



## **Financial Results 2007**

### **Investor Relations Department**

Miguel Viana, Head of IR  
Elisabete Ferreira  
Margarida Mira  
Noélia Rocha  
Ricardo Farinha

Phone: +351 21 001 2834  
Fax: +351 21 001 2899  
Email: [ir@edp.pt](mailto:ir@edp.pt)  
Site: [www.edp.pt](http://www.edp.pt)

Reuters: EDP.LS  
Bloomberg: EDP PL

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# 2007 Performance



Results Summary (€ m)	2007	2006	Δ 07/06
Gross Profit	4,553.9	4,158.5	9.5%
Operating Costs	1,925.6	1,853.0	3.9%
EBITDA	2,628.3	2,305.4	14.0%
EBIT	1,560.3	1,253.0	24.5%
Net Profit	907.3	940.8	-3.6%
Net Debt	11,692.2	9,283.1	26.0%

Operating Data	2007	2006	Δ 07/06
<b>Electricity:</b>			
Installed Capacity (MW)	15,654	13,498	+2,155 MW
Generation (GWh)	48,620	47,957	1.4%
Distribution (GWh)	81,571	78,899	3.4%
Retail (GWh)	86,347	80,687	7.0%
Clients (thousand)	9,871	9,701	+170 th
<b>Gas:</b>			
Distribution (GWh)	22,791	22,006	3.6%
Retail (GWh)	25,286	22,397	12.9%
Clients (thousand)	792	754	+37 th
<b>Employees (Group)</b>	13,097	13,575	-478

**Consolidated EBITDA increased 14% YoY, to €2,628m in 2007.** This sound growth was supported on EDP's successful hedging strategy in its Iberian liberalized electricity and gas market operations, and the 132% YoY increase of gross wind power installed capacity in EU and USA. Excluding major non-recurrent operating items, namely tariff deviations in Portugal and Brazil, Enersul's provision, human resources restructuring costs and RD 03/2006 impact, adjusted EBITDA would have increased by 21% YoY to €2,749m. **Consolidated net profit amounted to €907m in 2007, a 3.6% YoY decline.** Note that YoY comparison at net profit level is penalized by the above mentioned non recurrent operating items, and lower financial results (which in 2006 include €148m of non-recurrent financial gain with an interest rate SWAP which was linked to the CMECs and a €224m result from the equity method consolidation of REN), which are just partially compensated by the €259m capital gain in 2007 with the disposal of a 25% stake in REN.

**In a period of adverse market environment, EDP managed to improve significantly the profitability of its liberalized generation & supply activities in the Iberian market.** Generation & supply EBITDA showed an 11.7% YoY increase to €1,226m in 2007, due to a successful natural hedging strategy between liberalized generation and supply activities and a 30% increase, to €59/MWh in 2007, of our average net supply price in the Iberian market. Note that liberalized supply sales represented 68% of EDP's generation output in the market in 2007. This impressive performance highlights the focus of EDP on the preservation of the low risk profile of its business portfolio and of the high quality of EDP's commercial platform in the Iberian energy retail market.

For 2008 EDP has already contracted 59% of the expected liberalized output in the Iberian market at an average price above €55/MWh, and **has already locked-in gross margins per MWh at attractive levels** for the electricity volume already contracted, through the fixing of fuel costs at levels below current market prices.

**EDP's wind gross installed capacity increased by 132% to 3,639 MW,** following the financial closing of the acquisition of Horizon in US in Jul-07, which implied its full consolidation in the 2H07. As of Dec-07, Horizon had 1,490 MW of gross capacity in operation and another 66 MW under construction. Horizon expects to have 2.2GW in operation by the end of 2008. During the first 6 months of consolidation, Horizon's EBITDA contribution totalled €24m, which reflects the high weight of recently commissioned wind farms in Horizon's portfolio. In Europe, EDP's wind gross installed capacity increased by 37% to 2,150 MW in Dec-07. As of Dec-07, NEO had 597 MW under construction, and the company expects to deliver its Dec-08 target of wind capacity of 3.0 GW. NEO's EBITDA increased 29% YoY mostly reflecting a 63% growth in EBITDA consolidated installed capacity to 1,776 MW and higher average load factors, which reflects the high quality, in terms of wind resources, of the wind farms that EDP put into operation over the last 12 months.

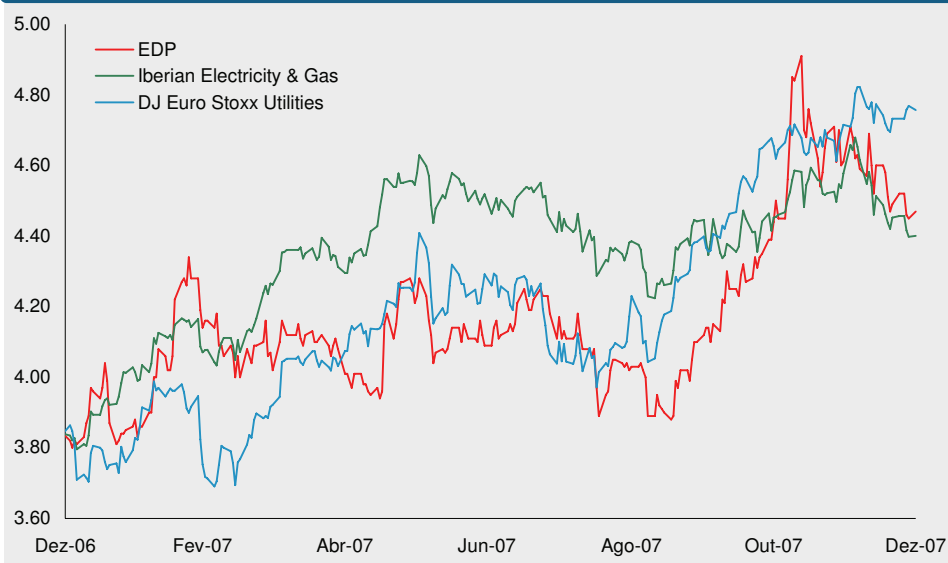
**Regulated electricity distribution activity in Portugal was penalized by a non recurrent €58m negative tariff deviation,** to be recovered though the tariffs in 2009, which compares with an accumulated €25m positive deviation in Sep-07. Such evolution reflects a significant increase in costs with electricity purchases in the 4Q07 (wholesale price of €60/MWh in the 4Q07 vs. the €51/MWh assumption by the regulator for 4Q07 tariffs).

**Energias do Brasil contributed with an EBITDA of €587m, up 35% YoY** boosted by a €216m non-recurrent positive impact due to the recovery through tariffs of higher electricity procurement costs incurred in past periods and the increase of hydro generation capacity. EBITDA from Brazil in 2007 was penalized by a one-off €69m provision reflecting the revenue losses associated to the 16% downward revision of the RAB of our electricity distribution company Enersul which was decided by the Brazilian regulator in 4Q07 with retroactive impacts up to Apr-03.

Anticipation of efficiency improvement targets, namely staff reduction, with the increase of consolidated human resources restructuring costs from €66m in 2006 to €193m in 2007, reflecting essentially the increase in the number of early retirement agreements at the level of our electricity distribution division in Portugal. **Operating costs at consolidated level remained under control,** benefiting from the deconsolidation of ONI telecom business, and with positive prospects on improvement, following ongoing implementation of the efficiency corporate-wide OPEX program. **Consolidated capex rose 85% YoY** to €2,700m, reflecting the consolidation of Horizon and a 53% increase in capex at our Iberian Core Business - Expansion investments represented 72%. **Net debt increased 26%** or by €2.4bn from Dec-06 to €11.7bn as of Dec-07, **reflecting the acquisition of Horizon.** Excluding the impact of Horizon acquisition and US wind capex in the 2H07, EDP's net debt would have been flat in the period. The financing of Horizon acquisition was done under favourable market conditions through the issue of long term debt USD denominated essentially at fixed rates.



YTD EDP Stock Performance on Euronext Lisbon



## EDP Stock Market Performance

YTD | 2007 | 2006

(06-03-2008)

### EDP Share Price (Euronext Lisbon - €)

Close	3.88	4.47	3.84
Max	5.00	5.00	3.86
Min	3.67	3.79	2.58
Average	4.18	4.18	3.14

### EDP's Liquidity in Euronext Lisbon

Turnover (€ m)	24,513.4	21,457.3	12,971.6
Average Daily Turnover (€ m)	79.3	82.2	49.9
Traded Volume (million shares)	5,857.8	5,129.1	4,128.0
Avg. Daily Volume (million shares)	19.0	19.7	15.9

### EDP Market Value

Market Capitalisation (€ million)	14,187.4	16,344.7	14,041.1
Enterprise Value (€ million)	26,866.2	29,023.6	24,269.9

## EDP's Main Events

**Feb-16** The Portuguese Government announced the approval of a legislative package on CMEC and extension of hydro concessions

**Apr-04** ANEEL approves an 8.05% tariff increase at Enersul's annual tariff readjustment process

**May-04** EDP pays a €0.11 gross dividend per share (financial year 2006)

**May-18** EDP announces its intention to delist its American Depositary Shares from the NYSE

**Jun-15** Early termination of Power Purchase Agreements (PPA)

**Jul-02** Financial settlement of the acquisition of Horizon Wind Energy

**Jul-03** Fitch downgrades EDP's senior unsecured debt to 'A' on Horizon acquisition

**Jul-10** Horizon agrees on indicative terms of transaction with institutional equity investors (USD 700m)

**Jul-18** S&P downgrades EDP's credit rating to 'A-' maintaining negative outlook

**Aug-07** ANEEL approves the 2007 tariff reset for Escelsa

**Out-17** Energias do Brasil contracts a PPA to build a coal plant in Brazil

**Out-19** Moody's confirms EDP's LT credit rating to 'A2' assigning negative outlook

**Out-24** ANEEL approves the 2007 tariff reset for Bandeirante

**Out-31** EDP establishes strategic partnership with Sonatrach

**Dec-4** ANEEL determines reduction in Enersul regulatory asset base

**Dec-13** Parública launches issues of bonds exchangeable into EDP shares in the context of the 7th reprivatization phase

**Dec-19** NEO acquired 1,022 mw of wind projects to be developed in Poland

**Dec-21** EDP acquires mini hydros in Portugal

**Jan-02** Horizon closes a USD 600 million transaction with institutional equity investors

# Consolidated Financial Statements



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

Consolidated Income Statement (€ m)	2007	2006	Δ 07/06
Electricity Sales	9,859.8	8,984.5	9.7%
Other Sales	999.4	1,065.6	-6.2%
Services Provided	151.7	299.8	-49.4%
<b>Operating Revenues</b>	<b>11,010.8</b>	<b>10,349.8</b>	<b>6.4%</b>
Electricity & Gas	4,748.1	4,380.7	8.4%
Fuel	1,021.2	967.4	5.6%
Materials and goods for resale	687.6	843.3	-18.5%
<b>Direct Activity Costs</b>	<b>6,456.9</b>	<b>6,191.4</b>	<b>4.3%</b>
<b>Gross Profit</b>	<b>4,553.9</b>	<b>4,158.5</b>	<b>9.5%</b>
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)	158.9	143.9	10.4%
<b>Operating costs</b>	<b>1,925.6</b>	<b>1,853.0</b>	<b>3.9%</b>
<b>EBITDA</b>	<b>2,628.3</b>	<b>2,305.4</b>	<b>14.0%</b>
EBITDA/Revenues	23.9%	22.3%	1.6 pp
Provisions for risks and contingencies	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%
<b>EBIT</b>	<b>1,560.3</b>	<b>1,253.0</b>	<b>24.5%</b>
EBIT/Revenues	14.2%	12.1%	2.1 pp
Capital gains/(losses)	262.6	4.8	5349.2%
Financial income/(expense)	(545.8)	(207.4)	-163.2%
Income/(losses) from group and associated companies	23.7	245.3	-90.3%
<b>Pre-tax profit</b>	<b>1,300.8</b>	<b>1,295.8</b>	<b>0.4%</b>
Income taxes	280.8	265.9	5.6%
Discontinued Activities	-	(12.8)	-
Profit of the period	1,019.9	1,017.1	0.3%
<b>Equity holders of EDP</b>	<b>907.3</b>	<b>940.8</b>	<b>-3.6%</b>
Minority interests	112.7	76.3	47.8%

Assets (€ m)	2007	2006
Property, plant and equipment, net	18,669	15,082
Intangible assets, net	5,222	3,647
Financial Investments, net	1,016	1,099
Deferred Tax asset	758	898
Inventories	283	229
Accounts receivable - trade, net	1,759	1,475
Accounts receivable - other, net	3,251	2,169
Financial assets held for trading	49	116
Cash and cash equivalents	865	753
<b>Total assets</b>	<b>31,871</b>	<b>25,469</b>

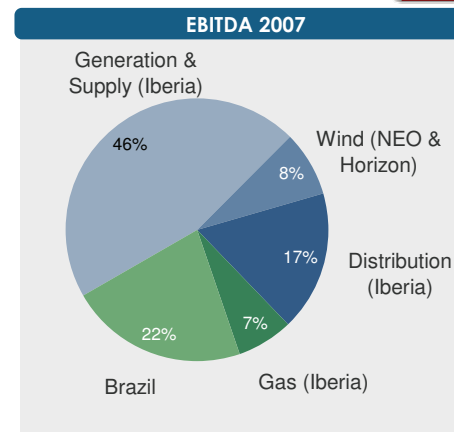
Equity (€ m)	2007	2006
Share capital	3,657	3,657
Treasury stock and share premium	436	487
Reserves and retained earnings	1,264	504
Consolidated net profit attributable to equity holders of the parent	907	941
Minority Interest	987	946
<b>Total equity</b>	<b>7,251</b>	<b>6,535</b>

Liabilities (€ m)	2007	2006
Medium/ Long-term debt & borrowings	10,659	8,625
Short-term debt & borrowings	1,947	1,528
Provisions	376	388
Hydrological correction account	228	199
Deferred Tax liability	688	557
Accounts payable - net	10,723	7,637
<b>Total liabilities</b>	<b>24,621</b>	<b>18,934</b>
<b>Total equity and liabilities</b>	<b>31,871</b>	<b>25,469</b>

# EBITDA Overview: Consolidated EBITDA up 14%



EBITDA (€ m)	2007	2006	% Δ	Abs. Δ	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07
IBERIAN MARKET *	2,009.2	1,871.5	7.4%	137.6	468.5	436.0	494.3	472.7	545.1	482.3	559.8	422.0
Generation & Supply	1,225.8	1,097.1	11.7%	128.7	253.0	292.2	299.1	252.8	302.5	283.3	311.0	329.0
Wind (Europe & US)	213.9	146.9	45.6%	67.0	39.4	31.2	34.5	41.7	55.1	37.5	54.4	66.9
Distribution	455.5	571.8	-20.3%	(116.4)	163.2	100.9	146.4	161.4	173.8	136.2	164.4	(18.9)
Gas	188.5	144.8	30.2%	43.7	23.7	45.9	36.2	38.9	52.5	46.9	44.4	44.7
Brazil	586.5	433.9	35.2%	152.6	106.1	56.0	141.6	130.3	159.2	163.9	124.1	139.4
Other & Adjustments	(41.9)	(89.0)	53.0%	47.2	(10.8)	(34.1)	(21.9)	(22.2)	(38.2)	(20.0)	(1.7)	18.1
<b>Consolidated</b>	<b>2,628.3</b>	<b>2,305.4</b>	<b>14.0%</b>	<b>322.8</b>	<b>574.6</b>	<b>492.0</b>	<b>635.9</b>	<b>603.1</b>	<b>704.8</b>	<b>647.7</b>	<b>696.5</b>	<b>579.2</b>



• **Iberian market generation and supply** - Integrated generation and supply EBITDA increased 11.7% YoY to €1,225.8m in 2007. EBITDA from our liberalized generation and supply activity rose 37.3% YoY to €402.4m in 2007, reflecting the success of the generation & supply hedging strategy. On the costs side, despite the fact that output costs were up only by 3.6%, electricity sourcing costs increased by 6.7% due to higher purchases in the spot market which charges higher prices. Regarding electricity sales in the Iberian market, EDP managed to increase its average net selling price in supply by 30% YoY to €59/MWh. Contracted generation activity EBITDA (PPA/CMEC) showed a 2.4% increase YoY, as EDP was able to profit from the use of coal stocks valued at lower cost than the one predicted under the PPA/CMEC rules and from high availability levels both at hydro and thermal plants, which more than compensated high fuel-oil costs that were not passed through.

• **Wind Europe & USA** – EBITDA from EDP wind farms activity in Europe increased 29.3% YoY reflecting a 62.5% growth in EBITDA consolidated installed capacity to 1,776 MW and higher average load factors (26.2% in 2007 vs. 25.9% in 2006), which were partly offset by a decrease of average wind tariffs (down 8.8% YoY to €83/MWh in 2007). Horizon, EDP's subsidiary for wind farms activity in the US, started being fully consolidated in Jul-07. Horizon's contribution at the level of EBITDA for the 2H07 was €23.9m.

