edp

CONTENTS

I. EDP'S VISION, COMMITMENTS AND CULTURE

VISION

An integrated energy company, a leader in value creation in the markets where we can make a difference.

COMMITMENTS

Customers:

- We put the customer first whenever we make a decision.
- We endeavour to anticipate the needs of our customers and fully meet them with our service.
- We know how to listen to our clients and never let their queries go unanswered, communicating with clarity and simplicity.
- We provide the best and most innovative solutions on the market.

People:

- Our people and our teams are our main competitive advantage.
- We work enthusiastically and energetically to move the world.
- We attract, develop and reward our best employees through a merit-based system.
- We delegate responsibilities and provide autonomy whilst demanding ethics, integrity and professionalism.

Life and environment:

- We recognise the social responsibilities which result from a company of our size. We want to help build a fairer society.
- We have a passion for living and a deep respect for nature.
- Our world is facing intense climate challenges. We want to help restore the environmental balance and ensure its sustainability.
- We help our customers make rational use of energy as a way of assisting them and improving the environment.

Results:

- We respect the trust that our shareholders and investors place in us and we reward them with our results.
- We are always seek to improve our performance and achieve excellence, working in partnership with our providers.
- We lead the energy markets in which we operate, with top-level results in customer satisfaction, operational performance and efficiency indicators.
- We always seek success in everything that we do.

EDP CULTURE – THE EDP WAY

Efficient and Excellent

Natural and Sustainable

Enthusiastic and All-encompassing

Responsible and Trustworthy

Global and Fair

Innovative and Enterprising

Ambitious and Receptive

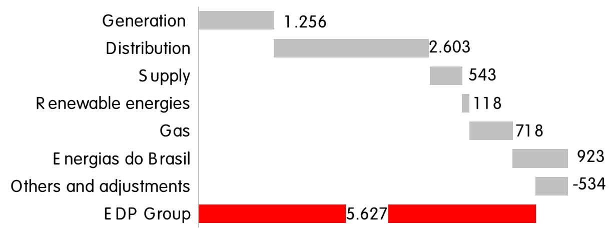
II. SUMMARY OF INDICATORS

Financial Highlights

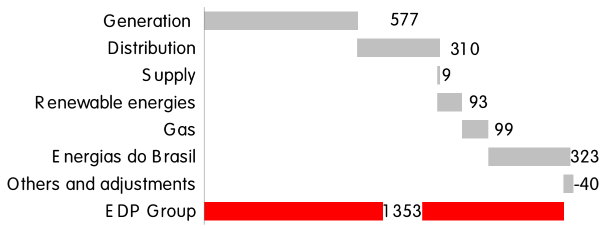
EUR thousands	1H 2007	1H 2006	Var. %
EDP Group Consolidated			
Turnover	5.627.454	5.241.868	7,4%
Gross Operating Profit	1.352.565	1.066.531	26,8%
Operating Profit	827.502	603.332	37,2%
Net Profit	422.072	374.651	12,7%
Operating Cash Flow	984.522	755.617	30,3%
Net Operating Investment	554.385	481.664	15,1%
Financial Investment	52.483	62.752	-16,4%
Net Assets	26.053.292	25.124.834	3,7%
Shareholders' Equity	6.898.622	6.190.519	11,4%
Financial Liabilities	10.064.727	11.360.126	-11,4%
Financial Liabilities / Shareholders' Equity	145,9%	183,5%	-37,6 p.p.
Net Assets / Liabilities	136,0%	132,7%	3,3 p.p.
Market Capitalisation	14.955.239	11.225.571	33,2%
Electricity Generation - Iberian Peninsula			
Turnover	1.256.410	1.487.038	-15,5%
Gross Operating Profit	576.716	675.687	-14,6%
Operating Profit	394.390	521.727	-24,4%
Net Profit	294.398	357.009	-17,5%
Operating Investment	151.635	128.505	18,0%
Electricity Distribution - Iberian Peninsula			
Turnover	2.603.217	2.213.878	17,6%
Gross Operating Profit	309.965	264.043	17,4%
Operating Profit	163.122	123.739	31,8%
Net Profit	103.111	83.278	23,8%
Operating Investment	104.081	129.145	-19,4%
Electricity Supply - Iberian Peninsula			
Turnover	542.667	556.532	-2,5%
Gross Operating Profit	9.093	-122.305	-
Operating Profit	8.430	-126.020	-
Net Profit	8.238	-92.676	-
Operating Investment	248	204	21,7%
Renewable Energies - Iberian Peninsula			
Turnover	118.270	125.198	-5,5%
Gross Operating Profit	92.586	70.662	31,0%
Operating Profit	46.001	35.502	29,6%
Net Profit	2.427	-1.704	-
Operating Investment	192.214	61.547	212,3%
Gas - Iberian Peninsula			
Turnover	717.767	544.939	31,7%
Gross Operating Profit	99.391	69.575	42,9%
Operating Profit	78.712	52.120	51,0%
Net Profit	51.980	21.986	136,4%
Operating Investment	23.924	22.935	4,3%
Energias do Brasil			
Turnover	923.068	869.490	6,2%
Gross Operating Profit	323.037	162.023	99,4%
Operating Profit	264.267	115.246	129,3%
Net Profit	140.246	33.120	323,4%
Operating Investment	79.705	126.744	-37,1%

Note: 100% of amounts shown considered for operating investment
(Net of co-payments)
* Includes EDP Bioeléctrica and co-generation in Spain

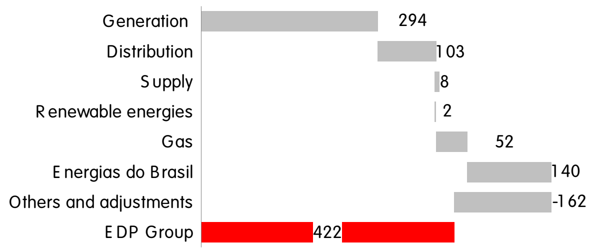
EDP Group Turnover
(EUR millions)



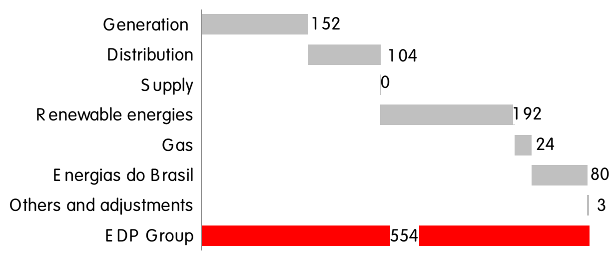
EDP Group Gross Operating Profit
(EUR millions)



EDP Group Net Profit
(EUR millions)



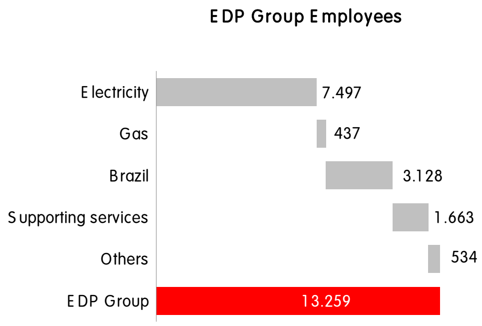
EDP Group Net Operating Investment
(EUR millions)

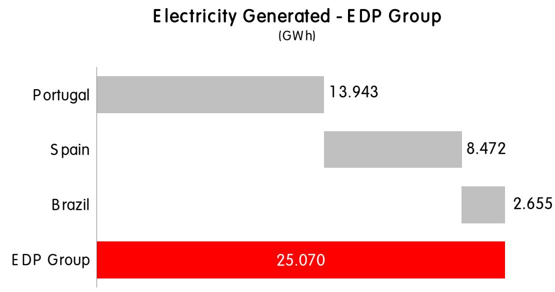


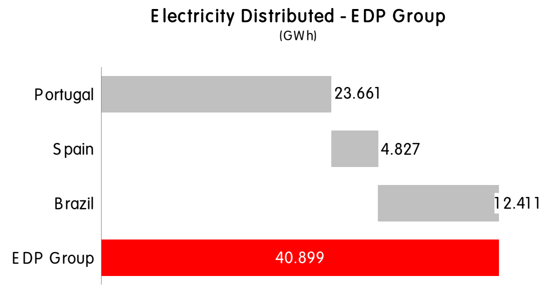
Operating Highlights

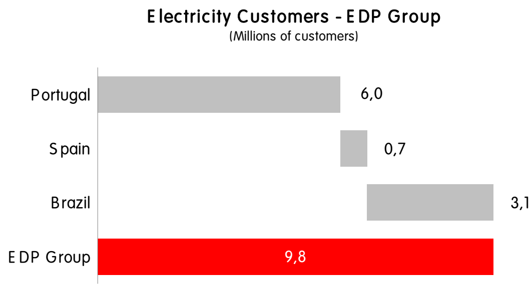
	1S 2007	1S 2006	Var. %
Number of Employees	**13.259**	**14.079**	**-5,8%**
Iberian Energy Market	**7.934**	**8.040**	**-1,3%**
Ordinary Regime Generation	2.220	2.233	-0,6%
Special Regime Generation	312	234	33,3%
Electricity Distribution	4.792	4.958	-3,3%
Electricity Supply	173	177	-2,3%
Gas	437	438	-0,2%
Brazil (Electricity)	**3.128**	**3.346**	**-6,5%**
Generation	238	255	-6,7%
Distribution	2.876	3.077	-6,5%
Supply	14	14	0,0%
Supporting services	**1.663**	**1.670**	**-0,4%**
Telecommunications		**478**	**-**
Others	**534**	**545**	**-2,0%**
Ordinary Regime Electricity Generation - Iberian Peninsula			
Maximum power (MW)	11.075	11.075	0,0%
Portugal	8.584	8.584	0,0%
Spain	2.492	2.492	0,0%
Electricity Sales (GWh)	20.306	19.631	3,4%
Portugal	13.095	13.331	-1,8%
Spain	7.211	6.300	14,5%
Special Regime Electricity Generation - Iberian Peninsula			
Maximum power (MW)	1.600	1.151	38,9%
Portugal	518	395	31,4%
Spain	1.081	757	42,8%
Electricity sales (GWh)	2.109	1.636	28,9%
Portugal	848	692	22,4%
Spain	1.261	943	33,7%
Electricity Distribution - Iberian Peninsula			
Number of customers	6.544.197	6.533.044	0,2%
Portugal	5.934.570	5.937.402	0,0%
Spain	609.627	595.642	2,3%
Electricity sales (GWh)	28.488	27.595	3,2%
Portugal	23.661	22.834	3,6%
Spain	4.827	4.761	1,4%
Electricity Sales - Iberian Peninsula			
Number of customers	121.313	97.959	23,8%
Portugal	72.771	7.082	927,5%
Spain	48.542	90.877	-46,6%
Electricity sales (GWh)	6.147	7.251	-15,2%
Portugal	1.242	2.749	-54,8%
Spain	4.905	4.501	9,0%
Gas - Iberian Peninsula			
Gas distribution - Portugal			
Number of customers	169.311	153.144	10,6%
Gas sales (GWh)	1.369	1.137	20,3%
Gas distribution - Spain			
Supply points	661.055	624.640	5,8%
Gas sales (GWh)	11.328	11.310	0,2%
Gas supply - Spain			
Supply points	322.495	141.283	128,3%
Gas sales (GWh)	8.564	6.750	26,9%
Brazil - Electricity			
Maximum power (MW)	1.043	667	56,3%
Electricity sales (GWh)			
Generation	2.655	1.349	96,9%
Distribution	12.411	11.938	4,0%
Supply	3.612	3.503	3,1%
Number of customers	3.123.461	3.021.532	3,4%

Note: 100% of figures shown considered for all companies
regardless of the EDP Group's shareholding. The number of employees includes corporate bodies.









III. MAIN EVENTS

3 January - Best in Class in environment and social responsibility

EDP was considered best in class for its exemplary environmental and social behaviour and performance by Storebrand Investments SRI.

22 January – EDP's business plan 2007-2010 presentation

Following a favourable opinion from the GSB, EDP announced its business plan for 2007-2010 at the Electricity Museum in Lisbon. It is based on the strategic guidelines presented to the market in July 2006.

12 February - Energias do Brasil forms partnership with Eletronorte

Energias do Brasil formed a partnership with Eletronorte, a company in the Eletrobrás Group, to conduct feasibility studies for the construction of two hydroelectric power stations in Rio do Sono, Tocantins.

15 February - EDP and Caja Madrid reinforce cooperation for renewable energies in Spain

EDP sold Caja Madrid a 20% shareholding in the Desa group of companies (previously called NUON España) for an equity value of EUR 100.4 million.

15 February – Legislative package on electricity sector announced

The Government presented a summary of the measures it will be adopting that will affect EDP's electricity generation activities, especially a revision of rules on early termination of power purchase agreements (PPAs) and the use of water resources to generate electricity.

19 February - UBS AG informs EDP of the purchase of 0.82% of its share capital

UBS AG informed EDP that it had bought 29,869,239 shares representing 0.82% of its share capital on 13 February 2007. Following this transaction, UBS AG announced that it was now responsible for 86,306,115 shares representing 2.36% of EDP's share capital and 2.365% of its voting rights.

21 February - UBS AG informs EDP of the sale of 0.4% of its share capital

UBS AG informed EDP of the sale on 15 February 2007 of 14,739,134 shares representing 0.4% of its share capital. Following this transaction, UBS AG announced that it was now responsible for 66,943,466 shares representing 1.831% of EDP's share capital and 1.834% of its voting rights.

23 February - Pictet informs EDP that it now holds 2.855% of its share capital

Pictet Asset Management informed EDP that, as of 5 February 2007, it owned 104,396,422 shares representing 2.855% of its share capital and 2.861% of its voting rights.

28 February - Caixa Geral de Depósitos informs EDP that it now holds 4.971% of its share capital

Caixa Geral de Depósitos, S.A. announced that, as of 21 February 2007, it directly and indirectly owned 181,766,785 EDP shares corresponding to 4.971% of its share capital and 4.9807% of its voting rights.

6 March - EDP sells 5% holding in REN

EDP signed a contract by which it sold 5% of the share capital of REN – Redes Energéticas Nacionais, SGPS, S.A. (previously called REN – Rede Eléctrica Nacional, S.A.) (REN) to Red Eléctrica de España, S.A., the electricity transmission grid operator in Spain.

14 March – Member of the General Supervisory Board resigns

Carlos Jorge Feijoo Pereira Ribeiro submitted his resignation from the General Supervisory Board on 22 February 2007.

16 March - Best of European Business award

EDP won the Roland Berger Strategy Consultants Best of European Business award in the Cross-border M&A category.

20 March – Increase in power capacity begins at Picote Dam

EDP signed a contract with a consortium formed by OPCA and MSF for all the construction work in the increase in power at the Picote Dam to a value of around EUR 46 million.

27 March - Horizon Wind Energy takeover

EDP signed a contract with the Goldman Sachs Group, Inc. to purchase 100% of the share capital of Horizon Wind Energy LLC, a leader in the development, management and operation of wind farms in the United States. This transaction increased the equity of Horizon to USD 2.15 billion. Horizon's net debt as at 31 December 2006 was USD 180 million.

2 April - Sonatrach announces the purchase of, 1,639,699 EDP shares

Sonatrach announced that it had purchased 1,639,699 EDP shares on 26 March 2007. Following this transaction, Sonatrach now held 74,400,000 shares representing 2.035% of EDP's share capital and 2.039% of its voting rights.

04 April - ANEEL approves 8.05% annual tariff readjustment by Enersul

The Brazilian energy service regulating body, ANEEL, approved an average annual readjustment of 8.05% in Enersul's tariffs for April 2007 to March 2008.

11 April - EDP signs preliminary agreement with Sonatrach

EDP signed an agreement on principles with Sonatrach, the Algerian natural gas supplier, with a view to a possible corporate partnership for certain areas of the natural gas and electricity generation businesses.

12 April – Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders resign

José Manuel Archer Galvão Teles and António Campos Pires Caiado tendered their resignation from the positions of Chairman and Vice-Chairman, respectively, of the Board of the General Meeting of Shareholders at the AGM on 12 April 2007.

12 April – EDP's Annual General Shareholders Meeting

Rui Pena was appointed Chairman of the Board of the General Meeting of Shareholders and António Lorena de Sèves Vice-Chairman of the Board of the General Meeting of Shareholders. The individual and consolidated financial statements for 2006 were approved. Sonatrach was appointed to the General Supervisory Board. The statement by the Remuneration Committee of the General Supervisory Board on the reward policy for members of the Executive Board of Directors was approved on a consultative basis.

4 May – Dividend is paid

A gross dividend per share of EUR 0.11 was paid (2006)

18 May – EDP purchases 9.39% of the share capital of Naturgas

EDP, through its Spanish subsidiary, HC Energia, of which it owns 96.86%, signed an agreement with Gas Natural SDG on the purchase of 9.39% of the share capital of Naturgas. This transaction represents an investment of EUR 122 millions.

18 May - EDP plans to withdraw its American Depositary Shares from trading on the NYSE

EDP's Executive Board of Directors approved the withdrawal from trading on the New York Stock Exchange (NYSE) of its American Depositary Shares (ADSs), each representing 10 ordinary EDP shares, as well as the cancellation of their registration and termination of its obligation to disclose information under the U.S. Securities Exchange Act of 1934.

31 May - EDP awards contract for construction of Lares CCGT

EDP signed a turnkey contract with the GE/Cobra/CME consortium for the construction of a natural gas new combined-cycle turbine power station (CCGT) in Lares, Figueira da Foz.

08 June - HC Energia sells transmission assets to REE

HC Energia, EDP's subsidiary in Spain, reached an agreement with Red Eléctrica de España on the sale, for EUR 16.8 million, of its electricity transmission assets in the Valencia region. The settlement of this deal is subject to approval by the Ministry of Industry.

15 June – Early termination of PPAs

EDP and REN signed a series of addenda to the agreements on early termination of power purchase contracts (PPAs), in order to foster their abolition. They are expected to be abolished on 1 July 2007. The initial amount of the CBMCs (contractual balance maintenance costs) is EUR 833 million. EDP can securitise this amount. The government fixed at EUR 759 million the amount of the financial and economic balance associated with the rights to use water resources enjoyed by the EDP Group's hydroelectric power stations.

21 June - EDP buys 0.6% of the share capital of BCP from the EDP Group pension fund

EDP announced that it had bought from the EDP Group pension fund 21,667,980 shares in Banco Comercial Português, S.A. corresponding to 0.6% of its share capital and voting rights. The price per share in this operation was EUR 3.95.

27 June - EDP enters into agreement with Martifer for new hydroelectric projects in the Vouga and Paiva rivers

EDP and EVIVA ENERGY, S.A., owned 100% by Martifer, SGPS, S.A., signed an agreement on principles for hydroelectric power generation projects in the Vouga and Paiva river basins. Each project will be carried out through a specific company, with 55% of its share capital owned by EDP Produção and 45% by Eviva Energy.

03 July - Horizon Wind Energy acquired

EDP purchased 100% of the share capital of Horizon, after the conditions of the purchase contract signed on 27 March between EDP and Goldman Sachs were met, i.e. necessary regulatory authorisations from the US federal and state authorities. This transaction placed the enterprise value of Horizon at USD 2.74 billion. This acquisition was funded with a syndicated bank loan to EDP of USD 3 billion.

03 July - Fitch lowers EDP's Senior Unsecured Debt rating to 'A'

The Fitch Ratings agency lowered EDP's rating by one notch. Its long-term IDR (issuer default rating) went down to 'A-' (A minus), its senior unsecured to 'A' and short-term IDR to 'F2'. The long-term IDR of EDP Finance B.V., owned 100% by EDP, was also reduced by one notch to 'A-' (A minus), senior unsecured to 'A' and short-term IDR to 'F2'. Fitch maintained its HC Energia rating for long-term IDR at 'A-' (A minus) and short-term IDR at 'F2'. This revision followed the completion of EDP's acquisition of Horizon the day before.

10 July - Horizon agrees on indicative terms of transaction with institutional equity investors

Horizon agreed on the indicative terms with a consortium of institutional investors for participation in a number of wind-energy projects. The consortium consists of JP Morgan, ABN Amro and Morgan Stanley. This transaction covers a portfolio of projects with a net installed capacity of 722 MW. The amount to be contributed by the investors totals around USD 700 million. This transaction will enable EDP/Horizon to monetise tax credits associated with wind energy generation of the portfolio (production tax credits) and faster depreciation from Horizon's operating wind farms.

18 July - Standard & Poor lowers EDP's long-term rating to 'A-' following acquisition of Horizon, maintaining negative outlook

Standard & Poor's lowered EDP's long- and short-term rating from 'A' to 'A-' and from 'A-1' to 'A-2', respectively. This revision follows the completion of the acquisition of Horizon Wind Energy LLC (Horizon), which S&P feels with have a negative influence on EDP's financial profile. The outlook is negative.

IV. CORPORATE BODIES

BOARD OF THE GENERAL MEETING OF SHAREHOLDERS

Rui Eduardo Ferreira Rodrigues Pena, Chairman
António Bernardo de Menezes e Lorena de Sèves, Vice-Chairman
Maria Teresa Isabel Pereira, Company Secretary

STATUTORY AUDITOR

KPMG & Associados, SROC, S.A., represented by Jean-éric Gaign, Permanent statutory auditor
Substitute: Vítor Manuel da Cunha Ribeirinho, Deputy statutory auditor

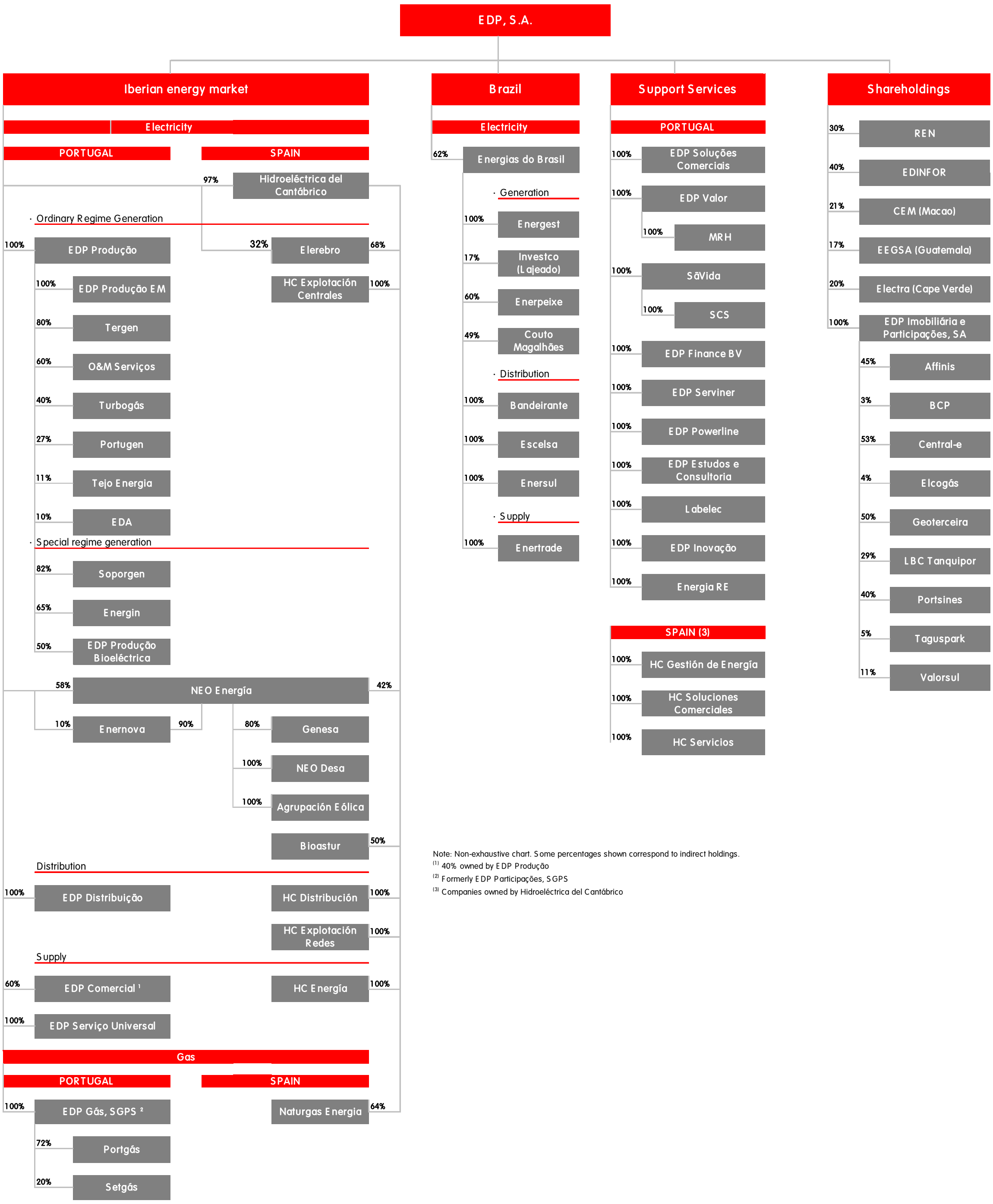
GENERAL AND SUPERVISORY BOARD

António de Almeida, Chairman
Alberto João Coraceiro de Castro, Vice-Chairman
António Francisco Barroso de Sousa Gomes
Carlos Jorge Ramalho dos Santos Ferreira
Diogo Campos Barradas de Lacerda Machado
Eduardo de Almeida Catroga
José Maria Espírito Santo Silva Ricciardi
Manuel Fernando de Macedo Alves Monteiro
Manuel Menéndez Menéndez
Paulo Jorge de Assunção Rodrigues Teixeira Pinto
Rui Eduardo Ferreira Rodrigues Pena
Vasco Maria Guimarães José de Mello
Vital Martins Moreira
Victor Domingos Seabra Franco
Vítor Fernando da Conceição Gonçalves

EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia, Chairman
Ana Maria Machado Fernandes
António Fernando Melo Martins da Costa
António Manuel Barreto Pita de Abreu
João Manuel Manso Neto
Jorge Manuel Pragana da Cruz Morais
Nuno Maria Pestana de Almeida Alves

V. ORGANISATION CHART



Note: Non-exhaustive chart. Some percentages shown correspond to indirect holdings.
[1] 40% owned by EDP Produção
[2] Formerly EDP Participações, SGPS
[3] Companies owned by Hidroeléctrica del Cantábrico

I. THE EDP GROUP'S BUSINESS

1. EDP Group

In the first six months of 2007, the EDP Group's net profit totalled EUR 422.1 million, which represents an annual increase of 12.7% compared to the same period in 2006.

Balance sheet – EDP Group

Assets (€ m)	1H2007	2006
Tangible assets, net	15.473	15.082
Intangible assets, net	4.428	3.722
Financial Investments, net	1.378	1.035
Inventories	198	229
Accounts receivable - trade, net	1.605	1.593
Accounts receivable - other, net	1.580	2.040
Financial assets available for trading	85	116
Cash and cash equivalents	531	753
Deferred Tax (asset)	775	898
Total assets	**26.053**	**25.469**

Shareholders' equity (€ m)	1H2007	2006
Share capital	3.657	3.657
Own shares and share premium	459	487
Earnings and other reserves	1.847	1.445
Minority interest	936	946
Shareholders' equity	**6.899**	**6.535**

Liabilities (€ m)	1H2007	2006
Long-term debt & current portion of long-term debt	8.471	8.625
Short-term debt	1.594	1.528
Provisions	2.080	2.159
Hydrological correction account	224	199
Accounts payable - net	6.221	5.866
Deferred Tax (liability)	565	557
Total liabilities	**19.155**	**18.934**
Total liabilities and shareholders' equity	**26.053**	**25.469**

Consolidated Income Statement (€ m)	1H2007	1H2006	Δ 07/06
Electricity Sales	4.831,2	4.570,8	5,7%
Other Sales	721,7	524,6	37,6%
Services Provided	74,6	146,5	-49,1%
Operating Revenues	**5.627,5**	**5.241,9**	**7,4%**
Electricity	2.341,4	2.340,3	0,0%
Fuel	454,7	491,8	-7,5%
Materials and goods for resale	568,7	417,8	36,1%
Direct Activity Costs	**3.364,8**	**3.249,8**	**3,5%**
Gross Profit	**2.262,6**	**1.992,1**	**13,6%**
Gross Profit/Revenues	40,2%	38,0%	2,2 pp
Supplies and services	324,2	354,5	-8,5%
Personnel costs	298,4	318,8	-6,4%
Costs with social benefits	53,7	35,8	50,1%
Concession fees	109,3	107,4	1,8%
Other operating costs (or revenues)	124,3	109,1	14,0%
Operating costs	**910,1**	**925,5**	**-1,7%**
EBITDA	**1.352,6**	**1.066,5**	**26,8%**
EBITDA/Revenues	24,0%	20,3%	3,7 pp
Provisions for risks and contingencies	42,3	8,1	423,9%
Depreciation and amortisation	534,9	505,5	5,8%
Comp.of subsidised assets' depreciation	(52,2)	(50,4)	-3,5%
EBIT	**827,5**	**603,3**	**37,2%**
EBIT/Revenues	14,7%	11,5%	3,2 pp
Capital gains/(losses)	-	2,8	96,8%
Financial income/(expense)	(170,4)	(36,0)	-389,6%
Income/(losses) from group and associated companies	11,1	16,9	-34,2%
Pre-tax profit	**668,2**	**587,1**	**13,8%**
Income taxes	176,7	183,2	-3,6%
Minority interests	69,5	29,2	137,5%
Net Profit	**422,1**	**374,7**	**12,7%**

In the first half of 2007, the EDP Group's gross operating profit totalled EUR 1.3526 billion, which represents 26.8% growth in relation to the same period in 2006. Our gross operating profit for the first half of 2007 includes a provision of EUR 30 million for potential differences in the interpretation of Royal Decree 03/2006 with regard to the completion of the amendment that the Spanish government is expected to announce in the second half of 2007.

EBITDA (€ m)	1H2007	1H2006	% Δ
IBERIAN MARKET *	1.029,5	904,5	13,8%
Generation & Supply	585,8	545,2	7,5%
Wind Europe (NEO)	92,6	70,7	31,0%
Distribution	310,0	264,0	17,4%
Gas	99,4	69,6	42,9%
Brazil	323,0	162,0	99,4%
Other & Adjustments	(58,2)	(44,9)	-29,5%
Consolidated	**1.352,6**	**1.066,5**	**26,8%**

* Includes "Other & Adjustments" in the Iberian Market

The integrated gross operating profit of the generation and supply of electricity businesses rose 7.5% in the period. The gross operating profit of liberalised generation and supply businesses increased 40.4% to EUR 180.5 million in the first half of 2007, reflecting the success of our hedging strategy. Electricity sourcing costs went down 21% in the period and less electricity was acquired on the spot market at lower pool prices than in 2006. The average selling price in the liberalised market increased 33.4% to EUR 58.20 per MWh in the period. Gross operating profit from contracted generation fell by 2.7% to EUR 405.4 million in the first half of 2007, reflecting a reduction in the variable margin of power purchase agreements (PPAs) from plus EUR 1.7 million in the first six months of 2006 to minus EUR 12.1 million in the same period in 2007. The variable margin of the PPAs was penalised by the higher costs of fuel oil than those implicit in the remuneration of the PPAs.

The gross operating profit of the wind energy business (NEO) increased 31%, reflecting a 60% rise in consolidated installed capacity to 1,359 MW in the first half of 2007, a higher average utilisation factor (28% in the first six months of 2007 against 27% in the same period in 2006) and a 3.8% annual reduction in operating costs.

The gross operating profit of regulated distribution in Portugal increased 5.4% to EUR 266 million in the first half of 2007. Its gross margin rose 7.7%, thanks to a 3.6% increase in electricity distributed. This was reflected by a tariff difference of EUR 4 million to be returned to the system in 2009. Operating costs rose 9.4% in the period due to an increase in distribution grid O&M costs, a rise in pension premiums and the recording of a non-recurring cost of EUR 5 million for the employee adjustment plan. Gross operating profit for regulated distribution in Spain increased EUR 32.7 million to EUR 44.2 million in the first half of 2007, reflecting the end of the impact of Royal Decree 03/2006, which fixed a price of EUR 42.35 MWh for energy bought and sold by companies in the same group, and a 25.5% increase in regulated revenue from distribution in Spain.

The gross operating profit of regulated gas transport and distribution showed an annual growth of 7.5% to EUR 76 million in the first half of 2007, reflecting a 6.7% increase in the number of supply points and a 6.1% expansion in the gas network. The gross operating profit of the liberalised gas business rose by EUR 23.9 million to EUR 23.4 million in the first six months of 2007 (the first half of 2006 includes the EUR 15 million negative impact of the extraordinary purchase of gas on the spot market), reflecting an increase in volumes and gross margin per MWh.

The gross operating profit of Energias do Brasil almost doubled at EUR 323M in the first half of 2007, benefiting from a 1% appreciation of the Brazilian Real against the euro between June 2006 and June 2007 and the good performance of distribution and generation of electricity. The gross operating profit of distribution more than doubled to EUR 250.3 million in the first half of 2007, due mainly to the recovery through prices of regulatory amounts accumulated in previous years, as costs of electricity purchases were higher than expected. The gross operating profit of generation rose 105% to EUR 72 million in the first half of 2007, reflecting a 57% increase in installed capacity to 1,043 MW in June 2007.

Financial Results (€ m)	1H2007	1H2006	Δ 07/06
Investment income	6,2	3,4	82,0%
Financial Investments Gains/(Losses)	**6,2**	**3,4**	**82,0%**
Net financial interest paid	(223,3)	(197,5)	-13,1%
Net foreign exchange differences	13,5	19,7	-31,3%
Other Financials	27,6	138,5	-80,1%
Financing Gains/(Losses)	**(182,2)**	**(39,3)**	**-363,1%**
Financial results	(176,0)	(36,0)	-389,6%

The EDP Group's **financial profits** reflect:

- A 13.1% annual increase in net financial interest due to an increase of 70 bp in the average cost of the EDP Group's debt, reflecting an increase in interest rates in the period

- A substantial reduction in other financial gains and losses. The first half of 2006 included two significant impacts. i) Following the increase in interest rates, the financial provision of EUR 118 million created at the end of 2005 for the fair value of the derivative contracted by EDP to hedge the effect of changes in interest rate in calculating the current net value of CBMCs was totally reversed. ii) A gain of EUR 30 million was recorded from this derivative following an increase in interest rates while this financial instrument was active. The total positive impact recorded for this derivative in the first half of 2006 was EUR 148 million. The first six months of 2007 also include a gain of EUR 15.8 million (against EUR 0.2 million in the same period of 2006) from hedging operations in energy markets associated with generation and supply of electricity in the liberalised market.

Gains of Group and associates totalled EUR 11.1 million in the first half of 2007 as opposed to EUR 16.9 million in the same period in 2006. In the first six months of 2006, EDP recorded a provision of EUR 44.2 million for guarantees provided in financing Electra, in which EDP took responsibility for 60% of the amount owed. EDP also recently agreed to sell a 20% shareholding in REN and sold another 5% in July during the initial public offer. As a result, the EDP Group's shareholding in REN ceased to be consolidated by the equity method. The sale of the first 20% has not yet been completed, as the selling price of these shares will be determined on the basis of REN's share price fixed in the initial public offer and on changes in the market price of these shares in the first months of trading.

CAPEX (€m)	1H2007	1H2006	Δ 07/06
Existing Plants	22,9	12,1	88,8%
New Plants	24,7	28,7	-14,1%
Environmental	15,7	8,0	97,0%
Supply	0,2	0,1	98,6%
Portugal	**63,4**	**48,9**	**29,7%**
Existing Plants	6,8	11,0	-37,8%
New Plants	53,6	39,2	36,7%
Environmental	28,0	29,5	-5,3%
Supply	0,1	0,1	-51,9%
Spain	**88,4**	**79,8**	**10,8%**
Iberian Generation & Supply	**151,9**	**128,7**	**18,0%**
NEO-Wind Europe	**192,2**	**58,2**	**230,4%**
Distribution grid	136,7	165,3	-17,3%
Other	18,7	17,9	4,5%
(-) Investment subsidies	56,4	68,5	-17,6%
Portugal	**98,9**	**114,7**	**-13,8%**
Distribution grid	19,3	17,7	9,0%
(-) Investment subsidies	14,8	3,3	351,1%
Spain	**4,5**	**14,4**	**-68,8%**
Iberian Distribution	**103,4**	**129,2**	**-20,0%**
Distribution network	4,3	6,8	-36,0%
Other	4,0	1,9	114,5%
Portugal	**8,3**	**8,6**	**-3,7%**
Distribution network	12,6	12,2	3,1%
Other	3,0	2,1	44,5%
Spain	**15,6**	**14,3**	**9,1%**
Iberian Gas	**23,9**	**22,9**	**4,3%**
Iberian Core Business	**471,4**	**339,0**	**39,1%**
Generation	7,6	52,4	-85,5%
Distribution	72,1	74,2	-2,8%
Supply & Other	0,0	0,1	-82,7%
Brazil	**79,7**	**126,7**	**-37,1%**
Other	**2,6**	**15,9**	**-83,8%**
EDP Group	**553,7**	**481,7**	**15,0%**

NB: Total operating investment is presented for each company, irrespective of the EDP Group's shareholding in it or changes of ownership within the Group.

The EDP Group's **operating investment** totalled EUR 554 million in the first half of 2007, which represents an annual growth of 15% and reflects a 39.1% increase in the Iberian core business. In the first six months of 2007, around 50% of our investment was channelled into expanding installed capacity, especially wind capacity, and new CCGTs both in Spain and Portugal (Castejón 2, Soto 4 and Lares 1). These investments will result in medium-term business growth. Close to 80% of the Group's investment is in regulated businesses, which benefit from a low risk of return on investment (wind generation, gas and electricity distribution in the Iberian Peninsula and electricity generation under PPAs).

Operating investment in electricity generation in Portugal is related to a) the beginning of construction work on the Lares I CCGT (400 MW), expected to go online in late 2009 and b) power increases at the Bemposta II (231 MW) and Picote II (178 MW) hydroelectric power stations, expected to go online in 2011. In Spain, EDP continued construction of the Castejón 2 CCGT (400 MW), expected to go online in December 2007, and the Soto 4 CCGT (400 MW), scheduled to go online in the third quarter of 2008. Investment in the Lares I, Picote II and Bemposta II power stations in 2007 is expected to total around EUR 130 million and the Castejón 2 and Soto 4 CCGTs around EUR 165 million. EDP also invested EUR 43.7 million in reducing SO_2 and NOx emissions from its coal thermoelectric power stations in order to comply with the European Directive for large combustion power stations by December 2007.

NEO Energia's operating investment in wind-power capacity was EUR 192.2 million, most of which went towards the construction of wind farms going into operation this year. Investment in wind capacity is usually concentrated in the second half of the year. NEO Energia expects to invest around EUR 600 million in wind capacity in 2007. NEO currently has 428 MW under construction, 424 MW of which are expected to go online in 2007.

In the Iberian distribution business, operating investment totalled EUR 103.4 million, essentially aimed at improving quality of service in our distribution grid. In Portugal, following recent investments and favourable weather conditions, equivalent interruption time (EIT) was 52 minutes in the first half of 2007, as opposed to 66 minutes in the first half of 2006 (adjusted for extraordinary impacts). In Spain (Asturias), EIT remained stable at 42 minutes in the first half of 2007.

Operating investment in the gas business in the Iberian Peninsula totalled EUR 23.9 million, which is 4.3% up on the same period in 2006. Of this, 71% was invested in expanding the gas distribution network (+409 km). The remainder went towards the transport network in Spain, commercial promotion campaigns, metres and reducers for new consumption locations and adaptation of LPG facilities for NG.

Investment in euros in Energias do Brasil went down 37.1% in the period, due to the completion of the construction work on the Peixe Angical hydroelectric power station, where the last group went into operation in the third quarter of 2006. After the São João hydroelectric power station went online in April 2007, installed capacity at Energias do Brasil increased by 25 MW (total investment of BRL 90 million). The construction of the Santa Fé hydroelectric power station will contribute 29 MW in additional capacity in 2009. Investment in distribution, which represented 90% of the total investment by Energias do Brasil, went towards expanding and improving the distribution grid in Bandeirante, Escelsa and Enersul concession areas.

Consolidated Cash Flow (€ m)	1H2007
Net Profit	**422,1**
Depreciation	503,8
Compensation of subsidised assets' depreciation	(52,2)
Concession rights' amortisation	31,4
Net provisions	138,3
Interest hydro account	4,0
Forex differences	(13,5)
Net Income from Associates and other Investments	(11,1)
Deferred taxes	119,1
Minority interests	69,5
Other adjustments	(81,6)
Net financial interest	232,6
Operat. Cash Flow before Working Capital	**1.362,2**
Change in operating working capital	(399,2)
Hydro correction	21,6
Operating Cash Flow	**984,5**
Capex	(553,7)
Net Operating Cash Flow	**430,8**
Divestments of fixed assets	-
Net financial investments	27,4
Financing of 6.08% of Spanish Tariff Deficit	(33,7)
Tariff Deficit of EDP Distribuição	(24,5)
Net financial interest paid	(203,8)
Dividends received from Associates and other Investments	35,3
Dividends paid	(401,4)
Other non-operating changes	4,5
Decrease/(Increase) in Net Debt	**(165,4)**

Financial debt

At the end of the first half of 2007, the Group's consolidated financial debt totalled EUR 10.047 billion, with around 78% at EDP S.A. and EDP Finance BV. The Group's financial debt remained relatively stable compared to the end of 2006 and the cash flow generated by operations was sufficient to cover the investment made in the first half of the year.

The EDP Group's net debt at the end of the first half of 2007 totalled EUR 9.449 billion as a result of cash and cash equivalents arising essentially from cash at NEO and the Group's Brazilian subsidiaries.

Nominal Financial debt – EDP Group (EUR thousands)

	1S07	Dez-06	Var
EDP S.A. e EDP Finance BV	7.854.334	8.044.166	-2,4%
EDP Produção	21.585	23.588	-8,5%
EDP Comercial	-	-	-
NEO Energía	577.533	579.261	-0,3%
EDP Distribuição	-	-	-
Portgás	103.913	113.008	-8,0%
HC Energia	420.298	213.258	97,1%
Energias do Brasil	1.060.268	1.018.734	4,1%
Outros	9.286	21.252	-56,3%
Nominal Financial Debt	**10.047.216**	**10.013.267**	**0,3%**

During the first half of 2007, EDP maintained its policy of centralising its financial debt at EDP S.A. and EDP Finance BV, with the exception of its Brazilian subsidiaries and the project finance debt for wind energy generation projects undertaken in partnerships.

EDP contracted a loan of USD 3 billion under a revolving credit facility for the acquisition of Horizon. This loan involves two tranches with repayment times of one and seven years. EDP has the option to extend the one-year tranche for an additional year. The seven-year tranche will be used in the future to cover Horizon's funding needs. The loan attracted considerable interest in the international banking market and was placed with 23 banks. It was used on 2 July 2007, the date of the completion of the acquisition of Horizon and is therefore not reflected in the Group's balance sheet as at 30 June 2007.

In Brazil, Escelsa launched a bond issue on the local market to the amount of BRL 250 million. Its financial settlement occurred at the beginning of July. The issue is for seven years and will be repaid annually after the fifth year. It was used to refinance the company's senior notes in USD that matured in July 2007.

In terms of maturity, 15% of the EDP Group's consolidated debt is short-term and 85% medium and long-term.

	Jun-07	Dez-06	Var
Debt-Medium and Long Term	**8.530.176**	**8.619.581**	**-1,0%**
Loans by bonds and equity securities	5.369.340	5.413.413	-0,8%
Debts to credit institutions	3.103.042	3.161.233	-1,8%
Other loans contracted	57.794	44.935	28,6%
Debt-Short Term	**1.517.040**	**1.393.686**	**8,9%**
Loans by non-convertible bonds	167.002	166.428	0,3%
Debts to credit institutions	402.031	411.596	-2,3%
Comercial paper	2.637	2.855	-7,6%
Other loans contracted	945.370	812.807	16,3%
Capital Debt	**10.047.216**	**10.013.267**	**0,3%**
Interest payable	76.484	134.669	**-43,2%**
OPTEP Swap	-58.973	5.114	**-1253,2%**
capital debt IFRS	**10.064.727**	**10.153.050**	**-0,9%**

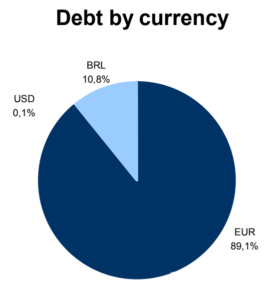
Where short-term finance and cash management was concerned, EDP S.A. continued to give preference to the Euro Commercial Paper programme, an instrument providing access to a broad investor base at highly competitive costs, guaranteeing the necessary flexibility for efficient cash management.

Maintaining a prudent financial management policy, at the end of the first half of 2007, EDP, S.A. had EUR 1.487 billion in lines of credit contracted but not used and EUR 350 million in commercial paper with a fully available direct underwriting commitment.

At the end of the first half of 2007, the average interest rate after hedging derivatives for the financial debt of EDP, S.A. and EDP Finance BV was 4.4% p.a. Around 32% of the debt is fixed-rate medium or long-term.

Where currency was concerned, the EDP Group's profile was the same as at the end of 2006, with around 89% of its debt in euros and the remainder essentially in BRL (or USD with a swap to BRL) for the debt contracted by its Brazilian subsidiaries.

Breakdown of financial debt – EDP Group



Rating

As a result of the announcement of Horizon's acquisition, the medium and long-term rating of EDP, S.A. and EDP Finance BV was placed on negative credit watch by the three rating agencies (S&P, Fitch and Moody´s). In July, after completion of the Horizon acquisition, Fitch and S&P dropped the rating of EDP SA and EDP Finance BV to A-. Fitch gave them a stable outlook while S&P gave them a negative one.

EDP, S.A. and EDP Finance BV – rating changes

S&P		Moody's		Fitch	
Date	Rating	Date	Rating	Date	Rating
18-07-2007	A- / Neg / A2	27-03-2007	A2 / CW- / P1	03-07-2007	A- / St / F1
27-03-2007	A / CW- / A1	23-06-2005	A2 / St / P1	27-03-2007	A / CW- / F1
03-02-2006	A / St / A1	19-08-2003	A3 / St / P2	16-02-2006	A / St / F1
30-07-2004	A / CW- / A1	12-06-2002	A2 / St / P1	23-07-2005	A / St / F1
28-08-2003	A / St / A1	01-10-2001	Aa3 / Neg / P1		
30-05-2002	A+ / Neg / A1	05-08-1999	Aa3 / St / P1		
21-05-2001	AA- / St / A1				
05-08-1999	AA / St / A1+				

Fitch's rating of HC remained at A-, as it felt that the company's close integration in the Group warranted the same rating as EDP S.A.

In the first half of 2007, reflecting the solidity of their financial and operating conditions, the rating of the Group's Brazilian subsidiaries was raised by Moody´s and S&P, as shown in the table below:

	Global		National	
	S&P	Moody's	S&P	Moody's
Bandeirante		Ba2 / St	brA / Pos	Aa3.br / St
Escelsa	BB- / St	Ba2 / St	brA / Pos	Aa3.br / St
Enersul		Ba2 / St	brA / Pos	Aa3.br / St

2. ELECTRICITY GENERATION AND SUPPLY IN THE IBERIAN PENINSULA

Operating profit of electricity generation and supply in the Iberian Peninsula presented an annual growth of 1.8% to EUR 402.8 million in the first six months of 2007.

