



Financial Results

9M2008

Investor Relations Department

Miguel Viana, Head of IR
Sónia Pimpão
Elisabete Ferreira
Noélia Rocha
Ricardo Farinha

Phone: +351 21 001 2834
Fax: +351 21 001 2899
Email: ir@edp.pt
Site: www.edp.pt

Reuters: EDP.LS
Bloomberg: EDP PL

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9M08 Performance



Results Summary (€ m)	9M08	9M07	Δ 08/07
Gross Profit	3,681.5	3,434.0	7.2%
Operating Costs	1,311.4	1,384.9	-5.3%
EBITDA	2,370.1	2,049.1	15.7%
EBIT	1,464.7	1,275.9	14.8%
Net Profit	940.1	665.2	41.3%
Net Debt	12,892.3	11,692.2	10.3%

Operating Data	9M08	9M07	Δ 08/07
Electricity:			
Installed Capacity (MW)	17,523	14,554	20.4%
Generation (GWh)	34,551	36,693	-5.8%
Distribution (GWh)	63,389	62,357	1.7%
Retail (GWh)	70,205	65,581	7.0%
Clients (thousand)	9,308	9,821	-5.2%
Gas:			
Distribution (GWh)	17,453	16,859	3.5%
Retail (GWh)	21,701	18,916	14.7%
Clients (thousand)	822	778	5.6%
Employees (Group)	12,310	13,259	-7.2%

Consolidated EBITDA increased by 16% YoY, to €2,370m in 9M08. Main highlights were as follows:

- **Iberian Generation & Supply** (+0.5% YoY, €901m EBITDA) – Stability provided by long term contracted generation, accounting for 70% of the division's EBITDA and showing a 7.4% YoY increase, was key to support growth in this division. In liberalized generation and supply, EBITDA decreased 14% YoY, dragged by operations in Spain (gross profit -28% YoY) on lower generation volumes, higher sourcing costs and a €12m reduction in capacity payments. This was only partially compensated by strong performance in Portugal (gross profit 15% higher YoY), where EDP enjoyed richer margins on (i) higher load factors of Ribatejo CCGT (74% vs 50% in 1H07) and higher average selling prices (€4.8/MWh higher than in Spain).
- **Wind** (+109% YoY, €306m EBITDA) – On top of July 07's first time consolidation of the US subsidiary, Horizon (EBITDA €76m in 1H08), EBITDA growth was propelled by: (i) new capacity additions, (ii) increase in average tariffs (+19% in Europe) and (iii) continuing top-quality load factors. Despite adverse weather conditions, load factors in the 9M08 confirm EDPR's first class assets: 24.8% in Spain, 25.9% in Portugal, 22.7% in France and 31% in US.
- **Iberian Distribution** (+24% YoY, €588m EBITDA) – Regulated electricity distribution in Portugal (88% of the division's EBITDA), showed a 30% YoY increase in EBITDA in 9M08, driven by: (1) 15% (€148m) YoY increase in gross profit, (2) €7.7m non-recurrent cost booked in 9M07 but diluted until 2007YE and (3) tight control of other controllable costs (+1.7% YoY). This was only partially offset by €32m HR restructuring cost booked in 9M08. In Spain, recurrent EBITDA was 7% higher YoY, backed a 11% YoY increase in gross profit resulting from the 5.5% increase in regulated revenues recognized in the 2008 tariffs.
- **Brazil** (+1.5%YoY, €454m EBITDA) - Energias do Brasil's higher contribution to consolidated EBITDA was backed by a 4.3% appreciation of the Real against the Euro and a 33% YoY increase in EBITDA from generation (in local currency) on the back of an increase in installed capacity and a one-off increase in electricity sales by Enerpeixe in 1Q08. In distribution, EBITDA declined 16.3% driven essentially by: i) impact of tariff revisions occurred in our distribution companies, ii) energy costs higher than the ones considered on tariff assumptions and iii) the decrease in collection through tariffs of regulatory receivables accumulated in previous years which was partially offset by iv) demand growth. Excluding non recurrent tariff deviations normalized EBITDA in distribution would have increased 26%. Following the completion of assets swap agreement with Grupo Rede involving hydro plant Lajeado and Enersul, Energias do Brasil de-consolidated Enersul and full consolidated Lajeado/Investco in the proportion of its % (73% vs. previously at 27.65%) as from September 1, 2008.

Net financial costs increased by €394m, to €692m in 9M08, reflecting: (1) Higher net financial interests paid (+39% YoY or +€144m) due to higher average gross debt in the period (+30% YoY) and a 12bp increase in the group's average cost of debt (5.7% in the 9M08 vs. 5.6% in the 9M07 and 6M08). (2) Decline in other financials results (-€200m) mainly resulting from impairment losses (€198m) in respect of the decrease in market value of EDP's stakes in Sonaecom and BCP and the inclusion of hedging financial results (-€33m in the 9M08 vs. €27.4m in the 9M07).

Net profit of €940m in 9M08 is boosted by capital gains worth €482m (in 9M08), including: (1) €405m resulting from the dilution of EDP's stake in EDP Renováveis, (2) €49m gain booked on the sale of stakes in Turbogás (40%) and Portugén (27%). On the other hand, net profit was penalized not only by the impact of the accelerated depreciation of the concession rights and goodwill impairment (€67m) as a result of an unfavourable regulatory environment, but also by €8m as a result of the asset swap between Enersul and shareholding control of Lajeado hydro plant. Net profit adjusted for these non-recurrent issues and for both BCP and Sonaecom impairments, rose by 7%, to €714m.

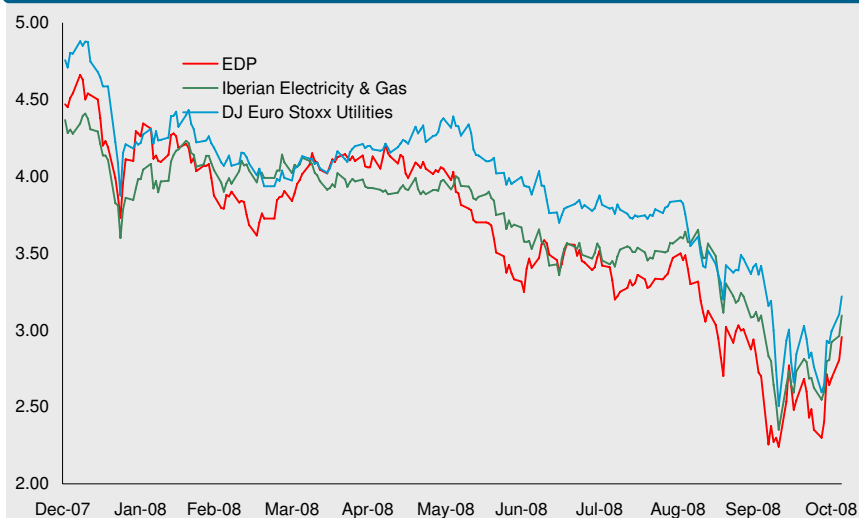
Net debt in the end of September 2008 amounted €12.9bn, up from €11.7bn in 2007, reflecting the high level of cash flow generation and the IPO of EDP Renováveis, on the one hand, and the doubling expansion capex, €759m payment for hydro domain, and increase of regulatory receivables (+€668mn YTD), on the other hand. In 9M08, EDP's capex amounted €2,170m, 76% of which devoted to expansion projects. In September 2008, EDP had 3,750MW of new capacity under construction, 68% of which in hydro and wind).

In July, as a result of EDP's improved financial profile following the partial IPO of EDP Renováveis (€1.6bn proceeds), Standard & Poor's Ratings Services revised its outlook to stable from negative, and affirmed its 'A-/A-2' long and short-term corporate credit ratings on EDP.

EDP Share Performance



YTD EDP Stock Performance on Euronext Lisbon



EDP Stock Market Performance

YTD | 52W | 2007

EDP Share Price (Euronext Lisbon - €) (04-11-2008)

Close	2.96	2.96	4.47
Max	4.76	5.00	5.00
Min	2.06	2.06	3.79
Average	3.62	3.86	4.18

EDP's Liquidity in Euronext Lisbon

Turnover (€ m)	9,179	12,752	21,457
Average Daily Turnover (€ m)	42	49	82
Traded Volume (million shares)	2,538	3,306	5,129
Avg. Daily Volume (million shares)	11.5	12.6	19.7

EDP Market Value

Market Capitalisation (€ million)	10,805	-	16,345
Enterprise Value (€ million)	24,988	-	30,528

EDP's Main Events

- Jan-02:** Horizon closes a USD 600 million transaction with institutional equity investors
- Feb-19:** EDP acquires 1.050MW of early stage wind projects in the USA
- Feb-26:** EDP exercises put option over 40% of Edinfor
- Mar-31:** EDP transfers the right to receive the 2006/2007 tariff deficit in Portugal
- Apr-01:** Construction and operation of Foz Tua hydro plant awarded to EDP
- Apr-08:** EDP acquires wind assets from EOLE 76 Group in France
- Apr-29:** EDP signed credit facility for €925m
- May-14:** EDP to purchase from Acciona up to 782 MW of wind turbines to be delivered in 2009-2011
- Jun-02:** EDP Renováveis sets subscription price for its IPO shares at 8 euros per share
- Jul-03:** Standard & Poor revised outlook on EDP from negative to stable
- Jul-17:** Construction of Fridão and Alvito hydro plants in Portugal awarded to EDP
- Aug-01:** EDP awards construction of Soto 5 CCGT
- Aug-08:** ANEEL approves a 12.17% tariff increase at Escelsa's annual tariff readjustment process
- Aug-29:** Energias do Brasil agrees the sale of telecom company ESC90
- Sep-11:** Conclusion of the asset swap operation in Brazil
- Oct-15:** ERSE announces its proposal for tariffs in 2009 and parameters in 2009-11
- Oct-17:** EDP Renováveis enters the romanian wind market through the acquisition of 736MW to be developed
- Oct-22:** ANEEL approves a 14.48% tariff increase at Bandeirante's annual tariff readjustment process
- Oct-28:** EDP issues GBP325m bond 15years fixed rate

Consolidated Financial Statements



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

Consolidated Income Statement (€ m)	9M08	9M07	Δ 08/07
Electricity Sales	9,188.7	7,430.0	23.7%
Gas Sales	878.3	1,021.7	-14.0%
Other Sales	102.2	62.2	64.2%
Services Provided	93.2	106.9	-12.8%
Operating Revenues	10,262.5	8,620.8	19.0%
Electricity	4,950.3	3,614.7	36.9%
Gas	552.9	774.1	-28.6%
Fuel	1,033.7	745.5	38.7%
Materials and goods for resale	44.1	52.5	-16.1%
Direct Activity Costs	6,581.0	5,186.8	26.9%
Gross Profit	3,681.5	3,434.0	7.2%
Gross Profit/Revenues	35.9%	39.8%	-4.0 pp
Supplies and services	530.1	499.6	6.1%
Personnel costs	434.9	437.9	-0.7%
Costs with social benefits	134.1	90.9	47.4%
Concession fees	176.9	171.1	3.4%
Other operating costs (or revenues)	35.4	185.4	-80.9%
Operating costs	1,311.4	1,384.9	-5.3%
EBITDA	2,370.1	2,049.1	15.7%
EBITDA/Revenues	23.1%	23.8%	-0.7 pp
Provisions for risks and contingencies	28.5	44.3	-35.7%
Depreciation and amortisation	958.6	807.0	18.8%
Comp.of subsidised assets' depreciation	(81.7)	(78.1)	-4.5%
EBIT	1,464.7	1,275.9	14.8%
EBIT/Revenues	14.3%	14.8%	-0.5 pp
Capital gains/(losses)	482.8	20.4	2269.6%
Financial income/(expense)	(692.0)	(297.6)	-132.6%
Income/(losses) from group and associated companies	27.5	16.8	63.5%
Pre-tax profit	1,282.9	1,015.5	26.3%
Income taxes	241.5	257.6	-6.3%
Discontinued Activities	(8.4)	-	-
Profit for the period	1,033.0	757.9	36.3%
Equity holders of EDP	940.1	665.2	41.3%
Minority interests	92.9	92.7	0.2%

Assets (€ m)	9M08	2007
Property, plant and equipment, net	20,021	18,669
Intangible assets, net	5,865	5,222
Financial Investments, net	609	957
Deferred Tax asset	490	687
Inventories	323	283
Accounts receivable - trade, net	1,662	1,759
Accounts receivable - other, net	3,905	2,993
Financial assets held for trading	49	49
Cash and cash equivalents	1,148	865
Total assets	34,071	31,484

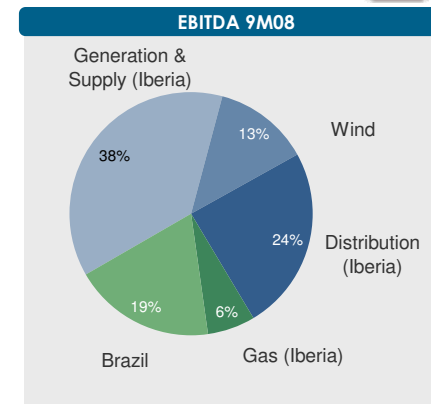
Equity (€ m)	9M08	2007
Share capital	3,657	3,657
Treasury stock and share premium	375	436
Reserves and retained earnings	1,465	1,264
Consolidated net profit attributable to equity holders of the parent	940	907
Minority Interest	2,268	987
Total equity	8,705	7,251

Liabilities (€ m)	9M08	2007
Medium/ Long-term debt & borrowings	11,465	10,064
Short-term debt & borrowings	2,624	2,542
Provisions	348	376
Hydrological correction account	235	228
Deferred Tax liability	527	618
Accounts payable - net	10,167	10,406
Total liabilities	25,366	24,233
Total equity and liabilities	34,071	31,484

EBITDA Overview: Consolidated EBITDA up 16%



EBITDA (€ m)	9M08	9M07	% Δ	Abs. Δ	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
IBERIAN MARKET *	1,816.0	1,587.2	14.4%	228.8	545.1	482.3	559.8	422.0	608.5	596.3	611.3	
Generation & Supply	901.1	896.8	0.5%	4.3	302.5	283.3	311.0	329.0	311.8	303.9	285.4	
Wind	306.5	147.0	108.5%	159.5	55.1	37.5	54.4	66.9	125.5	101.2	79.7	
Distribution	588.2	474.4	24.0%	113.8	173.8	136.2	164.4	(18.9)	182.0	172.1	234.1	
Gas	154.2	143.8	7.2%	10.4	52.5	46.9	44.4	44.7	59.2	53.1	41.9	
Brazil	454.0	447.1	1.5%	6.8	159.2	163.9	124.1	139.4	160.7	137.0	156.3	
Other & Adjustments	(33.7)	(59.9)	43.7%	26.2	(38.2)	(20.0)	(1.7)	18.1	(30.6)	8.6	(11.8)	
Consolidated	2,370.1	2,049.1	15.7%	321.0	704.8	647.7	696.5	579.2	808.7	775.9	785.6	



In 9M08, EDP booked an EBITDA 16% higher YoY, at €2,370M. Excluding impacts from acquisitions (Horizon in Jul-07) pro-forma EBITDA increased 12% in the period. Main highlights are as follows:

IBERIAN GENERATION AND SUPPLY - EBITDA was 0.5% higher YoY, at €901m in 9M08, reflecting the low-risk profile of this division cash flows backed by PPA/CMECs (70% of the division EBITDA). EBITDA from long term contracted generation (PPAs/CMECs and special regime) was 7.4% (€45m) higher YoY, benefiting from higher contracted margin of Sines plant reflecting desox investments in this facility and costs of coal consumed below the international indexes (+€31m). In turn, EBITDA from liberalized generation decreased 14% YoY, due to a 18% YoY decline in gross profit. In Spain, gross profit from generation decreased 28% YoY, to €221m, on lower generation volumes (-4.7% YoY), higher sourcing costs and €12m reduction in capacity payments. In Portugal, liberalized gross profit grew 15% YoY in 9M08, to €106m, with Ribatejo CCGT keeping profitability levels above Iberian average, both in terms of volumes (load factor of 76% vs Spanish average 50%) and margins (backed by higher average selling prices and competitive integrated gas sourcing). In the supply business, performance was mixed: in Spain volumes grew 32% YoY and average selling price advanced 8% YoY in 9M08, benefiting from the liberalization of an equivalent 130TWh annual consumption as from July 1, 2008; In Portugal, volume sold fell significantly as a result of low generation price (€50/MWh including ancillary services) assumed by the regulator in 2008 retail tariffs.