• **Regulated electricity distribution in Iberian markets** – EBITDA from regulated electricity distribution in Portugal decreased 27.3% YoY to €385.3m in 2007. Gross profit decreased 1.7% due to a significant increase in costs with electricity purchases in the 4Q07, which translated into a €58.3m tariff deviation to be recovered from the tariffs in 2009. Pursuing efforts to improve efficiency levels enabled the company to successfully anticipate its ongoing HR Restructuring Program, which translated into the accounting of a €127.3m one-off cost related to 512 retirements and early retirements agreed and signed in 4Q07 and out of which 228 became effective in 2007, while the remaining 284 are agreed and signed to leave the company in 2008. Excluding HR restructuring non-recurring costs (€127.3m in 2007 and €24.7m in 2006), operating costs from our electricity distribution activity in Portugal would have increased by 3.0% due to an increase in O&M and back-office costs. EBITDA from our regulated distribution activity in Spain increased 71.3% YoY to €72.1m in 2007, reflecting the end of the application of RD 03/2006, fixing the intra-group electricity procurement price at €42.35/MWh (provisional), the application of RD 871/2007, of June 30, which set the provisional price referred to in RD 03/2006 at €49.23/MWh, and the 26.0% increase of distribution regulated revenues in 2007.

• **Gas regulated and liberalized activities** – Gas Distribution and Transmission Regulated activities showed a 16.8% increase of EBITDA to €144.7m in 2007, reflecting a 5.0% increase in the number of supply points and the 5.8% growth in the extension of our gas networks. In the liberalized gas procurement and supply business EBITDA improved from €20.9m in 2006 (including a €15m negative impact from non recurrent gas purchases in the spot market) to €43.8m in 2007, reflecting the increase both in terms of volumes and gross margin per MWh.

• **Brazil – Energias do Brasil EBITDA** contribution increased by 35.2% YoY to €586.5m in 2007, benefiting from a 3% appreciation of the Brazilian Real against the Euro between 2006 and 2007, and from the distribution and generation activities. EBITDA at electricity distribution increased 23.5% YoY to €417.5m in 2007, mostly due to demand growth and to the recovery through tariffs of regulatory receivables accumulated in the past. EBITDA of generation activity increased by 66.0% YoY to €167.9 in 2007 mostly due to a 17.0% growth in generation to 5,568 GWh in 2007 which reflected an increase of installed capacity (1,044 MW in 2007 vs 1,018 MW in 2006), the gradual start-up of Peixe Angical during the 2Q06 and the 3Q06, the start-up of the 4th engine of Mascarenhas (50MW) in the 4Q06, and the start of São João mini hydro plant (25 MW) during 2007.

• **Consolidated EBITDA** – Overall, EDP reported a consolidated EBITDA of €2,628.3m in 2007, up 14.0% YoY. Excluding impacts from acquisitions (AE in Dec-06 and Horizon in Jul-07) and disposals (Oni in Jan-07) pro-forma EBITDA increased 13.1%.

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

# Capital Expenditures



CAPEX (€m)	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%
<b>Portugal</b>	<b>507.9</b>	<b>139.0</b>	<b>265.4%</b>
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	2680.5%
<b>Spain</b>	<b>237.1</b>	<b>251.1</b>	<b>-5.6%</b>
<b>Iberian Generation &amp; Supply</b>	<b>745.0</b>	<b>390.1</b>	<b>91.0%</b>
Europe - Neo	655.9	386.0	69.9%
USA - Horizon	732.7	-	-
<b>Wind</b>	<b>1,388.6</b>	<b>386.0</b>	<b>259.7%</b>
Distribution grid & Other	345.4	409.4	-15.6%
(-) Investment subsidies	112.4	140.8	-20.2%
<b>Portugal</b>	<b>233.0</b>	<b>268.5</b>	<b>-13.2%</b>
Distribution grid	58.9	49.9	18.1%
(-) Investment subsidies	28.6	11.8	141.9%
<b>Spain</b>	<b>30.3</b>	<b>38.0</b>	<b>-20.4%</b>
<b>Iberian Distribution</b>	<b>263.3</b>	<b>306.6</b>	<b>-14.1%</b>
Distribution network	15.8	14.1	11.4%
Other	8.9	4.8	84.1%
<b>Portugal</b>	<b>24.7</b>	<b>19.0</b>	<b>29.9%</b>
Distribution network	25.5	23.7	7.4%
Other	22.1	9.1	144.3%
<b>Spain</b>	<b>47.6</b>	<b>32.8</b>	<b>45.2%</b>
<b>Iberian Gas</b>	<b>72.3</b>	<b>51.8</b>	<b>39.6%</b>
<b>Core Business</b>	<b>2,469.2</b>	<b>1,134.5</b>	<b>117.6%</b>
Generation	40.5	104.2	-61.1%
Distribution	168.3	190.8	-11.8%
Supply & Other	0.4	0.2	189.6%
<b>Brazil</b>	<b>209.3</b>	<b>295.1</b>	<b>-29.1%</b>
<b>Other</b>	<b>21.7</b>	<b>26.9</b>	<b>-19.5%</b>
<b>EDP Group</b>	<b>2,700.2</b>	<b>1,456.5</b>	<b>85.4%</b>
<b>Expansion Capex</b>	<b>1,935.7</b>	<b>679.9</b>	<b>184.7%</b>
<b>Maintenance Capex</b>	<b>764.5</b>	<b>776.6</b>	<b>-1.6%</b>

• **Consolidated Capex** amounted to €2,700.2m in 2007, up 85.4% YoY, reflecting the start of consolidation in Jul-07 of Horizon, our US wind subsidiary (+€732.7m), and a 53.3% increase in capex at our Iberian Core Business, up to €1,706.5m in 2007. About 72% of EDP Group's 2007 capex was invested in the expansion of installed capacity, namely in new wind farms and in new CCGTs in Spain and Portugal (Castejón 3, Soto 4 and Lares 1). These investments will enable the medium term growth of our business. It is also worth mentioning that close to 75% of EDP capex was related to regulated businesses and long term contracted generation, which present a low risk of return on investments, such as renewable energies, Iberian electricity and gas distribution and generation under PPA/CMEC.

• **Iberian Generation and Supply** – Capex at our generation business in Portugal in 2007 is related to: a) the beginning of construction works at Lares I CCGT (400 MW) – expected to start operations by the end of 2009; and b) the repowering of hydro plants Bemposta II (231 MW) and Picote II (178 MW) – expected to start operations in 2012. In Spain, EDP finished the construction of the Castejón 3 CCGT (400 MW) – testing period in Dec-07 - and Soto 4 CCGT (400 MW) – expected to start operations in the 3Q08. In addition, EDP invested €108.4m to reduce the SO2 and NOx emissions at coal fired power plants, out of which €61.4m were invested in Sines power plant (remunerated under PPA/CMEC), in order to comply with EU large combustion plants directive by Dec-07.

• **Wind Europe & US** – Capex at Horizon, EPD's US subsidiary for wind energy, amounted to USD978m (€732.7m) in the 2H07. By Dec-07, Horizon had 66 MW of gross capacity under construction which will enter into operation by early 2008. By the end of the 1Q08, Horizon is expected to have some 500 MW of wind capacity under construction. In 2007, NEO's capex in wind capacity amounted to €655.9m, up 69.9% YoY. By Dec-07, NEO had 597 MW of gross capacity under construction, all expected to start operations in 2008. The company is on track to deliver its 2008 target of 3.0 GW of gross capacity for Europe and 2.2 GW for US.

• **Iberian Distribution** - In 2007, capex at our Iberian distribution business decreased 14.1% YoY, to €263.3m in 2007, subsequent to the renegotiation of on-going network maintenance works through a program of pre-contracting, which enabled the company to optimize pricing. In Portugal, following the significant investments made in recent years to improve network service quality and favorable weather conditions, Equivalent Interruption Time (EIT) stood at 111 min in the 2007, which compares with 203 min. in 2006 (or 176 min. when adjusted for non-recurring impacts). In Spain (Asturias), EIT decreased from 106 min. in 2006 to 63 min. in 2007.

• **Iberian Gas** - In 2007, capex amounted to €72.3m, up 39.6% YoY, out of which 57% was spent in the expansion of the gas distribution network (+408 Km, out of which +271 Km in Spain). The balance is related to the transmission network in Spain, marketing campaigns, new customers meter readings and revamping of facilities from LPG to NG.

• **Brazil – Energias do Brasil** capex in euro terms decreased 29.1% YoY, mostly due to the conclusion of the construction works at Peixe Angical hydro Plant, which last unit started industrial service in the 3Q06. In the 2Q07, Energias do Brasil increased its installed capacity by another 25 MW with the start of operations, in April 2007, of São João Hydro Plant (total investment amounted to R\$90m). The construction of Santa Fé hydro plant is expected to bring another 29 MW of installed capacity by 2009, when it is expected to start operations. Capex at distribution activity, which accounted for 80% of Energias do Brasil total capex, relates to the extension and improvement the distribution network in the concession areas of Bandeirante, Escelsa and Ensul.





Consolidated Cash Flow (€ m)	2007	2006
<b>Net profit before minorities</b>	<b>1,019.9</b>	<b>1,017.1</b>
Net depreciation and amortization	1,025.9	957.8
Net provisions	291.5	1.3
Non cash financial results	(2.4)	4.5
Deferred taxes	170.2	(35.0)
Other adjustments	(506.1)	(118.7)
<b>FFO (Funds From Operations)</b>	<b>1,999.0</b>	<b>1,826.9</b>
Net financial interest	597.5	428.2
Net Income from Associates and other Investments	(23.7)	(245.3)
Change in operating working capital	(302.6)	(17.4)
Hydro correction	20.5	25.1
Portugal & Spain Tariff Deficit	(67.9)	(279.0)
<b>Operating Cash Flow</b>	<b>2,270.2</b>	<b>2,017.5</b>
Expansion Capex	(1,935.7)	(679.9)
Maintenance Capex	(764.5)	(776.6)
Change in working capital related to property and equipment suppliers	119.2	-
<b>Net Operating Cash Flow</b>	<b>(310.9)</b>	<b>561.0</b>
Net financial investments	(1,867.2)	96.9
Net financial interest paid	(577.5)	428.2
Dividends received from Associates and other Investments	79.0	-
Dividends paid	(401.4)	(365.6)
Anticipated proceeds from institutional partnership in US wind farms	775.4	-
Other non-operating changes	(106.6)	(542.7)
<b>Decrease/(Increase) in Net Debt</b>	<b>(2,409)</b>	<b>177.8</b>

Major Net Financial Investments (€ m)	2007	2006
<b>MAJOR FINANCIAL INVESTMENTS</b>	<b>2,351.7</b>	<b>848.5</b>
Renewables	58.6	443.9
BCP (0.9%)	116.3	-
Naturgas (9.39%)	122.0	-
Gas distribution minorities stakes	45.0	96.0
Horizon (100%)	1,937.5	-
Mini-Hydro	72.4	-
OPTEP	-	308.7
<b>MAJOR FINANCIAL DIVESTMENTS</b>	<b>477.6</b>	<b>931.0</b>
ONI (100%)	97.7	-
REN (25%)	282.8	160.2
Desa (20%)	97.1	-
Galp	-	576.0
Sonaeacom	-	141.0
Telecable	-	53.8
<b>Major Net Financial Investments</b>	<b>1,874.1</b>	<b>(82.4)</b>

EDP's consolidated operating cash flow increased by 13% YoY to €2,270m supported essentially on the 9% growth of FFO. The strong growth of FFO is justified by a strong improvement of cash flow generated in liberalized generation and supply activities in Iberia. Regulated distribution activities in Brazil benefited from tariff increases, which enable the recovery of higher electricity costs incurred in previous periods benefiting also from lower electricity procurement costs in 2007, but in Portugal and Spain tariff deficits and tariff deviations showed a significant increase. These factors led to an increase of regulatory receivables in the three regulated systems from €613m in Dec-06 to €753m in Dec-07.

Below the net operating cash flow we highlight the positive impact from receipt of anticipated proceeds from institutional partnership in US wind farms amounting to €775m. Financial investments of €1,867m are mainly related to the acquisition of Horizon.

As a result, net debt increased by €2,409m or 26% higher than in Dec-06.



# Financial Debt and Provisions for Social Benefits



Nominal Financial Debt by Company (€ m)	2007	2006	EDP %
EDP S.A. and EDP Finance BV	10,393.3	8,044.2	100%
EDP Produção	19.1	23.6	100%
HC Energia	433.1	213.3	97%
NEO Energia	560.1	579.3	99%
Portgás	106.3	113.0	72%
Energias do Brasil	1,058.7	1,018.7	62%
Other	0.0	21.3	-

<b>Nominal Financial Debt</b>	<b>12,570.6</b>	<b>10,013.3</b>
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Accrued Interests on Debt	100.6	134.7
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<b>Nominal Financial Debt + Accrued Interests</b>	<b>12,671.1</b>	<b>10,147.9</b>
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Fair Value on Hedged Debt	(65.1)	5.1
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<b>Total Financial Debt</b>	<b>12,606.0</b>	<b>10,153.1</b>
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<b>Cash and cash equivalents</b>	<b>913.7</b>	<b>869.9</b>
EDP S.A., EDP Finance BV and Other	179.1	441.6
HC Energia and Subsidiaries	25.2	19.5
NEO Energia	134.2	181.5
Horizon	299.1	-
Portgás	0.0	0.0
Energias do Brasil	276.1	227.4

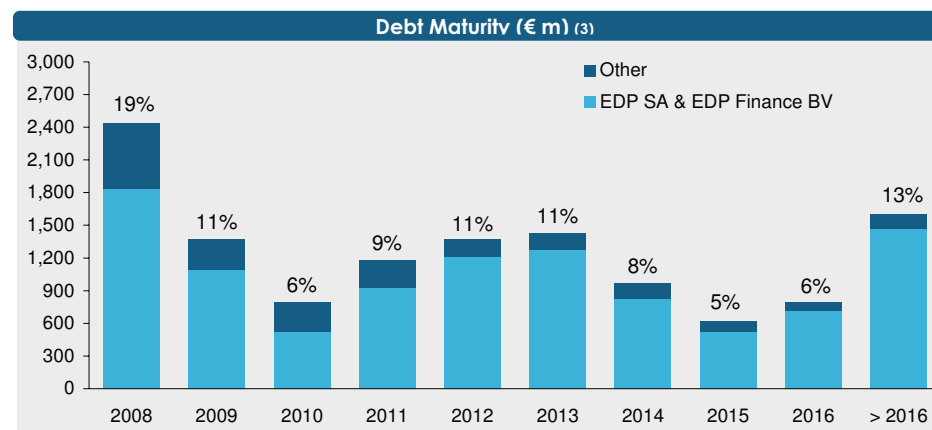
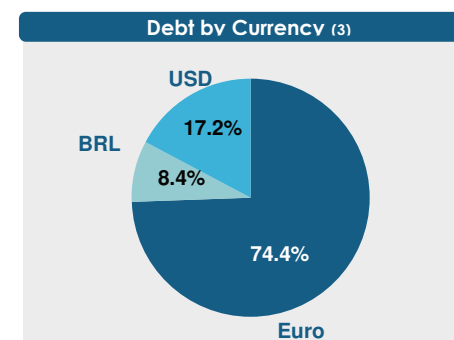
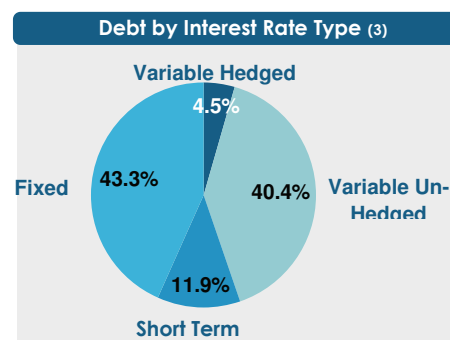
<b>EDP Consolidated Net Debt</b>	<b>11,692.2</b>	<b>9,283.1</b>
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Future receivables from regulatory act. (€ m)	2007	2006	Δ 07/06
Portugal <sup>(1)</sup>	373.1	212.3	75.7%
Spain	222.0	154.0	44.1%
Brazil <sup>(1)</sup>	56.2	246.5	-77.2%
Annual Deviation - Mkt vs. CMEC	101.6	-	-
<b>Total</b>	<b>752.8</b>	<b>612.8</b>	<b>22.8%</b>

Provisions for Social Benefits (€ m)	2007	2006	Δ 07/06
Pensions <sup>(2)</sup>	932.5	1,010.3	-7.7%
Medical Care	781.2	760.7	2.7%
<b>Total</b>	<b>1,713.7</b>	<b>1,771.0</b>	<b>-3.2%</b>

Debt Ratios	S&P	Moody's	Fitch
<b>EDP SA &amp; EDP Finance BV</b>	<b>A-/Neg/A2</b>	<b>A2/Neg/P1</b>	<b>A-/Stab/F2</b>
Last Rating Action	18-07-2007	19-10-2007	03-07-2007

Debt Ratios	2007	YE2006
Net Debt / EBITDA	4.4x	4.0x



The acquisition of Horizon in July was initially funded through a dual tranche credit facility agreement totalling USD 3,000m: USD1,500m tranche with a 1 year maturity (plus 1 year extension option) and USD 1,500m tranche with a 7 year maturity. The proceeds of the USD 2,000m 144A/Reg S bond issue launched in October, were used to cancel the shorter tranche and reduce the outstandings under the longer tranche. This debut US\$ bond issue was composed of two tranches: US\$,1000m maturing in 2012, with a coupon of 5.375% and US\$,1,000m, maturing in 2018 with a coupon of 6.000%. Following this refinancing transaction, at year end 43% of our debt carried a fixed rate.

At year end, EDP SA/BV had committed liquidity facilities in the amount of € 3.156m, of which € 2.064m were available.

During 2007, and reflecting the impact of the Horizon acquisition our credit ratings have been revised downwards by Fitch and S&P to A- with stable and negative outlook respectively, while Moodys' have maintained our rating at A2 but change the outlook to negative during 4Q07.