Operating income statement – electricity generation and supply in the Iberian Peninsula

(€ m)	Total		
	1H2007	1H2006	Δ 07/06
Gross Profit	**787,2**	**736,5**	**6,9%**
Gross Profit/Revenues			
Supplies and services	95,1	89,2	6,6%
Personnel costs	65,5	61,0	7,5%
Costs with social benefits	12,3	8,4	45,3%
Generation centre rentals	2,0	1,9	4,9%
Other operating costs / (revenues)	26,6	30,8	-13,8%
Operating Costs	**201,4**	**191,3**	**5,3%**
EBITDA	**585,8**	**545,2**	**7,5%**
EBITDA / Revenues			
Provisions for risks and contingencies	0,6	(7,9)	-
Depreciation and amortization	184,5	159,4	15,7%
Comp. of subsidised assets' depr.	(2,0)	(2,0)	0,8%
EBIT	**402,8**	**395,7**	**1,8%**
EBIT / Revenues			

The gross margin of electricity generation and supply in the Iberian Peninsula, including PPA generation and liberalised operations, grew 6.9%. The gross margin of our electricity supply more than compensated for the reduction in generation. Our operating profit rose 7.5%, while operating costs only went up 5.3%. If we consider the EUR 15.8 million in financial gains from hedging on energy markets, our gross margin and gross operating profit for generation and sales in the Iberian Peninsula grew 9% and 10%, respectively.

Operating income statement – Generation in Portugal and Spain

(€ m)	Portugal			Spain		
	1H2007	1H2006	Δ 07/06	1H2007	1H2006	Δ 07/06
Gross Profit	**533,5**	**553,8**	**-3,7%**	**222,0**	**282,0**	**-21,3%**
Gross Profit/Revenues	62,9%	55,6%	7,2 pp	54,1%	59,7%	-5,6 pp
Supplies and services	44,5	46,2	-3,7%	25,9	21,9	18,1%
Personnel costs	43,3	39,2	10,4%	17,0	15,3	11,4%
Costs with social benefits	11,4	7,5	52,6%	0,7	0,7	-2,9%
Generation centre rentals	1,9	1,9	4,9%			-
Other operating costs / (revenues)	(2,1)	(2,6)	19,1%	35,5	32,8	-
Operating Costs	**99,1**	**92,2**	**7,5%**	**79,1**	**70,7**	**11,9%**
EBITDA	**434,4**	**461,6**	**-5,9%**	**142,8**	**211,4**	**-32,4%**
EBITDA / Revenues	51,2%	46,4%	4,8 pp	34,8%	44,7%	-9,9 pp
Provisions for risks and contingencies	4,0	-	-	(0,4)	0,3	-
Depreciation and amortization	127,6	109,0	17,0%	53,3	43,5	22,3%
Comp. of subsidised assets' depr.	(1,8)	(1,8)	2,2%	(0,2)	(0,1)	-179,0%
EBIT	**304,7**	**354,4**	**-14,0%**	**90,2**	**167,6**	**-46,2%**
EBIT / Revenues	35,9%	35,6%	0,3 pp	22,0%	35,5%	-13,5 pp

Royal Decree 03/2006 in Spain, which established the partial return at market prices of allocated CO_2 emissions by the end of 2007, had an impact on the income statement for generation in the first half of 2006 and of 2007. In the first half of 2006, 'other operating costs' included EUR 32 million relating to Royal Decree 03/2006, while in the first half of 2007, the item included only EUR 1 million for the decree, as a result of a considerable fall in the market price of CO_2 emissions. In addition, in the first half of 2007, the item 'other operating costs' includes EUR 30 million in provisions for potential differences in interpretation of Royal Decree 03/2006 in our accounts for 2006 and the change in regulations we expect to be announced by the Spanish government in the second half of 2007.

Operating income statement – electricity supply in Portugal and Spain

(€ m)	Portugal			Spain		
	1H2007	1H2006	Δ 07/06	1H2007	1H2006	Δ 07/06
Gross Profit	**9,2**	**(19,0)**	**-**	**22,1**	**(87,4)**	**-**
Gross Profit/Revenues	5,9%	-8,9%	14,8 pp	5,7%	-25,5%	31,2 pp
Supplies and services	9,3	4,9	87,1%	14,4	12,5	15,4%
Personnel costs	2,6	3,0	-14,3%	2,6	2,7	-2,9%
Costs with social benefits	0,1	0,2	-48,2%	0,1	0,1	11,1%
Generation centre rentals	0,0	0,0	-1,1%	-	-	-
Other operating costs / (revenues)	0,6	8,3	-	(7,5)	(15,1)	-
Operating Costs	**12,6**	**16,5**	**-23,7%**	**9,6**	**0,1**	**-**
EBITDA	**(3,3)**	**(35,5)**	**90,6%**	**12,4**	**(87,5)**	**-**
EBITDA / Revenues	-2,1%	-16,6%	14,5 pp	3,2%	-25,5%	28,7 pp
Provisions for risks and contingencie	(0,6)	-	-	(2,4)	-	-
Depreciation and amortization	2,5	2,4	4,4%	1,2	1,4	-13,0%
Comp. of subsidised assets' depr.	-	(0,7)	-	-	-	-
EBIT	**(5,2)**	**(37,1)**	**85,9%**	**13,7**	**(88,9)**	**-**
EBIT / Revenues	-3,4%	-17,4%	14,0 pp	3,5%	-25,9%	29,5 pp

Excluding the impact of Royal Decree 03/2006 and of the reversal of provisions for sales in Spain recorded under 'other operating costs', the operating costs of electricity generation and supply increased by about 17%. In supply in Portugal, the item 'external supplies and services' increased substantially, reflecting the costs of growth in activity in the residential segment. In the first half of 2006, 'other operating costs' suffered the effect of costs of accumulated deviations in consumption from previous years and provisions for doubtful debts. In Spain, the increase in costs of external supplies and services in generation reflects the transfer at the beginning of the year of the special regime power stations (waste and biomass) from NEO Energia to HC Energia and an increase in maintenance costs of the DeSox facilities at coal thermoelectric power stations. Increased supply, especially in the residential segment, also meant an increase in the item 'external supplies and services', due to sales costs.

Under 'gross operating profit', there was a 17% increase in amortisations in generation in Portugal. They were (i) the amortisation of EUR 11 million in the first half of 2007 associated with the extension of the concession period of hydroelectric power stations previously with PPAs and (ii) the acceleration of the amortisation rate of our thermoelectric power stations previously with PPAs, which should be fully amortised by the end of their useful life. The increase in amortisations in generation in Spain can be explained not only by the transfer in December 2006 of waste and biomass activities from NEO Energia to this business area, but also by the acceleration in amortisation of the Soto II coal thermoelectric power station, which should be decommissioned in 2015.

2.1 Contracted generation in the Iberian Peninsula

Until recently, EDP's installed capacity in the **regulated market** in the Iberian Peninsula was bound to the low-risk profile of power purchase agreements ("PPAs"), which ensured stable cash flows. The PPAs guaranteed remuneration based on the availability of power stations, and not the volume generated, ensuring real ROA of 8.5% before tax and the recovery of fuel and CO2 emission costs.

On 16 February 2007, the Portuguese Government announced its approval of a legislative package on the electricity sector revising the early termination of PPAs and the use of water resources to generate electricity.

According to this announcement, the legislation maintains the model prescribed in Decree-Law 240/2004 of 27 December for early termination of PPAs defining the calculation of their contractual balance maintenance costs (CBMCs). It basically considers an adjustment in the reference market selling price of electricity, which will go from an average annual amount of EUR 36/MWh to EUR 50/MWh.

The introduction of a payment by hydroelectric power generation companies covered by PPAs was also announced, associated with the economic and financial balance of operating hydroelectric power stations in the market system following the end of PPAs.

Thanks to the above measures, the gross margin of EDP's power stations operating under PPAs/CBMCs will remain stable over the next 10 years, as will market operation of hydroelectric power stations after the end of PPAs/CBMCs.

On 15 June 2007, EDP and REN agreed to bring forward the end of PPAs to 1 July. The new regulations on CBMCs maintain the value of PPAs at EUR 833 million, which can be securitised. It was also agreed that EDP would pay EUR 759 million for the use of water resources, ensuring that it would keep the right to operate 26 hydroelectric power stations with an installed capacity of 4,095 MW under market conditions for an average of another 26 years. This new agreement and the clarification of the new regulations on CBMCs will enable EDP to restart construction of new hydro-electric capacity and the revitalisation of existing capacity.

Main financial indicators – power purchase agreements (PPAs)

(€ m)	1H2007	1H2006	Δ 07/06
PPA Capacity Charge	**467,0**	**464,8**	**0,5%**
PPA Energy Charge	113,0	167,8	-32,7%
Steam (Barreiro) & Ashes revenues	4,5	4,8	-7,9%
Coal	79,9	90,7	-11,9%
Fuel oil	38,4	66,6	-42,3%
Natural Gas	0,4	2,9	-87,3%
Gas Oil	0,1	0,1	10,6%
Electricity Autoconsumption & Materials	10,7	10,7	0,7%
(-) Direct Costs	129,5	170,9	-24,2%
PPA Energy Margin	**(12,1)**	**1,7**	**-**
Gross Profit PPAs	**454,9**	**466,5**	**-2,5%**
Cogeneration, Waste & Biomass	24,9	18,3	35,9%
Mini-Hydro	8,1	7,9	2,6%
			-
Gross Profit Special Regime	**33,1**	**26,3**	**25,9%**
Gross Profit Other	**11,1**	**11,7**	**-5,3%**
Operating Costs	93,7	87,8	6,7%
EBITDA	**394,3**	**404,9**	**-2,6%**
Depreciation & Provisions	119,9	95,2	25,9%
EBIT	**274,4**	**309,7**	**-11,4%**

In the first six months of 2007, the fixed part of the PPAs remained stable against the same period in 2006, given a reduction in inflation in Portugal and REN's delay in recognising a payment of EUR 4.5 million to EDP. The availability of our power stations with PPAs was above the levels agreed on with REN, making a positive contribution to the fixed part of the PPAs.

Fuel margins continued to suffer from the non-recurring impact of fuel oil purchases at prices above those in the PPAs, therefore not recoverable by EDP.

As of 1 July, when the MIBEL started operations, EDP began market sales of all the energy generated by the power stations previously covered by PPAs. The CBMC system was introduced, by which EDP is remunerated by revenue from the market, payment of annual CBMCs by Portuguese consumers through its tariffs and an amount paid or received the following year to reflect the difference between expected revenue from the market and actual revenue of these power stations for the previous year. The CBMC system will have a similar impact to that of the PPAs on EDP's income statement for the first 10 years of operation.

2.2 Liberalised generation and supply in the Iberian Peninsula

Electricity generation in the **liberalised market** is managed in combination with supply in that same market, taking into account generation costs and market demand. The energy generated in the liberalised market is sold on the liberalised wholesale and retail markets.

Main financial indicators– liberalised generation and supply

Financial Highlights (€ m)	1H2007	1H2006	Δ 07/06
Gross Profit - Liberalized Generation and Supply	**288,1**	**232,0**	**24,2%**
Generation in the market	256,9	338,4	-24,1%
Portugal	46,9	59,8	-21,5%
Spain	209,9	278,7	-24,7%
Supply	31,3	(106,4)	-
Portugal	9,2	(19,0)	-
Spain	22,1	(87,4)	-
Operating costs	107,7	103,5	4,1%
EBITDA	**180,5**	**128,6**	**40,4%**
Depreciation and amortization	63,1	54,3	16,4%
EBIT	**117,3**	**74,3**	**57,9%**

A 24% increase in the gross margin of the liberalised generation and supply business demonstrates the success of the hedging strategy implemented in the second half of 2006 in those businesses. If we consider the EUR 15.8 million of financial gains achieved by hedging in the energy markets, the gross margin rose 31% in the period.

Liberalised generation increased 3.6% to 10,010 GWh in the first half of 2007. The utilisation factor of our coal thermoelectric power stations was high at 79% in the first half of 2007, showing good efficiency levels. The utilisation factor of 68% in the first half of 2006 at our coal thermoelectric power stations was adversely affected by the scheduled seven-week shutdown of the Aboño power station. Our Soto III coal thermoelectric power station is scheduled for a seven-week shutdown in the third quarter of 2007 in order to complete our plan for investment in desulphurisation equipment in Spain. The average utilisation factor of combined-cycle power stations increased to 50% in the half year against 41% in the first quarter of 2007 due to (1) a slight increase in spot prices on the OMEL market, (2) an increase in generation by the Ribatejo power station in Portugal and (3) a seasonal reduction in hydroelectric power generation. As power generated by our CCGTs was essentially sold at peak times, EDP's final average price from sales on spot markets was EUR 47/MWh in the first half of 2007, which is 8% higher than that achieved in spot markets in the same period in 2006. The average cost of electricity sold went down 21% in the period due to smaller volumes and lower prices of purchases on spot markets and a 5.7% fall in variable generation costs explained by a fall in the price of natural gas and a favourable change in the generation mix.

On demand side, EDP managed to increase its average liberalised retail selling price by 33.4% to EUR 58.2/MWh, although there was a 15.1% drop in volume sold, which practically offset the fall in electricity prices in spot and forward wholesale markets. In Spain, substantial crossed subsidies in the tariff system and an increase in prices for end users in January 2007 resulted in a 25.3% increase in the average net price to EUR 58.4/MWh. Volumes sold recovered in the second quarter of 2007. In Portugal, lower crossed subsidies and a potential fall in prices for end users in the industrial segment in the second half of 2007, due to the introduction of the CBMC system, made it difficult to offer more attractive prices. Nonetheless, EDP managed to increase its net average selling price by 51.7% to EUR 57.2/MWh, due to a reduction in volumes sold under older, less attractive contracts and the signing of new contracts with profitable margins.

The number of customers in the liberalised market increased 78% to 121,300 in June 2007, reflecting the total liberalisation of the residential segment in Portugal as of September 2006 and the success of the edp 5D scheme in this segment.

EDP has already signed forward contracts with retail customers, and hedged against energy market price fluctuations, for 85% of expected generation at its power stations in the liberalised Iberian market for the second half of 2007 at an average price of over EUR 50/MWh. For 2008, EDP has already signed contracts for 30% of its expected liberalised market generation at an average price close to EUR 55/MWh.

3. RENEWABLE ENERGIES IN EUROPE

NEO Energia, the EDP Group company that generates electricity from renewable energy sources, owns the assets of Enernova (wind farms in Portugal, owned 100% by NEO), Genesa (renewable energies in Spain, owned 80% by NEO and 20% by Caja Madrid), Desa (wind farms in Spain, acquired in December 2005, owned 80% by NEO and 20% by Caja Madrid), Agrupación Eólica (wind farms in Spain and France, acquired in December 2005 and owned 100% by NEO) and GreenWind (wind farms in Belgium in partnership with local promoters, of which NEO owns 70%).

In December 2006, EDP acquired Agrupación Eólica (AE), which operates in the renewable energies sector in France and Spain. It currently has 221 MW in operation, 176 MW in Spain and 45 MW in France.

In July 2007, EDP completed the purchase of Horizon, a leader in the development, management and operation of wind farms in the USA. Currently, Horizon has 837 MW in operation and 720 MW under construction and expects to have 1,556 MW in operation by the end of 2007. The EDP Group will begin fully consolidating this company in July 2007. The takeover of Horizon is part of EDP's strategic goals, positioning it in one of the most attractive renewable energy markets in terms of growth and profitability.

In June 2007, NEO had an installed wind capacity of 1,359 MW, which is 511 MW more than in June 2006. This increase was achieved with acquisitions (+88MW) and internal growth (+423MW).

Operating profit for electricity generation from renewable energy sources was EUR 46 million in the first half of 2007, which is 29.6% more than in the same period in 2006.

Operating income statement – wind energy (NEO)

(€ m)	1H2007	1H2006	∆ 07/06
Gross Profit	**119,2**	**98,3**	**21,2%**
Supplies and services	17,9	15,3	17,0%
Personnel costs	5,7	5,8	-1,2%
Generation centre rentals	0,7	0,4	85,9%
Other operating costs / (revenues)	2,2	6,2	-
Operating Costs	**26,6**	**27,6**	**-3,8%**
EBITDA	**92,6**	**70,7**	**31,0%**
EBITDA / Revenues	78,3%	56,4%	21,8 pp
Provisions for risks and contingencies	0,1	(0,0)	-
Depreciation and amortization	46,7	35,6	31,2%
Compensation of subsidised assets' depreciation	(0,1)	(0,4)	69,4%
EBIT	**46,0**	**35,5**	**29,6%**
EBIT / Revenues	38,9%	28,4%	10,5 pp

In the first half of 2007, NEO generated 1,403 GWh of wind energy, which is 58.4% higher, thanks to an increase in installed capacity and equivalent service hours. i) In Spain, these hours increased 3%, from 1,203 in the first half of 2006 to 1,239 in the first half of 2007. ii) In Portugal, they went up 5% from 1,046 hours in the first half of 2006 to 1,101 in the first half of 2007. iii) NEO's wind farms in France achieved 1,188 hours in the first half of 2007.

Gross margin – wind energy (NEO)

(€ m)	1H2007	1H2006	∆ 07/06
Portugal	36,4	21,4	69,9%
Spain	71,5	66,1	8,1%
France	3,2	-	-
Wind	111,1	87,5	27,0%
Other & Adjustments	8,1	10,8	-25,1%
Total	**119,2**	**98,3**	**21,2%**

The gross margin rose 21.2% in the period. i) In Spain, in spite of a 17.1% reduction in average price as a result of the recent fall in the pool price, the gross margin benefited from increases in installed capacity and utilisation factors. ii) In Portugal, the gross margin benefited from an increase in installed capacity and a slight improvement in utilisation factor and average price (updated for inflation).

External supplies and services increased 17% in the period, due to (i) an increase in operational activity and international expansion and (ii) to the consolidation of AE (+EUR 2 million) since December 2006, which more than offset the impact of the deconsolidation of waste and biomass activity, which was transferred to HC Energia (-EUR 3.6 million). Staff costs reflect the deconsolidation of waste and biomass, which more than offset the impact of the consolidation of AE (-40 employees in waste and biomass + 39 at AE).

Amortisation increased 31.2% in the period, due to the above increase in installed capacity at NEO through acquisitions and internal growth.

4. DISTRIBUTION IN THE IBERIAN PENINSULA

Distribution in the Iberian Peninsula involves EDP Distribuição, an EDP Group subsidiary which distributes and sells electricity in the regulated system in Portugal, and HC Energia's distributing company, which operates in the Spanish electricity market.

Distribution in the Iberian Peninsula achieved an operating profit of EUR 163.1 million in the first half of 2007, which is 31.8% up on the same period in 2006.

Operating income statement – distribution in the Iberian Peninsula

(€ m)	1H2007	1H2006	Δ 07/06
Gross Profit	**712,6**	**642,5**	**10,9%**
Gross Profit/Revenues	27,4%	29,0%	-1,7 pp
Supplies and services	147,1	141,4	4,1%
Personnel costs	109,8	110,4	-0,5%
Costs with social benefits	49,8	29,7	67,4%
Concession fees	104,0	103,3	0,7%
Other operating costs / (revenues)	(8,2)	(6,4)	-28,3%
Operating Costs	**402,6**	**378,5**	**6,4%**
EBITDA (1)	**310,0**	**264,0**	**17,4%**
EBITDA / Revenues	11,9%	11,9%	-0,0 pp
Provisions for risks and contingencies	6,8	1,6	332,1%
Depreciation and amortization	183,7	180,9	1,5%
Compensation of subsidised assets' depreciation	(43,6)	(42,2)	-3,4%
EBIT	**163,1**	**123,7**	**31,8%**
EBIT / Revenues	6,3%	5,6%	-0,7 pp

4.1. Distribution in Portugal

In the first half of 2007, electricity distributed in Portugal increased 3.6%, due to rises in demand in the HV and MV segments (+15.9% and 4.1% respectively). Without considering the impact of consumption by cogenerators or the effects of temperature or working days, there was a 2% increase in electricity distributed in the period. In the liberalised market, in spite of a rise in the number of MV customers, the volume of electricity distributed fell by 34.8% in the period, as industrial customers prefer the lower prices on the regulated market.

Operating incomes statement – distribution in Portugal

(€ m)	1H2007	1H2006	Δ 07/06
Gross Profit	**639,4**	**593,7**	**7,7%**
Gross Profit/Revenues	27,4%	28,0%	-0,7 pp
Supplies and services	128,3	115,6	11,0%
Personnel costs	97,1	97,5	-0,3%
Costs with social benefits	41,3	29,3	40,7%
Concession fees	104,0	103,3	0,7%
Other operating costs / (revenues)	2,6	(4,5)	-
Operating Costs	**373,4**	**341,2**	**9,4%**
EBITDA (1)	**266,0**	**252,5**	**5,4%**
EBITDA / Revenues	11,4%	11,9%	-0,5 pp
Provisions for risks and contingencies	6,8	1,6	332,1%
Depreciation and amortization	168,5	168,3	0,1%
Compensation of subsidised assets' depreciation	(42,4)	(41,1)	-3,1%
EBIT	**133,1**	**123,8**	**7,6%**
EBIT / Revenues	5,7%	5,8%	-0,1 pp

Electricity sales in the first half of 2007 included EUR 24.5 million of the EUR 49 million from the 2007 tariff deficit attributed to EDP Distribuição (Decree-Law 237-B recognises the recovery of this deficit, with interest, over a 10-year period, beginning in 2008).

Permitted earning – distribution in Portugal

(€ m)	1H2007	1H2006	Δ 07/06
Fixed component of the UDGr: HV and MV (€ m)	69,7	68,2	2,2%
Unit revenue for the UDGr: HV and MV (€ / MWh)	5,5	5,6	-1,8%
Electricity delivered to BES/NBES: HV and MV (GWh)	23.648	22.903	3,3%
Fixed component of the UDGr: LV (€ m)	136,0	133,1	2,2%
Unit revenue for the UDGr: LV (€ / MWh)	13,4	13,6	-1,2%
Electricity delivered to BES/NBES: LV (GWh)	12.311	12.288	0,2%
UDGr allowed revenues	**501,3**	**496,8**	**0,9%**
Average assets of the NS activity (net of amortisations)	248,9	246,2	1,1%
Annual Return on average assets of NS activity (%)	8,0	8,0	-
Assets' amortisation of NS activity	21,4	21,7	-1,5%
Annual structural comercial costs of NS activity	39,9	35,5	12,2%
Network Supply allowed revenues	**71,2**	**67,1**	**6,1%**
Average assets of SPS activity (net of amortisations)	18,2	15,9	14,6%
Annual Return on average assets of SPS activity (%)	8,0	8,0	-
Assets' amortisation of SPS activity	1,2	1,1	15,1%
Annual structural comercial costs of SPS activity	42,1	33,6	25,3%
Supply in Public System allowed revenues	**44,0**	**35,3**	**24,8%**
Incentives	**-**	**-**	**-**
t-2 tariff adjust. for UDGr, SPS and NS	**42,0**	**18,3**	**128,8%**
t-1 & t-2 tariff adjust. for Energy Aquisition	**-50,1**	**43,3**	**-**
HR Restructuring Costs Recovery	**20,5**	**12,0**	**70,3%**
Total Allowed Revenues	**629,0**	**672,8**	**-6,5%**

Permitted earnings fell by 6.5%. However, if we do not count earnings from the recovery of costs from previous years, permitted earnings increased 2.9%. Use of the distribution grid accounted for around 80% of permitted earnings and, in spite of a 2.1% reduction in average unit earnings, a 2.2% increase in the fixed component of permitted earnings for use of the distribution grid (which reduces exposure to the risk of deviations in electricity demand in Portugal) and a 1.6% increase in electricity distributed resulted in a 0.9% increase in permitted earnings from this activity.

Permitted earnings and gross margin for electricity – distribution in Portugal

(€ m)	1H2007	1H2006	Δ 07/06
Electricity Revenues	2.319,5	2.104,4	10,2%
Electricity Purchases	1.686,6	1.515,9	11,3%
Electricity Gross Profit	**632,9**	**588,5**	**7,5%**
Total Allowed Revenues	**629,0**	**672,8**	**-6,5%**
Tariff Difference to Recover/(Return)	**(4,0)**	**84,3**	**-**

In the first half of 2007, the gross electricity margin was EUR 4 million higher than permitted earnings. This price deviation, to be returned to prices in 2009, compares to the EUR 15 million in the first quarter of 2007. This change reflects the seasonal impact of changes in demand structure in the company's gross electricity margin when compared to the ERSE estimate for the whole year.

External supplies and services increased 11% due to a rise in costs of O&M and communication which more than offset the control of selling costs achieved. in the first half of 2007. Staff costs remained at EUR 97 million due to an adjustment in the estimate for deferral of holidays taken in the first half of 2007 (-EUR 2.8 million). If we exclude this impact, staff costs increased by 2.5%, reflecting a 2.8% average pay rise for 2007, which partially offset the savings achieved by downsizing. Social benefit costs rose 40.7% in the period due to an increase in pension premiums (+EUR 5.8 million) and the recording of a cost of EUR 5 million related to the employee adjustment plan.

Efficiency Ratios	1H2007	1H2006	Δ 07/06
Number of Employees/TWh (1)	**108**	**115**	**-6,5%**
Clients / Employee	**1.178**	**1.130**	**4,3%**

(1) Annualized

The reduction in employees was achieved mostly by the employee adjustment plan, which began in 2006: It resulted in 103 retirements and pre-retirements in the last quarter of 2006 and 11 in the first half of 2007. Continued efforts to improve efficiency levels resulted in better efficiency ratios, which reduced our gap from the best practices in the Iberian Peninsula.

4.2. Distribution in Spain

In June 2007, HC Energia agreed with REE on the sale, for EUR 16.8 million, of its electricity transmission assets in the Valencia region. The permitted earnings on to these assets totalled EUR 2 million in 2006.

In the first half of 2007, the volume of electricity distributed in Spain increased 1.4%, as a result of a rise in demand in the HV and MV segments.

Operating income statement – distribution in Spain

(€ m)	1H2007	1H2006	Δ 07/06
Gross Profit	**73,1**	**48,8**	**49,9%**
Gross Profit/Revenues	27,3%	50,5%	-23,2 pp
Supplies and services	26,5	25,8	2,8%
Personnel costs	12,7	12,9	-1,9%
Costs with social benefits	0,5	0,4	23,4%
Other operating costs / (revenues)	(10,8)	(1,9)	-482,6%
Operating Costs	**28,9**	**37,3**	**-22,4%**
EBITDA	**44,2**	**11,5**	**283,9%**
EBITDA / Revenues	16,5%	11,9%	4,6 pp
Provisions for risks and contingencies	-	-	-
Depreciation and amortization	15,2	12,6	20,6%
Compensation of subsidised assets' depreciation	(1,2)	(1,1)	-16,1%
EBIT	**30,2**	**(0,0)**	**-**
EBIT / Revenues	11,3%	-0,0%	11,3 pp

Regulated earnings – distribution in Spain

Regulated Revenues (€ m)	1H2007	1H2006	Δ 07/06
Transmission	3,0	3,9	-24,2%
Distribution	63,2	48,7	29,9%
Supply	3,9	3,8	2,1%
Electricity Regulated	**70,1**	**56,4**	**24,3%**

The gross margin of distribution in Spain increased 49.9% to EUR 73.1 million in the first half of 2007, reflecting i) a EUR 13.7 million increase in remuneration for regulated activities recognised in the 2007 tariff, ii) the impact of recording a cost of EUR 12.2 million for the application of Royal Decree 03/2006 in the first half of 2006 and iii) a EUR 1.1 million reduction in services and other operating income.

- Regulated income rose by 25.5%, as set forth in Royal Decree 1634/2007, which establishes income on regulated activities in the electricity business in Spain. Of the EUR 3.5711 billion allocated to distribution, EUR 123.1 million, or 3.45%, was allocated to HC Energia (as opposed to 3.2% in 2006).

- In the first half of 2006, distribution in Spain recognised a negative impact of EUR 12.2 million resulting from the application of Royal Decree 03/2006, which was approved on 24 February 2006 and considered that electricity sales from generation and purchases from distribution made at the same time by the same corporate group had to be settled at a provisional price of EUR 42.35/MWh.

In the first half of 2006, electricity purchases by distribution at HC Energia settled with its own generation totalled 695 GWh. The impact of this measure was recorded in the gross margin of distribution as the difference between the price of this electricity and the EUR 42.35/MWh. Royal Decree 03/2006 ceased to be applicable and these costs were not recorded in the first half of 2007. Meanwhile, Royal Decree 871/2007 of 30 June fixed the provisional price referred to in Royal Decree 03/2006 at EUR 49.23/MWh.

Operating costs went down 22.4%, due to an increase in capitalisation of costs recorded in 'other operating earnings' in the first half of 2007.

Gross operation profit of distribution in Spain rose EUR 32.7 million to EUR 44.2 million in the first half of 2007, representing 16.5% of operating income (up 4.6 p.p. on the same period in 2006).

Efficiencv Ratios	1H2007	1H2006	∆ 07/06
Number of Employees/TWh (1)	41	43	-5,2%
Clients / Employee	1.559	1.463	6,5%

(1) Annualized

The company's efforts to improve efficiency were reflected on an improvement in some reference ratios such as employees/TWh, with a 5.2% improvement and customers/employee, which improved by 6.5%, thereby keeping up with best practices in the Iberian Peninsula.

5. GAS IN THE IBERIAN PENINSULA

EDP's gas business in the Iberian Peninsula focuses mainly on the regulated distribution segment. Naturgas has been increasing its presence in the Spanish liberalised market. EDP's assets in this business are Naturgas in Spain (with an indirect holding of 63.5%), and Portgás (72%, fully consolidated) and Setgás (19.8%, consolidated by the equity method) in Portugal.

The operating profit of our gas business in the Iberian Peninsula grew by 51% on the first half of 2006 to EUR 78.7 million in the first half of 2007.

Operating income statement – gas in the Iberian Peninsula

(€ m)	1H07	1H06	Δ 07/06
Gross Profit	**141,6**	**108,4**	**30,6%**
Gross Profit/Revenues	19,7%	19,9%	-0,2 pp
Supplies and services	23,1	20,8	11,0%
Personnel Costs	11,9	11,9	0,5%
Costs with social benefits	0,2	0,2	36,4%
Other operating costs/(revenues)	7,0	6,0	-
Operating Costs	**42,2**	**38,9**	**8,6%**
EBITDA	**99,4**	**69,6**	**42,9%**
EBITDA/Gross Profit	13,8%	12,8%	1,1 pp
Provisions risks and contigencies	0,3	(0,0)	-
Depreciation and amortization	21,8	19,0	15,1%
Comp. Of subsidised assets' depr.	(1,5)	(1,5)	-1,0%
EBIT	**78,7**	**52,1**	**51,0%**
EBIT/Gross Profit	11,0%	9,6%	1,4 pp

5.1. Gas – regulated activity

Our regulated gas business includes Portgás, a distribution company with a concession contract (owned 72% by EDP) and Naturgas, a gas distribution and transport company operating mainly in the Basque Country and Asturias. In the second quarter of 2007, EDP acquired 9.39% of the shares of Naturgas for EUR 122 million, which increased its holding to 63.5%.

Operating income statement – regulated gas business in Portugal and Spain

Income Statement (€ m)	Portugal (100%)			Spain			Total		
	1H07	1H06	Δ 07/06	1H07	1H06	Δ 07/06	1H07	1H06	Δ 07/06
Operating Revenues	**54,4**	**54,0**	**0,7%**	**114,8**	**115,0**	**-0,2%**	**169,2**	**169,0**	**0,1%**
Direct Activity Costs	**27,2**	**29,2**	**-6,8%**	**35,4**	**39,8**	**-11,1%**	**62,6**	**69,0**	**-9,3%**
Gross Profit	**27,2**	**24,8**	**9,7%**	**79,4**	**75,3**	**5,5%**	**106,6**	**100,0**	**6,5%**
Gross Profit/Revenues	50,0%	45,9%	4,1 pp	69,2%	65,4%	3,8 pp	63,0%	59,2%	3,8 pp
Supplies and services	3,9	3,2	22,7%	13,6	12,2	11,2%	17,6	15,5	13,6%
Personnel costs	2,6	2,0	30,2%	8,1	8,9	-8,9%	10,8	11,0	-1,6%
Costs with social benefits	0,0	0,0	356,2%	0,2	0,1	20,0%	0,2	0,1	30,2%
Other operating costs / (revenues	0,9	0,4	-	1,2	2,4	-	2,0	2,8	-
Operating Costs	**7,5**	**5,7**	**31,9%**	**23,1**	**23,7**	**-2,6%**	**30,6**	**29,4**	**4,1%**
EBITDA	**19,7**	**19,1**	**3,0%**	**56,3**	**51,6**	**9,2%**	**76,0**	**70,7**	**7,5%**
EBITDA / Gross Profit	72,4%	77,1%	-4,7 pp	70,9%	68,5%	2,4 pp	71,3%	70,7%	0,7 pp
Provisions risks and contingencies	0,1	(0,0)	-	0,2	-0,0	-	0,3	-0,0	-
Depreciation and amortization	6,3	3,8	65,7%	15,3	15,1	1,5%	21,6	18,8	14,4%
Comp. of subsidised assets' depr.	(0,7)	(0,7)	0,1%	(0,8)	(0,7)	-6,6%	(1,5)	(1,4)	-3,3%
EBIT	**14,0**	**16,1**	**-12,6%**	**41,6**	**37,2**	**11,8%**	**55,7**	**53,3**	**4,4%**
EBIT / Gross Profit	51,7%	64,9%	-13,2 pp	52,4%	49,5%	2,9 pp	52,2%	53,3%	-1,1 pp

The gross operating profit of our regulated gas business in the Iberian Peninsula showed an annual growth of 7.5% to EUR 76 million in the first half of 2007, reflecting a 6.7% increase in supply points to 832,400 customers (+52.000 contracts) and a 6.1% increase in the network to 8,261 km.

Regulated revenue – regulated gas business in Portugal and Spain

(€ m)	1H07	1H06	Δ 07/06
Portugal	**27,2**	**24,8**	**9,7%**
Transmission	8,2	6,2	31,5%
Distribution	61,6	58,2	5,8%
Regulated Supply	6,0	6,2	-2,3%
Spain	**75,8**	**70,6**	**7,4%**
Regulated Revenues	**103,0**	**95,4**	**8,0%**

In Spain, regulated revenue rose 7.4% on the first half of 2006 to EUR 75.8 million in the first half of 2007.

- Regulated revenue from distribution grew 5.8% to EUR 61.6 million, reflecting a 5.8% increase in supply points to 661,100 customers (+36.000 contracts) and a 4.5% extension of the network to 5,079 km. The volume of gas distributed rose by 0.2%, while conventional demand in the regulated gas market in Spain fell by 2%. We must point out that a comparison with the same period in 2006 is positively influenced by the acquisition of the remaining 50% of the shares of the gas distributor Gasnalsa (fully consolidated since November 2006).

- Regulated revenue from transport grew 31.5% to EUR 8.2 million due to a 26% extension of the transport network to 315 km (start-up of the Sória Agreda gas pipeline, new investments in Santurtzi and Zierbana and recognition as primary transport of the La Robla Guardo pipeline).

- Regulated revenue from supply fell 2.3% to EUR 6 million. The system of supply at the regulated gas tariff is expected to end in December 2007. However, this possible measure should not have any great impact on the profits of Naturgas, as more than 50% of supply points are access customers and Naturgas expects to keep most of its regulated supply customers in the liberalised market.

In Portugal, our regulated revenue increased 9.7% to EUR 27.2 million as a result of a 10.5% increase in supply points to 171,300 customers, 8.6% in the volume of gas distributed and extension of the network by 7.2% to 2,866 km. The 34% increase in the number of new customers connected to the distribution network compared to the same period in 2006, resulted in a rise in penetration rates and efficiency ratios. In September 2006, the Energy Service Regulating Body (ERSE) approved new regulations for the gas sector in order to prepare for liberalisation. Gas distribution will be remunerated by regulated assets (BAR) times return on assets (ROA). However, the BAR and ROA parameters used in these new regulations have not yet been defined and will only be announced in 2007 for implementation in the second half of 2008.

5.2. Gas – Liberalised activity

The liberalised business consists of liberalised gas supply in Spain, through the commercial platforms of Naturgas and HC Energia, and gas supply to the wholesale market.

In early April, EDP reached an understanding with Sonatrach for an agreement on principles regarding a possible corporate partnership for certain areas of the natural gas and electricity generation businesses.

This partnership is non-exclusive and is based on three essential business pillars.

- Long-term supply by Sonatrach of quantities of natural gas up to 2 bcm a year, a part of which would be for the EDP Group and the other for use in new natural gas combined-cycle power stations planned as part of the partnership

- The setting-up of a company for the supply of natural gas under the parties' joint control

- Sonatrach's shareholdings, as a minority shareholder with at least 25% of share capital, in companies developing new natural gas combined-cycle power stations.

Operating income statement – liberalised gas business

Income Statement (€ m)	1H07	1H06	Δ 07/06
Gross Profit	**35,0**	**8,8**	**296,3%**
Gross Profit/Revenues	6,4%	2,3%	4,0 pp
Supplies and services	5,5	5,2	5,9%
Personnel costs	1,2	0,9	25,9%
Costs with social benefits	0,0	0,0	98,2%
Other operating costs / (revenues)	4,9	3,3	51,5%
Operating Costs	**11,6**	**9,4**	**23,9%**
EBITDA	**23,4**	**(0,6)**	**-**
EBITDA / Revenues	4,3%	-0,1%	4,4 pp
Provisions for risks and contigencies	0,1	-	-
Depreciation and amortization	0,3	0,1	144,6%
Compensation of subsidised assets' depreciation	-	-	-
EBIT	**23,0**	**(0,7)**	**-**
EBIT / Revenues	4,2%	-0,2%	4,4 pp

The gross operating results of our liberalised gas business improved considerably, going from a EUR 0.6 million loss in the first half of 2006 to a EUR 23.4 million gain in the first half of 2007.

The supply of gas to liberalised activities is guaranteed by a long-term contract for 1 bcm a year with Trinidad & Tobago, on which EDP has a swap agreement of gas with Gás Natural, and in a contract with ENI for 0.5 bcm a year. In addition, EDP has a contract with Galp for 1.2 bcm a year to supply its 1,200 MW CCGT in Portugal and with Gás Natural for 0.35 bcm a year for the supply of its 400 MW CCGT in Spain.

In the first quarter of 2006, gas supply costs rose sharply due to considerable demand for gas by our liberalised customers. This led to exceptional, non-recurring purchases of gas at high prices on the spot market. This extra cost had a negative impact of EUR 15 million on the accounts in the period.

The volume of gas sold by EDP on the liberalised market increased 26.9% in relation to the same period in 2006. This increase is particularly noteworthy as the liberalised market in Spain only grew 1%. In addition, the number of customers rose from 197,200 in the first half of 2006 to 322,500 in the first half of 2007. This can be explained by the successful strategy of Naturgas and HC Energia in transferring customers from the regulated to the liberalised market and by the launch of a gas and electricity package for small customers. This increase in market share in terms of volumes and customers reflects the competitive gas supply portfolio and the strong commercial abilities of the Naturgas/HC Energia platform. Moreover, the renegotiation of industrial contracts on more attractive terms made it possible to improve the average unit margin in the period.

6. BRAZIL

The operating profit of Energias do Brasil (62.4% owned by EDP) was BRL 718.5 million in the first half of 2007, as opposed to BRL 310.1 million in the first half of 2006.

Operating income statement – Energias do Brasil

R$ million	Consolidated 1H07	1H06	Δ 07/06
Gross Profit	**1.373,1**	**901,1**	**52,4%**
Gross Profit/Revenues	54,7%	38,5%	16,2p,p,
Supplies and services	191,4	186,0	2,9%
Personnel costs and social benefits	156,1	197,4	-21,0%
Other operating costs / (revenues)	147,3	81,6	80,4%
Operating Costs	**494,8**	**465,1**	**6,4%**
EBITDA	**878,3**	**435,9**	**101,5%**
EBITDA / Revenues	35,0%	18,6%	16,4p,p,
Provisions for risks and contigencies	19,6	5,9	233,0%
Depreciation and amortization	153,5	131,8	16,5%
Comp. of subsidised assets' depreciat.	(13,3)	(11,8)	-12,9%
EBIT	**718,5**	**310,1**	**131,7%**
EBIT / Revenues	28,6%	13,3%	15,4p,p,

The accounts of Energias do Brasil showed a positive contribution by generation and distribution in the first half of 2007. The company's gross operating profit for the period benefited from the appreciation of the Real against the euro, with an average BRL/EUR exchange rate of 2.72 compared to 2.76 in the first half of 2006.

Operating income statement by business area – Energias do Brasil

R$ million	Distribution 1H07	1H06	Δ 07/06	Generation 1H07	1H06	Δ 07/06	Supply 1H07	1H06	Δ 07/06
Gross Profit	**1.097,5**	**723,3**	**51,7%**	**239,7**	**143,2**	**67,3%**	**37,0**	**34,6**	**7,0%**
Gross Profit/Revenues	48,5%	34,1%	14,4p,p,	89,5%	68,1%	21,4p,p,	12,4%	13,7%	-1,3p,p,
Supplies and services	165,4	142,1	16,4%	16,8	33,2	-49,5%	2,1	3,4	-38,5%
Personnel costs and social benefit	125,6	177,4	-29,2%	14,2	7,0	103,3%	4,2	3,3	26,5%
Other operating costs / (revenues	126,1	73,5	71,5%	12,2	5,7	113,3%	6,4	0,0	-
Operating Costs	**417,0**	**392,9**	**6,1%**	**43,2**	**45,9**	**-5,9%**	**12,7**	**6,8**	**88,1%**
EBITDA	**680,5**	**330,4**	**106,0%**	**196,5**	**97,3**	**101,9%**	**24,3**	**27,8**	**-12,7%**
EBITDA / Revenues	30,1%	15,6%	14,5p,p,	73,3%	46,2%	27,1p,p,	8,1%	11,0%	-2,9p,p,
Provisions for risks and contigencie	19,6	5,9	234,6%	0,0	0,0	-61,3%	-	-	-
Depreciation and amortization	111,7	112,3	-0,5%	34,1	12,0	183,3%	0,2	0,2	-3,4%
Comp. of subsidised assets' depre	(13,3)	(11,8)	-12,9%	-	-	-	-	-	-
EBIT	**562,5**	**224,0**	**151,1%**	**162,4**	**85,2**	**90,5%**	**24,1**	**27,6**	**-12,7%**
EBIT / Revenues	24,8%	10,6%	14,3p,p,	60,6%	40,5%	20,1p,p,	8,1%	10,9%	-2,9p,p,

In the first half of 2007, the gross operating profit of Energias do Brasil increased 101.5% to BRL 878.3 million. The gross operating profit of generation rose 102% compared to the first half of 2006, due mainly to an increase in installed capacity in the second half of 2006. The gross operating profit of distribution increased 106%, due to i) growth in the market, ii) receipt of accumulated regulatory assets from previous years and the positive impact of the latest tariff readjustments at our distributors and iii) lower energy purchase costs than those accepted by the regulating body when defining the tariff. The gross operating profit of supply went down 12.7% as a result of the end of self-dealing contracts.

The 6.4% increase in operating costs was due to:

- A 2.9% increase in external supplies and services due to i) the introduction of new procedures for reducing commercial losses, ii) stricter measures for improving quality of service imposed by the regulating bodies and iii) more outsourcing of IT services to accompany the current downsizing programme.

- A 21% reduction in staff costs with the implementation of our downsizing programme, which reduced the payroll by 265 workers, resulting in savings of BRL 19.7 million. It should be noted that, excluding the non-recurring cost (BRL 52 million) in the first half of 2006, staff costs increased 7.3% due to a rise in average pay .

- An increase in other operating costs that can be explained by i) non-recurring regulatory costs compensated by operating revenue, ii) an increase in provisions for doubtful debts in distribution and iii) an increase in the provision for a potential loss in the sales business (BRL million), due to a dispute with the regulating body on the terms of the supply contract with Ampla.

6.1. Electricity generation and supply in Brazil

In June 2007, Energias do Brasil had an installed capacity of 1,043 MW, after the São João mini-hydroelectric power station (25 MW) went online in April 2007.

Gross margin – electricity generation and supply in Brazil

(R$ million)	1H07	1H06	∆ 07/06
Lajeado (27.65%)	44,5	62,4	-28,8%
Enerpeixe	124,3	25,5	386,9%
Energest (13 Hydro plants)	70,9	55,3	28,3%
Total	**240**	**143**	**67%**

The high growth of the gross margin benefited from a contribution of BRL 99 million, when the Peixe Angical power station (452 MW) went online, an additional BRL 15 million from Energest, when the fourth machine went into operation at the Mascarenhas hydroelectric power station and from the São João mini-hydroelectric power station, as well as from an increase in the average unit selling price. The Lajeado power station suffered the influence of unfavourable hydrological conditions.

Energias do Brasil will be conducting feasibility studies with Eletronorte for new hydroelectric power stations. They will be concentrated in Tocantins and will involve facilities totalling 235 MW installed capacity: Novo Acordo with 160 MW and Brejão with 75 MW. In addition, Energias do Brasil will also conduct 19 new feasibility studies for hydroelectric power stations totalling 438 MW.

At the end of July 2007, Energias do Brasil announced a partnership with MPX Mineração e Energia for the development of thermoelectric power stations, in which each group will own 50%. Energias do Brasil holds the right to build a thermoelectric power station burning imported mineral coal with an installed capacity of 350 MW and MPX has permission to build the same type of power station with an installed capacity of 700 MW. These projects will be presented at the next new energy auction, where energy can be sold to distribution companies, with delivery five years after the auction. The auction was scheduled for June but was postponed indefinitely. It is expected to take place in 2007.

The volumes of electricity sold to liberalised customers increased 3.1% to 3,612 GWh in the first six months of 2007, reflecting the effort by Enertrade to attract customers from the distribution subsidiaries of Energias do Brasil who are changing from the regulated to the free market, thereby guaranteeing the company's customer base and increasing demand in the liberalised market.

The increase in volumes sold and the improvement in the unit gross margin (3.8% to BRL 10.2/MWh) resulted in a 7% increase in Enertrade's gross margin, offsetting the end of some self-dealing contracts (change in regulations that does not allow self-dealing electricity transactions between companies in the same group), which were not completely compensated for by new end-user contracts.

6.1. Distribution in Brazil

The gross margin of Energias do Brasil distributors in the first half of 2007 increased 51.7% with positive contributions from i) a 4% increase in volume distributed compared to the first half of 2006, ii) receipt through tariffs of regulatory assets accumulated in previous periods and iii) lower energy purchase costs than those considered when calculating tariffs, though this gain will be returned in upcoming tariff revisions.

Gross margin – distribution in Brasil

R$ million	Distribution		
	1H07	1H06	∆ 07/06
IFRS Gross Profit	**1.098**	**723**	**51,7%**
Rationing Losses and Parcela A	(94)	(72)	-31,2%
Adjustments of Tariff Revisions	(39)	27	-
Tariff deviations in recuperation	(75)	(47)	-57,9%
Tariff deviations to be recovered	(34)	126	-
Others	(20)	(51)	60,5%
Brazilian GAAP Gross Profit	**835**	**706**	**18,4%**
Regulatory Receivables	**425**	**752**	**-43,5%**

There was a sustained growth in gross margin in distribution. The volume of electricity distributed by Bandeirante increased 3% on the same period in 2006. Distribution at Escelsa grew 5.1% compared to the first half of 2006, influenced by economic growth in the region (discoveries in the gas and oil sectors. The universalisation programme at Enersul began to bear fruit and the local economy overcame the foot and mouth disease problem allowing consumption to go up 5.1%, while the number of customers rose 4.2% against the same period in 2006.