WIND – The contribution of our wind arm, EDP Renováveis (EDPR), rose 109% (€160m) YoY, to €306m in 9M08, boosted by the consolidation of Horizon as from Jul-07 (€76m in 1H08) and (2) larger scale of operations. In Europe, EDPR showed a 55% YoY increase in EBITDA prompted by: (1) capacity additions (+587MW, +41% in the last 12 months), (2) average tariffs +19% higher YoY, on higher pool prices in Spain, (3) high load factors, particularly in Portugal (+60bp YoY at 25.9%) and (4) tight control of operating costs per MW installed growing in broadly in line with inflation, at 2% YoY. The group's US subsidiary, Horizon (consolidated as from Jul-07), booked an EBITDA of €91m (\$139m) in 9M08. Gross profit adjusted for revenues from production tax credits (PTC) and other revenues related to Horizon's institutional partnerships, reached €125m, on load factor of 31%. Adjusted for these revenues, operational costs stood at €34m, or €39/MW. In 9M08, EDPR increased its installed portfolio by 515MW and has currently under construction 1,612MW (with €1,229m already invested) which will ensure the meet its average annual target of 1.4GW in 2008.

IBERIAN REGULATED DISTRIBUTION – In Portugal, EBITDA rose 30% (€120m) YoY, to €520m in 9M08, driven by: (1) 15% (€148m) YoY increase in gross profit, largely due to the recovery/(devolution) of tariff adjustments included in the tariffs, (2) €7.7m non-recurrent cost booked in 9M07 but diluted until 2007YE and (4) tight control of other controllable costs (+1.7% YoY). This was only partially offset by a €32m HR restructuring costs in 9M08 (vs €9.8m in 9M07). Recurrent personnel costs decreased 5.2% YoY, helped by an 8% YoY decrease in the number of employees in the period. In turn, supplies and services rose 7.3% YoY driven by higher invoicing and billing services in the wake of the application of Law nº12/2008 and by an increase in IT costs. Tariff deviations in 9M08 totaled €709m as a result of several deviations from ERSE's assumptions in 2008 tariffs calculation: (i) slower growth in electricity entered in the distribution grid (up 1.3% YoY), (ii) higher volume of electricity supplied by the last resource electricity supplier (+9.3% YoY) and (iii) higher procurement costs in 9M08 (€75/MWh vs €50/MWh ERSE's estimate). In Spain, EBITDA declined 7.9%YoY to €68.1m, penalized by several non-recurrent issues booked in 9M07: (i) €4.3m from services rendered and (ii) €14.3m from other operating costs. Recurrent EBITDA was 5.5% higher YoY, backed a 11% YoY increase in gross profit, reflecting the 5.6% increase in regulated revenues recognized in the 2008 tariffs.

IBERIAN GAS – Distribution and transmission regulated activities posted a 6.2% YoY increase in EBITDA, to €116m, reflecting the 4.6% increase in the number of supply points, a 4.7% increase in the networks extension and a 3.5% increase in volumes distributed. In turn, our liberalized activity showed a 10% YoY increase in EBITDA, to €38m, fuelled by 20% rise in gross profit. This growth was prompted by a 39% YoY increase in volumes sold to retail clients (vs. a 0.1% YoY decrease of conventional gas demand in the Spanish gas liberalized market) following the end of gas supply tariffs in Spain, in Jun-08. This was only partially compensated by a decrease in gross profit per MWh sold due to higher average purchasing cost, in line with CMP.

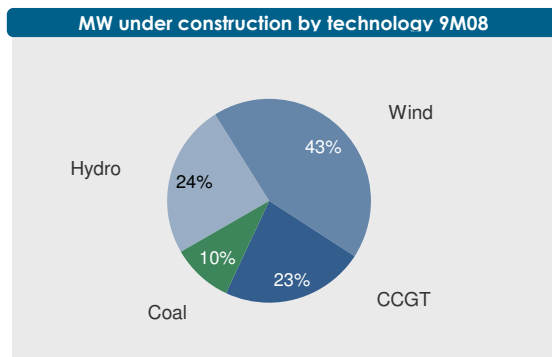
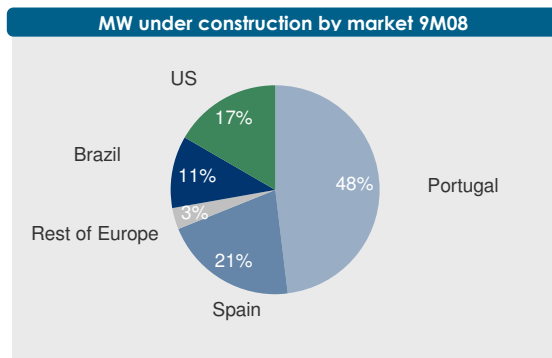
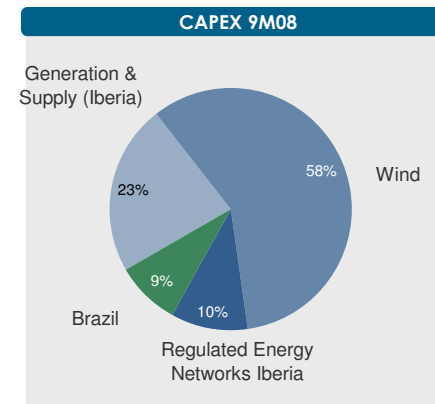
BRAZIL– The contribution of Energias do Brasil to consolidated EBITDA was 1.5% higher YoY helped by a 4.3% appreciation of the Real against the Euro. In local terms, EBITDA declined 2.7% to R\$1,168m, penalised by distribution. In local terms, EBITDA in generation activity increased by 33% YoY, fuelled by an increase in installed capacity and a one-off increase in electricity sales by Enerpeixe in 1Q08. In distribution, EBITDA declined 16.3% driven essentially by: i) impact of tariff revisions occurred in our distribution companies, ii) energy costs higher than the ones considered on tariff assumptions and iii) the decrease in collection through tariffs of regulatory receivables accumulated in previous years which was partially offset by iv) demand growth. Excluding non recurrent tariff deviations normalized EBITDA in distribution would have increased 26%.

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

Capital Expenditures



Capex (€ m)	9M08	9M07	% Δ	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Generation & Supply Iberia	490.3	375.4	31%	29.6	122.2	223.5	369.7	116.8	202.8	170.7	
Wind	1,249.0	595.0	110%	91.7	100.5	402.8	793.6	369.6	390.2	489.1	
Regulated Energy Networks Iberia	221.6	203.9	8.7%	56.2	69.5	78.1	131.2	58.9	73.9	88.8	
Brazil	182.8	149.4	22%	31.6	48.2	69.7	59.9	57.0	72.6	53.2	
Other	27.3	17.5	56%	1.0	3.2	13.3	4.6	4.3	(1.2)	24.3	
EDP Group	2,170.9	1,341.2	62%	210.1	343.6	787.5	1359.0	606.6	738.2	826.1	
Expansion Capex	1,651.8	818.5	102%	106.1	164.4	548.1	1,117.2	465.6	555.7	602.1	
Maintenance Capex	519.2	522.6	-1%	104.0	179.3	239.4	241.8	141.0	182.5	224.0	



Consolidated capex rose 62% YoY (€830m), to €2,171m in the 9M08, fuelled by: (i) the start of consolidation in Jul-07 of Horizon, our US wind subsidiary (+€417m in 1H08); (ii) a 40% (€236m) YoY increase at our wind business, (iii) a 31% (€115m) increase at our Iberian generation business; and (iv) a 22% YoY increase (+€33m) at our Brazilian subsidiary.

In 9M08, 79% of EDP's capex is related to regulated businesses and long term contracted generation, therefore implying low risk of return. Moreover, 76% of EDP Group's capex was devoted to expansion projects, namely in new wind farms (58% of group capex), new generation capacity in Iberia peninsula (17%) and in new generation capacity in Brazil (2%).

EDP is building the ground for medium term growth, with main growth plans focused on cleaner generation technologies, EDP has 3,750MW of new capacity currently under construction, including:

- (1) Wind (1.6GW under construction), responsible for €790m capex in 9M08. With a total €1,226bn capex already incurred in MW currently under construction and turbine deposits, this unit should deliver on its 1.4GW new addition target in 2008.
- (2) Iberian CCGTs (0.9GW under construction), responsible for €153m capex in 9M08 and due to come on stream in 3Q09. Out of total planned capex, 72% has already been spent. Additionally, EDP has spent €53m in Castejon 3 and Soto 4, which started operations in Jan-08 and Sep-08, respectively.
- (3) Iberian Hydro (0.9GW under construction), responsible for €101m capex in 9M08, includes €53m paid for the right to build and operate Foz Tua dam (312MW), €28m invested in Picote II repowering and some initial amounts invested in the construction of new capacity Bemposta II, Alqueva II and Baixo Sabor.
- (4) Brazil (0.4GW under construction), responsible for €41m (R\$104m) of expansion capex, mainly concentrated in new mini-hydro Santa Fé (29MW), due to start up in Jul-09). Additionally, the group has started construction works at Pecém coal plant (615MW, held on a 50/50 basis by Energias do Brasil and MPX), which will involve a total planned capex of USD1,2bn and will start up operations in Jan-12.

Cash Flow



Consolidated Cash Flow (€ m)	9M08	9M07
Net profit before minorities	1,033.0	757.9
Net depreciation and amortization	877.0	728.9
Net provisions	58.6	126.8
Non cash financial results	(194.3)	(9.7)
Taxes	133.8	120.9
Other adjustments	(451.8)	(79.5)
FFO (Funds From Operations)	1,456.2	1,645.4
Net financial interest	462.4	374.9
Net Income from Associates and other Investments	(27.5)	(16.8)
Change in operating working capital	(676.9)	(38.8)
Hydro correction	0.0	21.6
Regulatory Receivables	(667.6)	(85.9)
Operating Cash Flow	1,214.2	1,964.6
Expansion Capex	(1,651.8)	(818.5)
Maintenance Capex	(519.2)	(522.6)
Change in working capital related to property and equipment suppliers	(987.5)	67.2
Payment of Hydro Domain	(759.0)	-
Net Operating Cash Flow	(1,944.2)	690.6
Net financial (investments)/Divestments	1,559.2	(1,873.7)
Net financial interest paid	(425.7)	(399.8)
Dividends received from Associates and other Investments	4.7	35.6
Dividends paid	(454.9)	(401.4)
Anticipated proceeds from institutional partnership in US wind farms	169.0	-
Other non-operating changes	(108.0)	56.4
Decrease/(Increase) in Net Debt	(1,200.0)	(1,892)

Major Net Financial Investments (€ m)	9M08	9M07
MAJOR FINANCIAL INVESTMENTS	189.8	2,190.0
Renewables	72.3	-
BCP	42.0	85.6
Naturgas (9.39%)	-	122.0
Biomass	21.7	-
Gas distribution minorities stakes	-	45.0
Horizon (100%)	-	1,937.5
Energias do Brasil	50.5	-
Other	3.4	-
MAJOR FINANCIAL DIVESTMENTS	1,749.0	316.3
IPO EDP Renováveis	1,524.4	-
Turbogás/Portugen (40%/27%)	140.1	-
ONI (100%)	-	89.0
REN	28.0	126.0
Desa (20%)	-	97.1
Renewables	7.7	-
Edinfor (40%)	46.4	-
Other	2.4	4.2
Major Net Financial Investments	1,559.2	(1,873.7)

• EDP's consolidated operating cash flow fell 38% in 9M08 to €1,214m, penalized by the €668m tariff deviation in Portugal and tariff deficit in Spain in 9M08 vs. €86m in 9M07, related to higher than expected electricity procurement costs, and by the reduction of the amounts of regulatory receivables being recovered through tariffs in Brazil (€99m in 9M07 vs. €12m in 9M08). Excluding these impacts, operating cash flow would have decrease just by 4% YoY.

• Expansion capex doubled from €819m in 9M07 to €1,652m in 9M08. Moreover, In April 2008, EDP paid €759m for the right to operate the hydro plants currently under PPAs/CMECs after the term of these contracts.

• Financial divestments include essentially the cash proceeds of the EDP Renováveis IPO in Jun-08 (€1,567m) and the disposal of Turbogás and Portugen, in May-08 (€140m). Regarding financial investments in 9M08, they are concentrated in the expansion of EDPR activity, namely through the acquisition of EOLE 76 in France made in Apr-08. In 9M08, the major financial investment was the acquisition of Horizon in USA which represented a €1,937m financial investment.

• The increase of net financial interest paid, reflect the increase in average net debt level and the rise of average cost of debt. Note that 9M07 and 9M08 cash flow levels are penalized by the annual dividend payments made in Apr07 and May-08. In 9M08, our US wind subsidiary, which started to be consolidated in Jul-07, received from institutional partners €169m.

• Overall, net debt in 9M08 increased €1.2bn, with the hydro domain payment in Portugal, higher level of expansion capex, negative impact from regulatory receivables, higher amount of interest paid and dividend payment being partially compensated by the cash proceeds of EDP Renováveis IPO.