Although our net debt/EBITDA in 2007 increased to 4.4x, it remained the 2005 level (4.6x).

<sup>(1)</sup> Tariff deficits and tariff deviations to be recovered in the following years through tariffs

<sup>(2)</sup> Pension include the Provision for the HR Restructuring Program costs of EDP Distribuição, which are being recovered through the tariffs

<sup>(3)</sup> Nominal Value

# Financial Income/(Expense) & Minority Interests



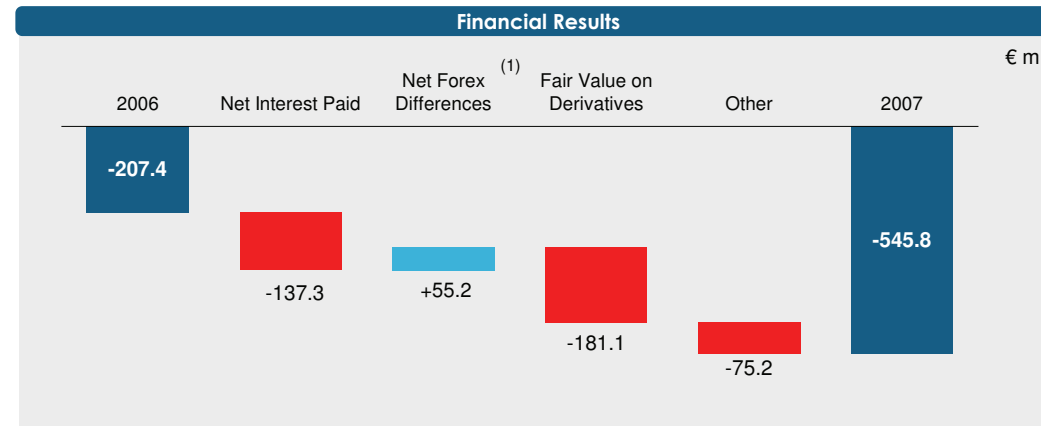
Financial Results (€ m)	2007	2006	Δ 07/06
Investment income	41.4	8.0	-
<b>Financial Investments Gains/(Losses)</b>	<b>41.4</b>	<b>8.0</b>	<b>-</b>
Net financial interest paid	(539.4)	(402.2)	-34.1%
Net foreign exchange differences	11.0	0.9	-
Other Financials	(58.8)	185.9	-
<b>Financing Gains/(Losses)</b>	<b>(587.3)</b>	<b>(215.3)</b>	<b>-172.7%</b>
<b>Financial results</b>	<b>(545.8)</b>	<b>(207.4)</b>	<b>-163.2%</b>

Income from Equity Method (€ m)	2007	2006	Δ 07/06
REN (30% as of June-06)	-	223.7	-
Electra (30.6% as of Jun-06)	-	(19.4)	-
Edinfor (40%)	(12.4)	2.0	-
Setgás (19.8%)	1.7	1.8	-0.9%
CEM (22%)	8.5	8.3	2.0%
Turbogás (40%)	12.9	11.4	12.9%
DECA II (EEGSA (21%))	8.6	11.6	-25.7%
HC's subsidiaries	0.5	1.0	-49.1%
NEO's subsidiaries	3.0	3.7	-18.1%
Other	0.8	1.1	-30.8%
<b>Income from group &amp; associated companies</b>	<b>23.7</b>	<b>245.3</b>	<b>-90.3%</b>

Minority Interests (€ m)	2007	2006	Δ 07/06
NEO Energia	1.5	2.5	-40.0%
HC Energia + Naturgas	6.3	11.6	-45.7%
Portgás	4.3	3.9	10.3%
Energias do Brasil	97.8	57.0	71.6%
Other	2.8	1.3	115.4%
<b>EDP Group</b>	<b>112.7</b>	<b>76.3</b>	<b>47.7%</b>

## • Financial results at EDP Group reflect:

a) a €33.5m increase in **investment income** due to dividends received in 2007: i) from REN, which amounted to €29.1m; ii) from Ampla, which amounted to €1.6m; and iii) from BCP, which amounted to €8.4m.



b) a 34.1% increase in **net financial interests paid** due to: i) a 1.1p.p. increase in EDP Group's average cost of debt (5.0% in 2007 vs. 3.9% in 2006), following the increase of interest rates in the period, and ii) an increase in the average level of net debt;

c) a sharp decrease of **other financials**. Year 2006 includes a €148m positive accounted in 2006 from the CMEC derivative. In addition, 2007 financial results include: i) a €42m loss regarding fuel hedges at our contracted generation activity, regarding fuel hedges of both 2007 and 2008 (no such loss was accounted for in 2006); and iii) a €2.8m loss (vs. a €24.2m gain in 2006), related to hedging operations in energy markets associated to the liberalised generation and supply activity.

• **Income from group and associated companies** amounted to €23.7m in 2007, down from €245.3m in 2006. In 2006, income from group and associated companies include: i) the equity contribution of 30% of REN, which reflects both the recovery of previous year's tariff differences and the capital gain on the disposal of its 18.3% stake in Galp; ii) a one-off provision related to guarantees that EDP gave for Electra's financing; and iii) a €12.5m loss regarding Edinfor's equity contribution. Note that in Feb-08, EDP announced its intention to exercise its put option over the 40% owned in Edinfor for a minimum pre-agreed price of €55m. This transaction should be completed in March 2008. Edinfor should no longer contribute to EDP's results from then on.

• Regarding EDP's current **stake in REN**, please note that following the agreements made for the disposal of a 20% stake in REN (4 blocks of 5% each) and the sale of another 5% in July, during the IPO, our stake in the company is no longer consolidated through the Equity Method. The sale of this 25% stake in REN reflected into a €259m capital gain in 2007.

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



**Business Areas**

# Iberian Electricity Market



Energy Balance (GWh)	Portugal			Spain		
	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06
Hydro	9,523	10,205	-6.7%	26,338	25,330	4.0%
Nuclear	-	-	-	55,102	60,126	-8.4%
Coal	11,663	14,070	-17.1%	71,833	66,006	8.8%
CCGT	10,491	9,788	7.2%	68,139	63,506	7.3%
Fuel/Gas/Diesel	1,271	1,620	-21.5%	2,397	5,905	-59.4%
Own consumption	-	-	-	(8,740)	(8,904)	-1.9%
(-)Pumping	(540)	(703)	-23.2%	(4,349)	(5,261)	-17.3%
Conventional Regime	32,408	34,980	-7.4%	210,721	206,708	1.9%
Wind	4,002	2,892	38.4%	26,634	22,684	17.4%
Other	6,133	5,877	4.4%	29,410	27,632	6.4%
Special Regime	10,135	8,769	15.6%	56,044	50,316	11.4%
Import / (Export) net	7,488	5,440	37.6%	(5,750)	(3,280)	75.3%
<b>Gross demand (before grid losses)</b>	<b>50,031</b>	<b>49,189</b>	<b>1.7%</b>	<b>261,014</b>	<b>253,744</b>	<b>2.9%</b>
Adjusted to temperature and working days			2.4%			4.1%
Regulated System	44,292	41,427	6.9%	186,673	190,378	-1.9%
Liberalized Market	5,739	7,763	-26.1%	73,199	63,068	16.1%

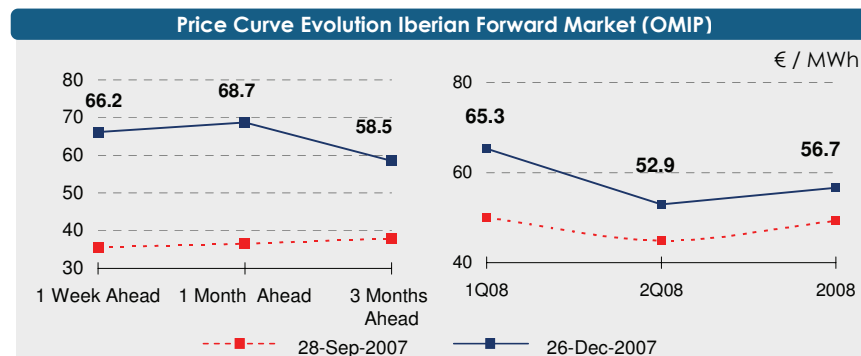
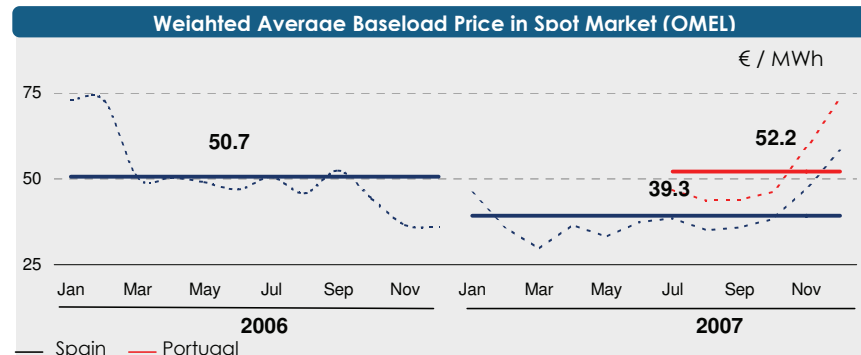
In 2007, electricity demand in Iberia increased by 2.8% YoY, namely fuelled by Spain where electricity demand growth was up by 2.9%. Adjusted by temperature and working days electricity demand was up by 2.4% in Portugal and 4.1% in Spain.

On the supply side, hydro production was up only by 1% showing a deceleration vs. previous quarter due to an exceptional dry winter in both countries in 4Q07. On the other hand, wind production was up 19% backed by an increased in installed capacity. As a result, conventional thermal output posted a flat performance. The lower hydro production together with dry temperatures observed during 4Q07 led to a higher usage of high marginal costs technologies. This resulted in a higher weighted average pool prices regardless of the 13% increase in CCGT capacity. Even though the single Iberian market, MIBEL, started at the 1st of July, the two countries continued to show different prices due to interconnection capacity restrictions. In fact, along the 2H07 there was congestion within 81% of the hours, due to maintenance works in the interconnection grid that together with low availability levels of coal plants in Portugal resulted in the use of higher marginal cost technology.

Over the 4Q07, price in the Iberian electricity forward market (OMIP) for the 1Q08 showed an upward trend closing at the end of December at levels in the €68-€69/MWh range. For 2008, forward electricity prices showed an upward trend namely in 1Q08 reaching the €65-€69 level reflecting the recent surge in fuel costs, namely coal, and low hydro reserve levels. In December, the 3rd Regulated Supply auction took place setting the price for the 1Q08 at 64.5€/MWh with 6,500MW of volume traded. This price is around 10€/MWh below the outcome of the third VPP auction of Endesa/Iberdrola whose price stood at 53.9€/MWh.

Volumes of electricity sold to retail in the market fell by 26% YoY in Portugal, as at Jan-07 tariffs were updated at 6.2%, despite the initial proposal from the regulator of 12.4%, and then at Sep-07 there was an downward revision of 3.0%, decreasing the attractiveness of the liberalized market. On the other hand, volumes sold in the Spanish liberalized supply market increased by 16% YoY following the rise of electricity retail tariffs in Spain announced in Jan-07 and Jul-07, increasing the competitiveness of the liberalized market vs. the regulated system. In Jan-08, both in Portugal and Spain it was announced an increase in tariffs of 2.9% and 3.3%, respectively, which continues to be below production costs rise.

Installed Capacity Iberian Market (MW)	Iberian Peninsula		
	YE2007	YE2006	Δ 07/06
Hydro	18,119	18,119	-
Nuclear	7,439	7,439	-
Coal	11,661	11,732	-0.6%
CCGT	19,172	16,979	12.9%
Fuel/Gas/Diesel	6,527	6,695	-2.5%
Wind	15,226	12,798	19.0%
Other Special Regime	12,333	11,563	6.7%
<b>Total</b>	<b>90,478</b>	<b>85,325</b>	<b>6.0%</b>



Main Drivers of Generation Costs	YE2007	YE2006	Δ 07/06
Hydro Coefficient (1.0 = average year)			
Portugal	0.76	0.98	-22.4%
Spain	0.64	0.82	-22.0%
CO <sub>2</sub> Rights 2007 €/t <sup>1</sup>	0.0	6.7	-99.7%
CO <sub>2</sub> Rights 2008 €/t <sup>1</sup>	22.3	18.3	21.9%
Coal (API2 CIF ARA) USD/t <sup>1</sup>	127.8	68.1	87.7%
Gas €/MWh	49.6	33.5	48.1%
Brent (USD/bbl) <sup>1</sup>	93.8	59.6	57.5%
Eur/USD <sup>1</sup>	1.47	1.32	11.8%

<sup>1</sup> End of Period

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



## Financial Highlights (€ m) <sup>(1)</sup> | YE2007 | YE2006 | Δ 07/06

<b>PPA Revenues (1H07 and 2006)</b>	<b>587.5</b>	<b>1,246.4</b>	
Capacity Charge	473.8	934.5	
Energy Charge	113.7	311.9	
<b>PPA/CMEC Revenues (2H07)</b>	<b>681.1</b>		
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		
<b>PPA/CMEC Direct Costs</b>	<b>291.8</b>	<b>311.2</b>	<b>-6.2%</b>
Coal	184.4	186.3	-1.0%
Fuel Oil	91.2	116.3	-21.6%
Other Costs (Net)	16.3	8.6	88.4%
<b>Gross Profit PPAs/CMECs</b>	<b>976.8</b>	<b>935.2</b>	<b>4.4%</b>
Cogeneration, Waste & Biomass	46.0	47.5	-3.1%
Mini-Hydro	10.2	15.3	-33.0%
<b>Gross Profit Special Regime</b>	<b>56.3</b>	<b>62.8</b>	<b>-10.4%</b>
<b>Gross Profit Other</b>	<b>14.1</b>	<b>14.5</b>	<b>-2.7%</b>
Operating Costs	223.8	208.6	7.3%
<b>EBITDA</b>	<b>823.3</b>	<b>803.9</b>	<b>2.4%</b>
Depreciation & Provisions	283.4	234.4	20.9%
<b>EBIT</b>	<b>540.0</b>	<b>569.5</b>	<b>-5.2%</b>

## Real/Contracted Availability Factor (Km) | YE2007 | YE2006 | Δ 07/06

Hydro Plants	1.03	1.04	-1.4%
Thermal Plants	1.06	1.06	-0.2%

## Electricity Generation Output (GWh) | YE2007 | YE2006 | Δ 07/06

<b>Hydro Plants</b>	<b>8,976</b>	<b>9,574</b>	<b>-6.2%</b>
<b>Thermal Plants</b>	<b>9,319</b>	<b>11,314</b>	<b>-17.6%</b>
Sines	8,048	9,694	-17.0%
Setúbal	960	1,235	-22.2%
Carregado	197	239	-17.7%
Barreiro	114	145	-21.6%
Tunes	0	1	-88.0%
<b>Total PPAs/CMECs</b>	<b>18,295</b>	<b>20,888</b>	<b>-12.4%</b>
Cogeneration Portugal	744	726	2.5%
Cogeneration + Waste Spain	551	481	14.6%
Mini-Hydro Portugal	134	193	-30.8%
Biomass Portugal	56	29	95.6%

## Total Special Regime | YE2007 | YE2006 | Δ 07/06

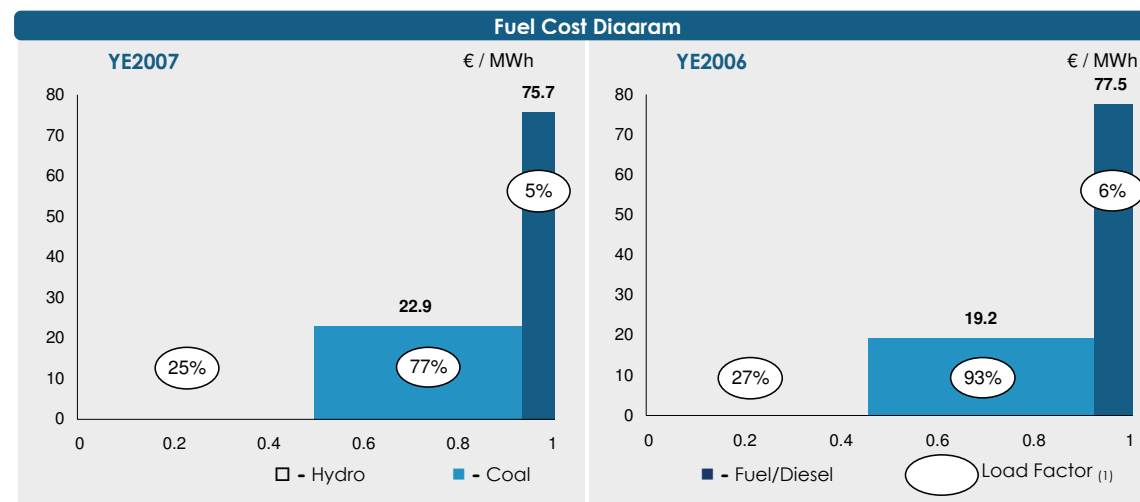
<b>Special Regime Tariffs (€/MWh)</b>	<b>YE2007</b>	<b>YE2006</b>	<b>Δ 07/06</b>
Cogeneration Portugal	86	85	0.8%
Mini-Hydro Portugal	83	84	-1.8%
Biomass Portugal	114	111	2.4%

At June 15th, EDP and REN (which until June 30th was the single buyer of Portuguese electricity regulated system) agreed on the early termination of the long term PPAs between the two entities. The PPAs were replaced by the CMECs financial system to conciliate: (1) the preservation of the NPV of these PPAs and a stable contracted gross profit over the next 10 years with an implicit 8.5% ROA real pre tax and (2) the increase in liquidity of the Iberian electricity wholesale market. In terms of EDP's P&L, the total gross profit resulting from the new CMECs financial system will keep the same profile over the next 10 years as the former PPA.