Gross margin – distribution in Brasil by subsidiary

R$ million	Bandeirante			Escelsa			Enersul		
	1H07	1H06	Δ 07/06	1H07	1H06	Δ 07/06	1H07	1H06	Δ 07/06
IFRS Gross Profit	**469**	**300**	**56,5%**	**353**	**197**	**78,6%**	**276**	**226**	**21,9%**
Rationing Losses and Parcela A	(44)	(33)	-33,1%	(25)	(21)	-18,6%	(25)	(18)	-42,6%
Adjustments of Tariff Revisions	(8)	53	-	(1)	1	-	(29)	(26)	-13,1%
Tariff deviations in recuperation	(32)	(23)	-37,7%	(36)	(16)	-130,2%	(7)	(9)	16,3%
Tariff deviations to be recovered	(25)	39	-	(6)	71	-	(4)	16	-
Others	(1)	(25)	94,6%	(19)	(14)	-30,6%	(0)	(11)	99,3%
Brazilian GAAP Gross Profit	**359**	**310**	**15,8%**	**266**	**218**	**22,3%**	**210**	**178**	**18,0%**
Regulatory Receivables	**111**	**230**	**-51,7%**	**152**	**238**	**-35,9%**	**161**	**284**	**-43,2%**

The gross margin of distribution in the first half of 2007 includes a positive tariff difference of BRL 34 million due to the purchase of energy at a price lower than that defined by the regulating body in the tariff composition. It should be noted that, in the first half of 2006, the gross margin of distribution showed a negative tariff difference of BRL 126 million. This non-recurring effect on gross margin will be returned to the system when tariffs are set in the next tariff readjustments.

In the first half of 2007, our distribution activity recovered regulatory assets through tariffs to the amount of BRL 261 million. These amounts were owed by the system and had had a negative impact on the company's gross margin in the past. In June 2007, distribution owned total regulatory assets of BRL 425 million, which will be recovered in the next quarters and so Energias do Brasil is expected to make a positive contribution through this component.

Total electricity losses rose due to an increase in commercial losses, due mainly to the effects of the universalisation programme, in spite of the investment in the programme in order to reduce commercial losses.

On 4 April, the Brazilian service regulating body, ANEEL, approved an annual tariff readjustment rate of 8.05% for Enersul for April 2007 to March 2008. In early June, ANEEL announced the preliminary result of the Escelsa tariff revision of -4.73% (the final result will only be confirmed in early August). The tariff revision at Bandeirante will take place in October 2007. ANEEL has already fixed the regulatory WACC at 9.95% (after tax).

VII. CORPORATE GOVERNANCE

On 30 June 2006, EDP adopted a dual model of corporate governance following the total reformulation of its articles of association approved by the shareholders at the AGM on 30 March 2006.

The new articles of association adopted a management and supervision structure with the following three bodies:

- Executive Board of Directors
- General Supervisory Board
- Permanent Statutory Auditor

Generally speaking, the new EDP articles of association incorporate the main recommendations on transparency and efficiency for corporate governance first made by the Portuguese Stock Exchange Commission (CMVM) and now mostly enshrined in the Company Code after the reforms introduced by Decree-Law 76-A/2006 of 29 March.

EDP's articles of association were revised in line with modern guidelines on corporate governance, with reference to the following matters:

- Introduction of the 1 share - 1 vote principle
- Reduction of period for proof of ownership of shares for participation in the AGM to five working days
- Application of independence criteria to the following corporate bodies:
    - Supervisory body, most of whose members must be independent
    - Audit committee made up of only independent members
    - Remuneration committee elected by the General Meeting of Shareholders with a majority of independent members

Following the resignation of the Chairman and Vice Chairman of EDP's Board of the General Meeting of Shareholders, José Manuel Galvão Teles and António Pires Caiado, respectively, the General Meeting of 12 April 2007 elected Rui Eduardo Ferreira Rodrigues Pena as Chairman and António Bernardo de Menezes e Lorena de Sèves as Vice Chairman to complete the 2006/2008 period.

In the first half of 2007, EDP was one of the quoted companies on Euronext Lisbon with the largest number of announcements to the market, having made 24 communications of privileged information and 15 others.

EDP, as a quoted company with a highly transparent relationship with investors and the capital market, has maintained a policy of permanent communication with the market. At the same time, it lends special importance to the adoption of the best organisational models and best practices and conduct guidelines in corporate governance, by monitoring international trends and fostering reflection on these matters.

For this reason, EDP has been one of the companies admitted to trading at Euronext Lisboa with the highest rate of compliance with CMVM recommendations on corporate governance. It is also a pioneer in adopting organisational and operational measures designed to promote best practices in this area.

EDP also continues to actively encourage shareholders to participate in its General Meeting. Since the 2005 AGM, the company has even borne the cost of issuing certificates of ownership and of blocking shares for shareholders to participate.

1. STATEMENT OF COMPLIANCE

1.1. EDP generally adopts CMVM recommendations on governance of quoted companies as set forth in CMVM Regulation 7/2001 (amended by CMVM Regulation 11/2003, 10/2005 and 3/2006).

The CMVM recommendations are listed below.

- Recommendation I-1 (Disclosure of information – contact with investors)
- Recommendation II-2b), c) and d) (Exercise of voting rights and shareholder representation)
- Recommendation III-3 (Company rules – internal control system)
- Recommendation III-4 (Company rules – defensive measures against takeover bids)
- Recommendation IV-5 (Governing body – members of governing body)
- Recommendation IV-6 (Governing body – independence of governing body)
- Recommendation IV-7 (Governing body –internal control committees)
- Recommendation IV–8, part 1 (Governing body – remuneration of governing body)
- Recommendation IV-9 (Governing body – independence of remuneration committee)
- Recommendation IV-10 (Governing body – share allocation plans and policy on communication of irregularities)

1.2. The table below shows the most important

aspects of the CMVM recommendations adopted.

ADOPTION OF CMVM RECOMMENDATIONS	
CMVM RECOMMENDATION	**MEASURE**
I. – Disclosure of information 1. Each listed company is required to ensure the appointment of a permanent representative for liaison with the market, respecting the principles of equality among shareholders and preventing uneven access to information on the part of investors. The creation of a department designed to assist investors is therefore recommended.	Creation and development of the following information channels for investors: • Investor Relations Office (DRI) • Website (www.edp.pt)
II. – Exercise of voting rights and shareholder representation **2.** The active exercising of voting rights must not be restricted, either directly, in particular by postal vote, or by representation. For this purpose the following are considered to be a restriction on the active exercise of voting rights: a) The imposition of the deposit or blockage of shares greater than	• The time limit set by the articles of association for blocking shares for participation in the General Meeting is five working days before the date of the meeting. • EDP's articles of association contain express provisions and regulations with no restrictions on postal voting. • EDP's articles of association allow for receipt of postal votes a minimum of five working days prior to the date of the General

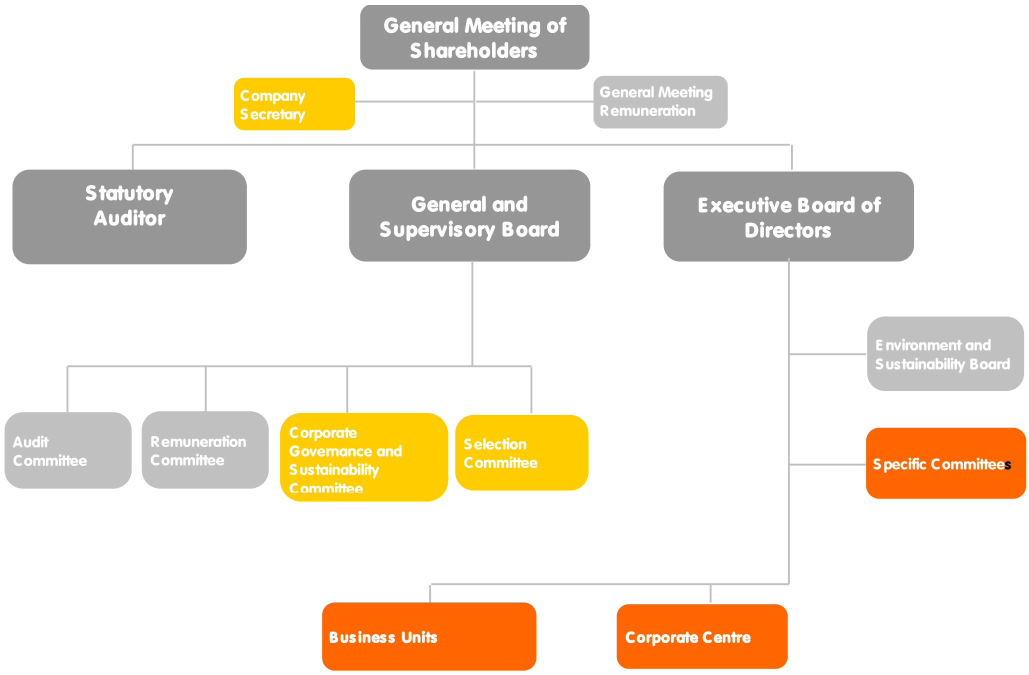
five working days in advance, for the purpose of participating in a General Meeting; b) Any restriction in the articles of association on postal voting; c) The imposition of a deadline of more than five working days for the reception of the declaration to vote issued by post ; d) The non-availability of voting ballots at the disposal of shareholders for postal voting.	Meeting. • Postal votes may also be sent by e-mail. • Voting slips for postal votes are made available (EDP website, head office or by post at the shareholder's request). • Votes by proxy accepted with no restrictions. The assistance provided by the IRO includes proxy letter forms, which are also available on the EDP website. • EDP has paid the bank charges for the issue of ownership certificates and share blocking for shareholders to participate in Annual General Meetings since 2005.
III. Company rules 3. The company must set up an internal control system to detect risks associated with its activity in order to protect its assets and ensure the transparency of its corporate governance.	• Definition of a corporate business risk management policy adopting an interconnected and efficient model of internal control aimed at detecting and mitigating the risks inherent in corporate activity. • The creation of a Risk Management Office within the Corporate Centre to monitor the implementation of the risk management policy defined by the company
4. Measures adopted to prevent the success of takeover bids should respect the interests of the company and its shareholders. Measures considered contrary to these interests include defensive clauses intended to cause an automatic erosion of company assets in the event of the transfer of control or a change to the composition of the Board which prove detrimental to the free transferability of shares and the free appraisal by shareholders of the performance of members of the Board.	• No defensive clauses whose effect might cause an automatic erosion of company assets in the event of the transfer of control or of a change in the composition of the Board (without prejudice to the usual change in control clauses that are not defensive in nature, aimed at protecting counterparts in accordance with international practices).
IV. – Governing body 5. The governing body must consist of a number of members who provide effective guidance on the company's management and directors.	• Without prejudice to the powers of the Executive Board of Directors as a collegial body, specific management areas have been allocated to each of its members for more effective, efficient monitoring of the company. • Separation of the control and supervisory components of management through the creation of an Executive Board of Directors and a General and Supervisory Board, the majority of whose members are independent.
6. The governing body must include at least one member who is not associated with specific interest groups in order to maximise the pursuit of the company's interests.	• The governing body consists entirely of independent members not associated with specific interest groups. • Control and supervision of management have been divided between an Executive Board of Directors and a General Supervisory Board, of which most members are independent.
7. The governing body must set up internal control committees with powers to assess the company's structure and governance.	• Without prejudice to the powers of the Executive Board of Directors to define and assess the company's structure and governance, in EDP's current governance model, under Article 23.1 of the articles

	of association, the General Supervisory Board set up a Corporate Governance and Sustainability Committee with powers to monitor corporate governance.
8. The remuneration of the governing body's members must be structured in such a way as to ensure that their interests are in line with those of the company and must be disclosed for each member every year.	• The total amounts of remuneration paid to the members of the governing body are disclosed annually, indicating fixed and variable components of the remuneration of the directors and of the Chairman of the Executive Board of Directors..
9. The members of the remuneration committee or equivalent must be independent from the members of the governing body.	• The remuneration of the members of the Executive Board of Directors is fixed by a remuneration committee consisting of three members of the General Supervisory Board, under the terms of Article 27.1 of articles of association. The majority are independent.
10. The proposal submitted to the General Meeting on the approval of plans for the allocation of shares, and/or share purchase options to members of the governing body and/or employees must contain all information necessary for a correct assessment of the plan. The plan's regulations, if available, should accompany the proposal. 10-A The company should adopt a policy on reporting irregularities.	• Plans for allocating shares or share purchase options have been approved by the General Meeting as recommended. • In accordance with Article 22.1d) of its articles of association, EDP has internal communication channels for direct contact with the General Supervisory Board to enable employees to report any alleged financial, accounting or other irregularities in the company in confidence.

2. DISCLOSURE OF INFORMATION

In 2006, EDP adopted a dual model of corporate governance with an Executive Board of Directors responsible for management supervised by the General Supervisory Board. These changes came into effect on 30 June 2006, when EDP's new articles of association came into force, along with the amendments to the Company Code made by Decree-Law 76-A/2006 of 29 March.

2.1. Company structure



Company Officers [1]
Company Bodies
Other Statutory Officers
Functional Structures

1) Company officers are also company bodies, in accordance with Article 8, no. 4 of the EDP Statutes

2.2. Corporate bodies

2.2.1. General Meeting of Shareholders

The General Meeting of Shareholders is the company's maximum authority and has the following duties:

- Evaluating the report of the Executive Board of Directors, discussing and voting on the balance sheet, the financial statements and the opinion of the permanent statutory auditor and those of, the General Supervisory Board and Audit Committee, as well as deciding on the appropriation of profits for the financial year
- Electing and discharging the officers of the General Meeting of Shareholders, of the Executive Board of Directors and of the General Supervisory Board and their Chairmen and vice-Chairmen, if any, the permanent statutory auditor, on the proposal of the General Supervisory Board or, in representation of it, the audit committee, and the members of the Environment and Sustainability Board
- Deciding on any amendments to the articles of association, including increases in share capital
- Appointing a Remuneration Committee with a majority of independent members to fix the remuneration of the members of the corporate bodies
- Evaluating the annual report of the General Supervisory Board
- Dealing with any other matters for which it has been summoned
- Exercising the other powers invested in it by law

Board of the General Meeting of Shareholders

The Board of the General Meeting of Shareholders is made up of a Chairman and a vice-Chairman elected by the General Meeting of Shareholders and the company secretary.

Board of the General Meeting	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	António Bernardo de Menezes e Lorena de Sèves
Company Secretary	Maria Teresa Isabel Pereira

2.2.2. General Supervisory Board

In accordance with the company's articles of association, the mandate of the General Supervisory Board that took office on 30 June 2006 lasts for three years. On 30 June 2007, the board had 15 members, most of whom were independent. They all have the qualifications and competences required by the laws or regulations applicable to EDP. The work of the General Supervisory Board is governed by internal regulations.

EDP's General Supervisory Board permanently monitors and supervises the management of EDP, cooperating with the Executive Board of Directors and the company's other bodies in pursuing its interests, as set forth in the Company Code and the articles of association.

- Permanently monitoring the management of the company and its subsidiaries and providing advice and assistance to the Executive Board of Directors with regard to strategy, achieving goals and compliance with applicable laws

- Issuing opinions on the annual report and financial statements

- Permanently monitoring the activities of the company's permanent statutory auditor and external statutory auditor and giving an opinion on the statutory auditors' election or appointment, discharge, independence and other relations with the company

- Permanently monitoring and assessing internal accounting and auditing procedures and the effectiveness of the risk management system, internal control system and internal auditing system, including receiving and dealing with complaints and queries about them from employees and others

- Proposing the discharge of any member of the Executive Board of Directors to the General Meeting of Shareholders

- Monitoring the definition of criteria and necessary competences in the internal structures and bodies of the company or group and their repercussions on their composition and drawing up plans of succession

- Replacing members of the Executive Board of Directors in case of temporary or permanent absence, as required by law

- Issuing, on its own initiative or at the request of the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the management referred to in Article 455 of the Company Code

- Monitoring and considering issues related to corporate governance, sustainability, internal codes of ethics and conduct and their compliance and systems for assessing and resolving conflicts of interest, including those involving the company's shareholder relations, and giving opinions on these matters

- Obtaining financial and other resources that it reasonably considers necessary to its activity and asking the Executive Board of Directors to institute the appropriate measures or corrections. It may contract its own independent consultants, if necessary

- Receiving regular reports from the Executive Board of Directors on significant business relations on the part of the company or its subsidiaries with shareholders owning qualifying holdings and persons associated with them

- Appointing the remuneration and audit committees

- Representing the company in its relations with its directors

- Supervising the activities of the Executive Board of Directors

- Ensuring compliance with the law and the company's articles of association

- Selecting and replacing the company's external statutory auditors and instructing the Executive Board of Directors to hire or discharge them

- Whenever and however it sees fit, checking the regularity of the books, accounting records and supporting documents and the situation of any goods or assets owned by the company for any purpose

- Supervising the preparation and disclosure of financial statements

- Summoning a General Meeting whenever it sees fit

- Approving its own internal regulations, which include rules on its relations with the company's other bodies

- Exercising any other powers invested in it by law or the General Meeting of Shareholders.

Under EDP's current corporate governance model, the General Supervisory Board also has a particularly important power. Although it does not have management powers, under Article 442.1 of the Company Code, the company's articles of association set forth that the approval of certain acts is subject to a prior permission from this board. They are:

- The company's strategic plan

- Purchase or sale of goods, rights or shareholdings of substantial monetary value

- Contracting substantial loans

- Opening or closing establishments or important parts of establishments or extensions or substantially reducing business activities
- Other deals or operations of substantial monetary or strategic value
- Establishing or terminating strategic partnerships or other lasting forms of cooperation
- Plans for splits, mergers or conversions
- Changes in the company's articles of association, including changing its registered office or increasing its share capital, when on the initiative of the Executive Board of Directors.

The General Supervisory Board holds ordinary meetings at least once a quarter and extraordinary meetings whenever summoned by its Chairman, on his or her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman.

General and Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Coraceiro de Castro	Independent
	António Francisco Barroso de Sousa Gomes	Independent
	Carlos Jorge Ramalho dos Santos Ferreira	
	Diogo Campos Barradas de Lacerda Machado	Independent
	Eduardo de Almeida Catroga	Independent
	José Maria Espírito Santo Silva Ricciardi	
	Manuel Fernando de Macedo Alves Monteiro	Independent
	Manuel Menéndez Menéndez	
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	
	Rui Eduardo Ferreira Rodrigues Pena	Independent
	Vasco Maria Guimarães José de Mello	
	Vital Martins Moreira	Independent
	Vítor Domingos Seabra Franco	Independent
	Vítor Fernando da Conceição Gonçalves	Independent

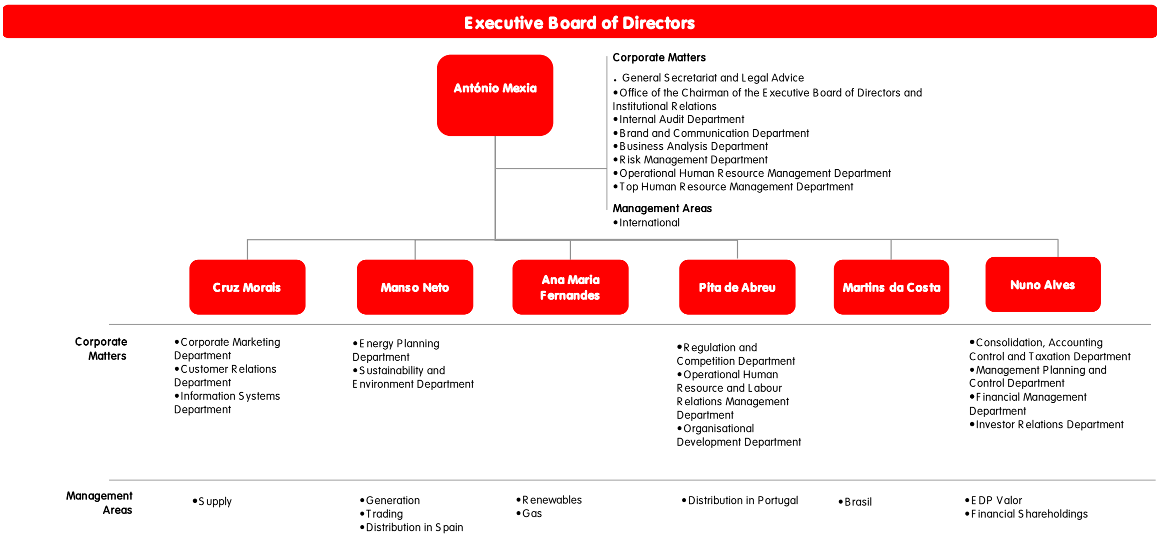
2.2.3. Executive Board of Directors

The Executive Board of Directors is responsible for managing the company's activities as set forth in the Company Code and its articles of association. It is appointed by the shareholders at a general meeting. EDP's Executive Board of Directors consists of seven members.

The powers of the Executive Board of Directors in the management of the company include the following:

- Setting management goals and policies for the company and the group
- Drafting annual financial and business plans
- Managing company business and carrying out all acts and operations in pursuit of the company's object that do not fall under the remit of other corporate bodies
- Approving the issuance of bonds and other securities under the law and articles of association while respecting the annual quantitative limits fixed by the General Supervisory Board;
- Defining the company's technical and administrative organisation and its internal operating rules, such as staff and their remuneration.

The Executive Board of Directors is divided into the following management areas and departments:



2.2.4. AGM 2 Remuneration Committee

The General Meeting of Shareholders appoints a Remuneration Committee that is responsible for fixing the remuneration of the members of the corporate bodies with the exception of the Executive Board of Directors. The majority of its members must be independent (see point 2.8)

2.2.5. Environment and Sustainability Board

The Environment Board was set up in 1991. The AGM of 30 March 2006 changed its name to Environment and Sustainability Board.

The Environment and Sustainability Board provides the Executive Board of Directors with consultancy services regarding the environment and sustainability, giving advice and assistance in defining the company's environment and sustainability strategy and issuing opinions and recommendations on the environmental impact of EDP Group projects.

The Environment and Sustainability Board consists of five members of recognised competence in the defence of the environment. They are elected by the General Meeting of Shareholders:

Environment and Sustainability Board

João Ferreira do Amaral
Miguel St. Aubyn
José Azevedo Pereira
Madalena Presumido
Graça Martinho

2.2.6. Permanent Statutory Auditor

The company's permanent statutory auditor is responsible for examining its financial statements and is elected by the General Meeting of Shareholders.

As set forth in the Company Code and the company's articles of association, the permanent statutory auditor is responsible for:

- Checking the regularity of the books, accounting records and supporting documents
- Whenever and however it sees fit, checking the amount of cash in hand and inventories of any kind of goods and assets belonging to the company or received by it as a guarantee, deposit or for any other purpose
- Checking the accuracy of financial statements
- Ascertaining whether the company's accounting policies and valuation criteria result in a correct evaluation of its assets and profits

Statutory Auditor	
Permanent Official Auditor	KPMG & Associados, SROC, S.A. represented by Jean-éric Gaign, ROC
Deputy Official Auditor	Vítor Manuel da Cunha Ribeirinho, ROC

2.2.7. Company Secretary

The Company Secretary and his/her substitute are appointed by the Executive Board of Directors. Their duties are those established by law. The Company Secretary leaves office at the same time as the Executive Board of Directors that appointed him/her.

Company Secretary	
Permanent Secretary	Maria Teresa Isabel Pereira
Deputy Secretary	Maria Virgínia Bastos dos Santos

2.2.8. EDP Foundation

In 2004, the EDP set up the EDP Foundation for patronage of the arts to promote the EDP Group's involvement in social and cultural citizenship and manage the Electricity Museum.

The members of the Board of Directors of the EDP Foundation are as follows:

Fundacão EDP	
Chairman	Francisco de la Fuente Sánchez
	Fernando Ivo Gonçalves
	Humberto da Costa Biu
	Miguel Nuno Setas
	Sérgio Paulo Figueiredo (Executive)

2.2.9. Special General Supervisory Board Committees

Audit Committee

The Audit Committee deals with financial matters. Under Article 444.2 of the Company Code, companies admitted to trading on Euronext Lisbon are obliged to set up this type of committee.

In accordance with EDP's current corporate governance model, the Audit Committee reports to the General Supervisory Board. It consists of a minimum of three independent members with appropriate qualifications and experience and must include a member with a university degree suited to its remit and knowledge of auditing or accounting.

The committee's current members are:

Audit Committee	
Chairman	Vítor Fernando da Conceição Gonçalves
	António Francisco Barroso de Sousa Gomes
	Manuel Fernando de Macedo Alves Monteiro

The Audit Committee's duties are as follows:

- Giving an opinion on the annual report and accounts;
- Permanently monitoring and assessing internal accounting and auditing procedures and the effectiveness of the risk management system, internal control system and internal auditing system, including receiving and dealing with complaints and queries about them from employees and others
- Whenever and however it sees fit, checking the regularity of the books, accounting records and supporting documents and the situation of any goods or assets owned by the company for any purposes
- Supervising the preparation and disclosure of financial statements
- Exercising any other powers invested in it by law

Since it was set up in 2003, the Audit Committee has always abided by the criteria of independence of its members, such as no contractual or employment relationship with EDP or its subsidiaries or with shareholders owning 2% or more, or entities controlled by, or in groups with, these shareholders.

These characteristics and duties of the Audit Committee have been in effect at EDP for around four years. They abide by the principles enshrined by the European Commission on the independence of directors in its Recommendation of 15 February 2005 on the role of non-executive directors or members of the Board of Directors of listed companies and board of directors' or supervisory committees. These principles were adopted by the Portuguese Company Code after the reform introduced by Decree-Law 76-A/2006 of 29 March.

In line with this European Commission Recommendation, the Audit Committee consists exclusively of members of the General Supervisory Board whose profile of independence respects that laid down by the EC. The duties of the EDP Audit Committee are also in line with the role proposed by the European Commission for audit committees entrusted with supervising listed companies' internal and auditing procedures.

The Audit Committee, a ground-breaking experience in corporate governance in Portugal, has helped strengthen EDP's internal control mechanisms, thanks to the work of its members and their supervisory powers. As recognised at international level, the activities of this committee are important in strengthening internal management control mechanisms by means of ex-ante intervention to eliminate or prevent conflicts of interest and make management more transparent.

The Audit Committee met 10 times in the first half of 2007.

Remuneration Committee

The Remuneration Committee is a specialised General Supervisory Board committee responsible for establishing remuneration policy for the Chairman and other members of the Executive Board of Directors. It must be distinguished from the Remuneration Committee appointed by the General Meeting of Shareholders, which is responsible for establishing remuneration policy for the other corporate bodies. The work of the Remuneration Committee is governed by internal regulations.

The Remuneration Committee, in an advisory capacity, submits to the AGM a statement on the remuneration policy that is has approved for the members of the Executive Board of Directors, at least in the years in which a policy is established or altered.

The committee consists of members of the General Supervisory Board with appropriate qualifications and experience. Most of its members are independent.

Remuneration Committee	
Chairman	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto

Corporate Governance and Sustainability Committee

The Corporate Governance and Sustainability Committee is a specialised General Supervisory Board committee.

Its remit is to permanently monitor and oversee the following matters:

- Corporate governance
- Strategic sustainability
- Internal codes of ethics and conduct
- Systems for assessing and solving conflicts of interest in EDP's relations with its shareholders.

The Corporate Governance and Sustainability Committee consists of members of the General Supervisory Board with appropriate qualifications and experience, most of whom are independent. Its work is governed by internal regulations.

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	José Maria Espírito Santo Silva Ricciardi
	Manuel Fernando de Macedo Alves Monteiro
	Vital Martins Moreira
	Vítor Domingos Seabra Franco

Selection Committee

The Selection Committee is a specialised General Supervisory Board committee and its remit is to permanently monitor and oversee the following matters:

- The criteria and competences to be respected by EDP's bodies and structures and their repercussions on their composition
- Succession plans

This committee consists of three members of the General Supervisory Board with appropriate qualifications and experience and at least one is independent. Its work is governed by internal regulations.

Selection Committee	
Chairman	António de Almeida
	Carlos Jorge Ramalho dos Santos Ferreira
	Diogo Campos Barradas de Lacerda Machado

2.2.10. EDP's Functional Structure

The Executive Board of Directors defines the Group's organisational model and the different functions of its business units, the Shared Service Unit– EDP Valor and the central structure, which consists of a Corporate Centre that assists the Executive Board of Directors in defining and overseeing the implementation of strategies, policies and goals in the different areas.

The Corporate Centre is divided into departments and business units in order to allow for an optimal and efficient organisational structure.

The current central support structure for decision-making is as follows.

Executive Board of Directors

Corporate Centre • Business Units

DEPARTMENTS	
CORPORATE GOVERNANCE SUPPORT	
General Secretariat and Legal Advice	Maria Teresa Isabel Pereira
Office of the Chairman of the Executive Board of Directors and Institutional Relations	Paulo Campos Costa
Internal Audit Department	Azucena Viñuela Hernandéz
STRATEGY AREA	
Energy Planning Department	António José Silva Coutinho
Business Analysis Department	Miguel Stilwell de Andrade
Risk Management Department	José Alberto de Baptista Allen Lima
FINANCIAL AREA	
Investor Relations Department	Miguel Henriques Viana
Consolidation, Accounting Control and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Rui Manuel Teixeira
Financial Management Department	Magda Abdool Magid Vakil
HUMAN RESOURCE AREA	
Operational Human Resource Management Department	Nuno Manuel Brito
Top Human Resource Management Department	Maria Adília Pina Pereira
Operational Human Resource and Labour Relations Management Department	Eugénio André da Purificação Carvalho
MARKETING AND COMMUNICATION AREA	
Corporate Marketing Department	Miguel Nuno Setas
Brand and Communication Department	Paulo Campos Costa
Customer Relations Department	Paula Pinto da Fonseca
ORGANISATIONAL AND SYSTEMS AREA	
Information Systems Department	António Maria Ramos Vidigal
Organisational Development Department	Rui Maria Ribeiro Ferin Cunha
REGULATION AND SUSTAINABILITY AREA	
Regulation and Competition Department	Maria Joana Mano Pinto Simões
Sustainability and Environment Department	António Manuel Neves de Carvalho

BUSINESS UNITS	
Energy Management Business Unit	Carlos Alves Pereira

The duties of EDP's departments are as follows:

The **General Secretariat and Legal Office** assists the Executive Board of Directors in administrative and logistics matters. It ensures that the Corporate Centre runs smoothly and provides the group with legal advice to guarantee compliance with applicable legislation. It also provides administrative support at meetings of the Executive Board of Directors, including circulating its decisions. It also represents the company whenever appointed by the Executive Board of Directors.

The Office of the Chairman of the Executive Board of Directors and Institutional Relations assists the Chairman of the Executive Board of Directors in all matters, ensures the company's institutional representation, represents the Chairman in internal projects, coordinates the management of the agenda and work of the office and represents the Chairman at events and meetings whenever necessary.

The **Internal Audit Department (IAD)** conducts systematic, independent evaluations of the Group's activities in order to guarantee the effectiveness of its management and internal control systems and processes. The IAD's main responsibilities are managing the systematic planning of internal Group financial, IT, operational and management audits and monitoring the definition and implementation of corrective action after audits. It also promotes and monitors the implementation and maintenance of the internal control system providing methodological support and ensuring its consistency and coherence, as well as drafting reports on its performance.

The **Energy Planning Department (EPD)** was set up 2003 to assist the Executive Board of Directors in changing and giving an overview of the Group's energy portfolio, planning its development in EDP's different geographical areas of activity. The EPD acts as a liaison between the group's different electricity and gas business areas to achieve the necessary overall vision of the EDP Group's activities and market.

The **Business Analysis Department (BAD)** helps define and develop the Group's strategy. It conducts analyses and studies and takes advantage of new business opportunities and optimises EDP's business portfolio. Its main fields of action are assessing projects, identifying business opportunities, analysing and implementing merger operations, the purchase and sale of assets and strategic alliance options and conducting studies for the Group's strategic planning.

The **Risk Management Department (RMD)** assists the Executive Board of Directors in modelling and identifying the Group's risks so that they can be controlled and mitigated. Our integrated risk management system provides comparative advantages for EDP, as the risk factor can be included in the Group's strategic and operational decisions. The opportunities that are constantly presenting themselves to a Group of EDP's size are associated with uncertainties. Determining the risk that they pose makes a decisive contribution to correct decisions.

Investor Relations Department (IRDI) (see 2.7.2)

The **Consolidation, Accounting Control and Taxation Department (TCD)** is divided into three target areas: (i) Consolidation, which consolidates the Group's accounts and reporting, (ii) Corporate Accounting Standardisation (national, international and environmental) and (iii) Taxation. It is in charge of the Group's accounts, defining, implementing, monitoring and coordinating standardised, consistent rules, guidelines, policies and procedures in all the Group's companies in Portugal, Spain, Brazil and other countries, in terms of accounting, internal control, taxation, consolidation and reporting on a local and international (IFRS-IAS) basis.

The **Management Planning and Control Department (MPD)** assists the Executive Board of Directors in the corporate planning of the Group and its main businesses, encouraging the performance of the business units and ensuring their alignment with the Group's strategic goals and coordinating management information. It is responsible for the Group's operational planning and budgeting, management control, budgetary control, financial reporting, balanced scorecards and revision of budgeting processes and systems.

The **Financial Management Department (FMD)** is responsible for optimising the Group's consolidated financial operation and controlling financial responsibilities in accordance with approved policies. It proposes and implements the Group's financial management policy. Its main duties are i) negotiating, managing and controlling loans, credit lines and bank and financial products and services, ii) optimising the Group's cash management; iii) proposing a financial risk management policy for interest and exchange rates and implementing it on the market, iv) maintaining relations with banking and capital debt markets and with rating agencies; v) managing the EDP Pension Fund.

The **Operational Human Resource and Labour Relations Management Department (OHRD)** assists in the development of people and the organisation by drafting policies and strategies in line with the Group's goals and values. Its main responsibilities are (i) coordinating the Group's operational human resource management, (ii) negotiating and implementing (or monitoring outside Portugal) collective employment agreements and ensuring the regularity of all administrative HR practices, (iii) helping to implement integrated HR management in line with the Group's strategic goals.

The **Operational Human Resource Management Department (SHRD)** assists the EBD in defining and implementing a human resource strategy that promotes the personal and professional development of all employees, responding to business units' strategic and operational needs and contributing to the Group's corporate values.

The **Top Human Resource Management Department (DRHT)** was set up to assist in defining and implementing the Group's HR strategy and designing policies for the evaluation of potential and performance, compensation, skills development and career and mobility management, particularly for senior managers, managers and young people with high potential. It also coordinates the identification and development of the Group's talent pool in the different countries.

The **Corporate Marketing Department (MKD)** plans, develops and controls the Group's marketing strategy with a view to creating a competitive market positioning and maximising business profits.

The **Brand and Communication Department (BCD)** plans, develops and monitors the Group's communication strategy in order to maximise the value of its brands, create goodwill with all stakeholders and foster in-house communication.

The **Customer Relations Department (CRD)** plans, develops and monitors customer relations strategy, learning more and fostering a market-oriented culture in order to improve customer satisfaction and loyalty.

The **Information Systems Department (ISD)** ensures that the Group's information systems are aligned with its business strategy. It creates value by providing solutions that foster the Group's efficacy, efficiency and innovation. It is responsible for proposing the Group's information system strategy and drafting and regularly reviewing its medium- and long-term plans. It studies and proposes the Group's information system architecture for appropriate business support.

The **Organisational Development Department (ODD)** defines and implements an organisation in constant coherence with the Group's strategy supported by appropriate business process management practices. It also coordinates projects.

The **Regulation and Competition Department (RED)** assists the EBD in making decisions on regulations and competition and in its relations with sector regulating bodies. It monitors the implementation of new EU directives on the internal market and competition for the electricity and natural gas sectors and studies the impact of the MIBEL. It monitors changes in legislation, regulations and organisation of the energy sectors that may affect the companies' profitability and develops economic and financial models and conducts tariff studies.

The **Sustainability and Environment Department (SED)** assists the EBD in defining its sustainability and environment goals and cooperates with business areas in fostering complementarity and synergy in these fields, particularly for the implementation of the Group's environmental management policies and initiatives.

The **Energy Management Business Unit (EMBU)** is responsible for negotiating spot and forward fuel purchases and arranging to transport them by sea on behalf of EDP Group companies. It makes physical and financial spot and forward purchases of electricity on the market, including energy derivatives and exchange operations. It also decides on exploitation programmes and the running of the EDP Group's power stations that it is responsible for managing in order to optimise its portfolio and meet the energy supply needs of the EDP Group sellers' customers. It also manages the EDP Group's CO2 emission allowances and green certificates.

2.2.11. Special EDP Committees (functional structures)

The following committees have been set up for more effective monitoring and support of the company's management.

Ethics Committee (see 4.5)

Innovation Committee

The responsibilities of the Innovation Committee are as follows.

- Defining strategic innovation areas in the EDP Group and submitting them to the EBD for approval
- Identifying innovation projects to be implemented and submitting them to the EBD
- Monitoring the EDP Group's ongoing innovation initiatives and proposing corrective action whenever necessary
- Analysing the results of technological monitoring

- Assisting the Energy Planning Committee in analysing new technologies
- Preparing the meetings of the Innovation Board

The Innovation Committee is presided over by the Chairman of the Executive Board of Directors and consists of directors from generation, distribution and supporting services and the heads of the Business Analysis, Brand and Communication, Energy Planning, Information Systems and Organisational Development departments. It meets every six months.

Information Disclosure Committee (IDC)

The three main functions of the IDC are:

- Identifying and analysing information that the company should disclose on a regular basis
- Helping to review information provided periodically by EDP in reports and other communications to the market
- Evaluating EDP's information control and disclosure mechanisms on a quarterly basis

This committee is responsible for monitoring and assessing information controls and procedures. It is part of the EDP Group's information certification project along with a project working group, headed by the Internal Audit Department, in close cooperation with the Executive Board of Directors, and business area teams responsible for control procedures in each sector. It meets every quarter.

The IDC consists of the EBD's financial director and the people responsible for preparing information in the Investor Relations, Internal Audit, Management Planning and Control, Consolidation and Taxation and Brand and Communication Departments and the Secretariat of the Executive Board of Directors.

Risk Committee

The Risk Committee is presided over by the Chairman of the Executive Board of Directors and its permanent members are the Chief Financial Officer (CFO), the Chief Risk Officer and heads of the Financial Office and Iberian Trading Unit.

It is responsible for:

- Monitoring significant risks and the EDP Group's risk profile
- Approving the model for the regular reports submitted by the business units or the Risk Management Department and other mechanisms for reporting and monitoring EDP's risks
- Approving or drafting recommendations on significant risks to the EDP Group and on extraordinary risk situations for the consideration of the EBD
- Approving or drafting recommendations on risk policies, procedures and for the EDP Group for analysis and approval by the EBD

The committee holds quarterly meetings attended by non-permanent members convened on the basis of the agenda. It also meets whenever it is necessary to deal with an unexpected risk if and when it arises.

Safety and Prevention Committee (SPC)

The SPC's main responsibilities are:

- Assisting the Executive Board of Directors in drawing up the EDP Group's strategic goals in terms of safety and prevention at work, assessing their application and effectiveness and reporting on their progress
- Conducting a critical analysis of the Annual Report and giving an opinion on EDP's plan for safety and prevention at work
- Monitoring the main safety indicators and proposing improvements
- Analysing and standardising safety management system regulations applying to the whole EDP Group or a number of different sectors.

- This committee is presided over by the EBD Human Resource Director and other directors.

Energy Planning Committee

This Energy Planning Committee's main responsibilities are:

- Making five-year forecasts of market developments
- Defining a basic scenario for business plans
- Identifying a five-year generation portfolio
- Proposing an overview of the portfolio of quantities between generation, gas and the retail market for the Group
- Identifying gas and CO2 needs over the next five years
- Analysing priorities in new technologies and innovation with the Innovation Committee
- Identifying attractive business activities in the value chain and different locations

This committee consists of directors of generation, supply, gas, renewable energies, Energy Planning, Risk Management, Regulation and Competition and Management Planning and Control.

Investment Committee

- Analysing, filtering and issuing opinions on investment projects for growth that are in the budget or constitute changes to the budget on the basis of the amounts and profitability involved.

This committee consists of the EBD financial director and directors of Business Analysis, Management Planning and Control and Energy Planning.

Career, Mobility and Training Committee

- Approving measures fostering the development and mobility of managers, especially those in the macro-structure and with high potential and performers with potential
- Ensuring the implementation of succession plans for critical positions in the EDP Group
- Monitoring the career development of managers in the macro-structure, managers with high potential and performers with potential, analysing expectations and possible constraints
- Approving the EDP Group's training plan and monitoring its implementation

This committee consists of all the members of the EBD, directors of business areas and heads of the Strategic Human Resource Management, Top Human Resource Management and Operational Human Resource Management and Labour Relations departments.

Remuneration Committee

- Approving the compensation model (fixed, variable and incentives) for all EDP Group employees proposed by the Strategic HR Management Department
- Approving the reference figures for key performance indicators (KPIs – management by objectives) of employees in the macro-structure, managers with high potential and performers with potential and calculating annual performance
- Organising periodic national and international benchmarking to determine appropriate fixed and variable remuneration and fringe benefits for all employees in the macro-structure, managers with high potential and performers with potential, including the macro-structure pay package, and framing the compensation strategy for all employees
- Informing stakeholders of pay policy

This committee consists of all the EBD members and the directors of the Strategic Human Resource Management, Top Human Resource Management and Operational Human Resource Management and Labour Relations departments.

Information Technology Committee

- Developing guidelines for the strategic planning of information systems
- Approving the annual plan and budget for information systems (software and hardware) for the approval of the EBD
- Allocating funds and resources to major initiatives
- Defining strategic project priorities
- Making budgetary provisions for unplanned projects
- Settling conflicts, such as distribution of scarce resources or unplanned requirements for strategic projects.

This committee consists of the information systems director and companies' IT heads and the Director of the Information Systems Department.

Regulation Committee

- Monitoring the European Commission's energy strategy and policy and implementing directives on the internal market and competition for the electricity and natural gas sectors and studying their impacts on the Iberian market
- Monitoring changes in policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain (especially in the Iberian market), anticipating structural effects on the sectors, energy prices and tariffs and company profits and any needs or obligations to make organisational changes by identifying and monitoring the most significant regulatory risks
- Assisting the EBD in drafting proposals on positions to be defended by the EDP Group in the Iberian market
- Fostering the sharing of experiences of regulatory practices in the Iberian Peninsula, Europe and Brazil
- Monitoring price changes and their effect on tariffs and policy decisions (per se and comparatively).

This committee consists of the regulation director, companies' regulation directors and the head of the Regulation and Competition Department.

Environment and Sustainability Committee

This committee's responsibilities are:

- Drafting and annually updating the EDP Group's medium/long-term strategic plan for submission to the EBD
- Approving annual action plans and setting Group goals and targets for submission to the EBD
- Monitoring approved action plans
- Monitoring the activities of Group companies' sustainability and environment management structures

This committee consists of the environment and sustainability director, the directors of generation, distribution, gas and renewable energies, the environment director at HC Energia, a representative of EDP Brasil and the heads of the Human resources, Investor Relations, Risk Management and Brand and Communication Departments.

Considering the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever s/he sees fit. This committee meets at least every quarter.

Purchasing Committee

- Assisting the EBD in the strategic coordination of the group's purchases
- Ensuring top articulation of the different businesses' purchases
- Constantly stimulating and analysing the performance of the structures involved
- Monitoring the group's main purchase indicators in terms of volumes and savings
- Accompanying the most important negotiations by the group's purchasing structures.

This committee consists of the financial director, the director of purchasing at EDP Valor and other directors associated with this area.

Price and Volume Committee

This committee guarantees that the Group has the best information and forecast of the market changes at any time. It is therefore responsible for:

- Sharing relevant, up-to-date market information
- Deciding what relevant information on key variables to distribute to the Group
- Defining the forward curve representing the group's best estimate on market changes
- Keeping an up-to-date database of historical data and forecasts of key market variables
- Guaranteeing alignment between business areas in terms of shared information
- Acting as a permanent forum for sharing and aligning market knowledge and forecasts.

This committee consists of the energy planning director, the directors of generation, distribution, gas and renewable energies, the heads of planning and the commercial director at HC.

Generation Committee

The main responsibility of this committee is the articulation of generation management in the Iberian Peninsula, coordinating and standardising the activities of EDP Produção and HC Energia (Produção).

- Exchanging information on the business in each country, including the regulatory framework
- Disseminating best practices in the operation of generation facilities to identify and capture synergies
- Making joint decisions on goals (especially the development of generation facilities)
- When necessary, extending the committee's action to other geographical areas.

This committee consists of the generation director and the directors of companies in the generation area.

Distribution Committee

The main responsibility of this committee is the articulation of distribution in the Iberian Peninsula, coordinating and standardising the activities of EDP Distribuição, HC (distribution) and EDP Brasil.

- Making joint proposals of strategic goals for the EDP Group's distribution, evaluating their application and efficacy and reporting on their progress.
- Monitoring the main activity indicators and suggesting improvements
- Reviewing the regular report model and other mechanisms for reporting, control and disclosure of information.'
- Conducting periodical national and international benchmarking
- Fostering the sharing of experiences of settings and regulatory practices in the different geographical areas, providing guidelines on matters assigned to it and monitoring and studying impacts of changes in policies, legislation, regulations and organisation in the energy sectors
- Circulating information on distribution in each geographical area and best practices, in order to identify projects of common interest, improve the efficacy and efficiency of operations and identify synergies, sharing information on management of high-impact events
- Analysing and giving opinions on evaluation criteria for investment projects and planning models
- Ensuring articulation in the standardisation of projects and facilities with the highest consumption, analysing new technological options and identifying priorities in new technologies and innovation.

This committee consists of the distribution director and the directors of the energy distribution companies.

Commercial Committee

The main responsibility of this committee is the articulation of the commercial area in the Iberian Peninsula and coordination and standardisation between EDP Comercial and HC (Marketing e Comercial).

- Exchanging information on business in each geographical area, including regulatory framework
- Disseminating best practices in the supply of energy services to identify and capture synergies
- Making joint decisions on business with impact in the Iberian Peninsula, namely in terms of setting goals, implementing the marketing plan and the energy purchase terms.

This committee consists of the commercial director and the directors of the energy sales companies.

2.3. Financial reporting control system

The EDP Group's withdrawal from the New York Stock Exchange (NYSE) and the resulting cessation of the obligation to abide by the Sarbanes Oxley Act did not change its commitment to a robust financial reporting control system based on international market rules and standards.

EDP therefore decided to continue abiding by the act's policies and practices. It has maintained an internal responsibility structure and continued the consolidation of documentation processes and the evaluation of the Group's internal control system to ensure the reliability of financial reporting and contribute to:

- Improving the efficacy and efficiency of processes in operations and internal control
- Optimising internal and external financial reporting
- Increasing the confidence and trust not only of our shareholders but also all stakeholders.