Financial Debt and other liabilities



Nominal Financial Debt by Company (€ m)	9M08	YE2007	EDP %
EDP S.A. and EDP Finance BV	11,713.9	10,393.3	100%
EDP Produção	180.3	19.1	100%
HC Energia	476.4	433.1	97%
EDP Renováveis	587.8	560.1	78%
Portgás	104.0	106.3	72%
Energias do Brasil	950.0	1,058.7	65%
Other	-	0.0	-

Nominal Financial Debt	14,012.3	12,570.6
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Accrued Interest on Debt	158.2	100.6
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Nominal Financial Debt + Accrued Interest	14,170.5	12,671.1
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Fair Value of Hedged Debt	(81.2)	(65.1)
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Total Financial Debt	14,089.3	12,606.0
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Cash and cash equivalents	1,147.9	864.7
EDP S.A., EDP Finance BV and Other	558.9	179.1
HC Energia and Subsidiaries	15.6	25.1
EDP Renováveis	290.0	388.5
Portgás	0.1	0.0
Energias do Brasil	283.4	272.0
Financial assets held for trading	49.1	49.0

EDP Consolidated Net Debt	12,892.3	11,692.2
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Future receivables from regulatory act. (€ m)	9M08	9M07	Δ 07/06
Portugal ⁽¹⁾	813.9	244.7	232.7%
Spain	304.0	203.1	49.6%
Brazil ⁽¹⁾	62.9	134.5	-53.2%
Annual Deviation - Mkt vs. CMEC	205.8	48.9	321.1%
Total	1,386.6	631.2	119.7%

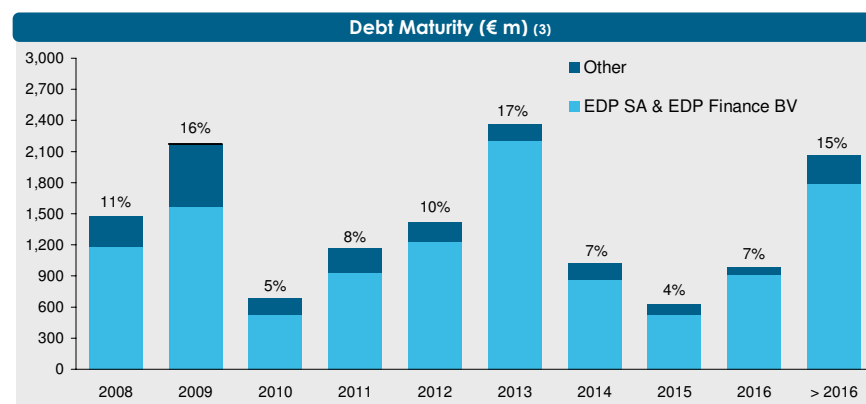
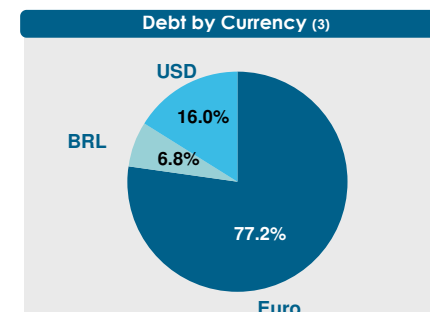
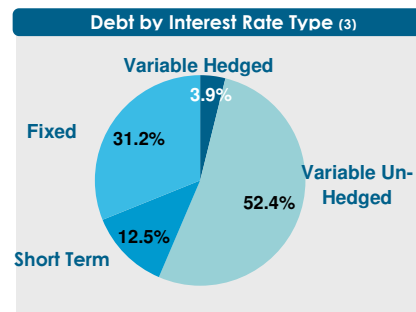
Prov. for Social Benefits & I. P. Liability (€ m)	9M08	2007	Δ 07/06
Pensions ⁽²⁾	1,003.1	934.1	7.4%
Medical Care	794.7	781.2	1.7%
Adjusted Institutional Partnership Liability ⁽⁴⁾	769.2	704.7	9.1%
Total	2,567.0	2,420.1	6.1%

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

Debt Ratios	9M08	YE2007
Net Debt / EBITDA	4.1x	4.4x

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

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



In Oct-08, EDP issued a bond in the amount of GBP325m maturing in January 2024. The placement of a long tenor bond shows the strength of EDP's name in a particularly volatile and demanding credit market. The proceeds have been used to reduce drawdowns under existing revolving facilities and further strengthen EDP's liquidity position ahead of refinancings coming due in 2009.

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

In Apr-08, EDP signed a revolving credit facility in the amount of €925m maturing in five years, with an initial margin of 45 basis points over Euribor, increased by 10 basis points if utilization rate exceeds 50% of the facility amount and front-end fees between 25 and 35 basis points depending on each bank's participation.

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

As at Sep-08, 31% of our debt carried a fixed rate and our committed liquidity facilities amounted to €3,186m, of which €1,603m were available.

Our net debt/EBITDA and net debt/EBITDA adjusted for regulatory receivables in 9M08 was 4.1x and 3.6x, respectively.

⁽³⁾ Nominal Value

⁽⁴⁾ Adjusted by the non-current deferred revenue.

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

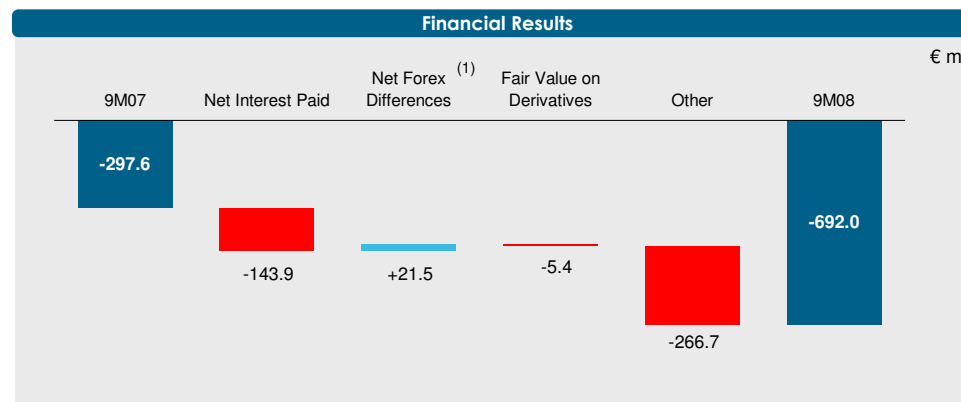


Financial Results (€ m)	9M08	9M07	Δ 08/07
Investment income	4.7	35.6	-
Financial Investments Gains/(Losses)	4.7	35.6	-
Net financial interest paid	(516.1)	(372.2)	-38.7%
Net foreign exchange differences	(3.7)	16.0	-
Other Financials	(177.0)	23.1	-
Financing Gains/(Losses)	(696.7)	(333.2)	-109.1%
Financial results	(692.0)	(297.6)	-132.6%

Income from Equity Method (€ m)	9M08	9M07	Δ 08/07
Edinfor (40%)	-	(6.4)	-
Setgás (19.8%)	1.2	1.3	-8.8%
CEM (22%)	7.0	6.3	9.8%
Turbogás (40%)	4.3	10.2	-58.3%
DECA II (EEGSA (21%))	10.4	3.0	242.6%
NEO's subsidiaries	3.2	1.1	200.4%
Other	1.5	1.3	-
Income from group & associated companies	27.5	16.8	63.5%

Capital Gains/(Losses) (€ m)	9M08	9M07	Δ 08/07
IPO of EDP Renováveis	405.3	-	-
Turbogás and Portugal	49.4	-	-
REN	17.0	30.3	-43.9%
Edinfor	4.8	-	-
Other	6.3	(9.9)	-
EDP Group	482.8	20.4	-

Minority Interests (€ m)	9M08	9M07	Δ 08/07
EDP Renováveis	7.1	3.0	136.7%
HC Energia + Naturgas	4.0	7.3	-45.2%
Portgás	1.0	3.4	-70.6%
Energias do Brasil	80.8	77.0	4.9%
Other	-	2.0	-
EDP Group	92.9	92.7	0.2%



EDP 9M08 Financial Results reflect:

- Higher **net financial interests paid** (up 38.7% YoY) following higher average gross debt (up 29.6% YoY) and a 12 bp increase in the group's average cost of debt resulting from credit market conditions (5.7% in the 9M08 vs. 5.6% in the 9M07).
- Decline in **other financials** due to: 1) impairment losses of €48m in the 9M08 to reflect the decrease in market value of EDP's 8% stake in Sonaecom, 2) impairment losses of €150m in 9M08 to reflect the decrease in market value of EDP's 3.2% stake in BCP, 3) the inclusion of hedging financial results in energy markets which declined from €27m gain in 9M07 to €33m loss in the 9M08.
- **Income from associated companies** amounted to €27.5m in the 9M08, up from €16.8m in the 9M07: i) the 9M08 include a €10.4m equity contribution from DECA II (Guatemala) vs. €3.0m in the 9M07; ii) the 9M07 include a €6.4m loss regarding Edinfor's equity contribution, vs. no contribution in the 9M08, as EDP's 40% share in Edinfor were assets available for sale as of Dec-07, and EDP decided to exercise its put option over this participation in the 1Q08; and iii) the 9M08 include a €4.3m equity contribution from Turbogás, disposed of in May 2008, vs. €10.2m in the 9M07.
- **Capital gains/(Losses)** amounted to €482.8m in the 9M08, up from €20.4m in the 9M07 due to: (i) a €405m gain stemming from the dilution of the financial participation that EDP has in EDP Renováveis as a result of the IPO; (ii) a €49m gain, resulting from the sale of EDP's 40% stake in Turbogás and 27% of equity of Portugal for a price of €140 million, in May 2008; iii) a €17m gain booked on the disposal of a 1.5% stake in REN in the 1Q08; and iv) a €4.8m gain booked on the exercise of EDP's put option over the 40% owned in Edinfor for a minimum pre-agreed price of €55m, in the 1Q08.

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



Business Areas

Iberian Electricity Market



Energy Balance (GWh)	Portugal			Spain		
	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07
Hydro	5,097	7,956	-36%	16,428	21,765	-25%
Nuclear	-	-	-	45,065	40,555	11%
Coal	6,969	8,456	-18%	32,807	53,903	-39%
CCGT	10,349	7,620	36%	71,159	46,658	53%
Fuel/Gas/Diesel	225	661	-66%	1,667	1,838	-9.3%
Own consumption	-	-	-	(6,274)	(6,429)	-2.4%
(-)Pumping	(481)	(362)	33%	(2,567)	(3,204)	-20%
Conventional Regime	22,159	24,331	-9%	158,284	155,086	2.1%
Wind	3,856	2,931	32%	21,804	19,974	9%
Other	4,307	4,719	-8.7%	25,968	21,791	19%
Special Regime	8,163	7,650	7%	47,772	41,765	14%
Import / (Export) net	6,962	5,060	38%	(8,057)	(2,814)	186%
Gross demand (before grid losses)	37,284	37,041	0.7%	197,999	194,037	2.0%
Adjusted to temperature and working days			1.7%			2.3%
Regulated System	36,248	32,558	11%	122,892	141,830	-13.4%
Liberalized Market	1,036	4,483	-77%	75,068	51,981	44%

In 9M08, electricity demand in Iberia increased by 1.4% YoY as a result of a 1.3% increase in Portugal and a 2.1% increase in Spain. Adjusting temperature and working days, demand was up by 1.7% in Portugal and 2.3% in Spain.

Wind output increased 12% YoY in 9M08, below the 28% YoY increase of wind installed capacity by Sep-08. This performance was penalized by 12% YoY decrease in 3Q08 output dragged by adverse weather conditions, particularly in Spain. In fact, while in Portugal wind output increased 11% YoY in 3Q08, in Spain output was down 12% YoY in 3Q08.

Hydro production in the Iberian market declined by 28% YoY in 9M08, to 65% of the historical average output. On a quarterly basis, output in 3Q08 was nearly 65% of the historical average year, compared to a weak 30% in 1Q08 and slightly above the average in 2Q08. Thus, hydro output in 3Q08 declined by 16% YoY, fuelling an increase in the residual thermal demand in 3Q08 vis-à-vis 2Q08.

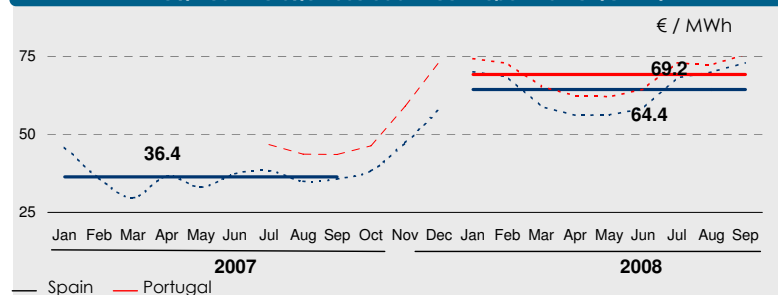
In 3Q08 gas continued to be cheaper than coal, although there has been a decrease in the gap of the two technologies variable costs. In gas, the CMP reference price for Iberian LT gas sourcing contracts rose 20% YoY, reflecting its indexation to Brent price's historical moving average and the low volatility of gas infrastructure tolls. Conversely, coal prices sharply retreated from the year peak at USD211/ton on 30-Jun-08, falling by 30% in the quarter. Also, the cost of CO₂ emissions declined 22% to €22.5/ton. As a result, CCGT output in Iberia increased 50% YoY in 9M08, on YoY higher average load factor and 24% YoY increase in CCGT capacity. In turn, coal output continued to decline in 3Q08 (-37% YoY), but at a slower pace than in 2Q08 (-58% YoY), when the outage of part of coal capacity for Desox investments and the strong increase in coal price, namely in 2Q08. On a quarterly basis, Spanish coal plants worked at higher load factors in 3Q08 vs 2Q08 (42% vs 32%).

The higher demand for thermal energy resulting from lower hydro output in 3Q08 (vs 2Q08), together with higher average production costs, supported an increase of average electricity spot price in Spain from €56.9/MWh in 2Q08 to €70.4/MWh in 3Q08. In Portugal, given the interconnection capacity restrictions within 58% of the hours of 9M08 the average pool price was €3.3/MWh higher than in Spain in 3Q08 (and €4.8/MWh in 9M08).

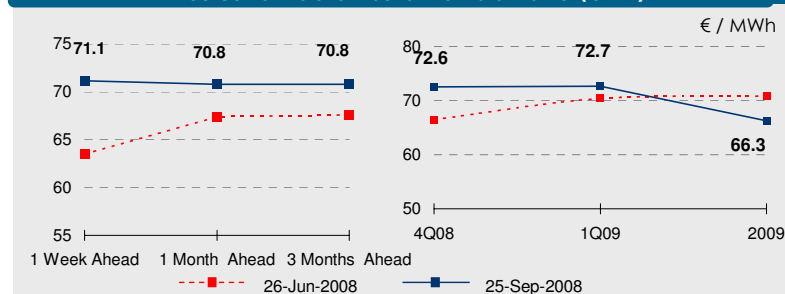
Volumes of electricity sold to retail in the market fell 77% YoY in Portugal in 9M08, after a mere 2.9% increase in tariffs as from Jan-08 (based on assumption of 2008 avg pool price of €50/MWh, including ancillary services). In Spain, volumes sold to retail in the market increased 44% YoY in 9M08 following the move by clients and suppliers considering the end of the tariff option to medium and high voltage consumers in Spain from Jul-08 onwards (130TWh annual consumption).