Regarding gross profit break down there are now 4 components: 1) Revenues in the market: Results from the sale of electricity in the Iberian wholesale market, including ancillary services and in the future capacity payments; 2) Annual deviation - market vs. CMECs calculation assumptions: Difference between CMECs main assumptions (outputs, market prices and fuel costs) and the market real data. These deviations will be paid/received by EDP through regulated tariffs one year after they take place. 3) PPAs/CMECs Accrued Income – Reflects the annual differences in terms of cash flow profile between PPAs and CMECs, assumed at the beginning of the system. The sum of these differences will be zero at the end the 20,5 years lifetime of the CMEC system, guaranteeing the full preservation of the net present value of PPAs. 4) Base CMEC Fee: Fixed monthly fee of €6,5m to be received by EDP through regulated tariffs over the 20,5 years lifetime of the CMECs system, if not securitize before.

In 2007, gross profit from PPAs/CMECs showed a 4.4% increase YoY as EDP was able to profit from the use of coal stocks valued at lower cost than the one predicted under the PPA/CMEC rules and high availability levels both from hydro and thermal plants than more than compensated high fueloil costs that were not passed through. On the other hand, the low hydraulicity factor explains the 33% fall in Mini-hydros gross profit. However, considering the €19m hedging costs with coal and fuel oil accounted at the level of financial results, gross margin would have increased by 2.4%. Overall, it was accounted €42m of hedging costs with fuels of which €19m relates with consumptions in 2007 while the remaining €23m with consumptions to be realized in 2008.

The 18% fall in thermal output was mainly due to programme stoppages at Sines coal plant for Desox and maintenance with load factor decreasing to 77% vs. 93% in 2006. The very dry weather observed in 4Q07 led to a 6% hydro output to decline. Nevertheless, EDP's availability factors remained well above 1.0.



<sup>(1)</sup> Pro-forma 2006 figures including the cogeneration business, biomass and waste.

<sup>(1)</sup> Load Factor: number of equivalent hours to the output of a power plant relative to the total number of hours in the period

# Liberalised Electricity Generation and Supply in the Iberian Market



Financial Highlights (€ m)	YE2007	YE2006	Δ 07/06
<b>Gross Profit - Liberalized Generation and Supply</b>	<b>599.9</b>	<b>454.1</b>	<b>32.1%</b>
Generation in the market	497.4	555.2	-10.4%
Portugal	93.5	110.7	-15.6%
Spain	403.9	444.6	-9.1%
Supply	102.5	(101.2)	-
Portugal <sup>(1)</sup>	20.3	(50.7)	-
Spain	82.2	(50.5)	-
Operating costs	197.4	160.9	22.7%
<b>EBITDA</b>	<b>402.4</b>	<b>293.2</b>	<b>37.3%</b>
Depreciation and amortization	122.2	124.4	-1.8%
<b>EBIT</b>	<b>280.2</b>	<b>168.7</b>	<b>66.0%</b>
At Financial Results Level:			
<b>Hedging Gains (Losses) in Energy Markets</b>	<b>-2.8</b>	<b>24.2</b>	<b>-</b>

Market Performance	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06
	Output (GWh)			Variable Cost (€/MWh)		
<b>Generation Output</b>	<b>20,226</b>	<b>19,654</b>	<b>2.9%</b>	<b>27.5</b>	<b>26.6</b>	<b>3.6%</b>
CCGT	7,847	7,438	5.5%	41.9	42.1	-0.7%
Coal	10,124	9,854	2.7%	22.2	20.8	6.4%
Hydro	1,024	1,171	-12.6%	-	-	-
Nuclear	1,232	1,192	3.4%	3.2	3.0	5.2%
<b>Electricity Purchases &amp; Other</b>	<b>3,402</b>	<b>1,538</b>	<b>121.3%</b>	<b>44.5</b>	<b>47.5</b>	<b>-6.4%</b>
<b>Electricity Sources</b>	<b>23,629</b>	<b>21,192</b>	<b>11.5%</b>	<b>30.0</b>	<b>28.1</b>	<b>6.7%</b>
	Volume Sold (GWh)			Average Price (€/MWh)		
<b>Grid Losses &amp; Other</b>	<b>693</b>	<b>221</b>	<b>-</b>			
Portugal	3,010	3,844	-21.7%	50.1	52.0	-3.6%
Spain	10,731	8,313	29.1%	58.6	46.7	25.4%
<b>Retail</b>	<b>13,741</b>	<b>12,157</b>	<b>13.0%</b>	<b>58.6</b>	<b>44.9</b>	<b>30.3%</b>
Wholesale Spot Market	7,969	5,264	51.4%	52.1	65.0	-19.8%
Wholesale Forward Market	1,226	3,550	-65.5%	43.0	54.7	-21.3%
<b>Total Volume</b>	<b>23,629</b>	<b>21,192</b>	<b>11.5%</b>	<b>55.5</b>	<b>51.6</b>	<b>7.5%</b>

Load Factor	YE2007	YE2006	Δ 07/06
CCGT	57%	54%	3.0 pp
Coal	76%	74%	2.0 pp
Hydro	17%	20%	-2.5 pp
Nuclear	90%	87%	3.0 pp

Number of Supply Clients	YE2007	YE2006	Δ 07/06
Number of Clients (th)	196.3	84.9	131%
Portugal	148.3	22.7	554%
Spain	48.0	62.2	-23%

<sup>(1)</sup> Excludes the monthly rent paid by EDP Generation to EDP Supply which is the owner Belver hydro plant in Portugal

In 2007, EBITDA in the liberalised electricity generation and supply in the Iberian market was up by 37%, and gross profit was up by 32% YoY a performance achieved in an adverse market environment with average pool prices decreasing by 22%. This result highlights the successful hedging strategy, with around 68% of production covered by direct sales to retail customers with average retail price being 6€/MWh higher than the wholesale spot market. Financial hedging results in energy markets associated to this activity amounted to -€2.8m 2007 as the mark-to-market of the financial hedge of oil prices and FX were not enough to compensate the financial hedge of electricity and CO2 prices.

In 2007, EDP's liberalized output in the Iberian market grew by 2.9 % YoY mainly supported by a 5.5% increase in our CCGT production with load factor reaching 57% vs. 54% in 2006. This increase is mainly explained by our Portuguese plant, as programmed stoppages for DeSox in the Portuguese coal plants, maintenance works in the interconnection grid, which limited imports, and low hydro production had to be offset by higher CCGT output. Coal production posted only a 2.7% increase despite the outage of Soto III for Desox and maintenance works during 9 weeks in 2007, which will continue along 1Q08. Meanwhile, total installed capacity in the Iberian liberalised market had a net addition of 595 MW due to: (1) Commissioning of the 418 MW Castejon III (Spain) CCGT plant in late Dec-07; (2) the award of Alqueva (Portugal) hydro plant (240 MW) in late Oct-07; and (3) the official decommissioning of Soto I (Spain) coal plant (63 MW) in Dec-07.

In 2007, the output of our CCGT plants was sold essentially in peak hours. This together with the existence of market splitting explains the €52/MWh realized price (includes capacity payment and ancillary services) in the spot market. Despite output costs were up only by 3.6%, electricity sourcing costs increased by 6.7% due higher purchases in the spot market at higher prices.

Regarding electricity sales in the Iberian market, EDP managed to increase its average net selling price in supply by 30% YoY to €59/MWh (including capacity payment, ancillary services and supply margin) with volumes posting a 13% rise, supported by Spain (volumes up by 29% YoY) as in Portugal volumes dropped by 22%. In fact, the Spanish market benefited from retail tariff increases in Jan-07 and Jul-07 while in Portugal, tariffs were up only by 6.2% in Jan-07, despite the 12.4% regulator's proposal, and in Sep-07 tariffs decreased by 3.0%. Volumes sold in OMEL increased by 51% while volumes sold in wholesale forward market decreased by 66% following the end of assimilated bilateral contracts with regulated distribution in Spain.

In 2008, EDP's supply business should face declining volumes as the 2008 tariffs update of 2.9% in Portugal and 3.3% in Spain do not fully reflect the increase of generation costs. Nevertheless, in Spain the expected end of last resource retail tariffs for medium voltage consumers is likely to lead to a recover on market dynamics in 2H08.

For 2008 EDP has already contracted 58% of expected output of its liberalized generation plants in the Iberian market at an average price above €56/MWh through sales contracts with retail customers or in forward markets. For the volume already contracted for 2008 EDP has already locked-in an average spark spread of €13/MWh and an average dark spread of €29/MWh, already considering CO2 costs and the RD 11/07.





Income Statement (€ m)	Electricity Generation						Electricity Supply						Generation & Supply		
	Portugal			Spain			Portugal			Spain			Total <sup>(1)</sup>		
	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06	YE2007	YE2006	Δ 07/06
<b>Operating Revenues</b>	<b>2,059.3</b>	<b>1,882.8</b>	<b>9.4%</b>	<b>801.6</b>	<b>772.6</b>	<b>3.8%</b>	<b>343.0</b>	<b>326.7</b>	<b>5.0%</b>	<b>799.2</b>	<b>538.3</b>	<b>48.5%</b>	-	-	-
<b>Direct Activity Costs</b>	<b>923.1</b>	<b>793.0</b>	<b>16.4%</b>	<b>397.7</b>	<b>328.0</b>	<b>21.2%</b>	<b>322.7</b>	<b>377.4</b>	<b>-14.5%</b>	<b>717.2</b>	<b>588.8</b>	<b>21.8%</b>	-	-	-
<b>Gross Profit</b>	<b>1,136.2</b>	<b>1,089.8</b>	<b>4.3%</b>	<b>403.9</b>	<b>444.6</b>	<b>-9.1%</b>	<b>20.3</b>	<b>(50.7)</b>	<b>-</b>	<b>82.0</b>	<b>(50.5)</b>	<b>-</b>	<b>1,647.0</b>	<b>1,466.6</b>	<b>12.3%</b>
Gross Profit/Revenues	55.2%	57.9%	-2.7 pp	50.4%	57.5%	-7.2 pp	5.9%	-15.5%	21.4 pp	10.3%	-9.4%	19.6 pp			
Supplies and services	102.9	89.7	14.7%	53.3	39.1	36.3%	18.2	15.3	19.3%	31.2	28.9	8.0%	204.2	190.8	7.0%
Personnel costs	80.1	84.5	-5.1%	33.0	28.6	15.4%	4.6	5.5	-17.1%	6.5	5.3	24.0%	124.3	126.2	-1.5%
Costs with social benefits	48.2	37.7	28.1%	10.9	1.3	730.8%	0.2	0.4	-47.5%	0.2	0.2	31.7%	59.5	39.5	50.6%
Generation centre rentals	3.9	3.7	4.0%	-	-	-	0.0	0.0	1.0%	-	-	-	-	3.8	-
Other operating costs / (revenues)	(9.6)	1.5	-	49.9	36.6	36.3%	1.2	(0.5)	-	(19.8)	(15.4)	28.0%	33.3	9.3	259.2%
<b>Operating Costs</b>	<b>225.6</b>	<b>217.1</b>	<b>3.9%</b>	<b>147.1</b>	<b>105.6</b>	<b>39.3%</b>	<b>24.2</b>	<b>20.7</b>	<b>17.3%</b>	<b>18.1</b>	<b>18.8</b>	<b>-3.7%</b>	<b>421.3</b>	<b>369.5</b>	<b>14.0%</b>
<b>EBITDA</b>	<b>910.6</b>	<b>872.7</b>	<b>4.3%</b>	<b>256.7</b>	<b>338.9</b>	<b>-24.2%</b>	<b>(3.9)</b>	<b>(71.3)</b>	<b>-94.5%</b>	<b>63.8</b>	<b>(69.3)</b>	<b>-</b>	<b>1,225.8</b>	<b>1,097.1</b>	<b>11.7%</b>
EBITDA / Revenues	44.2%	46.4%	-2.1 pp	32.0%	43.9%	-11.8 pp	-1.1%	-21.8%	20.7 pp	8.0%	-12.9%	20.9 pp			
Provisions for risks and contingencies	1.5	20.5	-92.8%	13.8	(1.0)	-	15.4	(3.0)	-	(1.4)	(3.3)	-58.1%	21.6	13.3	62.4%
Depreciation and amortization	259.0	228.9	13.2%	122.1	97.1	25.7%	4.7	4.8	-1.0%	2.3	2.5	-7.4%	388.1	348.6	11.3%
Comp. of subsidised assets' depr.	(3.6)	(2.5)	44.7%	(0.4)	(0.1)	200.6%	-	-	-	-	-	-	(4.0)	(3.0)	35.9%
<b>EBIT</b>	<b>653.8</b>	<b>625.8</b>	<b>4.5%</b>	<b>121.3</b>	<b>243.0</b>	<b>-50.1%</b>	<b>(24.1)</b>	<b>(73.1)</b>	<b>-67.0%</b>	<b>62.9</b>	<b>(68.5)</b>	<b>-</b>	<b>820.2</b>	<b>738.2</b>	<b>11.1%</b>
EBIT / Revenues	31.7%	33.2%	-1.5 pp	15.1%	31.5%	-16.3 pp	-7.0%	-22.4%	15.3 pp	7.9%	-12.7%	20.6 pp			
Employees	1,535	1,571	-2.3%	562	582	-3.4%	76	88	-13.6%	88	92	-4.3%	2,261	2,380	-5.0%

Taken as a whole, our integrated generation and supply business showed a 12% growth in gross profit with the strong recovery on our supply business more than compensated the flat performance of our generation activities. EBITDA was also up by 12% with operating costs increasing by 14%. On a pro-forma basis, i.e., including the cogeneration business, biomass and waste in the Long Term Generation 2006 accounts and considering hedging costs with fuels, gross profit would have increased by 9.0% and EBITDA by 7.4%.

Taking into account the generation in Portugal, EBITDA was up by 4.3% reflecting the 15% increase in supplies & services, mostly related with the maintenance of our CCGT plant, and the 28% increase social benefits related with the ongoing HR restructuring program with 57 people leaving at a cost of €25m. In 2006, 85 people left with curtailment costs reaching €15m. Noteworthy the 5% fall in personnel costs due to headcount reduction. Below the EBITDA line, depreciation & amortization was up by 13% mainly due to extension of the hydro domain that resulted in an increase of €20m in depreciations. In Spain, the overall rise in operating costs was due to the inclusion of the co-generators from NEO in the consolidation perimeter and the RD 3/06. In fact, the RD 3/06 had a significant impact on generation P&L both in 2006 and 2007. In 2006, operating costs included €32m related to these costs booked at the "other costs" line and while in 2007 it amounted to €42m. Supplies & services were up by 36% reflecting the one off costs with maintenance with Soto III higher municipal taxes and costs related with nuclear disposals. The 15% rise on personnel costs was due to adjustments to salaries which took place in December but with reference of the whole year of 2007. The strong rise in costs with social benefits was related with provisions for 72 pre retirements with a cost of €9.6M as established by the general labour agreement of HC Energia, the "Convenio. Depreciations increased by 26% reflecting the inclusion of the co-generator plants in the consolidation perimeter. As a result, EBIT was down by 50%

On the supply side, is worth mentioning the strong gross margin and recovery both in Portugal and Spain, which highlights EDP's focus on profitability. In Portugal, the 19% increase in Supplies & Services is backed by marketing costs related with new clients' acquisition while is of note the 17% fall of personnel costs due to headcount reduction. In Spain, the gross margin was positively impacted by one-off €27M related with the recovery of deviations costs from past years previously under dispute while operating costs fall benefited from the increase in the other revenues line, which includes invoicing to other group companies, which more than compensated the increase in supplies & services, which followed the increase in commercial activity, and personnel costs also due to the "Convenio".

<sup>(1)</sup> Pro-forma 2006 figures including the cogeneration business, biomass and waste.





Income Statement (€ m) (1)	YE07	YE06	Δ 07/06
<b>Gross Profit</b>	<b>247.1</b>	<b>201.8</b>	<b>22.4%</b>
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	-
<b>Operating Costs</b>	<b>57.2</b>	<b>54.9</b>	<b>4.1%</b>
<b>EBITDA</b>	<b>189.9</b>	<b>146.9</b>	<b>29.3%</b>
EBITDA / Revenues	72.0%	59.0%	13.1 pp
Provisions for risks and contingencies	-	12.1	-
Depreciation and amortization	91.3	77.6	17.5%
Compensation of subsidised assets' depreciation	(0.2)	(0.5)	68.1%
<b>EBIT</b>	<b>98.8</b>	<b>57.7</b>	<b>71.4%</b>
EBIT / Revenues	37.5%	23.1%	14.3 pp

Number of Employees	YE07	YE06	Δ 07/06
<b>Number of employees</b>	<b>269</b>	<b>243</b>	<b>+ 26</b>

• In Dec-07, EDP reinforced the visibility of its European wind generation portfolio through the acquisition of "Relax Wind Parks", a portfolio of wind projects to be developed in Poland with a total gross capacity of 1,022 MW. These projects are in different stages of development – the first wind farm, with 120 MW of installed capacity, is expected to start operations in 2009.