2.4. EDP on the capital market

EDP's shares were initially admitted to trading on the official Euronext Lisboa market (then the Lisbon Stock Exchange) on 16 June 1997. Since then, more shares have been admitted to trading at Euronext, following five reprivatisation phases:

Phases of EDP's Admission to Trading

Admission Phase	Date	% of Capital in the Market
1st Phase of Privatisation/IPO	16-Jun-97	30%
2nd Reprivatisation Phase	26-Mai-98	32%
3rd Reprivatisation Phase	28-Jun-98	47%
4th Reprivatisation Phase	23-Out-00	69%
5th Reprivatisation Phase/Share Capital	07-Dez-04	80%
6th Reprivatisation Phase	27-Dez-05	85%

Since 27 December 2005, following the sixth reprivatisation phase, 3,096,222,980 ordinary EDP shares with a face value of EUR 1.00 have been admitted to trading at Euronext Lisbon, representing 85% of its share capital. Its free float in the first half of 2007 was 60%.

After the announcement of its withdrawal from trading on the New York Stock Exchange (NYSE) of its American Depositary Shares (ADSs) and the cancellation of their registration and termination of its obligation to disclose information under the U.S. Securities Exchange Act of 1934, EDP's shares are now only quoted at Euronext Lisboa.

EDP – Energias de Portugal, S.A.

Shares	
Share capital	EUR 3,656,537,715
Face value of shares	EUR 1.00
No. of shares	3,656,537,715
Date admitted	16 June 1997
Euronext Lisboa	**Shares**
Reuters RIC	EDP.LS
Bloomberg	EDP PL
ISIN	EDP0AM0009

EDP's shares are also the assets underlying warrants and futures contracts traded in Lisbon.

Five EDP bond issues have also been admitted to trading.

Issue/ISIN	Date			Coupon	Stock exchange	Sum	
	Issue	Maturity				Issue	Outstanding (2)
		0					
23rd Issue PTEDPSOE0002	20-12-1996	20-12-2011	##	Half-yearly Euribor 6m - 12.5 bp	Euronext Lisbon	149.639.369	10.321.254
25th Issue PTEDPKOE0000	23-11-1998	23-11-2008	##	Half-yearly Euribor 6m + 22.5 bp	Euronext Lisbon	299.278.738	199.319.625
26th Issue PTEDPAOE0002	26-03-2003	26-03-2013		Half-yearly Euribor 6m + 50 bp	Not listed	150.000.000	150.000.000
1st Issue EMTN (1) XS0103383286	29-10-1999	29-10-2009	M(	Annual fixed rate EUR 6.400%	London, Switzerland, Euronext Paris	1.000.000.000	1.000.000.000
2nd Issue EMTN (1) XS0126990778	28-03-2001	28-03-2011		Annual fixed rate EUR 5.875%	London, Frankfurt	1.000.000.000	747.352.000
4th Issue EMTN (1) XS0139081763	26-11-2001	27-11-2009		Zero coupon - EUR	London	22.455.000	22.455.000
6th Issue EMTN (1) XS0152784715	08-09-2002	08-09-2017		Annual fixed rate GBP 6.625%	London	200000000 (5)	200000000 (5)
7th Issue EMTN (1) XS0159585453	16-12-2002	20-03-2008		Annual fixed rate EUR 5.000%	London	500.000.000	355.024.000
8th Issue EMTN (1) XS0160258280	23-12-2002	23-12-2022		Annual fixed rate EUR 2.661%	Not listed	93.357	93.357
9th Issue EMTN (1) XS0221295628	22-06-2005	22-06-2015		Annual fixed rate EUR 3.75%	London	500.000.000	500.000.000
10th Issue EMTN (1) XS0223447227	29-06-2005	29-06-2020		Annual fixed rate EUR 4.125%	London	300.000.000	300.000.000
11th Issue EMTN (1) XS0256996538	06-12-2006	14-06-2010		Quarterly Euribor 3m + 15 bp	London	500.000.000	500.000.000
12th Issue EMTN (1) XS0256997932	06-12-2006	06-12-2012		Annual fixed rate EUR 4.25%	London	500.000.000	500.000.000
13th Issue EMTN (1) XS0256997007	06-12-2006	13-06-2016		Annual fixed rate EUR 4.625%	London	500.000.000	500.000.000

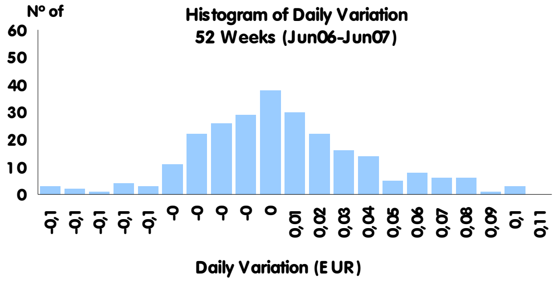
(1) EMTN - Euro Medium Term Notes
(2) Outstanding - Debt as at 30 Dec 2006
(3) 4 annual payments from 20 Dec 2008
(4) 6 half-yearly payments from 23 May 2006
(5) Amount in GBP

In the first half of 2007, EDP was the second company with the highest relative weight, representing 18.25% of the PSI20, the Euronext Lisbon share index. EDP is one of the six Portuguese companies in the Euronext 100 index, with 0.624%. EDP shares are also a reference in several European indices, such as Dow Jones Eurostoxx Utilities, calculated on the basis of the market performance of the main, most representative European utility companies.

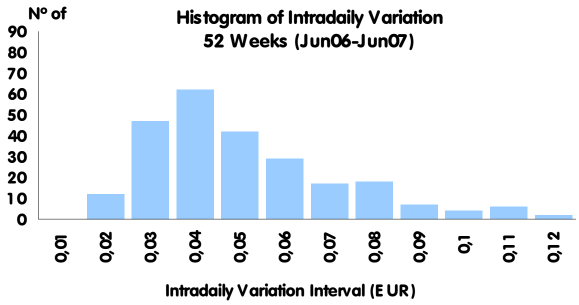
In the first half of 2007, EDP's shares rose by 6.5% from EUR 3.84 euros to EUR 4.09. This, added to the gross dividend per share of EUR 0.11, paid out on 4 May 2007, resulted in a total gross return of 9.4% in the period. This performance is, however, lower than the returns in the main indices of reference, such as the PSI-20, which went up 19.5% and the Dow Jones Europe STOXX Utilities which rose 9.5% in the period.

The EDP Group's market value, calculated on the basis of its market capitalisation (number of shares issued x price per share) on 29 June 2007, was EUR 14.955 billion, equivalent to 5.4% of the total share capitalisation at Euronext Lisbon, which totalled EUR 273.297 billion in the first six months of 2007. In this period, EDP's shares were the most traded at Euronext Lisbon, with 2.798 billion EDP shares, corresponding to a daily average of 21.5 million shares at an average price of EUR 4.06 and about 90% of all EDP shares admitted to trading. In terms of volume of trading, EDP's shares represented 22% (EUR 11.41 billion) of the overall volume of shares traded on the Lisbon official market EUR (51.899 billion).

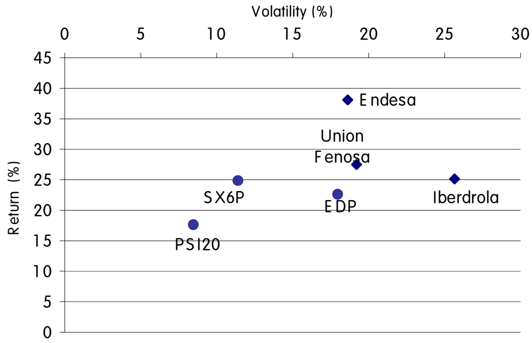
The two graphs below show the daily and intradaily fluctuations in EDP shares on Euronext Lisbon, demonstrating their low volatility. The third graph shows return against volatility, where we can see the consolidation in the sector in the Iberian Peninsula.



Source: Bloomberg



Source: Bloomberg

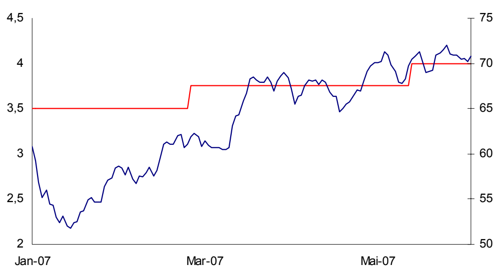


Source: Bloomberg

2.4.1. Factors influencing EDP share prices

During the first half of 2007, the main European share indices continued the upward trend of 2006, with the DJ STOXX 600 rising 7.8%. The performance of the utilities sector in Europe was slightly above the average of the market as a whole with DJ STOXX Utilities going up 9.5% in the period.

The period was marked by a rise in short-term interest rates, with 6-month Euribor going up 50 basis points, and long-term rates, with 10-year German Treasury yields rising 60 basis points. This trend is unfavourable to an intensive capital sector like utilities.



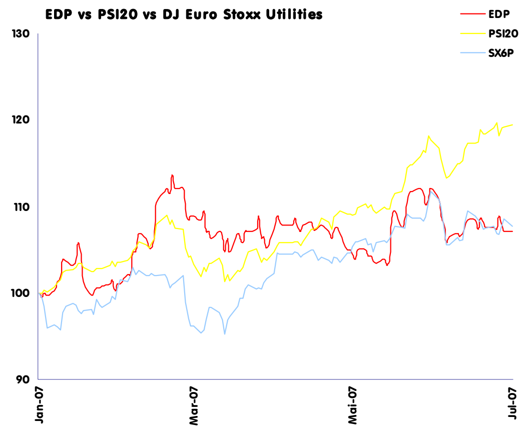
Source: Bloomberg

On the other hand, during the first half of 2007, electricity prices in the main European wholesale markets fell substantially as a result of mild temperatures and a drop in the price of CO2 emissions. Oil prices rose considerably, however, and CO2 emissions prices for 2008 continue at around EUR 20/ton. Concerns with regard to reducing CO2 emissions were reflected in February 2007 when the EU ministers of the environment announced a new target of reducing CO2 emissions by 20% for 2020, while several legislative initiatives are still under way in the USA to develop electricity generation using renewable energy sources.

The ongoing trend towards mergers in Europe continued to influence the sector's market performance with a preliminary announcement of a takeover bid by Acciona/Enel for Endesa, the entry of Suez in the share capital of Gas Natural and the increase in shareholdings in Iberdrola. Where mergers and acquisitions were concerned, the first half of 2007 was marked by the completion of Iberdrola's takeover bid for Scottish Power, EDP's acquisition of the US wind energy operator Horizon and Iberdrola's launch of a takeover bid for the US company Energy East. The primary share market was very active in the period, which shows investors' appetite for the sector, with an IPO from Solaria, Iberdrola's EUR 3.37 billion increase in share capital by accelerated book building, Veolia's increase in capital and REN's IPO in July.

In Portugal, the PSI-20 index rose 19.5%, one of the highest increases in Europe, aided by the performance of the banking, oil and paper & pulp sectors.

It was in this setting that EDP's shares went up 6.5% in the first half of 2007. Taking into account the dividend payment of EUR 0.11 per share on 4 May 2007, this represents a total return for shareholders of 9.4% in the period.



Source: Bloomberg

Some changes in EDP's corporate structure were announced. On 21 February 2007, UBS AG announced a reduction in its EDP shareholding to 1.75%. On 23 February, Pictet Asset Management announced that it held a 2.85% shareholding in EDP. On 2 April, Sonatrach announced that it now owned 2.03%. EDP's AGM on 12 April 2007 elected a new Chairman and Vice-Chairman of the General Meeting of Shareholders for 2006-2008 and approved the admission of Sonatrach to the General Supervisory Board.

Where strategy was concerned, in January 2007, EDP presented its business plan for 2007-2010 at the Electricity Museum in Lisbon. It follows the strategic lines presented to the market in July 2006 and focuses on three pillars to create value for shareholders- controlled risk, greater efficiency and oriented growth.

One of the stakes for the group's growth was investment in renewable energies. In March 2007 EDP announced the acquisition of Horizon Wind Energy LLC, a leader in the development, management and operation of wind farms in the United States. The company currently has 722 MW in gross wind capacity in operation and an attractive pipeline of projects in different stages of development, in 15 states, with a potential generation capacity of more than 9,000 MW.

Where hydroelectric power is concerned, it should be noted that EDP will continue to use hydroelectric power stations on average until 2047 and will begin increasing the power of the Picote Dam. It has also signed an agreement with Martifer on new hydroelectric projects in the Vouga and Paiva river basins.

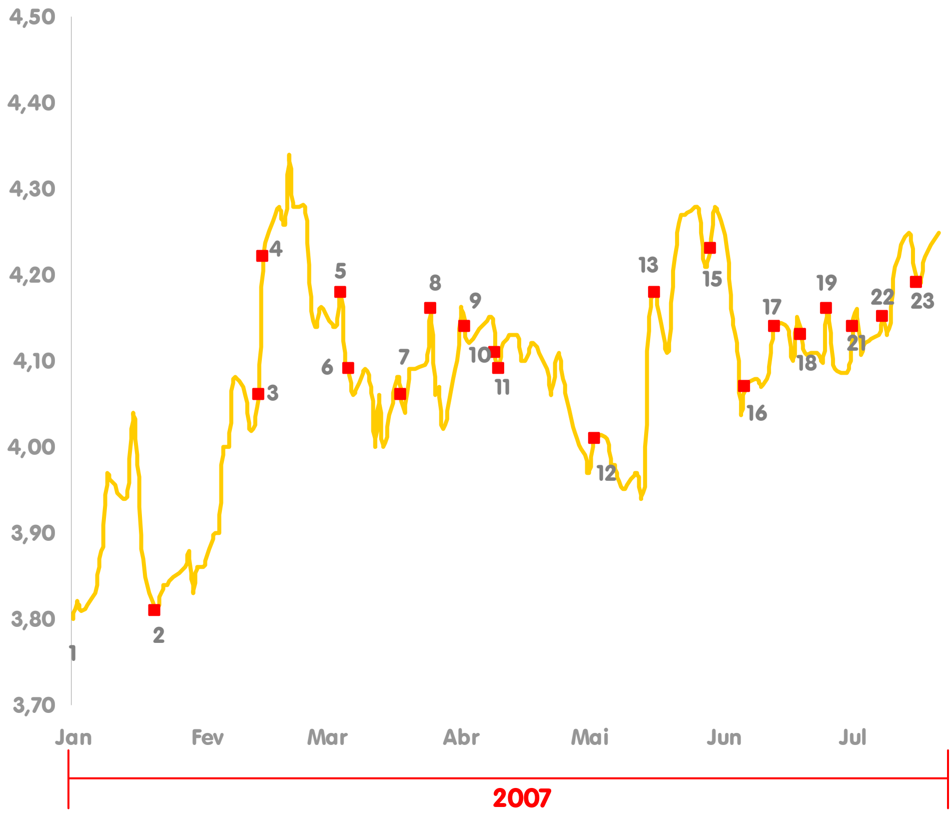
In the gas sector, aimed at an integrated natural gas strategy and the construction of new natural gas combined-cycle power stations in the Iberian Peninsula, EDP signed an understanding with Sonatrach, S.A., the Algerian natural gas supply company, for an agreement on principle regarding a possible partnership for certain areas of the natural gas and electricity generation businesses. In May 2007, EDP increased its shareholding in Naturgas by 9.39% with shares bought from Gás Natural SGD in order to consolidate Naturgas as an integrated energy operator and leader of the gas sector in the Basque Country.

Following the company's strategic guidelines, in 2007 EDP continued its policy of selling non-strategic, assets, having sold electricity transmission assets in the Valencia region and 5% of REN to REE.

Where foreign investments were concerned, in April, the Group signed an agreement to acquire electricity generation rights by building a thermoelectric power station using imported mineral coal.

Regarding tariffs, ERSE announced its 2007 prices and tariffs for the electricity business in Portugal, increasing tariffs by an average of 6.2%. In Spain, new remuneration was approved for renewable energies. A cap and floor system was set up for wind energy in the variable regime.

Main milestones in the EDP's share prices in the first half of 2007



#	Date	Descripton
1	02-Jan	Split/Fusing of the EDP Distribution giving origin to the EDP Serviços Universal
2	22-Jan	EDP's business plan 2007-2010 presentation
3	15-Fev	EDP sells 20% of Desa to CajaMadrid
4	16-Fev	Legislative package on electricity sector announced
5	06-Mar	EDP sells a 5% stake in REN ro REE
6	08-Mar	Presentation of the Financial Results of exercise 2006
7	20-Mar	Increase in power capacity begins at Picote Dam
8	27-Mar	Horizon Wind Energy takeover
9	04-Abr	ANEEL approves na 8.05% tariff increase at Enersul's annual tariff readjustment process
10	11-Abr	Signature in agreement of partnership with Sonatrach
11	12-Abr	EDP's Annual General Shareholders Meeting
12	04-Mai	EDP pays a €0.11 gross dividend per share
13	18-Mai	Purchase of a 9.39% stake in the share capital of Naturgas Energia
14	18-Mai	EDP anounces its intention to delist its American Depositary Shares from the NYSE
15	31-Mai	Adjudication of the construction of the CCGT of Lares
16	08-Jun	HC Energia agrees the sale of transmission assets to REE
17	15-Jun	Early termination of Power Purchase Agreements (PPA)
18	21-Jun	EDP buys from EDP Group Pension Funf 0.6% of BCP's share capital
19	27-Jun	EDP enters into agreement with Martifer for new hydroelectric projects in the Vouga and Paiva rivers
20	27-Jun	Concretion of the acquisition of Horizon Wind Energy
21	03-Jul	FITCH downgrades EDP's Senior Unsecured Debt to 'A'
22	10-Jul	Horizon agrees on indicative terms of transaction with institutional equity investors
23	18-Jul	Standard & Poor downgrades EDP's long term credit rating to 'A-' on Horizon acquisition maintaining negative outlook

Capital Market Indicators

	1H2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
EDP Shares on Euronext Lisbon (euros)										
Opening price					1,58	2,43	3,52	3,50	3,79	3,49
Closing price					2,09	1,59	2,44	3,52	3,47	3,75
Peak price					2,14	2,50	3,64	4,22	4,36	4,99
Minimum price					1,38	1,47	2,29	3,10	2,82	3,40
EDP share price adjusted for share capital increase (euros) (1)										
Opening price	3,84	2,60	2,22	2,01	1,52	2,33	3,38	3,36	3,64	3,35
Closing price	4,09	3,84	2,60	2,23	2,01	1,53	2,34	3,38	3,33	3,60
Peak price	4,41	3,85	2,68	2,42	2,06	2,40	3,50	4,05	4,19	4,79
Minimum price	3,79	2,58	2,04	1,93	1,33	1,41	2,20	2,98	2,71	3,26
Variation in share price and reference indices										
EDP Shares (1)	7%	48%	17%	11%	31%	(35%)	(31%)	2%	(8%)	8%
PSI20	20%	30%	13%	13%	16%	(26%)	(25%)	(13%)	9%	25%
Dow Jones Eurostoxx Utilities	10%	36%	26%	25%	10%	(27%)	(11%)	7%	(5%)	32%
Euronext100	11%	19%	23%	8%	13%	(33%)	(20%)	-	-	-
Liquidity of EDP shares on the markets										
Volume on Euronext Lisbon (EUR million)	11.217,4	12.576,9	5.639,4	5.470,9	2.800,2	2.489,5	3.475,5	4.535,4	3.450,1	4.364,0
Mean daily volume (EUR million)	89,0	50,5	21,9	21,1	11,0	10,1	14,1	18,4	13,9	17,6
Number of shares traded (million) (2)	2.751,0	2.190,3	2.505,2	2.477,2	1.587,5	1.294,2	1.228,9	1.308,4	1.024,2	1.078,0
Total number of shares issued (million)	3.656,5	3.656,5	3.656,5	3.656,5	3.000,0	3.000,0	3.000,0	3.000,0	3.000,0	3.000,0
Privatised shares at the end of the year (million)	3.096,2	3.096,2	3.096,2	2.936,2	2.099,1	2.099,1	2.099,1	2.099,1	1.499,1	1.499,1
% of capital already privatised	85,0%	85%	85%	80%	70%	70%	70%	70%	50%	50%
Number of own shares held (treasury stock) as at 31 Dec (million)	12,7	7,1	17,3	14,3	21,4	17,4	11,7	2,4	1,8	0,0
Annual rotation of capital (privatised shares)	88,8%	70,7%	85,0%	84,4%	75,6%	61,7%	58,5%	62,3%	68,3%	71,9%
EDP Market Value (EUR million)										
Market appreciation at the end of the financial year	14.955,2	14.041,1	9.507,0	8.154,1	6.270,0	4.770,0	7.320,0	10.560,0	10.398,0	11.250,0
Total shareholder profitability										
Annual variation in share price (1)	0,25	1,24	0,37	0,22	0,48	(0,82)	(1,04)	0,05	(0,27)	0,26
Gross dividend distributed per share in the year	0,110	0,100	0,092	0,090	0,090	0,113	0,140	0,140	0,140	0,130
Total shareholder profitability	9%	52%	21%	16%	37%	-30%	-27%	6%	-4%	12%
Dividends										
Dividend per share	0,11	0,11	0,10	0,09243	0,090	0,090	0,113	0,140	0,140	0,140
Dividend yield	*2,7%*	2,9%	3,8%	4,1%	4,3%	5,7%	4,6%	4,0%	4,0%	3,7%

(1) In order to ensure comparability, prices for EDP shares prior to 9 November 2004 have been adjusted to show EDP share capital increase rights in 2004.

(2) The number of shares traded has been adjusted to keep the Daily Business Volume unchanged after the adjustment of the share price referred to in (1)

2.4.2. EDP's shareholder structure

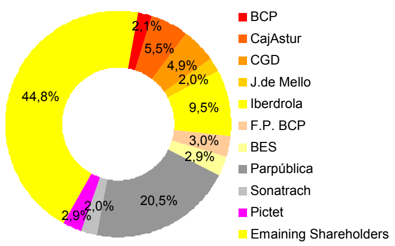
Qualifying holdings

In accordance with Article 8.1e of CMVM Regulation 4/2004 of 11 June, the following information is provided on qualifying shareholdings in EDP, as at 30 June 2007:

Shareholders	No. of shares	% Capital	% Vote
PARPÚBLICA - Participações Públicas, SGPS, S.A.	749.323.856	20,49%	20,38%
IBERDROLA - Participações, SGPS, SA	347.371.083	9,50%	5,00%
CAJA DE AHORROS DE ASTURIAS (CajAstur)	202.250.158	5,53%	5,00%
CAIXA GERAL DE DEPÓSITOS, S.A.	179.268.480	4,90%	4,92%
BANCO COMERCIAL PORTUGUÊS, S.A.	75.690.970	2,07%	2,08%
BANCO ESPÍRITO SANTO, S.A.	104.456.845	2,86%	2,87%
FUNDO DE PENSÕES DO GRUPO BCP	109.032.700	2,98%	2,99%
José de Mello - Soc. Gestora de Participações Sociais, S.A.	73.220.246	2,00%	2,01%
Pictec Asset Management	104.396.422	2,86%	2,87%
Sonatrach	74.400.000	2,03%	2,04%
EDP (Treasury stock)	12.729.240	0,35%	-
Remaining Shareholders	1.624.397.715	44,42%	
Total	**3.656.537.715**	100,00%	

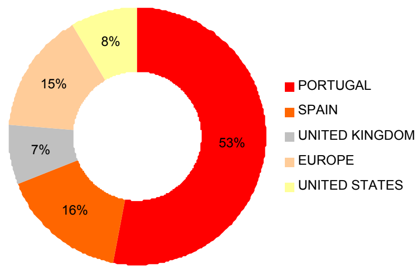
In accordance with the made use one in nº 3 of the Art. 14º of the Partnership contract of the E DP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 5% of

Shareholder structure

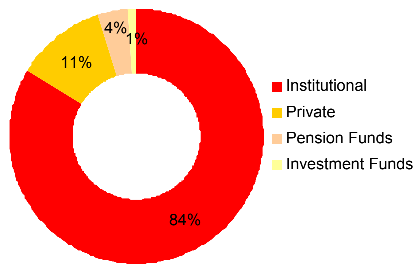


EDP's shareholder structure by geographical location and type of investor in the first half of 2007 was as follows.:

Geographical distribution of shareholders



Types of investor



Voting rights under Article 20.1 of the Securities Code

Shareholders	No. of shares	% Capital	% Vote
Grupo Caixa Geral de Depósitos			
Caixa Geral de Depósitos	175.919.809	4,81%	4,83%
CGD Pension Fund	815.176	0,02%	0,02%
Companhia de Seguros Fidelidade Mundial, S.A.	2.250.495	0,06%	0,06%
Comp. Seg. Fidelidade Pension Fund	16.820	0,00%	0,00%
Império Bonança - Companhia de Seguros, S.A.	248.399	0,01%	0,01%
Via Directa - Companhia de Seguros, S.A.	8.136	0,00%	0,00%
Cares - Companhia de Seguros, S.A.	9.645	0,00%	0,00%
Total	**179.268.480**	**4,90%**	**4,92%**

Caixa Geral de Depósitos holds 100% of the share capital and voting rights of Caixa Seguros, SGPS, S.A., which in turn holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A., which in turn holds 100% of the

CAJA DE AHORROS DE ASTURIAS (CajAstur)			
Cantabrica de Inversiones de Cartera, S.L.	147.402.092	4,03%	-
Caja de Ahorros de Asturias (CajAstur)	54.848.066	1,50%	-
Total	**202.250.158**	**5,53%**	**5,00%**

The company Cantabrica de Inversiones de Cartera, S.L. is fully owned by Caja de Ahorros de Asturias (CajAstur)

José de Mello - Soc. Gestora de Participações Sociais, S.A.			
José de Mello Energia, SGPS, S.A.	73.202.802	2,00%	2,01%
José de Mello - Soc. Gestora de Participações Sociais, S.A.	0	0,00%	0,00%
Managing and Supervisory Officers	17.444	0,00%	0,00%
Total	**73.220.246**	**2,00%**	**2,01%**

The company José de Mello Energia, SGPS,S.A. (formerly known as Baltic, SGPS, S.A.) is fully owned by José de Mello Participações II, SGPS, S.A., the entire share capital of which is held by José de Mello - Sociedade Gestora de Participações Sociais, S.A.

BANCO COMERCIAL PORTUGUÊS			
Banco Comercial Português	73.256.894	2,00%	2,01%
Company Officers	349.020	0,01%	0,01%
Fundação Banco Comercial Português	350.000	0,01%	0,01%
Banco Millennium BCP Investimento, SA	1.728.626	0,05%	0,05%
Banco Millennium BCP Investimento, SA (Discretionary management)	6.430	0,00%	0,00%
BCP Group Pension Fund	109.032.700	2,98%	2,99%
Total	**184.723.670**	**5,05%**	**5,07%**

BANCO ESPÍRITO SANTO, S.A.			
Banco Espírito Santo, S.A.	104.412.701	2,86%	2,87%
Members of Corporate Bodies	44.144	0,00%	0,00%
Total	**104.456.845**	**2,86%**	**2,87%**

2.4.3. Dividend distribution policy

Ever since its shares were first admitted to trading on the Lisbon Stock Exchange (now Euronext Lisboa), every year EDP has been making a sensible, carefully considered distribution of dividends, governed by prudence and the creation of value for its shareholders. Following these rules, dividends distributed by EDP since 1997 are as follows:

Financial Year	Approval date	Payment date	Gross dividend	Net dividend Residents	Non-Resident
1997 (1)	17-04-1998	18-05-1998	€ 0,648	€ 0,534	€ 0,534
1998 (1)	11-05-1999	28-05-1999	€ 0,698	€ 0,620	€ 0,620
1999 (1)	12-05-2000	31-05-2000	€ 0,698	€ 0,611	€ 0,611
2000 (2)	10-05-2001	31-05-2001	€ 0,140	€ 0,119	€ 0,119
2001 (2)	10-05-2002	06-06-2002	€ 0,113	€ 0,099	€ 0,093
2002 (2)	22-05-2003	18-06-2003	€ 0,090	€ 0,079	€ 0,074
2003 (2)	31-03-2004	30-04-2004	€ 0,090	€ 0,083	€ 0,079
2004 (2)	31-03-2005	29-04-2005	€ 0,09243	€ 0,085	€ 0,081
2005 (2)	30-03-2006	28-04-2006	€ 0,10000	€ 0,090	€ 0,090
2006 (2)	12-04-2007	04-05-2007	€ 0,11000	€ 0,099	€ 0,099

(1) Values converted from escudos to euros are rounded to the third decimal place
The gross value per share shown in the legal tender at the time of payment
of the dividend was PTE 129.87 in 1997, PTE 140.00 in 1998 and PTE 140.00 escudos in 1999
(2) After a stock split, in which each share was substituted by five shares each with a nominal value
equal to one-fifth of the pre-stock split value.

EDP's Board of Directors submitted for the approval of the AGM on 12 April a proposal for the appropriation of the final net profit (POC) for 2006 of EUR 515.9 million, of which EUR 402.2 million was for distribution as dividends. The proposal was approved unanimously by the AGM and a gross dividend of EUR 0.11 pr share was paid on 4 May 2007.

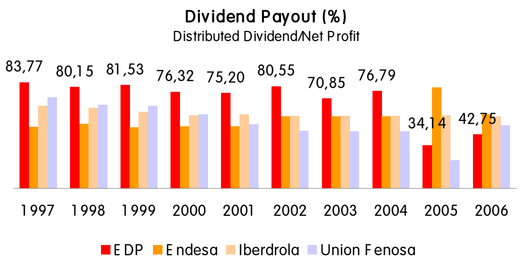
As required by law, EDP's articles of association lay down that profits are appropriated as follows:

- To cover losses from previous years
- To set up or reincorporate legal or other reserves as required by law
- To create or increase other reserves set up by decision of the General Meeting
- To distribute dividends to shareholders
- To distribute gratuities to the directors and employees according to criteria established by the General Meeting
- To allocate up to 0.1% of the Group's consolidated turnover to the EDP Foundation for patronage of the arts of recognised merit in accordance with a programme to be submitted to the General Supervisory Board as part of the EDP Group's corporate citizenship and sustainable development policy.

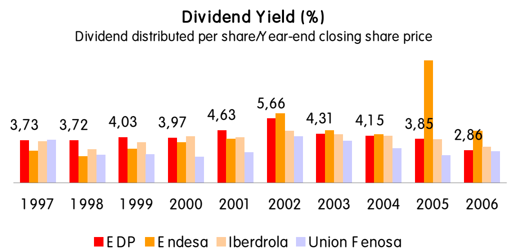
In accordance with generally accepted accounting principles in Portugal, profits distributable as dividends are those resulting after the subtraction of losses brought forward from previous financial years and of 5% to increase the legal reserve, up to one fifth of the share capital and after considering all other limitations imposed by law and the articles of association.

Dividend payout and dividend yield

EDP has abided by a sustained dividend distribution policy that seeks, on the one hand, to reconcile strict compliance with the law and articles of association and on the other hand, the sharing with all its shareholders of a substantial part of the value created by the group, in harmony with concrete conditions in the company and in the market. This policy is aimed at allowing shareholders to obtain an appropriate return on their investment, without compromising the company's value, as shown by a comparison with dividends distributed by its Iberian counterparts.



NB: net profit in accordance with generally accepted accounting principles in each country.



As set forth in the prospectus on the increase in EDP's capital in November 2004, the overall amount of dividends distributed by the company for 2004 was adjusted by the technical effect of the increase. The closing price considered was that of EDP's shares at Euronext Lisboa on the last day of trading with subscription rights.

The overall amount of dividends distributed by EDP and their future variation should therefore be determined on the basis of the proportion corresponding to the effect of the capital increase on EDP's market capitalisation prior to this increase.

The AGM on 30 March 2006 approved the proposal by the Board of Directors to distribute a gross dividend per share of EUR 0.10 for 2005.

Prospects

EDP considers that a transparent relationship with investors and the market involves defining clear criteria and reasonable goals with regard to dividends, as indicated by the growing pressure from the investor community in the face of the instability of capital markets in recent years.

In our presentation of our 2007-2010 business plan to Portuguese and foreign investors and analysts on 22 January 2007, we therefore stressed our goal of increasing dividends by at least 11% a year between 2005 and 2010.

2.5. Share and option allocation plans

Applicable from 2003 to 2005

In March 2004, the Remuneration Committee defined the performance evaluation criteria for the variable compensation paid to the Chairman of the Board of Directors, the Chairman of the Executive Committee and executive members for 2003/2005.

- **Stock option plan**

This plan provides for the allocation of annual options, in accordance with a qualitative and quantitative assessment of each year. Under this plan, each purchase option can be exercised, up to a maximum of $^{1}/_{3}$, on each of the first anniversaries as of the date of allocation. Unexercised options expire after eight anniversaries.

In the first half of 2007, 516,757 options were exercised, as shown in the table below, which also details all allocations from 2003 to 2005.

Date of Award	No. of benef.	No. of options associated	Price in financial year	Financial year start date	Date of expiry	No. of exercised options
30-Abr-04	6	760.482	2,29	30-Abr-05	29-Abr-12	430.436
30-Jun-05	6	932.328	2,21	30-Jun-06	29-Jun-13	263.851
02-Mai-06	6	1.461.497	2,21	02-Mai-07	01-Mai-14	182.217

- **Share allocation plan**

As set forth in the variable compensation plan, at the end of the mandate, shares calculated under the terms of the evaluation by the Remuneration Committee of the company's profits for 2003/2005 were allocated.

On 29 March 2006, 1,511,183 shares in EDP – Energias de Portugal, SA were allocated.

Fifty percent of these shares can be traded as of 1 July 2006 and the remainder one year later.

2.6. Transactions between the company and members of the managing and supervisory bodies owning qualifying shareholdings and subsidiary or group companies

EDP strictly respects the legal restrictions applicable to transactions between directors and the company or between the directors and subsidiary or group companies. There are instructions to guarantee appropriate speed and efficacy in implementing the company's management decisions while still ensuring full compliance with the best practices required of listed companies in internal control processes and corporate risk management.

There were no transactions between directors and the company or between the directors and subsidiary or group companies in the first half of 2007.

2.7. Investor support structures

2.7.1. EDP's communication policy

As required by best practices in the governance of listed companies regarding shareholders' right to information on the group's activity, EDP takes care to ensure that its communication policy is followed and all relevant information is disclosed without discrimination to the different participants in the financial market and that the content of this information is clear and objective.

EDP's communication policy abides by CMVM recommendations and best corporate governance practices as a way of guaranteeing the transparency of its management and the credibility of the information it discloses, in order to promote and strengthen the confidence of shareholders, strategic partners, employees, customers, creditors and the general public.

2.7.2. EDP's Investor Relations Department

EDP's Investor Relations Department was set up in 1997 following the first stage in the company's reprivatisation. It plays an important role in the pursuit of this goal, maintaining appropriate institutional and informative relations with a vast universe of EDP's shareholders, financial analysts and potential investors and with stock exchanges where EDP's shares are listed and their regulatory and supervisory bodies (Comissão do Mercado de Valores Mobiliários in Portugal).

The main function of the Investor Relations Department is to act as an intermediary between EDP's Executive Board of Directors and investors and financial markets in general. It is responsible for all information given out by the EDP Group in terms of privileged information and other announcements to the market and for the publication of periodical financial statements.

The department keeps up a constant flow of communication with investors and financial analysts, providing them with all the information they request, in compliance with legal and regulatory requirements.

EDP's market relations representative is Nuno Alves, member of the Executive Board of Directors. The Investor Relations Department is coordinated by Miguel Viana and is located at the company's head office at:

Praça Marquês de Pombal, n.º 12, 3º Piso
1250-162 Lisboa
Telephone: +351 21 001 2834
Fax + 351 21 001 2899
Email: ir@edp.pt

Several meetings were held with analysts, shareholders and investors in the first half of 2007. The department also participated in two utilities conferences and organised a European road show in March.

The table below shows the channels of communication that EDP uses to distribute information to shareholders on the types of documentation indicated:

CHANNELS	In person [1]	www.edp.pt	E-mail	Investor Relations Phone Line [5]	By mail [2]	www.cmvm.pt	Media
Elements required by law or regulation[3]							
Notice of meeting	√	√	√	√	√	√	√
The Board of Directors' proposals	√	√	-	√	-	-	-
Amendment of Articles of Association	√	√	-	√	-	√	-
Other proposals	√	√	-	√	-	-	-
Annual Report and Accounts for the 2005 financial year [4]	√	√	√	-	√	√	√
Management and supervisory positions held in other companies by company officers	√	√	-	√	-	-	-
Additional information provided by EDP							
Draft forms for voting by proxy	√	√	√	√	√	-	-
Ballots for postal voting	√	√	√	√	√	-	-
Draft forms for voting by e-mail	√	-	√	√	√	-	-
Clarification of any issues	√	√	√	√	√	-	-
EDP articles of association and regulations	√	√	√	√	√	√	-
Results of voting on proposals	√	-	-	√	√	√	-

[1] EDP's head office

[2] In addition, on EDP's initiative, information from the Chairman of the Board of Directors on participation in General Meetings of Shareholders in 2005 and 2006, announcements from the Chairman of the Executive Committee on activities and economic and financial indicators at the end of each year and announcements whenever events of relevance to the company occur

[3] Company Code (Article 289) and CMVM Regulation 7/2001 with the amendments introduced by CMVM Regulations 10/2005 and 3/2006

[4] Annual report, individual and consolidated accounts, legal certification of accounts and official auditor's opinion

[5] Investor relations phone line: +351 21 001 28 34

2.7.3. Use of new information technologies to disclose corporate information

In addition to its Investor Relations Department, as required by the CMVM, EDP posts on its website (www.edp.pt) all legal or corporate governance information, updates on the Group's activities and comprehensive financial and operational data on the company, providing easy access for shareholders, financial analysts and other interested parties.

The information provided on the website includes reports and accounts, announcements of relevant events, the company's internal regulations and articles of association, the group's shareholder structure, preparatory documentation for general meetings, changes in EDP's share price and other information of potential interest about the group. Visitors can look up the accounts for any financial year since 1997 on EDP's website or ask for them to be sent.

EDP has increased its use of information technology in all information disclosure processes, not just its website. Indeed, it is constantly investing in information technologies to facilitate access to, and the exchange of information between, EDP Group companies and the different stakeholders, especially shareholders, financial analysts and the media.

EDP has encouraged the use of email to send and receive information in its relations with the supervisory body and the market and of teleconferences and videoconferences in interaction with institutional agents and investors.

2.8. GM Remuneration Committee

The remuneration of the corporate bodies, with the exception of the Executive Board of Directors, is fixed by the Remuneration Committee elected by the General Meeting of Shareholders, made up of three shareholders, as set forth in the articles of association.

General Meeting Remuneration Committee	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
	Parpública
	Ruy Manuel Corte-Real de Albuquerque

2.9. Auditors

The Internal Audit Department, which reports to the Chairman of the Executive Board of Directors, is responsible for checking the consistency of internal control systems in terms of asset protection, the scope and accuracy of operating and financial information and respect for the EDP Group's guidelines.

The independent external statutory auditors are responsible for giving an opinion on the individual and consolidated financial statements prepared in accordance with generally accepted accounting principles in Portugal and the consolidated financial statements prepared in accordance with the IAS/IFRS.

KPMG is the external statutory auditor for the whole EDP Group in Portugal, Spain and Brazil.

3. VOTING RIGHTS AND SHAREHOLDER REPRESENTATION

3.1. Articles of association

According to EDP's articles of association, shareholders with voting rights may attend and participate in General Meetings of Shareholders. Each share corresponds to one vote.

3.2. Validation of voting rights

Shareholders may only participate in a General Meeting if they have owned shares since at least the fifth working day before the date of the meeting and provided that they still own them on that date.

They prove their ownership of shares by sending to the Chairman of the General Meeting of Shareholders, at least five working days prior to the date of the meeting, a certificate issued and authenticated by the financial intermediary responsible for registering the shares stating that the shares in question have been registered in the account since at least the fifth working day prior to the meeting and that these shares have been blocked until the date of the meeting.

EDP was the first company in Portugal to decide to bear the cost of issuing ownership certificates and blocking shares for shareholders participating in the Annual General Meeting. This was done to encourage shareholders to exercise their voting rights by eliminating financial obstacles that might discourage them from participating and voting.

3.3. Ways of exercising voting rights

3.3.1. EDP share owners

Shareholders may send a postal vote on any of the points on the agenda in a registered letter, with the signature used on their identity cards, with recorded delivery, addressed to the Chairman of the Board of the General Meeting of Shareholders at the company's registered office at least five days prior to the date of the meeting, unless a longer time limit is indicated in the invitation to the meeting. A legible copy of the identity card of the letter's signatory must also be sent.

EDP has been endeavouring to encourage its shareholders to play an active part in the company's life by exercising their voting rights at the General Meetings and so it included postal votes in its articles of association immediately after the Securities Code came into force.

To make postal votes possible, the proposals to be submitted to the General Meeting by the Executive Board of Directors and the General Supervisory Board together with the reports legally accompanying them and any other preparatory information are made available to all shareholders at EDP's registered office at least 15 days before the General Meeting. The information is also available on the EDP website.

3.3.2. Limitations on voting rights

No ordinary or Category A shareholders may, on their own behalf or in representation of others, issue votes exceeding 5% of all votes corresponding to the share capital.

Moreover, shareholders owning 5% or more of the voting rights or share capital must report this fact to the Executive Board of Directors within five days of the date on which they come into said ownership. They may not exercise their voting rights until they have done so.

3.4. Postal voting form

In order to extend and facilitate voting rights for shareholders wishing to exercise this prerogative, EDP provides sample proxy letters and voting slips for postal votes, as required by law and the articles of association, on its website, www.edp.pt, or to anyone requesting them in writing or by phone.

3.5. Email votes

Shareholders may also vote by email, provided that all the formalities for participation in the General Meeting are completed and that the shareholder is clearly identified by appropriate certification methods equivalent to those for postal votes by registered letter with recorded delivery.

4. COMPANY RULES

4.1. Internal regulations

EDP's articles of association, which lay down the main rules for the company's operation and organisation, are available on the EDP website at www.edp.pt or to anyone requesting them from EDP's Investor Relations Department.

In addition to EDP's articles of association, the General Supervisory Board and the Executive Board of Directors are governed by internal regulations establishing rules on the way they operate.

EDP's General Supervisory Board has set up specialised committees of its members. Their duties have already been described (see point. 2.2.9).

4.2. Prevention of insider trading

Members of the corporate bodies, directors and employees who are privy to unpublished, privileged information that might influence share prices of EDP Group companies, such as estimated profits, important acquisitions or partnerships, acquisition or loss of important contracts, may not, before the information is published:

- Disclose it to third parties
- Trade securities from EDP Group companies, strategic partners or companies involved in transactions or business relations with the EDP Group that are or may constitute relevant events.

EDP has set up deterrents against abuse resulting from access to privileged information. They are:

- Publishing privileged information outside stock trading hours, whenever possible reconciling the opening hours of the different markets in which shares of EDP Group companies are quoted, such as Euronext Lisboa and Bovespa, the São Paulo Stock Exchange
- Posting strategic and theme-based presentations for analysts and investors on the CMVM information system and the EDP Group's website.

In addition, as set forth in Article 248B of the Securities Code and Article 3 of CMVM Regulation 7/2001, members of EDP's management and supervisory bodies are obliged to report to the company, and the company to the CMVM, the acquisition or sale of company shares within five days of the transaction.

4.3. Reporting irregular financial and accounting practices

The EDP Group has always taken care to implement measures to ensure the good governance of its companies, including the prevention of improper financial and accounting practices.

EDP was the first company in Portugal to open a channel for Group employees so that they can report to the General Supervisory Board any alleged financial or accounting irregularities in their company in confidence, thereby complying with CMVM Regulation 7/2001.

The aim of this whistle-blowing channel is to:

- Ensure that any employee is able to pass on his or her concerns freely to the General Supervisory Board.
- Facilitate early detection of irregularities that, if they occurred, would seriously affect the EDP Group and its employees, customers and shareholders.

The General Supervisory Board can be contacted by email, fax or post. Access to information received is restricted.

Any complaint sent to the General Supervisory Board is kept strictly confidential and the sender remains anonymous, provided that this does not stand in the way of the investigation.

According to its regulations, EDP guarantees that no employee reporting an irregularity will suffer any retaliation or disciplinary action on exercising his or her right to report, give information or assist in an investigation.

4.4. Measures likely to interfere with takeover bids

Although EDP's shares are freely transferable, as set forth in the Securities Code, EDP's articles of association contain rules on the limitation of voting rights for ordinary or Category A shares. The law laying down the conditions for EDP's fourth reprivatisation phase in October 2000 also established certain special rights for the Portuguese State as an EDP shareholder which are likely to obstruct takeover bids for EDP.

According to EDP's articles of association, votes from category A shares issued by a shareholder on its own behalf or in representation of another exceeding 5% of all votes corresponding to the share capital will not be considered.

Category B shares are those to be reprivatised and their only privilege is that shareholders owning or representing them are not subject to the voting limitation provided for in paragraph 3 et seq. of Article 14 by reference to those shares

Shareholders who come into ownership of a holding of 5% or more of the voting rights or share capital must inform the Executive Board of Directors of this fact within five working days of the date of acquisition. They may not exercise the respective voting rights until they have done so.

For this purpose, votes that, under the Securities Code, are deemed to belong to qualifying holdings are considered to be issued by the same shareholder. In this case, shareholders are entitled to send to the Executive Board of Directors in writing and in a complete, objective, clear and truthful manner, all information requested by it and to its satisfaction regarding facts regarding it and related to the qualifying holding

Under the terms of Article 13 of Decree-Law 141/2000 of 15 July on the fourth stage of the reprivatisation of EDP, for as long as the Portuguese State is an EDP shareholder, irrespective of the number of shares that it owns either directly or indirectly through public bodies, approval of the following decisions requires its vote in favour:

- Amendments to the company's articles of association, including capital increases, mergers, splits and dissolution
- The signing of parity group or subordination contracts
- Suppression or limitation of shareholders' pre-emptive rights in share capital increases.

For as long as the State is an EDP shareholder, it has the right enshrined in Article 13.2 of Decree-Law 141/2000 of 15 July.

4.5. Ethics

EDP has always based its business activities on ethical values explicit or implicit in its corporate agenda, in business relationships and obligations to shareholders, in the vision, commitments and culture defined by the Executive Board of Directors and in its principles of sustainable development.

The company's code of ethics applies to the whole Group and lays down the attitude that all employees must adopt in conducting business and in all the EDP Group's activities.

Ethics Committee

Following the approval of the EDP Group's code of ethics, a specialised committee was set up to operate in articulation with the Corporate Governance and Sustainability Committee of the General Supervisory Board, in order to:

- Help define the EDP Group's policy on codes of conduct, good practices and compliance with the highest ethical standards
- Lay down guidelines for regulating matters within its remit
- Ensuring the correct application of ethics in the Group's companies

5. EXECUTIVE BOARD OF DIRECTORS

5.1. Characteristics

The Executive Board of Directors is responsible for managing the company's activities as set forth in the Company Code and the articles of association. It is appointed by the shareholders at a General Meeting.

5.2. Work of the Executive Board of Directors

As a rule, the Executive Board of Directors meets every week, though it is obliged to meet every two months. It is not allowed to make decisions without the majority of its members present.