Installed Capacity Iberian Market (MW)	Iberian Peninsula		
	9M08	9M07	Δ 08/07
Hydro	21,235	21,235	-
Nuclear	7,439	7,439	-
Coal	12,422	12,643	-1.7%
CCGT	22,748	18,332	24%
Fuel/Gas/Diesel	6,320	6,527	-3.2%
Wind	18,447	14,375	28%
Other Special Regime	12,649	12,017	5.3%
Total	101,260	92,568	9%

Weighted Average Baseload Price in Spot Market (OMEL)



Price Curve Evolution Iberian Forward Market (OMIP)



Main Drivers of Generation Costs	9M08	9M07	Δ 08/07
Hydro Coefficient (1.0 = average year)			
Portugal	0.63	0.88	-28.4%
Spain	0.65	0.75	-13.3%
CO ₂ Allowances (EUA) €/ton ¹	22.5	0.12	n.m.
Coal (API2 CIF ARA) USD/t ¹	148.0	78.0	89.7%
Gas (CMP Spain) €/MWh	24.2	20.2	19.6%
Brent (USD/bbl) ¹	97.8	70.8	38.2%
Eur/USD ¹	1.41	1.35	3.9%

¹ End of Period

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



Financial Highlights (€ m) ⁽¹⁾

	9M08	9M07	Δ 08/07
PPA Revenues (1H07)	3.8	579.9	
Capacity Charge	0.6	466.9	
Energy Charge	3.2	113.0	
PPA/CMEC Revenues (1H08)	1,181.2	306.2	
Revenues in the market	946.1	202.2	
Annual Deviation - Market vs. CMEC Assumptions	104.2	48.9	
PPAs/CMECs Accrued Income	72.5	35.6	
Base CMEC Fee	58.5	19.5	
PPA/CMEC Direct Costs	430.0	192.7	123.2%
Coal	158.4	132.5	19.5%
Fuel Oil	39.0	50.9	-23.3%
CO2 and Other Costs (Net)	232.6	9.3	2397%
Gross Profit PPAs/CMECs	755.0	693.4	8.9%

Cogeneration, Waste & Biomass	42.1	37.5	12.3%
Mini-Hydro	11.5	9.2	24.4%

Gross Profit Special Regime	53.5	46.7	14.7%
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Gross Profit Other	-	8.5	-
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Operating Costs	152.8	138.8	10.1%
EBITDA	655.7	610.4	7.4%
Depreciation & Provisions	183.5	195.4	-6.1%
EBIT	472.2	415.0	13.8%

Real/Contracted Availability Factor (Km)

	9M08	9M07	Δ 08/07
Hydro Plants	1.03	1.04	-0.5%
Thermal Plants	1.06	1.07	-0.1%

Electricity Generation Output (GWh)

	9M08	9M07	Δ 08/07
Hydro Plants	4,677	7,545	-38.0%
Thermal Plants	4,770	6,636	-28.1%
Sines	4,545	5,975	-23.9%
Setúbal	170	478	-64.3%
Carregado	(8)	96	-
Barreiro	62	87	-28.8%
Tunes	-	0	-

Total PPAs/CMECs	9,448	14,181	-33.4%
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Cogeneration Portugal	491	561	-13%
Cogeneration + Waste Spain	552	390	42%
Mini-Hydro Portugal	129	119	9%
Biomass Portugal	30	21	44%

Total Special Regime	1,201	1,090	10.2%
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Special Regime Tariffs (€/MWh)

	9M08	9M07	Δ 08/07
Cogeneration Portugal	95	85	11.6%
Mini-Hydro Portugal	89	85	5.2%
Biomass Portugal	113	113	-0.4%

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

Regarding gross profit break down there are now 4 components: 1) Revenues in the market, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments; 2) Annual deviation, equivalent to the difference between CMECs' main assumptions (outputs, market prices, fuel and CO2 costs) and the market real data, which will be paid/received by EDP through regulated tariffs one year after taking place; 3) PPAs/CMECs Accrued Income, reflecting the differences in the period in terms of cash flow profile between PPAs and CMECs assumed at the beginning of the system; 4) Base CMEC Fee, the fixed monthly fee of €6.8m EDP will receive through regulated tariffs over the 20.5 years lifetime of the CMECs system, if not securitized before.

In 9M08, EBITDA from Iberian contracted generation increased 7.4% (or +€45m) YoY fuelled by higher gross profit (+8% YoY, or +€60m). In recurrent terms, gross profit grew 2.9% (+€22m), mainly supported by PPAs/CMECs business (+3.4%, +€24m YoY). In fact, in spite of the termination of PPA termination of the 165MW Tunes gasoil plant in Dec-07 (€4.4m in 9M07), PPAs/CMECs gross margin was fuelled by additional contracted margin resulting from the new Sines coal plant's Desox facilities (under PPA). The new desox facilities at Sines represented a €196m investment, from which 50% was commissioned in Jun-07 and the remaining 50% in Jun-08.

The real/contracted availability ratio showed a slight decline in hydro, due to ongoing repowering at two plants, and also a slight decline in thermal, due to some punctual unexpected outages at Sines.

Looking forward it is noteworthy that the Portuguese government has already approved a €100m denox investment at Sines, to be installed between 2008 and 2011. All these investments are to be remunerated at 8.5% ROA before inflation and taxes and should be fully recovered over the lifetime of Sines plant's PPA which ends by Dec-2017.

The 15% (+€6.8m) YoY increase in gross profit of special regime is explained by the acquisition in Portugal of: (1) the Pedrogão mini-hydro plant (10MW) consolidated as from Nov-07, (2) VV Rodão biomass plant, consolidated as from Jun-08, and (2) Pebble Hydro (11 mini-hydro plants in Portugal with a 89MW capacity and expected EBITDA in an average hydro year of €18m), consolidated as from Jul-08. In cogeneration, the lower output in Portugal resulting from the outage for major maintenance works was more than compensated by higher load factors in Spain.

Recurrent EBITDA grew by 1.2% YoY. Main non recurrent adjustments include: (i) €5.8m net negative impact in 1H07 due to fuel procurement costs below international indexes (€5.8m cost in 1H07, €3.8m of which was recovered in 1H08), (ii) a €36.9m in 9M08 vs €6.2m in 9M07, stemming from procurement cost below international indexes. Note that from Jul-07 onwards EDP started to hedge the deviations in fuel costs resulting from the time lag between fuel procurement and consumption date in PPA/CMEC activity through financial derivatives. As a result, EDP's 9M08 financial results include €17.7m costs with fuel hedging.

Liberalised Electricity Generation and Supply in the Iberian Market



Financial Highlights (€ m) | 9M08 | 9M07 | Δ 08/07

Gross Profit - Liberalized Generation and Supply	379.1	461.4	-18%
Generation in the market	326.8	399.3	-18%
Portugal	106.2	92.2	15%
Spain	220.6	307.1	-28%
Supply	52.3	62.2	-15.9%
Portugal ⁽¹⁾	10.2	12.8	-21%
Spain	42.1	49.3	-15%
Operating costs	133.8	175.1	-24%
EBITDA	245.3	286.4	-14%
Depreciation and amortization	119.8	95.0	26.2%
EBIT	125.5	191.4	-34%

At Financial Results Level:

Hedging Gains (Losses) in Energy Markets	-16.0	37.0	-
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Market Performance | 9M08 | 9M07 | Δ 08/07 | 9M08 | 9M07 | Δ 08/07

	Output (GWh)			Variable Cost (€/MWh)		
Generation Output	14,902	15,635	-4.7%	42.3	26.6	59%
CCGT	8,680	5,902	47%	58.7	41.1	43%
Coal	4,417	7,887	-44%	26.6	21.7	23%
Hydro	947	955	-0.9%	-	-	-
Nuclear	859	891	-3.6%	3.3	3.3	-0.8%
Electricity Purchases & Other	5,221	1,818	187%	66.7	36.2	84%

Electricity Sources	20,123	17,453	15%	48.6	28.2	72%
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	Volume Sold (GWh)			Average Price (€/MWh)		
Grid Losses & Other	442	246	-			

Portugal	741	2,138	-65.3%	67.8	57.9	17.0%
Spain	10,367	7,883	31.5%	62.6	58.0	7.9%
Retail	11,108	10,021	10.8%	63.0	58.0	8.5%
Wholesale Spot Market	8,136	6,246	30.3%	76.3	49.0	55.8%
Wholesale Forward Market	437	891	-50.9%	67.4	43.8	53.8%
Total Volume	20,123	17,405	15.6%	68.6	53.7	27.7%

Load Factor | 9M08 | 9M07 | Δ 08/07

CCGT	65%	58%	7.0 pp
Coal	46%	79%	-32.8 pp
Hydro	16%	22%	-5.8 pp
Nuclear	84%	87%	-3.2 pp

Number of Supply Clients | 9M08 | 9M07 | Δ 08/07

Number of Clients (th)	295.2	196.5	50%
Portugal	180.6	106.5	70%
Spain	114.6	90.0	27%

In 9M08, gross profit of liberalised electricity generation and supply in the Iberian market declined by 18% (-€82m) YoY, largely penalised by generation & supply activities in Spain.

In Spain, gross profit from generation decreased by 28% YoY, to €221m in 9M08, penalized by lower generation volumes, higher sourcing costs and a €12m reduction in capacity payments.

Our coal output was 44% lower YoY, penalized: (i) in 1Q08 by the outage for large maintenance works of our Soto 3 plant and, (ii) in 2Q08 and 3Q08, by the sharp increase of coal marginal cost. Although higher demand for residual thermal energy in 3Q08 enhanced Spanish pool prices, slightly improving clean dark spread (CDS) in 3Q08 (vs 2Q08), margins are still unsatisfactory and coal remains more expensive than gas. Thus, HC's coal generation has been mostly concentrated on the most efficient plants of Aboño, with Soto 3's operations mainly confined to the market of restrictions. In turn, despite the increase of gas marginal cost, our output from CCGTs increased by 113% YoY in 9M08 backed by: (i) start up of operations of Castejon 3 and Soto 4 (each adding 418MW, in Dec-07 and Sep-08 respectively) and (ii) higher residual thermal demand, supporting load factors of our CCGTs at 49% in 9M08. The YoY 4% decline in nuclear production was justified by a programmed outage for maintenance works. As a result of pool prices being below HC's marginal generation cost in Spain during a significant part of 2Q08 and 3Q08, our electricity purchases in the Spanish pool increased substantially in 9M08 (vs. 9M07), and particularly in 3Q08, increasing the overall sourcing cost.

Regarding costs, it is noteworthy that EDP's low average coal generation cost posted in 9M08 is backed by: (1) consumption of coal purchased in 2007 at prices around USD90/ton, (2) concentration of coal output in our most efficient plants (namely Aboño, which benefit from the burn of blast furnace gas) and (3) lower CO2 costs resulting from lower output and a cleaner generation mix, both allowing a decrease in the ratio CO2 allowances purchases/total CO2 emissions. Additionally, as a result of lower consumption of coal due to unexpected decrease of load factors, EDP accumulated significant levels of coal purchased in 2007 in 2Q08 and 3Q08. Rather than burning coal in its plants, abnormally high coal prices allowed us to book revenues €15m on the sale of some cargos.

In Portugal, gross profit from liberalized generation grew by 15% YoY in 9M08, to €106m. While the clear deceleration from 6M08 (when output rose 62% YoY) merely reflects a tougher comparison basis in 3Q07, Portugal's liberalised operations keep profitability levels well above Iberian average, both in terms of volumes and margins. This activity includes mainly our Ribatejo 1,176MW CCGT, which showed a 76% load factor in 9M08 (well above Spanish average of 50%), benefiting from: (1) Portugal's lower reserve margin, (2) low hydro production in 1Q08 and 3Q08 and (3) outage of 50% of Sines coal plant for maintenance in 2Q08. The bulk of our Ribatejo CCGT output in 9M08 was sold in the Portuguese pool, which in this period showed an average price €4.8/MWh higher than in Spain, at €69/MWh. This together with our competitive integrated gas sourcing allowed us to achieve richer realized spark spreads in 9M08 than in Spain.

In the supply business, we booked a 32% YoY increase in volumes supplied in Spain, benefiting from the liberalization of an equivalent 130TWh annual consumption as from July 1, 2008 and from the inclusion of Naturgas electricity activity. Moreover, average selling price rose by 8% YoY in 9M08. In Portugal, volume sold in supply fell significantly (-65% YoY) as a result of low generation price (€50/MWh including ancillary services) assumed by the regulator in 2008 retail tariffs. Volumes supplied are now concentrated in a few segments of residential consumers in which market prices are still competitive vs. tariffs.

For 2009 EDP has already contracted 38% of expected output of its liberalized generation plants in the Iberian market and have locked clean spark/dark spreads at satisfactory levels.

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

Iberian Electricity Generation and Supply



Income Statement (€ m)	Electricity Generation						Electricity Supply						Generation & Supply		
	Portugal			Spain			Portugal			Spain			Total ^(m)		
	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07
Gross Profit	893.5	814.2	9.7%	247.1	325.9	-24.2%	10.2	18.8	-45.9%	42.1	49.3	-14.6%	1,187.7	1,210.6	-1.9%
Supplies and services	79.9	66.8	19.6%	40.1	42.2	-5.1%	10.4	16.5	-36.8%	25.9	22.8	13.7%	151.0	146.3	3.2%
Personnel costs	60.2	63.5	-5.2%	25.6	25.5	0.6%	3.5	3.7	-5.7%	4.8	4.0	20.8%	94.1	96.7	-2.7%
Costs with social benefits	28.0	18.3	53.5%	1.2	1.0	18.6%	0.1	0.2	-28.4%	0.1	0.1	-11.4%	29.5	19.6	50.6%
Generation centre rentals	3.6	2.9	23.0%	-	-	-	-	0.0	-	-	-	-	3.6	2.9	22.4%
Other operating costs / (revenues)	(11.1)	(6.5)	-71.9%	37.0	48.7	-23.9%	(1.4)	1.0	-	(16.1)	(13.6)	18.7%	8.4	48.4	-82.5%
Operating Costs	160.6	145.0	10.7%	103.9	117.4	-11.5%	12.7	21.3	-40.7%	14.7	13.3	10.4%	286.6	313.9	-8.7%
EBITDA	733.0	669.2	9.5%	143.1	208.5	-31.3%	(2.5)	(2.5)	-1.8%	27.4	36.0	-23.9%	901.1	896.8	0.5%
EBIT / Revenues	31.6%	47.6%	-16.0 pp	19.5%	34.8%	-15.4 pp	-2.0%	-1.0%	-0.9 pp	3.3%	6.0%	-2.7 pp			
Provisions for risks and contingencies	0.2	9.2	-97.3%	6.9	0.0	n.m.	11.3	(1.8)	-	(0.3)	(3.5)	-91.1%	18.2	4.0	354.2%
Depreciation and amortization	207.4	191.2	8.5%	79.2	92.7	-14.7%	0.7	3.7	-79.9%	0.9	1.8	-46.7%	288.3	289.4	-0.4%
Comp. of subsidised assets' depr.	(2.8)	(2.7)	2.9%	(0.3)	(0.3)	2.1%	-	-	-	-	-	-	(3.1)	(3.0)	2.8%
EBIT	528.0	471.5	12.0%	57.4	116.1	-50.5%	(14.5)	(4.4)	227.6%	26.8	37.7	-29.0%	597.7	606.4	-1.4%
EBIT / Revenues	22.8%	33.5%	-10.8 pp	7.8%	19.4%	-11.6 pp	-11.6%	-1.8%	-9.8 pp	3.2%	6.3%	-3.1 pp			
Employees	1,601	1,587	0.9%	702	702	-	80	80	-	89	91	-2.2%	2,472	2,507	-1.4%

Capex (€m)	9M08	9M07	Δ 08/07
Liberalized Generation	365.9	283.3	82.6
Expansion	319.6	223.5	96.1
CCGT	219.0	216.3	2.7
Hydro	100.6	7.2	93.4
Maintenance	46.3	59.8	-13.5
Recurrent	29.5	18.0	11.5
Non recurrent (environmental)	16.8	41.8	-25.1
PPA/CMEC Generation	74.7	69.2	5.5
Hydro Recurrent	8.2	5.3	2.8
Thermal Recurrent	21.5	19.9	1.6
Non recurrent (environmental)	45.1	44.0	1.1
Special Regime	20.1	4.2	15.8
Expansion	19.2	3.8	15.5
Maintenance	0.8	0.5	0.4
Supply Portugal & Spain	4.0	1.5	2.5
Other	25.6	16.8	8.8
Total	490.3	375.1	115.3
Expansion	338.9	227.3	111.6
Maintenance and other	151.5	147.8	3.6

Taken as a whole, gross profit in generation and supply business in Iberia was 1.9% lower YoY supported by stable profile of contracted generation business. Operating costs of integrated generation & supply decreased 8.7% YoY, helped by some non-recurrent issues: (1) €10.8m severance payments in Portugal (€2.1m in 9M07), (2) partial reversal (€13m) in 9M08 of a provision (€80m) booked by the generation business in Spain in YE07, related to potential deviations between EDP's interpretation of the RD 03/2006 and the final regulatory outcome. In 9M08, the impact from the RD 11/2007 regarding the CO2 clawback amounted €46m. Adjusted for these effects, operational costs decreased by 5.7% YoY in 9M08 positively impacted by lower marketing and personnel expenditures in supply business in Portugal, resulting from shrinking activity.