• As of Dec-07, NEO consolidated wind installed capacity in Europe totalled 1,776 MW, up 683 MW YoY – both through acquisitions (+88 MW) and organic growth (+595 MW) – reflecting the delivery of our wind farms' pipeline on schedule. On a quarterly basis, NEO increased its capacity by 32 MW in Portugal, 314 MW in Spain and 67 MW in France. In Dec-07, NEO had 597 MW under construction which are expected to start operations in 2008. NEO successfully achieved its 2007 target of 2.2 GW of gross wind capacity and is on track to deliver its 2008 target of 3.0 GW.

• NEO's electricity output from wind power totalled 2,911 GWh in 2007, up 53.0% YoY, on the back of the additional capacity that was brought on stream, but also as a result of an increase in the average load factor of our portfolio of wind farms (up 0.3p.p. YoY to 26.2% in 2007).

• Our wind power output in Spain increased by 45% YoY in 2007 and the average load factor of our Spanish wind farms remained flat at a high level of 27%, reflecting the premium locations in terms of wind resource vs. the sector average, not only for our parks built until 2006 but also for the new additions made during 2007.

Consolidated Installed Capacity (MW)	YE07	YE06	Δ 07/06
Portugal	424	313	+111
Spain	1,265	760	+505
France	87	20	+67
<b>Wind Europe</b>	<b>1,776</b>	<b>1,093</b>	<b>+683</b>

Electricity Output (GWh)	YE07	YE06	Δ 07/06
Portugal	735	483	52.2%
Spain	2,056	1,419	44.9%
France	119	-	-
<b>Total</b>	<b>2,911</b>	<b>1,902</b>	<b>53.0%</b>

Avg. Load Factors (%)	YE07	YE06	Δ 07/06
Portugal	24%	26%	(2.1 pp)
Spain	27%	27%	(0.0 pp)
France	27%	-	-
<b>Total</b>	<b>26%</b>	<b>26%</b>	<b>0.3 pp</b>

Wind Average Tariffs (€/MWh)	YE07	YE06	Δ 07/06
Portugal	96	91	4.9%
Spain	78	90	-13.5%
France	79	-	-
<b>Total</b>	<b>83</b>	<b>90</b>	<b>-8.8%</b>

Gross Profit (€ m)	YE07	YE06	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%
<b>Total</b>	<b>247.1</b>	<b>201.8</b>	<b>22.4%</b>

• Gross profit increased 22.4% YoY: i) in Spain, despite a 13.5% decrease in average tariffs, which is the result of a fall in pool prices when compared to 2006, gross profit benefited from the increase in installed capacity and high load factors; ii) in Portugal, gross profit benefited not only from higher wind capacity but also from an improvement in average tariffs reflecting the lower load factors recorded during the 4Q07 (in Portugal, average annual tariffs per MWh are inversely related to average annual load factors).

• Supplies and services and personnel costs increased 18.9% YoY reflecting an increase in O&M expenses (entry into operation of new capacity), higher operating activity, international expansion and a related increase in the number of employees. Other operating costs in 2006 include one-off expenses of €4.1m, mostly related with wind and biomass activity which was transferred to HC Energia in Jan-07.

• All in all, EBITDA improved €43.1m YoY to €189.9m in 2007, which corresponds to a 72.0% EBITDA margin (up 13.1 p.p. YoY).



Income Statement (€ m)	YE07
<b>Gross Profit</b>	<b>31.6</b>
Gross Profit/Revenues	98%
Supplies and services	9.2
Personnel costs	8.4
Generation centre rentals	-
Other operating costs / (revenues)	(10.0)
<b>Operating Costs</b>	<b>7.6</b>
<b>EBITDA</b>	<b>23.9</b>
EBITDA / Revenues	74.1%
Provisions for risks and contingencies	-
Depreciation and amortization	20.4
Compensation of subsidised assets' depreciation	-
<b>EBIT</b>	<b>3.5</b>

Number of Employees	YE07
<b>Number of employees</b>	<b>197</b>

• In Jul-07, EDP concluded the acquisition of Horizon, a leading developer, owner and operator of wind power generation in the United States for an enterprise value of USD 2,740m (including capital expenditures undertaken between the end of 2006 and the date of the acquisition). This operation was financed through a syndicated loan of USD 3,000m contracted at EDP level, split by a USD 1,500m "tranche" with a 1 year maturity and another USD 1,500m "tranche" with a 7 years' maturity. In Oct-07, EDP issued USD 2,000m in bonds, which was used to repay the first "tranche" drawn by EDP under the credit facilities agreement used to finance the acquisition of Horizon. This acquisition is a natural fit to EDP's strategy, positioning the company in one of the most attractive renewables markets both in terms of growth and profitability.

• In Jul-07, Horizon closed a transaction with institutional equity investors for a portfolio of wind projects with 722 MW of net installed capacity. Total contribution from the investors was about USD 722m. In Dec-07, another similar transaction was closed for a portfolio of four wind farm projects entering into operation between 2007 and early 2008 with a net installed capacity of 600 MW. In this second transaction contribution from investors will total USD600m of which USD342m were funded in 2007 (the remainder will be invested in 2008).

• Between Dec-06 and Dec-07, the US Dollar recorded 11% depreciation against the Euro – Average exchange rate in the 2H07 was 1.37 USD/EUR.

• In 2007, Horizon added 931 MW ending year 2007 with 1,490 MW (1) of gross wind capacity in operation and another 66 MW in construction that will start operations early 2008. By early 2008, HWE will have a total of 1,556 MW in operation, which is in line with the announced targets.

• In 2007, US wind capacity recorded a 44% growth rate, up to 16.8 GWh (2). Horizon's wind market share in terms of capacity was 7% by the end of 2007, ranking second in terms of MWs installed in 2007.

Installed Capacity (MW)	COD	% held	Cons.	YE07
Madison	2000	100%	Full	12
Blue Canyon I	2003	25%	Equity	74
Blue Canyon II	2005	100%	Full	151
Maple Ridge I	2006	50%	Proportional	231
Maple Ridge II	2006	50%	Proportional	91
Twin Groves I	2007	100%	Full	198
Lone Star I	2007	100%	Full	200
Elkhorn Valley	2007	100%	Full	101
Prairie Star	2007	100%	Full	101
Lone Star II	2007 <sup>(4)</sup>	100%	Full	150
Twin Groves II	2007 <sup>(4)</sup>	100%	Full	182
<b>Gross</b>				<b>1,490</b>
<b>Consolidated</b>				<b>1,254</b>

Electricity Generation (GWh)	YE07
<b>Wind USA</b>	<b>862</b>

Adjusted Gross Profit (€ m)	YE07
Electricity Revenues & RECs	31.3
Services Rendered & Other	0.2
<b>Gross Profit</b>	<b>31.6</b>
PTC Revenues & Other Related Revenues from Horizon Equity Partners <sup>(5)</sup>	12.3
<b>Adjusted Gross Profit</b>	<b>43.9</b>

• EDP Group started fully consolidating Horizon in Jul-07. During the first 6 months of consolidation, Horizon produced 862 GWh. On a 12 months basis, Horizon's portfolio of wind farms benefited from a 30% load factor (3). The year's load factor was affected by some availability reductions which are financially covered under the existing manufacturers' warranties.

• In Jul-07, Horizon signed an 18-year PPA with Constellation Energy for the Twin Groves II project, which ensures that all the 2007 wind projects have their energy contracted, either through PPAs or Hedges. In Jun-07 and Oct-07, Horizon signed two 20-year PPAs with Empire District Electric Company and with Westar Energy, Inc., for the Meridian Way project (Kansas, 201 MW), which starts construction in 2008.

• Net benefits from PTCs ("Production Tax Credits") and other related operating revenues from Horizon Equity Partners in the 2H07, amounted to USD16.9m (or €12.3m). Horizon's contribution at the level of gross profit for the 2H07 amounted to €31.6m, or €43.9m when adjusted to include PTCs and deferred revenues allocated to Horizon and to the institutional Investors.

• In Feb-08, Horizon acquired a portfolio of 6 early stage projects in an aggregate of 1,050 MW of wind capacity. These projects are located in some of the most attractive wholesale electricity markets in the US and are expected to contribute to the consolidation of Horizon's leading position in these regions.

(1) Of which 131 MW fully constructed, with commissioning to occur early 2008

(2) Source: AWEA, EER January 2007, Horizon

(4) Ending Dec-07, Lone Star II & Twin Groves II wind farms had an additional 66 MW in construction that will enter into service early 2008

(3) Calculated for projects which have started commercial operation

(5) Includes accounting for the net benefit of accelerated depreciation allocated to Horizon and to the institutional investors

# Distribution in Portugal



Electricity Consumers (thousand)	YE07	YE06	Δ 07/06
Regulated Supply	5,902	5,962	-59
Liberalized Market Supply	152	26	125
<b>Total Electricity Consumers</b>	<b>6,054</b>	<b>5,988</b>	<b>66</b>

Electricity Distributed (GWh)	YE07	YE06	Δ 07/06
Very High Voltage	1,531	1,417	8.0%
High Voltage	6,276	5,456	15.0%
Medium Voltage	14,388	14,409	-0.1%
Low Voltage	24,724	24,119	2.5%
<b>Electricity Distributed</b>	<b>46,919</b>	<b>45,401</b>	<b>3.3%</b>
o/w Third-Party Access	5,373	7,148	-24.8%

Electricity Sales & Gross Profit (€ m)	YE07	YE06	Δ 07/06
Electricity Revenues	4,622.9	4,263.0	8.4%
Electricity Purchases	3,414.1	3,026.8	12.8%
<b>Electricity Gross Profit</b>	<b>1,208.7</b>	<b>1,236.2</b>	<b>-2.2%</b>
<b>Total Allowed Revenues</b>	<b>1,267.1</b>	<b>1,354.1</b>	<b>-6.4%</b>
<b>Tariff Difference to Recover/(Return)</b>	<b>58.3</b>	<b>117.9</b>	<b>-50.5%</b>

Equivalent Interruption Time (min.)	YE07	YE06	Δ 07/06
<b>Equivalent Interruption Time</b>	<b>111</b>	<b>203</b>	<b>-93</b>

- Electricity distributed in Portugal increased 3.3% YoY to 46.9 TWh in 2007, vs 47.0 TWh forecasted by ERSE. HV segment 15% increase reflects the impact of co-generation consumption, which in 2007 was concentrated in the HV segment, and the transfer of some clients from the MV to the HV segment. Consumption in the liberalized market decreased 25% YoY to 5.4 TWh, which compares with 6.7 TWh forecasted by ERSE.

- Electricity revenues include €49m from the 2007 tariff deficit attributed to EDP Distribuição (DL 237-B/2006 recognizes the recovery of this tariff deficit, as well as of the 2006 tariff deficit, which amounted to €125m, with interest, in a 10 year period starting in 2008).

- Allowed revenues decreased 6.4% YoY, reflecting lower revenues from the recovery of previous years' costs. Excluding previous years adjustments, allowed revenues would have increased 3.1% YoY. The Use of the Distribution Grid (UDGr) activity represented about 80% of allowed revenues and despite a 1.6% decrease of the UDGr average unit revenue, the 2.2% increase of the fixed component (which reduces risk exposure to deviations of electricity demand) along with a 2.9% increase of the electricity flow enabled UDGr allowed revenues to increase by 1.6% in the period (Annex pag. 30).

- In Dez-07, the Portuguese regulator (ERSE) announced a 2.9% average tariff increase for 2008 electricity tariffs in Portugal and no ex-ante tariff deficit based on an assumption of a €50/MWh wholesale price of electricity purchase for 2008 (including ancillary services) and a 2.7% increase in consumption.

Income Statement (€ m)	YE07	YE06	Δ 07/06
<b>Gross Profit</b>	<b>1,226.1</b>	<b>1,247.2</b>	<b>-1.7%</b>
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%
<b>Operating Costs</b>	<b>840.8</b>	<b>717.4</b>	<b>17.2%</b>
<b>EBITDA <sup>(1)</sup></b>	<b>385.3</b>	<b>529.8</b>	<b>-27.3%</b>
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%
<b>EBIT</b>	<b>132.2</b>	<b>222.0</b>	<b>-40.5%</b>
EBIT / Revenues	2.8%	5.2%	-2.3 pp

Number of Employees	YE07	YE06	Δ 07/06
<b>Number of Employees</b>	<b>4,925</b>	<b>5,168</b>	<b>-243</b>
<b>Employee/TWh</b>	<b>105</b>	<b>114</b>	<b>-7.8%</b>
<b>Clients / Employee</b>	<b>1,229</b>	<b>1,159</b>	<b>6.1%</b>

- 2007 electricity gross profit came €58.3m below allowed revenues. This negative tariff deviation, to be recovered through the tariffs in 2009, compares with an accumulated €25.1m positive deviation in Sept-07. Such evolution reflects a significant increase in costs with electricity purchases in the 4Q07 (wholesale price of €60/MWh in the 4Q07 vs. ERSE's assumption of €51/MWh).

- Supplies and services increased 8.3% YoY following an increase in outsourcing O&M and back-office costs, which more than compensated the successful control achieved over other costs with external services, such as marketing. Personnel costs decreased 2.3% YoY, or 1.4% excluding severance payments and personnel costs capitalization, reflecting the positive impacts of savings achieved through personnel reduction.

- Costs with social benefits more than doubled during the period – Pursuing efforts to improve efficiency levels enabled the company to successfully anticipate its ongoing HR Restructuring Program, which translated into the accounting of a €127.3m one-off cost (vs. €24.7m in 2006) related to 512 retirements and early retirements agreed and signed in 4Q07 and out of which 228 left the company in 2007, while the remaining 284 have signed to leave in 2008.

- As already stated, the reduction in the number of employees was mostly achieved through the ongoing HR Restructuring Program, which translated until now into 106 retirements and early retirements achieved in 2006 and another 228 during the year 2007. Recurring efforts to improve efficiency levels reflected into a significant improvement of efficiency ratios – Employee/TWh decreased 7.8% YoY to 105 – narrowing the gap to Iberian best practices.

<sup>(1)</sup> Normalized EBITDA (i.e. excluding tariff differences and t-2 and t-1 tariff adjustments) is €459.8m for 2007 and €524.5m for 2006

# Distribution in Spain



Electricity Consumers (thousand)	YE07	YE06	Δ 07/06
Regulated Supply	565	542	4.3%
Liberalized Market Supply	51	61	-16.0%
<b>Total Electricity Consumers</b>	<b>617</b>	<b>603</b>	<b>2.2%</b>

Electricity Distribution (GWh)	YE07	YE06	Δ 07/06
High Voltage	5,883	5,874	0.2%
Medium Voltage	1,204	1,215	-0.9%
Low Voltage	2,536	2,461	3.0%
<b>Electricity Distributed</b>	<b>9,623</b>	<b>9,550</b>	<b>0.8%</b>
o/w Third-Party Access	1,584	1,366	16.0%

Regulated Revenues (€ m)	YE07	YE06	Δ 07/06
Transmission	6.2	8.6	-28.0%
Distribution	123.7	98.2	26.0%
Supply	7.7	7.6	2.1%
<b>Electricity Regulated</b>	<b>137.6</b>	<b>114.3</b>	<b>20.3%</b>

Equivalent Interruption Time - Asturias (min.)	YE07	YE06	Δ 07/06
<b>Equivalent Interruption Time</b>	<b>63</b>	<b>106</b>	<b>-43</b>

• In 2007, electricity distributed in Asturias increased by a mere 0.8% YoY to 9.6 TWh, mostly due to a flat demand in the HV segment.

• Spanish distribution activity gross profit increased 12.9% YoY to €143.9m in 2007, reflecting: a) €23.2m increase in the remuneration of the regulated activities recognised in the 2007 tariff; b) the accounting in 2006 of an €8.0m positive impact from deviations on the cost of electricity purchases; and c) a €1.2m increase in services rendered:

a) Regulated revenues increased by 20.3% in accordance to what is recognised in RD 1634/2006, which sets the revenues for the Spanish regulated electricity activities.

b) In 2006, our Spanish distribution activity recorded an €8.0m extra revenue as a result of two opposite effects of deviations on the cost of electricity purchased: i) higher electricity needs implied that electricity had to be purchased from the secondary markets at higher prices reflecting in a €10m negative impact; which was more than compensated by ii) an €18m positive impact due to the fact that the avg. purchase cost of our Spanish distribution activity was lower than the avg. purchase costs of the system distribution companies, which is the one recognised in the regulatory liquidations. Since Jun-06, there was a substantial increase of volumes traded in secondary markets, at higher prices than the daily market, creating cost deviations among other distribution companies in the system, due to their bidding strategies.