No director is allowed to represent more than one absent director at any meeting. All the directors have equal voting rights, while the chairman has the casting vote. The work of the Executive Board of Directors is governed by internal regulations.

In accordance with the articles of association, the powers of the Executive Board of Directors include:

- Setting the management goals and policies for EDP and the EDP Group
- Drawing up annual financial plans and plans of activities
- Managing the company's business and performing all acts and operations related to the company's object that are not the duty of other company bodies
- Actively and passively representing the company in and out of court, with the power to withdraw, cede and plead guilty in any suits and to sign arbitration agreements
- Purchasing, selling or in any other way disposing of or encumbering rights or property
- Setting up companies and underwriting, purchasing, encumbering or selling shareholdings
- Deciding on the issuance of bonds and other securities under the terms of the law and articles of association, while observing any annual quantitative limits fixed by the General Supervisory Board
- Establishing the administrative organisation of EDP and its internal operating rules on staff and their remuneration
- Appointing proxies with any powers that it sees fit, including those to substitute
- Appointing the Company Secretary and his/her substitute
- Contracting the external statutory auditor on the recommendation of the General Supervisory Board
- Exercising any other powers invested in it by law or the General Meeting
- Establishing the rules governing its own internal operation.

The Chairman of the Executive Board of Directors has particular powers and is responsible for:

- Representing the Executive Board of Directors in and out of court
- Coordinating the activities of the Executive Board of Directors and convening and presiding over its meetings
- Ensuring that the decisions of the Executive Board of Directors are duly implemented

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General Supervisory Board, whenever s/he sees fit, except when it is taking decisions on the supervision of the activities of the Executive Board of Directors and in any other situations of conflict of interest

The Executive Board of Directors met 27 times in the first half of 2007.

5.3. Remuneration of the corporate bodies

As set forth in the articles of association, the General Meeting elects a Remuneration Committee that fixes the remuneration of the members of the corporate bodies, with the exception of the Executive Board of Directors. The General Meeting may also decide to allot a share of the profits to directors and to implement stock option plans

Policy on compensation paid to members of management bodies

The Remuneration Committee appointed by the General Supervisory Board is responsible for defining policy on the compensation of members of the management bodies. This committee has already defined the fixed remuneration to be allocated to the directors, while the parameters of their variable remuneration were defined at the AGM on 12 April 2007.

5.4. EDP shares owned by members of the corporate bodies

As required by Article 447.5 of the Company Code, the table below shows the changes in ownership of shares of members of the corporate bodies from 31 December 2006 to the first half of 2007.

	Movements in 2007	Mean Purchase/Sale Price	N.º of Shares 30-06-2007	N.º of Shares 31-12-2006
Board of the General Meeting				
Rui Eduardo Ferreira Rodrigues Pena	0	-	1.445	-
António Bernardo de Menezes e Lorena de Sèves	0	-	0	-
Maria Teresa Isabel Pereira [1]	2230 [1]	-	6192	3.962
General and Supervisory Board				
António de Almeida	0	-	0	0
Alberto João Coraceiro de Castro	0	-	4.578	4.578
António Francisco Barroso de Sousa Gomes	0	-	4.135	4.135
Carlos Jorge Ramalho dos Santos Ferreira	0	-	24.400	24.400
Diogo Campos Barradas de Lacerda Machado	0	-	260	260
Eduardo de Almeida Catroga	0	-	0	0
Rui Eduardo Ferreira Rodrigues Pena	0	-	1.445	-
José Maria Espírito Santo Silva Ricciardi	0	-	0	0
Manuel Fernando de Macedo Alves Monteiro	0	-	0	0
Manuel Menéndez Menéndez	0	-	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto [2]	0	-	1.388	1.388
Vasco Maria Guimarães José de Mello	-872	-	0	0
Vital Martins Moreira [3]	1.996	-	0	21.870
Vítor Fernando da Conceição Gonçalves	2.570	4,09	3.465	6.035
Víctor Domingos Seabra Franco	0	-	0	0
Executive Board of Directors				
António Mexia	0	-	1.000	1.000
Ana Maria Fernandes	0	-	0	0
António Martins da Costa	0	-	13.299	13.299
António Pita de Abreu	0	-	34.074	34.074
João Manso Neto	0	-	1.268	1.268
Jorge Cruz Morais	0	-	12.497	12.497
Nuno Alves	0	-	0	0

Notes
1) Attribution of part of the prize in shares
2) Shares held by spouse, Paula Teixeira da Cruz
3) Includes 6,109 shares held by spouse Maria Manuel de Lemos Leitão Marques

5.5. Corporate positions held by members of the governing body

	António Mexia	Nuno Alves	Ana Maria Fernandes	António Martins da Costa	Jorge Cruz Morais	João Manso Neto	António Pita de Abreu
EDP - Energias de Portugal, S.A.	CEBD	D	D	D	D	D	D
EDP - Gestão da Produção de Energia, S.A.						CBD	
EDP Energias do Brasil, S.A.	CBD	VM	VM	MD			
EDP Comercial - Comercialização de Energia, S.A.					CBD		
EDP - Estudos e Consultoria, S.A.	CBD						VM
EDP - Soluções Comerciais, S.A.					CBD		
EDP Participações - S.G.P.S., S.A.		CBD				VM	
EDP Produção EM - Engenharia e Manutenção, S.A.						CBD	
EDP Produção - Bioeléctrica, S.A.			CBD				
EDP Serviner - Serviços de Energia, S.A.					CBD		VM
EDP Valor - Gestão Integrada de Serviços, S.A.		CBD					
Sãvida - Medicina Apoiada, S.A.							CBD
SCS - serviços complementares de Saúde, S.A.							CBD
Energia RE - Sociedade Cativa de Resseguro		CBD					
Enernova - Novas Energias, S.A.			CBD				
Hidroeléctrica del Cantábrico, S.A.		VM	VM		VM	VCBD	VM
Naturgás Energia, S.A.			VM		VM	VM	
Desarrollos Eólicos S.A.			CBD				
Genesa S.L.			CBD				
NQF Projectos de Telecomunicações e Energia, SGPS, S.A.		VM	CBD				
NQF Energia, SGPS, S.A.		VM	CBD				
NQF Gás, SGPS, S.A.			CBD				
Portgás —Sociedade de Produção e Distribuição de Gás, S.A.			VM		VM		
Setgás —Sociedade de Produção e Distribuição de Gás, S.A.			VM				
Enagas, SGPS, S.A.			CBD				
EDP Powerline		VM					CBD
Internel - Serviços de Consultoria Internacional, S.A.						CBD	
Nuevas Energias de Occidente, S.L.			VM				
ONI - SGPS, S.A	CBD	VM					

CEBD: Chairman of the Executive Board of Directors
CBD: Chairman of the Board of Directors
VCBD: Vice-Chairman of the Board of Directors
MD: Managing Director
D: Director
VM: Voting Member

5.6. Positions held by members of the General Supervisory Board

See chapter on Corporate Bodies

THE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Chairman)

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

Lisbon, 26 July 2007

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ANNUAL REPORT

30 – Jun- 07

2nd Part

Financial Statements

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FINANCIAL STATEMENTS

30 – Jun- 07

EDP - Energias de Portugal

Consolidated Income Statement
for the periods ended 30 June 2007 and 2006

	Notes	2007	2006		
		Continuing operations	Continuing operations	Discontinued operations	Total
		(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Turnover	5	5,627,455	5,163,387	78,481	5,241,868
Cost of consumed electricity	5	-2,341,431	-2,340,264	-	-2,340,264
Cost of consumed gas	5	-517,803	-365,915	-	-365,915
Changes in inventories and cost of raw materials and consumables used	5	-505,599	-569,796	-5,874	-575,670
		2,262,622	1,887,412	72,607	1,960,019
Other operating income / (expenses)					
Other operating income	6	49,532	48,203	1,968	50,171
Supplies and services	7	-324,223	-29,758,608	-56,912,437	-354,498,517
Personnel costs	8	-298,420	-305,863	-12,896	-318,759
Employee benefits expenses	8	-53,744	-35,770	-44	-35,814
Other operating expenses	9	-283,200	-232,165	-2,423	-234,588
		-910,055	-82,318,134	-70,307	-893,488,777
		1,352,567	1,064,231	2,300	1,066,530
Provisions	10	-42,333	-4,062	-4,018	-8,080
Depreciation and amortisation expense	11	-534,922	-485,143	-20,406	-505,549
Amortisation of deferred income on partially funded properties received under concessions	11	52,192	50,430	-	50,430
		827,504	62,545,566	-22,124,437	603,331
Gains from the sale of financial assets	12	-	2,834	-	2,834
Other financial income	13	327,637	410,048	471	410,519
Other financial expenses	13	-498,073	-435,746	-10,726	-446,472
Share of profit of associates	19	11,114	16,879	-	16,879
Profit before tax		668,182	61,947,066	-32,379,437	587,091
Income tax expense	14	-176,653	-183,811	617	-183,194
Profit after tax but before gains/losses on discontinued operations		491,529	435,660	-31,762,437	403,897
Gains / (losses) on sale of discontinued operations, net of tax	44	-	-	-	-
Profit for the period		491,529	435,660	-31,762,437	403,897
Attributable to:					
Equity holders of EDP		422,072	406,414	-31,762,437	374,651,223
Minority interest	31	69,457	29,246	-	29,246
Profit for the period		491,529	435,660	-31,762,437	403,897
Earnings per share (Basic and diluted) - Euros	28	**0.12**	**0.11**	**(0.01)**	**0.10**

LISBON, 26 JULY 2007

THE CHIEF ACCOUNTANT N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal

Consolidated Balance sheet as at 30 June 2007 and 31 December 2006

	Notes	2007	2006
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	15	15,473,302	15,081,728
Intangible assets	16	1,710,262	1,168,136
Goodwill	17	2,718,006	2,553,831
Investments in associates	19	191,617	201,863
Available for sale investments	20	1,174,890	822,148
Financial assets advanced payments		11,395	11,395
Deferred tax assets	21	774,841	898,323
Trade receiveables	23	143,881	117,651
Debtors and other assets	24	308,685	299,968
Total Non-Current Assets		22,506,879	21,155,043
Inventories	22	198,328	228,692
Trade receivables	23	1,460,853	1,475,202
Debtors and other assets	24	802,005	863,521
Tax receivable	25	468,973	620,840
Financial assets held for trading	26	85,466	116,439
Cash and cash equivalents	27	530,788	753,493
Assets classified as held for sale	38	-	255,681
Total Current Assets		3,546,413	4,313,868
Total Assets		26,053,292	25,468,911
Equity			
Share Capital	28	3,656,538	3,656,538
Treasury stock	29	-42,618	-14,542
Share premium	28	501,992	501,992
Reserves and retained earnings	30	1,424,440	504,424
Consolidated net profit attributable to equity holders of the parent		422,072	940,823
Total Equity attributable to equity holders of the parent		5,962,424	5,589,235
Minority interest	31	936,198	945,661
Total Equity		6,898,622	6,534,896
Liabilities			
Medium / Long term debt and borrowings	33	8,471,203	8,624,695
Employee benefits	34	1,666,590.00	1,770,560
Provisions for liabilities and charges	35	413,681	388,473
Hydrological correction account	32	224,141	198,596
Deferred tax liabilities	21	564,673	557,269
Trade and other payables	36	2,832,615	2,427,193
Total Non-Current Liabilities		14,172,903	13,966,786
Short term debt and borrowings	33	1,593,524	1,528,355
Trade and other payables	36	3,004,933	2,757,669
Tax payable	37	383,310	521,107
Liabilities classified as held for sale	38	-	160,098
Total Current Liabilities		4,981,767	4,967,229
Total Liabilities		19,154,670	18,934,015
Total Equity and Liabilities		26,053,292	25,468,911

LISBON, 26 JULY 2007

THE CHIEF ACCOUNTANT N.º 17,713	MANAGEMENT	THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the periods ended 30 June 2007 and 2006

	Notes	2007	2006
		(Thousand Euros)	(Thousand Euros)
Turnover	5	240,447	364,841
Cost of consumed electricity	5	-107,781	-173,281
Cost of raw materials and consumables used	5	-100,507	-128,995
		32,159	62,565
Other operating income / (expenses)			
Other operating income	6	5,670	6,985
Supplies and services	7	-44,746	-43,200
Personnel costs	8	-9,620	-3,649
Employee benefits expense	8	-55	-714
Other operating expenses	9	-7,655	-34,929
		-56,406	-75,507
		-24,247	-12,942
Provisions	10	-27,856	-10,743
Depreciation and amortisation expense	11	-2,790	-2,500
		-54,893	-26,185
Gains / (losses) from the sale of financial assets	12	149	-517
Other financial income	13	604,930	476,753
Other financial expenses	13	-299,827	-345,718
Share of profit of associates		-	-44,225
Profit before tax		250,359	60,108
Income tax expense	14	9,314	-19,305
Profit for the period		259,673	40,803
Earnings per share (Basic and diluted) - Euros	28	**0.07**	**0.01**

LISBON, 26 JULY 2007

THE CHIEF ACCOUNTANT N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 30 June 2007 and 31 December 2006

	Notes	2007	2006
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	15	83,642	84,899
Intangible assets	16	2,061	1,763
Investments in subsidiaries	18	6,673,553	6,673,680
Investments in associates	19	97,919	97,919
Available for sale investments	20	542,655	399,805
Deferred tax assets	21	-	83,662
Debtors and other assets	24	3,284,044	3,351,059
Total Non-Current Assets		10,683,874	10,692,787
Trade receivables	23	11,053	66,396
Debtors and other assets	24	1,330,201	1,567,202
Tax receivable	25	85,715	50,017
Financial assets held for trading	26	96	1,693
Cash and cash equivalents	27	12,328	235,234
Total Current Assets		1,439,393	1,920,542
Total Assets		12,123,267	12,613,329
Equity			
Share capital	28	3,656,538	3,656,538
Treasury stock	29	-42,618	-14,542
Share premium	28	501,992	501,992
Reserves and retained earnings	30	1,771,477	1,527,942
Net profit for the period		259,673	515,696
Total Equity		6,147,062	6,187,626
Liabilities			
Medium / Long term debt and borrowings	33	2,439,569	2,623,926
Provisions for liabilities and charges	35	47,766	19,910
Hydrological correction account	32	224,141	198,596
Deferred Tax Liabilities	21	61,286	-
Trade and other payables	36	12,628	12,740
Total Non-Current Liabilities		2,785,390	2,855,172
Short term debt and borrowings	33	2,705,128	2,993,257
Trade and other payables	36	485,687	566,367
Income tax payable	37	-	10,907
Total Current Liabilities		3,190,815	3,570,531
Total Liabilities		5,976,205	6,425,703
Total Equity and Liabilities		12,123,267	12,613,329

LISBON, 26 JULY 2007

THE CHIEF ACCOUNTANT N.º 17,713	MANAGEMENT	THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal

Consolidated statment of recognised income and expense as at 30 June 2007 and 31 December 2006

(Thousand Euros)

	2007		2006	
	Equity holders of the parent	Minority Interests	Equity holders of the parent	Minority Interests
Exchange differences arising on consolidation	64,107	56,808	-29,312	-17,130
Fair value reserve (cash flow hedge)	1,632	102	1,413	-
Tax effect from the fair value reserve (cash flow hedge)	-273	-27	20	-
Fair value reserve (available for sale investments)	284,357	-	208,093	-
Tax effect from the fair value reserve (available for sale investments)	-36,796	-	-30,179	-
Actuarial gains / (losses)	65,258	3,590	6,715	-2,435
Tax effect from the actuarial gains / (losses)	-2,023	-1,220	3,973	1,966
Profit for the period recognised directly in equity	376,262	59,253	160,723	-17,599
Profit for the period	422,072	69,457	940,823	76,260
Total gains and losses recognised in the period	798,334	128,710	1,101,546	58,661

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal

Consolidated and Unconsolidated Cash Flow Statements as at 30 June 2007 and 31 December 2006

(Thousand Euros)

	Group		Company	
	2007	**2006**	**2007**	**2006**
Cash flows from operating activities				
Cash receipts from customers	5,627,057	10,218,895	296,234	684,559
Cash paid to suppliers	-4,091,007	-7,147,672	-284,615	-666,117
Cash paid to employees	-394,559	-734,973	-9,621	-11,535
Concession rents paid	-97,597	-213,099	-	-
Other receipts / (payments) relating to operating activities	41,258	23,696	-16,657	-187,196
Net cash flows from operating activities	1,085,152	2,146,847	-14,659	-180,289
Income tax received / (paid)	-100,630	-129,324	106,846	116,605
Net cash flows from operating activities	984,522	2,017,523	92,187	-63,684
Discontinued activities	-	34,430		
Continuing activities	984,522	1,983,093		
Cash flows from investing activities				
Cash receipts resulting from:				
Proceeds from sale of financial assets	115,304	804,666	86,357	589,566
Proceeds from sale of property, plant and equipment	2,920	11,090	767	7,472
Fixed assets subsidies received	77,890	183,155	-	-
Interest received	39,994	36,421	105,929	170,112
Dividends received	35,271	176,643	326,807	725,168
	271,379	1,211,975	519,860	1,492,318
Cash payments resulting from:				
Acquisition of financial assets	-213,355	-464,940	-	-473,308
Acquisition of property, plant and equipment	-636,153	-1,588,536	-1,843	-1,449
Fixed assets subsidies received	-	-	-5	-1,253
	-849,508	-2,053,476	-1,848	-476,010
Net cash flows from investing activities	-578,129	-841,501	518,012	1,016,308
Discontinued activities	-	-21,211		
Continuing activities	-578,129	-820,290		
Cash flows from financing activities				
Receipts / (payments) from loans and interest	-113,362	39,709	-348,935	-364,216
Interest and similar costs	-330,846	-429,499	-157,986	-281,078
Receipts / (payments) from derivative financial instruments	58,296	38,406	44,324	82,739
Dividends paid	-401,385	-365,638	-401,385	-365,638
Treasury stock sale / (purchase)	-24,106	27,351	-24,106	27,351
Advanced receipt from financial assets sale	150,534	-	53,400	-
Net cash flows from financing activities	-660,869	-689,671	-834,688	-900,842
Discontinued activities	-	-47,799		
Continuing activities	-660,869	-641,872		
Net increase / (decrease) in cash and cash equivalents	-254,476	486,351	-224,489	51,782
Effect of exchange rate fluctuations on cash held	18,901	-29,323	3	118
Cash and cash equivalents at the beginning of the period	752,231	267,358	235,234	183,334
Cash and cash equivalents at the end of the period	516,656	724,386	10,748	235,234
Net increase in cash and cash equivalents resulting from perimeter variations	-	25,568		
Discontinued activities	-	-2,277		
Cash and cash equivalents from continuing activities at the end of the period (*)	**516,656**	**752,231**		

(*) See details of balance Cash and Cash Equivalents in note 27.

EDP - Energias de Portugal

Statement of Changes in Consolidated Equity as at 30 June 2007 and 31 December 2006

(Thousand Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Exchange differences	Treasury Stock	Equity attributable to equity holders of EDP	Minority interests
Balances as at 31 December 2005	**6,111,163**	**3,656,538**	**501,992**	**367,454**	**221,572**	**113,963**	**-38,119**	**4,823,400**	**1,287,763**
Transfer to legal reserve	-	-	-	25,492	-25,492	-	-	-	-
Dividends paid	-365,638	-	-	-	-365,638	-	-	-365,638	-
Dividends paid to minority interests	-31,964	-	-	-	-	-	-	-	-31,964
Treasury stock	24,012	-	-	-	7,313	-	16,699	24,012	-
Share capital increase - Enerpeixe	11,809	-	-	-	-	-	-	-	11,809
Share - based payments	5,805	-	-	-	-1,073	-	6,878	5,805	-
Minority interests resulting from acquisitions and consolidation method changes	18,469	-	-	-	-	-	-	-	18,469
Fair value reserve (cash flow hedge) net of deferred tax	1,433	-	-	-	1,433	-	-	1,433	-
Fair value reserve (available for sale investments net of deferred tax	177,914	-	-	-	177,914	-	-	177,914	-
Actuarial gains / (losses) net of deferred tax	10,219	-	-	-	10,688	-	-	10,688	-469
Exchange differences arising on consolidation	-46,442	-	-	-	-	-29,312	-	-29,312	-17,130
Liabilities arising on put options over minority interests	-399,077	-	-	-	-	-	-	-	-399,077
Other reserves arising on consolidation	110	-	-	-	110	-	-	110	-
Profit for the year	1,017,083	-	-	-	940,823	-	-	940,823	76,260
Balances as at 31 December 2006	**6,534,896**	**3,656,538**	**501,992**	**392,946**	**967,650**	**84,651**	**-14,542**	**5,589,235**	**945,661**
Transfer to legal reserve	-	-	-	25,784	-25,784	-	-	-	-
Dividends paid	-401,385	-	-	-	-401,385	-	-	-401,385	-
Treasury stock	-25,083	-	-	-	-	-	-25,083	-25,083	-
Share - based payments	1,566	-	-	-	-	-	1,566	1,566	-
Reclassification of treasury stock and exercise of stock options	-	-	-	-	4,559	-	-4,559	-	-
Share capital increase - Naturgas	-112,029	-	-	-	-	-	-	-	-112,029
Fair value reserve (cash flow hedge) net of deferred tax	1,434	-	-	-	1,359	-	-	1,359	75
Fair value reserve (available for sale investments) net of deferred tax	247,561	-	-	-	247,561	-	-	247,561	-
Actuarial gains / (losses) net of deferred tax	65,605	-	-	-	63,235	-	-	63,235	2,370
Exchange differences arising on consolidation	120,915	-	-	-	-	64,107	-	64,107	56,808
Liabilities arising on put options over minority interests	-26,144	-	-	-	-	-	-	-	-26,144
Other reserves arising on consolidation	-243	-	-	-	-243	-	-	-243	-
Profit for the period	491,529	-	-	-	422,072	-	-	422,072	69,457
Balances as at 30 June 2007	**6,898,622**	**3,656,538**	**501,992**	**418,730**	**1,279,024**	**148,758**	**-42,618**	**5,962,424**	**936,198**

The following notes form an integral part of these Financial Statements

EDP - Energias de Portugal

Statement of Changes in Companpany´s Equity as at
30 June 2007 and 31 December 2006

(Thousand Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Treasury Stock
Balances as at 31 December 2005	**6,388,628**	**3,656,538**	**501,992**	**367,454**	**1,900,763**	**-38,119**
Transfer to legal reserve	-	-	-	25,492	-25,492	-
Dividends paid	-365,638	-	-	-	-365,638	-
Treasury stock	24,012	-	-	-	7,313	16,699
Share-based payments	5,805	-	-	-	-1,073	6,878
Fair value reserve (cash flow hedge), net of deferred tax	1,433	-	-	-	1,433	-
Fair value reserve (available for sale investments), net of deferred tax	95,920	-	-	-	95,920	-
Reserve arising on the merger of EDP Internacional	-478,230	-	-	-	-478,230	-
Profit for the year	515,696	-	-	-	515,696	-
Balances as at 31 December 2006	**6,187,626**	**3,656,538**	**501,992**	**392,946**	**1,650,692**	**-14,542**
Transfer to legal reserve	-	-	-	25,784	-25,784	-
Dividends paid	-401,385	-	-	-	-401,385	-
Treasury stock	-25,083	-	-	-	-	-25,083
Share-based payments	1,566	-	-	-	-	1,566
Reclassification of treasury stock and exercise of stock options	-	-	-	-	4,559	-4,559
Fair value reserve (cash flow hedge), net of deferred tax	742	-	-	-	742	-
Fair value reserve (available for sale investments), net of deferred tax	123,923	-	-	-	123,923	-
Profit for the period	259,673	-	-	-	259,673	-
Balances as at 30 June 2007	**6,147,062**	**3,656,538**	**501,992**	**418,730**	**1,612,420**	**-42,618**

The following notes form an integral part of these Financial Statements

1. The business operations of the EDP Group

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

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

The EDP Group operates mainly in the Iberian and Brazilian markets in the energy sector.

Activity in the energy sector on the Iberian Peninsula

The National Energy Strategy changed significantly in 2006, following the implementation of the new electricity framework pursuant to Decree-Law no. 29/2006, of February 15, 2006 and Decree-Law no 172/2006, of August 23, 2006 (the "New Electricity Framework"). The binding and non-binding sectors of the nacional electricity system have been replaced by a single market system, and the generation and supply of electricity and management of the organized electricity markets are now fully open to competition, subject to obtaining the requisite licenses and approvals. The transmission and distribution components of the electricity industry continue to be provided through the award of public concessions.

Under the New Electricity Framework, the SEN (Sistema Eléctrico Nacional - National Energy System) can be divided into six major functions: generation, transmission, distribution, supply, and operation of the electricity market and the logistics operations that facilitate consumers' switching of their electricity suppliers. Each of these functions must be operated independently, from a legal, organizational and decision-making standpoint, from the others, subject to certain exceptions.

The activities under each of the functions can be summarized as follows:

- Electricity generation under the New Electricity Framework is now subject to licensing and it is carried out in a competitive environment. Electricity generation is divided into two regimes: the ordinary regime and the special regime. The special regime allows the producers to deliver the electricity generated to the concessionaire entity of the National Transport Network. This entity, in turn, sells the electricity to the supplier of last resort and the producer is remunerated based on a cost saving basis complemented by an environmental premium that reflects the utilization of renewable energies.

- Electricity transmission activities are carried out through the national transport network, through an exclusive concession granted by the Portuguese State to REN - Rede Eléctrica Nacional, S.A. for a period of 50 years.

- Electricity distribution under the New Electricity Framework occurs through the national distribution network consisting of medium and high-voltage network, and through the low voltage distribution networks Currently, the national distribution network is operated through an exclusive concession granted by the Portuguese State.

- Electricity supply under the New Electricity Famework is open to competition, subject only to a licensing regime. Suppliers may openly buy and sell electricity. For this purpose, they have the right of access to the nacional transmission and distribution network upon payment of the access charges set by ERSE, an autonomous public entity. Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. A new entity, whose activity will be regulated by ERSE, will be created to oversee the logistical operations that facilitate consumers' switching of suppliers. Under the New Electricity Framework, public service obligations are provided for and involve the guarantee of quality and continuity of supply, and consumers' protection with respect to prices and access charges, and access to information in simple and understandable terms. EDP's licensed supplier of electricity for the free market is its subsidiary EDP Comercial.

- The operation of organized markets for electricity is subject to authorisation to be jointly granted by the Minister of Finance and by the Minister responsible for the energy sector. The entity managing the organized market is also subject to authorisation to be granted by the Minister responsible for the energy sector and, whenever required by law, by the Minister of Finance. The Portuguese operator OMIP and OMIClear are the entities responsible for the functioning of the MIBEL forward market. The daily markets (which comprise bulk energy transactions to be delivered on the day following the contracting date and which must be physically settled) and the intradaily markets (comprising transactions which must be physically settled) are guaranteed by OMEL.

On 27 January 2005 in accordance with Decree-Law no. 240/2004 of 27 December, the EDP Group signed early termination contracts for power purchase agreements (PPA's) related to the binding electricity production plants. The referred Decree-Law established that the owners of PPA's, which correspond portion of EDP's generation activity in Portugal, have the right to receive an amount for the early termination of those arrangements (CMEC). The effects of the termination agreements were suspended until a set of conditions was met, including the launch of the spot electricity market. The change in the legislation also envisaged the creation of an Iberian Electricity Market (MIBEL), which came into effect on 1 July 2007.

On 16 February 2007, the Portuguese Government confirmed its decision to early terminate the PPA's and implement the CMEC's mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment to the reference market price of electricity used to calculate the CMEC's initial amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPA's, with effect as of 1 July. The new CMEC regulations sets the compensation due to EDP Produção at 833,000 thousand Euros and can be subject to securitization. It was also established that EDP Produção would pay 759,000 thousand Euros for the use of hydro public domain, securing the right to operate 26 hydroelectric plants with a capacity of 4.095 MW, under free market conditions for an average period of over 26 years.

With the publication of Decree-law 29/2006, reinforced by Decree-law 172/2006, a new legislative package for the electric system was approved, replacing the legislation issued in 1995 and transposing to the Portuguese regulatory environment the European directive 2003/54/CE. The concept of supplier of last resort established in the European Directive, was also transposed to the Portuguese regulation, and EDP Distribuição was appointed to create an autonomous entity that would ensure the provision of the universal service. On 15th December 2006, EDP Board of Directors decided to incorporate a new company, EDP Serviço Universal, S.A. to assume the supply activity previously operated by EDP Distribuição. Consequently, from 1st January 2007 onwards, EDP Distribuição focused its activity in operating the distribution system and EDP Serviço Universal assumed the supply activity.

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

Up to 30 June 2007, the supply and distribution of gas in Portugal was subject to a concessions regime, being the market tariffs determined under the terms of the concession agreements. From this date onwards, the regulation of tariffs became the responsibility of ERSE. The tariffs to be applied relate to access to the Liquid Natural Gas (LNG) terminal infrastructure, to the underground storage facilities and to the National Natural Gas Transportation Network (RNTGN). These tariffs will be in effect between July 2007 and June 2008.

In Spain, Hidroeléctrica del Cantábrico (Hidrocantábrico) is the holding company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, the activity is developed in the production, transportation and distribution and supply areas. The production infrastructure relies on classic coal thermal power stations and, secondarily, on hydroelectric and nuclear power plants. The activitíes of transportation and distribution of electricity are regulated activities as well as the supply of energy to clients subject to tariffs, whereas in the supply activity the prices are subject without restraints to market conditions.

In 2003, Hidrocantábrico increased its position in the distribution and supply sector of gas through the acquisition of Naturcorp (currently Naturgás) and the subsequent integration in this company, of all gas related assets previously held by Hidrocantábrico. The natural gas distribution activity in Spain is a regulated activity. In 2006, Hidrocantábrico strengthened its shareholding position in Naturgás through the acquisition of additional 9.39% of the share capital of Naturgás.

Energy sector activity in Brazil

In Brazil, the EDP Group operates in the electric sector namely in generation, distribution and supply, through its subsidiary company Energias do Brazil, S.A.

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

During April 2005, EDP – Energias do Brazil, S.A. signed an agreement concerning the reorganisation of its subsidiaries Bandeirante Energia, S.A., Iven, S.A., Espírito Santo Centrais Eléctricas, S.A., Magistra Participações, S.A. and Empresa Energética de Mato Grosso do Sul, S.A., through the roll-up of the above-mentioned companies minority shareholders into the share capital of Energias do Brazil. Following the completion of the process, EDP Brazil now has full ownership of these companies and their minority shareholders became shareholders of Energias do Brazil.

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

Activities in the Renewable energies sector

The EDP Group has been reinforcing its position in the renewable energy sector, namely in the generation, distribution and supply of energy through the use of wind, hydroelectric, biomass and waste resources.

In wind energy infrastructures, EDP Group develops its activity through its subsidiary "NEO Energia" which is the holding company of Enernova (the Portuguese holding for wind farms - 100% held by NEO), Genesa (renewable energy in Spain - 80% held by NEO and 20% by CajaMadrid), Desa (wind farms in Spain - renewable energy in Spain - 80% held by NEO and 20% by CajaMadrid) and Agrupación Eólica Subgroups (wind farms in Spain and France - 100% held by NEO) and GreenWind (Belgian partnership in which NEO has a 70% shareholding).

As at 30 June 2007, the total installed capacity for renewable energies is 7.482 MW, divided by 5.877 MW in hydroelectric, 1.359 MW in wind energy facilities 153 MW in co-generation, 79 MW in waste and 16 MW in biomass, with operations in Portugal, Spain, Brazil, France and Belgium.

Activity in the telecommunications sector

In the telecommunications sector, as at 31 December 2006, EDP Group owned 100% over the share capital of ONI SGPS. ONI operates in fixed telecommunications, providing voice and data services in the Portuguese market (both corporate and residential customers). On 9 December 2006, EDP S.A. signed a sale and purchase agreement with Riverside Company to sell its 100% share holding in ONI SGPS. The transaction was authorised by the Competition Authority on January 2007, and the sale was completed on 31 January 2007. On 31 December 2006, the ONI Group was fully consolidated into EDP, S.A., and the corresponding assets and liabilities were disclosed under assets and liabilities held for sale (Note 38).

Price regime of Electric Energy

According to Portuguese law, ERSE is responsible for the regulation of the sector, by preparing, issuing and enforcing the application of regulations, as well as defining the tariffs for infrastructure utilisation and electric energy supply to SEP clients. In Brazil, these functions are also assumed by a regulatory entity "Agência Nacional de Energia Eléctrica" (ANEEL). In Spain, electric energy prices are established by the government after consultation or proposal of the regulatory entity "Comissión Nacional de Energia".

Low-tension Electricity Distribution Concession Regime

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

Public Domain Assets

In Portugal some fixed assets allocated to electricity generation and distribution within the SEP are subject to the public domain regime. These assets are connected to the Group's activity who can administrate them for that purpose without restrictions, but can not use them for private commerce purposes. In Brazil, the fixed assets used in the distribution and supply of electricity are tied to those services and can not be withdrawn, sold, assigned or mortgaged without the prior express consent of the Regulator.

2. Accounting policies

a) Basis of preparation

The Group's parent company, EDP – Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. The consolidated financial statements presented reflect EDP's and its subsidiaries results from operations (EDP Group or Group) and Group's interest in associated companies, for the half-year periods ended 30 June 2007 and 2006, and the financial position as at 31 December 2006.

The Executive Board of Directors approved these consolidated financial statements on 26 July 2007. The financial statements are presented in thousand of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) no. 1606/2002 of 19 July, 2002, from the European Council and Parliament, and its adoption into Portuguese Law through Decree-law no. 35/2005, of 17 February, the Group's consolidated financial statements are required to be prepared, from 2005 onwards, in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies.

These consolidated financial statements for the year ended 31 December 2006, and for the half-year period ended 30 June 2007, were prepared in accordance with the IFRS effective and adopted for use in the EU until those dates.

The financial statements have been prepared under the historical cost convention, modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

b) Basis of consolidation

The consolidated financial statements of EDP Group comprise the assets, liabilities and results of EDP, S.A., and its subsidiaries ("the Group" or "EDP Group"), and the results from its associated companies attributable to the Group. These accounting policies have been consistently applied by all Group companies and in all years presented in the consolidated financial statements.

Subsidiaries

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

Accumulated losses of a subsidiary attributable to minority interest, which exceed the equity of the subsidiary attributable to the minority interest, are attributed to the Group and charged to the income statement when incurred. If the subsidiary subsequently reports profits, such profits are recognised as profits of the Group until the losses attributable to the minority interest previously recognised by the group have been recovered.

Associates

Investments in associates are accounted for by the equity method since the date on which significant influence is transferred to the Group until the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies. Generally when the Group holds more than 20% of the voting rights of the investor it is presumed that it has significant influence. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investor it is presumed that the group does not have significant influence, except when such influence can be clearly demonstrated.

The significant influence by EDP Group is normally demonstrated by one or more of the following ways:
- Representation on the Board of Directors or equivalent management committee;
- Participation in the policy making processes, including participation in decisions over dividends and other distributions;
- Existence of material transactions between the Group and the investor;
- Interchange of managerial personnel;
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and results of associated companies accounted under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation of covering those losses or make payments on behalf of the associate.

Jointly controlled entities

Jointly controlled entities, consolidated under the proportionate consolidation method, are entities over whose activities the Group has jointly control along with other company, under a contractual agreement. The consolidated financial statements include the Group's proportionate share of the joint ventures' assets, liabilities, revenue and expenses, from the date the joint control begins until it ceases.

Accounting on an unconsolidated basis of investments in subsidiaries and associates

On an unconsolidated basis, investments in subsidiaries and associated companies not classified as held for sale or in discontinued operations, are accounted for at acquisition cost, and are subject to periodic impairment tests.

Consolidation differences - Goodwill

Following the transition to International financial reporting standards (IFRS) as of 1 of January 2004 and as permitted under IFRS 1 - First-Time Adoption of International Finance Reporting Standards, EDP Group opted to maintain the goodwill resulting from business combinations that occurred prior to transition date, calculated according to the previous accounting principles applied by the Group.

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

Since the transition date to IFRS, 1 of January 2004, goodwill is recognised as an asset and carried at acquisition cost and it is not amortised.

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

The value of goodwill recognised as an asset is assessed annually to identify any impairment regardless of the existence of any indication of impairment. Impairment losses are recognised in the income statement.

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

Investments in foreign operations

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

In relation to the foreign subsidiaries consolidated by EDP Group using the full consolidation, proportional or equity method, the exchange differences arising from the amount expressed in Euros of the opening balance of net assets at the beginning of the year and the translation to Euros of the opening balance of net assets using the year end exchange rate, is booked against consolidated reserves.

The income and expenses of foreign subsidiaries are translated to Euros, at the approximate exchange rates ruling at the dates of the transactions. Exchange differences arising from the translation of the result for the reporting period from the exchange rate used in the income statement to the exchange rate prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign operation, exchange differences related thereto and previously booked against reserves are accounted in the income statement.

Balances and transactions eliminated on consolidation

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

c) Foreign currency translation

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euros at the foreign exchange rates ruling at the dates the fair value was determined.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequent, the fair value of derivative financial instruments is re-measured on a regular basis, being the gains or losses on re-measurement recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses on re-measurement of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

The fair values of derivatives corresponds to their quoted market prices, if available, or are determined by external entities through the use of valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Hedge accounting

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

The derivatives that are designated as hedging instruments are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model adopted by the Group. Hedge accounting is used when:

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

Fair value hedge

Changes in the fair value of the derivative financial instruments that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged. If the hedge no longer meets the criteria for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged is amortised over the period to maturity.

Cash flow hedge

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as hedging instruments in a cash flow hedge model is recognised in equity. The gains or losses relating to the ineffective portion of the hedging relationship are recognised in the income statement in the moment they occur.

The cumulative gains or losses recognised in equity are also reclassified to income statement over the periods in which the hedged item will affect the income statement. When the forecast transaction hedge results in the recognition of a non-financial asset or liability, the gains or losses recorded in equity are included in the acquisition cost of the asset or liability.

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

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness should be demonstrated. Therefore, the Group performs prospective tests at the inception dates as well as retrospectives tests on an on-going basis to demonstrate the effectiveness at each balance sheet date, showing that any adjustments to the fair value of the derivative financial instruments are hedged by adjustments to the hedge instrument attributable to the risk being hedge. Ineffectiveness is recognised in the income statement in the moment it occurs.

e) Other financial assets

The Group classifies its other financial assets at acquisition date in the following categories:

Financial assets at fair value through profit or loss

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

Available for sale investments

Available for sale investments are non-derivative financial assets (i) intended to be held for an indefinite period of time, or (ii) designated as available for sale at initial recognition.

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

Available for sale financial assets are also subsequently carried at fair value, however, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in equity recognised in the income statement. Foreign exchange differences arising from equity investments classified as available for sale are also recognised in equity, while foreign exchange differences arising from debt instruments are recognised in the income statement. Interest, calculated using the effective interest rate method, and dividends are recognised in the income statement.

The fair values on quoted investments in active markets are based on current bid prices. For unlisted securities the Group determines the fair value through (i) valuation techniques, including the use of recent arm’s length transactions, discounted cash flow analysis and (ii) valuation assumptions based on market information.

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

Reclassifications between categories

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

Impairment

At each balance sheet date, an assessment is performed as to whether there is objective evidence that a financial asset or group of financial assets is impaired, namely when losses may occur in future estimated cash-flows of the financial asset or group of financial assets, and it can be reliably measured.

If there is objective evidence of impairment, the recoverable amount of the financial assets is determined, being the impairment losses recognised through the income statement.

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

If there is objective evidence that an impairment loss on available for sale financial assets has been incurred, the cumulative loss recognised in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is taken to the income statement.

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

f) Financial liabilities

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

g) Equity instruments

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

Transaction costs directly attributable to an equity transaction are recognised under shareholders' equity as a deduction from the proceeds. Consideration paid or received related to acquisitions or sales of equity instruments are recognised in shareholders' equity, net of transaction costs as treasury stock.

Distributions to holders of an equity instrument are debited directly to shareholders' equity as dividends, when declared.

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

h) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. At the transition date to IFRS, 1 January 2004, the Group elected to consider as deemed cost, the revalued amount of property, plant and equipment as determined in accordance with the Group previous accounting policies, which was comparable in general terms to depreciated cost measured under IFRS. The value includes expenses directly attributable to the acquisition of the items.

Subsequent costs are recognised as separate assets only when it is probable that future economic benefits associated with the item will flow to the Group. All repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The Group assesses for impairment, whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being the impairment, when existing, recognised in income statement.

The recoverable amount is determined by the highest value between the net selling price and its fair value in use, this being calculated by the actual value of estimated future cash-flows obtained from the asset and after its disposal at the end of its economic life period.

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery	
Hydroelectric generation	32 to 60
Thermoelectric generation	25 to 30
Renewables generation	15 to 25
Electricity distribution	10 to 30
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other equipment	10 to 25

Following the Portuguese Government announcement of the early termination of PPA's, EDP Group reviewed the useful lives of the electric generation assets which, consequently, led to the change in the depreciation policy. The redefinition of useful lives of the thermoelectric and hydroelectric power plants under the PPA agreements, was based on technical and economic valuations of the associated equipments, considering their technologic capability and the legislation restrictions affecting them, namely the need to perform additional investments to comply with environmental restrictions. The revised useful live of the fixed hydraulic component of the hydroelectric generation plants was based on the expectation of extending the operation of these plants until the end of their useful lives.

Property and equipment allocated to the EDP Distribuição concessions

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

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

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

i) Intangible assets

The intangible assets of the Group are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group assesses for impairment, whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being the impairment, when existing, recognised in income statement. The recoverable value is determined by the highest amount between its net selling price and its value in use, this being calculated by the actual value of the estimated future cash-flows obtained from the asset and sale price at the end of its economic useful life.

Acquisition and development of software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives.

Costs that are directly associated with the development of identifiable specific software applications by the Group, and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs directly associated with the development of the referred software and are amortised using the straight-line method during their expected useful lives.

Maintenance costs of software are charged to the income statement when incurred.

Concession rights on gas and electricity distribution

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

Other intangible assets

The amortisation of other intangible assets is calculated using the straight-line method, according to the following estimated useful lives:

	Number of years
Industrial property and other rights	6

j) Leases

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

Operating leases

Lease payments under an operating lease are recognised as an expense on a straight line basis over the lease term. Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

In the financial statements of lessees, finance leases are recognised, at the commencement of the lease term, as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property which is equivalent to the present value of the future lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Lease rents comprise an interest charge and an amortisation of principal. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

Lessors recognise assets held under a finance lease in their balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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

The financial results are recognised as a constant periodic rate of interest on the remaining balance of liability for each period.

Determining whether an Arrangement contains a Lease

Following the release of the interpretation IFRIC 4 - Determining whether an arrangement contains a lease, by the International Financial Reporting Interpretations Committee (IFRIC), effective for annual periods beginning 1 January 2006, the EDP Group performed an assessment of the existing arrangements in order to identify if such arrangements contain a lease as defined in the referred interpretation.

The existing arrangements, that do not take the legal form of a lease but convey a right to use an asset in return for a payment, if meeting the conditions established by the referred interpretation, were accounted for in accordance with IAS 17 - Leases.

k) Investment property

The Group classifies as investment property the property held to earn rentals or for capital appreciation or both.

Investment property is recognised initially at cost, including transaction costs that are directly attributable expenditures. Subsequently investment properties are measured at its cost less any accumulated depreciation and any accumulated impairment losses, in accordance with the cost model determined by IAS 16.

Subsequent expenditure is added to the acquisition cost only when it is probable that it will give rise to future economic benefits in excess of the originally assessed standard performance of the asset.

l) Inventories

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

The cost of inventories is assigned by using the weighted average method.

m) Accounts receivable

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

Impairment losses are recorded based on the valuation of estimated losses from non-collection of accounts receivable at the balance sheet date. Impairment losses are recognised in the income statement, and can be reversed if the estimated losses decrease, in a later period.

n) Employee benefits

Pensions

Some EDP Group companies attribute post-retirement plans to their employees under defined benefit plans and defined contribution plans, namely, pension plans that pay complementary old-age, disability and surviving-relative pension complements, and also early retirement pensions.

Defined benefit plans

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

In Brazil, Bandeirante has two defined benefit plans managed by the CESP Foundation, a restricted complementary welfare entity with its own assets, segregated from those of the Sponsors with no common contributions or funding between these funds. Escelsa and Enersul have a defined benefit plan that grants a complementary benefit for retirement, disability and surviving pension. Escelsa also has a special complementary benefit plan for retirement of employees who served in the Brazilian army.

The pension plans of the Group are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement is predefined and usually depend on factors such as age, years of service and level of salary.

In accordance with IFRS 1, the Group decided to recognise at the date of transition, 1 January 2004, the unrecognised value of the actuarial losses against reserves.

The liability of the Group with pensions is calculated annually, at the balance sheet date for each plan individually, by qualified actuaries using the projected unit credit method. The discount rate used in this calculation is determined by reference to interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

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

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

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

Defined contribution plans

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

Other benefits

Medical care and other plans

In Portugal and in Brazil (Escelsa) some EDP companies provide medical care during the period of retirement and early retirement, through complementary benefits to those provided by the Social Welfare System. These medical care plans are classified as defined benefit plans. The total of the present value of the defined benefit obligation at the balance sheet date is recognised as a defined benefit liability. Measurement and recognition of the liability with healthcare benefits is similar to the measurement and recognition of the pension liability for the defined benefit plans, described above.

Bonus to employees

In accordance with the by-laws of certain Group entities, annually the shareholders approve in the annual general meeting a percentage of profits to be paid to the employees (bonus), following a proposal made by the Board of Directors. Bonus payments to employees are recognised in the income statement in the period to which they relate.

o) Provisions

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

Dismantling and decommissioning provisions

The Group recognises dismantling and decommissioning provisions for the expected cost of restoring sites and land to its original condition. The provisions correspond to the present value of the expenditure expected to be required to settle the obligation and are recognised as part of the initial cost or an adjustment to the cost of the respective asset, being depreciated on a straight-line basis over the asset useful life.

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

p) Recognition of costs and revenues

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

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

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

The revenues of telecommunications services are recognised during the period in which they occur. The invoice of these services is performed on a monthly basis, and amounts not invoiced between the last invoicing cycle and the end of the month are recorded on the basis of an estimate of actual traffic.

Differences between estimated and actual amounts, which are normally not significant, are recorded during the subsequent periods.

q) Financial results

Financial results comprise interest payable on borrowings, interest receivable on funds invested, dividend income, foreign exchange gains and losses, gains and losses on financial instruments and changes on fair value of the risk being hedged.

Interest income is recognised in the income statement as it accrues. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

r) Income tax

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

Deferred taxes arising from the revaluation of financial assets hedging derivatives are recognised in shareholders' equity and are recognised in the profit and loss in the period the results that originated the deferred taxes are recognized.

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

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

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

s) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

t) Employee stock options

The stock options programme allows Group employees to acquire EDP Group shares. The options exercise price is equal to the shares' market value at the grant date. Therefore at that date no expense or liability is recognised in the company's financial statements.

The fair value of the attributed options, fixed at the grant date, is recognised in profit and loss against equity, during the vesting period, based on the market value calculated at the grant date.