In 9M08, capex in generation & supply totaled €490m (1.2x 9M07), fuelled by investments in low CO2 emission technologies, CCGT and hydro. In 9M08, 68% of total capex referred to expansion projects, the bulk of which in the liberalized market. In CCGTs, Soto 4 plant in Spain started operations in Sep-08 (€226 total capex, €48m invested in 9M08) and the construction works of the Lares 1 and 2 plants in Portugal, representing a 862MW capacity and €458m total capex are well on track to start operations in Jul-09 and Sep-09, with 72% of total capex already incurred (€153m of which in 9M08). In hydro, expansion capex in 9M08 amounted to €101m including: (1) €53m payment for Foz Tua concession (312MW) and (2) €43m capex incurred on execution of Picote II and Bemposta II repowering projects and the new Baixo Sabor hydro plant. Additionally, investments in new special regime capacity gained pace in the 9M08 with €19m spent in new cogeneration (24MW in Barreiro, due in 2010) and biomass projects (40MW due in 2009). In terms of maintenance capex it is noteworthy the €45m invested in Sines Desox and Denox new facilities during 9M08.

In Apr-08 EDP paid €759m for the extension of the hydro concession of the 4,094MW hydro plants currently under PPA/CMEC. EDP will operate these plants in the market after the end of PPA/CMEC regime. Later in July, EDP won the international tender for the concession of the new Fridão and Alvito hydro plants in Portugal (450MW capacity) which will imply a payment in advance of €231.7m for the concession rights and further €666m total construction capex until 2016.

Overall, accumulated capex on projects currently under construction amounted to €436m by the end of Sep-08, corresponding to 72% of total planned capex in CCGTs and 12% total planned capex in hydro projects.

EDP Renováveis



Income Statement (€ m)	EUROPE (NEO)			EUA (Horizon)			EDP Renováveis			Main Operational Data	9M08	9M07	Δ 08/07
	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07				
Gross Profit	276,8	181,0	53%	83,8	11,3	-	360,6	-	-	EBITDA Installed Capacity (MW)	3,502	2,123	1,379
Supplies and services	39,5	29,4	34%	30,2	3,8	-	70,6	-	-	Portugal	517	392	126
Personnel costs and soc. benefits	14,0	10,2	37%	12,3	4,4	-	25,9	-	-	Spain	1,344	951	393
Other operating costs/(revenues) (1)	6,3	1,5	326%	-49,3	-3,9	-	-42,4	-	-	France	144	75	69
Operating Costs	59,8	41,1	46%	-6,8	4,2	-	54,1	-	-	USA	1,497	706	792
EBITDA	217,0	139,9	55%	90,6	7,1	-	306,5	-	-	Electricity Output (GWh)	5,353	2,450	119%
EBITDA / Gross Profit	78,4%	77,3%	1p.p.	108,1%	62,6%	-	85,0%	-	-	Portugal	727	553	32%
Provisions for risks and contingencies	-0,9	-	-	1,3	-	-	0,4	-	-	Spain	1,875	1,519	23%
Depreciation and amortisation	87,1	62,4	40%	60,5	8,0	-	147,6	-	-	France	175	81	117%
Comp.of subsidised assets' depreciation	-0,5	-0,1	-351%	-	-	-	-0,5	-	-	USA (4)	2,576	297	-
EBIT	131,3	77,7	69%	28,8	-1,0	-	159,0	-	-	Avg. Load Factors (%)			
EBIT / Gross Profit	47,4%	42,9%	5p.p.	34,4%	-8,5%	-	44,1%	-	-	Portugal	25,9%	25,3%	1 pp
Employees	320	273	17%	272	169	61%	592	-	-	Spain	24,8%	26,5%	(2 pp)
Opex / MW (€ 000, annualized) (2)	43,3	42,3	2%	38,8	-	-	42,0	-	-	France	22,7%	27,9%	(5 pp)
Opex / MWh (€) (2)	21,5	19,1	13%	14,3	-	-	18,3	-	-	USA	31,0%	-	-
EUROPE Gross Profit (€ m)				USA Adjusted G. Profit (€ m)									
	9M08	9M07	Δ 08/07		9M08	9M07	Δ 08/07						
Portugal	73,6	55,1	34%	Electricity Revenues & RECs				84,1	-	-			
Spain	186,2	105,8	76%	Services Rendered & Other				-0,3	-	-			
France	12,9	6,6	97%	Gross Profit				83,8	-	-			
Wind	272,7	167,4	63%										
Other & Adjustments	4,1	13,5	-70%	PTC Revenues & Other (3)				41,3	-	-			
Total	276,8	181,0	53%	Adjusted Gross Profit				125,1	-	-			
Europe Average Tariffs (€/MWh)											97,9	82,0	19%
Portugal											100,1	97,7	2%
Spain											99,4	76,6	30%
France											73,2	75,9	-4%
USA Avg. Tariffs (USD/MWh))											87,0	-	-
Avg. elect. price (energy + REC)											49,2	-	-
Institutional partnership revenues											37,8	-	-

• As of Sep-08, EDP Renováveis (EDP R) wind installed capacity totalled 3,502 MW, up 1,379 MW YoY, of which 587 MW were installed in Europe and 792 MW in US, reflecting the delivery of our wind farms' pipeline on schedule. By the end of Sept-08, EDP R had 1,612 MW under construction, out of which 987 MW in Europe and 625 MW in US.

• EDP R is on track to achieve the 1.4 GW of additional capacity forecasted for YE08. With more than 1.6 GW under construction, EDP R already has strong visibility on the capacity to be installed in 2009, which provides strong evidence on the company's ability to manage the construction works of more than 2,000 MW since the beginning of 2008.

• Electricity output at EDP R totalled 5.4 TWh in the 9M08. In Europe, electricity output from wind power increased by 29% YoY, to 2,8 TWh. Our portfolio of wind in Europe recorded a 25% average load factor in the 9M08. On a QoQ basis, the average load factor in Europe decreased from the 24.3% in 2Q08 to 20.3% in 3Q reflecting the seasonality effect of the wind resource throughout the year. In US, following the strong increase in installed capacity, electricity output totalled 2,6 TWh in the 9M08. Load factors in the period reached 31.0% (vs. 28.7% for the Jan-08 to Sept-08 period) reflecting the substantial change in EDP R portfolio vis-à-vis 9M07.

• EDP R gross profit reached €360.6m, on the back of higher electricity output to 5.353 GWh and of attractive selling prices of €97.9/MWh in Europe and USD87.0/MWh in US (including PTCs). In Europe, average selling prices benefited from an increase in Spanish pool prices and the maintenance of top-quality net capacity factors. In US, gross profit adjusted for PTCs and other revenues related to institutional partners reached €125.1m.

• Operating costs at EDP R reached €54.1m in the 9M08. In Europe, operating costs increased 45.7% YoY, mainly driven by the business growth, which reflects into: (i) higher O&M expenses related to the entry into operation of new capacity, and (ii) higher personnel costs due to the additional headcount needed to fuel the activity growth. In terms of average operating costs per MW installed (€43.3th), this ratio increased in line with inflation on a yearly basis. In US, average operating costs per MW installed, when adjusted for PTCs and other revenues related to institutional partners, reached €14.3/MWh (5).

• All in all EDP R EBITDA for the 9M08 totalled €306.5m, which corresponds to an EBITDA margin of 85.0%.

(1) Includes generation centre rentals; (2) In USA, operational costs exclude PTC revenues and other revenues related to Horizon's Institutional partnership; (3) Institutional partnership revenues grossed-up for taxes, calculation only includes projects once they are contributing to a tax equity portfolio; (4) In the 9M07 Horizon contributed for wind generation only from Jul-07 to Sept-07 (Horizon was acquired in Jul-07) (5) Adjusted for liquidated damages at HWE

Note: Average exchange rate for 9M2008 was 1.53 USD/EUR vs. 1.34 USD/EUR in the 9M2007. Exchange rate as of Sept-08 was 1.43 USD/EUR vs. 1.42 USD/EUR as of Sept-07.



Gross MW	Under Constr.	Pipeline				Prospects	Total
		Tier 1	Tier 2	Tier 3	Total		
Spain	783	415	636	1,707	2,758	2,911	6,452
Portugal	78	489	-	17	506	232	816
Rest of Europe	126	464	608	615	1,686	1,383	3,196
- France	49	127	92	312	530	726	1,306
- Belgium	57	13	-	37	49	25	131
- Poland	20	100	456	254	810	192	1,022
- Romania	-	225	60	12	297	440	737
Europe	987	1,368	1,244	2,339	4,950	4,526	10,463
USA	625	300	3,913	7,872	12,085	5,838	18,548
Brazil	-	-	-	-	-	216	216
Total	1,612	1,668	5,156	10,211	17,035	10,580	29,227

• EDP Renováveis pipeline increased to a robust 29.2 GW. The enlarged pipeline gives EDPR enough matured options to maintain a profitable growth and confidence to achieve long-term targets. EDPR follows a very rigorous capital allocation criteria based on profitability and value creation to the shareholders. The large pipeline allows the selection of the best projects to move forward to the construction phase. This will be enhanced by limiting the allocation of capital to foster a healthy competition between regions and projects to become eligible for the start-up.

• EDPR's pipeline was enhanced by the acquisition of 1,296 MW under development in France (560 MW) and Romania (736 MW - acquired in October) in different stages of maturity and prime locations, enabling EDP Renováveis to selectively diversify its portfolio of growth options.

CAPEX (€m)	9M08	9M07	Δ 08/07
Spain	431	225	92%
Portugal	52	100	-48%
Rest of Europe	28	14	103%
USA	738	256	188%
Total	1,249	595	110%

Works in progress (€m)	Under Constr. and Development MW
Total as of Sept- 08	1,228,7

• Capex in the period amounted to €1,249m, of which €511m in Europe and €738m in US (\$1,128m), reflecting the end of construction of 515 MW, the 1,612 MW under construction and turbine deposits made during the period.

• Capital expenditures in the 9M08 with projects already in operation amounted to c€460m (reflects in part capex from 2007 projects and the end of construction of 515MW). Investments in capacity under construction and development reached c€790m, of which €132m related to turbine deposits.

• It is important to highlight that total works in progress related to capacity under construction/development amounted to €1,229m, reflecting the cash-out already incurred with this projects.

Distribution in Portugal



Electricity Consumers (thousand)	9M08	9M07	Δ 08/07
Regulated Supply	5.903	5.915	-12
Liberalized Market Supply	181	110	71
Total Electricity Consumers	6.085	6.025	60
Electricity Delivered to the Distribution Grid (GWh)	9M08	9M07	Δ 08/07
Regulated System	36.069	32.159	12,2%
Liberalised Market	1.050	4.478	-76,5%
Electricity Delivered to the Distribution Grid	37.120	36.637	1,3%
Electricity Sales & Gross Profit (€ m)	9M08	9M07	Δ 08/07
Electricity Sales & Tariff Deviations and Deficits	4.434,3	3.432,4	29,2%
Purchases	3.337,4	2.472,0	35,0%
Electricity Gross Profit	1.097,0	960,4	14,2%
(-) 2006/08 Tariff Deficit Reposition (Jan-Feb)	(2,4)	-	-
(-) 2007 Tariff Deficit Recognition Reposition	84,2	-	-
Adjusted Electricity Gross Profit	1.015,2	960,4	5,7%
Tariff Difference to receive/(return)	-	(25,1)	-
Total Allowed Revenues	1.015,2	935,3	8,5%
Capex and Quality of Service	9M08	9M07	Δ 08/07
Equivalent Interruption Time (min)	68	72	-4
Capex - Net of Subsidies (€m)	138	157	-19

• Electricity inflow into EDP Distribuição (EDP D) distribution grid in Portugal increased 1.3% YoY in the 9M08, or 1.9% YoY adjusted for temperature and working days. Electricity distributed fell short of the regulator's assumption input in the calculation of 2008 tariffs, reflecting the slowdown of Portuguese economy and higher energy efficiency. This lower consumption led to a €21m tariff deviation in the distribution grid activity.

• The volume of electricity supplied to regulated clients by EDP Serviço Universal (EDP SU), the Portuguese regulated last resource electricity supplier, rose 9.3% YoY to 33.4 TWh in the 9M08, above the regulator's assumption in 2008 tariff's calculation, given the unexpected massive switching of clients from the liberalized market to the regulated supplier that followed the significant increase in market prices when compared to the 2008 tariffs set by the regulator. Note that in the 9M08, the electricity procurement cost supported by EDP SU for the supply of regulated clients was €75/MWh vs. the regulator's assumption of €50/MWh (including ancillary services). As a result of higher electricity procurement costs and volumes supplied, EDP SU had to support a tariff deviation of €688m in the 9M08.

• Integrated gross profit from the distribution grid and last resource supply activities rose 15.2% YoY to €1,118.5m in the 9M08 – When excluding previous years' tariff adjustments, gross profit would have decreased 1% YoY. Note that the recent regulatory change determines the same regulatory/legal framework for tariff deviations and for 2006/07 tariff deficits. As such, EDPD and EDP SU 9M08 tariff deviations, totalling €709m, as well as EDP SU 2007 energy purchase tariff deviation, amounting to €84m, were booked as electricity revenues in the period.

• Electricity distribution and regulated supply activities in Portugal will start in Jan-09 a new regulatory period: 2009-2011. The new regulatory assumptions and regulated revenues for these companies over the next 3 years were proposed on a preliminary basis by ERSE on 15-Oct-08 (and final figures should be published until 15-Dec-08). Within the scope of this proposal, which anticipates a 4.9% avg. annual increase for electricity tariffs in Portugal, a €1,717 million tariff deficit was created which is mostly the

Income Statement (€ m)	9M08	9M07	Δ 08/07
Gross Profit	1.118,5	970,8	15,2%
Supplies and services	200,0	186,4	7,3%
Personnel costs	128,3	143,1	-10,3%
Costs with social benefits	104,3	64,1	62,7%
Concession fees	170,7	168,1	1,5%
Other operating costs / (revenues)	(4,9)	8,4	-
Operating Costs	598,4	570,1	5,0%
EBITDA ⁽¹⁾	520,1	400,7	29,8%
EBITDA/Gross profit	46,5%	41,3%	5,2 pp
Provisions for risks and contingencies	2,4	3,5	-33,0%
Depreciation and amortization	254,5	253,3	0,5%
Compensation of subsidised assets' depreciation	(65,0)	(64,0)	-1,6%
EBIT	328,2	207,9	57,9%
EBIT/Gross Profit	29,3%	21,4%	7,9 pp
Number of Employees	9M08	9M07	Δ 08/07
Number of Employees	4.702	5.167	-465
Employee/TWh ⁽²⁾	103	111	-7,9%
Clients / Employee	1.294	1.166	11,0%

result of much higher energy prices than ERSE's assumption for 2008 tariffs and of low hydrological levels recorded in 2008. This amount also includes €447m related to the spread between SR tariffs and market prices for 2009. DL 165/2008, of August 21, defines that this tariff deficit, to be supported by EDP, is to be recovered, with interests (Euribor + 90bp) (3) , through the tariffs applicable to all electricity consumers, as from January 1, 2010 and for a 15 years period. The same DL also allows the tariff deficit to be transferred without recourse to a third party.