• Operating costs decreased 15.9% YoY, which is mostly explained by the following:

a) RD 03/2006, of February 24, considered that generation sales and distribution purchases of electricity made simultaneously and within the same group had to be netted of and priced at a provisional €42.35/MWh. In 2006, HC Energias' distribution purchases that were netted against its own generation amounted to 1,512 GWh, which translated into a €15.6m negative impact accounted as "other operating costs". Currently, RD 03/2006 is no longer applicable - no such costs were accounted for in 2007;

Income Statement (€ m)	YE07	YE06	Δ 07/06
<b>Gross Profit</b>	<b>143.9</b>	<b>127.5</b>	<b>12.9%</b>
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	-
Other operating costs / (revenues)	(26.3)	5.8	-
<b>Operating Costs</b>	<b>71.9</b>	<b>85.4</b>	<b>-15.9%</b>
<b>EBITDA</b>	<b>72.1</b>	<b>42.1</b>	<b>71.3%</b>
EBITDA / Revenues	50.0%	33.0%	17.0 pp
Provisions for risks and contingencies	(0.4)	4.1	-
Depreciation and amortization	31.9	26.1	22.1%
Compensation of subsidised assets' depreciation	(2.8)	(2.2)	-27.7%
<b>EBIT</b>	<b>43.4</b>	<b>14.1</b>	<b>208.1%</b>
EBIT / Revenues	30.1%	11.1%	19.1 pp

Number of Employees	YE07	YE06	Δ 07/06
<b>Number of Employees</b>	<b>390</b>	<b>395</b>	<b>-5</b>
<b>Employee/TWh <sup>(1)</sup></b>	<b>40.5</b>	<b>41.4</b>	<b>-2.0%</b>
<b>Consumers / Employee</b>	<b>1,581</b>	<b>1,527</b>	<b>3.5%</b>

b) More recently, RD 871/2007, of June 30, set the provisional price referred to in RD 03/2006 at €49.23/MWh, which reflected into an €11m positive impact accounted for in 2007 at the level of "other operating revenues".

c) Supplies and services increased 4.2% YoY mostly due to an increase in back office costs. Personnel costs and costs with social benefits increased 63.2% YoY reflecting the accounting of a €16.0m cost related to salary adjustments, that resulted from deviations between projected and real inflation – as established by the general labour agreement of HC Energia.

• All in all, EBITDA improved 71.3% YoY to €72.1m in 2007. Note that the company's continued efforts to improve efficiency levels translated into an improvement of efficiency ratios such as Consumers/Employee, which improved 3.5% in the period, allowing the company to keep up with Iberian best practices.

• Electricity tariffs in Spain were not enough to cover for electricity procurement costs, reflecting into a €53m 2007 tariff deficit for HC Energia (accounted as a receivable at the level of our Spanish generation activity), which compares with a €154m tariff deficit in 2006. In the 4Q7, the Spanish government did not manage to close the securitization of the €1.5bn tariff deficit for year 2007. Another attempt for tariff securitization is expected to take place before summer. There is no final decision yet on how the 2006 tariff deficit will be recovered. In 2008, electricity tariffs in Spain were set to increase 3.3%, on the assumption of a 4.2% growth in electricity demand and a €53.7/MWh average wholesale price of electricity (excluding ancillary services).



Income Statement (€ m)	Portugal			Spain			Total		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06	2007	2006	Δ 07/06
<b>Operating Revenues</b>	<b>114.5</b>	<b>96.2</b>	<b>19.0%</b>	<b>173.7</b>	<b>223.8</b>	<b>-22.4%</b>	<b>288.2</b>	<b>320.0</b>	<b>-9.9%</b>
<b>Direct Activity Costs</b>	<b>61.9</b>	<b>52.4</b>	<b>18.1%</b>	<b>18.9</b>	<b>80.2</b>	<b>-76.4%</b>	<b>80.8</b>	<b>132.7</b>	<b>-39.1%</b>
<b>Gross Profit</b>	<b>52.6</b>	<b>43.8</b>	<b>20.0%</b>	<b>154.8</b>	<b>143.5</b>	<b>7.8%</b>	<b>207.4</b>	<b>187.3</b>	<b>10.7%</b>
Gross Profit/Revenues	45.9%	45.5%	0.4 pp	89.1%	64.1%	25.0 pp	72.0%	58.5%	13.4 pp
Supplies and services	12.1	8.4	44.5%	26.5	26.7	-0.9%	38.6	35.1	9.9%
Personnel costs	5.3	4.7	11.6%	17.8	20.1	-11.1%	23.1	24.8	-6.8%
Costs with social benefits	0.2	0.0	-	0.4	0.3	26.6%	0.6	0.3	102.2%
Other operating costs / (revenues)	(0.0)	(0.5)	-89.5%	0.5	3.8	-87.7%	0.4	3.4	-87.4%
<b>Operating Costs</b>	<b>17.6</b>	<b>12.6</b>	<b>38.9%</b>	<b>45.1</b>	<b>50.9</b>	<b>-11.3%</b>	<b>62.7</b>	<b>63.5</b>	<b>-1.3%</b>
<b>EBITDA</b>	<b>35.0</b>	<b>31.2</b>	<b>12.4%</b>	<b>109.6</b>	<b>92.7</b>	<b>18.3%</b>	<b>144.7</b>	<b>123.8</b>	<b>16.8%</b>
EBITDA / Gross Profit	66.6%	71.1%	-4.5 pp	70.8%	64.6%	6.3 pp	69.8%	66.1%	3.7 pp
Provisions risks and contingencies	0.3	(2.7)	-	(0.5)	(3.0)	-82.2%	(0.3)	(5.6)	-95.2%
Depreciation and amortization	12.9	8.1	60.3%	32.5	33.1	-1.6%	45.5	41.1	10.5%
Comp. of subsidised assets' depr.	(1.4)	(1.2)	17.6%	(1.6)	(1.5)	4.1%	(3.0)	(2.7)	10.0%
<b>EBIT</b>	<b>23.3</b>	<b>27.0</b>	<b>-13.8%</b>	<b>79.2</b>	<b>64.1</b>	<b>23.6%</b>	<b>102.5</b>	<b>91.1</b>	<b>12.5%</b>
EBIT / Gross Profit	44.2%	61.6%	-17.4 pp	51.2%	44.6%	6.5 pp	49.4%	48.6%	0.8 pp

Regulated Activity	2007	2006	% Δ	Abs. Δ
<b>Number of supply points (th)</b>	<b>844.9</b>	<b>804.7</b>	<b>5.0%</b>	<b>+40</b>
Portugal	179.8	163.4	10.0%	+16
Spain	665.1	641.3	3.7%	+24
Final Clients	196.6	342.8	-42.6%	-146
Access Clients	468.5	298.6	56.9%	+170
<b>Gas Distributed (GWh)</b>	<b>22,791</b>	<b>22,006</b>	<b>3.6%</b>	<b>+784</b>
Portugal	2,554	2,293	11.4%	+261
Spain	20,237	19,713	2.7%	+523
Final Clients	4,529	6,349	-28.7%	-1,820
Access Clients	15,708	13,364	17.5%	+2,344
<b>Regulated Revenues (€ m)</b>	<b>195.3</b>	<b>180.0</b>	<b>8.5%</b>	<b>+15.3</b>
Portugal	52.6	43.8	20.0%	+8.8
Spain	142.8	136.2	4.8%	+6.5
Transmission	16.2	16.4	-1.3%	-0.2
Distribution	118.2	110.5	6.9%	+7.6
Regulated Supply	8.4	9.3	-9.9%	-0.9
<b>Network (Km)</b>	<b>8,456</b>	<b>7,990</b>	<b>5.8%</b>	<b>+466</b>
Portugal - Distribution	2,987	2,796	6.8%	+191
Spain - Distribution	5,161	4,945	4.4%	+217
Spain - Transmission	307	250	23.1%	+58

Our gas regulated activity, includes the EDP Gás (ex-Portgás) regional gas distribution concession in Portugal (72% owned by EDP), and Naturgas gas distribution and transmission networks in Spain (63.51% owned by EDP), which are present essentially in the Basque and Asturias regions.

Overall, our gas regulated activity showed a 16.8% YoY growth of EBITDA to €144.7m, reflecting the 5.0% increase in the number of supply points to 844,900 customers (+40,000 customers connected), a 5.8% increase in the extension of our networks to 8,456 Kms and 3.6% increase on volume of gas distributed.

In Spain, our gas regulated revenues increase by 4.8% YoY to €142.8m in YE07:

- **Gas distribution regulated** revenues grew by 6.9% to €118.2m reflecting 3.7% YoY increase in the number of supply points in our distribution network to 665,100 customers (24,000 additional customers connected), and a 4.4% YoY increase in the extension of our gas distribution network to 5,161 kms. The volume of gas distributed grew 2.7% YoY comparing with a 3.7% grow of conventional gas demand in the Spanish market. Note that the YoY comparison of our gas distribution activity has a positive contribution from the acquisition of the remaining 50% equity stake in gas distributor Gasnalsa (full consolidated since Nov-06).

- **Gas transmission regulated** revenues fell by 1.3% YoY to €16.2m, due to the fact that in 2006 regulated revenues include a non-recurrent positive impact due to the accounting of the upgrade of Septentrional Gas network as a primary gas infrastructure, with retroactive impact from 2004 (€1.5m). Note that not considering this non-recurrent impact gas transmission regulated revenues grew by 8.6%. During 2007, our gas transmission networks increase 58 Kms to 307 kms (entrance into service of the pipeline between Soria and Agreda, new investments in Santurtzi and Zierbana).

- **Regulated supply** revenues fell 9.9% YoY to €8.4m. Note that regulated gas supply tariffs in Spain are expected to end in Jun-08. Nevertheless, this eventual measure should have no major impact on Naturgas results, given that more 70% of our supply points are already access clients. In addition, Naturgas will be the last resort supplier in the Basque and Asturias regions and so expects to retain part of its current regulated supply customers in the liberalized market.

In Portugal, our gas regulated revenues grew by 20.0% YoY to €52.6m, reflecting a 10.0% YoY increase in the number of supply points to 179,800, the 11.4% growth of gas volumes distributed and a 6.8% increase of the extension of our network to 2,987 kms. Our strategy to increase of penetration rates and efficiency ratios is giving results with a raising of the supply points YoY and an improvement in clients/Kms ratio from 58 to 60 YoY.

New regulatory period for gas distribution in Portugal will start in Jul-08 and the regulatory assumptions for Jul-08 to Jun-11 should be announced by regulator (ERSE) in Jun-08.

Supplies and services, personnel costs and costs with social benefits increased by 3.5% in line with the increase of the gas regulated activity.

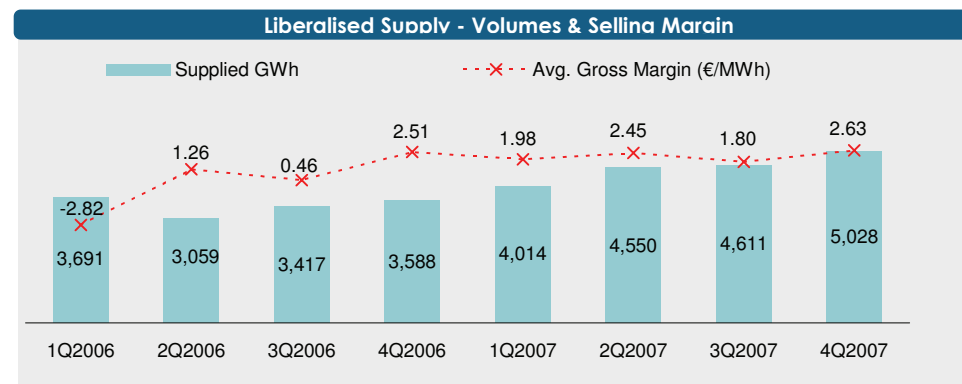


# Gas - Liberalized Activity



Income Statement (€ m)	2007	2006	Δ 07/06
<b>Revenues</b>	<b>718.2</b>	<b>808.4</b>	<b>-11.2%</b>
<b>Direct Activity Costs</b>	<b>649.7</b>	<b>769.5</b>	<b>-15.6%</b>
<b>Gross Profit</b>	<b>68.5</b>	<b>39.0</b>	<b>75.7%</b>
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%
<b>Operating Costs</b>	<b>24.7</b>	<b>18.1</b>	<b>36.3%</b>
<b>EBITDA</b>	<b>43.8</b>	<b>20.9</b>	<b>109.9%</b>
EBITDA / Revenues	6.1%	2.6%	3.5 pp
Provisions for risks and contingencies	0.1	3.0	-98.0%
Depreciation and amortization	1.2	0.4	168.0%
Compensation of subsidised assets' depreciation	-	-	-
<b>EBIT</b>	<b>42.6</b>	<b>17.5</b>	<b>143.6%</b>
EBIT / Revenues	5.9%	2.2%	3.8 pp

Supply Activity	2007	2006	Δ 07/06
Number of Clients	415.3	248.2	67.3%
Gas Supplied (GWh)	18,203	13,755	32.3%
Industrial	14,043	11,566	21.4%
Residential/Commercial	4,160	2,189	90.0%
Avg. Gross Margin (€/MWh)	2.23	0.29	663.9%



Our gas liberalised activity includes our gas supply business in Spain, developed through our commercial platforms Naturgas and HC Energia, and our wholesale gas procurement activities. EBITDA from our gas liberalized activities showed a strong improvement from €20.9m in YE06 to €43.8m in YE07.

Our gas procurement activity is currently based on our 1bcm/year long term contract with Trinidad & Tobago, on which EDP has a gas swap agreement with Gas Natural, and the 0.5bcm/year contract with ENI. Furthermore, EDP has also a 1.2bcm/year contract with Galp for the procurement of its liberalized 1200 MW CCGT plant in Portugal and a 0.35bcm/contract with Gas Natural for the procurement of its 400MW CCGT plant in Spain.

In 1Q06, our gas procurement costs in the liberalized market showed a non-recurrent sharp increase, explained by a stronger than expected growth of gas demand from our liberalized customers, which had to be satisfied with gas purchases in the spot market at abnormally high prices. The extra-cost of this operation vs. the recurrent procurement cost with our long term gas procurement contracts was €15m in 1Q06.

The volume of gas sold by EDP in the liberalized Spanish gas market rose 32.3% YoY (supported by our ENI contract which started being delivered in 2H06), vs. a 7.9% YoY increase of conventional gas demand in the Spanish gas liberalized market. Moreover, the number of liberalized gas clients increased from 248,200 in Dec-06 to 415,300 in Dec-07, following the success attained by Naturgas and HC Energia in its offers to clients that switched from the regulated system (that is expected to end in Jun-08) to the liberalised market and on their dual-fuel offer in the Spanish residential market. This increase of market share both in terms of volumes and number of customers reflects our competitive gas procurement portfolio and the strong commercial capabilities of our Naturgas/HC Energia energy supply platforms in Spain.

In the end of October, EDP has reached with Sonatrach, an agreement which includes the supply by Sonatrach to EDP of a maximum annual volume of 1.6 bcm of natural gas from Algeria through long-term contracts with high flexibility which fit the demand profile of natural gas in the Iberian Peninsula. It is foreseen that the supply of gas will start during the first half of 2008.

The partnership includes the supply of an annual volume of natural gas in order to satisfy the expected needs of each of EDP's CCGT projects in which Sonatrach comes to have a minority equity stake of 25%. The 3 projects for CCGT plants included in these agreements are:

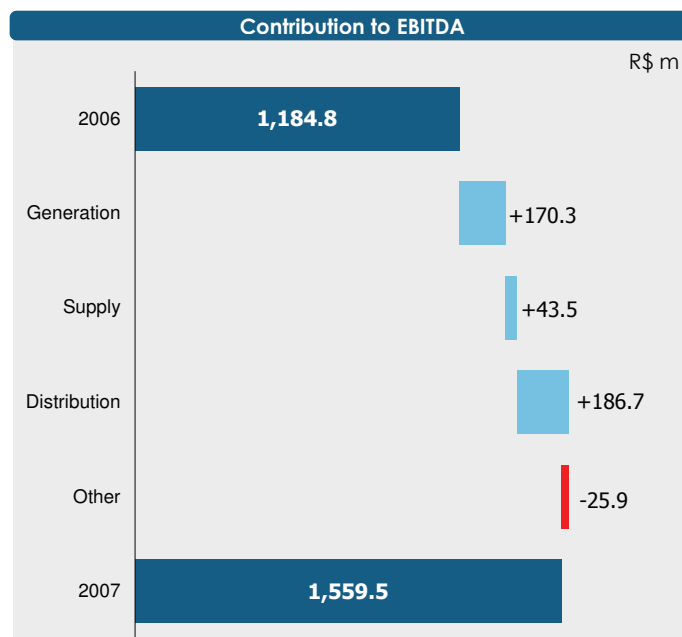
- Soto 4 - (425MW gross installed capacity) - expected to start operations by Aug-08, located in Asturias/Spain;
- Lares 1 - (440MW gross installed capacity) - expected to start operations by Jul-09, located at Figueira da Foz/Portugal;
- Lares 2 - (440MW gross installed capacity) - expected to start operations by Aug-09, located at Figueira da Foz/Portugal.

The agreement includes the supply by Sonatrach to EDP of a maximum annual volume of 0.7 bcm of natural gas which will allow an expansion under competitive conditions of EDP's gas liberalized supply activity in the Iberian Peninsula.

In the 4Q07, EDP created EDP gás.Com to act as our company in the liberalized market in Portugal.