If the option is exercised, the Group will acquire shares in the market to attribute them to employees.

u) Non-current assets held for sale

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

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

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

v) Cash and cash equivalents

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

w) Segment reporting

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

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

x) Tariff adjustments

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

y) CO_2 licenses and greenhouse effect gas emission

The Group holds CO_2 licenses to face the gas emissions resulting from its operational activity and licenses acquired for trading. The CO_2 and greenhouse effect gas emission licenses for own use and attributed for free are booked as intangible assets against Deferred Income - Subsidies and valued at the quoted price on the grant date. Use of licences is based on actual gas emissions occurred in the period, valued at the quoted price in the Powernext market at the beginning of the year.

Amortisation of subsidies is made in the year when the subsidy was granted and is based on the actual gas emissions. When the emissions exceed the CO_2 licenses attributed for free, a provision is booked to cover for the costs of acquiring the necessary additional licences at the balance sheet date.

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

3. Critical accounting estimates and judgments in applying accounting policies

The principles used for calculating estimates and judgements are the same as those reported in the 2006 Annual Report – Financial Report.

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

The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure. A broader description of the accounting policies employed by the Group is shown in Note 2 to the Consolidated Financial Statements.

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

Impairment of available for sale equity instruments

The Group determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost.

This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

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

Fair value of derivatives

Fair values are based on listed market prices, if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curves and volatility factors. These pricing models may require assumptions or judgments in estimating fair values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model may have produced different financial results for a particular period.

Power Purchase Agreement (PPA) extinguishment

On 15 June 2007, EDP and REN agreed to the early termination of the PPA, with effect from 1 July onwards. The new CMEC regulations maintain the value of the PPA at 833,000 thousand Euros, which can be subject to securitization. It was also established that EDP would pay 759,000 thousand Euros for the use of hydro public domain, securing the right to operate 26 hydroelectric plants with a capacity of 4,095 MW, under free market conditions for an average period of over 26 years.

The termination of the PPA and the coming into effect of the CMEC essentially involves the use of an adjustment to the reference market price of electricity to calculate the initial compensation as a result of the early termination of the PPA.

The Board of Directors considers that these adjustments are in line with the changes in the long term electricity market prices in the last two years. Economically, the Board of Directors does not foresee that this adjustment will change the neutral effect, for EDP Group, of the start of CMECs as a result of PPA's termination.

Review of the useful life of assets related to production

Following the Portuguese Government announcement of the early termination of PPA's, EDP Group reviewed the useful lives of the electric generation assets which, consequently, led to the change in the depreciation policy. The redefinition of useful lives of the thermoelectric and hydroelectric power plants under the PPA agreements, was based on technical and economic valuations of the associated equipments, considering their technologic capability and the legislation restrictions affecting them, namely the need to perform additional investments to comply with environmental restrictions.

This analysis considered some assumptions that require judgment and estimates in the determination of the useful lives of the related assets. Namely, the revised useful live of the fixed hydraulic component of the hydroelectric generation plants was based on the expectation of extending the operation of these plants until the end of their useful lives.

Tariff adjustments

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

Tariff deficit

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

In Spain, the Decreto Real 1634/2006, published in December 2006, established the electricity tariff for the year 2007 and also the mechanism of recuperation of the 2006 deficit.

Based on the published legislation, the Executive Board of Directors considers that all conditions exist to allow for the recognition of the tariff deficits as receivables against the income statement.

Impairment of long term assets

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

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. The impairment tests considered the regulatory and contractual circumstances related to the Group's activity.

Considering that estimated recoverable amounts related to long term assets are based on the best information available, changes in the estimates and judgments, could change the impairment test results which could affects the Group's reported results.

Doubtful debts

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

Recognition of costs and revenue

The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on real meter reading or on estimated consumptions based on the historical data of each consumer.

Alternative estimates could affect the Group's reported revenues and consequently the Group's reported results.

Income taxes

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

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

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

Pensions and other employee benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension and medical plans. Changes in these assumptions could materially affect these values.

4. Financial-risk management policies

Financial-risk management

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

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

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

Exchange-rate risk management

The Group operates internationally and is exposed to the exchange-rate risk resulting from different currencies, mainly US Dollars (USD) and Brazilian Reais (BRL). Currently, the exposure to the USD/EUR currency fluctuation risk results from the brazilian companies, that have financial debt expressed in USD. The debt contracted by the holding company is fully denominated in Euro. Bonds issued by EDP Finance BV under the Medium Term Notes Programmes in GBP were hedged against exchange-rate risk and interest-rate risk at the date of issue.

The Financial Department of EDP Energias de Portugal, S.A. is responsible for monitoring the evolution of the currencies referred above, seeking to mitigate the impact of currency fluctuations on the financial costs of the Group companies and consequently, on consolidated net profit, using exchange-rate derivatives and/or other hedging structures.

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

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

Interest-rate risk management

The Group's operating and financial cash flows are substantially independent from fluctuation of the interest-rate markets. The Group has no substantial volume of interest-earning assets.

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

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

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

The EDP Group has a portfolio of interest-rate derivatives with maturities between approximately 1 and 11 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

Counter-party credit-rate risk management in financial transactions

The EDP Group policy in terms of the counter-party risk of financial transactions is managed by an analysis of the technical capacity, competitiveness, credit notation and exposure to each counter-party, avoiding significant concentrations of credit risks. Counter-parties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, it is not considered that there is any significant risk of counter-party non-compliance. No collateral is demanded for these transactions.

At the Group level, all derivative financial instruments operations are engaged under the ISDA Master Agreements.

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

Liquidity risk

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

Energy market risks management

Under the development of its activity in the non-binding Iberian electricity market, EDP acquires fuel in order to produce electric energy, sells electricity resulting from the production of the generation centres, the organised market (OMEL and OMIP) as well as to third parties, and imports and exports energy. Consequently, EDP has a portfolio of exposures in electric energy, carbon emissions (CO_2) and fuel (coal and gas) that, for economic purposes, justify the undertaking of forward transactions in the energetic markets. These operations aim to reduce the price and volume risk exposure of the operation portfolio (electricity, gas, coal and CO2) with the purpose of enhance the investments and, additionally, to take the arbitrage and positioning opportunities within the trading limits approval. The financial instruments traded are namely swaps (electricity, brent and coal), options purchased and forwards at fixed prices.

In order to ensure the permanent alignment with the strategy defined at the EDP Group level, the wholesale business management is centralized at the Energy Management Business unit, which is supervised directly by a member of the Executive Board of Directors of EDP Group.

5. Turnover

Turnover is analysed by sector as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Revenue by sector of activity/business:				
Electricity	4,831,188	4,570,807	225,132	338,410
Gas	680,293	458,669	-	-
Steam and ashes	5,991	13,656	-	-
Telecommunications	-	6,552	-	-
Other	35,379	45,730	-	-
	5,552,851	5,095,414	225,132	338,410
Services rendered by sector of activity:				
Telecommunications	-	72,054	-	-
Gas	30,843	33,929	-	-
Associated with electricity sales	25,801	17,754	-9,075	3,403
Other	17,960	22,717	24,390	23,028
	74,604	146,454	15,315	26,431
	5,627,455	5,241,868	240,447	364,841
Total turnover by business:				
Electricity	4,856,989	4,588,561	216,057	341,813
Gas	711,136	492,598	-	-
Telecommunications	-	78,606	-	-
Steam and ashes	5,991	13,656	-	-
Other	53,339	68,447	24,390	23,028
	5,627,455	5,241,868	240,447	364,841

The breakdown of revenue, for the **Group**, is as follows:

	Jun 2007			Jun 2006		
	Iberian Market	Brazilian Market	Total	Iberian Market	Brazilian Market	Total
Electricity:						
To the National Transport Network	580,590	-	580,590	633,108	-	633,108
To final customers:						
- Very high tension	40,218	222,596	262,814	32,845	179,438	212,283
- High tension	181,788	-	181,788	119,451	-	119,451
- Medium tension	550,199	502,076	1,052,275	509,610	482,371	991,981
- Low tension (>39.6 KVA)	442,906	-	442,906	220,260	-	220,260
- Low tension	1,861,310	73,757	1,935,067	1,772,528	76,063	1,848,591
Embedded generation	277,168	119,821	396,989	444,366	121,171	565,537
Discounts and tariff adjustments	-21,241	-	-21,241	-20,404	-	-20,404
	3,912,938	918,250	4,831,188	3,711,764	859,043	4,570,807
Other revenue						
- Gas	680,293	-	680,293	458,669	-	458,669
- Steam and ashes	5,991	-	5,991	13,656	-	13,656
- Telecommunications	-	-	-	6,552	-	6,552
- Other	35,379	-	35,379	45,730	-	45,730
	721,663	-	721,663	524,607	-	524,607
	4,634,601	918,250	5,552,851	4,236,371	859,043	5,095,414

Turnover for the **Group** by geographical market is as follows:

	Jun 2007			
	Portugal	**Spain**	**Brazil**	**Group**
Electricity	3,128,366	810,372	918,251	4,856,989
Gas	54,414	656,722	-	711,136
Steam and ashes	5,991	-	-	5,991
Other	20,784	27,738	4,817	53,339
	3,209,555	1,494,832	923,068	5,627,455

	Jun 2006			
	Portugal	**Spain**	**Brazil**	**Group**
Electricity	3,008,401	716,984	863,176	4,588,561
Gas	54,017	438,581	-	492,598
Telecommunications	78,606	-	-	78,606
Steam and ashes	13,656	-	-	13,656
Other	18,084	44,049	6,314	68,447
	3,172,764	1,199,614	869,490	5,241,868

Cost of consumed electricity and **Changes in inventories and cost of raw material and consumables used** is analysed as follows:

	Group		**Company**	
	Jun 2007 Euro'000	**Jun 2006 Euro'000**	**Jun 2007 Euro'000**	**Jun 2006 Euro'000**
Cost of consumed electricity	2,341,431	2,340,264	107,781	173,281
Cost of consumed gas	517,803	365,915	-	-
Changes in inventories and cost of raw material and consumables used				
Fuel, steam and ashes	254,788	266,710	-	-
Gas	212,747	222,106	100,507	128,995
Cost of consumables used	115,750	6,229	-	-
CO_2 licences				
Consumption	32,991	154,804	-	-
Government grants	-32,751	-119,793	-	-
Other	72,490	115,148	-	-
Own work capitalised	-150,416	-69,534	-	-
	3,364,833	3,281,849	208,288	302,276

6. Other operating income

Other operating income is analysed as follows:

	Group		**Company**	
	Jun 2007 Euro'000	**Jun 2006 Euro'000**	**Jun 2007 Euro'000**	**Jun 2006 Euro'000**
Supplementary income	9,073	8,833	389	5
Operating government grants	516	127	-	-
Gains on fixed assets	10,214	9,088	7	5,706
Debt recovery	179	262	-	-
Reversal of impairment losses				
- For customer debt	3,981	6,454	430	-
- For debtors and other assets	4,207	1,559	3,589	267
Own work capitalised	6,009	4,443	-	-
Excess values over customer's contributions	2,241	3,308	-	-
Other income	13,112	16,097	1,255	1,007
	49,532	50,171	5,670	6,985

7. Supplies and services

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Subcontracts				
Subcontracts (Telecommunications)	-	38,318	-	-
Other	4,714	2,579	-	-
Supplies and services				
Water, electricity and fuel	5,673	5,429	372	399
Tools and office material	2,617	2,452	189	139
Leases and rents	39,517	46,278	3,681	3,184
Communications	18,195	11,167	842	395
Insurance	13,552	10,729	400	365
Transportation, travelling and representation	9,089	6,773	537	711
Commissions and fees	1,440	8,446	167	479
Maintenance and repairs	84,947	59,384	1,042	1,104
Advertising	8,404	12,069	3,155	2,854
Surveillance and security	4,604	3,490	242	294
Specialised work	103,380	126,680	18,877	18,955
Personnel transfers	-	-	11,889	13,072
Other supplies and services	28,091	20,704	3,353	1,249
	324,223	354,499	44,746	43,200

8. Personnel costs and employee benefits expense

Personnel costs caption is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Management remuneration	10,714	3,481	3,317	1,537
Employees' remuneration	223,769	238,617	259	166
Social charges on remunerations	55,688	65,774	207	97
Early retirement costs	2,120	2,557	-	-
Employees' bonus	32,481	25,785	5,247	-
Other costs	15,505	30,973	590	1,849
Own work capitalised	-41,857	-48,428	-	-
	298,420	318,759	9,620	3,649

The breakdown of management positions and category of professional permanent staff as at 30 June 2007 and 2006 is as follows:

	Group		Company	
	Jun 2007	Jun 2006	Jun 2007	Jun 2006
Board members and senior officers	469	480	21	11
Senior management	1,946	2,107	-	-
Middle management	583	707	-	-
Intermediate management	631	613	-	-
Highly-skilled and skilled workers	6,979	7,187	1	1
Semi-skilled workers	1,319	2,646	-	-
Unskilled workers	1,146	46	-	-
	13,073	13,786	22	12

As at 30 June 2007, the number of employees in service, including those on temporary contract, is 13,150 (30 June 2006: 13,966). These figures include all the employees of all the companies included in the consolidation perimeter (fully or proportional method), regardless of the EDP holding in the share capital, and also Management with 84 and the 21 individuals in Group and EDP, s.A., respectively (30 June 2006: 79 and 11 individuals, in Group and EDP, S.A., respectively).

Employee benefits expense is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Costs with pension plans	26,124	14,757	42	403
Costs with medical care plans and other benefits	21,397	20,651	13	279
Other	6,223	406	-	32
	53,744	35,814	55	714

Costs with pension plans in the first half of 2007 include 23,370 thousand Euros (30 June 2006: 13,224 thousand Euros) related to defined benefit plans and 2,754 thousand Euros (30 June 2006: 1,533 thousand Euros) related to defined contribution plans.

9. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Concessions rents paid to local authorities	104,052	103,356	-	-
Electricity generating centres rents	5,285	4,038	-	-
Direct operating taxes	275	263	125	130
Indirect taxes	21,712	20,251	597	157
Impairment loss on trade debtors	38,226	21,416	361	548
Impairment loss on debtors and other assets	3,231	3,554	421	75
Uncollectible debts	2,231	6,374	-	-
Losses on fixed assets	6,173	3,354	192	428
Regulation costs	2,142	1,935	-	-
Return of CO_2 licences (Real Decreto-Ley 03/06)	30,000	-	-	-
Operating indemnities	1,698	521	-	-
Donations	5,265	4,273	4,230	4,247
Other costs related to energy management activities	-	-	-	17,518
Other costs and losses	62,910	65,253	1,729	11,826
	283,200	234,588	7,655	34,929

The amount related to the return of CO2 licences reflects the estimate of the costs that the Group expects to incur with the return of CO_2 licences to the Spanish government, as a result of the publication of Real Decreto-Ley 03/06. Similarly, the difference in the acquisition price of energy (between the average unitary purchase cost of the Distribution daily market and the cost recognised by the market regulator related to purchases) represents an activity cost in accordance with Real Decreto-Ley 03/06.

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

10. Provisions

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Charge for the period	49,205	25,640	28,923	10,743
Write-back for the period	-6,872	-17,560	-1,067	-
	42,333	8,080	27,856	10,743

11. Net depreciation and amortisation expense

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Jun 2006 Euro'000	Jun 2007 Euro'000	Jun 2006 Euro'000
Property, plant and equipment:				
Property, plant and equipment under concession - DL 344-B/82	519	681	-	-
Buildings and other constructions	6,926	5,754	278	285
Plant and machinery:				
Hydroelectricity generation	66,800	64,900	4	4
Thermoelectric generation	110,017	86,670	-	-
Renewable generation	42,815	28,149	-	-
Electricity distribution	221,318	217,567	-	-
Gas distribution	17,839	16,450	-	-
Other plant and machinery	3,960	19,338	7	7
Transport equipment	4,556	3,922	303	268
Office equipment	20,002	21,198	1,482	1,224
Other	739	1,989	712	708
	495,491	466,618	2,786	2,496
Intangible assets				
Industrial property and other rights	8,057	20,151	4	4
Concession rights	31,374	17,136	-	-
Utilisation rights on telecommunications business	-	1,644	-	-
	39,431	38,931	4	4
	534,922	505,549	2,790	2,500
Amortisation of deferred income on partially funded properties received under concessions				
Partially-funded fixed assets	-52,192	-50,430	-	-
	-52,192	-50,430	-	-
	482,730	455,119	2,790	2,500

The assets partially-funded by third parties are anortised on the same basis and at the same depreciation rates of the remaining assets, the cost being compensation through the amortisation of the amounts received, which are registered against operating income and gains. The funded component of the asset is registered under deferred income and other liabilities and recognised through the profit and loss account, on the same basis and at thew same rates as the partially-funded assets.

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

The balance **Gains / (losses) from the sale of financial assets**, for the **Group,** is analysed as follows:

	Jun 2007		Jun 2006	
	Sale %	Amount Euro'000	Sale %	Amount Euro'000
EDP Produção Bioeléctrica	-	-	50.0%	-845
Endesa	-	-	-	3,228
Other	-	-	-	451
		-		2,834

The balance **Gains / (losses) from the sale of financial assets**, for the **Company,** is analysed as follows:

	Jun 2007		Jun 2006	
	Sale %	Amount Euro'000	Sale %	Amount Euro'000
EDP Produção Bioeléctrica	10.0%	149	50.0%	-3,734
Endesa	-	-	-	3,228
Other	-	-	-	-11
		149		-517

13. Other financial income and other financial expenses

Other financial income and other financial expenses are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Jun 2006 Euro'000**	**Jun 2007 Euro'000**	**Jun 2006 Euro'000**
Other financial income				
Interest income	140,420	108,338	169,409	141,500
Income from other equity investments	6,171	3,390	326,807	31,871
Favourable foreign exchange differences	21,644	45,516	625	812
Derivative financial instruments	132,941	244,661	103,952	293,360
Financial operations with CO2 derivative instruments	3,286	-	3,286	9,146
Other financial gains	23,175	8,614	851	64
	327,637	410,519	604,930	476,753
Other financial expenses:				
Interest expense	325,657	281,991	192,790	173,628
Banking services	18,151	4,741	983	735
Unfavourable foreign exchange differences	8,131	25,853	5,510	11,983
Derivative financial instruments	125,204	104,041	92,146	133,018
Financial operations with CO2 derivative instruments	3,808	6,656	3,808	6,656
Other financial losses	17,122	23,190	4,590	19,698
	498,073	446,472	299,827	345,718
Financial income/(expenses)	-170,436	-35,953	305,103	131,035

The balance **Income from other equity investments** is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Jun 2006 Euro'000**	**Jun 2007 Euro'000**	**Jun 2006 Euro'000**
Subsidiary companies	-	-	296,106	11,930
Associated companies				
REN	-	-	-	19,918
Other companies				
Ampla Energia e Serviços	1,601	-	1,601	-
BCP	4,054	3,125	-	-
REN	-	-	29,100	-
Valorsul	236	197	-	-
Other	280	68	-	23
	6,171	3,390	326,807	31,871

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

14. Income tax expense

In accordance with prevailing legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal this period is 4 years, and 2002 is the last year considered to be definitively reviewed by the tax authorities.

Tax losses generated in each year, also subject to inspection and adjustment, may be deductible from taxable profits during subsequent years (6 years in Portugal, 15 years in Spain and without expiration date in Brazil, but with a limit of 30% of the taxable income of each year). The breakdown of tax losses carried forward and the respective expiration date are presented in Note 21. The companies of the EDP Group are taxed, whenever possible, on a consolidated basis allowed by the tax law of the respective countries.

The **Income tax** provision is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Jun 2006 Euro'000**	**Jun 2007 Euro'000**	**Jun 2006 Euro'000**
Current tax				
Current year	-65,164	-136,005	136,852	1,398
Changes in estimate for prior years	5,086	-8,942	-1,517	-8,007
Total current tax	-60,078	-144,947	135,335	-6,609
Deferred tax	-116,575	- 38 247	-126,021	- 12 696
	-176,653	-183,194	9,314	-19,305

The reconciliation between the statutory income tax and the effective income tax (IRC) rate, for the **Group**, in the first half of 2007 is analysed as follows:

	Jun 2007		
	Rate %	**Tax Basis Euro'000**	**Tax Euro'000**
Income tax calculated based on the statutory tax rate	26.5%	668,182	177,068
Non-deductible provisions for tax purposes	0.8%	19,045	5,047
Unrecognised deferred tax assets related to tax losses generated in the period	0.4%	9,914	2,627
Tax-exempt dividends	-0.2%	-4,290	-1,137
Tax benefits	-0.2%	-4,243	-1,124
Fair value of financial instruments	0.0%	127	34
Difference between tax and accounting gains/losses	0.0%	-740	-196
Equity on associates and subsidiaries	-0.3%	-8,037	-2,130
Autonomous taxation and tax benefits	-0.5%	-12,067	-3,198
Tax rate change		-	-
Difference on the subsidiaries statutory tax rates and other adjustments	-0.1%	-1,275	-338
Effective tax rate and total income tax	26.4%	666,616	176,653

The reconciliation between the nominal and the effective income tax (IRC) rate, for the **Group**, in the first half of 2006 is analysed as follows:

	Jun 2006		
	Rate %	**Tax Basis Euro'000**	**Tax Euro'000**
Income tax calculated based on the statutory tax rate	27.5%	587,091	161,450
Non-deductible amortisations for tax purposes	0.3%	5,924	1,629
Unrecognised deferred tax assets related to tax losses generated in the period	2.0%	42,086	11,574
Tax-exempt dividends	-0.1%	-2,423	-666
Equity on associates and subsidiaries	-0.3%	-5,976	-1,643
Changes in estimates	1.5%	32,516	8,942
Difference on the subsidiaries statutory tax rates and other adjustments	0.3%	6,942	1,909
Effective tax rate and total income tax	31.2%	666,160	183,194

The reconciliation between the nominal and the effective income tax (IRC) rate, for the **Company**, in the first half of 2007 is analysed as follows:

	Jun 2007		
	Rate %	**Tax Basis Euro'000**	**Tax Euro'000**
Income tax calculated based on the statutory tax rate	26.5%	250,359	66,345
Non-deductible provisions for tax purposes	-0.7%	-6,143	-1,628
Fair value of financial instruments	0.0%	127	34
Difference between tax and accounting gains and losses	0.0%	-62	-16
Tax-exempt dividends	-34.4%	-325,206	-86,180
Other adjustments	4.8%	45,778	12,131
Effective tax rate and total income tax	-3.7%	-35,147	-9,314

The reconciliation between the nominal and the effective income tax (IRC) rate, for the **Company**, in the first half of 2006 is analysed as follows:

	Jun 2006		
	Rate %	**Tax Basis Euro'000**	**Tax Euro'000**
Income tax calculated based on the statutory tax rate	27.5%	60,108	16,530
Tax-exempt dividends	-6.5%	-14,141	-3,889
Fair value of financial instruments	-6.8%	-14,837	-4,080
Changes in estimates	13.3%	29,118	8,007
Other adjustments	4.6%	9,953	2,737
Effective tax rate and total income tax	32.1%	70,201	19,305

15. Property, plant and equipment

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Cost:				
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420	-	-
Land and natural resources	129,254	125,166	46,735	46,735
Buildings and other constructions	541,362	521,316	25,797	25,797
Plant and machinery:				
Hydroelectric generation	7,514,762	7,475,125	254	254
Thermoelectric generation	5,669,592	5,666,532	-	-
Renewables generation	1,534,030	1,314,300	-	-
Electricity distribution	14,358,391	13,723,640	-	-
Gas distribution	999,085	837,332	-	-
Other plant and machinery	46,086	336,342	148	148
Transport equipment	87,587	83,400	3,273	3,153
Office equipment and tools	472,567	461,626	75,272	72,872
Other	90,400	97,347	14,246	14,246
Assets under construction	1,900,525	1,706,086	5,128	6,203
	33,567,061	32,571,632	170,853	169,408
Accumulated depreciation and impairment losses				
Depreciation charge for the period	-495,491	-986,586	-2,786	-6,370
Accumulated depreciation in previous years	-17,598,268	-16,503,318	-84,425	-78,139
	-18,093,759	-17,489,904	-87,211	-84,509
Carrying amount	15,473,302	15,081,728	83,642	84,899

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

	Group	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420
Accumulated depreciation	-221,704	-221,185
Net amount	1,716	2,235

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

The movement in **Property, plant and equipment**, for the **Group,** for the first half of 2007, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 30 June Euro'000
Cost:							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	125,166	368	-9	4	3,537	188	129,254
Buildings and other constructions	521,316	-	-3,630	2,073	22,437	-834	541,362
Plant and machinery	29,353,271	38,754	-20,155	451,272	252,493	46,311	30,121,946
Transport equipment	83,400	1,812	-4,357	1,906	2,093	2,733	87,587
Office equipment and tools	461,626	1,283	-578	7,719	1,777	740	472,567
Other	97,347	1,389	-3,501	-	-	-4,835	90,400
Assets under construction	1,706,086	650,165	-590	-462,974	18,581	-10,743	1,900,525
	32,571,632	693,771	-32,820	-	300,918	33,560	33,567,061

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Exchange differences Euro'000	Perimeter variations /Regularisations Euro'000	Balance 30 June Euro'000
Accumulated depreciation and impairment losses:						
Property, plant and equipment held under the DL 344-B/82 regime	221,185	519	-	-	-	221,704
Buildings and other constructions	201,389	6,926	-2,176	7,230	-67	213,302
Plant and machinery	16,658,082	462,749	-8,976	110,050	-2,029	17,219,876
Transport equipment	60,240	4,556	-4,092	1,831	1,941	64,476
Office equipment and tools	317,725	20,002	-575	1,698	-2,417	336,433
Other	31,283	739	-64	-	6,010	37,968
	17,489,904	495,491	-15,883	120,809	3,438	18,093,759

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

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 31 December Euro'000
Cost:							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	134,145	1,608	-942	4,834	-1,042	-13,437	125,166
Buildings and other constructions	411,234	406	-5,130	114,532	-7,339	7,613	521,316
Plant and machinery	27,707,781	63,805	-25,620	1,758,203	-79,540	-71,358	29,353,271
Transport equipment	80,037	11,408	-9,105	2,095	-619	-416	83,400
Office equipment and tools	394,370	16,940	-15,005	18,742	-544	47,123	461,626
Other	31,981	33,229	-13,696	-8,532	-	54,365	97,347
Assets under construction	1,555,744	1,429,245	-10,205	-1,324,215	-3,797	59,314	1,706,086
	30,538,712	1,556,641	-79,703	565,659	-92,881	83,204	32,571,632

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 31 December Euro'000
Accumulated depreciation and impairment losses:						
Property, plant and equipment held under the DL 344-B/82 regime	219,831	1,354	-	-	-	221,185
Buildings and other constructions	191,973	12,576	-3,455	-2,196	2,491	201,389
Plant and machinery	15,934,636	913,037	-13,102	-33,561	-142,928	16,658,082
Transport equipment	61,410	8,091	-8,432	-549	-280	60,240
Office equipment and tools	248,706	49,411	-2,117	-519	22,244	317,725
Other	18,010	2,117	-471	-	11,627	31,283
	16,674,566	986,586	-27,577	-36,825	-106,846	17,489,904

Following the Portuguese Government announcement of the early termination of PPA's, EDP Group reviewed the useful lives of the electric generation assets which, consequently, led to the change in the depreciation policy. The redefinition of useful lives of the thermoelectric and hydroelectric power plants under the PPA agreements, was based on technical and economic valuations of the associated equipments, considering their technologic capability and the legislation restrictions affecting them, namely the need to perform additional investments to comply with environmental restrictions. The revised useful live of the fixed hydraulic component of the hydroelectric generation plants was based on the expectation of extending the operation of these plants until the end of their useful lives. The impact of this change in the Group financial statements corresponds to an increase in the depreciation charge of the first 6 months of the year of 6,781 thousand Euros (31 December 2006: 12,987 thousand Euros).

As at 30 June 2007, for the Group, the Property, plant and equipment financed through leasings amounts to 9,990 thousand Euros (31 December 2006: 15,008 thousand Euros), with an accumulated depreciation of 3,438 thousand Euros (31 December 2006: 4,124 thousand Euros) and the respective lease instalments payable amount to 6,551 thousand Euros (31 December 2006: 10,203 thousand Euros).

	Jun 2007			Dec 2006		
	Principal Euro'000	Interest Euro'000	Future lease Payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease Payments Euro'000
Less than one year	2,346	222	2,568	2,165	197	2,362
Between one and five years	3,796	187	3,983	7,400	441	7,841
	6,142	409	6,551	9,565	638	10,203

During the first half of 2007, the costs incurred related to these assets amounted to 137,000 Euros (31 December 2006: 575,000 Euros) and are booked under maintenance and repairs in the Income statement (Note 7).

The movement in **Property, plant and equipment,** for the **Company**, and for the first half of 2007, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 30 June Euro'000
Cost:						
Land and natural resources	46,735	-	-	-	-	46,735
Buildings and other constructions	25,797	-	-	-	-	25,797
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,153	257	-136	-	-	3,274
Office equipment and tools	72,872	633	-	1,767	-	75,272
Other	14,246	-	-	-	-	14,246
Assets under construction	6,203	691	-	-1,767	-	5,127
	169,408	1,581	-136	-	-	170,853

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 30 June Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	16,687	278	-	-	-	16,965
Plant and machinery	53	11	-	-	-	64
Transport equipment	1,274	303	-84	-	-	1,493
Office equipment and tools	62,052	1,482	-	-	-	63,534
Other	4,443	712	-	-	-	5,155
	84,509	2,786	-84	-	-	87,211

The movement in **Property, plant and equipment**, for the **Company,** for 2006, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 31 December Euro'000
Cost:						
Land and natural resources	47,654	-	-919	-	-	46,735
Buildings and other constructions	27,420	-	-1,623	-	-	25,797
Plant and machinery	402	-	-	-	-	402
Transport equipment	2,986	819	-709	-	57	3,153
Office equipment and tools	70,576	1,036	-	1,007	253	72,872
Other	14,142	-	-	-	104	14,246
Assets under construction	12,087	4,423	-9,300	-1,007	-	6,203
	175,267	6,278	-12,551	-	414	169,408

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 31 December Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,625	568	-1,506	-	-	16,687
Plant and machinery	30	23	-	-	-	53
Transport equipment	1,118	563	-441	-	34	1,274
Office equipment and tools	58,015	3 792	-	-	245	62,052
Other	2,943	1 424	-	-	76	4,443
	79,731	6,370	-1,947	-	355	84,509

As at 30 June 2007, on a company basis, the Property, plant and equipment financed by leasing amounts to 2,758 thousand Euros (31 December 2006: 2,598 thousand Euros) with an accumulated depreciation of 1,104 thousand Euros (31 December 2006: 871,000 Euros) and the respective lease instalments payable amount to 1,580 thousand Euros (31 December 2006: 1,606 thousand Euros).

	Jun 2007			Dec 2006		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	649	54	703	611	48	659
Between one and five years	838	39	877	910	37	947
	1,487	93	1,580	1,521	85	1,606

During the first half of 2007, the costs incurred related to these assets amounted to 4,000 Euros (31 December 2006: 29,000 Euros), and are booked under maintenance and repairs in the Income statement (Note 7).

16. Intangible assets

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Cost:				
Industrial property and other rights	99,695	87,792	50	50
CO_2 licences	84,831	266,063	2,051	1,748
Intangible assets under development	30,270	20,313	-	-
Concession rights	1,847,318	1,080,870	-	-
	2,062,114	1,455,038	2,101	1,798
Accumulated amortisation and impairment losses				
Amortisation of concession and utilisation rights during the period	-31,374	-44,341	-	-
Amortisation of intangible assets during the period	-8,057	-20,928	-4	-8
Accumulated amortisation in previous years	-312,421	-221,633	-36	-27
	-351,852	-286,902	-40	-35
Carrying amount	1,710,262	1,168,136	2,061	1,763

'Industrial property and other rights' includes the amount of 759,000 thousand Euros payable by the EDP Group for the use of the hydro domain assuming the right to operate under market conditions 26 hydro plants after the term of their PPAs.

The balance of CO_2 licences includes 82,780 thousand Euros referring to the licences granted for the first half of 2007 (31 December 2006: 264,315 thousand Euros), with exception of licenses attributable to the SEP facilities, and 1,748 thousand Euros of carbon funds. In Portugal, the CO2 licences market is controlled by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) which covers the period 2005-2007. PNALE policies for the attribution of licences for the facilities located in Portuguese territory are based on the estimated necessary licences until the end of that period, considering historical data on emissions or forecasting of such emissions. PNALE foresees that the licences for the existing production facilities, for the 2005-2007 period, will be attributed for free, however restricting their use until the end of that period, after which they will be cancelled and will not be transferable for use in the European licences market.

The concession rights over the electricity distribution network, namely from São Paulo, Espírito Santo and Mato Grosso do Sul States, in Brazil, are amortized using the straight-line method over the total period of the concession, until 2025, 2030 and 2030 respectively.

The movement in **Intangible assets**, for the **Group**, for the first half of 2007, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 30 June Euro'000
Cost:							
Industrial property and other rights	87,792	2	-8	-	6,270	5,639	99,695
CO_2 licences	266,063	60,467	-241,699	-	-	-	84,831
Intangible assets under development	20,313	13,465	-	-	1,635	-5,143	30,270
Concession rights		-					
Concessions rights - Brazil	928,638	-	-	-	7,448	-	936,086
Concessions rights - Portugal	152,232	759,000	-	-	-	-	911,232
	1,455,038	832,934	-241,707	-	15,353	496	2,062,114

The amount of 241,699 thousand Euros represents the value of the CO_2 emission licences consumed during 2006.

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 30 June Euro'000
Accumulated amortisation and impairment losses							
Industrial property and other rights	45,672	8,057	-	-	3,512	685	57,926
Concession rights	241,230	31,374	-	-	516	20,806	293,926
	286,902	39,431	-	-	4,028	21,491	351,852

The Concession rights in Portugal are related to the natural gas distribution network in the northern region of the country, which are amortized using the straight-line method over the concession period, which ends in 2028.

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

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 31 December Euro'000
Cost:							
Industrial property and other rights	269,323	776	-263	13,903	-1,910	-194,037	87,792
CO_2 licences	99,381	299,741	-105,790	-27,989	-	720	266,063
Intangible assets under development	7,281	20,569	-2,339	-13,903	-456	9,161	20,313
Utilization rights on telecommunications business	32,890	-	-	-	-	-32,890	-
Concession rights							-
Concession rights - Brazil	930,925	-	-	-	-2,287	-	928,638
Concession rights - Portugal	-	45,218	-	107,014	-	-	152,232
Licences for wind generation of electricity	482,438	-	-	-482,438	-	-	-
	1,822,238	366,304	-108,392	-403,413	-4,653	-217,046	1,455,038

	Balance 1 January Euro'000	Charge for the year Euro'000	Impairment Losses / Reverses Euro'000	Disposals Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 31 December Euro'000
Accumulated amortisation and impairment losses								
Industrial property and other rights	144,526	20,928	-201	-	-	-1,053	-118,528	45,672
Utilization rights on telecommunications business	16,254	3,289	-	-	-	-	-19,543	-
Concession rights in Brazil	199,455	41,052	-	-	-	-151	874	241,230
	360,235	65,269	-201	-	-	-1,204	-137,197	286,902

The movement in **Intangible assets**, for the **Company**, during the first half of 2007, is analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 30 June Euro'000
Cost						
Industrial property and other rights	50	-	-	-	-	50
CO_2 licences	1,748	303	-	-	-	2,051
	1,798	303	-	-	-	2,101

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 30 June Euro'000
Accumulated amortisation and impairment losses:						
Industrial property and other rights	35	4	-	-	1	40
	35	4	-	-	1	40

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

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 31 December Euro'000
Cost:						
Industrial property and other rights	349	-	-	-	-299	50
CO_2 licences	-	1,449	-	-	299	1,748
	349	1,449	-	-	-	1,798

	Balance 1 January Euro'000	Charge for the period Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance 31 December Euro'000
Accumulated amortisation and impairment losses						
Industrial property and other rights	27	8	-	-	-	35
	27	8	-	-	-	35

17. Goodwill

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

	Group	
	Jun 2007 Euro'000	Dec 2006 Euro'000
Electricity business:		
Hidrocantábrico Group	1,007,443	1,009,891
NEO Energy Group	827,921	666,723
EDP Brazil - Energy generation	64,511	64,511
	1,899,875	1,741,125
Gas Distribuition Business:		
Naturgás Group	743,247	737,547
	743,247	737,547
Other Businesses:		
Turbogás, S.A.	61,336	61,336
Portugen, S.A.	4,585	4,585
Companhia Electricidade Macau	8,963	9,238
	74,884	75,159
	2,718,006	2,553,831

During the first half of 2007, the movements in **Goodwill**, by business segment, are analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 30 June Euro'000
Electricity Business							
Hidrocantábrico Group	1,009,891	-	-	-	-	-2,448	1,007,443
Neo Energia Group	666,723	162,748	-	-	-	-1,550	827,921
EDP Brazil - Energy generation	64,511	-	-	-	-	-	64,511
	1,741,125	162,748	-	-	-	-3,998	1,899,875
Gas Distribuition Business							
Naturgás Group	737,547	9,970	-	-	-	-4,270	743,247
	737,547	9,970	-	-	-	-4,270	743,247
Other Businesses							
Turbogás, S.A.	61,336	-	-	-	-	-	61,336
Portugen, S.A.	4,585	-	-	-	-	-	4,585
Companhia Electricidade Macau	9,238	-	-	-	-275	-	8,963
	75,159	-	-	-	-275	-	74,884
	2,553,831	172,718	-	-	-275	-8,268	2,718,006

During 2006, the movements in **Goodwill**, by business segment, are analysed as follows:

	Balance 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Exchange differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance 31 December Euro'000
Electricity Business							
Hidrocantábrico Group	1,191,889	-	-	-	-	-181,998	1,009,891
Neo Energia Group	-	336,318	-	-	-	330,405	666,723
EDP Brazil - Energy generation	64 511	-	-	-	-	-	64,511
	1,256,400	336,318	-	-	-	148,407	1,741,125
Gas Distribution Business							
Naturgás Group	591,993	125,142	-	-	-	20,412	737,547
Portgás, S.A.	107,014	-	-	-	-	-107,014	-
	699,007	125,142	-	-	-	-86,602	737,547
Other Businesses							
Affinis, S.A.	5,736	-	-	-5,736	-	-	-
Turbogás, S.A.	61,336	-	-	-	-	-	61,336
Portugen, S.A.	4,585	-	-	-	-	-	4,585
Dómus, Lda.	2,728	-	-	-	-	-2,728	-
Safra, S.A.	4,147	-	-	-	-	-4,147	-
Ortiga, S.A.	1,347	-	-	-	-	-1,347	-
Companhia Electricidade Macau	10,264	-	-	-	-1,026	-	9,238
Other	1,274	-	-	-1,274	-	-	-
	91,417	-	-	-7,010	-1,026	-8,222	75,159
	2,046,824	461,460	-	-7,010	-1,026	53,583	2,553,831

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

During the first half of 2007, Neo – Nuevas Energías de Occidente recorded 155,982 thousand Euros in goodwill from the anticipated acquisition of minority interests in Genesa, as a result of Caja Madrid exercising a put option to sell their 20% holding in this company. Additionally, an amount of 4,271 thousand Euros was recorded in goodwill as a result of the acquisition of 100% of the share capital of Levante – Energia Eólica, Unipessoal, Lda.

An increase of 9,970 thousand Euros in goodwill was recorded under Naturgás Group as a result of the acquisition by Hidrocantábrico of an additional 9.39% share capital in Naturgás Energia Grupo, S.A.

18. Investments in subsidiaries (company basis)

This balance is analysed as follows:

	Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000
Investments in subsidiary companies	7,839,399	8,312,773
Impairment losses on investments in subsidiary companies	-1,165,846	-1,639,093
	6,673,553	6,673,680

The breakdown of **Investments in subsidiary companies** is analysed as follows:

	Company	
	Jun 2007	Dec 2006
	Net amount Euro'000	Net amount Euro'000
Investments in subsidiary companies		
EDP Distribuição de Energia, S.A.	1,591,145	1,591,145
EDP Comercial, S.A.	99,702	99,702
EDP Gestão de Produção de Energia, S.A.	2,067,565	2,067,565
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	342,795	342,795
Enernova, S.A.	882	882
EDP Produção Bioeléctrica, S.A.	6,595	6,600
EDP Valor - Gestão Integrada de Serviços, S.A.	6,550	6,550
Edalpro - Imobiliária, Lda.	748	748
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brazil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance Company, Ltd.	2,001	2,001
Neo-Nuevas Energías de Occidente S.A.	60,095	60,095
Sãvida, S.A.	2,552	2,552
NQF, SGPS, S.A.	62,761	62,761
EDP Imobiliária e Participações, S.A.	4,458	4,458
Balwerk, S.A.	1,686	1,686
Patrimonial de la Ribera del Ebro, S.L.	4,000	4,000
Other	2,517	2,639
	6,673,553	6,673,680

The movement of the period in **Impairment losses on investments in subsidiary companies**, on a **Company** basis, is analysed as follows:

	Euro'000
Balance as at 1 January 2006	-1,846,128
Charge for the year	-20,357
Utilisations	600
Transfers	226,792
Balance as at 31 December 2006	-1,639,093
Charge for the period	-
Utilisations	87
Disposals	473,160
Balance as at 30 June 2007	-1,165,846

In November 2006, EDP – Energias de Portugal, S.A. celebrated a contract in which agreed to sell to Win Reason, S.A., a company currently held by The Riverside Company (“Riverside”), and that will be held in 33% by Gestmin, SGPS, S.A. (“Gestmin”) 100% of the share capital of ONI SGPS, S.A. share capital. Before signing this contract, EDP acquired the last 44% of the share capital of ONI from the remaining shareholders (BCP, BRISA, GALP), as well as the supplementary capital owned by those companies, for the price of 1 Euro for each part. EDP also acquired ONI bank loans to its main creditors.

In January 2007, after obtaining the required regulatory authorisations from the Competition Authority and ANACOM, EDP transferred 100% of ONI's share capital (together with shareholders’ supplementary capital and credits held by EDP) to Win Reason, S.A. for a total amount of 95,261 thousand Euros.

The item 'Charge for the year' includes provisions of 20,307 thousand Euros for the ONI Group.

The item 'Disposals' for the first half of 2007 results from the sale of the ONI Group and for the 2006 financial year to the merger of EDP Internacional SGPS, S.A. into EDP, S.A.

Apart from the sale of ONI, the following changes occurred to consolidation perimeter of the EDP Group in the first half of 2007:

- In January 2007, Hidrocantábrico Explotación Centrales, S.A. acquired the share capital of the following companies Generaciones Especiales I, S.L. (a subsidiary of NEO): Biogas y Energía, S.A.U, Cerámica Técnica de Illescas Cogeneración, S.A., Cogeneración del Esla,S.A., Cogeneración Y Mantenimiento, AIE, Cogeneración la Espina, S.L., Enercen, S.L., Energía e Indústria de Toledo, S.A, Iniciativa Tecnológicas de Valorización Energética de Residuos, S.A., Mazarrón Cogeneración, S.A., Proenercam, S.L., Renovamed, S.A., Sevares Cogeneración, S.A.U., Sidergas Energía, S.A.U., Sinova Medoambiental, S.A., Tratamientos Ambientales Sierra de la Tercia, S.A. and Uniener, S.A.U.;

- In March 2007 Enernova – Novas Energias, S.A. acquired 100% of the share capital of Levante - Energia Eólica, Lda.;

- In March 2007 Desarrollos Eólicos Promoción, S.A. acquired the entire share capital of Lajanda, S.A.;

- In March 2007 Sinae Inversiones Eólicas, S.A. acquired 100% of the share capital of Lanavica, S.A.;

- In April 2007 Enernova - Novas Energias, S.A. acquired 20% of the share capital of Eólica da Alagoa, S.A., increasing its participation to 60% of the company's share capital;

- In May 2007, EDP, through its Spanish subsidiary Espanha HC Energia (96.86% held by EDP), signed an agreement with Gas Natural to buy 9.39% of the share capital of Naturgás Energia Grupo, S.A.;

- In May 2007, Gás Natural de Álava, S.A. was merged into Naturgás Energia Distribuición, S.A.;

- In June 2007, the liquidation of Enerfin, Sociedade de Eficiência Energética, S.A. was completed.

19. Investments in associates

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Investments in associates				
Equity holdings in associates	191,812	202,000	113,085	112,274
Impairment losses on investments in associates	-195	-137	-15,166	-14,355
Carrying Amount	191,617	201,863	97,919	97,919

The breakdown of **Investments in associates,** for the **Group,** is analysed as follows:

	Group			
	Jun 2007		Dec 2006	
	Investment Euro'000	Impairment Euro'000	Investment Euro'000	Impairment Euro'000
Associated companies:				
CEM - Companhia de Electricidade de Macau	48,534	-	48,944	-
D. E. de Canárias, SA	3,608	-	3,894	-
DECA - Distribucion Eléctrica Centroamerica, S.A.	56,134	-	57,877	-
Edinfor, S.A.	37,300	-	41,557	-
Eólica da Alagoa, S.A.	-	-	1,008	-
Grupo Veinco	2,706	-	2,542	-
Hidroastur, S.A.	1,767	-	1,765	-
LBC Tanquipor - Movimentação e Armazenagem de Liquidos, S.A.	1,048	-	1,048	-
Parque Eólico Altos del Voltoya, S.A.	3,180	-	3,034	-
Parque Eólico del Madero, S.A.	3,991	-	3,424	-
Portsines - Terminal de Multipurpose de Sines, S.A.	7,319	-	7,591	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	7,022	-	5,810	-
Turbogás - Produtora Energética, S.A.	13,616	-	17,793	-
Other	5,587	-195	5,713	-137
	191,812	-195	202,000	-137

The movement of **Investments in associates**, for the **Group,** is analysed as follows:

	Group	
	Jun 2007 **Euro'000**	**Dec 2006** **Euro'000**
Balance as at 1 January	202,000	351,302
Acquisitions	-	2,542
Disposals	-	-17,559
Share of profits of associates	11,114	245,329
Dividends received	-16,792	-157,410
Exchange differences	-3,356	-12,917
Transfers	-1,154	-209,287
Balance as at 30 June 2007 and 31 December 2006	191,812	202,000

As at 30 June 2007, profit and losses of associates registered an amount of 16,879 thousand Euros.

The breakdown of **Investments in associates,** on a **Company** basis, is analysed as follows:

	Company			
	Jun 2007		**Dec 2006**	
	Investment **Euro'000**	**Impairment** **Euro'000**	**Investment** **Euro'000**	**Impairment** **Euro'000**
Impairment on investments in associates				
DECA - Distribucion Eléctrica Centroamerica, S.A.	52,220	-	52,220	-
Ecogen - Serviços de Energia Descentralizada, S.A.	749	-749	-	-
Edinfor - Sistemas Informáticos, S.A.	59,978	-14,279	59,978	-14,279
Other	138	-138	76	-76
	113,085	-15,166	112,274	-14,355

The movement of Impairment on Investments in associates, for the first half of 2007, on a **Company** basis, is analysed as follows:

	Balance 1 January Euro'000	**Impairment losses for the period Euro'000**	**Perimeter Variations Euro'000**	**Reversal of impairment losses Euro'000**	**Transfers Euro'000**	**Balance 30 June Euro'000**
Impairment on investments in associates						
Edinfor, S.A.	-14,279	-	-	-	-	-14,279
Other	-76		-	-	-811	-887
	-14,355	-	-	-	- 811	- 15 166

The movement of **Impairment on investments in associates** during 2006, on a **Company** basis, is analysed as follows:

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

Following the publication of Decree-law 172/2006, and since 31 December 2006, the voting rights in REN are limited to a maximum of 5%. As a result, EDP Group lost its significant influence over this investment, which was transferred, as at 31 December 2006, to Available for sale investments (Note 2).