• Controllable operating costs (supplies & services and personnel costs) decreased 0.3% YoY, on the back of a 10.3% YoY decrease in personnel costs, which was due to a €7.7m non-recurrent cost accounted for in the 9M07 but that was diluted until YE07. Excluding this impact, controllable operating costs would have increased 1.9% YoY and personnel costs would have decreased 5.2% YoY (or 2.6% excluding severance payments and personnel costs capitalization). Personnel costs reflect the 9% YoY decrease in the number of employees in the period. In consequence, the clients/employee efficiency ratio improved 11% YoY. As for supplies and services, the 7.3% YoY increase was mostly driven by higher invoicing and billing services due to the application of Law nº12/2008 that states that the invoice should have a monthly periodicity (EDP SU gave to clients the possibility to choose the invoicing periodicity) and by an increase in IT costs.

• Costs with social benefits increased €40.2m YoY on the back of: (i) a €32.1m cost related to the ongoing HR Restructuring program (vs. €9.8m in the 9M07) regarding 148 early retirements that signed to leave in the 1Q09; and (ii) an increase in pension premiums and higher provisions for medical care.

• In the 9M08, capex decreased 11.9% YoY to €138m due to a different scheduling of the investments in the distribution network, which will increase in the 4Q08 to respond to regulatory requirements and to the growth of electricity consumption. The quality of service remained above the regulatory targets, with an EIT of 68 min. when adjusted for non-recurring impacts (rainstorms, high winds and summer fires).

⁽¹⁾ Normalized EBITDA (i.e. excluding tariff differences and t-2 and t-1 tariff adjustments) is €556m for the 9M08 and €581m for the 9M07

⁽²⁾ Annualized

⁽³⁾ Defined by Dispatch nº 727676/2008

Distribution in Spain



Electricity Consumers (thousand)	9M08	9M07	Δ 08/07
Regulated Supply	549	562	-2.2%
Liberalized Market Supply	77	52	48.2%
Total Electricity Consumers	626	613	2.1%

Electricity Distribution (GWh)	9M08	9M07	Δ 08/07
High Voltage	4,422	4,408	0.3%
Medium Voltage	954	893	6.8%
Low Voltage	1,890	1,817	4.0%
Electricity Distributed	7,266	7,118	2.1%
o/w Third-Party Access	1,719	1,110	54.9%

Regulated Revenues (€ m)	9M08	9M07	Δ 08/07
Transmission	4.9	4.5	8.4%
Distribution	100.1	94.8	5.6%
Supply	6.0	5.8	3.3%
Electricity Regulated	110.9	105.1	5.6%

Capex and Quality of Service	9M08	9M07	Δ 08/07
Equivalent Interruption Time (min)	45	52	-7
Capex (net of subsidies) €m	35	7	28

• In the 9M08 the volume of electricity distributed in Asturias increased 2.1% YoY. Our electricity distribution activity in Spain showed a gross profit increase of 10.8% YoY to €121.2m in the 9M08, reflecting a 5.6% increase in regulated revenues recognized in the 2008 tariffs and a €5.4m increase in services rendered due to the accounting of non-recurrent regulatory revenues from previous years (€5.2m).

• Operating costs increased 49.7% YoY (+€17.6m) to €53.1m in the 9M08. Excluding the €11m impact accounted for in the 9M07 related to RD 871/2007 (1) and a €3.3m non-recurring revenue booked under other operating costs/revenues in the 9M07, operating costs would have increased 6.6% YoY (+€3.3m) mostly due to an increase in back-office costs.

• All in all, EBITDA from our Spanish distribution activity decreased 7.9%YoY to €68.1m in the 9M08. When excluding the above mentioned non-recurring impacts: (i) €5.2m from services rendered in the 9M08 and (ii) €14.3m from other operating costs in the 9M07, EBITDA would have increased 5.5% YoY.

• Capex in this division rose €28.0m YoY to €35.3m in the 9M08, on the back of higher investments at our distribution grid (expansion outside of Asturias and improvement of service quality). The quality of service of our grid increased on a YoY base with Equivalent Interruption Time (EIT) decreasing 12.9% YoY to 45 min. in the 9M08.

• Electricity tariffs in Spain were not enough to cover for electricity procurement costs, reflecting into a €138m 9M08 tariff deficit for HC Energia, which compares with a €74m tariff deficit in 2007.

Income Statement (€ m)	9M08	9M07	Δ 08/07
Gross Profit	121.2	109.4	10.8%
Supplies and services	42.2	40.2	5.1%
Personnel costs	16.5	18.5	-11.2%
Costs with social benefits	1.9	0.8	154.0%
Other operating costs / (revenues)	(7.5)	(24.0)	68.6%
Operating Costs	53.1	35.4	49.7%
EBITDA	68.1	73.9	-7.9%
EBITDA / Gross Profit	56.2%	67.6%	-11.4 pp
Provisions for risks and contingencies	0.1	-	-
Depreciation and amortization	20.8	22.9	-9.0%
Compensation of subsidised assets' depreciation	(2.5)	(1.9)	-28.5%
EBIT	49.7	53.0	-6.3%
EBIT / Gross Profit	41.0%	48.4%	-7.5 pp

Number of Employees	9M08	9M07	Δ 08/07
Number of Employees	392	390	2
Employee/TWh ⁽²⁾	40.5	41.1	-1.5%
Consumers / Employee	1,597	1,572	1.6%

• Although 2007 ex-ante tariff deficit was €1.5bn, the real 2007 tariff deficit was €1.3bn. On top of this, the 1Q08 ex-ante tariff deficit was set at €1.2bn. Also, in Jun-08, the Spanish government's attempt to securitize €2.7bn of tariff deficit – ex-ante amounts of €1.5bn from 2007 and €1.2bn from the 1Q08 – was closed with an amount of €1.3bn, which only matches the real 2007 tariff deficit. Cash proceeds received by HC in July due to this deal amounted to €79m.

• The increases mentioned below for Spanish regulated electricity tariffs in 2008 translated into another €2.7bn ex-ante tariff deficit that was defined for the Apr-08 to Sept-08 period. This amount was added to the €1.2bn from the 1Q08 that was not securitized in Jun-08. The attempt that was scheduled for the end of Sep-08 to close the securitization of this €3.9bn tariff deficit was cancelled due to the current unfavourable market conditions. Another attempt is expected to occur at the end of the year.

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

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

(1) RD 03/2006 implied 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. Latter on, RD 871/2007 set this provisional price at €49.23/MWh.

(2) Annualised

Gas - Regulated Activity



Income Statement (€ m)	Portugal			Spain			Total			Reulated Activity	9M08	9M07	% Δ	Abs. Δ
	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07					
Gross Profit	31.6	36.5	-13.4%	123.0	117.1	5.0%	154.6	153.7	0.6%	Number of supply points (th)	876.7	838.6	4.6%	+38
Supplies and services	8.6	6.1	41.1%	15.2	19.8	-23.3%	23.8	25.9	-8.1%	Portugal	195.4	175.8	11.2%	+20
Personnel costs	4.2	3.9	8.3%	13.6	12.9	5.0%	17.8	16.8	5.7%	Spain	681.3	662.8	2.8%	+18
Costs with social benefits	0.1	0.0	-	0.3	0.3	16.5%	0.3	0.3	25.8%	Final Clients	-	235.6	-	-236
Other operating costs / (revenues)	0.1	1.0	-91.1%	(3.1)	0.7	-	(3.0)	1.8	-	Access Clients	681.3	427.2	59.5%	+254
Operating Costs	12.9	11.0	17.4%	25.9	33.7	-23.0%	38.9	44.7	-13.1%	Gas Distributed (GWh)	17,453	16,859	3.5%	+594
OPEX / Gross Profit	40.9%	30.2%	10.8 pp	21.1%	28.8%	-7.7 pp	25.1%	29.1%	-4.0 pp	Portugal	1,902	1,826	4.2%	+76
EBITDA	18.7	25.5	-26.8%	97.1	83.4	16.3%	115.7	108.9	6.2%	Spain	15,550	15,033	3.4%	+518
EBITDA / Gross Profit	59.1%	69.8%	-10.8 pp	78.9%	71.2%	7.7 pp	74.9%	70.9%	4.0 pp	Final Clients	1,513	3,915	-61.4%	-2,402
Provisions risks and contingencies	2.0	0.1	-	0.1	0.2	-24.4%	2.2	0.3	720.7%	Access Clients	14,038	11,118	26.3%	+2,920
Depreciation and amortization	10.1	9.4	7.4%	24.9	23.0	8.2%	35.0	32.5	8.0%	Regulated Revenues (€ m)	144.1	147.7	-2.5%	-3.7
Comp. of subsidised assets' depr.	(1.2)	(1.1)	13.5%	(2.0)	(1.2)	67.0%	(3.2)	(2.3)	42.1%	Portugal	31.6	36.5	-13.4%	-4.9
EBIT	7.7	17.0	-54.8%	74.1	61.5	20.5%	81.8	78.5	4.2%	Spain	112.4	111.2	1.1%	+1.2
EBIT / Gross Profit	24.3%	46.6%	-22.3 pp	60.2%	52.5%	7.7 pp	52.9%	51.1%	1.8 pp	Transmission	12.2	12.2	0.3%	+0.0
										Distribution	96.6	92.3	4.6%	+4.2
										Regulated Supply	3.7	6.7	-45.5%	-3.1
										Network (Km)	8,750	8,355	4.7%	+396
										Portugal - Distribution	3,090	2,910	6.2%	+181
										Spain - Distribution	5,351	5,138	4.2%	+214
										Spain - Transmission	309	307	0.5%	+2
										Capex (€m)	48.1	34.6	39.2%	+14
										Gas Distribution Portugal	13.6	13.3	2.4%	+0
										Gas Transmission Spain	21.5	5.8	271.9%	+16
										Gas Distribution Spain	13.0	15.5	-15.9%	-2

Our gas regulated activity includes the EDP Gás' (ex-Portgás) gas distribution concession in the north of Portugal (72% owned by EDP), and Naturgas gas distribution and transmission networks in the Basque Country and Asturias in Spain (63.51% owned by EDP).

Overall, our gas regulated activity showed a 6.2% YoY growth of EBITDA to €115.7m, reflecting the 4.6% increase in the number of supply points to 877,000 customers (+38,000 customers connected), a 4.7% increase in the extension of our networks to 8,750 Kms and 3.5% increase on volume of gas distributed.

In Spain, our gas regulated revenues showed a slightly increase by 1.1% to €112.4m in 9M08:

- Gas distribution regulated revenues grew by 4.6% to €96.6m reflecting 2.8% YoY increase in the number of supply points in our distribution network to 681,000 customers (18,000 additional customers connected), and a 4.2% YoY increase in the extension of our gas distribution network to 5,351 kms. The volume of gas distributed grew 3.4% YoY comparing with a 0.1% decrease of conventional gas demand in the Spanish market.
- Gas transmission regulated revenues grew by 0.3% YoY to €12.2m, penalised by €0.3m non-recurrent revenue in 9M07.
- Regulated supply revenues fell 46% YoY to €3.7m, reflecting the end of gas tariffs by Jun-08. From Jul-08 onwards Naturgas became the last resource regulated gas supplier in the Basque and Asturias regions and will continue to supply final clients that opt for continuing to pay the regulated last resource supply tariff based on the CMP reference gas sourcing tariff (set up by the government).

Gross profit in Spain had a positive contribution from other activities not included in regulated revenues, like inspections services and meter rentals showing an increase by 79% from €5.9m in 9M07 to €10.6m in 9M08, following a change in legislation which allowed the pass-through of the cost of these services from distribution companies to distribution clients, from 2007 onwards.

In Portugal, our gas regulated revenues decreased by 13.4% YoY to €31.6m, reflecting: 1) the new concession contract with the Portuguese State, extending the concession period to 40 years (old contract for a period of 35 years), which will smooth the revenues for a longer concession period; 2) impact in regulated revenues due to some assumptions agreed in the new concession contract not considered by regulator in the definition of tariffs (already assumed by regulator and expected to be clarified over the current regulatory year) and 3) a provision accounted due to potential accumulated gas losses in meters in 2Q08. This fact offset the good performance in terms of operating figures with a 11.2% YoY increase in the number of supply points to 195,000, the 4.2% growth of gas volumes distributed (although there was a decrease in the average consumption per client by 6% YoY) and a 6.2% increase of the extension of our network to 3,090 kms. All in all, the gross profit per client decreased by 22% YoY. Penetration rates and efficiency ratios improved significantly in the period as shown by the ratio clients/Kms, up to 64 in 9M08 from 60 in 9M07.

In Apr-2008, EDP Gás concluded the renegotiation of its concession contract with the Portuguese State, ensuring the maintenance of the concession's economic and financial balance, the remuneration of the distribution activity and the periodic valuation of the respective assets, according to the terms and conditions established by the Portuguese regulator ERSE and considering the regulatory change in the gas distribution sector, which became effective from Jul-08 onwards. The main assumptions by ERSE regarding the Jul-08 to Jun-11 regulatory period include the setting of a Regulated Return on Assets of 9%.

Operating costs decreased by 13.1% helped by a €5.9m non-recurrent revenue in other operating costs/revenues in 2Q08.

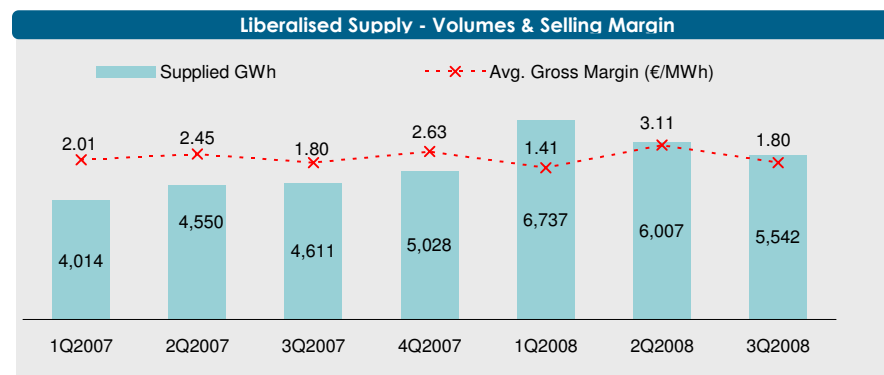
Capex in 9M08 amounted to €48.1m, up 39.2% YoY, largely devoted to the expansion of our network (+396 Km YoY in Set-08). Transmission network in Spain represented almost 50% of capex in the period, following the ongoing construction of the Bergara-Irun pipeline (88 kms extension, €67.5m expected total capex, to be fully operational by 2008YE). The new remuneration model for gas transmission in Spain improved significantly the rates of return of this pipeline, which has a higher investment cost per km than the average cost in the Spanish transmission network due to its location in a mountain region. During this quarter, Nartugas acquired Gás Mérida, a gas distribution company in the Spanish city of Mérida, for €15m and the remaining 30% stake in Septentrional Gas, a gas transmission company for €11m (pending regulatory approval).