	RS million												€ million		
Income Statement	Distribution			Generation			Supply			Consolidated			Consolidated		
	2007	2006	Δ 07/06	2007	2006	Δ 07/06	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%	4,931.9	4,713.9	4.6%	1,855.0	1,726.3	7.5%
Direct Activity Costs	2,335.9	2,649.7	-11.8%	66.0	109.7	-39.8%	544.4	437.8	24.4%	2,344.9	2,662.6	-11.9%	882.0	975.1	-9.5%
Gross Profit	1,999.2	1,649.0	21.2%	516.0	347.8	48.3%	73.6	56.9	29.2%	2,587.0	2,051.3	26.1%	973.0	751.2	29.5%
Gross Profit/Revenues	46.1%	38.4%	7.8p.p.	88.7%	76.0%	12.6p.p.	11.9%	11.5%	0.4p.p.	52.5%	43.5%	8.9p.p.	52.5%	43.5%	8.9p.p.
Supplies and services	353.7	284.6	24.3%	30.8	36.5	-15.5%	5.5	6.8	-18.9%	408.6	340.5	20.0%	153.7	124.7	23.3%
Personnel costs and soc. benefits	259.1	303.2	-14.5%	26.5	15.5	71.5%	7.7	5.5	39.8%	316.2	346.9	-8.9%	118.9	127.0	-6.4%
Other operating costs/(revenues)	276.3	137.7	100.6%	12.1	19.7	-38.6%	13.4	41.1	-	302.7	179.0	69.1%	113.9	65.6	73.7%
Operating Costs	889.1	725.5	22.5%	69.4	71.6	-3.1%	26.5	53.4	-50.3%	1,027.5	866.4	18.6%	386.5	317.3	21.8%
EBITDA	1,110.1	923.4	20.2%	446.5	276.2	61.7%	47.0	3.6	-	1,559.5	1,184.8	31.6%	586.5	433.9	35.2%
EBITDA / Revenues	25.6%	21.5%	4.1p.p.	76.7%	60.4%	16.4p.p.	7.6%	0.7%	6.9p.p.	31.6%	25.1%	6.5p.p.	31.6%	25.1%	6.5p.p.
Prov. for risks and contingencies	43.4	19.3	124.5%	-0.1	0.0	-	-	-	-	43.3	19.4	123.5%	16.3	7.1	129.5%
Depreciation and amortization	228.8	228.6	0.1%	81.7	41.7	96.0%	0.3	0.3	-4.1%	325.9	282.7	15.3%	122.6	103.5	18.4%
Comp. of subsid. assets' depreciat	(24.5)	(24.2)	-1.3%	-	-	-	-	-	-	(24.5)	(24.2)	-1.3%	(9.2)	(8.8)	-4.0%
EBIT	862.3	699.6	23.3%	364.9	234.5	55.6%	46.7	3.2	1344.1%	1,214.7	906.9	33.9%	456.9	332.1	37.6%
EBIT / Revenues	19.9%	16.3%	3.6p.p.	62.7%	51.2%	11.5p.p.	7.6%	0.7%	6.9p.p.	24.6%	19.2%	5.4p.p.	24.6%	19.2%	5.4p.p.
Employees	2,734	2,818	-84	231	242	-11	15	16	-1	3,036	3,167	-131			



EDP's activities in Brazil, through Energias do Brasil (owned 62.7% by EDP), were positively impacted by the distribution and generation businesses. In YE07, Energias do Brasil contribution to EDP's EBITDA benefited by the 3% appreciation of the Real against the Euro, from an average BRL/Euro rate of 2.73 in YE06 to 2.66 in YE07 (+€16m impact at the EBITDA level).

In YE07, Energias do Brasil's EBITDA increased 31.6% to R\$ 1,560m. EBITDA of generation activity increased by 62% YoY impacted by the increase of installed capacity. In distribution, EBITDA increased by 20% driven essentially by: i) demand growth, ii) the positive impact from the tariff readjustments process in our distribution companies and consequent receivment through tariffs of regulatory receivables accumulated in previous years and iii) energy costs lower than the ones considered on tariff assumptions which was offset by iv) a provision accounted in respect to Enersul to reassess the regulated asset base by ANEEL (R\$183.5m - R\$34.6m accounted at gross profit level and R\$148.9m at Other operating costs). Excluding non recurrent tariff deviations, one-off staff reduction and one-off provision in Enersul, normalized EBITDA would have increased 9.0% from R\$1.181m to R\$1.287m. EBITDA of liberalized supply increased following an increase in volume sold and an increase of spot market prices.

Operating costs of Energias do Brasil increased by 18.6%. Excluding one-offs (redundancy plan and provision regarding potential revision of Enersul's RAB), operating costs rose by 4.8%:

- a) a supplies and services increase of 20.0%, essentially due to: i) the increase in expenditure with maintenance of distribution networks, resulting from a load growth due to market expansion and ii) operating efficiency programs, IT expenses, call centers and customer services;
- b) a 8.9% decline of personnel costs, reflecting the staff reduction by 131 employees, which implied savings associated to the implementation of the Redundancy Plan (R\$ 42m). Excluding the one-off cost (R\$ 52m) booked in 2006, personnel cost would have increased by 7.1% essentially due to an increase in average wages.
- c) the rise in "Other operating costs" is explained by: i) R\$ 148.9m one-off provision regarding a probable reduction of Enersul Regulated Asset Base, ii) an increase in provisions for doubtful clients in distribution (+R\$37m). In 2007, there was the reinforcement of the provision for potential losses at the level of the liberalised supply activity (R\$ 12m) regarding a divergence of opinion with the regulator about the terms of the supply contract with Ampla.

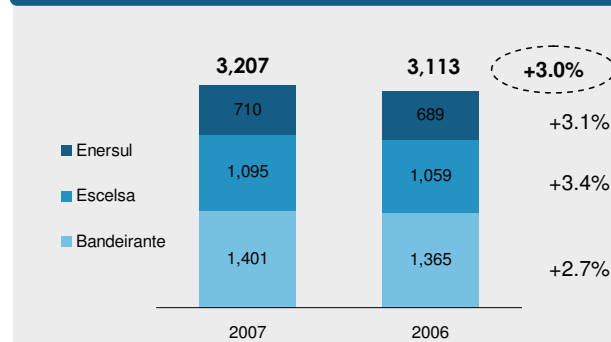


# Brazil: Distribution



Distribution Activity				Bandeirante				Escelsa				Enersul				Distribution			
				2007	2006	Δ 07/06		2007	2006	Δ 07/06		2007	2006	Δ 07/06		2007	2006	Δ 07/06	
GWh	Final Clients			8,050	7,865	2.4%		4,950	4,622	7.1%		2,833	2,723	4.0%		15,833	15,211	4.1%	
	Third-party access			5,218	4,898	6.5%		3,539	3,438	2.9%		440	402	9.4%		9,197	8,738	5.3%	
	<b>Electricity Distributed</b>			<b>13,268</b>	<b>12,763</b>	<b>4.0%</b>		<b>8,488</b>	<b>8,060</b>	<b>5.3%</b>		<b>3,273</b>	<b>3,126</b>	<b>4.7%</b>		<b>25,029</b>	<b>23,948</b>	<b>4.5%</b>	
Losses/EIT	<b>Equiv. Interrupt. Time (Hours)</b>			<b>9.6</b>	<b>8.8</b>	<b>8.9%</b>		<b>11.6</b>	<b>8.3</b>	<b>39.4%</b>		<b>13.1</b>	<b>13.6</b>	<b>-3.2%</b>					
	Technical Losses			8.52%	8.24%	0.03 pp		7.85%	7.66%	0.02 pp		14.30%	14.20%	0.01 pp		9.13%	8.91%	0.03 pp	
	Commercial Losses			2.27%	2.15%	0.06 pp		5.97%	5.39%	0.11 pp		7.95%	7.58%	0.05 pp		4.36%	4.03%	0.08 pp	
	<b>Total Electricity Losses</b>			<b>10.80%</b>	<b>10.39%</b>	<b>0.04 pp</b>		<b>13.82%</b>	<b>13.05%</b>	<b>0.06 pp</b>		<b>22.25%</b>	<b>21.78%</b>	<b>0.02 pp</b>		<b>13.49%</b>	<b>12.94%</b>	<b>0.04 pp</b>	
R\$ million	<b>IFRS Gross Profit</b>			<b>914</b>	<b>688</b>	<b>32.9%</b>		<b>582</b>	<b>481</b>	<b>20.9%</b>		<b>504</b>	<b>480</b>	<b>4.9%</b>		<b>1,999</b>	<b>1,649</b>	<b>21.2%</b>	
	Rationing Losses and Parcela A			(29)	(70)	58.9%		(49)	(43)	-14.3%		(25)	(36)	31.0%		(102)	(149)	31.1%	
	Adjustments of Tariff Revisions			(18)	76	-		-	-	-		(156)	(157)	0.3%		(174)	(81)	-114.6%	
	Tariff dev. in recuperation			(127)	(52)	-144.9%		(81)	(40)	-100.5%		(28)	(19)	-46.0%		(236)	(111)	-111.7%	
	Tariff dev. to be recovered			(26)	75	-		27	101	-73.6%		(7)	23	-		(6)	200	-	
	Others			24	(4)	-		24	(2)	-		(42)	82	-		6	76	-92.2%	
	<b>Brazilian GAAP Gross Profit</b>			<b>739</b>	<b>713</b>	<b>3.6%</b>		<b>502</b>	<b>498</b>	<b>0.9%</b>		<b>246</b>	<b>373</b>	<b>-34.1%</b>		<b>1,487</b>	<b>1,584</b>	<b>-6.1%</b>	
	<b>Regulatory Receivables</b>			<b>55</b>	<b>224</b>	<b>-75.4%</b>		<b>165</b>	<b>229</b>	<b>-27.8%</b>		<b>-71</b>	<b>220</b>	<b>-</b>		<b>149</b>	<b>673</b>	<b>-77.8%</b>	

Number of Clients (Th)



Last Tariff Revisions and Readjustments

	Bandeirante	Escelsa	Enersul
	Out-07	Ago-07	Abr-07
	Revision	Revision	Readjust.
Part A	-5.87%	-4.88%	3.32%
Part B	-2.35%	-1.73%	1.12%
<b>Readjust. Index</b>	<b>-8.22%</b>	<b>-6.61%</b>	<b>4.44%</b>
Past Costs	-3.67%	-2.70%	1.54%
Other	-0.58%	-0.31%	2.07%
<b>Financial Items</b>	<b>-4.25%</b>	<b>-3.01%</b>	<b>3.61%</b>
<b>Total Index</b>	<b>-12.47%</b>	<b>-9.62%</b>	<b>8.05%</b>

## Notes:

Part A: Non-controllable costs, which is a pass-through to the tariff

Part B: Controllable costs, depreciation and return on invested capital, which are updated to inflation (IGP-M) and adjusted by an X factor.

Readjustment Index: Gives the total increase to be applied to electricity base revenues

Financial Items: Recovery (or return) of past costs (or revenues) for a period of 12 months

## PERFORMANCE OF DISTRIBUTION GROSS PROFIT:

The gross profit of the DisCos in YE07 increased 21.2% positively impacted by: (1) a 4.5% YoY growth of electricity distributed volumes, (2) the cash-in through tariffs of regulatory receivables accumulated in previous years and (3) lower than expected energy costs vs. the ones assumed in tariffs' calculation which will have to be given back in the next annual tariff revisions. On a normalized base, gross profit decrease by 6% YoY.

**1. Recurrent growth of electricity distribution gross profit:** Total electricity distributed by Energias do Brasil increased 4.5% YoY supported by an increase in the number of clients (3.0%) and reflecting a strong economic growth namely at Enersul and Escelsa regions.

**2. Positive tariff deviation:** Distribution gross profit in YE07 includes a R\$6m positive tariff deviation from energy procurement costs lower than the ones set in the regulator's assumptions for tariff calculation. Note that in YE06 distribution gross profit recorded a R\$200m negative tariff deviation. These non recurrent component of gross profit will have to be returned to the system through a negative impact in the next annual tariff adjustment.

**3. Recovery through tariffs of regulatory receivables accumulated in the past:** In YE07 our distribution activity recovered through tariffs R\$236m of regulatory receivables which the system owed us due to lower than expected gross profit in past periods. In Dec-07, our distribution activity had total regulatory receivables of R\$149m, which should be recovered over the next quarters, meaning that Energias do Brasil distribution gross profit is expected to continue to be positively impacted by the cash-in through tariffs of these receivables.

Total electricity losses increased in this quarter in distribution activity due to the increase in commercial losses, mainly due to the effects of the "Light for All" Universalization programme.

## REGULATORY UPDATE:

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

**Enersul:** Current regulatory period had started in Apr-03 and will end in Apr-08. The Enersul region has retail tariffs higher than the Brazilian average due to lower population density. In Dec-07, ANEEL notified Energias do Brasil that regulated asset base previously attributed to Enersul on the current regulatory period was revised downwards by R\$126m or 16%. Taking into consideration this fact, EDP has accounted a provision of R\$184m in 2007.



## Generation

Hvdro Installed Capacity (MW)	2007	2006	Δ 07/06
Lajeado (27.65%)	250	250	-
Peixe Angical	452	452	-
Energest (13 Hydro plants)	342	317	+25
<b>Total</b>	<b>1,044</b>	<b>1,018</b>	<b>+25</b>
Electricity Sold (GWh)	2007	2006	Δ 07/06
Lajeado (27.65%)	1,225	1,226	-0.1%
Enerpeixe	2,374	1,881	26.2%
Energest (13 Hydro plants)	1,970	1,651	19.3%
<b>Total</b>	<b>5,568</b>	<b>4,758</b>	<b>17%</b>
Gross Profit (R\$ million)	2007	2006	Δ 07/06
Lajeado (27.65%)	94.1	94.0	0.2%
Enerpeixe	268.4	145.1	85.0%
Energest (13 Hydro plants)	153.4	108.8	41.1%
<b>Total</b>	<b>516</b>	<b>348</b>	<b>48%</b>
Average Selling Price (R\$/MWh)	2007	2006	Δ 07/06
Lajeado	85.9	81.3	5.7%
Peixe Angical	128.0	123.8	3.4%
Energest (13 Hydro plants)	81.0	78.2	3.6%

## GENERATION CAPACITY IN OPERATION:

In Dec-07, Energias do Brasil had an installed capacity of 1,044 MW. The high growth of generation volumes is explained by the increase of the installed capacity and from the gradual start-up of Peixe Angical during 2Q06 and 3Q06 and the start-up of the fourth engine of Mascarenhas (50MW) in 4Q06. The strong gross profit growth had a contribution of R\$123m from the start of Peixe Angical (452MW) and R\$44m from Energest due to the start of São João mini hydro plant (25 MW) during 2007 and Mascarenhas' 4th engine during last quarter 2006 and an increase in the average sale price.

## Trading and Supply

Financial and Operating Data	2007	2006	Δ 07/06
Number of clients	78	52	50.0%
Electricity Sales (GWh)	7,188	6,702	7.2%
Gross Profit / GWh	10.2	8.5	20.5%

## GENERATION CAPACITY UNDER DEVELOPMENT:

On February 2008, Energias do Brasil has established a new business unit, Enernova, which will hold the company's investments in renewable sources of energy in South America. The new business unit will incorporate the following projects currently held by Energest, after all due regulatory and creditor approvals have been granted.

On March 2008, Energias do Brasil acquired rights to construct a CCGT (UTE Resende Project) with 500Mw of capacity in the state of Rio de Janeiro.

On October 2007, Energias do Brasil announced the sale of energy from the coal power plant Pecém, project in which it holds a 50% stake in partnership with MPX Mineração e Energia. The conditions contracted in the electricity auction promoted by the Brazilian regulatory authorities include the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross margin of R\$417.4m per year (amount at 2007 nominal prices to be updated at inflation) with the full pass through of fuel costs. According to the engineering and procurement signed with suppliers, the new plant will represent a USD1.3bn capex. The project should be financed with 75% of long term debt with the Brazilian development bank BNDES and in the market.

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

Additionally, ANEEL ratified a 17.5 MW power upgrade in the Mascarenhas Hydro Power Plant. The additional capacity should be fully operational by the end of 2009. The ratification process for the 2.3 MW power upgrade to Suíça Hydro Power Plant installed capacity is currently in progress, and the additional capacity should be operational in 2009. Assured energy from both power upgrades (11.7 average MW) has been contracted in the liberalised market for R\$ 130.00/MWh.

Moreover, Energias do Brasil is also carrying out feasibility studies for new hydro projects. The studies of 12 hydro plants with a total installed capacity of 1,022 MW. In addition, Energias do Brasil is studying the viability of 24 new mini hydro plants with a total potential installed capacity of 538MW in the states of de Goiás, Minas Gerais, Espírito Santo and Mato Grosso do Sul (6 of these projects with a capacity of 116 MW already presented to the regulator).

Electricity volumes sold to liberalized customers showed a growth (+7.2%), capturing customers that switched from the regulated system to the liberalised market and the increase of demand in the liberalised market (+50.0% in the number of clients)

Overall, the increase in volumes sold allied to a margin improvement and an increase in the electricity spot market price (an average growth of 21%) implied an increase in the gross profit of Enertrade of 29.2%, which more than compensated the end of some self-dealing contracts (please note that the new regulatory framework does not allow the trading of electricity through "self-dealing" - companies within the same group).



