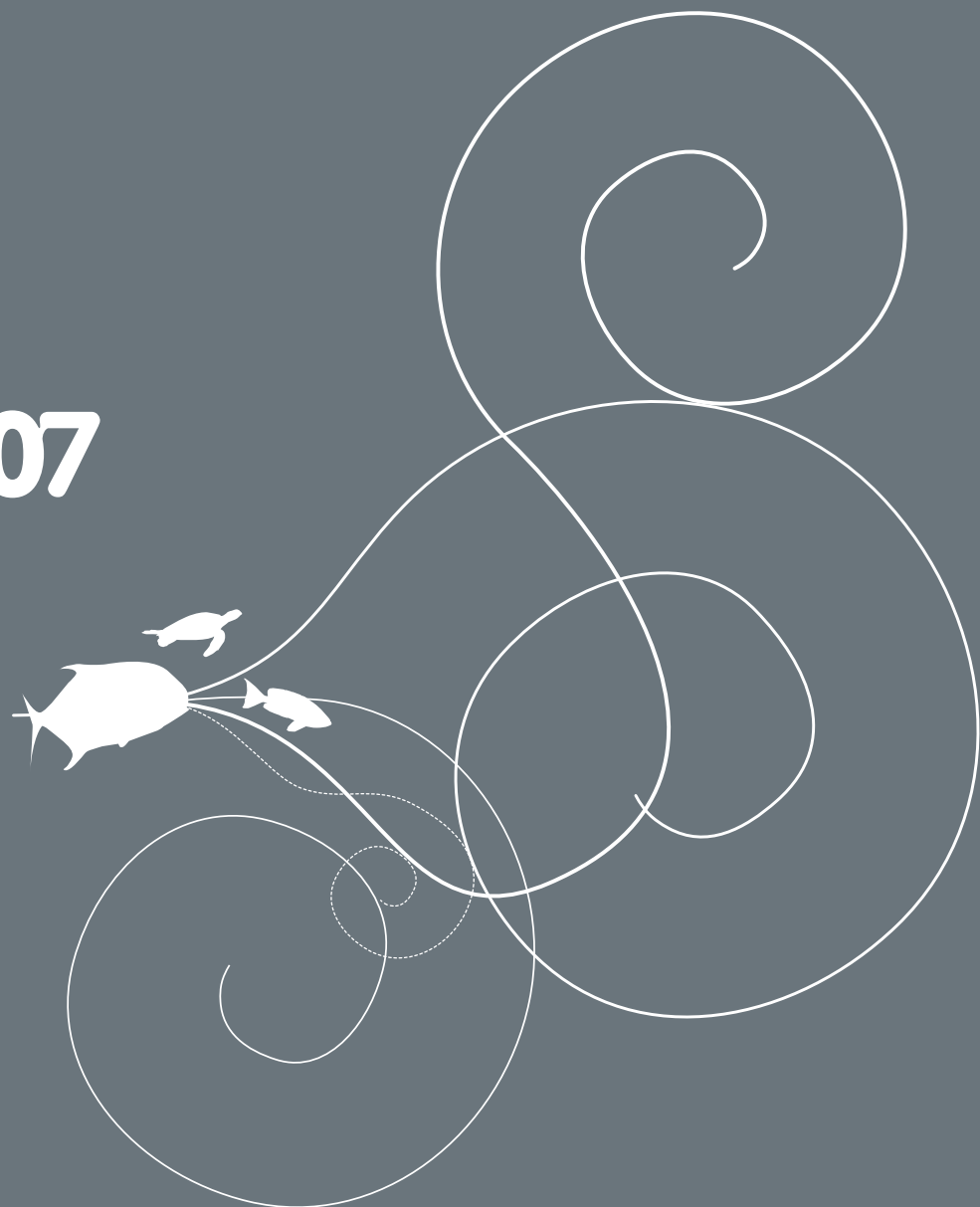
DECLARATION

To my best knowledge, the information referred in article 245º, nº. 1 a) of Decree-Law nº. 357-A/2007, of October 31, 2007, was prepared in accordance with the applicable accounting standards, presenting fairly, in all material respects, the position of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, and that the Management Financial Analysis clearly discloses the evolution of the businesses, of the performance and of the position of EDP - Energias de Portugal, S.A. and subsidiaries which are included in the consolidation perimeter, containing a description of the major risks and uncertainties that they face.

Lisbon March 6, 2008



07



Publication

EDP – Energias de Portugal, S.A.
Brand and Communication Office
Praça de Marquês de Pombal, 12
1250-162 Lisboa

Design

HPP EuroRSCG

Printing

Dilazo – Artes Gráficas, Lda

Print Run

1500 units

Legal Deposit

209 490/04

June 2008