Gas - Liberalized Activity



Income Statement (€ m)	9M08	9M07	Δ 08/07
Gross Profit	60.9	50.9	19.7%
Supplies and services	13.4	8.0	68.3%
Personnel costs	2.2	1.9	16.4%
Costs with social benefits	0.0	0.0	7.3%
Other operating costs / (revenues)	6.8	6.2	10.6%
Operating Costs	22.5	16.1	39.9%
OPEX / Gross Profit	36.9%	31.6%	5.3 pp
EBITDA	38.4	34.8	10.3%
EBITDA / Gross Profit	63.1%	68.4%	-5.3 pp
Provisions for risks and contingencies	-	0.1	-
Depreciation and amortization	0.3	0.4	-17.0%
Compensation of subsidised assets' depreciation	-	-	-
EBIT	38.1	34.4	10.9%
EBIT / Gross Profit	62.6%	67.5%	-5.0 pp

Supply Activity	9M08	9M07	Δ 08/07
Number of Clients	626.6	366.8	70.9%
Last Resource Supplier	122.0	-	-
Liberalized	504.6	366.8	37.6%
Gas Supplied (GWh)	18,286	13,175	38.8%
Last Resource Supplier	101	-	-
Liberalized	18,185	13,175	38.0%
Industrial	14,334	10,067	42.4%
Residencial/Commercial	3,851	3,108	23.9%
Avg. Gross Margin (€/MWh)	2.00	2.08	-3.7%



Our gas liberalised activity includes gas supply business (through Naturgas and HC Energia in Spain and EDP Gás.Com in Portugal) and wholesale gas sourcing activities. EBITDA from gas liberalized activity grew 10.3% YoY, to €38.4m.

Our gas sourcing activity is currently based on an existing 4.5bcm/year portfolio of long term contracts which include 4 contracts currently at cruise speed in terms of deliveries (1bcm/year with Trinidad & Tobago, currently swapped with Gas Natural, 0.5bcm/year with ENI, 1.2bcm/year with Galp and 0.5bcm/year with Gas Natural) and a new contract of 1.3bcm/year with Sonatrach, signed in 2007, with deliveries starting in Apr-08, which is expected to reach cruise speed by 2010. This portfolio of gas sourcing contracts is managed on an integrated way taking into consideration the fuel needs of our current 2,400 MW CCGT fleet, the 800 MW CCGT capacity currently under construction and other retail gas supply activity in Spain and Portugal. The 39% YoY increase in the volume of gas sourced in 9M08 is related with an integrated management of the existing contracts and the delivery of the first gas volumes by Sonatrach in April 2008.

The volume of gas sold to clients in the retail liberalized market grew by 39% YoY vs. a 0.1% YoY decrease of conventional gas demand in the Spanish gas liberalized market. This growth rate clearly above market average was similar both in the industrial segment, with the closing of new contracts with some large clients, and in the residential segment, following a 71% increase in the number of clients (+260,000 clients YoY). Note that gas supply tariffs ended in Spain by Jun-08, and this fact has been a key driver from the massive switching of clients from the regulated tariff system to the liberalized market (+130,000 2Q08 vs. 3Q08). This increase of market share both in terms of volumes and number of customers reflects the growth of our competitive gas sourcing portfolio and the strong commercial capabilities of our Naturgas/HC Energia commercial platforms in Spain.

Our average gross margin per MWh sold in gas supply decreased by 3.7% YoY, due to an increase in the average purchase cost in line with the movement of CMP. The increase of operating costs is due to: a) Supplies and services - related to the reinforcement of commercial platform in Spain, namely through higher marketing and commercial team costs and b) Other operating costs – rent of new office in Bilbao (€0.6m)

Brazil: Energias do Brasil



	RS million												€ million		
Income Statement	Distribution			Generation			Supply			Consolidated			Consolidated		
	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07
Gross Profit	1,231.2	1,567.2	-21.4%	480.0	366.8	30.9%	58.5	58.6	-0.2%	1,756.9	1,991.1	-11.8%	682.7	741.9	-8.0%
Supplies and services	243.4	258.2	-5.7%	25.1	24.6	2.2%	3.7	4.3	-14.8%	290.5	297.5	-2.3%	112.9	110.8	1.9%
Personnel costs and soc. benefits	203.4	188.9	7.7%	19.4	20.4	-4.8%	4.0	6.0	-33.1%	238.1	233.2	2.1%	92.5	86.9	6.5%
Other operating costs/(revenues)	50.2	243.1	-79.4%	12.6	4.6	172.7%	11.3	9.5	-	60.1	260.3	-76.9%	23.3	97.0	-75.9%
Operating Costs	497.0	690.3	-28.0%	57.1	49.6	15.2%	19.1	19.9	-4.2%	588.7	791.0	-25.6%	228.8	294.7	-22.4%
EBITDA	734.2	876.9	-16.3%	422.8	317.2	33.3%	39.4	38.7	1.9%	1,168.2	1,200.1	-2.7%	454.0	447.1	1.5%
EBITDA / Gross Profit	59.6%	56.0%	3.7p.p.	88.1%	86.5%	1.6p.p.	67.4%	66.0%	1.4p.p.	66.5%	60.3%	6p.p.	66.5%	60.3%	6p.p.
Prov. for risks and contingencies	17.9	35.1	-49.1%	0.3	0.0	-	-	-	-	19.5	33.5	-41.9%	7.6	12.5	-39.4%
Depreciation and amortization	187.9	168.9	11.2%	62.7	53.0	18%	0.2	0.2	-6.0%	392.2	233.4	68.0%	152.4	87.0	75.3%
Comp. of subsid. assets' depreciat	(18.5)	(18.1)	-1.9%	(0.0)	-	-	-	-	-	(18.5)	(18.1)	-1.9%	(7.2)	(6.7)	-6.3%
EBIT	546.9	691.0	-20.9%	359.9	264.2	36.2%	39.2	38.5	1.9%	774.9	951.3	-18.5%	301.1	354.4	-15.0%
EBIT / Gross Profit	44.4%	44.1%	0.3p.p.	75.0%	72.0%	2.9p.p.	67.0%	65.7%	1.4p.p.	44.1%	47.8%	-4p.p.	44.1%	47.8%	-4p.p.
Capex	331	231	43%	138	31	348%	0	0	144%	470	262	79%	183	149	22%
Employees	2,038	2,857	-819	230	237	-7	15	15	-	2,346	3,180	-834			

EDP's activities in Brazil, through Energias do Brasil (owned 64.8% by EDP), where negatively affected by the reduction of the amount of regulatory receivables recovered in 9M08 and the adverse tariff revisions for the new regulatory periods. In 9M08, Energias do Brasil's contribution to consolidated EBITDA benefited from a 4.3% appreciation of the Real against the Euro, with an average BRL/Euro rate of 2.68 in 9M07 evolving to 2.57 in 9M08 (+€19m impact at the EBITDA level).

In 9M08, the closing of the asset swap involving the exchange of Enersul's share capital for a controlling stake in Investco (holder of Lajeado hydro plant concession) on Sep-08, implied the de-consolidation of Enersul (figures presented until Ago-08) and the full consolidation of Investco in the proportion of its % (73% vs. previously at 27.65%) as from September, 2008.

In 9M08, Energias do Brasil's EBITDA decreased by 2.7% to R\$1,168m. EBITDA in generation activity increased by 33.3% YoY impacted by an increase in installed capacity and a one-off increase in electricity sales by Enerpeixe in 1Q08, taking advantage of higher prices in the residual market. In distribution, EBITDA decreased by 16.3% driven essentially by: i) the impact of tariff revisions occurred in our distribution companies (see table in next page), ii) energy costs higher than the ones considered on tariff assumptions and iii) the decrease in receivement through tariffs of regulatory receivables accumulated in previous years which was partially offset by iv) demand growth. Excluding non recurrent tariff deviations normalized EBITDA in distribution would have increased 26%, to R\$666m. EBITDA of liberalized supply increased by 1.9% YoY, following an increase by 25% in the average selling price.

Operating costs of Energias do Brasil decreased by 25.6% YoY and excluding Enersul from consolidation perimeter, operating costs decreased by 6.7% YoY. Excluding one-offs (provision regarding probable reduction of Enersul RAB), operating costs of Energias do Brasil decreased by 8.7%:

- a) supplies and services' decrease of 2.3%, essentially due to a decrease in the costs with marketing, expenditure with maintenance of distribution networks due to the de-consolidation of Enersul and consulting services;
- b) a 76.9% decrease in "Other operating costs" is explained by: i) one-off provision in 3Q07 regarding probable reduction of Enersul RAB and ii) a decrease in provisions for doubtful clients in distribution. Excluding the one-off cost booked in 9M07, "Other operating costs" would have decreased by 48%.

Regarding the number of employees, the close of the asset swap implied a decrease in the distribution business. In generation, one cannot observe an increase in the number of employees as all Lajeado's workforce was already consider in the total number of generation employees.

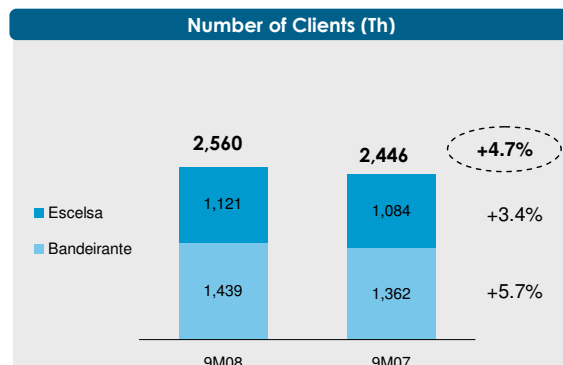
Capex increased 49% YoY, to R\$527m in 9M08, mostly related to the repowering of Suíça, Rio Bonito and Mascarenhas hydro power plants (+2.3MW, +5MW and +17.5MW, respectively) and to the construction of the new Santa Fé hydro power plants (+29MW), all to start operations in 2009.

During 3Q08, Energias do Brasil sold its financial stake in the share capital of Esc 90 Telecomunicações Ltda. for a reference amount of R\$94.6 million (approximately €39.4 million). This transaction is pending regulatory approval.

Brazil: Distribution



Distribution Activity		Bandeirante			Escelsa			Enersul*			Distribution		
		9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07	9M08	9M07	Δ 08/07
GWh	Final Clients	6,294	5,969	5.4%	3,861	3,653	5.7%	1,888	2,087	-9.5%	12,043	11,709	2.9%
	Third-party access	3,905	3,925	-0.5%	2,743	2,639	3.9%	314	328	-4.5%	6,961	6,893	1.0%
	Electricity Distributed	10,198	9,894	3.1%	6,604	6,292	5.0%	2,202	2,415	-8.8%	19,004	18,601	2.2%
Losses/EIT	Capex (R\$ million)	97.6	120.8	-19.2%	141.4	110.3	28.3%	92.4	-	-			
	Equiv. Interrupt. Time (Hours)	11.9	8.0	48.3%	12.3	9.5	29.8%	-	13.4	-			
	Technical Losses	5.23%	5.10%	0.13 pp	8.68%	7.83%	0.85 pp	14.49%	14.05%	0.44 pp	6.62%	7.33%	-0.71 pp
	Commercial Losses	5.65%	5.91%	-0.25 pp	5.56%	5.58%	-0.02 pp	9.36%	8.22%	1.14 pp	5.61%	6.14%	-0.52 pp
	Total Electricity Losses	10.88%	11.01%	-0.13 pp	14.24%	13.41%	0.83 pp	23.86%	22.27%	1.59 pp	12.23%	13.46%	-1.23 pp
R\$ million	IFRS Gross Profit	508	724	-29.8%	421	466	-9.6%	302	397	-23.8%	1,231	1,567	-21.4%
	Rationing Losses and Parcela A	52	(64)	-	5	(52)	-	(55)	(40)	-37.5%	2	(155)	-
	Adjustments of Tariff Revisions	-	(18)	-	-	22	-	-	(42)	-	-	(37)	-
	Tariff dev. in recuperation	(75)	(42)	-80.3%	(52)	(62)	15.3%	(32)	(12)	-165.8%	(159)	(115)	-38.2%
	Tariff dev. to be recovered	24	(26)	-	14	11	24.6%	30	(5)	-	69	(20)	-
	Others	12	(12)	-	(26)	(11)	-142.3%	24	(8)	-	10	(11)	-
	Brazilian GAAP Gross Profit	521	563	-7.4%	362	375	-3.5%	270	290	-7.1%	1,153	1,228	-6.2%
	Regulatory Receivables	58	60	-3.7%	104	163	-36.0%	-	139	-	162	361	-55.2%



Last Tariff Revisions and Readjustments			
	Bandeirante Out/07 Revision	Escelsa Aug-08 Readj.	Enersul Apr-08 Revision
Part A	-5.87%	3.96%	4.10%
Part B	-2.35%	3.52%	-9.65%
Readjust. Index	-8.22%	7.48%	-5.55%
Past Costs	-3.67%	1.13%	-2.08%
Other	-0.58%	3.56%	0.45%
Financial Items	-4.25%	4.69%	-1.63%
Total Index	-12.47%	12.17%	-7.18%

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

PERFORMANCE OF DISTRIBUTION GROSS PROFIT:

The gross profit of the DisCos in 9M08 decreased 21.4%. Considering only Bandeirante and Escelsa (Band+Esc), gross profit fell by 20.6% impacted by: (3) higher than expected energy costs vs. the ones assumed in tariffs' calculation which will be recovered in the next annual tariff revisions, (2) tariff revisions occurred in our distribution companies and (4) the decrease YoY in cash-in through tariffs of regulatory receivables accumulated in previous years which were partially offset by (1) a 3.8% YoY growth of electricity distributed volumes. On a normalized base, gross profit decrease by 6.2% YoY.

1. Recurrent growth of electricity distribution gross profit: total electricity distributed by Energias do Brasil increased 2.2% YoY and 3.8% in Band+Esc supported by an increase of consumption per capita, a strong economic growth in Bandeirante and Escelsa regions and an increase in the number of clients (4.7%)

2. Tariff revisions: New regulatory period for all distribution companies set a decrease in tariffs (see table). Remind that Bandeirante and Escelsa had positive tariff readjustments recently but the impact in accounts will be only in next quarters.

3. Negative tariff deviation: Distribution gross profit in 9M08 includes a R\$69m (R\$39m from Band+Esc) negative tariff deviation from energy procurement costs higher than the ones set in the regulator's assumptions for tariff calculation. Note that in 9M07 distribution gross profit recorded a R\$20m (R\$14m from Band+Esc) positive tariff deviation. These non recurrent component of gross profit will be recovered to the system through a positive impact in the next annual tariff adjustment.

4. Recovery through tariffs of regulatory receivables accumulated in the past: The regulatory receivables which the system owed us due to lower than expected gross profit in past periods and that our distribution activity is recovering through tariffs decreased 58% YoY from R\$328m to R\$137m (72% YoY from R\$250m to R\$69m from Band+Esc). In 9M08, our distribution activity (Band+Esc) had total regulatory receivables of R\$162m, which should be recovered over the next quarters, meaning that Energias do Brasil distribution gross profit is expected to continue to be positively impacted by the cash-in through tariffs of these receivables.

Capex in distribution activity relates to the extension and improvement in the distribution network of the concession areas of Bandeirante and Escelsa mainly due to Universalization program.

REGULATORY UPDATE:

In August 2008, the Brazilian regulator, ANEEL, approved a 12.17% annual tariff readjustment index for Escelsa, for the period from August 2008 to July 2009 and in October 2008, approved a 14.48% annual tariff readjustment index for Bandeirante, for the period from October 2008 to September 2009.