During 2006, the shareholders' equity of DECA – Distribuicion Eléctrica Centro America, S.A. increased, and this associated company paid dividends and reimbursement of accessory capital. As a result, the impairment recorded in the individual financial statements of EDP, S.A. of 13,002 thousand Euros, was reversed.

20. Available for sale investments

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Ampla Energia e Serviços, S.A.	72,799	72,799	72,799	72 799
Ampla Investimentos e Serviços, S.A.	5,575	5,575	5,575	5 575
Banco Comercial Português, S.A.	438,292	235,632	-	-
EDA - Eléctrica dos Açores, S.A.	5,100	5,100	-	-
REN - Rede Eléctrica Nacional, S.A.	463,250	320,400	463,250	320 400
Sonaecom	141,960	146,624	-	-
Tagusparque, S.A.	1,097	1,097	-	-
Tejo Energia, S.A.	19,998	19,998	-	-
ValorSul, S.A.	3,878	3,878	-	-
Other	22,941	11,045	1,031	1,031
	1,174,890	822,148	542,655	399,805

EDP Group entered into sale and purchase agreements over its 20% share in REN – Rede Eléctrica Nacional, S.A. ("REN"). These agreements represent 5% of REN's share capital each and were signed with Gestmin, SGPS, S.A., Logoenergia, SGPS, S.A., Oliren, SGPS, S.A. and REE-Red Eléctrica de España. The final transaction price will be based on the share price fixed under the Initial Public Offer (IPO) announced for 2007 and by the share price evolution in the market during the first negotiation months. The transaction has resulted in immediate payments to EDP, as principal price payment, in the amount of 213,600 thousand Euros (160,200 thousand euros as at 31 December 2006), subject to the adjustments mentioned above (see Note 36).

After 30 June 2007, during the IPO process, EDP, S.A. sold an additional 5% share in REN for €2.75 per share (IPO reference price).

Considering the existence of contractual clauses regarding the final price definition and considering that EDP holds the right to receive the 2006 REN dividends, the sale of the 20% share in REN can not be considered effective until the date in which the effect of the referred contractual clauses ceases.

As referred in Note 19, due to the loss of a significant influence in REN related to the limitation of the voting rights up to 5%, this investment was transferred from Investments in associates to Available for sale investments, and was revalued considering the 20% sale amount, as previously referred.

For the first half of 2007, the main Available for sale investments are analysed as follows:

	Jun 2007					
	Balance 1 January Euro'000	**Acquisitions/ Transfers Euro'000**	**Disposals Euro'000**	**Impairment Euro'000**	**Changes in fair value Euro'000**	**Balance 30 June Euro'000**
Ampla Energia e Serviços, S.A.	72,799	-	-	-	-	72,799
Ampla Investimentos e Serviços, S.A.	5,575	-	-	-	-	5,575
Banco Comercial Português, S.A.	235,632	85,589	-	-	117,071	438,292
EDA - Electricidade dos Açores, S.A.	5,100	-	-	-	-	5,100
REN - Rede Eléctrica Nacional, S.A.	320,400	-	-	-	142,850	463,250
Sonaecom	146,624	-	-	-	-4,664	141,960
Tagusparque, S.A.	1,097	-	-	-	-	1,097
Tejo Energia, S.A.	19,998	-	-	-	-	19,998
ValorSul, S.A.	3,878	-	-	-	-	3,878
Other	11,045	11,896	-	-	-	22,941
	822,148	97,485	-	-	255,257	1,174,890

In June 2007, EDP S.A., through its subsidiary 093X, acquired 21,667,980 shares of BCP for an amount of 85,589 thousand Euros, and now holds a total of 2.94% of the voting rights in this entity.

In 2006, the main **Available for sale investments** are analysed as follows:

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

21. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Tax losses brought forward	133,458	92,594	-	-	133,458	92,594
Provisions	586,992	579,760	14,216	-	572,776	579,760
Derivative financial instruments	47,989	56,314	71,954	59,374	-23,965	-3,060
Available for sale investments	26,398	34,269	26,487	-	-89	34,269
Property, plant and equipment	215,823	221,284	-7,037	-	222,860	221,284
Reinvested gains	-	-	11,021	11,418	-11,021	-11,418
Other financial investments	58,662	62,189	-	-	58,662	62,189
Reversal of regulatory assets and liabilities	85,167	81,051	132,775	77,515	-47,608	3,536
Allocation of acquired assets and liabilities fair values	-	-	259,042	297,316	-259,042	-297,316
Accounting revaluations	5,580	6,921	318,793	330,881	-313,213	-323,960
Exchange differences and others	42,653	38,440	153,458	55,264	-110,805	-16,824
Assets/Liabilities compensation of deferred taxes	-427,881	-274,499	-416,036	-274,499	-11,845	-
	774,841	898,323	564,673	557,269	210,168	341,054

EDP S.A., on a **Company** basis, records in its accounts the tax effect arising from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Provisions	21,973	13,351	-	-	21,973	13,351
Derivative financial instruments	38,052	34,035	47,010	49,442	-8,958	-15,407
Available for sale investments	8,534	21,497	16,282	-	-7,748	21,497
Property, plant and equipment	403	-	-	-	403	-
Other financial investments	-	62,189	-	-	-	62,189
Accounting revaluations	-	7,790	435	12,100	-435	-4,310
Exchange differences and others	16,691	6,780	83,212	438	-66,521	6,342
	85,653	145,642	146,939	61,980	-61,286	83,662

The **Deferred tax** movement**,** for the **Group** and for the **Company,** for the period December 2006 to 30 June 2007, is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Balance at the beginning of the year	341,054	522,931	83,662	53,317
Charges through the profit and loss account	-116,575	-6,233	-126,021	-31,782
Charges against reserves:	-26,381	-23,279	-18,789	-16,351
Foreign exchange differences, perimeter variations and transfers	12,070	-152,365	-138	78,478
Balance at the end of the period	210,168	341,054	-61,286	83,662

Tax recorded against reserves are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Current tax				
Reserve arising on merger	-	-	-	12,942
Gains from the sale of treasury stock	-196	-3,559	-196	-3,559
	-196	-3,559	-196	9,383
Deferred tax				
Fair value of derivative financial instruments	-37,096	-30,159	-18,789	-16,616
Exchange differences and others	10,911	6,880	-	265
	-26,185	-23,279	-18,789	-16,351
	-26,381	-26,838	-18,985	-6,968

The breakdown of tax losses and tax credits carried forward is analysed as follows:

	Group	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Expiration date:		
2007	956	443
2008	55,283	55,023
2009	842	760
2010	1,070	1,021
2011	3,465	3,466
2012	1,667	911
2013 a 2021	59,783	63,341
Without expiration date but with a limit of 30% of the taxable income of each year	878,983	960,461
	1,002,049	1,085,426

22. Inventories

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Merchandise	2,347	6,073	-	-
Advances on account of purchases	12,608	9,794	-	-
Finished and intermediate products	7,920	8,513	-	-
Sub-products, waste, residues and scrap	8,091	8,860	-	-
Raw and subsidiary materials and consumables:				
Coal	59,234	80,893	-	-
Fuel	50,641	63,582	-	-
Other consumables	57,487	50,977	-	-
	198,328	228,692	-	-

23. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Short term trade receivables - Current:				
Resident customers:				
State and official entities	28,317	29,503	-	-
Local government	47,965	46,368	284	-
Corporate sector and individuals	696,878	761,726	18,383	66,396
Trade accounts - Bills receivable	5	50	-	-
	773,165	837,647	18,667	66,396
Non-resident customers:				
Corporate sector and individuals	736,345	651,830	-	-
	1,509,510	1,489,477	18,667	66,396
Doubtful debts	202,097	200,197	2,331	10,013
Impairment losses on doubtful debts	-250,754	-214,472	-9,945	-10,013
	1,460,853	1,475,202	11,053	66,396
Medium and long-term trade receivables - Non Current:				
Resident customers:				
Local government - Debt at 31 December 1988 (i)	178,296	160,077	-	-
Corporate sector and individuals	26,851	22,134	-	-
	205,147	182,211	-	-
Impairment losses on Local government	-61,266	-64,560	-	-
	143,881	117,651	-	-
	1,604,734	1,592,853	11,053	66,396

(i) This amount is presented net of debits related to assets to be transferred to the Group and of the rents owed by the Group on that date.

In the first half of 2007, the movements in **Impairment losses,** for the **Group,** are analysed as follows:

	Balance 1 January Euro'000	**Perimeter Variations/ Exchange differences Euro'000**	**Impairment losses Euro'000**	**Reversal of Impairment Losses Euro'000**	**Utilisations Euro'000**	**Transfers Euro'000**	**Balance 30 June Euro'000**
Corporate sector and individuals	214,472	4,799	38,226	-1,751	-4,992	-	250,754
Local government - Debt at 31 December 1988 (i)	64,560	36	-	-2,230	-1,100	-	61,266
	279,032	4,835	38,226	-3,981	-6,092	-	312,020

In 2006, the movements in **Impairment losses,** for the **Group,** are analysed as follows:

	Balance 1 January Euro'000	Perimeter Variations/ Exchange differences Euro'000	Impairment losses Euro'000	Reversal of Impairment Losses Euro'000	Utilisations Euro'000	Transfers Euro'000	Balance 31 December Euro'000
Corporate sector and individuals	207,338	-26,378	55,489	-17,216	-4,761	-	214,472
Local government - Debt at 31 December, 1988 (i)	63,730	830	-	-	-	-	64,560
	271,068	-25,548	55,489	-17,216	-4,761	-	279,032

In the first half of 2007, the movements in **Impairment losses,** for the **Company,** are analysed as follows:

	Balance 1 January Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Balance 30 June Euro'000
Corporate sector and individuals	10,013	362	-430		9,945
	10,013	362	-430	-	9,945

In 2006, the movements in **Impairment losses,** for the **Company,** are analysed as follows:

	Balance 1 January Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Balance 31 December Euro'000
Corporate sector and individuals	10,822	726	-1,822	287	10,013
	10,822	726	-1,822	287	10,013

24. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Short-term debtors - Current				
Loans to subsidiaries	-	-	15,396	19,997
Dividends	-	-	-	337,750
Other related companies	4,680	9,770	-	-
Advances to suppliers	399	3,397	-	-
Other debtors:				
- Current account with the Pension Fund	217	218	220	220
- Advances to pensioners, on account of the Social Security	4,178	4,895	-	1
- Amounts owed to staff	4,362	2,190	-	1
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Brazilian tariff expenses	754	1,057	-	-
- Amounts receivable from Spanish tariff expenses	52,977	25,554	-	-
- Amounts receivable from Portuguese tariff expenses	149,452	124,932	-	-
- Amounts owned by the State and Concessors	19,430	5,935	94,290	5,828
- Debtors in respect of other goods and services	4,772	67,917	37,003	6,083
- Amounts receivable from the energy efficiency program (Brazil)	4,275	5,907	-	-
- Amounts receivable from the sale of 60% of Edinfor	-	1,903	-	1,903
- Amounts receivable from the sale of EDP Brazil shares	-	2,055	-	2,055
- Amounts receivable from the sale of Fafen	-	8,944	-	-
- Derivative financial instruments	124,110	121,216	107,803	121,229
- ONI bank credit acquisition	-	-	-	333,868
- Other debtors - subsidiaries	-	-	880,640	839,262
- Amounts receivable related to power management activity	14,766	14,764	14,766	14,764
- Amounts receivable related with gas sales	9,143	15,404	-	-
- Amounts receivable related with steam sales	-	1,754	-	-
- Amounts receivable related to insurance and re-insurance activities	10,921	10,921	-	-
- Other tax receivable	-	13,673	-	-
- Debtors in respect of centrals maintenance and repair	24,552	19,583	-	-
- Expenditure on concessions	6,518	7,094	-	-
- Rents	-	1,237	-	323
- Insurances	4,065	6,503	3,027	5,490
- Deferred costs	16,940	16,381	4,200	150
- Energin finance lease (IFRIC 4)	28,614	29,105	-	-
- Hidraulicity receivable	14,189	31,551	14,189	31,551
- OMIP Futures	84,760	23,918	37,680	5,469
- Guarantee deposit to OMEL	5,000	10,000	-	-
- Energy sales on SENV	27,810	5,895	-	-
- Production Adjustments - Belver hydroelectric plant	-	1,458	-	-
- CO_2 licences - SEP	61,500	244,357	-	-
- Amounts receivable for the sale of Quart-Elche sub-station in Spain	16,810	-	-	-
Accrued income related to energy services rendered	3,064	-	-	-
Accrued income related to trading activities	22,840	-	22,840	-
Sundry debtors	105,047	51,639	111,006	120,287
	881,785	946,767	1,343,060	1,846,231
Impairment losses on short-term debtors - Current	-79,780	-83,246	-12,859	-279,029
	802,005	863,521	1,330,201	1,567,202
Medium and long-term debtors - Non Current				
Other related companies	22,191	27,935	11,108	21,191
Loans to subsidiaries	-	-	3,251,493	3,324,941
Loans to associated companies	13,396	8,603	11,282	-
Other debtors:				
- Debt from Municipalities (i)	2,894	2,894	-	-
- Compensations receivable from CNE	144,045	144,045	-	-
- Guarantees and tied deposits	110,747	104,023	10,161	4,927
- Sundry debtors	18,107	15,121	-	-
	311,380	302,621	3,284,044	3,351,059
Impairment losses on medium/long-term debtors - Non Current	-2,695	-2,653	-	-
	308,685	299,968	3,284,044	3,351,059
	1,110,690	1,163,489	4,614,245	4,918,261

(i) The balance Debt from Municipalities is related to the compensated fixed assets undergoing integration and corresponds to the net amounts, at the integration date, of the debts of Municipalities at 31 December 1988, compensated by the corresponding assets on undergoing integration (Property, plant and equipment held under the regime of Decree-law 344-B/82). The transfer of these amounts to Property, plant and equipment is depending on the celebration of the concession agreements or debt regularisation protocols to be contracted by EDP and the Municipalities.

Medium and long term debtors includes an amount of 144,045 thousand Euros (31 December 2006: 144,045 thousand Euros) related to tariff deficit from the Spanish regulatory entities – CNE.

In Portugal, the Decree-law 237-B/2006, of 19 December 2006, recognised the irrevocable right of the operators of the binding sector to recover the tariff deficit, independently of the form of its future payment or in situations of insolvency and cease of operations. The Decree-law also allows the transfer of the tariff deficit collecting right to third parts. Therefore, on 30 June, 2007, the tariff deficit related to the Distribution activity was booked as receivables against the profit and loss account, in the amount of 149,452 thousand Euros (31 December 2006: 124,932 thousand Euros). As the Decree-law 237-B/2006 does not establish for the tariff adjustments the same irrevocable right defined for tariff deficit, the annual amount of the tariff adjustments will continue to be reversed in the IFRS consolidated financial statements of the EDP Group.

As at 31 December 2006, the balance ‘Impairment losses on short-term debtors – Current’, for the company, included 263,003 thousand Euros corresponding to the difference between the purchase price of ONI's bank loans from ONI's main creditors and its corresponding selling price to Win Reason, S.A., as described in the contract signed with this company. In the first quarter of 2007, the sale of ONI to Win Reason, S.A. took effect, and this provision was reversed for EDP on a company basis.

During 2006. the Group adopted, with reference to 1 January 2006, the interpretation IFRIC 4 – "Determining whether an Arrangement contains a lease", as established in the transition rules. The IFRIC 4 has been applied to the existing contracts of the Energin cogeneration plant, which originated a receivable rents totalling 29,105 thousand Euros. On 30 June 2007, this amount is 28,614 thousand Euros.

In the first half of 2007, the balance **Impairment losses on short-term debtors** - Current, for the **Group**, is analysed as follows:

	Balance 1 January Euro'000	Perimeter Variations/ Regularisations Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 30 June Euro'000
Other debtors	83,246	-2,053	3,189	-4,207	-	-395	79,780
	83,246	-2,053	3,189	-4,207	-	-395	79,780

In 2006, the balance **Impairment losses on short-term debtors** - Current, for the **Group**, is analysed as follows:

	Balance 1 January Euro'000	Perimeter Variations/ Regularisations Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 31 December Euro'000
Other debtors	80,461	-2,354	15,362	-10,223	-	-	83,246
	80,461	-2,354	15,362	-10,223	-	-	83,246

In the first half of 2007, the balance **Impairment losses on short-term debtors** - Current, for the **Company**, is analysed as follows:

	Balance 1 January Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 30 June Euro'000
Other debtors	279,029	421	-3,589	-	-263,003	12,859
	279,029	421	-3,589	-	-263,003	12,859

In 2006, the balance **Impairment losses on short-term debtors** - Current, for the **Company**, is analysed as follows:

	Balance 1 January Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 31 December Euro'000
Other debtors	1,213	278,312	-1,027	531	-	279,029
	1,213	278,312	-1,027	531	-	279,029

In 2006, the impairment losses for the year includes the amount of 263,003 thousand Euros corresponding to the difference between the purchase price of ONI bank loans from ONI's main creditors and its corresponding sell price to Win Reason, S.A., as referred.

In the first half of 2007, the balance **Impairment losses on medium and long terms debtors - non current**, for the **Group**, is analysed as follows:

	Balance 1 January Euro'000	Perimeter Variations/ Regularisations Euro'000	Impairment Losses Euro'000	Reversal of Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 30 June Euro'000
Other debtors	2,653	-	42	-	-	-	2,695
	2,653	-	42	-	-	-	2,695

In 2006, the balance **Impairment losses on medium and long-term debtors** - Non Current, for the **Group**, is analysed as follows:

	Balance 1 January Euro'000	Perimeter Variations/ Regularisations Euro'000	Impairment Losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance 31 December Euro'000
Other debtors	2,550	103	-	-	-	2,653
	2,550	103	-	-	-	2,653

25. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
State and other public entities				
- Income tax	89,577	221,872	39,357	4,179
- Value added tax	306,934	329,110	46,358	45,838
- Turnover tax (Brazil)	31,360	29,802	-	-
- Social tax (Brazil)	22,701	18,476	-	-
- Other taxes	18,401	21,580	-	-
	468,973	620,840	85,715	50,017

26. Financial assets held for trading

Financial assets held for trading are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Debt securities:				
Bonds listed	73,822	56,396	-	-
Other debt securities:				
Listed	-	37,927	-	-
Unlisted	3,641	3,560	-	-
	77,463	97,883	-	-
Equity securities:				
Shares	7,907	16,863	-	-
Other equity securities	96	1,693	96	1,693
	8,003	18,556	96	1,693
	85,466	116,439	96	1,693

27. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Cash:				
- Cash in hand	236	310	5	-
Bank deposits:				
- Current deposits	263,483	390,357	108	82,619
- Term deposits	44,023	91,248	2,320	2,320
- Other deposits	1,315	11,202	-	-
	308,821	492,807	2,428	84,939
Other short term investments:				
- Domestic banks	23,600	156,000	9,600	150,000
- Foreign banks	198,131	104,376	295	295
	221,731	260,376	9,895	150,295
Cash and cash equivalents (asset)	530,788	753,493	12,328	235,234
Cash equivalents:				
- Bank overdrafts (see Note 33)	-14,132	-1,262	-1,580	-
Cash and cash equivalents in the Casflow Statement	516,656	752,231	10,748	235,234

28. Share capital and share premium

EDP, which started as a state-owned Company, was subsequently transformed into a 'Sociedade Anónima' (limited liability company under Portuguese law) firstly wholly owned by the State and other Public Sector Entities and afterwards with a majority of its share capital owned by the public sector. Currently the State and other Public Sector Entities have a minority position in the company's share capital. The privatisation process began in 1997, the second and third stages of the privatisation took place in 1998 and the fourth stage in 2000, and the State now holds about 25% of the share capital, directly and indirectly.

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

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

	Group		Company	
	Jun 2007	Dec 2006	Jun 2007	Dec 2006
Profit attributable to the equity holders of the parent in Euros	422,071,888	940,823,362	259,673,357	515,696,421
Profit from continuing operations attributable to the equity holders of the parent in Euros	422,071,888	1,011,911,000		
Weighted average number of ordinary shares outstanding	3,647,386,761	3,647,586,639	3,647,386,761	3,647,586,639
Weighted average number of diluted ordinary shares outstanding	3,649,616,328	3,649,816,126	3,649,616,328	3,649,816,126
Earnings per share (basic) attributable to equity holders of the parent in Euros	0.12	0.26	0.07	0.14
Earnings per share (diluted) attributable to equity holders of the parent in Euros	0.12	0.26	0.07	0.14
Earnings per share (basic) from continuing operations attributable to the equity holders of the parent in Euros	0.12	0.28		
Earnings per share (diluted) from continuing operations attributable to the equity holders of the parent in Euros	0.12	0.28		

The EDP Group calculates its basic and diluted earnings per share attributable to equity holders of the parent using the weighted average number of ordinary shares outstanding during the period, net of the treasury stock movement occurred.

The weighted average number of ordinary shares outstanding during the period is analysed as follows:

	Group and Company	
	Jun 2007	Dec 2006
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715
Issuance of new shares for cash	-	-
Realised shares	3,656,537,715	3,656,537,715
Treasury stock	-9,150, 954	-8,951, 076
Weighted average number of ordinary shares (basic) outstanding during the period	3,647,386,761	3,647,586,639
Stock options	2,229,567	2,229,487
Weighted average number of ordinary shares (diluted) outstanding during the period	3,649,616,328	3,649,816,126

29. Treasury stock

This balance is analysed as follows:

	Group and Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000
Book value of EDP, S.A. treasury stock	42,618	14,542
Number of shares	12,729,240	7,084,793
Market value per share	4.09 euros	3.84 euros
Market value of EDP, S.A. treasury stock	52,063	27,206

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

30. Reserves and retained earnings

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Legal reserve	418,730	392,946	418,730	392,946
Fair value reserve (cash flow hedge)	-13,664	-15,296	-14,554	-15,296
Tax effect from the fair value reserve (cash flow hedge)	3,571	3,844	3,844	3,844
Fair value reserve (available for sale investments)	442,715	158,358	187,877	45,027
Tax effect from the fair value reserve (available for sale investments)	-56,456	-19,660	-25,049	-6,121
Exchange differences arising on consolidation	148,758	84,651	-	-
Other reserves	480,786	-100,419	1,200,629	1,107,542
	1,424,440	504,424	1,771,477	1,527,942

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies' Code) and with the EDP articles of association, the Legal reserve must be increased by a minimum of 5% of the annual profits until its value equals 20% of the company's share capital. This reserve can only be used to cover for losses or to increase share capital.

Fair value reserve (cash-flow hedge)

The Fair value reserve (cash flow hedge) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. Changes in this reserve related to derivative financial instruments classified as hedging instruments in a cash flow hedge model are analysed in Note 39.

Fair value reserve (available for sale financial assets)

This reserve includes the cumulative net change in the fair value of available for sale investments as at the balance sheet . The movements occurred during 2007 in this balance, for the Group, are analysed as follows:

	Group	
	Increases Euro'000	**Decreases Euro'000**
Balance as at 31 December 2005	151,474	-201,209
Changes in fair value	196,510	-22,797
Transfers to profit or loss	34,380	-
Balance as at 31 December 2006	382,364	-224,006
Changes in fair value	259,921	-4,664
Transfers to profit or loss	29,100	-
Balance as at 30 June 2007		442,715

The balance **Exchange differences arising on consolidation** reflects the changes in the value of shareholders' equity of foreign subsidiary and associated companies resulting from foreign currency exchange differences arising on the translation of the financial statements from their functional currency into Euros. The exchange rates used in the preparation of the financial statements are as follows:

		Exchange rates in Jun 2007		Exchange rates in Dec 2006	
Currency		**Closing rates**	**Average exchange-rate**	**Closing rates**	**Average exchange-rate**
US Dollar	USD	1.351	1.330	1.317	1.259
Brazilian Real	BRL	2.602	2.719	2.812	2.731
Macau Pataca	MOP	10.874	10.698	10.548	10.069
Quetzal	GTQ	10.406	10.224	10.036	9.554

31. Minority interest

This balance is analysed as follows:

	Group	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Minority interest in income statement	69,457	76,260
Minority interest in reserves	866,741	869,401
	936,198	945,661

Minority interests, by subgroup, are analysed as follows:

	Group	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Brazil Group	855,913	743,519
Hidrocantábrico Group	50,566	154,134
NEO Group	10,599	33,387
Other	19,120	14,621
	936,198	945,661

During the first half of 2007, EDP Group profit for the period attributable to minority interests amounted 69,457 thousand Euros (30 June 2006: 29,246 thousand Euros).

Other minority interests include the amount of 16,056 thousand Euros referring to Portgás (30 June 2006: 12,022 thousand Euros), following the acquisition of an additional 49% stake in NQF-Gás, was full consolidated for the first time in 2006.

In the first half of 2007, the EDP Group, through its subsidiary Nuevas Energias de Occidente, granted put options to the minority shareholder's of Genesa I S.L. on their shares, which were accounted for as an anticipated acquisiton of underlying minority interests (see Statement of changes in consolidated Equity). Therefore, a liability for the present value of the expected exercise price was recognised and the difference between the exercise price of the put option and the carrying amount of minority interests was recongnized in goodwill.

32. Hydrological correction account

The movements in this balance are analysed as follows:

	Group and Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Balance at the beginning of the year	198,596	169,967
Payments of the period	29,497	32,151
Financial charges	-3,952	-3,522
Balance at the end of the period	224,141	198,596

The hydrological correction account was established by Decree-law no. 338/91 and constitutes a legally mandated mechanism for compensating the variable costs of electricity generation. This accrual was set up mainly in 1994 through a charge against income during the period that EDP was owned by the Portuguese State. Despite the separation of REN from EDP in 2000, further regulation (through Decree-law no. 98/2000) maintained the requirement to keep this account in the balance sheet of EDP.

As mentioned above, until 2000 REN was part of the EDP Group and therefore the movements of the hydrological correction account were within the EDP Group. Since the separation of REN in June 2000, EDP (at the holding company level) pays or receives cash from REN, which is booked against the hydrological correction account. REN uses the amount received or paid to compensate the operators in the SEP (a significant majority of which are EDP subsidiaries) in accordance with the objectives of the hydrological correction account as described above. As such, REN is effectively a flow-through entity for purposes of the hydrological correction account.

During 2004, Decree-law no. 240/2004 was issued, and states that, in a free trading market, the government will be required to introduce a new regulation regarding the purpose and scope of the hydrological correction account as well as the mechanisms to compensate producers for their risks resulting from the early termination of PPAs. As a result of this regulation mandated by the above mentioned Decree-law, and in the light of the above mentioned government announcement, EDP's Board of Directors and Management consider that is probable that the liability recorded, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

33. Debt and borrowings

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Short term debt and borrowings - Current				
Overdrafts:				
- EDP, S.A.	1,580	-	1,580	-
- NEO Group	-	1,262	-	-
- Other	12,552	-	-	-
	14,132	1,262	1,580	-
Bank loans:				
- EDP, S.A.	114,692	104,081	114,692	104,081
- Brazil Group	153,210	170,073	-	-
- Hidrocantábrico Group	15,872	8,634	-	-
- NEO Group	101,106	103,877	-	-
- Other	3,019	23,669	-	-
	387,899	410,334	114,692	104,081
Bonds loans - Non convertible:				
- EDP, S.A.	99,660	99,959	99,660	99,959
- Brazil Group	67,342	66,469	-	-
	167,002	166,428	99,660	99,959
Commercial paper:				
- EDP, S.A.	575,000	636,000	2,473,900	2,760,400
- Hidrocantábrico Group	370,370	176,807	-	-
	945,370	812,807	2,473,900	2,760,400
Other short term debt and borrowings:				
- NEO Group	2,546	2,667	-	-
- Other	91	188	-	-
	2,637	2,855	-	-
Interest payable	76,484	134,669	15,296	28,817
	1,593,524	1,528,355	2,705,128	2,993,257
Medium/Long term debt and borrowings - Non Current				
Bank loans:				
- EDP, S.A.	535,534	616,256	535,534	616,256
- Brazil Group	492,773	466,649	-	-
- Hidrocantábrico Group	34,056	27,817	-	-
- NEO Group	431,822	439,871	-	-
- EDP Finance B.V.	1,490,000	1,490,000	-	-
- Other	118,857	120,640	-	-
	3,103,042	3,161,233	535,534	616,256
Bonds loans - Non convertible:				
- EDP, S.A.	1,947,032	2,007,034	1,947,032	2,007,034
- EDP Finance B.V.	3,090,836	3,090,836	-	-
- Brazil Group	331,472	315,543	-	-
	5,369,340	5,413,413	1,947,032	2,007,034
Other medium/long term debt and borrowings:				
- Investco preference shares	15,471	11,825	-	-
- NEO Group	42,059	32,846	-	-
- Other	264	264	-	-
	57,794	44,935	-	-
	8,530,176	8,619,581	2,482,566	2,623,290
Other liabilities:				
- Fair value related with the hedging of issued debt risk	-58,973	5,114	-42,997	636
	-58,973	5,114	-42,997	636
	8,471,203	8,624,695	2,439,569	2,623,926
	10,064,727	10,153,050	5,144,697	5,617,183

At the EDP, S.A. level, the Group has short-term credit facilities of 197,386 thousand Euros, indexed to Euribor for the agreed period of use, with spread conditions agreed in advance, of which 187,414 thousand Euros have a firm underwriting commitment. There is also a 350,000 thousand Euros commercial paper programme with guaranteed placement. As far as medium-term credit facilities are concerned, 1,300,000 thousand Euros is available to EDP, SA, with a firm underwriting commitment, also indexed to Euribor under previously agreed conditions. As at June 30, 2007, none of these credit facilities had been used. Furthermore, EDP S.A. has agreed 575,000 thousand Euros of "Euro Commercial Paper".

Bank loans in Euros are associated with floating-rate interest indexed to the three or six month Euribor rates. The bank loans in Brazil are associated with floating-rate interest on the BRL, mostly indexed to the CDI (Interbanks Deposits Certificates) rate.

Consolidated debt includes the loans obtained under project finance, which amount to 579,542 thousand Euros as at 30 June, 2007 and 600,555 thousand Euros as at 31 December, 2006. The terms of these loans include the usual guaranties under these type of loans, namely pledges over shares, deposits and other assets management related to the projects.

The breakdown of **Bonds loans** issues as at 30 June 2007 is analysed as follows:

Issuer		Issue date	Interest rate	Hedge Accounting	Repayment conditions	Group Euro'000	Company Euro'000
Issued by EDP S.A.							
EDP, S.A.	25th Issue	23/Nov/98	Euribor 6 months + 0.225%		(ii)	149,340	149,340
EDP, S.A.	26th Issue	26/Mar/03	Euribor 6 months + 0.5%		26/Mar/13	150,000	150,000
						299,340	299,340
Issued by EDP under "Euro Medium Term Notes" Programme							
EDP, S.A.	1st Issue	29/Oct/99	Fixed rate EUR 6.40%	Fair Value	29/Oct/09	1,000,000	1,000,000
EDP, S.A.	2nd Issue	28/Mar/01	Fixed rate EUR 5.875%	Fair Value	28/Mar/11	747,352	747,352
EDP Finance B.V.	4th Issue	26/Nov/01	Zero coupon		27/Nov/09	22,455	-
EDP Finance B.V.	6th Issue (*)	9/Aug/02	Fixed rate GBP 6.625%	Fair Value	9/Aug/17	320,000	-
EDP Finance B.V.	7th Issue	16/Dec/02	Fixed rate EUR 5.00%		20/Mar/08	355,024	-
EDP Finance B.V.	8th Issue	23/Dec/02	Fixed rate EUR 2.661%		23/Dec/22	93,357	-
EDP Finance B.V.	9th Issue	22/Jun/05	Fixed rate EUR 3.75%		22/Jun/15	500,000	-
EDP Finance B.V.	10th Issue	29/Jun/05	Fixed rate EUR 4.125%		29/Jun/20	300,000	-
EDP Finance B.V.	11th Issue	12/Jun/06	Euribor 3 months + 0.15%		14/Jun/10	500,000	-
EDP Finance B.V.	12th Issue	12/Jun/06	Fixed rate EUR 4.25%		12/Jun/12	500,000	-
EDP Finance B.V.	13th Issue	12/Jun/06	Fixed rate EUR 4.625%		13/Jun/16	500,000	-
						4,838,188	1,747,352
Issued by Escelsa (Brazil) in the International Market							
Escelsa	USD 133 Millions (**)	28/Jul/97	Fixed rate USD 10.0%		15/Jul/07	39,997	-
EDP Energias do Brazil		7/Jul/05	Fixed rate USD 10.0%		15/Jul/07	14,452	-
Issued by Investco (Brazil) in the Domestic Market							
Investco	1st Issue	1/Nov/01	IGPM + 12.80%		1/Nov/11	17,169	-
Bandeirante		1/Abr/06	104.4% of CDI		1/Mar/11	96,065	-
Enersul		2/May/06	104.3% of CDI		2/Mai/11	129,688	-
Escelsa		1/Jun/06	104.4% of CDI		1/Jun/11	101,443	
						398,814	-
						5,536,342	2,046,692

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

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

(**) The EDP Group holds 52.52% of the value of this issue in an intra-group portfolio, as a result of the international takeover bid launched in 2002.

The breakdown of **Loans,** by maturity, is as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Bank loans and overdrafts:				
Up to 1 year	400,023	475,017	108,788	96,362
1 to 5 years	1,179,773	1,187,555	94,756	229,516
Over 5 years	1,864,296	1,973,678	363,663	386,740
	3,444,092	3,636,250	567,207	712,618
Bond loans:				
Up to 1 year	174,052	185,926	122,440	136,210
1 to 5 years	3,441,940	3,013,457	1,831,150	1,857,034
Over 5 years	1,927,400	2,399,956	150,000	150,000
	5,543,392	5,599,339	2,103,590	2,143,244
Commercial paper:				
Up to 1 year	945,370	813,728	2,473,900	2,761,321
	945,370	813,728	2,473,900	2,761,321
Other loans:				
Up to 1 year	74,079	58,798	-	-
1 to 5 years	15,735	12,089	-	-
Over 5 years	42,059	32,846	-	-
	131,873	103,733	-	-
	10,064,727	10,153,050	5,144,697	5,617,183

The fair value of the EDP Group's debt, corresponding to the market value of the debt, is analysed as follows:

	Jun 2007		Dec 2006	
	Carrying Value Euro'000	Market Value Euro'000	Carrying Value Euro'000	Market Value Euro'000
Short term debt and borrowings - Current	1,593,524	1,593,524	1,528,355	1,528,355
Medium/Long term debt and borrowings - Non current	8,471,203	8,530,176	8,624,695	8,619,581
	10,064,727	10,123,700	10,153,050	10,147,936

According to the accounting policy described in note 2 f), the risks of financial liabilities hedged by financial instruments are stated at their fair value in accordance with the requirements of IAS 39 concerning the adoption of hedge accounting. However, the remaining financial liabilities are stated at their amortised cost or historical cost.

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

As at 30 June 2007, the scheduled repayments of Group's debt are as follows:

	Total Euro'000	2007 Euro'000	2008 Euro'000	2009 Euro'000	2010 Euro'000	2011 Euro'000	Following Years Euro'000
Medium/long term debt and borrowings	8,834,996	-	1,068,602	1,364,018	785,110	1,178,873	4,438,393
Short term debt and borrowings	1,229,731	1,229,731	-	-	-	-	-
	10,064,727	1,229,731	1,068,602	1,364,018	785,110	1,178,873	4,438,393

The breakdown of guarantees is presented in Note 40 to the financial statements.

34. Employee benefits

Employee benefits balance are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Provisions for social liabilities and benefits	890,543	1,010,100	-	-
Provisions for healthcare liabilities	776,047	760,460	-	-
	1,666,590	1,770,560	-	-

As at 30 June 2007, the balance Provision for social liabilities and benefits includes the amount of 804,739 thousand Euros from defined benefit plans related to retirement pension (31 December 2006: 930,275 thousand Euros) and 67,132 thousand Euros (31 December 2006: 60,693 thousand Euros) and 18,672 thousand Euros (31 December 2006: 19,132 thousand Euros), resulting from pension benefits of Hidrocantábrico Group employees reflecting the increase in their salaries and estimated costs with external human resources services resulting from the personnel reorganisation program (PAR), respectively.

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

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the period	1,010,100	1,099,604	-	10,693
Charge for the period	36,058	28,099	-	-
Curtailments	5,762	44,832	-	-
Actuarial (gains)/losses	-69,985	-1,374	-	-
Charge-off	-86,285	-176,435	-	-
Transfers	-5,107	15,374	-	-10,693
Balance at the end of the period	890,543	1,010,100	-	-

Actuarial gains in the amount of 69,985 thousand Euros (31 December 2006: gain in the amount of 1,374 thousand Euros) were charged against reserves, according to the account policy presented in Note 2n).

The movement in **Provisions for healthcare benefits** is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the period	760,460	743,642	-	6,394
Charge for the period	23,046	46,488	-	573
Actuarial (gains)/losses	1,137	-2,906	-	-
Charge-off	-18,950	-33,939	-	-
Transfers	10,354	7,175	-	-6,967
Balance at the end of the period	776,047	760,460	-	-

Actuarial (gains) / losses include a loss of 1,137 thousand Euros (31 December 2006: gain of 2,906 thousand Euros), which was charged against reserves according to the accounting policy presented in Note 2 n).

As mentioned in accounting policy presented in Note 2 n), EDP Group opted upon IFRS transition, to charge the total amount of deferred actuarial losses existing at that date, against reserves, for the several employees' benefit plans. The impact in reserves, as at 31 December 2004 amounted to 1,162 million Euros. In the following years, according to that accounting policy, the actuarial gains and losses verified in those plans, which resulted in a loss of 30,252 thousand Euros in 2005 and a gain of 4,280 thousand Euros in 2006 and 68,848 thousand Euros in the first half of 2007, were directly charged against reserves.

Employee Benefit plans

Some of the EDP Group companies give their employees, through defined benefit or defined contribution plans, some retirement benefits, namely, pension plans that pay complementary old-age, disability and surviving-relative pension complements, and also early retirement pensions. In some cases medical care is provided during the period of retirement and of early retirement, through mechanisms complementary to those provided by the National Health Service.

The existing plans are presented hereunder, with a brief description of each and of the companies covered by them, as well as of the economic and financial data:

I. Pension Plans - Defined-Benefit Type

In Portugal, the companies of the EDP Group resulting from the split of EDP in 1994 have a social benefits plan financed through a restricted Pension Fund, complemented by a specific provision.

This Pension Fund covers liabilities for retirement pension complements (old-age, disability and surviving pension) as well as liabilities for early retirement.

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

- BD Plan in force up to 31 March 1998, a Balance Benefit Plan that grants Balanced Proportional Supplementary Benefit (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to past services accumulated by the reference date, based on compliance with regulatory granting requirements. The company is totally liable to cover any actuarial insufficiencies of this plan.

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

Escelsa, Bandeirante, Energest and Enersul have a Defined-Benefit Plan that grants a complementary benefit for retirement, disability, and surviving pension. Escelsa also has a special complementary benefit plan for retirement of former combatants.

As at 30 June 2007 and 31 December 2006, the number of employees covered by the pension plans is as follows:

	Portugal	Brazil	Portugal	Brazil
	2007	**2007**	**2006**	**2006**
Number of participators				
Retired and pensioners	18,097	1,815	18,283	1,815
Active workers	7,860	3,236	8,373	3,236
	25,957	5,051	26,656	5,051

In calculating the liabilities inherent in these pension plans within the EDP Group the following financial and actuarial assumptions were used:

	Jun 2007			
	Portugal	**Brazil**		
		Bandeirante	**Escelsa**	**Enersul**
Assumptions				
Expected return of plan assets	6.00%	12.20%	12.45%	12.00%
Discount rate	4.75%	10.75%	10.75%	10.75%
Salaries increase rate	3.70%	5.55%	5.55%	5.55%
Pension increase rate	3.00%	4.50%	4.50%	4.50%
Social Security salaries appreciation rate	2.20%	4.50%	4.50%	4.50%
Inflation rate	2.20%	4.50%	4.50%	4.50%
Mortality table	TV 88/90	RP-2000 Geracional ajustada	RP-2000 Geracional ajustada	RP-2000 Geracional ajustada
Disability table	50% EKV 80	TASA 27	TASA 27	TASA 27
Expected % of subscription by employees eligible for early retirement	(a)	not applicable	not applicable	not applicable

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

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

As at 30 June 2007 and 31 December 2006, according to the accounting policy described in Note 2 n), the amounts recognised in the balance sheet are analysed as follows:

	Jun 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans						
Liabilities at end of period	2,025,158	234,382	2,259,540	2,041,221	205,802	2,247,023
Plan assets at the end of the period	-1,253,294	-201,507	-1,454,801	-1,151,648	-165,100	-1,316,748
Value of the provision at the end of the period	771,864	32,875	804,739	889,573	40,702	930,275

As at 30 June 2007 and 31 December 2006, the consolidated liabilities for employee service in prior years related to these plans are as follows:

	Jun 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of liabilities						
Liabilities at the beginning of the period	2,041,221	205,802	2,247,023	2,053,310	178,288	2,231,598
Current service cost	7,320	316	7,636	13,943	688	14,631
Interest cost	46,481	11,189	57,670	90,592	20,247	110,839
Benefits paid	-82,275	-	-82,275	-163,342	-11,437	-174,779
Curtailments / Settlements	5,762	-	5,762	44,832	-	44,832
Actuarial losses and gains	6,649	-	6,649	1,886	9,876	11,762
Currency fluctuation	-	17,075	17,075	-	-5,258	-5,258
Other	-	-	-	-	13,398	13,398
Liabilities at end of period	2,025,158	234,382	2,259,540	2,041,221	205,802	2,247,023

The components of consolidated net cost recognised during the year with these plans are as follows:

	Jun 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period						
Current service cost	7,320	316	7,636	13,943	688	14,631
Interest cost	46,481	11,189	57,670	90,592	20,247	110,839
Expected return on plan assets	-34,550	-12,638	-47,188	-79,473	-21,627	-101,100
Curtailments/Settlements	5,762	-	5,762	44,832	-	44,832
Plan participants contribution	-	-510	-510	-	-1,028	-1,028
Other	-	-	-	11,019	-	11,019
Net cost for the period	25,013	-1,643	23,370	80,913	-1,720	79,193

The change in the fair value of the plan assets in 30 June 2007 and 31 December 2006 is analysed as follows:

	Jun 2007			Dec 2006		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Pension funds						
Fair value of plan assets at the beginning of the period	1,151,648	165,100	1,316,748	1,070,656	136,465	1,207,121
Group contribution	23,185	3,500	26,685	53,336	6,712	60,048
Plan participants contributions	-	510	510	-	1,028	1,028
Benefits paid by the Fund in the period	-23,185	-	-23,185	-53,336	-11,437	-64,773
Actual return on plan assets	34,550	12,638	47,188	79,473	21,627	101,100
Actuarial losses and dains	67,096	-	67,096	12,538	11,245	23,783
Currency fluctuation	-	14,030	14,030	-	-5,093	-5,093
Other	-	5,729	5,729	-11,019	4,553	-6,466
Fair value of plan assets at end of the period	1,253,294	201,507	1,454,801	1,151,648	165,100	1,316,748

The assets of the pension fund in Portugal are managed by four independent pension fund management companies. As at 30 June 2007 and 31 December 2006, the composition of the fund portfolio is as follows:

	Asset allocation by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Properties Euro'000	Other Euro'000	Total Euro'000
30 June 2007	238,126	426,120	325,856	213,060	50,132	1,253,294
31 December 2006	23,033	529,758	380,044	207,297	11,516	1,151,648

	Asset allocation by nature					
	Cash %	Bonds %	Shares %	Properties %	Other %	Total %
30 June 2007	19.00%	34.00%	26.00%	17.00%	4.00%	100.00%
31 December 2006	2.00%	46.00%	33.00%	18.00%	1.00%	100.00%

The properties included in the fund, that are being used by the Group amount to 135,252 thousand Euros.

As at 30 June 2007, the amount of expected future benefits to be paid, of the activity in Portugal, is analysed as follows:

	Expected future benefits to be paid			
	Pensions	Medical Plan	Other	Total
2007	162,623	22,776	6,406	191,805
2008	162,100	23,799	6,894	192,793
2009	158,700	24,418	7,115	190,233
2010	154,784	25,039	7,368	187,191
2011	150,488	25,675	7,840	184,003
2012	146,282	26,382	8,452	181,116
2013	142,207	27,124	9,063	178,394
2014	137,931	27,910	9,848	175,689
2015	133,294	28,790	10,611	172,695
2016	130,456	29,801	11,445	171,702
2017	64,902	15,179	5,990	86,071

As at 30 June 2007, the Group made contributions of 26,685 thousand Euros to the pension fund (31 December 2006: 60,048 thousand Euros) and were fully realised in cash.

As at 30 June 2007, pension payments of 23,185 thousand Euros were made by the fund (31 December 2006: 64,773 thousand Euros).

II. Pension Plans - Defined Contribution Type

Hidrocantábrico in Spain, Bandeirante in Brazil and EDP Estudos e Consultoria in Portugal have social benefit plans of defined contribution that complement those granted by the Social Welfare System to the companies' employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each case.

III. Liability for Medical Care Plans - Defined Benefit Type

In Portugal, Group companies resulting from the split of EDP in 1994 have a Medical Care Plan of the defined-benefit type, supported through a provision that fully covers these liabilities.

In Brazil, Escelsa and Energest also have a Medical Care Plan for retired employees, supported through a provision that fully covers these liabilities.

The actuarial assumptions used to determine the liabilities with **Medical Care Plans** within the EDP Group are as follows:

	Jun 2007		Dec 2006	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Assumptions				
Discount rate	4.75%	10.75%	4.75%	10.75%
Annual increase rate of medical services costs	4.5% (a)	10% (c)	4.5% (a)	10% (c)
Estimated administrative expenses by beneficiary per year (Euros)	233	non applicable	233	non applicable
Mortality table	TV 88/90	RP-2000 Geracional ajustada	TV 88/90	RP-2000 Geracional ajustada
Disability table	50% EKV 80	TASA 27	50% EKV 80	TASA 27
Expected % of subscription by employees eligible for early retirement	b)	non applicable	b)	non applicable

(a) 4.5% in the first 6 years and 4.0% during the remaining years.
(b) 40% of the eligible population (employees entitled to early retirement in accordance with the Collective Work Agreement: 36 years of service with at least 60 years of age, or 40 years of service and any age).
(c) 10% during the first year, decreasing to 5.5% in 10 years.