**Income Statements**

# Income Statement by Business Area



<b>2007</b> <b>(€ m)</b>	Generation Iberia	Supply Iberia	Renewables Europe	Horizon	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	2,784.2	1,135.0	240.1	31.3	4,734.6	(0.1)	1,844.2	(909.6)	9,859.8
Other Sales	53.3	0.1	18.7	0.0	5.6	929.1	0.0	(7.4)	999.4
Services Provided	21.6	46.2	4.8	1.0	57.3	65.2	10.8	(55.2)	151.7
<b>Operating Revenues</b>	<b>2,859.1</b>	<b>1,181.3</b>	<b>263.7</b>	<b>32.3</b>	<b>4,797.4</b>	<b>994.2</b>	<b>1,855.0</b>	<b>(972.1)</b>	<b>11,010.8</b>
Electricity & Gas	339.5	1,051.5	0.2	0.7	3,414.1	0.0	870.9	(928.9)	4,748.1
Fuel	915.1	12.7	0.0	-	-	0.4	-	93.1	1,021.2
Materials and goods for resale	59.9	14.7	16.4	-	13.3	719.0	11.0	(146.6)	687.6
<b>Direct Activity Costs</b>	<b>1,314.5</b>	<b>1,078.8</b>	<b>16.6</b>	<b>0.7</b>	<b>3,427.4</b>	<b>719.4</b>	<b>882.0</b>	<b>(982.5)</b>	<b>6,456.9</b>
<b>Gross Profit</b>	<b>1,544.5</b>	<b>102.5</b>	<b>247.1</b>	<b>31.6</b>	<b>1,370.0</b>	<b>274.8</b>	<b>973.0</b>	<b>10.3</b>	<b>4,553.9</b>
Gross Profit/Revenues	54.0%	8.7%	93.7%	97.7%	28.6%	27.6%	52.5%	-1.1%	41.4%
Supplies and services	154.4	49.7	39.7	9.2	316.1	52.1	153.7	(90.7)	684.2
Personnel costs	113.1	11.1	13.4	8.2	207.1	25.6	102.0	96.3	577.0
Costs with social benefits	59.1	0.4	0.1	0.2	233.8	0.7	16.9	(21.8)	289.4
Concession fees	3.9	0.0	3.5	-	208.7	-	-	-	216.2
Other operating costs (or revenues)	46.6	(17.2)	0.5	(10.0)	(51.2)	8.0	113.9	68.3	158.9
<b>Operating costs</b>	<b>377.2</b>	<b>44.1</b>	<b>57.2</b>	<b>7.6</b>	<b>914.5</b>	<b>86.4</b>	<b>386.5</b>	<b>52.2</b>	<b>1,925.6</b>
<b>EBITDA</b>	<b>1,167.4</b>	<b>58.4</b>	<b>189.9</b>	<b>23.9</b>	<b>455.5</b>	<b>188.5</b>	<b>586.5</b>	<b>(41.9)</b>	<b>2,628.3</b>
EBITDA/Revenues	40.8%	4.9%	72.0%	74.1%	9.5%	19.0%	31.6%	4.3%	23.9%
Provisions for risks and contingencies	7.5	14.0	-	0.0	-17.1	-0.2	16.3	21.6	42.1
Depreciation and amortisation	381.0	7.1	91.3	20.4	377.2	46.6	122.6	84.7	1,130.9
Comp.of subsidised assets' depreciation	(4.0)	-	(0.2)	-	(88.3)	(3.0)	(9.2)	(0.3)	(105.0)
<b>EBIT</b>	<b>782.9</b>	<b>37.3</b>	<b>98.8</b>	<b>3.5</b>	<b>183.8</b>	<b>145.0</b>	<b>456.9</b>	<b>(147.9)</b>	<b>1,560.3</b>
EBIT/Revenues	27.4%	3.2%	37.5%	10.9%	3.8%	14.6%	24.6%	15.2%	14.2%

# Income Statement by Business Area



<b>2006</b> (€ m)	Generation Iberia	Supply Iberia	Renewables Europe	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	2,631.2	808.7	203.1	4,354.8	99.3	1,709.1	(821.8)	8,984.5
Other Sales	9.3	19.8	42.3	3.0	966.1	0.0	25.1	1065.6
Services Provided	13.6	36.5	3.6	58.7	63.0	17.2	107.2	299.8
<b>Operating Revenues</b>	<b>2,654.1</b>	<b>865.0</b>	<b>249.1</b>	<b>4,416.5</b>	<b>1,128.4</b>	<b>1,726.3</b>	<b>(689.6)</b>	<b>10,349.8</b>
Electricity & Gas	258.3	912.7	0.2	3,026.8	104.6	961.6	(883.5)	4,380.7
Fuel	837.5	20.3	21.7	1.2	17.3	-	69.3	967.4
Materials and goods for resale	25.3	33.2	25.4	13.8	780.3	13.5	(48.1)	843.3
<b>Direct Activity Costs</b>	<b>1,121.1</b>	<b>966.2</b>	<b>47.3</b>	<b>3,041.8</b>	<b>902.2</b>	<b>975.1</b>	<b>(862.2)</b>	<b>6,191.4</b>
<b>Gross Profit</b>	<b>1,533.1</b>	<b>(101.2)</b>	<b>201.8</b>	<b>1,374.6</b>	<b>226.3</b>	<b>751.2</b>	<b>172.7</b>	<b>4,158.5</b>
Gross Profit/Revenues	57.8%	-11.7%	81.0%	31.1%	20.1%	43.5%	-25.0%	40.2%
Supplies and services	127.7	44.1	30.7	293.7	44.5	124.7	76.0	741.4
Personnel costs	113.1	10.8	14.0	210.4	27.1	98.2	111.4	585.1
Costs with social benefits	39.0	0.5	0.1	98.3	0.4	28.8	-4.8	162.3
Concession fees	3.7	0.0	-	211.4	-	5.2	0.0	220.4
Other operating costs (or revenues)	38.1	(16.0)	10.2	(11.1)	9.5	60.4	52.8	143.9
<b>Operating costs</b>	<b>321.6</b>	<b>39.5</b>	<b>54.9</b>	<b>802.8</b>	<b>81.5</b>	<b>317.3</b>	<b>235.4</b>	<b>1,853.0</b>
<b>EBITDA</b>	<b>1,211.5</b>	<b>(140.7)</b>	<b>146.9</b>	<b>571.8</b>	<b>144.8</b>	<b>433.9</b>	<b>(62.7)</b>	<b>2,305.4</b>
EBITDA/Revenues	45.6%	-16.3%	59.0%	12.9%	12.8%	25.1%	9.1%	22.3%
Provisions for risks and contingencies	19.5	(6.3)	12.1	61.1	(2.7)	7.1	3.8	94.6
Depreciation and amortisation	325.9	7.3	77.6	360.7	40.0	103.5	144.5	1059.6
Comp.of subsidised assets' depreciation	(2.6)	-	(0.5)	(86.1)	(2.8)	(8.8)	(0.9)	(101.8)
<b>EBIT</b>	<b>868.7</b>	<b>(141.6)</b>	<b>57.7</b>	<b>236.1</b>	<b>110.2</b>	<b>332.1</b>	<b>(210.1)</b>	<b>1,253.0</b>
EBIT/Revenues	32.7%	-16.4%	23.1%	5.3%	9.8%	19.2%	30.5%	12.1%



**Annex**

# EDP installed capacity & electricity generation



Installed Capacity - MW <sup>(1)</sup>	2007	2006	Δ MW
<b>Iberia</b>	<b>13,355</b>	<b>12,480</b>	<b>876</b>
<b>LT Contracted Generation (PPAs/CMECs)</b>	<b>7,163</b>	<b>7,163</b>	<b>-</b>
Hydro	4,094	4,094	-
Run off the river	1,860	1,860	-
Reservoir	2,234	2,234	-
Coal	1,192	1,192	-
Sines	1,192	1,192	-
Fuel oil	1,877	1,877	-
Setúbal	946	946	-
Carregado	710	710	-
Barreiro	56	56	-
Tunes	165	165	-
<b>Special Regime</b>	<b>2,097</b>	<b>1,405</b>	<b>692</b>
Small-Hydro	79	69	10
Cogeneration+Waste	238	239	-1
Biomass	5	5	-
Wind	1,776	1,093	683
Portugal	424	313	111
Spain <sup>(2)</sup>	1,265	760	505
France <sup>(2)</sup>	87	20	67
<b>Liberalised Electricity Generation</b>	<b>4,095</b>	<b>3,911</b>	<b>183</b>
<b>Hydro</b>	<b>910</b>	<b>670</b>	<b>240</b>
Portugal	484	244	240
Spain	426	426	-
<b>Coal</b>	<b>1,460</b>	<b>1,523</b>	<b>-63</b>
Aboño I	342	342	-
Aboño II	536	536	-
Soto Ribera I	-	63	-63
Soto Ribera II	236	236	-
Soto Ribera III	346	346	-
<b>CCGT</b>	<b>1,569</b>	<b>1,563</b>	<b>6</b>
Ribatejo (3 groups)	1,176	1,176	-
<b>Nuclear</b>	<b>156</b>	<b>156</b>	<b>0</b>
Trillo	156	156	0
<b>Brazil</b>	<b>1,044</b>	<b>1,018</b>	<b>25</b>
Hydro	1,044	1,018	25
<b>USA</b>	<b>1,254</b>	<b>-</b>	<b>1,254</b>
Wind	1,254	-	1,254
<b>TOTAL</b>	<b>15,654</b>	<b>13,498</b>	<b>2,155</b>

Electricity Generation	2007	2006	Δ GWh
<b>Iberia</b>	<b>43,027</b>	<b>44,028</b>	<b>-1,001</b>
<b>LT Contracted Generation (PPAs/CMECs)</b>	<b>18,295</b>	<b>20,887</b>	<b>-2,592</b>
Hydro	8,976	9,574	-598
Run off the river	5,856	5,558	298
Reservoir	3,119	4,015	-896
Coal	8,048	9,694	-1,646
Sines	8,048	9,694	-1,646
Fuel oil	1,271	1,619	-348
Setúbal	960	1,235	-274
Carregado	197	239	-42
Barreiro	114	145	-31
Tunes	0	1	-1
<b>Special Regime</b>	<b>4,370</b>	<b>3,333</b>	<b>1,037</b>
Small-Hydro	136	195	-59
Cogeneration+Waste	1,295	1,207	89
Biomass	28	29	-1
Wind	2,911	1,902	1,009
Portugal	735	483	252
Spain	2,056	1,419	637
France	119	-	119
<b>Liberalised Electricity Generation</b>	<b>20,361</b>	<b>19,808</b>	<b>554</b>
<b>Hydro</b>	<b>1,171</b>	<b>1,342</b>	<b>-171</b>
Portugal	385	496	-111
Spain	786	846	-60
<b>Coal</b>	<b>10,127</b>	<b>9,854</b>	<b>273</b>
Aboño I	2,517	2,525	-8
Aboño II	4,147	3,441	706
Soto Ribera I	-	30	-30
Soto Ribera II	1,576	1,484	91
Soto Ribera III	1,887	2,374	-486
<b>CCGT</b>	<b>7,832</b>	<b>7,420</b>	<b>411</b>
Ribatejo (3 groups)	6,037	5,728	309
<b>Nuclear</b>	<b>1,232</b>	<b>1,192</b>	<b>40</b>
Trillo	1,232	1,192	40
<b>Brazil</b>	<b>4,704</b>	<b>3,929</b>	<b>774</b>
Hydro	4,704	3,929	774
<b>USA</b>	<b>862</b>	<b>-</b>	<b>862</b>
Wind	862	-	862
<b>TOTAL</b>	<b>48,592</b>	<b>47,957</b>	<b>635</b>

<sup>(1)</sup> Installed capacity that contributed to the revenues in the period.

<sup>(2)</sup> 2006 Capacity excludes Agrupación Eólica, which was acquired in Dec-06 (88 MW)



# Electricity Distribution and Supply in Portugal



Electricity Distributed (GWh)	2007	2006	Δ 07/06
<b>Electricity Distributed - Regulated Market</b>	<b>41,546</b>	<b>38,253</b>	<b>8.6%</b>
VHV (Very high voltage)	1,527	1,377	10.9%
HV (High voltage)	6,265	5,358	16.9%
MV (Medium voltage)	10,290	8,589	19.8%
SLV (Special low voltage)	2,491	2,308	7.9%
LV (Low voltage)	19,523	19,222	1.6%
PL (Public lighting)	1,449	1,399	3.6%
<b>Electricity Distributed - Liberalised Market</b>	<b>5,373</b>	<b>7,148</b>	<b>-24.8%</b>
EDP	3,010	4,024	-25.2%
Non-EDP	2,363	3,124	-24.4%
<b>Total Electricity Distributed <sup>(1)</sup></b>	<b>46,919</b>	<b>45,401</b>	<b>3.3%</b>

Electricity Consumers <sup>(2)</sup>	2007	2006	Δ 07/06
<b>Electricity Sales - Regulated Market</b>	<b>5,902,262</b>	<b>5,961,697</b>	<b>-59,435</b>
VHV (Very high voltage)	55	20	35
HV (High voltage)	213	182	31
MV (Medium voltage)	20,669	19,955	714
SLV (Special low voltage)	25,655	25,118	537
LV (Low voltage)	5,807,362	5,869,451	-62,089
PL (Public lighting)	48,308	46,971	1,337
<b>Electricity Sales - Liberalised Market</b>	<b>151,613</b>	<b>26,199</b>	<b>125,414</b>
EDP	148,319	22,586	125,733
Non-EDP	3,294	3,613	-319
<b>Total Electricity Consumers</b>	<b>6,053,875</b>	<b>5,987,896</b>	<b>65,979</b>
<b>% Change YoY</b>			<b>1.1%</b>

Electricity Sales (€ m)	2007	2006	Δ 07/06
VHV (Very high voltage)	79.1	64.8	22.1%
HV (High voltage)	361.8	290.4	24.6%
MV (Medium voltage)	885.1	713.7	24.0%
SLV (Special low voltage)	288.3	252.1	14.3%
LV (Low voltage)	2,715.7	2,572.0	5.6%
PL (Public lighting)	113.4	105.6	7.4%
Interruptibility Discounts	-43.8	-42.3	-3.7%
Tariff Correction Discounts	-	-	-
2006 Tariff Deficit Recognition	49.0	124.9	-60.7%
<b>Invoiced Sales - Regulated Syst.</b>	<b>4,448.6</b>	<b>4,081.2</b>	<b>9.0%</b>
<b>Invoiced Sales - Non-regulated Syst.</b>	<b>158.7</b>	<b>181.8</b>	<b>-12.7%</b>
<b>Invoiced Sales - Other</b>	<b>15.7</b>	<b>-</b>	<b>-</b>
<b>Electricity Revenues</b>	<b>4,622.9</b>	<b>4,263.0</b>	<b>8.4%</b>

Regulated Revenues (€ m)	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%
<b>UDGr allowed revenues</b>	<b>1,002.1</b>	<b>986.0</b>	<b>1.6%</b>
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%
<b>Network Supply allowed revenues</b>	<b>142.5</b>	<b>134.2</b>	<b>6.1%</b>
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%
<b>Supply in Public System allowed revenues</b>	<b>88.1</b>	<b>70.6</b>	<b>24.8%</b>
<b>Incentives</b>	<b>11.6</b>	<b>15.9</b>	<b>-27.4%</b>
<b>t-2 tariff adjust. for UDGr, SPS and NS</b>	<b>84.0</b>	<b>36.7</b>	<b>128.8%</b>
<b>t-1 &amp; t-2 tariff adjust. for Energy Acquisition</b>	<b>-100.1</b>	<b>86.5</b>	<b>-</b>
<b>HR Restructuring Costs Recovery</b>	<b>41.0</b>	<b>24.1</b>	<b>70.3%</b>
<b>Total Allowed Revenues</b>	<b>1,267.1</b>	<b>1,354.1</b>	<b>-6.4%</b>

<sup>(1)</sup> Figures presented include sales to EDP Group

<sup>(2)</sup> Figures presented include EDP Group companies

# EDP Wind Capacity and CO2 Emissions



Wind Farms in 2007	Installed Capacity		
	100%	% Held <sup>(1)</sup>	EBITDA
<b>PORTUGAL</b>	<b>424</b>	<b>419</b>	<b>424</b>
Enernova	424	419	424
<b>SPAIN</b>	<b>1.639</b>	<b>1.215</b>	<b>1.265</b>
Genesa	1.008	703	752
Desa	431	383	381
Agrupación Eólica / Ceasa	200	129	133
<b>TOTAL IBERIA</b>	<b>2.063</b>	<b>1.633</b>	<b>1.689</b>
<b>FRANCE</b>	<b>87</b>	<b>87</b>	<b>87</b>
NEO	30	30	30
Agrupación Eólica	57	57	57
<b>TOTAL EUROPE</b>	<b>2.150</b>	<b>1.720</b>	<b>1.776</b>
<b>USA</b>	<b>1.490</b>	<b>1.273</b>	<b>1.254</b>
Horizon	1.490	1.273	1.254
<b>TOTAL EUROPE AND USA</b>	<b>3.639</b>	<b>2.993</b>	<b>3.031</b>

CO2 Emissions	CO2 Emissions (absolute, MtCO2)		Specific (tones/GWh)		Gross Production (GWh)	
	2007	2006	2007	2006	2007	2006
<b>TOTAL PPA's/CMECs</b>	<b>8.374</b>	<b>10.185</b>			<b>10.367</b>	<b>12.497</b>
Coal	7.180	8.730	0,84	0,85	8.524	10.269
Fuel Oil + Natural Gas	1.194	1.455	0,65	0,65	1.843	2.228
<b>TOTAL LIBERALISED GENERATION</b>	<b>14.103</b>	<b>13.413</b>			<b>18.761</b>	<b>18.040</b>
Coal	11.261	10.712	1,05	1,03	10.758	10.450
CCGT	2.842	2.701	0,36	0,36	8.003	7.590
<b>SPECIAL REGIME</b>	<b>945</b>	<b>878</b>	<b>0,30</b>	<b>0,33</b>	<b>3.126</b>	<b>2.640</b>
<b>TOTAL PRODUCTION THERMAL</b>	<b>23.422</b>	<b>24.476</b>	<b>0,73</b>	<b>0,74</b>	<b>32.253</b>	<b>33.177</b>
<b>CO<sub>2</sub> FREE GENERATION</b>					<b>18.965</b>	<b>17.356</b>
<b>TOTAL PRODUCTION</b>			<b>0,46</b>	<b>0,48</b>	<b>51.218</b>	<b>50.533</b>

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