* Enersul figures until August-2008

Brazil: Generation and Supply



Generation

Hydro Installed Capacity (MW)	9M08	9M07	Δ 08/07
Lajeado	902	250	+652
Peixe Angical	452	452	-
Energest (13 Hydro plants)	342	342	+0
Total	1,696	1,043	+653
Electricity Generated (GWh)	9M08	9M07	Δ 08/07
Lajeado	990	687	44.1%
Enerpeixe	1,582	1,489	6.2%
Energest (13 Hydro plants)	1,075	1,173	-8.3%
Total	3,647	3,349	8.9%
Electricity Sold (GWh)	9M08	9M07	Δ 08/07
Lajeado	1,104	892	23.7%
Enerpeixe	1,863	1,728	7.8%
Energest (13 Hydro plants)	1,581	1,468	7.7%
Total	4,548	4,089	11.2%
Gross Profit (R\$ million)	9M08	9M07	Δ 08/07
Lajeado	88.3	66.2	33.3%
Enerpeixe	242.2	186.3	30.0%
Energest (13 Hydro plants)	149.4	114.2	30.8%
Total	480	367	30.9%
Average Selling Price (R\$/MWh)	9M08	9M07	Δ 08/07
Lajeado	94.9	85.8	10.6%
Peixe Angical	135.3	127.0	6.5%
Energest (13 Hydro plants)	106.8	82.1	30.0%
Total	115.6	101.9	13.4%
Capex (R\$ million)	9M08	9M07	Δ 08/07
Lajeado	4.5	3.0	51.7%
Peixe Angical	9.3	7.6	23.6%
Energest (13 Hydro plants)	19.9	20.3	-2.3%
New Capacity	104.4	0.0	-
Total	138.1	30.8	347.8%

Trading and Supply

Financial and Operating Data	9M08	9M07	Δ 08/07
Number of clients	64	72	-11.1%
Electricity Sales (GWh)	5,362	5,545	-3.3%
Gross Profit / GWh	10.9	10.6	3.2%

GENERATION CAPACITY IN OPERATION:

In 9M08, Energias do Brasil had an installed capacity of 1,696 MW due to the conclusion of asset swap operation which allowed Energias do Brasil a full consolidation of Lajeado/Investco (902 MW) in the proportion of its % (73% vs. previously at 27.65%). The generation volumes sold increased by 11.2% is explained by an increase in installed capacity of the group and higher energy availability in the Group's power plants and a seasonal increase of energy sales in the 1Q08 by Enerpeixe which allowed it to take advantage of higher prices in the residual electricity market in 1Q08. As referred in that quarter results release, this effect will be smoothed in the following quarters. Gross profit grew by 36% due to an increase in volumes and by an increase in the average selling price due to the readjustment of some contracts and the start of new contracts with higher prices.

GENERATION CAPACITY UNDER DEVELOPMENT:

During this quarter, Energias do Brasil decided not to participate in the auction for Pecém II coal Plant since all the necessary conditions to assure the required risk-return relation for this type of investment has not been guaranteed.

On July 2008, Energias do Brasil announced that the construction of Pecém coal plant has started, project in which it holds a 50% stake in partnership with MPX Mineração e Energia. The conditions contracted in the electricity auction promoted by the Brazilian regulatory authorities include the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross margin of R\$417.4m per year (amount at 2007 nominal prices to be updated at inflation) with the full pass through of fuel costs. According to the engineering and procurement signed with suppliers, the new plant will represent a USD1.2bn capex. The project should be financed with 75% of long term debt with the Brazilian development bank BNDES and in the market. Until the end of 2008, we expect an estimated capex to the construction of Pecém around R\$300m, which compares to an investment of R\$86m already done in 9M08.

In June 2008, EDPRB (EDP Renováveis 55%; Energias do Brasil 45%) acquired 100% of CENAEEL for R\$ 51.3 million (Enterprise Value). CENAEEL has 2 wind farms currently in operation with an installed capacity of 13.8MW. The energy is contracted through Proinfa (9 MW) and a bilateral agreement (4.8 MW). This operation is pending regulatory approval.

Regarding new hydro capacity, Santa Fé will have an installed capacity of 29 MW (assured energy of 16 MW) and should start-up in Jul-09. Additionally, ANEEL ratified a 17.5 MW and a 5 MW power upgrade in the Mascarenhas and Rio Bonito Hydro Plant. The additional capacity should be fully operational by the end of 2009. The ratification process for the 2.3 MW power upgrade to Suíça Hydro Plant is currently in progress, and should be operational in 2009. Assured energy from both power upgrades (11.7 average MW) has been contracted in the liberalised market at R\$ 130/MWh.

Electricity volumes sold to liberalized customers decreased 3.3% YoY but the electricity spot market price had an average increase of 26% which allowed a margin improvement by 3.2%.



Income Statements

Income Statement by Business Area



9M08 (€ m)	Generation Iberia	Supply Iberia	EDP Renováveis	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	2,818.8	921.7	356.1	4,524.6	(0.1)	1,433.1	(865.6)	9,188.7
Gas Sales	0.1	0.0	-	-	881.7	-	(3.4)	878.3
Other Sales	202.5	0.0	12.7	2.6	0.1	-	(115.7)	102.2
Services Provided	29.1	34.7	2.3	57.8	15.0	5.3	(51.0)	93.2
Operating Revenues	3,050.5	956.5	371.1	4,585.1	896.7	1,438.3	(1,035.7)	10,262.5
Electricity	883.7	891.7	0.6	3,337.4	-	748.1	(911.1)	4,950.3
Gas	-	3.7	-	-	682.2	-	(133.0)	552.9
Fuel	1,016.9	4.4	-	-	0.0	-	12.4	1,033.7
Materials and goods for resale	14.5	4.3	9.9	8.1	0.2	7.5	(0.4)	44.1
Direct Activity Costs	1,915.1	904.1	10.5	3,345.4	682.4	755.6	(1,032.2)	6,581.0
Gross Profit	1,135.4	52.3	360.6	1,239.6	214.3	682.7	(3.5)	3,681.5
Gross Profit/Revenues	37.2%	5.5%	97.2%	27.0%	23.9%	47.5%	0.3%	35.9%
Supplies and services	114.7	36.3	70.6	242.2	35.7	112.9	(82.3)	530.1
Personnel costs	85.8	8.3	25.1	144.8	19.9	77.5	73.5	434.9
Costs with social benefits	29.3	0.2	0.8	106.2	0.4	15.0	(17.9)	134.1
Concession fees	3.6	-	3.3	170.7	-	-	(0.7)	176.9
Other operating costs (or revenues)	25.9	(17.5)	(45.7)	(12.4)	4.1	23.3	57.6	35.4
Operating costs	259.3	27.4	54.1	651.5	60.2	228.8	30.2	1,311.4
EBITDA	876.1	24.9	306.5	588.2	154.2	454.0	(33.7)	2,370.1
EBITDA/Revenues	28.7%	2.6%	82.6%	12.8%	17.2%	31.6%	3.3%	23.1%
Provisions for risks and contingencies	7.2	11.0	0.4	2.5	2.2	7.6	-2.3	28.5
Depreciation and amortisation	286.6	1.7	147.6	275.4	35.4	152.4	59.6	958.6
Comp. of subsidised assets' depreciation	(3.1)	-	(0.5)	(67.5)	(3.2)	(7.2)	(0.2)	(81.7)
EBIT	585.5	12.3	159.0	377.8	119.8	301.1	(90.9)	1,464.7
EBIT/Revenues	19.2%	1.3%	42.9%	8.2%	13.4%	20.9%	8.8%	14.3%

Income Statement by Business Area



9M07 (€ m)	Generation Iberia	Supply Iberia	NEO - Renewables	HWE - Horizon	Distribution Iberia	Gas Iberia	Energias do Brasil	Other & Adjustments	EDP Group
Electricity Sales	1,967.0	815.1	176.2	7.7	3,820.5	(0.1)	1,378.2	(734.5)	7,430.0
Gas Sales	0.1	-	-	-	-	1,028.1	-	(6.5)	1,021.7
Other Sales	18.6	0.0	12.7	3.5	4.4	0.5	-	22.6	62.2
Services Provided	16.8	28.9	3.0	0.1	40.4	46.3	7.9	(36.4)	106.9
Operating Revenues	2,002.5	844.0	191.8	11.3	3,865.3	1,074.7	1,386.1	(754.9)	8,620.8
Electricity	201.1	770.2	0.1	0.0	2,773.9	(0.0)	636.6	(767.2)	3,614.7
Gas	-	3.0	-	-	-	843.9	-	(72.9)	774.1
Fuel	658.3	2.6	0.1	-	-	26.2	-	58.4	745.5
Materials and goods for resale	0.7	0.0	10.6	-	11.2	0.1	7.6	22.2	52.5
Direct Activity Costs	860.1	775.8	10.8	0.0	2,785.2	870.2	644.2	(759.5)	5,186.8
Gross Profit	1,142.5	68.2	181.0	11.3	1,080.2	204.5	741.9	4.6	3,434.0
Gross Profit/Revenues	57.1%	8.1%	94.4%	99.8%	27.9%	19.0%	53.5%	-0.6%	39.8%
Supplies and services	107.0	39.3	29.4	3.8	214.8	33.9	110.8	(39.4)	499.6
Personnel costs	89.0	7.7	10.1	4.3	161.6	18.7	74.0	72.6	437.9
Costs with social benefits	19.3	0.3	0.1	0.1	76.8	0.3	12.9	(18.9)	90.9
Concession fees	2.9	0.0	-	-	168.1	-	-	-	171.1
Other operating costs (or revenues)	61.0	(12.6)	1.5	(3.9)	(15.6)	7.9	97.0	50.2	185.4
Operating costs	279.2	34.7	41.1	4.2	605.8	60.8	294.7	64.5	1,384.9
EBITDA	863.3	33.5	139.9	7.1	474.4	143.8	447.1	(59.9)	2,049.1
EBITDA/Revenues	43.1%	4.0%	73.0%	62.4%	12.3%	13.4%	32.3%	7.9%	23.8%
Provisions for risks and contingencies	9.2	(5.2)	0.0	-	3.5	0.3	12.5	23.9	44.3
Depreciation and amortisation	284.0	5.5	62.4	8.0	276.1	32.9	87.0	51.3	807.0
Comp. of subsidised assets' depreciation	(3.0)	-	(0.1)	-	(65.9)	(2.3)	(6.7)	(0.1)	(78.1)
EBIT	573.1	33.3	77.7	(1.0)	260.6	112.8	354.4	(135.1)	1,275.9
EBIT/Revenues	28.6%	3.9%	40.5%	-8.5%	6.7%	10.5%	25.6%	17.9%	14.8%



Annex

EDP installed capacity & electricity generation



Installed Capacity - MW ⁽¹⁾	9M08	9M07	Δ MW
Europe	14,330	12,805	1,525
LT Contracted Generation (PPAs/CMECs)	6,990	7,164	-174
Hydro	4,094	4,094	-
Run off the river	1,860	1,860	-
Reservoir	2,234	2,234	-
Coal	1,183	1,192	-9
Sines	1,183	1,192	-9
Fuel oil	1,713	1,878	-165
Setúbal	946	946	-
Carregado	710	710	-
Barreiro	56	56	-
Tunes	-	165	-165
Special Regime	2,408	1,729	679
Small-Hydro	157	66	91
Cogeneration+Waste	226	231	-5
Biomass	18	11	6
Wind	2,008	1,421	588
Portugal	517	392	126
Spain	1,347	954	393
France	144	75	69
Liberalised Electricity Generation	4,931	3,911	1,020
Hydro	910	670	240
Portugal	484	244	240
Spain	426	426	-
Coal	1,460	1,523	-63
Aboño I	342	342	-
Aboño II	536	536	-
Soto Ribera I	-	63	-63
Soto Ribera II	236	236	-
Soto Ribera III	346	346	-
CCGT	2,405	1,563	843
Ribatejo (3 groups)	1,176	1,176	-
Castejón I (1 group)	393	387	6
Castejón III (1 group)	418	-	418
Soto IV (1 group)	418	-	418
Nuclear	156	156	-
Trillo	156	156	-
Brazil	1,696	1,043	653
Hydro	1,696	1,043	653
USA	1,497	706	792
Wind	1,497	706	792
TOTAL	17,523	14,554	2,969

Electricity Generation	9M08	9M07	Δ GWh
Europe	28,329	33,048	-4,720
LT Contracted Generation (PPAs/CMECs)	9,448	14,181	-4,733
Hydro	4,677	7,545	-2,868
Run off the river	3,011	4,882	-1,871
Reservoir	1,666	2,663	-997
Coal	4,545	5,975	-1,429
Sines	4,545	5,975	-1,429
Fuel oil	225	661	-436
Setúbal	170	478	-307
Carregado	-8	96	-103
Barreiro	62	87	-25
Tunes	-	0	-0
Special Regime	3,979	3,245	735
Small-Hydro	130	120	10
Cogeneration+Waste	1,038	944	95
Biomass	34	28	6
Wind	2,776	2,153	624
Portugal	727	553	174
Spain	1,875	1,519	355
France	175	81	94
Liberalised Electricity Generation	14,902	15,623	-721
Hydro	947	955	-9
Portugal	419	277	142
Spain	527	678	-151
Coal	4,417	7,887	-3,470
Aboño I	1,225	1,870	-645
Aboño II	2,472	3,110	-638
Soto Ribera I	-	-2	2
Soto Ribera II	294	1,172	-878
Soto Ribera III	425	1,737	-1,312
CCGT	8,680	5,889	2,790
Ribatejo (3 groups)	5,895	4,581	1,314
Castejón I (1 group)	1,504	1,308	196
Castejón III (1 group)	1,159	-	1,159
Soto IV (1 group)	121	-	121
Nuclear	859	891	-32
Trillo	859	891	-32
Brazil	3,647	3,349	298
Hydro	3,647	3,349	298
USA	2,576	296	2,280
Wind	2,576	296	2,280
TOTAL	34,551	36,693	-2,142

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

EDP Wind Capacity and CO2 Emissions



Wind Farms in 9M08	Installed Capacity		
	100%	% Held ⁽¹⁾	EBITDA
SPAIN	1,761	1,293	1,344
under RD 436/2004	1,440	1,057	1,066
under RD 661/2007	321	236	278
PORTUGAL	517	512	517
under old remuneration	517	512	517
under new remuneration	0	0	0
FRANCE	144	144	144
under old remuneration	9	9	9
under new remuneration	135	135	135
TOTAL EUROPE	2,422	1,949	2,005
USA	1,733	1,516	1,497
PPA	1,223	1,167	1,149
Hedged	264	138	138
Merchant	246	211	211
TOTAL EUROPE AND USA	4,155	3,465	3,502

CO2 Emissions	CO2 Emissions (absolute, MtCO2)		Specific (tones/GWh)		Gross Production (GWh)	
	9M08	9M07	9M08	9M07	9M08	9M07
TOTAL PPA's/CMECs	4,415	5,998			5,519	7,398
Coal	4,076	5,332	0.83	0.84	4,896	6,331
Fuel Oil + Natural Gas	339	666	0.54	0.62	623	1,067
TOTAL LIBERALISED GENERATION	8,637	10,849			13,510	14,386
Coal	5,596	8,717	1.18	1.04	4,745	8,367
CCGT	3,042	2,132	0.35	0.35	8,765	6,019
SPECIAL REGIME	757	699	0.36	0.30	2,112	2,339
TOTAL PRODUCTION THERMAL	13,810	17,546	0.65	0.73	21,141	24,123
CO₂ FREE GENERATION					14,867	15,197
TOTAL PRODUCTION			0.38	0.45	36,008	39,320

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