The evolution of consolidated liabilities for past services related to **Medical Care Plans** is analysed as follows:

	Jun 2007			Dec 2006		
	Portugal Euro'000	**Brazil Euro'000**	**Group Euro'000**	**Portugal Euro'000**	**Brazil Euro'000**	**Group Euro'000**
Evolution of liabilities						
Liabilities at the beginning of the period	736,104	24,356	760,460	727,105	16,357	743,462
Current service cost	4,258	149	4,407	8,738	329	9,067
Interest cost	17,141	1,274	18,415	32,811	2,219	35,030
Benefits paid	-17,457	-1,493	-18,950	-31,485	-2,454	-33,939
Curtailments / Settlements	225	-	225	2,391	-	2,391
Actuarial losses and gains	1,137	-	1,137	-5,893	2,987	-2,906
Currency fluctuation	-	1,957	1,957	-	-442	-442
Other	7,749	647	8,396	2,437	5,360	7,797
Liabilities at end of the period	749,157	26,890	776,047	736,104	24,356	760,460
Value of the provision at end of the period	749,157	26,890	776,047	736,104	24,356	760,460

The Medical Care Plan responsibilities are recognised in the Group statements through provisions that totally cover the responsibilities, as stated above.

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

	Jun 2007			Dec 2006		
	Portugal Euro'000	**Brazil Euro'000**	**Group Euro'000**	**Portugal Euro'000**	**Brazil Euro'000**	**Group Euro'000**
Costs for the period						
Current service cost	4,258	149	4,407	8,738	329	9,067
Current Interest cost	17,141	1,274	18,415	32,811	2,219	35,030
Curtailment	225	-	225	2,391	-	2,391
Net cost for the period	21,624	1,423	23,047	43,940	2,548	46,488

35. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Provision for legal, labour and other contingencies	155,860	153,985	-	-
Provision for customers guarantees	15,008	17,579	-	-
Provision for other liabilities and charges	242,813	216,909	47,766	19,910
	413,681	388,473	47,766	19,910

The movement in **Provision for legal, labour and other contingencies** is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the period	153,985	88,004	-	-
Changes in the consolidation perimeter	13,597	12	-	-
Charge for the period	10,269	11,359	-	-
Write-back for the period	-1,179	-111	-	-
Charge-off for the period	-9,623	-	-	-
Transfers and exchange differences	-11,189	54,721	-	-
Balance at the end of the period	155,860	153,985	-	-

The movement in Provision for **customers guarantees** is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the period	17,579	26,821	-	-
Charge for the period	3,911	5,706	-	-
Write-back for the period	-	-10,605	-	-
Charge-off for the period	-1,943	-	-	-
Transfers and exchange differences	-4,539	-4,343	-	-
Balance at the end of the period	15,008	17,579	-	-

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Balance at the beginning of the period	216,909	154,424	19,910	14,754
Changes in the consolidation perimeter	-24,539	1,095	-	-
Charge for the period	35,025	104,667	28,923	5,886
Write-back for the period	-5,693	-16,452	-1,067	-3,462
Charge-off for the period	-36,752	-90,526	-	-
Transfers and exchange differences	57,863	63,701	-	2,732
Balance at the end of the period	242,813	216,909	47,766	19,910

Provisions for other liabilities and charges include 20,725 thousand Euros (31 December 2006: 14,129 thousand Euros) and 5,800 thousand Euros (31 December 2006: 7,049 thousand Euros) related to provisions for dismantling and decommissioning of nuclear centrals and wind generation facilities, calculated in accordance with the accounting policy referred to Note 2 o).

36. Trade and other payables

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	Dec 2006 Euro'000	Jun 2007 Euro'000	Dec 2006 Euro'000
Short term trade payables - Current				
Suppliers	634,527	854,337	47,286	98,536
Property and equipment suppliers	339,109	431,038	45	69
Other shareholders of Group companies	22,554	23,064	-	-
Advances from customers	4,049	10,835	55	55
Trade payables - subsidiary companies	-	-	-	192,562
Other trade payables:				
- Employees	11,080	40,212	-	-
- Supply of other goods and services	4,616	-	20,554	4,233
- Concession rents	5,880	6,530	-	-
- Creditors for collections	714	-	713	-
- Amount payable to the Regulatory Entity in Brazil	12,713	20,563	-	-
- Advance related to research and development investments (Brazil)	14,605	15,307	-	-
- Advance related to the sale of 15% stake in the share capital of REN (see Note 2C	213,600	160,200	213,600	160,200
- Amount payable for the acquisition of 50% of Gasnalsa	45,000	-	-	-
Credits to related companies	-	-	8,144	7,903
Energetic efficiency program	16,569	16,693	-	-
Holiday pay, bonus and other charges	74,903	76,882	936	753
Derivative financial instruments	188,068	88,127	109,978	55,832
Extension of the concession period for the public domain	758,241	-	-	-
Accrued costs related to trading activity	25,475	15,622	25,475	15,622
Accrued costs related to energy acquisition (PRE)	75,133	38,676	-	-
Deferred income - EDP Distribuição	10,707	33,060	-	-
CO_2 licenses	207,733	541,309	-	-
Other deferred income	91,853	73,668	26,915	-
ONI sale related costs	-	4,350	-	4,350
Other creditors and sundry operations	247,804	307,196	31,986	26,252
	3,004,933	2,757,669	485,687	566,367
Medium/long-term creditors – Non-current				
Regularisation account - (Reg. DL 344-B/82)	1,715	2,235	-	-
State shares in Multipurpose hydroelectric power stations	10,386	10,386	10,386	10,386
Deposits received from customers and other debtors	48,320	47,424	4	4
Credits to related companies	50,575	30,931	-	-
Property and equipment suppliers	108,481	6,041	1,413	1,521
Subsidies for investment in fixed assets	1,879,261	1,841,904	825	829
Put options over minority interests liabilities (Note 31)	644,000	460,868	-	-
Other creditors and sundry operations	89 877	27 404	-	-
	2,832,615	2,427,193	12,628	12,740

The balance CO_2 licenses includes the amount of 61,500 thousand Euros of SEP (Portugal) granted licenses (Note 24), the amount of 29,300 thousand Euros related to SENV (Portugal) and Hidrocantábrico Group (Spain), 86,932 thousand Euros related to consumptions made by the liberalised market in Portugal and by hidrocantábrico in Spain and 30.000 thousand Euros of licenses that the Group expects to return to the Spanish government as a result of the application of the Real Decreto-Ley 03/06 (Note 9).

The 'Extension of concession period for hydroelectric assets' refers to the amount of 758,241 thousand Euros payable by the EDP Group for the use of the hydro domain assuming the right to operate under the market conditions 26 hydro plants after the term of their PPAs.

37. Tax payable

This balance is analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
State and other public entities				
- Income tax	196,628	357,424	-233	10,493
- Withholding tax	13,812	26,613	201	402
- Social security contributions	8,337	8,125	33	12
- Value added tax	24,356	5,268	-	-
- Turnover tax (Brazil)	50,394	46,627	-	-
- Social tax (Brazil)	20,862	20,079	-	-
- Other taxes	68,921	56,971	-1	-
	383,310	521,107	-	10,907

The balance Other taxes, for the Group, as at 30 June, 2007 includes foreign taxes, namely from Spain - Hidrocantábrico Group: 33,223 thousand Euros (31 December 2006: 42,050 thousand Euros).

38. Assets and liabilities classified as held for sale and discontinued operations

Assets and liabilities are classified as held for sale and are disclosed in accordance with the accounting policy described in Note 2 u).

Discontinued operations - ONI

In November 2006, EDP – Energias de Portugal, S.A. celebrated a contract in which agreed to sell to Win Reason, S.A., a company currently held by The Riverside Company (“Riverside”), and that will be held in 33% by Gestmin, SGPS, S.A. (“Gestmin”) 100% of the share capital of ONI SGPS, S.A. share capital. Before signing this contract, EDP acquired the last 44% of the share capital of ONI from the remaining shareholders (BCP, BRISA, GALP), as well as the supplementary capital owned by those companies, for the price of 1 Euro for each part. EDP also acquired ONI bank loans to its main creditors.

As at 31 December 2006 this transaction was pending the necessary regulatory authorisations (namely from the Competition Authority and ANACOM). In January 2007, EDP recorded the sale of 100% of ONI's share capital (together with supplementary capital and EDP's credits held in ONI) for an estimated amount of 95,000 thousand Euros. As at 31 December 2006 the financial statements of the EDP Group included a provision in the amount of 12,808 thousand Euros to cover the loss related to the sale of its holding in ONI, to be recorded in 2007.

	Dec 2006 Euro'000 ONI
Assets classified as held for sale	
Property, plant and equipment	128,552
Intangible assets	66,134
Total Non-Current Assets	194,686
Inventories	1,601
Trade receivables	39,854
Debtors and other assets	10,995
Tax receivable	1,894
Cash and cash equivalents	6,651
Total Current Assets	60,995
	255,681

	Dec 2006 Euro'000
	ONI
Liabilities classified as held for sale	
Employee benefits	427
Provisions for liabilities and charges	16,401
Deferred tax liabilities	29,030
Total Non-Current Liabilities	45,858
Short term debt and borrowings	8,926
Trade and other payables	104,742
Tax payable	572
Total Current Liabilities	114,240
	160,098

39. Derivative financial instruments

In accordance with IAS 39, the Group classifies the derivatives as fair value hedge of an asset or liability recognised and as cash flow hedge of recorded liabilities and forecast transactions considered highly probable.

The changes in fair value of hedging instruments and risks being hedged are analysed as follows:

			2007 Fair Value Changes		2006 Fair Value Changes	
Hedge type	**Hedging instrument**	**Hedging risk**	**Instruments Euro'000**	**Risk Euro'000**	**Instruments Euro'000**	**Risk Euro'000**
- Fair value	Interest rate swap	Interest rate	-42,975	42,975	-90,954	90,954
- Fair value	Currency interest rate swap	Interest and exchange rate	-20,524	20,524	-2,504	2,504
- Cash-flow hedge	Interest rate swap	Interest rate	890	-	-75	-
			-62,609	63,499	-93,533	93,458

For the first half of 2007 and for the 2006 financial year, the movements in the Fair Value reserve related with cash flow hedges, were as follows:

	Group	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**
Balance at the beginning of the period	-15,296	-16,709
Fair value changes	890	-75
Transfers to results	742	1,488
Balance at the end of the period	-13,664	-15,296

The balance Fair value reserve (cash-flow hedge) includes in the fair value change as at 30 June, 2007, an amount of 13,519 thousand Euros related to the hedge of forecast cash flows and that was initially recorded with an amount of 16,615 thousand Euros in 2005. This amount is amortised over the same period during which the referred cash flows will affect the income statement.

The valuation of derivatives is recorded in the balance Debtors and other assets or in Trade and other payables in accordance with its nature.

The gains and losses on the derivatives portfolio recorded in the income statement of 30 June of 2007 and 31 December 2006, are analysed as follows:

	Group		Company	
	Jun 2007 Euro'000	**Dec 2006 Euro'000**	**Jun 2007 Euro'000**	**Dec 2006 Euro'000**
Derivatives held for trading	7,738	155,917	11,806	193,691
Fair value hedge				
- Derivatives	-63,499	-93,458	-42,975	-90,954
- Hedged liabilities	63,499	93,458	42,975	90,954
Cash-flow hedge				
- Derivatives	-742	-1,488	-742	-1,488
	6,996	154,429	11,064	192,203

In first half of 2007, the maturity of derivatives associated to financing operations, is analysed as follows:

	Group				
	Up to 3 months Euro'000	3 months to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Interest rate contracts					
Interest rate swaps	-	30,898	2,209,038	276,749	2,516,685
Options purchased and sold	-	4,746	538,086	7,668	550,500
	-	35,644	2,747,124	284,417	3,067,185
Interest rate and exchange rate contracts					
CIRS (currency interest rate swaps)	-	-	-	320,000	320,000
	-	35,644	2,747,124	604,417	3,387,185

In 2006, the maturity of derivatives associated to financing operations is analysed as follows:

	Group				
	Up to 3 months Euro'000	3 months to 1 year Euro'000	1 year to 5 years Euro'000	More than 5 years Euro'000	Total Euro'000
Interest rate contracts					
Interest rate swaps	-	-	2,253,174	512,640	2,765,813
Options purchased and sold	-	250,000	547,963	7,668	805,631
	-	250,000	2,801,137	520,308	3,571,444
Interest rate and exchange rate contracts					
CIRS (currency interest rate swaps)	-	-	-	320,000	320,000
	-	250,000	2,801,137	840,308	3,891,444

The effective interest rates on the derivatives portfolio associated to financing operations are analysed as follows:

	Group		
	Currency	EDP Pays	EDP Receives
Interest rate contracts			
Interest rate swaps	EUR	[4.81% - 4.39%]	[6.40% - 4.40%]
Interest rate and exchange rate contracts			
CIRS (currency interest rate swaps)	EUR / GBP	5.30%	6.63%
	Nominal value Euro'000	**Group**	**Company Jun 2007**
Interest rate contracts			
Options purchased on interest rates (CAP purchases)	550,500	[5.75% - 4.00%]	[4.82% - 4.33%]
Options sold on interest rates (CAP sale)	500,000	[5.30% - 4.75%]	[5.30% - 4.75%]
Options sold on interest rates (Floor sale)	500,000	[4.27% - 3.00%]	[3.50% - 3.00%]

40. Commitments

As at 30 June 2007 and 31 December 2006, the financial commitments not included in the balance sheet in respect of financial and real guarantees provided, are analysed as follows:

Commitments	Group Jun 2007 Euro'000	Group Dec 2006 Euro'000	Company Jun 2007 Euro'000	Company Dec 2006 Euro'000
Guarantees of a financial nature				
EDP, S.A.	573,763	569,811	573,763	569,811
Hidrocantábrico Group	85,898	61,864	-	-
Brazil Group	86,322	88,580	-	-
NEO Group	53,067	122,543	-	-
	799,050	842,798	573,763	569,811
Guarantees of an operational nature				
EDP, S.A.	221,208	254,863	221,208	254,863
Hidrocantábrico Group	286,923	300,613	-	-
Brazil Group	59,339	45,349	-	-
NEO Group	14,102	8,687	-	-
Others (Portugal)	17,343	15,871	-	-
	598,915	625,383	221,208	254,863
Total	1,397,965	1,468,181	794,971	824,674
Real guarantees	17,638	16,017	-	-

From the total financial guarantees contracted as at 30 June 2007 and 31 December 2006, the amount of 592,582 thousand Euros and 731,648 thousand Euros, respectively, are related with Group contracted loans already included in its consolidated debt. From these, we highlight the guarantees related to contracted loans in Brazil for the hydroelectrical plants construction (Lajeado and Peixe Angical), which amount to 425,111 thousand Euros as at 30 June 2007 (31 December 2006: 341,418 thousand Euros), having associated counter-guarantees received by EDP from these projects partners, amounting to 188,232 thousand Euros (31 December 2006: 136,567 thousand Euros).

For Portugal and Spain power generation and distribution current activity, it is required to EDP and all of its subsidiaries to present bank or corporative guarantees, of an operational nature. From the total existing amount of operational guarantees as at 30 June 2007 and 31 December 2006, 274,522 thousand Euros and 239,816 thousand Euros, respectively, relate to guarantees given to the operator of the Portuguese and Spanish market, necessaries for EDP and its subsidiaries to participate in the energy markets, being annually renewable.

Operational nature guarantees contracted in 30 June 2007, include granted guarantees related to wind farms in Spain, in the amount of 7,472 thousand Euros, which have associated guarantees obtained from the equipment suppliers in the same amount.

	Jun 2007			
		Debt capital by period		
	Total Euro'000	Up to 1 year Euro'000	1 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debts	10,064,727	1,593,524	4,637,448	3,833,755
Leasing rents payable	1,128,062	166,362	961,700	-
Operational leasing liabilities	481,648	132,927	348,721	-
Buying obligations	33,113,481	3,521,631	11,429,040	18,162,810
Other long term liabilities	1,911,684	191,804	754,218	965,662
	46,699,602	5,606,248	18,131,127	22,962,227

	Dec 2006			
	Debt capital by period			
	Total Euro'000	Up to 1 year Euro'000	1 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debts	10,153,050	1,533,469	4,213,101	4,406,480
Leasing rents payable	10,203	2,362	7,841	-
Operational leasing liabilities	7,665	4,560	3,105	-
Buying obligations	33,122,815	3,227,845	8,482,725	21,412,245
Other long term liabilities	2,075,382	258,413	759,963	1,057,006
	45,369,115	5,026,649	13,466,735	26,875,731

Short and long term debts are related to borrowings balances and related interests, contracted by the Group with bank entities, non convertible bond loans, commercial paper and other borrowings. See Note 33 – Debt and borrowings.

The leasing rents payable are related to tangible fixed assets, which acquisition was financed through leasing agreements by the Group. These amounts include debt capital and interests.

Buying obligations include debts related with long-term agreements of product and services supply related to the Group operational activity. When prices are defined under “forward” contracts, these are used in estimating the amounts of the contractual commitments.

Other long term debts are related with reorganization plans occurred in previously years, as well as Group liabilities related to pension plans, medical care and other benefits, classified as provisions in the consolidated balance sheet (see Note 34 – Employees benefits).

The Group contractual obligations referred above reflect essentially the necessary agreements and obligations for the normal course of the operational activity of the company. Specifically, these obligations envisage to ensure the supply of fuel and energy necessary for the Group to be successful in its medium/long term investments, as well as to provide energy to the Iberian and Brazilian clients. EDP considers that operational income will be enough to accomplish the obligations and additionally support the operational costs and shareholders payment.

As at 30 June 2007, the Group has the following contingent liabilities/rights related with call options and put options on investments:

- EDP holds a put option for 40% of share capital of Edinfor over LogicaCMG until April 2009, by the highest of the following amounts:
    * Fair value of the asset determined under na investment bank valuation process;
    * Floor determined through the valuation of Edinfor Group at the date of the 60% disposal to LogicaCMG;

After April 2009, the share price equals the fair value determined under an investment bank valuation process;

- LogicaCMG holds a call option over EDP for 40% of Edinfor after 2009, by the fair value of the asset, determined under an investment bank valuation process;
- Put option of Cajastur over EDP for 3.13% Hidrocantábrico's share capital;
- Put option of Ente Vasco de la Energia over HC of 30.4% of Naturgás, by the major of the following amounts:
    * Initial price discounted to the put option exercise date, considering the dividends distributed up to the balance sheet date;
    * Fair value of the asset, determined under an investment bank valuation process;
- Put option of EDP over Endesa for 11.1% of TejoEnergia until July 2007;
- Put option of EDP over Endesa for 7.7% of Ampla investment by the fair value of the asset, determined under an investment bank valuation process, up to March 2007. However, the exercise period could be extended up to March or September 2008, depending on the accomplishment of the existent suspensive conditions.
- EDP, through its subsidiary NEO, holds a call option over Caja Madrid for all shares of a part of the NEO sub-group (20% of Genesa and 20% of NEO Desa). Caja Madrid holds an equivalent put option on these shares over EDP. The price of exercising these options will be determined under an investment bank valuation process. The options can be exercised between 1 January 2010 and 1 January 2011, inclusively.

41. Employee Stock Option

EDP Group began a stock option programme under the terms approved by the General Meeting, applicable to senior management and directors, in order to stimulate value creation.

EDP Group has three stock options plan which are analysed as follows: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 shares of common stock, ii) Plan for the Members of the Board of Directors and Management of the group subsidiaries, in which options can be granted, during the year up to 16,250,000 shares of common stock., iii) Plan for the President of the Board of Directors, CEO and Executive Vogals for the 2003/2005 period, in which were granted, during the year, 1,461,497 options over EDP shares, that can be exercised into a maximum of 1/3 in each of the following years counting from the grant date. The non-exercised options will lapse 8 years after their grant date.

The exercise price of each option is calculated from the market price of the company’s stock at the date of grant. Options maximum term is seven years, for the first two plans, and eight years for the third plan.

Options are granted to the Board of Directors of EDP Group and vested over a two year service period.

Changes in the stock options plans are analysed as follows:

	Option activity	Weighted average exercise price
Balance as at 31 December 2004	612,725	2.44
Options forfeited	-262,391	
Options granted	1,692,810	
Balance as at 31 December 2005	2,043,144	2.27
Options exercised	1,044,621	
Options granted	1,461,497	2.22
Balance as at 31 December 2006	2,460,020	
Options exercised	516,757	
Options granted	-	
Balance as at 30 June 2007	1,943,263	

The stock options information related to first half of 2007, is analysed as follows:

Options outstanding	Weighted average exercise price	Wheighted average remaining contractual life	Options exercisable	Options fair value Eur'000
1,943,263	2.22	7.04	325,230	1,469

In addition to granted shares, EDP Group granted, during 2006, a group of 1,511,183 own shares to workers in a total amount of 3,340 thousand Euros (see Note 8).

42. Related parties

As at 30 June 2007, the credits over subsidiaries and associated companies, for the **Company**, are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other assets Euro'000	Total Euro'000
Companies				
Balwerk	11,947	266,078	413	278,438
Edalpro	147	-	-	147
Edinfor	-	-	1,080	1,080
EDP Comercial	116,283	-	37,634	153,917
EDP Distribuição	-	1,228,125	64,128	1,292,253
EDP Estudos e Consultoria	1,375	-	112	1,487
EDP Finance	-	245,832	4,852	250,684
EDP Gás	-	-	3,838	3,838
EDP Imobiliária e Participações	305,752	2,016	279	308,047
EDP Inovação	49	-	-	49
EDP Powerline	4,116	-	-	4,116
EDP Produção	223,583	1,381,560	84,990	1,690,133
EDP Produção Bioeléctrica	9	11,192	166	11,367
EDP Produção EM	-	-	11	11
EDP Serviço Universal	2,137,534	-	20	2,137,554
EDP Serviner	-	-	106	106
EDP Soluções Comerciais	15,060	-	14,212	29,272
EDP Trader Internacional	-	25	1	26
EDP Valor	-	125	3,085	3,210
Enernova	-	103,255	2,168	105,423
Hidroeléctrica del Cantábrico	-	-	2,428	2,428
Internel	-	-	1	1
Labelec	952	-	442	1,394
NEO	-	30,460	4,620	35,080
NQF Gás III SGPS	-	-	1,919	1,919
NQF Investimentos	-	-	15,061	15,061
O&M Serviços	247	-	14	261
OPTEP	-	-	1,878	1,878
Sãvida	-	-	344	344
SCS	30	-	-	30
Other	4,102	11,198	4,991	20,291
	2,821,186	3,279,866	248,793	6,349,845

As at 31 December 2006, the credits over subsidiaries and associated companies, for the **Company**, are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other assets Euro'000	Total Euro'000
Companies				
Balwerk	10,100	266,078	355	276,533
Edalpro	243	-	12	255
Edinfor	-	-	6,024	6,024
EDP Brazil	-	-	12,370	12,370
EDP Comercial	127,508	-	13,471	140,979
EDP Distribuição	670,176	1,228,125	40,877	1,939,178
EDP Estudos e Consultoria	-	-	74	74
EDP Finance	-	285,938	7,342	293,280
EDP Gás	-	-	1,035	1,035
EDP Imobiliária e Participações	301,655	2,692	264	304,611
EDP Powerline	4,328	-	11	4,339
EDP Produção	61,877	1,381,912	11,717	1,455,506
EDP Produção Bioeléctrica	32	9,992	171	10,195
EDP Produção EM	-	-	3,436	3,436
EDP Serviner	-	-	69	69
EDP Soluções Comerciais	13,874	-	11,563	25,437
EDP Trader Internacional	-	25	-	25
EDP Valor	-	125	4,934	5,059
Enernova	-	112,091	2,031	114,122
Hidroeléctrica del Cantábrico	836	-	12,200	13,036
Labelec	-	-	344	344
NEO	-	30,460	3,072	33,532
NQF Gás III SGPS	-	-	1,814	1,814
NQF Investimentos	-	-	15,018	15,018
ONI SGPS	-	24,397	296,115	320,512
ONI Telecom	-	-	40,577	40,577
Sãvida	-	-	361	361
SCS	51	-	-	51
Other	680	11,198	43,155	55,033
	1,191,360	3,353,033	528,412	5,072,805

As at 30 June 2007, the debts to subsidiaries and associated companies, for the **Company**, are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other assets Euro'000	Total Euro'000
Companies				
Balwerk	-	-	69	69
Edinfor	-	-	9,715	9,715
EDP Comercial	-	-	26,299	26,299
EDP Distribuição	1,544,847	-	2,917	1,547,764
EDP Estudos e Consultoria	-	-	4,154	4,154
EDP Finance	-	-	276	276
EDP Gás	282,086	-	364	282,450
EDP Imobiliária e Participações	-	-	2,581	2,581
EDP Inovação	-	-	103	103
EDP Powerline	-	-	157	157
EDP Produção	-	-	19,812	19,812
EDP Produção EM	4,968	-	644	5,612
EDP Serviço Universal	-	-	15,782	15,782
EDP Serviner	1,554	-	-	1,554
EDP Soluções Comerciais	-	-	258	258
EDP Valor	12,270	-	384	12,654
Electrica Ribera del Ebro	-	-	2,013	2,013
Enernova	25,480	-	-	25,480
Hidroeléctrica del Cantábrico	1,393	-	3,017	4,410
Internel	1,263	-	50	1,313
Labelec	-	-	10	10
MRH	271	-	279	550
NQF Gás III SGPS	63,628	-	90	63,718
NQF Gás	409	-	228	637
NQF Investimentos	-	-	27	27
Sãvida	1,902	-	87	1,989
SCS	-	-	33	33
Tergen	476	-	-	476
Other	-	-	1,568	1,568
	1,940,547	-	90,917	2,031,464

As at 31 December 2006, the debts to subsidiaries and associated companies, for the **Company**, are analysed as follows:

	Intra-group financial mov. Euro'000	Loans Euro'000	Other assets Euro'000	Total Euro'000
Companies				
Edinfor	-	-	8,918	8,918
EDP Comercial	-	-	18,253	18,253
EDP Distribuição	-	-	4,138	4,138
EDP Estudos e Consultoria	38	-	4,331	4,369
EDP Finance	-	-	276	276
EDP Gás	530,110	-	364	530,474
EDP Imobiliária e Participações	-	-	182	182
EDP Produção	-	-	19,174	19,174
EDP Produção Bioeléctrica	-	-	495	495
EDP Produção EM	8,588	-	644	9,232
EDP Serviner	2,301	-	-	2,301
EDP Soluções Comerciais	-	-	121	121
EDP Valor	17,145	-	669	17,814
Enernova	25,534	-	-	25,534
Hidroeléctrica del Cantábrico	-	-	2,087	2,087
Internel	1,960	-	-	1,960
Labelec	643	-	226	869
MRH	223	-	277	500
NQF Gás III SGPS	63,628	-	-	63,628
NQF Gás	-	-	302	302
O&M Serviços	960	-	-	960
Oni Telecom	-	-	400	400
Sãvida	2,767	-	85	2,852
SCS	-	-	20	20
Tergen	548	-	-	548
Other	-	-	2,482	2,482
	654,445	-	63,444	717,889

43. Fair values of financial assets and liabilities

	Jun 2007 Group			Dec 2006 Group		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	1,174,890	1,174,890	-	822,148	822,148	-
Trade receivables	1,604,734	1,604,734	-	1,592,853	1,592,853	-
Derivative financial instruments	124,110	124,110	-	121,216	121,216	-
Financial assets held for trading	85,466	85,466	-	116,439	116,439	-
Cash and cash equivalents	530,788	530,788	-	753,493	753,493	-
	3,519,988	3,519,988	-	3,406,149	3,406,149	-
Financial liabilities						
Debts	10,064,727	10,123,700	58,973	10,153,050	10,147,936	-5,114
Suppliers	973,636	973,636	-	1,285,375	1,285,375	-
Derivative financial instruments	188,068	188,068	-	88,127	88,127	-
	11,226,431	11,285,404	58,973	11,526,552	11,521,438	-5,114

44. Gains or losses on the sale of discontinued operations

In accordance with IFRS 5, the ONI assets and liabilities are presented in the consolidated balance of December 31 2006, by the total of acquired assets and liabilities in specific captions.

The income statement of discontinued operations as at 30 June 2006 includes the results of ONI.

The breakdown of this operation is presented in Note 38 – Assets and liabilities classified as held for sale and discontinued operations.

In January 2007, the EDP Group sold 100% of Oni SGPS, S.A. (Oni) share capital, a company that operates in the telecommunication sector. The transaction, in the amount of 95,261 thousand Euros, included the value of shares and shareholder credits. This transaction generated a loss, on a consolidated basis, of 12,808 thousand Euros at 31 December 2006.

45. CO_2 licenses

The movements for the **CO_2 licenses** is analysed as follows:

	Group Jun 2007	Group Dec 2006
	CO_2 (Ton)	CO_2 (Ton)
CO_2 licenses as at 1 January	-57,292	-1,125,149
Granted licenses	12,210,707	12,450,838
Acquired licenses	965,000	1,530,210
Transferred licenses (from consumption to trade)	-750,276	-1,373,626
	12,368,139	11,482,273
Licences to return in the period	7,259,602	11,539,565
Excess / (Lack) of licenses	5,108,537	-57,292

The licenses corresponding to the consumptions occured in each calendar year are returned to the regulatory entity of each country until the end of the fourth month of the subsequent year.

The excess / (lack) annual value calculation does not correspond to the net difference between the returned licenses value and the consumed licenses, because it also includes the difference between the unitary costs. The FIFO method is used to calculate the excess and the market value at year end is used to calculate the lack amount of licenses.

The movements for the **CO_2 licenses** held for trade are analysed as follows:

	Group Jun 2007	Group Dec 2006
	CO_2 (Ton)	CO_2 (Ton)
CO_2 Licenses held for trade in 1 January	258,416	20,000
Acquired licenses	760,000	537,000
Transferred licenses for trade	750,276	1,373,626
Sold licenses	-969,500	-1,672,210
	799,192	258,416
Fair value in 30 June 2007 and 31 December 2006	0.12	6.55
CO_2 licenses for trade (in thousand Euros)	96	1,693

The licenses acquisition and disposals are valuated based on transaction date value. The transferred licenses correspond to the exceeds licenses not consumed.

The fair value is related to the market value at the end of 30 June 2007 and 31 December 2006.

46. Relevant and subsequent events

Acquisition of Horizon Wind Energy by EDP

On 3 July 2007, EDP completed the acquisition of 100% of the share capital of Horizon Wind Energy LLC ("Horizon"), after fulfilment of the conditions that had been pending on the date of the purchase and sale contract signed on 27 March 2007 between EDP and Goldman Sachs. This agreement requires the necessary regulatory authorisations from the North American federal and state authorities. For the purposes of this acquisition, Horizon assets (enterprise value) were valued at US$2,740 million, including all investments made until that date by Goldman Sachs.

The acquisition of Horizon was financed with a syndicated bank loan of US$3,000 million, of which US$1,500 million is on a 1-year term (with an option to extend the term for a further year) and the other US$1,500 million on a 7-year term. The structuring of the loan was led by Barclays Capital and Citigroup.

Horizon transaction terms agreement with institutional investors

On 10 July 2007, Horizon agreed transaction terms with a consortium of institutional investors for their participation in a wind farm projects with a net capacity of 722 MW. The consortium is composed by JP Morgan, ABN Amro and Morgan Stanley, with the investors contributing a total of around US$700 million.

47. Environmental issues

Expenses of environmental nature are the expenses that were identified and incurred to avoid, reduce or repair damages of an environmental nature that result from the company's normal activity.

These expenses are booked in the profit and loss account of the year, except if they qualify to be recognised as an asset, according to IAS 16.

Investments of an environmental nature recognised as tangible fixed assets, for the Group, are analysed as follows:

	Group	
	Jun 2007 Euro'000	Dec 2006 Euro'000
Air and climate protection	87,634	117,212
Biodiversity and landscape protection	4,063	16,308
Waste management	1,610	2,177
Soil, subterranean and superficial water protection	5,266	1,676
Other management and environment protection activities	1,500	13,071
	100,073	150,444

Environment gains booked in the first half of 2007 are related with the sale of environmental subproducts totalling 1,926 thousand Euros (31 December 2006: 5,277 thousand Euros) and the sale of environmental nature waist of 3,246 thousand Euros (31 December 2006: 5,188 thousand Euros).

During the period, the Group recognised expenses that are analysed as follows:

	Group	
	Jun 2007 Euro'000	Dec 2006 Euro'000
Air and climate protection	2,954	1,157
Biodiversity and landscape protection	419	527
Waste management	1,043	2,702
Soil, subterranean and superficial water protection	206	1,358
Other management and environment protection activities	3,193	2,532
Trillo environmental taxes	-	2,226
Other expenses	659	2,525
	8,474	13,027

48. Segmental reporting

A business segment is a distinguishable component of the Group, that is engaged in providing products or services or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

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

49. Limited review

Following the changes introduced by CMVM Regulation no. 3/2006, the obligation to present a report prepared by an auditor registered with the CMVM for the financial statements for the first half of the year has been abolished.

Therefore, this report has not been submited to a limited review by external auditors.

EDP Group Activity by Business Segment

Information by business segment – June 2007

(Thousand Euros)

	Iberian Peninsula Operations																		
	Electricity													Gas					
	Generation					Distribution				Supply				Distribution					
	Portugal	**Spain**	**Brazil**	**France**	**Total**	**Portugal**	**Spain**	**Brazil**	**Total**	**Portugal**	**Spain**	**Brazil**	**Total**	**Portugal**	**Spain**	**Total**	**Other Operations**	**Consolidation Adjustments**	**EDP Group**
Revenue	883,433	490,351	84,910	2,916	1,461,611	2,335,149	268,069	832,558	3,435,775	155,878	386,789	109,741	652,408	54,417	864,244	918,661	120,785	-961,785	5,627,455
Cost of consumed electricity	-66,248	-6,200	-8,255	-	-80,703	-1,686,610	-194,572	-423,529	-2,304,710	-143,633	-359,803	-96,138	-599,574	-	-	-	-708	644,264	-2,341,431
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-27,225	-490,578	-517,803	-	-	-517,803
Changes in inventories and cost of raw material and consumables used	-247,632	-181,981	-178	324	-429,467	-9,097	-378	-5,363	-14,838	-3,018	-4,932	-	-7,950	-7	-259,132	-259,138	-49,147	254,941	-505,599
	569,553	302,170	76,477	3,240	951,441	639,442	73,119	403,666	1,116,227	9,227	22,054	13,603	44,884	27,185	114,534	141,720	70,930	-62,580	2,262,622
Other operating income / (expenses)																			
Other operating income	4,273	1,127	25	35	5,460	18,310	18,356	4,577	41,244	97	13,485	-	13,583	776	17,815	18,591	-198,435	169,089	49,532
Supplies and services	-49,460	-38,364	-4,774	-937	-93,535	-120,623	-26,502	-60,831	-207,956	-9,257	-14,446	-778	-24,482	-3,293	-30,659	-33,951	-75,840	111,541	-324,223
Personnel costs	-44,317	-21,553	-1,864	-137	-67,871	-97,142	-12,693	-42,186	-152,021	-2,580	-2,617	-1,538	-6,735	-2,217	-9,303	-11,520	-56,521	-3,752	-298,420
Employee benefits expenses	-11,413	-727	-	-	-12,140	-49,280	-512	-4,000	-53,792	-96	-71	-	-167	-4	-204	-208	-3,578	16,141	-53,744
Other operating expenses	-5,961	-37,720	-3,526	-127	-47,334	-124,938	-7,572	-50,948	-183,458	-723	-5,978	-2,364	-9,066	-1,637	-12,482	-14,118	199,379	-228,603	-283,200
	-106,878	-97,237	-10,139	-1,166	-215,420	-373,673	-28,923	-153,388	-555,983	-12,559	-9,627	-4,680	-26,867	-6,375	-34,833	-41,206	-134,995	64,416	-910,055
	462,675	204,933	66,338	2,074	736,021	265,769	44,196	250,278	560,244	-3,332	12,427	8,923	18,017	20,810	79,701	100,514	-64,065	1,836	1,352,567
Provisions	-3,954	367	-6	-	-3,593	-6,751	-	-7,217	-13,968	577	2,403	-	2,980	-84	-239	-323	-27,429	-	-42,333
Depreciation and amortisation expense	-138,271	-88,273	-12,141	-925	-239,610	-168,508	-15,193	-41,094	-224,795	-2,467	-1,176	-56	-3,699	-6,256	-15,574	-21,830	-23,372	-21,616	-534,922
Amortization of deferred income on partially funded properties received under concessions	1,798	347	-	-	2,145	42,377	1,233	4,904	48,514	-	-	-	-	700	775	1,475	58	-	52,192
	322,248	117,374	54,191	1,149	494,963	132,887	30,236	206,871	369,995	-5,222	13,654	8,867	17,298	15,170	64,663	79,836	-114,808	-19,780	827,504
Gains / (losses) from the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial income	41,249	43,772	1,804	342	87,167	8,850	290	24,299	33,439	912	865	1,598	3,376	575	7,912	8,487	281,472	-86,304	327,637
Other financial expenses	-61,999	-69,423	-18,909	-1,796	-152,126	-39,550	-5,510	-54,547	-99,608	-9,205	-260	-592	-10,057	-4,123	-14,045	-18,168	-326,496	108,382	-498,073
Share of profit of associates	7,178	1,216	2,458	-	10,852	-	-	-	-	-	-	-	-	1,212	113	1,325	1,395	-2,458	11,114
Profits before tax	308,676	92,939	39,544	-305	440,856	102,187	25,016	176,623	303,826	-13,515	14,259	9,873	10,617	12,834	58,643	71,480	-158,437	-160	668,182
Income tax expense	-66,625	-33,008	-9,792	4	-109,421	-15,405	-8,157	-61,231	-84,793	12,263	-4,129	-3,419	4,714	-3,793	-11,126	-14,919	22,312	5,454	-176,653
Profits after tax and before gain of discontinued operations	242,051	59,931	29,752	-301	331,435	86,782	16,859	115,392	219,033	-1,252	10,130	6,454	15,331	9,041	47,517	56,561	-136,125	5,294	491,529
Gains / (losses) on sale of discontinued operations net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	**242,051**	**59,931**	**29,752**	**-301**	**331,435**	**86,782**	**16,859**	**115,392**	**219,033**	**-1,252**	**10,130**	**6,454**	**15,331**	**9,041**	**47,517**	**56,561**	**-136,125**	**5,294**	**491,529**
Attributable to:																			
Equity holders of EDP	240,482	56,637	29,752	-295	326,578	86,782	16,329	115,392	218,503	-1,252	9,491	6,454	14,692	5,741	39,508	45,252	-130,358	-52,595	422,072
Miniority interests	1,569	3,294	-	-6	4,857	-	530	-	530	-	639	-	639	3,300	8,009	11,309	-5,767	57,889	69,457
Profit for the period	**242,051**	**59,931**	**29,752**	**-301**	**331,435**	**86,782**	**16,859**	**115,392**	**219,033**	**-1,252**	**10,130**	**6,454**	**15,331**	**9,041**	**47,517**	**56,561**	**-136,125**	**5,294**	**491,529**
Other information:																			
Property, plant and equipment	3,890,049	3,293,806	930,163	89,609	8,203,627	4,268,776	565,305	1,242,677	6,076,758	89,142	4,064	4,158	97,365	265,917	468,062	733,979	134,769	226,805	15,473,302
Intangible assets	899,771	1,255,161	82,778	67,566	2,305,275	-	235,406	58,695	294,101	-	10	205	215	89,761	678,800	768,561	1,108,491	-48,375	4,428,268
Current assets	364,641	606,720	85,431	24,916	1,081,707	1,112,376	100,477	519,425	1,732,278	89,442	181,400	54,696	325,537	-222,526	669,502	446,976	-886,638	846,552	3,546,413
Shareholders' equity and minority interest	152,614	1,342,118	668,218	-14,707	2,148,243	-1,778,503	264,348	861,203	-652,951	-152,635	-183,629	18,355	-317,909	-180,063	534,720	354,657	5,976,932	-610,350	6,898,622
Current liabilities	2,670,488	2,150,234	164,372	27,729	5,012,823	2,488,143	302,522	609,409	3,400,074	153,151	157,841	28,179	339,171	-692,343	500,069	-192,275	-4,570,848	992,822	4,981,767

EDP Group Activity by Business Segment

Information by business segment – June 2006
(Thousand Euros)

	Electricity												Gas					Continuing Operations		
	Generation				Distribution				Supply				Distribution							
	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Portugal	Spain	Brazil	Total	Portugal	Spain	Total	Other Operations	Adjustments Consolidation	EDP Group	Discontinued Operations	EDP Group
Revenue	1,055,082	559,347	70,235	1,684,664	2,117,213	96,664	788,584	3,002,461	213,580	342,953	93,843	650,375	54,021	490,919	544,939	513,199	-1,232,252	5,163,387	78,481	5,241,868
Cost of consumed electricity	-154,501	-46,805	-23,547	-224,853	-1,515,872	-48,893	-511,063	-2,075,829	-229,183	-420,332	-80,991	-730,506	-	-61,607	-61,607	-183,637	936,168	-2,340,264	-	-2,340,264
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-	-	-	-29,210	-336,705	-365,915	-	-	-365,915	-	-365,915
Changes in inventories and cost of raw material and consumables used	-326,263	-186,488	-118	-512,869	-7,605	1,013	-8,690	-15,283	-3,403	-10,028	-10	-13,440	-22	-8,514	-8,536	-205,664	185,996	-569,796	-5,874	-575,670
	574,318	326,054	46,570	946,942	593,736	48,784	268,830	911,350	-19,006	-87,407	12,842	-93,571	24,789	84,093	108,882	123,898	-110,088	1,887,412	72,607	1,960,019
Other operating income / (expenses)																				
Other operating income	6,476	3,426	-31	9,870	18,117	5,844	5,909	29,870	1,875	11,419	7	13,301	622	1,028	1,650	271,815	-278,302	48,203	1,968	50,171
Supplies and services	-48,552	-32,314	-14,373	-95,238	-115,590	-25,776	-52,803	-194,169	-4,947	-12,521	-1,279	-18,747	-3,699	-17,437	-21,136	-76,736	108,440	-297,586	-56,912	-354,499
Personnel costs	-39,942	-18,907	-881	-59,730	-97,476	-12,933	-65,921	-176,330	-3,009	-2,694	-1,229	-6,932	-2,031	-9,856	-11,887	-49,904	-1,080	-305,863	-12,896	-318,759
Employee benefits expenses	-7,495	-719	-	-8,213	-29,333	-415	-	-29,748	-185	-64	-	-249	-5	-160	-165	-4,148	6,754	-35,770	-44	-35,814
Other operating expenses	-12,946	-6,052	-1,267	-20,264	-116,921	-3,993	-33,228	-154,142	-10,192	-3,781	-13	-13,985	-1,051	-6,643	-7,693	-254,540	218,461	-232,165	-2,423	-234,588
	-102,458	-54,566	-16,551	-173,575	-341,204	-37,273	-146,043	-524,520	-16,458	-7,641	-2,514	-26,613	-6,163	-33,069	-39,232	-113,513	54,273	-823,181	-70,307	-893,489
	471,860	271,488	30,018	773,366	252,532	11,511	122,787	386,830	-35,464	-95,048	10,328	-120,184	18,626	51,024	69,650	10,385	-55,815	1,064,231	2,300	1,066,530
Provisions	-	-330	-14	-344	-1,562	-	-2,180	-3,742	703	7,504	-	8,207	43	-	43	-3,226	-5,000	-4,062	-4,018	-8,080
Depreciation and amortisation expense	-114,927	-67,200	-4,060	-186,187	-168,314	-12,608	-41,755	-222,677	-2,363	-1,352	-59	-3,774	-3,775	-15,184	-18,959	-21,884	-31,663	-485,143	-20,406	-505,549
Amortization of deferred income on partially funded properties received under concessions	2,091	202	-	2,293	41,119	1,061	4,390	46,570	-	-	-	-	701	727	1,428	248	-109	50,430	-	50,430
	359,025	204,160	25,944	589,128	123,775	-36	83,242	206,981	-37,124	-88,896	10,270	-115,750	15,595	36,567	52,162	-14,477	-92,587	625,456	-22,124	603,331
Gains / (losses) from the sale of financial assets	-	43	-	43	-	402	-	402	-	-	-	-	-	3	3	-	2,386	2,834	-	2,834
Other financial income	50,267	6,479	2,039	58,786	6,018	8	47,991	54,017	172	571	1,886	2,629	812	4,073	4,885	553,414	-263,683	410,048	471	410,519
Other financial expenses	-79,654	-23,420	-5,589	-108,662	-26,732	-5,567	-98,269	-130,569	-8,032	-223	-331	-8,586	-3,550	-1,095	-4,645	-548,230	364,946	-435,746	-10,726	-446,472
Share of profit of associates	6,478	465	1,677	8,621	-	-	-	-	-	-	-	-	-	145	145	15,011	-6,898	16,879	-	16,879
Profits before tax	336,116	187,727	24,071	547,915	103,061	-5,193	32,964	130,831	-44,983	-88,548	11,824	-121,707	12,856	39,694	52,550	5,718	4,164	619,471	-32,379	587,091
Income tax expense	-81,277	-61,495	-5,900	-148,671	-16,441	1,710	-16,558	-31,289	9,833	31,023	-4,082	36,774	-3,736	-13,117	-16,853	-5,877	-17,895	-183,811	617	-183,194
Profits after tax and before gain of discontinued operations	254,840	126,233	18,171	399,244	86,620	-3,483	16,406	99,543	-35,151	-57,526	7,743	-84,934	9,120	26,577	35,697	-159	-13,731	435,660	-31,762	403,897
Gains / (losses) on sale of discontinued operations net of tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	**254,840**	**126,233**	**18,171**	**399,244**	**86,620**	**-3,483**	**16,406**	**99,543**	**-35,151**	**-57,526**	**7,743**	**-84,934**	**9,120**	**26,577**	**35,697**	**-159**	**-13,731**	**435,660**	**-31,762**	**403,897**
Attributable to:																				
Equity holders of EDP	254,841	124,982	18,171	397,995	86,620	-3,483	16,406	99,543	-35,151	-57,526	7,743	-84,934	9,120	15,468	24,588	-562	-30,216	406,414	-31,762	374,651
Miniority interests	-1	1,250	-	1,249	-	-	-	-	-	-	-	-	-	11,109	11,109	403	16,485	29,246	-	29,246
Profit for the period	**254,840**	**126,232**	**18,171**	**399,244**	**86,620**	**-3,483**	**16,406**	**99,543**	**-35,151**	**-57,526**	**7,743**	**-84,934**	**9,120**	**26,577**	**35,697**	**-159**	**-13,731**	**435,660**	**-31,762**	**403,897**
Other information:																				
Property, plant and equipment	3,859,369	2,263,366	605,128	6,727,864	4,228,241	550,551	980,350	5,759,142	88,245	747	202	89,194	233,407	443,439	676,846	495,193	379,253	14,127,492	-	14,127,492
Intangible assets	61,836	228,264	306,951	597,051	-	1,410	43,661	45,071	-	2,698	180	2,878	26,917	647,507	674,423	851,809	1,548,470	3,719,701	-	3,719,701
Current assets	762,719	392,385	50,577	1,205,680	1,153,238	99,077	435,260	1,687,576	119,360	101,170	66,425	286,955	31,500	298,308	329,808	6,074,888	-4,665,764	4,919,142	-	4,919,142
Shareholder's equity and minority interests	1,957,801	1,201,173	588,122	3,747,096	185,778	211,927	552,732	950,437	-47,731	-197,350	18,083	-226,998	84,372	1,132,802	1,217,174	10,071,382	-9,568,573	6,190,519	-	6,190,519
Current liabilities	664,685	818,543	119,620	1,602,848	2,840,055	174,199	760,559	3,774,813	252,670	119,044	48,744	420,458	114,419	224,832	339,250	6,182,613	-6,209,785	6,110,197	-	6,110,197

* Including secondary operations in France